

WAR EXPENDITURES

HEARINGS

BEFORE

SUBCOMMITTEE No. 1

(AVIATION)

OF THE

SELECT COMMITTEE ON EXPENDITURES
IN THE WAR DEPARTMENT

HOUSE OF REPRESENTATIVES

SIXTY-SIXTH CONGRESS

FIRST SESSION

ON

WAR EXPENDITURES

VOL. 2

Hon. JAMES A. FREAR, *Chairman*

Hon. WALTER W. MAGEE

Hon. CLARENCE F. LEA

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WAR EXPENDITURES.

SUBCOMMITTEE No. 1 (AVIATION) OF THE SELECT COMMITTEE ON EXPENDITURES IN THE WAR DEPARTMENT, HOUSE OF REPRESENTATIVES, *Seattle, Wash., August 23, 1919.*

The subcommittee met at 10 o'clock a. m., pursuant to adjournment, Hon. James A. Frear (chairman) presiding.

Also present: Hon. Walter W. Magee and Clarence F. Lea.

Mr. FREAR. Mr. Donovan, we will hear you now.

TESTIMONY OF MR. J. J. DONOVAN.

(The witness was sworn by Mr. Frear.)

Mr. DONOVAN. Mr. Chairman, may I say just a word?

Mr. FREAR. We would rather conduct our examination in our own way. Now, Mr. Lea has been invited to begin the examination, and that is to prevent statements being made that sometimes interject matters that are not properly to be introduced as evidence, opinions, and things that would not be properly brought in; and we have adopted that plan from the start and endeavored to conform as well as we could to ordinary investigating practices. Then if, afterwards, when we have completed the examination, there is something that you want to add or state to the committee we would rather have it come at that time. But these preliminary statements are not desired by the committee and are never accepted by investigating committees.

Mr. LEA. Mr. Donovan, where do you reside?

Mr. DONOVAN. At Bellingham, Wash.

Mr. LEA. How long have you resided in Washington?

Mr. DONOVAN. More than 30 years, continuously.

Mr. LEA. How old are you?

Mr. DONOVAN. Sixty.

Mr. LEA. What is your business?

Mr. DONOVAN. Civil engineer and lumberman.

Mr. LEA. I wish you would state your experience as an engineer and lumberman, and, in a general way, your relation to the lumber industry in Washington.

Mr. DONOVAN. I am a graduate civil engineer of an eastern institution, of the Worcester Polytechnic. I practiced my profession actively with the Northern Pacific Railway in the West for between six and seven years, and then became chief engineer of various small railways in Montana and in Bellingham, in Whatcom County, and in British Columbia. I gave up that work in 1906 to give my whole time to lumbering, particularly giving my time to the construction

of railways and the management of the woods, and I have continued that ever since.

Mr. LEA. At the present time you are interested in both logging and milling, are you?

Mr. DONOVAN. Yes, sir.

Mr. LEA. And the place of your plant is at Bellingham?

Mr. DONOVAN. We have a number of plants; Bellingham is the main plant. The Bloedel-Donovan Lumber Mills is the title of our company.

Mr. LEA. All in the State of Washington?

Mr. DONOVAN. All in the State of Washington; yes, sir.

Mr. LEA. Now, you were engaged with these railroad companies in the construction of railroads, were you, as an engineer?

Mr. DONOVAN. Yes, sir.

Mr. LEA. What is the capacity of your mill at Bellingham?

Mr. DONOVAN. We have three mills at Bellingham and one at Skykomish; our capacity is 600,000 feet of lumber in eight hours.

Mr. LEA. In the one mill?

Mr. DONOVAN. In all the mills.

Mr. LEA. Combined output, or the output of each mill?

Mr. DONOVAN. Combined output.

Mr. LEA. Are you acquainted with Col. Disque?

Mr. DONOVAN. Yes, sir.

Mr. LEA. When did you become acquainted with him?

Mr. DONOVAN. I met him, together with half a dozen other gentlemen, in Portland, Oreg., on the occasion of his first visit to the coast, as I understood it, being either the latter part of October or early in November of 1917.

Mr. LEA. Where did you meet him at that time?

Mr. DONOVAN. I met him at the Benson Hotel.

Mr. LEA. Was it in any relation to spruce production?

Mr. DONOVAN. It was on a call for a few gentlemen to meet Col. Disque and endeavor to explain the lumber situation.

Mr. LEA. What was the occupation of these men that met with Col. Disque at that time?

Mr. DONOVAN. They were all lumbermen.

Mr. LEA. All men engaged there on the Pacific coast in the lumber industry?

Mr. DONOVAN. Yes, sir.

Mr. LEA. And what resulted from that meeting, if anything, or what followed it, as far as this enterprise was concerned?

Mr. DONOVAN. Col. Disque came from Portland within a day or two to the Sound and, I understand, had consultations at Tacoma and at Seattle with other lumbermen. I did not attend the Seattle conference and I only saw him for a short time at Tacoma. Then he went back East.

Mr. LEA. What, if any, official relation do you have in reference to the Spruce Production Corporation?

Mr. DONOVAN. I am a director of the Spruce Production Corporation.

Mr. LEA. When did you become a director?

Mr. DONOVAN. The first meeting of that corporation was a year ago, two days ago; it was on the 21st of August, 1918.

Mr. LEA. You were one of the original directors, were you?

Mr. DONOVAN. Yes, sir.

Mr. LEA. Were there any other men connected with the lumber industry of the Pacific coast who were members of the directorate, or were directors, at that time?

Mr. DONOVAN. Yes, sir.

Mr. LEA. Who were the other members?

Mr. DONOVAN. One was Mark Reed, of Shelton; another was Amos Benson, of Portland.

Mr. LEA. In a general way, will you state the experience and qualifications of these men in the lumber industry?

Mr. DONOVAN. Mr. Benson's experience I am not familiar with, but he is considered a lumberman. Mark Reed is one of the heaviest loggers, has one of the largest camps, and has been engaged in the business about as long as anyone in the State of Washington. His headquarters are at Shelton, Wash.

Mr. LEA. What were the general duties of the board of directors of the Spruce Production Corporation?

Mr. DONOVAN. The same duties that directors would have in any corporation.

Mr. LEA. And how often would the board hold meetings?

Mr. DONOVAN. The regular meetings, once a month. I think one, or possibly two, of those regular meetings have been passed; but, on the other hand, there have been a number of special meetings to dispose of special questions as they arose.

Mr. LEA. Did you attend most of those meetings?

Mr. DONOVAN. I think I have attended all but one; possibly two.

Mr. LEA. Can you, for the information of this committee, state to what extent Col. Disque conferred with the practical lumbermen of the Pacific coast in carrying out the work of spruce production?

Mr. DONOVAN. He was in almost constant conference with them.

Mr. LEA. And were the relations between the board of directors and Gen. Disque harmonious or not?

Mr. DONOVAN. They were very harmonious.

Mr. LEA. Did the lumbermen concur with him in the plan of operation that was followed; that is, the lumbermen on the board of directors?

Mr. DONOVAN. Since that corporation was organized, yes; they may have had differences prior to the organization on some points.

Mr. LEA. That was under the Spruce Production Division, was it, prior to that time?

Mr. DONOVAN. Yes.

Mr. LEA. Were you associated with the Spruce Production Division?

Mr. DONOVAN. Only as other lumbermen were associated with it, in the endeavor to help. I had no official position.

Mr. LEA. When did the riving operations begin?

Mr. DONOVAN. They began before I was on the corporation. They began, I think, early in 1918; probably in January; perhaps even earlier. I am not familiar with them except in a small way.

Mr. LEA. And did the riving operations continue for any considerable time after the Spruce Production Corporation was organized?

Mr. DONOVAN. They continued, but not on a large scale.

Mr. LEA. Will you briefly explain what is meant by the riving operation and what, if any, reason there was for that method of operation?

Mr. DONOVAN. Going into the woods and selecting special trees, cutting them down, taking the butt log which was cleared and split up into pieces that could be hauled out over narrow or imperfect roads to railways or to water, where it could be floated.

Mr. LEA. And what was the reason for proceeding by that method instead of the usual custom of logging?

Mr. DONOVAN. The endeavor to get quickly cleared spruce from places where otherwise it could not be had. It was a temporary expedient.

Mr. LEA. Were these operations conducted where there were ordinary means of transportation, or not?

Mr. DONOVAN. Not to my knowledge.

Mr. LEA. Were you consulted in reference to the contract with Mr. Erickson for the removal of the logs from the woods to the road to Lake Pleasant?

Mr. DONOVAN. Yes, sir.

Mr. LEA. State whether or not you agreed to giving Mr. Erickson that contract, and the reasons for that.

Mr. DONOVAN. Yes. We all agreed, because the contract was to salvage the logs along the right of way, estimated at 30,000,000 feet, and we estimated that if they were saved promptly, at the present price of logs, under that contract, we would retrieve somewhere between \$100,000 and \$150,000 of the cost of that railway for the Government.

Mr. LEA. Were those logs spruce logs or logs of general character?

Mr. DONOVAN. General character.

Mr. LEA. And they were cut down simply to clear the right of way?

Mr. DONOVAN. Exactly.

Mr. LEA. What were the terms of sale; how much was the Government to receive for these logs?

Mr. DONOVAN. I do not recall the details of that; the contract will show for itself.

Mr. LEA. Were you consulted with reference to the Siems-Carey railroad contract?

Mr. DONOVAN. No, sir.

Mr. LEA. That contract was executed before the Spruce Production Corporation was organized; is that so?

Mr. DONOVAN. Yes, sir.

Mr. LEA. Were you on this railroad at any time that construction work was being carried on by the Siems-Carey Co.?

Mr. DONOVAN. Yes, sir.

Mr. LEA. I wish you would tell the committee what you saw as to the methods of work and carrying on the operations in reference to the railroad.

Mr. DONOVAN. I was there in the last week of September. I went up there from this city because of certain discussions, which were referred to yesterday, among the loggers; and I went from Port Angeles to Lake Pleasant, I started to go on the loop, but it was a very rainy day and I did not go very far, and I came back to Port

Angeles. I saw as much as was possible in a hasty trip of that kind, being actually away from Port Angeles about two days. I saw the same class of construction carried on that I had seen when I was in charge of the west half of the Cascade Division of the Northern Pacific 30 years before.

Mr. LEA. What did you see, as to the efficiency and quality of the work that was conducted there by the Siems-Carey Co.?

Mr. DONOVAN. The quality of the work and the speed with which it was conducted were the best I have ever seen. As to efficiency, the character of the men and the conditions under which they worked did not make for economic efficiency.

Mr. LEA. Who are Siems & Carey; what is that company; who do you know about the contractors who compose it?

Mr. DONOVAN. Mr. Siems is dead. He was alive at this time. His father, Peter Siems, built up a contracting company that had much to do with the construction of the Great Northern and other railways and had a very high reputation for being able to do work. Mr. Carey I know little about, excepting that I have been told that he had worked on the Panama Canal, and that he had contracts in China.

Mr. LEA. Of what character was that contract?

Mr. DONOVAN (continuing). And Mr. Lerbaugh, the other member of the firm, I never met but once, and I understood at that time that he had had extensive work on the Pennsylvania Railway, and one remark he made which impressed me was that he had as many as 40 steam shovels at work at one time on Pennsylvania construction; but that is all I know about him or his work.

Mr. LEA. Was this China contract to which you referred, according to your information, a railroad contract?

Mr. DONOVAN. Railway and canals.

Mr. LEA. What, if any, information are you able to give the committee as to the reasonableness or unreasonableness of the cost of constructing this railroad at that time and under the conditions then prevailing?

Mr. DONOVAN. I was told the first shovel was struck in the work on the 12th of July, and I was there—I have not any memorandum—the last week in September. The amount of work negotiated in that time could only have been done by covering the work with men and crowding it in a way that does not make for cheap work. It was necessarily very expensive, crowded and hurried in the way that it was.

Mr. LEA. Will you state a little more explicitly what you mean by the increased cost that would come on account of the speed required to build this road?

Mr. DONOVAN. For two reasons: One was that every important cut and tunnel, and there were two tunnels, had to be worked three shifts, in order to get there; and the other was that the labor, much of it, consisted of private soldiers detailed for work that they were not particularly qualified to do.

Mr. LEA. They were inexperienced in that line of work?

Mr. DONOVAN. Inexperienced in that line of work.

Mr. LEA. What, if any, relation did the amount of timber on the right of way have to do with the total cost?

Mr. DONOVAN. That in a way was the least of their troubles, although clearing the timber in any railway construction in this country is a heavy item in the cost; but it was not extraordinary.

Mr. LEA. Does the performance of that work at night materially decrease results in proportion to the expenses?

Mr. DONOVAN. It does not if you have had five or six months' training for your crews, but with green crews it materially decreases the amount of material that you can handle. It takes months to bring a crew for night work to the same point of efficiency as a day crew. It can be done, and is done on all big work.

Mr. LEA. Did you have any opportunity of observing the logging operations of the Siems-Carey Co.?

Mr. DONOVAN. No, sir; only the preparations.

Mr. LEA. What knowledge have you as to the preparations?

Mr. DONOVAN. I saw the maps and plans and the machinery, and would say that the preparations seemed to me very complete.

Mr. LEA. You did not visit that locality while they were operating with the logs?

Mr. DONOVAN. At that time they were only preparing to operate. That was in September; they expected to deliver logs the 1st of December, but their logging spurs were well under way, including this 70-mile loop, and their plans, as shown me, were complete.

Mr. LEA. What was the 70-mile loop? Just explain for the record.

Mr. DONOVAN. That was the logging railway which was part of the second contract; they themselves were building that as part of the cost of these 250,000,000 feet of flitches which they were to produce for the Government, and it swung around and made a circle in this district which had been selected as the best spruce district in the State of Washington; and from that loop the line led into Lake Pleasant and thence on over this Government railway, which was the first contract, to Port Angeles; but from the loop spurs were thrown out in every direction leading into the particular sections where the spruce predominated.

Mr. LEA. What was the length of the loop?

Mr. DONOVAN. I didn't go around it. I said 70 miles. That is the figure that is in my mind, but that may not be correct. There were 130 miles of railway planned at that time for the logging part of it.

Mr. LEA. Are you in a position to give us any information as to whether or not they had practical men to aid them in carrying out the logging operations?

Mr. DONOVAN. I did not know their men, but Mr. McFarland, who was reputed to be their logging superintendent, bears an excellent reputation generally in this country.

Mr. LEA. As what?

Mr. DONOVAN. As a logging superintendent.

Mr. LEA. A man of experience, is he?

Mr. DONOVAN. Yes, sir.

Mr. LEA. Do you know where the Blodgett tract is located?

Mr. DONOVAN. I never have seen it, but I know where it is.

Mr. LEA. Were you consulted as to its purchase?

Mr. DONOVAN. I advised its purchase.

Mr. LEA. Will you briefly state to the committee the facts in reference to that purchase and your connection with them?

Mr. DONOVAN. The first effort was to buy the spruce alone from Mr. Blodgett in order to have that stumpage disposed of without condemnation.

Mr. LEA. To begin with, if you will state where the Blodgett tract is.

Mr. DONOVAN. It is in southern Oregon on one of the logging railways built by the Spruce Production Division and the Spruce Production Corporation, and the railway leads into and feeds the so-called Toledo mill from the south side of the river. The Toledo mill is on the north side of the river.

Mr. LEA. That tract of timber, as I understand it, was purchased after the armistice?

Mr. DONOVAN. All the arrangements were made before the armistice. The negotiations had been going on for several months.

Mr. LEA. Mr. Blodgett was the owner of that tract, I presume?

Mr. DONOVAN. I suppose so. It was understood that the title was to be perfect.

Mr. LEA. What was the reason for completing the purchase after the armistice was signed?

Mr. DONOVAN. In order to give value to the railway that had been constructed.

Mr. LEA. A railroad had been constructed for the purpose of removing the timber from this tract?

Mr. DONOVAN. Yes; and other tracts.

Mr. LEA. About what was the extent of that railroad?

Mr. DONOVAN. As I say, I never was down there. I think it was something like 20 miles.

Mr. LEA. What were your reasons for advising this purchase, if any, other than what you have stated? How about the cost of the tract?

Mr. DONOVAN. Well, I considered the price low, and a good purchase from a commercial point of view. We would have had to pay about somewhere between four and five hundred thousand dollars for the spruce alone. It would cost something over \$2 a thousand. And we got the entire tract at a cost of about 80 cents a thousand for all the timber that was on it. If I were not connected with the Spruce Corporation I would like to have bought it myself. It is a good buy for anybody to-day.

Mr. LEA. So your judgment was that the railroad and the timber together was a valuable property, but the railroad without the timber was not very valuable, is that the idea?

Mr. DONOVAN. Exactly, sir.

Mr. LEA. Were you consulted by Col. Disque in reference to the plan of expansion of the railroad plan of operation in order to produce spruce?

Mr. DONOVAN. In a general way; yes.

Mr. LEA. That plan was adopted before the corporation was organized, I believe?

Mr. DONOVAN. Yes. Col. Disque had special advisors whose duty it was to advise on those things more closely than the other loggers. The principal one from this State was Mr. Mark Reed.

Mr. LEA. He was the gentleman you have referred to already?

Mr. DONOVAN. Yes.

Mr. LEA. In view of the demand for spruce timber that was made by the aircraft service, what, in your judgment, was the necessity for this program of expansion?

Mr. DONOVAN. Because the demands of the Government were far and away beyond what any of us here ever thought was going to be required.

Mr. LEA. To begin with, you people here on the coast had nothing to do with program?

Mr. DONOVAN. No, sir. We were told to deliver the goods.

Mr. LEA. It was your part to respond to their demand?

Mr. DONOVAN. Yes, sir.

Mr. LEA. Now, do you know of any other way of meeting those demands without a program of expansion involving railroad construction?

Mr. DONOVAN. No, sir; I do not.

Mr. LEA. Do you know of any practical lumberman who has suggested any plan of meeting those demands without railroad expansion?

Mr. DONOVAN. They all called for railway expansion. That was necessary, but there were differences of opinion as to how that expansion should be made.

Mr. LEA. Did you have anything to do with the determination to adopt the selective logging plan?

Mr. DONOVAN. No, sir.

Mr. LEA. Did that work progress far enough to give any practical basis on which to judge of its success or failure?

Mr. DONOVAN. Yes, sir; it did.

Mr. LEA. Now, I wish you would give the committee your information upon that subject.

Mr. DONOVAN. I do not wish to take the time of the committee with hearsay. I did not go into any of the places where there was selective logging, but Mr. E. S. Grammer, who is a member of the Spruce Production Corporation, is personally familiar with that. I would prefer that you should get the statement first hand.

Mr. LEA. Is he a practical logger?

Mr. DONOVAN. He is the president of the Admiralty Logging Co., and one of the most practical loggers in the Northwest.

Mr. LEA. Where is Mr. Grammer?

Mr. DONOVAN. He has an office in this city in the Walker Building.

Mr. LEA. I would like to have him as a witness if we can get him.

Mr. FREAR. We will call him.

Mr. LEA. Did you have anything to do with the construction of the Toledo mill and the Port Angeles mills?

Mr. DONOVAN. No, sir.

Mr. LEA. When was their construction agreed upon, do you know?

Mr. DONOVAN. I do not know the dates when those things were agreed upon.

Mr. LEA. Have you visited the Toledo mill?

Mr. DONOVAN. No, sir.

Mr. LEA. Have you visited the Port Angeles Mill?

Mr. DONOVAN. Only to pass it by at the time I went up there in September, 1918.

Mr. LEA. Do you know the general character of the plans for its construction and operation?

Mr. DONOVAN. Yes.

Mr. LEA. What is your judgment, as a practical milling man, as to whether or not it was advisable to construct that mill at Port Angeles?

Mr. DONOVAN. I opposed the construction of that mill, as an individual, as a lumberman.

Mr. LEA. And for what reasons?

Mr. DONOVAN. Because I, in common with most other lumbermen, thought we had mills enough on the Sound to take care of the logs.

Mr. LEA. And that was true, wasn't it?

Mr. DONOVAN. The Seims-Carey people, who had undertaken to furnish 250,000,000 feet of flitches in 18 months from May 12, I think it was, did not think it was true, and so they built the mill.

Mr. LEA. Now, looking back at the transaction, do you still entertain the same judgment as to whether or not it should have been constructed, assuming that the program was to be carried out, that is, the production program?

Mr. DONOVAN. The mill was really in the nature of insurance. The question was whether the emergency warranted further insurance than the mills on the Sound could give.

Mr. LEA. Now, will you explain a little further what you mean by that, Mr. Donovan?

Mr. DONOVAN. That mill was located right at the point where the logs from the railway past Lake Crescent came into the Sound, and they could saw the logs without any towing or taking any risk. Excepting for the big mill of the Puget Sound Saw Mills & Shingle Co. at Port Angeles the logs would have to be brought across to mills on this side of the Sound, or to the mills—would have to be towed from Port Angeles.

Mr. LEA. So that the avoiding of towing was what you regard as the important consideration in the construction of that mill?

Mr. DONOVAN. It is the one that I suppose the people who decided that consider important.

Mr. LEA. Well, what, if any, importance did the establishment of a cut-up plant in connection with it have to the wisdom of constructing it?

Mr. DONOVAN. If the mill was to be constructed at all then the addition of a cut-up unit was the proper thing. That part of it I approved of. That came up after I came on the board.

Mr. LEA. I wish you would give the committee your information in reference to the success or failure of the cut-up plant work.

Mr. DONOVAN. Where, at Vancouver?

Mr. LEA. You are familiar with the Vancouver operation, are you not?

Mr. DONOVAN. Yes, sir.

Mr. LEA. Yes; in reference to that plant. In the first place, that was the only cut-up plant in operation, was it?

Mr. DONOVAN. Yes, sir.

Mr. LEA. Now, if you will tell the committee about its work and whether or not it was a success or failure, and why?

Mr. DONOVAN. The cut-up plant was built in order to get straight-grained material that was vital for the proper construction of airplanes, and that plant was built to take the rived spruce and the

flitches that were furnished by any mill that could furnish them, and cut that material to the best advantage. They had the special machinery and specially trained men, and of all the various operations that were conducted that should be entirely free from criticism, because they did good work. It was entirely justified.

Mr. LEA. How as to the value of the product from the cut-up mill, as compared with the product of the ordinary sawmill?

Mr. DONOVAN. They saved a larger percentage of the straight-grain spruce.

Mr. LEA. That is, there was more usable timber, proportionately, came from the cut-up mills than the other mills?

Mr. DONOVAN. Yes.

Mr. LEA. I presume you haven't any exact figures on that?

Mr. DONOVAN. I have not. They can be given, however.

Mr. LEA. Well, we will try to get those at Portland. I presume those will be available at Portland.

Mr. DONOVAN. Col. Stearns can secure them for you.

Mr. LEA. What is your general idea about the returns that should be received from the sale of this Siems-Carey Railroad to Pleasant Lake?

Mr. DONOVAN. Well, that is a hard question to answer, Mr. Lea.

Mr. LEA. I was only asking for a general idea as to what it should bring.

Mr. DONOVAN. Somewhere from a third to one-half of what was actually expended on it. .

Mr. LEA. What would you consider its reproduction value at this time? I do not mean any figures, but the basis of determining its reproduction value.

Mr. DONOVAN. Reproduction value not much over half what it cost.

Mr. LEA. How do you arrive at that conclusion?

Mr. DONOVAN. Reproduced without being in a rush; reproduced with efficient men. I say "efficient;" I mean efficient in producing the proper number of shovelful of earth per man per day.

Mr. LEA. I presume an efficient reproduction of that road would require a greater length of time for its construction, materially so, wouldn't it?

Mr. DONOVAN. Three times the length of time that was taken.

Mr. LEA. Do you know what the plan of operation was? Whether they worked from one end or from various points?

Mr. DONOVAN. They worked from every point they could get at, and they had a fine highway there that enabled them to get at it.

Mr. LEA. From different points?

Mr. DONOVAN. Yes, sir.

Mr. LEA. Well, were construction operations going on at the same time at various portions of the road from one end to the other?

Mr. DONOVAN. They were when I was there in September. It must have been practically from the beginning to make the showing that they did.

Mr. LEA. Now, Mr. Donovan, what, if any, relation did you have to the organization of the Loggers' Loyal Legion?

Mr. DONOVAN. That was discussed at the very first meeting in the Benson Hotel, in Portland, when Col. Disque first came out here.

Not under that name; the name came later. But the idea was to try and form some kind of an organization where the workmen could be consulted and where an appeal would be made to their loyalty and patriotism to produce the necessary lumber. And later, after it was organized, as a result of conventions of employers and employees, and the pledge agreed upon and the badges and the method of organization, I served a year ago for six months on the so-called central council of the Loyal Legion. That was the ultimate organization, where 12 employers and 12 employees met every 90 days in Portland to settle all questions that might come up, being brought up from the locals in the plants and from the district organizations that existed in 12 different districts. I represented the eighth district, as an employer, and that organization, from the day that the Loyal Legion was started down to the 1st of July of this present year, carried on the lumber business both in the camps and in the mills without a single strike or loss of a single day's work, and to the mutual satisfaction of the men and of the employers. It was one of the greatest accomplishments, considering the conditions when Col. Disque took hold of this matter, that was accomplished here during the war.

Mr. LEA. What were the labor conditions at the time Col. Disque took hold of the operations here?

Mr. DONOVAN. They were very bad.

Mr. LEA. Will you explain more specifically what you mean by that?

Mr. DONOVAN. Just as soon as the war started the I. W. W. became active in the woods. Whether there was a connection between them and the German propaganda is not for me to say.

Mr. LEA. Were any acts of sabotage committed in this territory?

Mr. DONOVAN. Numerous acts of sabotage.

Mr. LEA. Of what character were these acts?

Mr. DONOVAN. Driving spikes in logs, blowing up donkey engines, burning forests, putting emery in bearings, anything to delay production—interfere.

Mr. LEA. Did you have any experiences of that kind with reference to your operations?

Mr. DONOVAN. Too much of it.

Mr. LEA. What did you have in your own experience?

Mr. DONOVAN. We had a very bad fire, interfering greatly with our production, that was set by an I. W. W. We had a donkey engine blown up and a man killed. I can not prove that that was done on purpose, but I think it was. And we had an average of a spike in a log in our mill at least once a week, wherein the ordinary course of procedure we would get a spike naturally once in six months or a year.

Mr. LEA. What is the result of a spike in a log in that way?

Mr. DONOVAN. It sends the saw flying frequently in pieces around about the mill, to the great danger of the men. Fortunately we never had anybody killed or hurt, but we had numerous saws spoiled.

Mr. LEA. Were there any other particular acts that you now recall?

Mr. DONOVAN. Those are enough.

Mr. LEA. Were there any fires set on board ships that went out of this harbor or the sound?

Mr. DONOVAN. One ship that loaded for China at our dock was reported on fire at sea from an incendiary bomb placed on board at Bellingham. I do not recall the name of the ship.

Mr. LEA. The conditions such as you have referred to, were they localized at any particular plant, or was that a general condition that prevailed here?

Mr. DONOVAN. It was a general condition all over the Northwest. I will say right here, though, that not over 20 per cent of the men were involved, but that 20 per cent that was involved made chaos.

Mr. LEA. You mean to say that the other 80 per cent were loyal men?

Mr. DONOVAN. They proved it later in the Loyal Legion.

Mr. LEA. The object of this Loyal Legion was to combat and correct that condition?

Mr. DONOVAN. Yes, sir.

Mr. LEA. Who was instrumental in initiating this organization?

Mr. DONOVAN. It was Col. Disque's organization.

Mr. LEA. And about what was the total membership as it finally developed?

Mr. DONOVAN. It comprised practically all the loggers and mill-men of the Northwest—Washington, Oregon, and part of Idaho. It did not extend into California. About 130,000 men.

Mr. LEA. Did the mill men harmonize with that movement or not?

Mr. DONOVAN. They did.

Mr. LEA. So for those months the laborers and the mill men co-operated?

Mr. DONOVAN. They did.

Mr. LEA. What, if any, information have you in reference to the settlement that was made with England of the salvaged value of these properties?

Mr. DONOVAN. The final settlement was made at Washington without consultation with our corporation, but I had occasion to go to Washington City last December, shortly after the armistice. While there I was introduced to Col. Beckett, the English officer representing the English Government in all the lumber dealings. After that meeting he requested that I should take an hour or more to talk with him, and he offered to meet me anywhere I desired. I said, "I will meet you at your office." I made the engagement and met him there and talked over matters pretty fully. He was very desirous of knowing how much the cost would be of the lumber. He mentioned the fact that it had been invoiced at high prices. I told him that that meant nothing, that under our organization each of the Allies was to pay the cost, and the United States, whatever it might be, in proportion, but not under the amount of money invested, but in proportion to the amount of lumber that was delivered to each of the Allies and to the United States, and that whatever had been billed against England or any of the other Allies would be corrected to conform to the final settlement. I made that entirely clear. He was entirely satisfied with that, but he did persist in questioning me in many and various ways to find out what that ultimate cost would be. I told him the truth; that no man could tell at that time. He then called in Capt. Thompson, and introduced Capt. Thompson to me.

Mr. LEA. Who was Capt. Thompson?

Mr. DONOVAN. Capt. Thompson was his aide. He stated that he thought perhaps it would be advisable for Capt. Thompson to come out to the west coast. I told him I certainly thought it would be, that we would like to have Capt. Thompson see what the situation was for himself. A month or six weeks later I met Capt. Thompson in the office of the Spruce Production Corporation in Portland, and we had a pleasant chat. We did not go into the business details there, because that at that time was the business of other people, but he expressed himself as well satisfied with the information that he was getting. That is all I know about the settlement with England.

Mr. LEA. But you candidly told him the facts as you knew them, did you?

Mr. DONOVAN. I did, yes, sir.

Mr. LEA. You know of no reason for the suggestion that England was in any way deceived about this matter?

Mr. DONOVAN. England was not deceived.

Mr. LEA. Mr. Donovan, have you any information as to what has been done in reference to the settlements of claims against the Spruce Production Corporation?

Mr. DONOVAN. Yes, I have had to do with all of them.

Mr. LEA. I wish you would give the committee the benefit of your information and explain the process of adjustment.

Mr. DONOVAN. May I refer to some notes? I will be brief.

Mr. LEA. Yes, certainly. This is an important thing that we have not touched on yet.

Mr. FREAR. Yes, sure.

Mr. LEA. Take your own time. We want to know the facts about that.

Mr. DONOVAN. I will not need much time. Immediately after we realized that all these things had to stop—they were stopped, I believe, the day after the armistice—various boards of experienced men were formed to consider and dispose of the claims that naturally must arise. I am not positive whether one board handled all the claims excepting Siems-Carey or not, but there was a special board for the Siems-Carey proposition. That was the biggest and most complicated of all, and there was a special board to handle that and a special report made.

Mr. LEA. Now, suppose we take up the others first, or use your own judgment about it.

Mr. DONOVAN. Those boards had hearings, received the claims, and when they had finally arrived at a decision filed the report, accompanied by all the important papers, for the consideration of the corporation, and at the meetings of the corporation those were all—the findings were read in every case. The full record was examined as carefully as the members of the board saw fit, and then we approved or disapproved or sent back for further information the various claims.

Mr. LEA. I see. So then I understand that this committee was to investigate the report, but final determination was with the board of directors of the Spruce Corporation?

Mr. DONOVAN. Yes, sir. They were simply acting as our agents to bring the facts before us in condensed form. Now, we considered 237 claims, aggregating \$6,993,504.19. We disposed of all of them. Fifty-nine of them were disallowed without any allowance whatever. The disallowances of those claims amounted to \$1,528,366. There were 158 claims allowed. The gross amount of those claims as presented was \$5,557,000. I haven't the odd dollars and cents. They were allowed to the extent of \$1,594,194.33. There were two firms that were not satisfied and have brought suit in court. Those are the Siler Lumber Co., which is suing the corporation for approximately \$250,000, and the Hanify Lumber Co., which is connected with the other company, and is suing for approximately \$40,000.

Mr. LEA. What are those suits for?

Mr. DONOVAN. Suits for expense which they claimed to have incurred that they should be reimbursed for.

Mr. LEA. You just go ahead and then I will ask you some questions when you have stated it in your own way.

Mr. DONOVAN. We had a considerable number of gentlemen come before us that came before the boards appealing from the contract boards, as we called them, to see whether we would not overrule the contract boards. We did not do that in any instance, but since those claims were settled that I have referred to here we have had 44 claims filed under the so-called Dent Act. Out of that 44 we have as yet settled only 6. The corporation is still functioning.

Mr. LEA. Those six have been allowed, is the idea.

Mr. DONOVAN. No, sir. Those six aggregated \$111,746.14. Fifty-seven have been disallowed in full. On one we have allowed \$9,089.16.

Mr. LEA. How much was that?

Mr. DONOVAN. \$9,089.16.

Mr. LEA. So, including the two lawsuits, you have about 40 claims pending; is that the idea?

Mr. DONOVAN. Yes. Now, if I may be permitted to say it at this time, my understanding of the principal object of the corporation was first to protect the United States against loss in just such a contingency as arose with the sudden stoppage of the war, and divide that loss proportionately among the people who got the benefit of our protection; and the other was to enable any of those gentlemen who were dissatisfied to sue in our own courts and not have to go through the long process of the United States Court of Claims. Those are the two main reasons for the existence of this corporation.

Mr. LEA. To explain these claims a little further, I wish you would make a statement as to the character of these claims, endeavoring to get it in the record so that a person who is entirely unfamiliar with this will understand the nature of the claims and why they arose.

Mr. DONOVAN. Those claims have arisen from every cause under the sun. It would take me until night to explain to you the variety of claims and the peculiar state of mind that some of those gentlemen were in. We will say they were all honest, but claims have arisen, in large sums, simply because of a conversation perhaps between some man and some lieutenant who had no authority. Claims have arisen because of the general bulletin sent out on calling on the

whole industry to supply all the spruce and fir suitable for airplanes that was possible. Men have gone to work, bought machinery and gone in, without saying a word to the Spruce Production Corporation, and then have come back and demanded to be reimbursed for their entire expenses. In one case, I remember where they had secured no material whatever, where they had no contract of any kind whatsoever, and yet came before us and claimed we were morally bound to pay these bills. That is the extreme case, and from that up through all the phases to what seems to be pretty nearly a legitimate claim. As you see, we threw out altogether only 59 claims up to the time when we had to consider the Dent Act claims. We allowed nearly 160, but we allowed them in less sums, and in many cases the gentlemen were not satisfied, but they said, "We will accept this settlement." We tried to settle those things as fairly as could be done between man and man, with due regard to the rights of the people of the United States, and that is the motive that actuated this corporation from the beginning.

Mr. LEA. Did the Dent Act restore some claims for consideration which had previously been rejected?

Mr. DONOVAN. Yes.

Mr. LEA. Have you the number where settlements have been made and been accepted by the claimants?

Mr. DONOVAN. I don't know; that is all recent.

Mr. LEA. That is, there may be claims that you have determined, the settlements of which have not been accepted by the claimants.

Mr. DONOVAN. Yes. I don't know how many of those claims we have rejected have now passed the time when they can file suit.

Mr. LEA. There two lumber suits I presume are on the allegation that these lumber companies have been damaged by reason of the failure to use extensions made with a view of meeting your program; that is the general idea?

Mr. DONOVAN. Yes, generally. I don't recall the detail of their allegations; I haven't read their complaints—

Mr. LEA. But that is the general—

Mr. DONOVAN (continuing). As filed in court.

Mr. LEA. That is the general foundation of those claims, isn't it?

Mr. DONOVAN. The general foundation, yes.

Mr. LEA. Now, you think that that in substance explains the situation in reference to claims?

Mr. DONOVAN. Yes, sir.

Mr. LEA. A question was raised here about what is meant by the degree of a curve. Will you briefly explain that, for the record?

Mr. DONOVAN. It really means the length of the radius that swings the circle, that makes the curve. Another way to measure it is by the number of degrees, 360 in the circle, altogether, that is cut out by a cord a hundred feet long. If 10° of that circle is covered by a cord a hundred feet long, it is a 10° curve, and it would be 3,600 feet around it. You divide the 360 into the parts a hundred feet long and that—

Mr. LEA. Simply the extent of the deviation from a straight line?

Mr. DONOVAN. Exactly.

Mr. LEA. Measured in degrees or on a percentage basis?

Mr. DONOVAN. Exactly, or in terms of the radius.

Mr. LEA. Mr. Donovan, you heard the testimony here in reference to the cost of constructing railroads on the peninsula and elsewhere in this section, didn't you?

Mr. DONOVAN. Yes, sir.

Mr. LEA. Now, what is your judgment as to the fairness of those costs compared with the necessary cost of constructing the Pleasant Lake Railroad, under the circumstances under which it was constructed?

Mr. DONOVAN. I think those figures are correct, but I do not think the comparison is fair.

Mr. LEA. And will you state why?

Mr. DONOVAN. The conditions are entirely different.

Mr. LEA. In what respect?

Mr. DONOVAN. Method of construction and the character of the road that was secured when the work was complete. I have had to build all kinds of railroads, from the cheapest kind of logging railways to the best kind of transcontinental railways, and there is no logging railway that I know of in that list that was presented that has to handle over 100,000,000 feet per year, and there are not over two or three of them that handle that much. This railway that was being built along Lake Crescent was built to handle not less than 500,000,000 feet per year. It required an entirely different character of construction. There is no comparison.

Mr. LEA. In other words, it was to carry five times the traffic of the best of these other roads?

Mr. DONOVAN. The best of them; yes, sir.

Mr. LEA. You are a member of the American Society of Engineers, I believe?

Mr. DONOVAN. I have been for 30 years.

Mr. LEA. Are you familiar with the Northwest Loggers' Association?

Mr. DONOVAN. Moderately.

Mr. LEA. Is that a selling or an operating organization?

Mr. DONOVAN. It is a selling organization.

Mr. LEA. They have a capital stock, have they? What is their plan of organization?

Mr. DONOVAN. I don't know. Our firm was a member at one time, but we withdrew. I think it is simply a loose association for selling and for hiring men.

Mr. LEA. And not for the purpose of conducting practical operations?

Mr. DONOVAN. Excepting as each individual conducts their operations. They have no central organization for operating.

Mr. LEA. Did you have any connection or interest in the proposition of the loggers to take over the Siems-Carey logging contract?

Mr. DONOVAN. I had interest in it as being interested in its success or failure, but I had no part in it.

Mr. LEA. Will you state to the committee the facts in reference to that matter as you know them?

Mr. DONOVAN. About the middle or the latter part—I think about the 18th or 20th of September—I heard that some gentleman had undertaken to speak in the name of the loggers of the Northwest and say that they wanted to take over the Siems-Carey logging opera-

tions, and the matter was brought to my attention in Portland by Col. Disque.

Mr. LEA. And did you advise with him about that?

Mr. DONOVAN. I advised him to consider it very carefully and before accepting to see that the men who undertook it could carry out what they undertook.

Mr. LEA. Did you have any further information in connection with the negotiations?

Mr. DONOVAN. Yes, sir. I requested that there be a full meeting of the loggers. My information was that only seven men undertook to speak for the entire loggers in the Northwest. And there was such a meeting here a few days afterwards, in the Smith Building, in this city. At that meeting 50 gentlemen were present.

Mr. LEA. Were you there?

Mr. DONOVAN. Yes, sir.

Mr. LEA. I wish you would tell us what took place.

Mr. DONOVAN. There was discussion of the whole situation for between two and three hours, and then the thing was voted down with only seven men voting for it. Among the men who spoke against it, who are recognized as of standing, was Mr. Jess Ives, of this city—

Mr. FREAR. Was a record made of the proceedings?

Mr. DONOVAN. I don't know whether there was or not. It was an informal meeting. I think Mr. Joe Irving was the presiding officer—of Everett; Mr. Charlie Cobb, who said that he had been over on the peninsula and seen what was going on; Mr. E. S. Grammer and many other gentlemen.

Mr. LEA. Did Mr. Cobb make any statement as to what he saw on the peninsula?

Mr. DONOVAN. Yes; he did; pretty strong statements.

Mr. LEA. What did he say?

Mr. DONOVAN. He said things were going on over there all right and we had better let them alone.

Mr. LEA. Who is Mr. Cobb; what is his experience and occupation?

Mr. DONOVAN. Mr. Cobb is looked upon as the nestor of the loggers of the country. I believe he disputes that title with Mr. Bill Chisholm.

Mr. LEA. How long has he been here engaged in the logging industry and the milling?

Mr. DONOVAN. I would not dare to say what the people say here, because you might think I was joking. They say he has been here since Puget Sound began.

Mr. LEA. Well, in making this statement did he refer to the logging operations or the railroad operations, or both?

Mr. DONOVAN. Logging operations had barely begun. He referred more particularly to their general accomplishment. He said they were making good. And it was as a result of that meeting and what he said that I, within two or three days after, went over there to see for myself. Everybody here, Mr. Lea, no matter how they may have differed on details, was extremely anxious that the Government should get what it wanted. The Government was asking for a great deal more than some of us thought was necessary, but it said it wanted it, and we were going to get it, and we did get it.

Mr. LEA. So that the proposition of these loggers was, in effect, that they should take the contract away from an established strong contractor, who was carrying on the work, as you believed successfully, and place it in the hands of a new organization?

Mr. DONOVAN. Yes, sir. There was no question but that the new organization could ultimately do the work. That was not the point. The point was that there would be a loss, as we estimated, of not less than 90 days in "swapping horses," and that was the thing that killed that proposition.

Mr. LEA. And it was not any reflection upon the purpose of the loggers.

Mr. DONOVAN. Not the slightest reflection.

Mr. LEA. And that is the conclusion that the loggers themselves reached, wasn't it?

Mr. DONOVAN. That is what a majority of them reached.

Mr. LEA. What is your judgment as to the necessity and wisdom of the selective-logging plan; that is, your present judgment? What I mean, not as an economic proposition, but assuming that you were to meet the program requested, what is your judgment of the wisdom and necessity of that plan?

Mr. DONOVAN. I thought, when it was first proposed, that it was impossible. I have changed my mind. I think that for the emergency that confronted us, to get the 500,000,000 feet on that Siems-Carey contract, and also to get what was proposed in other places, that it was necessary; and I have learned since that it was carried on by our own Army in France, and that it was carried on successfully in other portions of this State and in Oregon by the Spruce Production Division. But don't misunderstand me. I have not personally seen selective logging.

Mr. LEA. As an economic proposition there is no doubt about it being an expensive method, is there?

Mr. DONOVAN. Very expensive and very dangerous to the rest of the timber from the fire risk.

Mr. LEA. Mr. Donovan, you were frequently called in contact with Gen. Disque, were you?

Mr. DONOVAN. Yes, sir.

Mr. LEA. Have you seen anything or do you know of anything that leads you to doubt his motives in these transactions?

Mr. FREAR. That is really the province of the committee. I haven't any objection; but I was wondering whether matters like that should go in. I have not any objection, if you want to put it in.

Mr. LEA. Of course, I know it is only calling for his judgment.

Mr. FREAR. I mean that that could never be permissible in any other body. It is so indefinite, there would be no chance to examine into the details. The general reputation in the neighborhood, and all those things, are permissible. I haven't any objection if you feel—

Mr. LEA. I do not regard it as a matter of great importance. But, to make it a little more specific, do you know of any instance in which Gen. Disque was anyway connected with any deception or fraudulent or criminal act?

Mr. DONOVAN. No, sir.

Mr. LEA. Mr. Donovan, in carrying out the spruce operations here, as you saw them and knew them, did politics have anything to do with it?

Mr. DONOVAN. Absolutely nothing.

Mr. FREAR. And from what information do you say that?

Mr. DONOVAN. We never thought of politics; we wanted to get the spruce.

Mr. LEA. And, regardless of politics, you all cooperated together, did you?

Mr. DONOVAN. Yes, sir.

Mr. LEA. Mr. Donovan, are you familiar with what is known as the Howes telegram?

Mr. DONOVAN. Only as a friend telegraphed me about it.

Mr. LEA. You have seen a copy of it, have you?

Mr. DONOVAN. No, sir; I have seen only what purports to be a copy of what related to me personally.

Mr. LEA. Now, is there anything that you desire to say in relation to the references made to yourself in that telegram?

Mr. DONOVAN. Yes; and I wish to know, first, what that Howes telegram is, and I want to know how it got before this committee, and I want to know why my name was dragged into it when I was 3,000 miles away.

Mr. LEA. Of course, I can only partially answer that question. As I understand it, the Howes telegram was sent back——

Mr. DONOVAN. I don't wish to delay the committee.

Mr. FREAR. The Howes telegram is in the record.

Mr. LEA. I know nothing, except this, that it was embodied in the Ray report.

Mr. FREAR. Yes.

Mr. LEA. And the Ray report was turned over to this committee by the Secretary of War. He asked us to take that report——

Mr. FREAR. And in addition——

Mr. LEA. —And the information came to us in that way. Of course this committee had nothing to do with inspiring that telegram, and I only call your attention to it in justice to yourself, to explain the references to you.

Mr. FREAR. Let me interject there just an explanation of what this Howes report is. There was an Intelligence officer in the Army who came out here to Portland and made an investigation. He was accompanied by other officers, and finally Col. or Maj. Howes, in the Army, in the Intelligence branch, formulated a telegram, based upon what he believed to be his investigations and the investigations of his other officers, including Lieut. Carrigan, and that telegram, which gave certain advice to the Intelligence officer at Washington, was forwarded and turned over to the Secretary of War. It is that telegram, which was rather lengthy in character, that is known as the Howes telegram, sent by Maj. Howes after his investigation at this point. In Ray's report, of which Mr. Lea speaks, Ray criticized him for sending that telegram, and Gen. McIntyre's letter, which I read here two or three days ago, said it was a proper thing for him to do. Whether or not his judgment was right, it was proper for him to advise his superior officer of what he believed was a fact. Now, the investigation, of course, was entirely apart from that and developed facts in which Ray practically found most of the matters unfounded or of no importance if true, and that has been also put in the record, I think, and that is the history which I am putting in here briefly, so that you will know the connection of this committee.

Mr. LEA. Yes.

Mr. FREAR. As Mr. Lea says, it was simply turned over en masse with other papers.

Mr. LEA. And just one word further, in which I think Mr. Frear will concur: That the Howes telegram caused the Secretary of War to order an investigation of the spruce production on the Pacific coast, and that the Ray investigation resulted on order of the Secretary of War, pursuant to the Howes suggestion.

Mr. FREAR. That is right; and with this further supplemental statement, that the intelligence officer at Washington appointed a Maj. Ray, in the Regular Service, to make an investigation of charges made by another major, Maj. Howes, in the same department, and in that investigation contemplated a report upon his equals in rank, as well as his superiors. That is, I am presenting the entire proposition as it confronted Maj. Ray, who came out here and took the testimony—I don't know whether it was all testimony or not; some of it, I think, was just statements.

Mr. LEA. And I think, further, that Mr. Frear would concur with me, in reference to this committee, to say that we are not here asserting the correctness of that report.

Mr. FREAR. Not the slightest degree. Everything is to be passed upon by ourselves.

Mr. DONOVAN. I thank you very much, Mr. Chairman, for this explanation. My personal matters are of small moment, and I am not fearful of the effect of anything that Maj. Howes or anyone else can say among people who know me, but your investigation is national, your report will be published widely, and my understanding is that some of those are published.

Now then, a friend sent me—and I will be as brief as I can—this:

Received to-day from our Washington correspondent following statement made at spruce-production investigation—

This is dated August 8—

spruce production investigation hearing yesterday in reading from report of Maj. Howes, of Intelligence, made last November, "claim J. J. Donovan, director of Spruce Corporation and former stock owner of Port Angeles & Southern Railroad, which was bought by Milwaukee, and close friends of Ryan's, holds contract with Siems-Carey-Kerbaugh cut 500,000,000 feet spruce, which company contracted to log at alleged profit of \$10 per thousand." Please wire immediately your version. We will not print unsupported charges.

Mr. FREAR. Just a moment. That telegram of Howes's contained several hundred words, in regard to the general scope of his investigations throughout this district, and this memorandum from which you have read, I assume, consisted of a few words in that telegram which related to yourself. The committee simply inserted the whole telegram without any discussion or any comment at the time.

Mr. DONOVAN. Now, I am a director of the Spruce Corporation. I never had anything to do with the Port Angeles Railway. I never met Mr. Ryan but once, until he came to this city at the time when the Spruce Corporation was formed. That once was because we are both members of the Foreign Trade Council of the United States, and I met him at Pittsburgh at the convention two years and a half ago. It so happened that his work had been largely in Montana, and my early engineering work was in that State—I had charge of the

engineering for the Northern Pacific in that State for one year—and we naturally talked in a friendly way, for about half an hour. That comprises the extent of my acquaintance with Mr. Ryan until he came to this city as head of the air service. Here I met him at some length twice, and for a moment, a third time.

Now, then, the assumption seems to be here that I was personally using my position on the Spruce Corporation to help carry over some deal with the Milwaukee and also to obtain for my company a contract that would be very favorable. I have answered everything except the last part of it, I believe.

I did wire a very strong telegram to my friend, Mr. Hadley, of the House, asking him to explain the situation to the Chief of the Intelligence Department, and to say that when I am in Washington next month I would demand a personal interview and proper retraction from Maj. Howes. Gen. Churchill can't find that Maj. Howes is in the service and can't find that my name has been used. Mr. Hadley's letter is here, but I will not cumber the record with it unless you want it. I will be content with the statements I am making. I will give you, for such use as you see fit to make, all that I know in regard to this contract I have referred to.

Mr. FREAR. Which contract is that?

Mr. DONOVAN. That is the contract referred to in the Howes telegram, where he intimates that I was holding a contract from Siems-Carey-Kerbaugh.

Mr. MAGEE. Have you seen exactly what the Howes telegram says in reference to this Mr. Donovan?

Mr. DONOVAN. All I know about it is this that I have read.

Mr. MAGEE. I think we have a copy of the telegram. I suggest that you read that over and see exactly what it says.

Mr. LEA. I think that is a good suggestion.

Mr. MAGEE. I don't remember, myself, but I think you ought to have that telegram and read it. I think we have a copy of it here, haven't we, already in the record?

Mr. LEA. Yes, if it is agreeable.

Mr. MAGEE. And then there is also in the record the report of Maj. Ray, who, as I understand, was designated by the War Department to make an investigation of the charges contained in this Howes telegram, and, if I recall rightly, Maj. Ray quotes what Howes said in reference to you, if there is a reference there, and I think there is, and then Maj. Ray makes his own comment on that part of the telegram. I advise you to get that part of it, too.

Mr. DONOVAN. I would be very pleased to, but I never saw Maj. Howes—

Mr. MAGEE. I don't just recall all the circumstances about it.

Mr. LEA. I was assuming that Mr. Donovan was informed as to what the Howes telegram was, and I think, in justice to him, he ought to see a copy of it before he testifies, because it contains things of which apparently he is not aware.

Mr. MAGEE. I don't remember the language. I think he ought to have the language before him.

Mr. LEA. So I suggest that we try to get that for him at noon and let him look it over and let him make any comment this afternoon, in view of what he learns about it.

Mr. MAGEE. It was a matter brought in because the Howes telegram was presented.

Mr. DONOVAN. Yes. That, of course, I could not know when I made my reply.

Mr. MAGEE. It was in that telegram there that we were examining.

Mr. DONOVAN. Just a word, Mr. Chairman, in regard to those papers which I have handed to you.

Mr. FEAR. I examined the Ray report in which you wrote a letter and Bloedel wrote a letter, and the whole thing was threshed out, and as far as we are concerned we have no investigation that we expect to follow up on that. We have not made any charges. If we do we will ask questions and it will be proper to answer, but as far as the Ray report is concerned and the Howes telegram, we have nothing to do with them except as they incidentally appear in here to show the matters that come before this committee. The whole thing has been threshed out, as I understand, unless we wish to go into it with the idea of cumbering up the record. The idea of cumbering up the record with every man who might have charges lodged against him on important or unimportant matters would be an unending job.

Mr. DONOVAN. I won't take over a minute, as my personal integrity is assailed.

Mr. MAGEE. Mr. Donovan, in this connection why don't you wait until you read Howes's telegram and read the comments made by Maj. Ray in reference thereto, and then after getting the exact language of the telegram and the remarks of Maj. Ray then make for the record any statement in reference thereto which you desire.

Mr. DONOVAN. You are very kind to suggest that I may have more time. I am trying to take as little time as possible in my personal matter.

Mr. MAGEE. The point I make is that unless we have in mind the exact language used—I assume you would like to know just the language used. In other words, this telegram which you may have read here may not be the language used in the Howes telegram referred to.

Mr. LEA. It contains a reference in regard to which this telegram is not informed, Mr. Donovan, and here is the only thing in regard to your suggestion: While the whole telegram is in full in this record I believe the comment of Ray is not. So there is a justification for Mr. Donovan's desire to have his estimation in this record, because the portion that contains his explanation of the Ray report is not in this record.

Mr. FREAR. You may do that this afternoon.

Mr. MAGEE. What he has got to say in reference to this statement might be in one statement altogether in preference to one statement now and the other in another statement afterwards.

Mr. DONOVAN. I doubt whether I care to say anything about myself personally, if you will permit me to explain this contract now.

Mr. FREAR. Certainly.

Mr. DONOVAN. There was an effort made by the strongest mills on Puget Sound to prevent the building of the Port Angeles mill. My partner, Mr. Bloedel, who is here, had charge of the negotiations with Mr. Scott and other gentlemen, representing six mills altogether, as fully set forth here, and endeavored to prevent the construction

of that Port Angeles mill by offering all our facilities for the cutting of spruce logs providing that the Government should furnish us with the men so that we could do that at night and not interfere with the production during the day. You will understand that all these other mills, big and little and all the camps, big and little were giving every bit of stuff they could to the aircraft production and were also giving much larger quantities to the shipbuilding industry, and those things for the general requirements of the Government were met, and the things which were vital to the aircraft production above everything else. We were told that wonderful things would happen if we could get material out. Six mills finally reached the point of a capacity of 1,250,000 feet in eight hours. We reached an agreement with the Siems-Carey-Kerbaugh people by which they undertook to cut the logs and get them on the cars at \$12 per thousand. I could not see that there was anything improper about that. The utmost profit we expected was \$2 per thousand, and that was problematical depending on the rising price of material and labor. If that was wrong then I was wrong. But it was an effort to use our mill capacity to help produce at a fixed price—not a cost-plus price, but a fixed price—certain things for a company that had taken a contract from the Government. That is all there is to it, and here is the whole record right here [handing papers to chairman].

Mr. FREAR. The only criticism that I have heard individually and which you might amplify is that at the same time you built the box factory, and you received from the timber that was not used for aeroplane purposes this additional supply, and it netted you \$4 a thousand. I do not know that this is right, but I wanted you to be able to see it; and that this box factory was built for the purpose of using what you call the commercial part of the log that was not used by the Government. I simply advised you that those matters have come to the committee's attention.

Mr. DONOVAN. The only part of that that is correct is that we built the box factory. We never cut a foot of lumber under this contract.

Mr. FREAR. I understand. What were you going to do?

Mr. DONOVAN. I do not know.

Mr. FREAR. You were going to cut the timber as provided by the contract, weren't you?

Mr. DONOVAN. Yes.

Mr. FREAR. You were going to get the benefit of all this lumber that was in addition to the Government lumber, weren't you?

Mr. DONOVAN. No, sir.

Mr. FREAR. That is what I want to know.

Mr. DONOVAN. The entire lumber was the property of the Siems-Carey-Kerbaugh Corporation to do what they pleased with.

Mr. FREAR. Was there any price fixed by which you could buy?

Mr. DONOVAN. No, sir.

Mr. FREAR. Was there any price fixed that any of these parties were to buy at?

Mr. DONOVAN. No, sir.

Mr. FREAR. What was to become of the surplus part of the log outside of that used for Government purposes?

Mr. DONOVAN. The Siems-Carey-Kerbaugh Corporation were to do what they pleased with it.

Mr. FREAR. Was there any contract made by you as to what you were to do with that part of the log?

Mr. DONOVAN. Not that I know of.

Mr. FREAR. Then what did you expect to do with that log after you had cut out the lumber to be used by the Siems-Carey-Kerbaugh Corporation?

Mr. DONOVAN. We expected that they would do with it exactly what the Spruce Production Corporation did with some of the lumber at the Vancouver cut-up plant—sell it to the highest bidder.

Mr. FREAR. Those logs were in your mill and in these other mills?

Mr. DONOVAN. Yes.

Mr. FREAR. And you were building a box factory for what purpose?

Mr. DONOVAN. To make boxes.

Mr. FREAR. Where did you expect to get your material?

Mr. DONOVAN. We, ourselves, cut 150,000,000 feet of logs per year.

Mr. FREAR. Was that a sufficient supply to supply this mill with spruce for the box factory?

Mr. DONOVAN. We use very little spruce on boxes; we use largely hemlock.

Mr. FREAR. That was not built in contemplation of the part of the log that was to be used under the Siems-Carey contract in any way?

Mr. DONOVAN. No, sir.

Mr. FREAR. That is a complete explanation and I think you are entitled to make that answer.

Mr. DONOVAN. I am glad you brought that out.

Mr. FREAR. You ought to have it. It is only fairness to you that it should be brought out.

Mr. DONOVAN. Now, before leaving the personal part of it, let me add that I have bought, or our company has bought, rather, from the salvage down at Vancouver a locomotive and a few cars. We have bought them at the same price that other people were offered them, and we have not had any commission or favor of any kind whatsoever in these purchases. I think it aggregated something like \$30,000. The principal purchase was a shay locomotive, a 70-ton locomotive, for which we paid \$20,000. That is the same as our people paid for similar locomotives. And we had bought in times of peace three or four years ago a locomotive of exactly the same type for about \$13,000. I think that locomotive cost the Government \$24,000, and as far as I know the clubs are thrown.

Mr. FREAR. I do not believe the members of the committee are interested in any locomotive. What they are interested in is knowing if you have bought any speeders.

Mr. DONOVAN. No, sir; we are not responsible for any speeders anywhere.

Mr. FREAR. My colleague here, Mr. Magee, was anxious to have that brought out.

Mr. MAGEE. I would say in reference to that, Mr. Donovan, that I was the only member of the committee who stuck to the speeder and I was not thrown off when it jumped the track.

Mr. DONOVAN. You may have had experience with them in the early days, the same as I have had.

Mr. FREAR. My colleague, Mr. Magee, is the only expert member of the committee on the subject of speeders.

Mr. DONOVAN. But to be serious, the paper this morning says that a woman yesterday was killed almost exactly where you were thrown off, on a speeder overtaken by a runaway car.

Mr. MAGEE. I think the results of that accident were very fortunate to the members of the committee.

Mr. LEA. There was one further line of inquiry I would like to make, and I do not know whether you are the man to ask it of or not. I would like to have the information for the record as to the housing and food conditions of the men engaged in these operations. Were you familiar with that feature of the work, or not?

Mr. DONOVAN. Only so far as it relates to our own operations as I observed on a hasty trip I made to Lake Pleasant.

Mr. LEA. When did you first have soldier labor?

Mr. DONOVAN. Early in 1918.

Mr. LEA. Do you remember about the exact date?

Mr. DONOVAN. No; I do not. I think perhaps in April, 1918. We had all together three detachments. We had two of them in the woods and one in the mills. We endeavored to prepare for them before they came. We had some difficulty in convincing the sanitary officers who came first to examine that everything was all right, but we did satisfy them finally, and we had no trouble with the soldiers or their officers. The first two detachments did good work. The third detachment perhaps justified some of the remarks of Mr. Chisholm yesterday. We sent back 15 or 20 men all together.

Mr. LEA. That was useless on the work?

Mr. DONOVAN. Well, they didn't understand it, or else they didn't want to.

Mr. LEA. How were those men housed?

Mr. DONOVAN. Our own men were all housed in the camps in wooden buildings, and they were fed by the company. They were paid exactly the same as civilians and treated in every way the same as civilians, excepting that they were under the discipline of their own officers when off duty. They were under our foremen when on duty.

Mr. LEA. In performing actual work in the spruce operations they were under civilian management?

Mr. DONOVAN. Yes.

Mr. LEA. And from a military standpoint they were under military officers?

Mr. DONOVAN. Yes.

Mr. LEA. What information have you about the food that they were given?

Mr. DONOVAN. They were given exactly the same food as our own men, and there was no complaint, with the exception of some complaint in the beginning by the men in our mill in Bellingham. There we leased a very good hotel and equipped it to the satisfaction of the officers at a very considerable cost. Those men were a lower grade of men than the first ones we had, and they found fault, and we had to make a number of changes before they were satisfied, although we were leasing the hotel. But we finally satisfied them.

Mr. LEA. On what basis were you paid? Did you supply the food yourself or at the expense of the Government for the soldiers?

Mr. DONOVAN. The Government, so far as I know, was at no expense for any of those soldiers on private operations other than the necessary expenses of the officers.

Mr. LEA. It is only in the cost-plus operation that the Government made an allowance for food. Is that right?

Mr. DONOVAN. I do not know about that. That was a military detail that I was not concerned with.

Mr. LEA. That was the thing that struck me yesterday that it was testified that there was a bad condition in this one mill. But, as I understand it, this first detachment of soldiers was sent to the woods. I think that that suggests that before we get out of here we ought to get information as to what the general conditions of housing and feeding of labor was, and that is the reason I asked you that question.

Mr. FREAR. Now, who is there that could give the information about that, from the standpoint of either side?

Mr. DONOVAN. My understanding is that there were over 230 detachments of soldiers scattered through Washington and Oregon, and I would prefer not to name anyone in this case, as I am not familiar with it. But there are many who had taken those trips.

Mr. LEA. Who could best furnish that information?

Mr. DONOVAN. Col. Stearns can give you a list and you can choose for yourself.

Mr. LEA. Wasn't there some one who had particular supervision over that work?

Mr. DONOVAN. Col. Stearns had charge of the soldiers and general supervision under Gen. Disque.

Mr. FREAR. As a matter of carrying out this same line of thought which is suggested by my colleague on the committee for ascertaining the housing and food matters, possibly you may aid us in regard to a letter I received last evening. I will read the letter into the record, because it is something upon which you may have some information. It was sent to my office in Washington and forwarded to me, reaching me yesterday [reading]:

SAN FRANCISCO, August 11, 1919.

CONGRESSMAN FREAR.

DEAR SIR: Have been reading quite a few articles in the San Francisco Chronicle regarding the investigation of the spruce division. As a discharged sergeant of the One hundred and twenty-first Spruce Squadron, of Bellingham, Wash., assigned to the Bloedell-Donovan Lumber Mills, would like to lay a few facts before you. We started out with 138 men, and then dwindled down to about 85 men. We were supposed to get civilian pay, and the only thing that was to be deducted was \$1.05 for board, insurance, and allotments. That was all right, but we were never given a statement to show deductions made. Twenty-five of us were detached and sent back to Vancouver to report for another job.

On leaving, the mill held back pay and forwarded to us a few weeks after. Each man was \$2 short on his check without any statement being made. In Bellingham we were boarded at an old hotel. We investigated the shortage by notifying the company and were told that \$2 a man had been taken out for two weeks to pay for lighting of the hotel. Remember when we started out everything was included in our board. I will leave it to your fair judgment how 85 men for two weeks could use up \$170 in electric lights. All lights were supposed to be out at 11 p. m., and I don't think you could find one-third of the men in quarters between 7 and 11 p. m. And most of the time we were on a night shift from 4 p. m. to 1 a. m. If such a deduction was made without our notice, I agree that other deductions were made, as the checks we received were pretty small. I wrote the Bloedell-Donovan Co. and received a very curt answer from them. The food they served us wasn't fit for a dog, and it certainly was a relief to get back to Vancouver Barracks and Uncle Sam's soup kitchens once more.

The spruce division certainly needs investigation, and I admire your grit for tackling the job. It might be worth your while to give the above company a call while you are in the Northwest.

Respectfully.

E. A. MADDEN.
1919 Vallejo Street, City.

Mr. FREAR (continuing). I read that into the record so you could make any explanation you desired. I received it last night and never saw it before. When we reached San Francisco I thought it was only proper that after your statement was out we could call him before us and see what the basis was for the statement he makes in the letter. That is directly in line with what the counsel has suggested about living conditions which were testified to by Mr. Chisholm yesterday.

Mr. DONOVAN. The statement in regard to the \$2 deduction I do not know anything about. If there was such a deduction made it was not made for lights. I do not know, however. I could get the information for you. It is the first I heard of it. It is the first I have ever heard from Mr. Madden. So far as the character of the hotel is concerned, I will be pleased to have you send somebody in whom you have confidence to examine the building yourself, as the building is still there. It is in private use now. But it was by all odds the best building that we could obtain. It was convenient to the mill and we spent a lot of money in getting it in thoroughly good shape. And it was satisfactory to every officer. There was a medical officer there all the time, and there was an inspector who came from Vancouver and examined it. His statement in regard to the food is absolutely false. That is one thing I can contradict. The food was good. I have eaten meals there myself. And as to the suggestion that we short changed men on their pay, that is a lie. That is all I have to say.

Mr. FREAR. This man wrote to your company and could not get a response, he said.

Mr. DONOVAN. Our company responds to every letter it receives.

Mr. FREAR. Then, of course, if he wrote he certainly received a letter.

Mr. LEA. He admits in the letter that he received a curt reply.

Mr. FREAR. Yes; that is what he said. I had forgotten that. How about his statement that it was an old hotel and they were compelled to pay \$170 for electric lights for two weeks.

Mr. DONOVAN. That statement on the face of it is false.

Mr. FREAR. The food question is what caused me to suggest the letter, as long as the matter was up. It was just received last night.

You sent a letter to the committee, Mr. Donovan, before we had even a chance to consider what our duties were to be, telling us that under certain conditions you would welcome us out here. I take it that that was not written with a disposition to find fault with the committee before you knew what we were undertaking. It was given publicity, as I understand, through the newspapers, and given to the press immediately after you wrote it to me, was it?

Mr. DONOVAN. I would consider that incident closed, sir, until the committee came. If you wish to reopen it I have all the papers here that show a sufficient excuse.

Mr. FREAR. My question is this: That a committee appointed by Congress to make an investigation was sent by unanimous vote of the House and by unanimous vote of the committee of 15 here to make an investigation and report. I received a letter from you. I assume as chairman of the committee, coming to me as chairman of the committee, which I understand had been given to the press, in which you laid special stress on the fact that when the committee came here unless certain conditions were understood, we would not be welcome

I wanted to know whether or not you represented the community as a whole when you gave that to the press, or what was the reason that you did give it to the press before you ascertained the facts?

Mr. DONOVAN. The reason that I gave it to the press was because on July 14, 1919, in the Post-Intelligencer, of this city, appeared a statement that there was a large waste of funds charged against the Spruce Division, and in the course of that dispatch it said: "According to a statement authorized to-day by Mr. Frear." I did not act on that until I had given it careful thought, and that night I sent a telegram to our representative in Washington, Mr. Hadley, and your statement having been given to the press, I gave my answer to the press.

Mr. FREAR. I understood your statement had been given first to the press, before my answer was offered, and that was the reason for giving it; and that was to the effect that it was immaterial to the committee whether we were welcome here or not. Congress had sent us here and we had no voice or no volition in the matter. We were here to ascertain facts as they came before us. It was a very unusual proceeding, and that was the reason that the attack made upon the committee was very unusual, because if you had inquired you would have ascertained immediately that there was no basis for any such statement given by any member of the committee. It would have been very unwise for a member of the committee to give out such a statement, and no member of the committee did give out such a statement, as I assured you in my letter.

Mr. DONOVAN. Your letter to me was the first communication I had direct. It was published by wire in the Oregonian four days before I ever received the letter. I stopped the press business before that.

Mr. FREAR. Hadn't you published your letter before that?

Mr. DONOVAN. Yes.

Mr. FREAR. Of course you had; that is the point.

Mr. DONOVAN. Let me file my telegram.

Mr. FREAR. We don't care for your telegram. We have your statement, and that is sufficient. You used to be engaged in Montana?

Mr. DONOVAN. Yes.

Mr. FREAR. What was your business there?

Mr. DONOVAN. Civil engineer.

Mr. FREAR. For what concern?

Mr. DONOVAN. For the Northern Pacific Railway and for the subsidiary companies that were doing business in Montana.

Mr. FREAR. Whereabouts were you in Montana at that time?

Mr. DONOVAN. My headquarters in 1882 and 1883 were in Missoula. My headquarters in 1887, when I went back to take charge of construction in Montana, were in the city of Helena, Mont.

Mr. FREAR. Missoula is incidentally the home of Mr. Ryan.

Mr. DONOVAN. So I have been told.

Mr. FREAR. You saw Mr. Ryan when he came out here, you say.

Mr. DONOVAN. Yes—

Mr. FREAR. On what business?

Mr. DONOVAN. The committee of reception for Mr. Ryan included my partner, Mr. Bloedell. He was unable to serve, and he asked me to serve in his place, which I did. Consequently I was with Mr.

Ryan the greater part of the day he was here. The chamber of commerce of this city asked me to make an address of explanation of the situation here, which I did. Because of that I sat near Mr. Ryan at the banquet at the Washington Hotel.

Mr. FREAR. When was that?

Mr. DONOVAN. That must have been in the latter part of July, 1918.

Mr. FREAR. About how long was he here?

Mr. DONOVAN. I think a day or a day and a half.

Mr. FREAR. What was he engaged in doing while here?

Mr. DONOVAN. He inspected the shipyards of this city and was in consultation with various people.

Mr. FREAR. Was he in the city all the time?

Mr. DONOVAN. I really do not know.

Mr. FREAR. Was he in consultation about aircraft matters?

Mr. DONOVAN. I presume so.

Mr. FREAR. He was director of aircraft at that time, and that would probably take more of his time and his interest than ship matters, wouldn't it?

Mr. DONOVAN. The ship matters was the effort of the chamber of commerce to show him the great industries of the city.

Mr. FREAR. What did he come out here for?

Mr. DONOVAN. I suppose to inspect the aircraft situation.

Mr. FREAR. That is what he was engaged in. The other was only incidental, due to the courtesies of the city.

Mr. DONOVAN. Yes. I believe he went down to the peninsula; that is my recollection, although I did not accompany him. Gen. Kenley, who was at that time the major general just back from France, and there was also a Capt. O'Neil here, I recall, and I also recall that Gen. Disque and Col. Stearns came up from Portland. I did not go to Portland with Mr. Ryan, but on the evening of the banquet, after the banquet was over, Mr. Ryan asked me to step back into the banquet room for a few minutes, and he there explained that he would like to have me serve on this corporation that was about to be formed. Gen. Disque had perhaps three weeks before suggested that I serve, and I demurred. Mr. Ryan added his request to that of Gen. Disque.

Mr. FREAR. That is to say you had just as much ambition to serve on that as some of the members of the committee had to undertake some of the duties necessarily imposed on them.

Mr. DONOVAN. Yes.

Mr. FREAR. And yet that was necessary; someone had to do it?

Mr. DONOVAN. I hesitated for a few moments; then Mr. Ryan said he needed the help of practical men and he said I was one, and perhaps the little flattery had the effect. At any rate I consented. That is the extent of my acquaintance with Mr. Ryan.

Mr. FREAR. I do not know that any criticism should be made against a man for accepting such a position.

Mr. DONOVAN. I did not know Mr. Ryan when he was in Montana.

Mr. FREAR. Did you know Mr. Edward Donlin?

Mr. DONOVAN. No, sir; I did not.

Mr. FREAR. You stated that when Mr. Disque first came here there was a call sent out for a few men to meet him. He was Maj. Disque at that time, was he?

Mr. DONOVAN. He was a colonel, I think.

Mr. FREAR. When Disque first came out here he was a colonel?

Mr. DONOVAN. Yes, sir.

Mr. FREAR. You say there was a call sent out?

Mr. DONOVAN. Yes, sir.

Mr. FREAR. Who sent out the call?

Mr. DONOVAN. I really do not remember, excepting I remember that half a dozen were there, that E. S. Grammer, of this city, and Ralph Burnside, of Raymond, were two of the men.

Mr. FREAR. You do not know to whom the call was sent?

Mr. DONOVAN. No, sir; I do not. It was an informal conference.

Mr. FREAR. This board of which you speak, and on which you were placed together with Mr. Reed and Mr. Benson, of Portland, was in existence about 10 weeks before the armistice was signed, just the concluding weeks of the war. Is that right?

Mr. DONOVAN. The Spruce Production Corporation?

Mr. FREAR. Yes; of which you were a member.

Mr. DONOVAN. That is approximately correct. We organized on the 21st of August, 1918, and it took about six weeks, I think, before we really had perfected our organization and everything was all right at Washington.

Mr. FREAR. So that your term of service prior to the signing of the armistice, of actual work, was very limited?

Mr. DONOVAN. Very brief, yes, sir.

Mr. FREAR. You said there were differences in the Spruce Production Division. In what particular did you refer to differences; you need not go into detail; I mean just briefly.

Mr. DONOVAN. If I recall, what I had in mind at that time was the advisability of building these mills. That was the thing that there was a great difference of opinion about, whether those mills were necessary or not. The local people handling the logging and lumber business did not like to have outside parties come here and take what they thought was their work.

Mr. FREAR. That was not surprising, because of something further than selfish motives; these men were coming in without any previous knowledge or experience in logging or lumbering. That is true, is it not?

Mr. DONOVAN. Yes, sir; and I resented it myself just as much as any gentlemen who were my colleagues in the business until I saw what they had accomplished in September of 1918.

Mr. FREAR. Tell me what they had accomplished in September, 1918, in the nature of their lumbering operations; just briefly.

Mr. DONOVAN. They had secured their organization, as was explained yesterday. They had under construction at least 100 miles, and I was told 130 miles of logging railway and spurs. They had placed orders for, as I understand, 50 units of logging material with the Washington Iron Works, the Willamette Works, and the Crown Works, and they had bought a large quantity of cars from the Pacific Car & Foundry Co. of this city, and bought a large number of locomotives from the Lima Locomotive Works. They had undertaken the procuring of equipment and the laying out of railroads on a larger scale than any of us had ever dreamed of. That is what they had done, and they had it all well underway.

(Thereupon, at 12.10 o'clock p. m., a recess was taken until 2 o'clock p. m.)

AFTER RECESS.

The committee met, pursuant to the taking of recess, at 2 o'clock p. m.

Mr. FREAR. The committee will come to order.

TESTIMONY OF MR. J. J. DONOVAN—Continued.

Mr. FREAR. The Erickson contract, of which you spoke before lunch, you said was to take off the logs that were cut on the right of way?

Mr. DONOVAN. Yes, sir.

Mr. FREAR. There can not be any criticism about that. What further did that contract provide?

Mr. DONOVAN. For one small tract of timber which Erickson had bought and for which he desired the right to take those logs from, that additional tract over the railroad, while he was picking up those on the right of way.

Mr. FREAR. In other words, Erickson could cut 20 or 40 or 400 or 4,000 acres, I assume, under his agreement; but you, if you had land right adjoining, would have been prevented from doing that?

Mr. DONOVAN. No, sir.

Mr. FREAR. Explain why not.

Mr. DONOVAN. In the first place, because his contract, so far as it related to additional timber, was subject to revocation on practically no notice.

Mr. FREAR. But that contract has been in force up to to-day?

Mr. DONOVAN. Yes, sir.

Mr. FREAR. And under that contract he has been cutting timber, logging for himself, along Crescent Lake?

Mr. DONOVAN. I suppose so.

Mr. FREAR. We happened to see the evidences of it, and know. And so it is just as I said, that he can continue until some one cancels his contract in cutting his timber and logs?

Mr. DONOVAN. Yes, sir.

Mr. FREAR. Did you pass upon this contract yourself?

Mr. DONOVAN. Yes, sir.

Mr. FREAR. Did you have a lawyer advise you; I take it this was the board that passed upon it?

Mr. DONOVAN. The matter came up, recommended to the board, and the board approved it.

Mr. FREAR. Recommended by whom?

Mr. DONOVAN. I do not recall. It was by whatever officer was in charge down there at Lake Crescent.

Mr. FREAR. Who was that officer?

Mr. DONOVAN. I do not know.

Mr. FREAR. And then the board approved it without further advice?

Mr. DONOVAN. Yes, sir.

Mr. FREAR. Who was on the board besides yourself, the three gentlemen you mentioned, Mr. Benson, and yourself?

Mr. DONOVAN. Mr. Benson was off the board. The board as at present constituted is a little different from the way it was given. There are four lumbermen on the board, and three other gentlemen, one of whom, the president, is an Army officer.

Mr. FREAR. Would you not think this was a legal question involved, whether it was a right proposition for the Government to say to one party along this line of road, "You can have the right to log your timber, when, as a matter of fact, the other man has not that right"?

Mr. DONOVAN. No one else has asked for that right.

Mr. FREAR. But if they had asked for it you are in a position to say they can not have it; you are in a position to cancel this contract immediately, because of the peculiar powers conferred on this corporation, which give you the right to immediately cancel; is not that right?

Mr. DONOVAN. I think so.

Mr. FREAR. And it is under that that you get the power?

Mr. DONOVAN. Yes.

Mr. FREAR. You claim you have that power, your board?

Mr. DONOVAN. Yes.

Mr. FREAR. That you have the legal power?

Mr. DONOVAN. I think so.

Mr. FREAR. Have you a legal opinion to that effect?

Mr. DONOVAN. I do not know.

Mr. FREAR. There is an important principle involved, and I am not so particular in regard to the size of the contract, but there is a very large principle involved, and it would be valuable to the committee, possibly before we take any steps, to know whether or not you have got a legal opinion?

Mr. DONOVAN. I do not know.

Mr. LEA. Just a suggestion: I do not believe there can be any doubt about the right under the articles of incorporation.

Mr. FREAR. There is this right, that the officers can all be removed from this corporation if they overstepped the bounds that were expected in dealing with the assets of the Government, because it is governmental property.

Mr. DONOVAN. In that case they should be.

Mr. FREAR. So that is the way it can be reached if it can not be reached by having these officers inquire of proper legal authority what is right to do. I do not know what your powers are; I know they are very large. We have had evidence of that as we examined the record. We have no such power with any other public organization; they would not have the right to discriminate.

Mr. DONOVAN. We are not discriminating.

Mr. FREAR. You are taking the only one man, and it is only his goods that you are shipping.

Mr. DONOVAN. No one else has asked.

Mr. FREAR. Do you expect to turn this over to anyone else, to give them the same rights? There is the question for you.

Mr. DONOVAN. We will consider that question when it comes up.

Mr. FREAR. That is not the question. If it is a question of right, will you give it to them?

Mr. DONOVAN. Certainly we will.

Mr. FREAR. Then why didn't you say so?

Mr. DONOVAN. May I interject just this: We were willing to strain a point in order to get those logs picked up and get something—

Mr. MAGEE. That is not the point, Mr. Donovan. What Mr. Frear is referring to is the taking of logs from private property and using a Government railroad for transportation. Now, there are two propositions involved which are matters of policy: First, whether in granting this right you could deny it to some other applicant, which I assume that you could not, and in that event the forest on each side of the railroad might be destroyed, which would affect also the values of the property of other people holding property in that locality. In addition to that, it might be the policy of the Government, which in my legal opinion has the sole right to decide this proposition—that is my legal opinion about it—to extend the national forest reserve to take in some of these additional timber lands. So that it seems to me that an important question like this, involving a matter of policy, is one for the Government to determine. The question of your right to get the logs removed that were put upon the sides in clearing the track, there is no question about that, but this question of permitting personal and private property owners along the railroad to use the Government railroad for that purpose, I should want pretty conclusive authority to convince me that you had that right. As I said yesterday, if you haven't had a legal opinion upon the matter, I think you ought to get it.

Mr. LEA. If I could make a suggestion, I think there is a misapprehension here of the situation. From a legal standpoint the spruce-production corporation is organized as a private corporation under the laws of the State of Washington. The articles of incorporation give the board of directors powers at least as broad as are ordinarily given to private corporations.

Mr. MAGEE. I understand all about that, but this is a governmental agency.

Mr. LEA. But they have the power given to them by law that is ordinarily given to a private corporation to contract, lease, buy and sell, and manage their property.

Mr. MAGEE. That is the position taken. I will take the responsibility of calling the attention of the Secretary of War to the matter. I think it is a matter of very great importance. The question of their authority ought to be settled.

Mr. FREAR. On the theory just advanced—

Mr. DONOVAN. May I say a word of explanation?

Mr. FREAR. I was going to say, on the theory just advanced, this corporation which has assumed, whether properly or not, in the past extraordinary powers in some of its dealings, this corporation is in a position to deal exclusively with one individual, without the power of revision, if this principle stated is correct in regard to a governmental agency.

Mr. LEA. But they have not chosen to do so. They have not made any.

Mr. FREAR. It is immaterial whether they have chosen to do so or not. If they have the powers of a private corporation they have that right.

Mr. LEA. Just as every such corporation has.

Mr. FREAR. The question comes up in regard to a governmental agency, if they have that right. But we do not accomplish anything by thrashing that out here.

Mr. LEA. It is purely a moot question. There is no practical question involved.

Mr. FREAR. There is a very strong practical question involved, that the action of that man is destroying to-day the general appearance of that side of Lake Crescent and putting a blotch upon the landscape there. That is something that I do not believe ought to be done unless it is done in a proper way, and the Government ought not to lend its assistance to that purpose.

Mr. DONOVAN. If a mistake has been made it should be corrected, but since the question of the power of the directors has been raised, permit me to say this: I explained this morning how it was that I happened to go on this board at the time when the gentleman referred to asked me to go on the board. I said in almost so many words that I did not care to go on a board where the real power would be in the hands of an officer of the United States and we would be simply there as figureheads. I was assured that it was expected that every member of that board would exercise their business discretion the same as on any other corporation in the State of Washington, and under that condition I went in and I tried to exercise that power.

Mr. FREAR. I would like to make a statement in the record. I would like to ask anyone who is in this room who keeps passing notes to members of the committee to give the notes to all of the members of the committee, if they are Government employees. I desire to have that entered in the record.

Mr. LEA. You are welcome to this note.

Mr. FREAR. I do not care about that note. I have seen at least 20 notes that have been passed here by different people. We are supposed to be members of a committee, and we are supposed to be above that, and I know that every member of the committee is above it. It is just as objectionable to have these notes handed to us from anyone as it would be in the case of a judge on the bench.

Mr. DONOVAN. Pardon me, Mr. Chairman, these notes are not at my suggestion.

Mr. FREAR. Oh, I know that.

Mr. LEA. Isn't it a fact that notes have been handed to different members of the committee during this proceeding?

Mr. FREAR. There was one note handed to me this morning, and I was very sorry that that incident came about, because I do not feel that we are in a position to have those things done. I have seen a dozen notes handed from that jury box.

Mr. LEA. As far as I am concerned, I am willing to get information from any source.

Mr. FREAR. We will move the table if we have to do so, so that any notes will have to be carried by any Government agent to be placed in the hands of any member of this committee, and bring them into conspicuous attention. If the agents of the Government have anything to do with it every member of this committee should be equally advised.

Mr. WALKER. Mr. Chairman, I am sure that anything that I pass to the committee I am willing to give to any member or all the members of it.

Mr. FREAR. My suggestion is that it would be just as well not to hand anything to the members of the committee while they are engaged in the hearing.

Mr. LEA. I want to state in this connection that this gentleman, Mr. Walker, handed me a note saying that the Judge Advocate General had passed upon and approved the charter and by-laws of this corporation.

Mr. FREAR. Oh, sure, of course he had. That is the value of that.

Mr. MAGEE. My contention is that it is a matter of national importance, which I have tried to point out. It might be that the Government would be willing to do that, but it seems to me that the attention of the War Department and of Congress ought to be called to such an important matter of policy. I deem the extension, for instance, of the national forest preserves of very great importance, not only here in the State of Washington but to the country at large. In determining a policy of that kind, it seems to me that the authority of the corporation could be clear. That is the only point I make. I do not say that you have not got the authority, but I am simply suggesting that it seems to me to be the part of wisdom for your board to satisfy itself and get the opinion of competent legal authority in the premises.

Mr. FREAR. I suggest further in the record, in connection with a layman writing a note to a member of the committee, that the action of the Judge Advocate General in passing upon the charter or the by-laws of an organization has nothing whatsoever to do with the activities of that organization and the method in which they act under them, unless he has specifically passed upon the contract for that line of work.

Mr. MAGEE. Nor with this question.

Mr. LEA. Here is the proposition in language as plain as can be written in English; the board of directors are given authority to carry out such a transaction as this, as clear as legal language can convey authority. It is conveyed, and I think it is all piffle to be raising any question about it.

Mr. FREAR. And you approve of the action of this board in doing this work? Let us have it on the record.

Mr. LEA. I do, under these circumstances.

Mr. FREAR. That this man be permitted to log his own private property in addition simply because he happens to have a contract. He is given this special privilege at a time when these properties were for sale to log his own property.

Mr. LEA. In connection with the fact that he was salvaging Government property and in order to realize on that property the making of this contract was an essential thing and a common-sense thing to do.

Mr. FREAR. Not essential at all, because that property could have been sold to any man at a certain price, determined upon the competitive bids that ought to have been accepted. You are familiar with the Blodgett tract?

Mr. DONOVAN. Only by the maps and the records.

Mr. FREAR. You have never been down there?

Mr. DONOVAN. I have never seen it personally.

Mr. FREAR. You said that that property was bought after the armistice?

Mr. DONOVAN. The transaction was completed after the armistice.

Mr. FREAR. On December 2?

Mr. DONOVAN. I haven't the date.

Mr. FREAR. I think that is right.

Mr. DONOVAN. I haven't the date closely in mind. I think that is probably correct.

Mr. FREAR. The reason given is that negotiations had been going on for several months. Was Mr. Blodgett willing to sell, did he want to sell, according to the correspondence on file in your office and in his office?

Mr. DONOVAN. The earlier part of the correspondence I am not familiar with. The latter part, where there was a question as to whether he would pass title to the land, first, whether he would pass title to any timber except the spruce, and, finally, whether he would pass title to the land itself, which were the negotiations brought to my attention, did not indicate any unwillingness to sell the property. He did hold the right, retained the right, as I remember it, the mineral rights under the surface.

Mr. FREAR. That is retained by most of them, isn't it, in most all cases?

Mr. DONOVAN. Not out in this country.

Mr. FREAR. Was the threat made to commandeer his timber?

Mr. DONOVAN. I do not know whether it was or not, but it certainly would have been commandeered if he had not sold it.

Mr. FREAR. That is just the point. And he knew that?

Mr. DONOVAN. I presume he did.

Mr. FREAR. And you forced him into a position where he had to sell that in order to sell the railroad built, that is right?

Mr. DONOVAN. No.

Mr. FREAR. Didn't you say this was their object, simply to sell the railroad?

Mr. DONOVAN. I was bought because Mr. Blodgett named a price on the whole that was very much more favorable than the price on a part, and taking that and putting it with the railroad made a commercial proposition of it.

Mr. FREAR. Yes; but didn't you say in your direct examination that it was bought to sell the railroad?

Mr. DONOVAN. That, perhaps, is true.

Mr. FREAR. I do not think there is any doubt about it. Other witnesses have so testified and I suppose it is true.

Mr. DONOVAN. Mr. Blodgett always had the right to go into court.

Mr. FREAR. And a club was held over his head that the property was to be commandeered until he signed the contract?

Mr. DONOVAN. The spruce production corporation held a club over the heads of the entire industry where they were unreasonable.

Mr. FREAR. Where they were unreasonable? Where they didn't want to let their particular piece of property go you didn't commandeer it at all. You commandeered Blodgett's timber way down there for the purpose of what, or you threatened to eventually sell the railroad, because the necessity for the use of spruce had all passed

by, hadn't it, and he entered into a contract under duress, and then after that had occurred, on December 2, after being forced into that position by the Government.

Mr. DONOVAN. The agreement had been reached before the armistice.

Mr. FREAR. Oh, surely. He was forced, under the right of commandeering that you had, to enter into the agreement, but he didn't want to—all the correspondence states that, does it not? Why should he want to sell for 80 cents on the dollar this valuable land that you speak of?

Mr. DONOVAN. No; not 80 cents on the dollar.

Mr. FREAR. I mean 80 cents a thousand. Isn't that it? That, I think, was your testimony.

Mr. DONOVAN. He was a free agent.

Mr. FREAR. No; he was not a free agent. Why do you say he was a free agent, when you said you threatened to commandeer it. If they threatened to commandeer your timber would you be a free agent?

Mr. DONOVAN. I would have the right to go to the courts of the United States.

Mr. FREAR. Not in the slightest degree, under this condition, excepting to determine what the reasonable value should be.

Mr. DONOVAN. That is all you would go for, anyway. He had to sell the timber, I will admit that.

Mr. FREAR. Yes; he had to sell the timber, and he couldn't fight the Government. You sat in the position of the Government; you said, "Sell it so that we can build a railroad out here now and sell the railroad."

Mr. DONOVAN. The railroad was built.

Mr. FREAR. Well, "So we can sell the railroad that we built up there before we had anything closed." it was just like that. In one instance you are a Government agency and you can commandeer this man's property, while in another instance, the case of Erickson, you are a private corporation and you can deal with him in a private way if you want to, give him a special advantage. In the case of Blodgett you took his property. It is a wonderful power that is possessed here. I am not questioning it, I am not questioning but what there may be such interpretation of the charter and the by-laws, but I submit that in a time of peace that is a dangerous power to put in the hands of anyone, is it not?

Mr. DONOVAN. I never met Mr. Blodgett.

Mr. FREAR. I know.

Mr. DONOVAN. Yes; it is a dangerous power. I will answer your questions first, and then permit me to explain.

Mr. FREAR. Certainly.

Mr. DONOVAN. I never met Mr. Blodgett, and I do not know that the word "commandeer" was ever used to him, but I presume that it was, because I know there were negotiations had and at first he only wished to sell the spruce timber by itself and at a price that in view of the risk of fire and so on and cutting it out showed that he did not value the remainder at very much. We thought it was best to take the remainder, and as the armistice had been signed there certainly would have been no attempt made to commandeer if Mr. Blodgett had seen fit to refuse.

Mr. FREAR. If his contract was made it was binding, no matter under what terms. But I will suggest that the testimony taken in Chicago is what we had reference to, when it relates to the Blodgett contract.

Mr. DONOVAN. Exactly.

Mr. FREAR. That was his own attitude in regard to it.

Mr. DONOVAN. I have no knowledge of that testimony.

Mr. FREAR. It came before our committee. In regard to this selective logging proposition—I will not go into that; the time is over and it is all past. The question was asked of you if railroad expansion was necessary at this time. Now, railroad expansion might mean a thousand and one things, because it is not a very definite term as so used, but every one who gets out logs, and I understand that you do, with other reputable business men—you have to build railroads to get out logs, and you do that at all times?

Mr. DONOVAN. Yes, sir.

Mr. FREAR. If you are going to get out a larger yield than usual you put more railways into the various districts and employ more men; is that true?

Mr. DONOVAN. Yes.

Mr. FREAR. That was a situation that was presented here, that if these loggers were logging, say, 100,000,000 feet—I believe they logged 317,000,000 feet of spruce the year before, anyhow, in just ordinary times, notwithstanding all the labor troubles; that is the record—and they logged 317,000,000 feet in 1916. Now, if their capacity had been doubled by additional roads and additional help, for instance, if some of this 30,000 men who were down there at Vancouver had been sent out to help the loggers in their operations, they could double the work, could they not?

Mr. DONOVAN. They could, probably, if they doubled the men, have doubled the amount of timber that they put out.

Mr. FREAR. If they tripled the number of men—that is, if they only had a limited number of men—if they had 30,000 men handed to them suddenly, or 50,000, if they were given all the men that were needed, and with the additional road facilities, why, they would have been able to still further increase, wouldn't they? That is a natural and logical result?

Mr. DONOVAN. Yes, sir.

Mr. FREAR. Now, these men had grown to a force of 28,000, and 1,000 officers, according to the testimony of the president of this corporation, and they were turned out suddenly at the time that these new cost-plus contract people came in, and the Siems-Carey-Kerbaugh people came in, and 4,000 men were turned over to the Siems-Carey-Kerbaugh Co. people, according to the testimony here?

Mr. DONOVAN. Yes, sir.

Mr. FREAR. Now, if those men had been turned over to any other company or a number of companies that could have used them, the output of logs would have been much larger?

Mr. DONOVAN. The only difference would have been, sir, that the output from the other companies, all of the loggers being opposed to selective logging, would have been that the whole forest would be swept clean, which is the method that we have all of us always pursued here until selective logging was brought up as a result of this emergency.

Mr. FREAR. Tell me where selective logging has been adopted in France? You spoke of that. What class of timber was it and what has been the experience, so far as you have been able to learn? First, what kind of timber was logged in France—what sized timber?

Mr. DONOVAN. Timber that was from 65 to 75 years old, so I have been told by the engineer officer with whom I talked.

Mr. FREAR. What dimensions?

Mr. DONOVAN. Some of those trees were perhaps 2 feet in diameter; very few in excess of that.

Mr. FREAR. Well, but the spruce here is of what dimension?

Mr. DONOVAN. Anywhere from 4 to 10 feet in diameter.

Mr. FREAR. Yes. What other experiences were given you of selective logging—have been told to you?

Mr. DONOVAN. Experiences in the southern part of this State under the Spruce Production Corporation, with which I am not personally familiar, and which I would prefer you would obtain through the other gentleman whose name I have given you.

Mr. FREAR. All you know is what you have heard?

Mr. DONOVAN. Yes.

Mr. FREAR. And this European situation was entirely different?

Mr. DONOVAN. Entirely different.

Mr. FREAR. So that it had not been determined, so far as any testimony before the committee has appeared yet, that it was practicable—although it might have been possible—but that it was practicable to have indulged in selective cutting.

Mr. DONOVAN. Exactly.

Mr. FREAR. It is not a question of economy alone, but it is a question of whether it is practicable, the ruination of forests, the question of fires, you say. There are other uses for the forests. You were furnishing here timber for shipbuilding purposes, and it was very important to get those, that is true, is it not?

Mr. DONOVAN. Certainly.

Mr. FREAR. And you could not afford to take the chance of destroying whole forests, either by fire or by this selective logging method which had never been attempted on any scale, except, as you say, in Europe, as far as you know. You could not attempt to do that and destroy the forests in this effort to get out the particular logs.

Mr. DONOVAN. The expense would be very great, but the refuse could be taken care of and the fire danger stopped. But it would cost a lot of money.

Mr. FREAR. It would not only cost a lot of money, Mr. Donovan, but it would require a tremendous force of men to engage in all these various activities, and was it possible to get them throughout this section—didn't it necessarily increase the force of men many times?

Mr. DONOVAN. No, sir.

Mr. FREAR. Now, let us see; you are engaged in selective logging, it naturally takes more men, does it not—and I am not a logger and I haven't any practical experience, and let me confess that to start with—it naturally takes more men to take out one tree from an acre than it would proportionately to take out a hundred.

Mr. DONOVAN. Yes, sir; very much.

Mr. FREAR. Now, the gradations between that are what would determine the number of men it would require in addition to the ordinary number of men. Next, when you take out the one tree or the number of trees, there is a large amount of wastage and a large amount of débris, I take it, brush and so on.

Mr. DONOVAN. Yes.

Mr. FREAR. Something that is beyond what is ordinarily taken there, isn't it.

Mr. DONOVAN. I agree.

Mr. FREAR. Now, that takes an additional number of men, proportionately, I mean, more than the usual number for the same amount of timber that is taken out?

Mr. DONOVAN. Yes.

Mr. FREAR. So it does take more men, and a considerable number of men in cases, than what it does for the ordinary method of logging to get out the same amount of logs?

Mr. DONOVAN. That is correct, sir.

Mr. FREAR. I think we agree. I do not think there can be any—it is difficult, of course, in time of war, when we are drafting men and taking them to the front as quickly as we can—excepting this small bunch of men who were here and who you say were inexperienced, many of them—it is hard to get those men when they are needed over there in the trenches, and we were putting them there as fast as we could. I happen to know about some of those, boys who had seen military life, had graduated from military institutes, and had been through, in one case that comes to my mind, five years of military training, who went in as a first lieutenant and fought all through Château Thierry and came out as a first lieutenant—it comes very close to me—and yet you see majors and colonels here who were 'way back 6,000 miles from the seat of danger. I am not criticizing the necessity for all this work, as a member of this committee, but I do wish to bring the other side of the picture before you people, which seems not to have been understood. It is easy to recommend distinguished-service medals for the men back here 6,000 miles from the front, but when these titles are given to young men who never saw actual service, the way they were given to a thousand officers up around here through the timber, don't you think, yourself, that there may have been a wrong or an exaggerated viewpoint of the importance of their labors compared to the men who were working in the shipyards or working any other place to help carry on the war?

Mr. DONOVAN. I think every citizen who is worth his salt agrees that we can never thank sufficiently the young men like those you mention, who risked their lives, and so many thousands of whom gave their lives in France; but I happen to know, Mr. Chairman, by personal conversation, intimate conversation with many of these men, that the young men who put on the uniform here and got commissions as second and first lieutenants, and the very few Regular Army officers who came here, they wished a thousand times to be on the fields of France and risking their lives rather than here, and came here and did their work because they were told that was their duty.

Mr. FREAR. That may be true in some cases.

Mr. DONOVAN. These men were not slackers.

Mr. FREAR. Oh, I do not claim they all were. There were many inexperienced men here, however, who were put on the job that knew nothing about it. They were drafted and sent here. There were other men who volunteered, were there not? Were there any relatives of the commanding officer, do you know?

Mr. DONOVAN. I do not know.

Mr. FREAR. You do not know anything about that?

Mr. DONOVAN. No. There may have been.

Mr. FREAR. Well, don't you know anything about it?

Mr. DONOVAN. I remember seeing a young officer—I do not remember his rank.

Mr. FREAR. A major?

Mr. DONOVAN. I do not remember his rank—that I think was a relative of Gen. Disque. I do not recall his name. I think he was from some point in the East.

Mr. FREAR. Well, it was just about as near to France as it was here at that time. He turned his head in the proper direction, but there was not a major's gold leaf that could have been placed upon his shoulders, probably, as easily there as here. Is that true?

Mr. DONOVAN. I do not know.

Mr. FREAR. You said you opposed the construction of the mill there as a lumberman, and others did, and I can see the reason why, because it was announced, wasn't it, that when the Siems-Carey-Kerbaugh contract was given for the construction of that mill it was with the expectation on their part that they were to remain in the lumbering business?

Mr. DONOVAN. I did not hear that announcement, but common sense told us that that would be the case.

Mr. FREAR. That is right, and didn't Mr. Ryan in his statement, in his letter, which has been read into the record several times, say that that was one of the elements that entered into the reasons why they were willing to take the contract?

Mr. DONOVAN. I do not know that.

Mr. FREAR. You do not know that?

Mr. DONOVAN. I do not know that.

Mr. FREAR. That is a natural tendency?

Mr. DONOVAN. Certainly.

Mr. FREAR. Now, these men under this peculiar contract that was given here were given not only the road at Government expense, given the exclusive right to reach into all this timber, naturally if they had this mill here they would be pretty nearly the whole thing afterwards?

Mr. DONOVAN. Well, they had that road until the end of the year 1919.

Mr. FREAR. 1918?

Mr. DONOVAN. 1919. They were to have their contract complete in December of this present year.

Mr. FREAR. I see; yes.

Mr. DONOVAN. After that they had no rights on the Government railway than as the Government saw fit to give them any future contracts.

Mr. FREAR. That is true; that is true. The Director of Aircraft could have canceled their contract the next day at any time, could he not?

Mr. DONOVAN. Yes, sir.

Mr. FREAR. Yes, sir; he had the sole control over that railroad, didn't he?

Mr. DONOVAN. Yes, sir.

Mr. FREAR. That is right. What is the risk in towing of which you speak? Suppose they had taken it down to Clallam Bay, what would be the risk in towing from Clallam Bay?

Mr. DONOVAN. It is much less than I supposed, according to the testimony of yesterday.

Mr. FREAR. It was not a very great risk if they never lost a raft during their whole experience?

Mr. DONOVAN. Well, our own company has lost three with a much smaller experience, but that was very many years ago.

Mr. FREAR. The assumption is reasonable, in taking the comparative cases, that one company pay more particular attention to their method of rafting, which was the important factor. The conditions of weather and everything else must have been practically the same?

Mr. DONOVAN. I am not questioning in any way the testimony in regard to the towing.

Mr. FREAR. I think that was the testimony in regard to Merrill & Ring; that they had only lost 3 out of something like 400, and that was only a partial loss.

Mr. DONOVAN. I think you stated it was less than 1 per cent. I think those figures are correct.

Mr. FREAR. So that the loss in rafting was not very large. It could have been ascertained by anyone inquiring here. Any business man would naturally inquire the first thing, "What has been the experience of men engaged in this business?" Wouldn't you think so?

Mr. DONOVAN. Yes.

Mr. FREAR. We all would.

Mr. FREAR. You said about the railway out there—the Siems-Carey-Kerbaugh road—what do you estimate it is worth?

Mr. DONOVAN. I said that the reproduction cost, under present conditions, would probably not be much over half of what the actual money paid was, even though labor to-day is higher than it was then, because the element of rush is removed, and that road has been put in there prior to the development of the country, and we must consider how many years it will be before that country can be developed to the point where it will give traffic. Now, that would require investigation, and I have not made that investigation; but I don't believe the road will bring half what it cost.

Mr. FREAR. Half what it cost?

Mr. DONOVAN. No, sir.

Mr. FREAR. Your statement is that it could be reproduced for half what it cost?

Mr. DONOVAN. Yes, sir.

Mr. FREAR. That would be in the neighborhood of \$60,000 a mile?

Mr. DONOVAN. Fifty-five.

Mr. FREAR. Or \$55,000 a mile. That is, you figure that at \$110,000?

Mr. DONOVAN. Those were the figures in the testimony.

Mr. FREAR. Isn't it more than that?

Mr. DONOVAN. I haven't checked that.

Mr. FREAR. And, of course, you are not figuring in that overhead expense, many other things that naturally can't be reached, all you are fixing is the things that are particular charges that have come through the Siems-Carey-Kerbaugh Corporation, I assume. For instance, by way of explanation: You have a Government agent, who is doing this work, who is looking after some branch of their work, and he is being paid by the Government, his charges didn't go in there.

Mr. DONOVAN. I don't know whether they did or not.

Mr. FREAR. Well, now, let's find out. There is a very important thing to find out, in determining the valuation of this road. Did you take any portion of the overhead charges down in Portland?

Mr. DONOVAN. That, sir, you will have to ask the comptroller at Portland.

Mr. FREAR. As a director of the company, I supposed you knew.

Mr. DONOVAN. Many of those details I do not know.

Mr. FREAR. Well, the assumption is, when I said sixty-five or sixty thousand dollars a mile, which is the average rate of valuation of the Milwaukee Road throughout this whole section, that I was not very far off. What do you think is the value of that road today?

Mr. DONOVAN. I have not investigated that country, excepting for my flying trip the two days last September, and I am not qualified to answer.

Mr. FREAR. What will you use that road for, unless you use it for a part of a transcontinental system or some big railway, tell me?

Mr. DONOVAN. To bring out the timber that is in that district.

Mr. FREAR. To bring out the timber that is in that district. Now, the testimony of Mr. Lightner was, yesterday, that from Clallam Bay a 14 or 15-mile road could be built, under ordinary circumstances, for about \$300,000, that would bring it out just as quickly, over a 15-mile haul.

Mr. DONOVAN. Mr. Lightner was mistaken in that.

Mr. FREAR. I may have misquoted him, but you give me the facts that show where the mistake exists.

Mr. DONOVAN. I only question as to the bringing it out in the same time.

Mr. FREAR. But he says here, when you once start it, he says, it keeps going and keeps moving constantly, just as fast as it can be brought out.

Mr. DONOVAN. I am not seeking to discredit Mr. Lightner. He is a personal friend of mine.

Mr. FREAR. I know you gentlemen are all personal friends and all reputable men, and I assume that, and your answers indicate it. But I say this, and this was the suggestion made by him: It makes no difference, excepting for the first two or three weeks, when you start it, after you once have got your rafts moving and carrying it out—his testimony is that carrying to the mills is made as rapid by water as by rail, because it is constantly moving, it only comes at the initial delay. Isn't that right—as fast as it can be cut, it is logged?

Mr. DONOVAN. It is a question of the character of the railway, when you are speaking of figures, as to whether you can move the trains as frequently and as rapidly; and Mr. Lightner stated that

he would save a dollar a thousand by way of his road over the Lake Crescent route. I think Mr. Lightner is mistaken, because I, myself, made a contract for hauling 200,000,000 feet of logs for a distance of 28 miles, on the Northern Pacific Railway, for a dollar per thousand as the gross charge. After the Government took over the railway, then the rate was raised to \$1.25, and it is at that rate they are being handled to-day.

Mr. FREAR. On what road?

Mr. DONOVAN. On the Northern Pacific.

Mr. FREAR. Oh, you have the Northern Pacific, which is a case, as you have just clearly demonstrated to the committee, entirely different from this. As you have said, there is no settlement here, it must come from a lumbering region, all the support for the road is from the logging facilities that are there, not from passenger traffic, not from miscellaneous freight traffic. So all the profits that come back to the man who buys this road must be from the logs that are hauled, and to be hauled on an average 40 miles; that is true, isn't it?

Mr. DONOVAN. Thirty-six.

Mr. FREAR. Well, but you don't get the logs at 36 miles?

Mr. DONOVAN. You get some—

Mr. FREAR. Thirty-six miles at Lake Pleasant.

Mr. DONOVAN. You get a very considerable logging area at 25 miles.

Mr. FREAR. Just a little on the side, but the big tract, for which this road was built, and where the hopes of Siems-Carey-Kerbaugh and other are concerned, is that tract beyond Lake Pleasant, isn't it?

Mr. DONOVAN. On the loop.

Mr. FREAR. On the loop.

Mr. DONOVAN. That is the main tract. That is the main—well, it is the main body of timber, at any rate.

Mr. FREAR. Now, as I said—and we will go back to it—we have got to haul those logs approximately 40 miles; if you don't right on the start, you will very soon. The man who buys that road is not buying it for six months or a year, he is buying it as an investment from which he is to make profits, and he has got to haul those logs, as a proposition to him, 40 miles to begin with, and maintain that road. Now, if it is true—I am willing, for the sake of putting a fair question, to put it in that form—if it is true that you can build a road from Clallam Bay 15 miles, and strike that timber, for \$250,000, as testified, in ordinary times, or even \$500,000, as he said, as an outside figure, during war times, isn't it a much better proposition for any man who wants to make an investment to step right out there and put the road up from Clallam Bay and begin shipping out.

Mr. DONOVAN. No, sir.

Mr. FREAR. Well, now, tell me why?

Mr. DONOVAN. The Clallam Bay road was finally to handle 100,000,000 feet a day—or 100,000,000 feet a year; your Lake Crescent road was finally to handle 500,000,000 feet a year.

Mr. FREAR. Yes.

Mr. DONOVAN. The area has been commonly spoken of as having 6,000,000,000 feet.

Mr. FREAR. Yes.

Mr. DONOVAN. If you can move that 6,000,000,000 feet five times as fast over one railroad as over the other, you are warranted in a very much larger investment in one road than in the other.

Mr. FREAR. But that is not the situation that confronts us to-day. I am asking you, as a practical man and as a business man, isn't it a cheaper proposition or a better proposition, for any man who wishes to get that timber out, to build a road up from Clallam Bay to-day, at \$500,000, which is nearly double the real cost of construction, and which is as good a road for all logging purposes as this, practically—this Kerbaugh road—instead of paying \$2,000,000 for this road, in order to haul cars 40 miles—I am cutting the \$4,000,000 in two, a your suggestion?

Mr. DONOVAN. The answer would be yes, with just one limitation.

Mr. FREAR. All right, give us the limitation, then.

Mr. DONOVAN. To make it just as good a road.

Mr. FREAR. Oh, no.

Mr. DONOVAN. That is what you said, sir.

Mr. FREAR. Oh, no, I said a road that was just as good for logging purposes. Of course, if you are going to use it for a transcontinental road, if you are going to use it for an extension of a transcontinental railway, I admit we will stand on common ground there as to the character of road that has been put up. I am speaking about getting these logs out and what that road is worth to you as a logger, to-day.

Mr. DONOVAN. If I understand, sir; the meaning of transcontinental, it does not apply to any road down on the peninsula.

Mr. FREAR. Well, it comes pretty nearly applying to the Milwaukee which was trying to get in there ahead of the Northern Pacific and the Northern Pacific was trying to get in ahead of the Milwaukee and they are known as transcontinental roads.

Mr. DONOVAN. No transcontinental trains will ever run on any of those tracks down there; they are on the wrong side of the sound.

Mr. FREAR. Well, you and I would have said, if we had lived in the time of Columbus, that they would not ever have airplanes.

Mr. DONOVAN. I quite agree.

Mr. FREAR. We never know what the future will be.

Mr. DONOVAN. It is the local traffic in that country, whether it is timber, coal, copper, agricultural products, or whatever it may be, seeking outlet at Port Angeles or Port Townsend and then transhipping across the sound, that gives value to those roads.

Mr. FREAR. Yes. If that is all, then there is no local traffic there, and there is none to be had in the immediate future, so that would confront you when you went to buy that road.

Mr. DONOVAN. Six billion feet of timber.

Mr. FREAR. Outside of the timber, I mean.

Mr. DONOVAN. Some of us have been mistaken as to what is under the ground. We have just opened a splendid coal mine at Bellingham that lots of us have been walking over for the past 30 years, and the men who have come in are going to make a fortune.

Mr. FREAR. But you haven't bought any of your timber land with the prospect of getting some coal mines, and these people over here

haven't, and that is a very untenable proposition in regard to this road—in regard to any coal mines that may be over there.

Mr. DONOVAN. They are not buying any railroad on account of coal mines, on the peninsula.

Mr. FREAR. That is right. They had a good highway to work from and you were very fair about that. I mean, the county road or State road.

Mr. DONOVAN. It is the Olympic Highway.

Mr. FREAR. So that it is just as easy to build from a half dozen places as any?

Mr. DONOVAN. Oh, that is—I don't claim to know about this route that Mr. Lightner testified about, or Mr. Chisholm, excepting by hearsay. I haven't been on the ground. I might change my mind if I went there, but to me the real reason for building by way of Lake Crescent is that they could get at it and build it quickly.

Mr. FREAR. In other words, it might have cost \$200,000 a mile if they hadn't had that county road?

Mr. DONOVAN. If it had been built in the same time. Time was everything.

Mr. FREAR. As Col. Disque, time was the essence?

Mr. DONOVAN. Yes, sir; that is correct. I am glad we two agree with Col. Disque on one thing.

Mr. FREAR. We might agree on others.

Mr. DONOVAN. I think we will before we are through.

Mr. FREAR. I realize you had some troubles out here with your labor situation—that is, the committee realizes that—and that you did some things to meet the situation, and everything is commendable along that line, as we all know. Some of those propositions were started before Gen. or Col. Disque got here, were they not, or do you know as to that?

Mr. DONOVAN. Which propositions?

Mr. FREAR. The propositions of getting the loggers together and getting this logging situation together with the men—that was not originated by Col. Disque—that had been brought up in the month of September, back before he got here, is that not true? And it had been considered and plans of organization were being worked out?

Mr. DONOVAN. We had organized, trying to meet the I. W. W. situation, in a protective league, which has been mentioned here, about which, if you will ask Maj. Grammer when he is on the stand, he can explain more fully, as he was the chairman, and we had mastered the worst phases of the situation by September.

Mr. FREAR. I understood that.

Mr. DONOVAN. August, two years ago, was the time when everything was on fire.

Mr. FREAR. I understood that. Yes, that is the situation that comes to us from reports that we have.

Mr. DONOVAN. Yes, that is correct.

Mr. FREAR. I mean written reports.

Mr. DONOVAN. We were not helpless.

Mr. FREAR. No, that is right; you were taking care of the situation here. That is, of course, it was well to improve it as well as you could, and did undoubtedly do some service toward that end. It is true, is it not—and it has no immediate bearing—that whenever

anything occurs, and we are all in a nervous tension, we naturally ascribe it to anything where public suspicion points, and, as I said, when nails appeared or saws were broken and they brought nails appeared, fires occurred, whether by accident or otherwise, the I. W. W. was a very convenient thing for our suspicions to lodge on, and seriously?

Mr. DONOVAN. Unfortunately, Mr. Chairman, there was so very much more of all those things at that time, that there could be no mistake; we were up against the real thing.

Mr. FREAR. You were up against the real thing. You spoke first about a fire there; you said you had a fire, caused by the I. W. W.

Mr. DONOVAN. Yes, sir.

Mr. FREAR. Who was it that set the fire; did you find out?

Mr. DONOVAN. Do you care to go into details with that?

Mr. FREAR. Briefly. I mean, did you know it was set by the I. W. W.?

Mr. DONOVAN. Briefly, a Finlander, a good worker, getting the highest wages being paid at that time for the class of work, which was, I think, \$5.50 a day, was out with a small crew doing what we call "high rigging." There were six men in the crew. He went out into the brush. He came back in. At noon he called for his time. He went out there just a few minutes before noon. He got his time, his money, took his I. W. W. badge out of his pocket and pinned it on his hat and faced the foreman and went off down the track. An hour and a half later, the fire alarm was given, and the place where he had gone was all on fire. I called on the sheriff of Skagit County to arrest that man, and I said I would be responsible in every way, financially and otherwise, if a mistake had been made. I did that by telephone. The sheriff went up, looked around; meanwhile, the man was sliding away out of the country, and he didn't take any action. I felt that that fire was surely started by that man, and on purpose. I had only circumstantial evidence. That is only a sample, but you will find—

Mr. FREAR. That is the only fire that you had any evidence, in your own matters, as you said?

Mr. DONOVAN. We had plenty of fires; some of them very mysterious.

Mr. FREAR. Where you attributed them to the—

Mr. DONOVAN. That is the only one that in my own mind was certainly set on purpose.

Mr. FREAR. The donkey engine that was blown up?

Mr. DONOVAN. The donkey engine that was blown up was a case where the only way that we could attribute the explosion—the engine was inspected, it was comparatively new, and on the day in question it had had very little to do. This was another case of an engine on the "high rigging," which all loggers know means that the engine has very little to do. The engineer himself was a skilled man, of excellent reputation, and yet that engine blew up, and the only way we can account for it is that the valve—the water glass had been turned and that that showed water, which it undoubtedly did, when there was none in the boiler, not enough to keep it from exploding.

Mr. FREAR. For the sake of—

Mr. DONOVAN. I will admit that might have been accidental.

Mr. FREAR. For the sake of agreement, I am going to agree with you that it might have been done purposely, but men, corporations particularly, under the circumstances do have enmities on the part of the men, we all know that. The I. W. W. may be an incident to it, but that came long before the I. W. W. was organized, whether they carried badges or not, and that is something that has always existed and probably always will, to a greater or less extent.

Mr. DONOVAN. That is true.

Mr. FREAR. So that you had these two or three cases—and maybe you had more than your share—and maybe others. We know that the I. W. W. conditions did exist, because I have heard that men were found with both the I. W. W. badges and the four “L” badges on their person at the same time.

Mr. DONOVAN. That is possible. We do claim, however, if you will pardon me for saying it, to have good relations between our men and ourselves.

Mr. FREAR. Well, I think that is true, and I think your four “L” association did a good work. I believe this committee and the country fully appreciates that that is true.

Now, getting back to Col. Beckett and England, of course, if your railroad out here is worth \$60,000 a mile, as I understand is your estimate of it, if it sells for anything like that—

Mr. DONOVAN. Pardon me. You have to diminish that by the time that will be required to develop it up to that earning power. I don't know that it is worth \$60,000.

Mr. FREAR. Well, what would you say it is worth?

Mr. DONOVAN. I don't like to guess on a thing that I don't know about.

Mr. FREAR. All right, then. I don't know as it is worth while.

Mr. DONOVAN. No.

Mr. FREAR. I was going to say—

Mr. DONOVAN. Probably \$40,000.

Mr. FREAR. Well, if it is worth 10 per cent, and that is what it is put upon this estimate that has gone to England—if it is worth 10 per cent, it is worth \$400,000 altogether?

Mr. DONOVAN. Approximately.

Mr. FREAR. That is the basis of the settlement with England. If the Clallam Road, which you have got to go back to in order to get relations or a road from Pysht, if you choose, or any other place where you can run up there—if the Clallam or the Pysht road can be built for that amount and can haul the logs for a less amount than \$400,000, that is going to be the standard that is going to be put before the average man who wants to get into that tract.

Mr. DONOVAN. Yes, sir.

Mr. FREAR. So, for logging purposes, that road would then be worth practically the 10 per cent, according to the estimate?

Mr. DONOVAN. Yes, sir.

Mr. FREAR. Naturally, as an excellently built road, a strong, good road, it is worth more than that for a company that has ambitions to put it through to Grays Harbor, or anything of that kind, and sometime eventually, as we know with all these small roads, they get absorbed in the large roads. Sometime that road ought to have a large valuation to a company that could use it for general transportation purposes, as well as the logging. That is true?

Mr. DONOVAN. Yes; that is true—that statement—but if I were going to reach Grays Harbor, I would reach it from another way.

Mr. FREAR. Well, what direction would you take?

Mr. DONOVAN. I would come in from the main line of the Northern Pacific, from Gate City, the way the road comes in now.

Mr. FREAR. But you know they wanted to do it, but, as the testimony appears here, they understood the Milwaukee had received \$5,000,000, and that is the reason they were stalled on it?

Mr. DONOVAN. I don't know anything about that.

Mr. FREAR. Well, that was not the fact. I want to have the record show it was not the fact, but they understood that because of the Siems-Carey-Kerbaugh people going in there. But from Grays Harbor it is a good many miles up there, and they have the Quinault Reservation which they can go through before they reach the Pleasant Lake region.

Mr. DONOVAN. That is the great reserve timber district of this section?

Mr. FREAR. Yes; it is, and probably of the country.

Mr. DONOVAN. Yes, sir.

Mr. FREAR. That has not been reached. You refer to the whole western side of the peninsular?

Mr. DONOVAN. I refer to the whole Northwest. There is a lot down in Oregon. We will say Washington.

Mr. FREAR. I mean the large stand of timber that now remains is up in this section—

Mr. DONOVAN. In the State of Washington.

Mr. FREAR. And I think Grays Harbor has the largest mills in the country, haven't they?

Mr. DONOVAN. They have a lot of large mills.

Mr. FREAR. A very large lumbering center?

Mr. DONOVAN. Yes.

Mr. FREAR. Of course, if that road should sell for \$40,000 a mile, then we ought to make good to the countries with which we are making settlement of 10 per cent at \$10,000 a mile.

Mr. DONOVAN. In justice; yes. In law, whatever the department at Washington—whatever kind of a settlement they made. My testimony was this morning that I had explained, as clearly as I could, to Col. Beckett, then, what the situation was. I didn't know that he was going to make a settlement prior to our getting our salvage values. We have already, I believe, salvaged—sold about \$3,000,000 worth of material.

Mr. FREAR. There was a meeting, I believe, it appears in the testimony, and you have also mentioned it—a meeting of the loggers here in this city, where the question came up of taking over the Siems-Carey-Kerbaugh contract.

Mr. DONOVAN. Yes, sir.

Mr. FREAR. Well, you know—you were here yesterday—you know the character of the proposition as it was presented to the loggers at that time?

Mr. DONOVAN. Yes, sir.

Mr. FREAR. It was a different proposition, entirely, from the Siems-Carey-Kerbaugh proposition, was it not?

Mr. DONOVAN. Yes, sir.

Mr. FREAR. And, consequently, it didn't look half as inviting to the man that was on the ground here as it would to the man who had practically a guarantee on the contract?

Mr. DONOVAN. No, sir; naturally it would not.

Mr. FREAR. That is true. And when these loggers met, and they are all men of high standing, I take it, no matter whether they were for or against the proposition, those things were considerations, the way the matter was presented to them in the telegram that came here from Portland.

Mr. DONOVAN. Certainly.

Mr. FREAR. Do you know whether there was a meeting held before the night on which these loggers held their meeting?

Mr. DONOVAN. I don't understand.

Mr. FREAR. The loggers had the meeting when you said the majority of them voted against taking over the Siems-Carey-Kerbaugh contract. Was there a meeting held in the Washington Hotel the night before?

Mr. DONOVAN. If there was, I don't remember it.

Mr. FREAR. Were you there the night before?

Mr. DONOVAN. I have no recollection of it. We were having a good many meetings, Mr. Frear, on a good many subjects.

Mr. FREAR. I was going to follow it up that Mr. Carey was there, and some others, but of course it is immaterial, so far as the committee is concerned, if you don't know. You stated that politics had absolutely nothing to do with the spruce. What did you mean by that? That was a question that was asked you.

Mr. DONOVAN. Simply that all the loggers and mill men of Puget Sound were trying to help the Government get what it wanted, and we didn't think of each other's politics at all.

Mr. FREAR. Has there ever been any such suggestion come from any source, so far as you know?

Mr. DONOVAN. No, sir.

Mr. FREAR. So that you don't understand why such a question should have been asked—if there was any politics that had anything to do with it—any more than politics in fighting the war, or politics of a man over in the trenches; business men were doing business and doing their best, patriotically, to carry on the war, I assume, here; you never stopped to find the politics of a man who was engaged in that, did you?

Mr. DONOVAN. I didn't know the politics of the men on the Spruce Production Board, excepting as they were personal acquaintances. I happened to know Maj. Griggs was a Democrat. I happened to know that Maj. Grammer was a Republican.

Mr. FREAR. Consequently, you were between two fires?

Mr. DONOVAN. No; I was on the Republican side.

Mr. FREAR. Then, like this committee, you were in the majority. And politics ought not to have interfered there any more than here; is that right?

Mr. DONOVAN. They didn't.

Mr. FREAR. That is all.

Mr. MAGEE. You understand, Mr. Donovan, that it was intended to do selective logging in this tract, by the Siems-Carey-Kerbaugh Corporation?

Mr. DONOVAN. Yes; that is what was decided on.

Mr. MAGEE. And to take out only the spruce?

Mr. DONOVAN. Yes.

Mr. MAGEE. Now, you mentioned riving operations; that including selective logging, did it?

Mr. DONOVAN. Yes; that was selective logging, but without proper transportation of the riving you would simply have the selective tree split up so that they could get it to proper transportation. When I say proper, I mean railway or water.

Mr. MAGEE. That is what I want to get at; split up the logs, say.

Mr. DONOVAN. Yes.

Mr. MAGEE. For my own information, how did they split it?

Mr. DONOVAN. In some cases they used powder on them, although that was avoided because of the injury to the fiber.

Mr. MAGEE. You mean, split it in two. Suppose you had a log of timber with a 4 or 5 foot base?

Mr. DONOVAN. They tried to split that in four pieces, in quarters.

Mr. MAGEE. And then take out a quarter at a time?

Mr. DONOVAN. Yes.

Mr. MAGEE. To the spur of the road?

Mr. DONOVAN. To the railway or some river bank where they could dump it.

Mr. MAGEE. At this time was any portion of this loop built around this tract—70-mile loop?

Mr. DONOVAN. No, sir; no rails were on it, but the grading was getting on. When you say at that time I presume you mean when I was over there in September.

Mr. MAGEE. I mean at the time the armistice was signed, or along about that time.

Mr. DONOVAN. That I do not know, sir.

Mr. MAGEE. What time were you there?

Mr. DONOVAN. I was there the last time I went in September.

Mr. MAGEE. There was not any road built then around the loop?

Mr. DONOVAN. The grading was going on.

Mr. MAGEE. How much of the grading had been done?

Mr. DONOVAN. I do not know. There was a large force of men at work.

Mr. MAGEE. You do not know what part of the grading had been completed?

Mr. DONOVAN. No, sir; I do not.

Mr. MAGEE. Do you know whether or not any spur tracks had been laid at that time?

Mr. DONOVAN. The track laying had just begun and had been laid out from Joyce, I think, 2 or 3 miles. They were just getting started in the last week of September on track laying.

Mr. MAGEE. I mean up around the timber there?

Mr. DONOVAN. No, sir; because all the rails had to be brought in from Joyce. They had to haul them in over the Milwaukee line.

Mr. MAGEE. So at that time there had been no track completed for operation, either in the loop or any spur roads into the tract itself?

Mr. DONOVAN. No, sir; there were no rails. The rails had not reached Lake Crescent at that time.

Mr. MAGEE. Now, on this road the only traffic which exists there, or the only material for traffic is timber, is it not?

Mr. DONOVAN. That is all that shows up at present.

Mr. MAGEE. There is no settlement through there of any consequence?

Mr. DONOVAN. No, sir.

Mr. MAGEE. There is a pretty heavy forest, is there not, in most places?

Mr. DONOVAN. Yes.

Mr. MAGEE. You said something about a special board being appointed to adjust the Siems-Carey, claim?

Mr. DONOVAN. Yes.

Mr. MAGEE. Do you know anything about the claims presented by the corporation, and how many of them there were?

Mr. DONOVAN. That board had to pass on all of the accounts of the Siems-Carey people. That work being cost plus was necessarily done under the inspection of the officers appointed by the Spruce Production Division and confirmed by the Spruce Production Corporation. It was a question of determining the accuracy of those accounts and whether they were all proper.

Mr. MAGEE. And on each of the contracts—the railroad contract and the spruce contract?

Mr. DONOVAN. Yes.

Mr. MAGEE. And this special board was appointed to take up the claims or proposed adjustment under each of those contracts?

Mr. DONOVAN. It was really to audit the accounts.

Mr. MAGEE. Has that board made a report to the corporation?

Mr. DONOVAN. Yes; it has.

Mr. MAGEE. Has the directors acted upon it?

Mr. DONOVAN. The final action has not been made. It is a question of completing the audit. The report you can obtain from the comptroller of the corporation in Portland.

Mr. MAGEE. No action has been taken by the directors upon it yet?

Mr. DONOVAN. It has not reached the point where any definite action is necessary.

Mr. MAGEE. Have you seen this special report?

Mr. DONOVAN. Yes, sir.

Mr. MAGEE. Did they report a lump sum due the Siems-Carey Co. on each contract?

Mr. DONOVAN. I would have to refresh my memory on that, sir.

Mr. MAGEE. I think that is all.

Mr. LEA. Is there any point on the peninsula where the terminal rates apply?

Mr. DONOVAN. I have understood they apply to Port Townsend and Port Angeles, but I do not know. I never had occasion to find out. They apply on this side of the sound to a number of different points along the sound.

Mr. LEA. Can you tell us about what would be the difference between a port that enjoys terminal rates and one that does not—what is the difference?

Mr. DONOVAN. The difference is that if a port does not enjoy terminal rates, the local—whatever may be fair from that port to the various points effected—will be added onto the terminal rates. There

was a time when our own city of Bellingham was in that condition and we had to pay the local from Seattle. But we no longer do that. We are now on the same basis.

Mr. LEA. You spoke about once having been opposed to building the mill. Did you change your opinion in reference to that or not?

Mr. DONOVAN. To this extent, that possibly as insurance, in view of the magnitude of the operations, it may have been justified. I think the other mill could have taken care of the logs.

Mr. LEA. I suppose you mean by insurance that by having a larger mill capacity available you are more assured of getting at your product; is that what you mean to convey?

Mr. DONOVAN. What I mean is that if we were in the place of the Siems-Carey people, who had undertaken to deliver 250,000,000 feet of spruce flitches before the end of this present year, I might have felt that I wanted a mill of my own; and they apparently felt that they wanted two mills—one at Lake Pleasant and one at Port Angeles. You see, if the armistice had not come—if the war had continued until the 1st of July, for instance, as nearly all of us thought it was sure to do up to 30 days before the armistice—then they did not want to depend entirely on outside mills. We felt that they were safe. We felt that we were willing to make cast-iron contracts such as that I offered in evidence this morning, guaranteeing the millmen of Puget Sound to handle their logs under Government inspection and produce the goods. But they thought differently. They went ahead, and they built the Port Angeles mill nearly to completion, and they got started on the Lake Pleasant mill. Do I make myself clear?

Mr. LEA. Yes; I understand your meaning, but I did not to begin with. Did you have anything to do with the establishment of the Toledo mill?

Mr. DONOVAN. No, sir.

Mr. LEA. Do you know what, if any, necessity existed for that mill.

Mr. DONOVAN. The outlet from that district was by a branch of the Southern Pacific Railway that comes from the Coast Range Mountains. The first intention was to bring the logs to Portland and have them sawd in the Portland mills. It was found, however, that this railroad, which was built about 25 or 30 years ago, had very small tunnels—smaller probably than any other in the country—and that it was not a feasible proposition to bring an economic load of logs through those tunnels; and that is the reason for building the Toledo mill.

Mr. LEA. About how far is that from Portland?

Mr. DONOVAN. I have never been down there, but it is perhaps 60 or 70 miles by rail.

Mr. LEA. That is all.

Mr. MAGEE. As I understand, you have several hundred mills functioning here in this State and Oregon?

Mr. DONOVAN. Yes; but of that number there were only about 35 on salt water that were capable of entering into contract with the Siems-Carey people—

Mr. MAGEE. I mean entering into contract with the Government?

Mr. DONOVAN. Yes.

Mr. MAGEE. These mills had their machinery and equipment?

Mr. DONOVAN. Yes.

Mr. MAGEE. And if the Government could not have made satisfactory arrangement with any or a sufficient number of these mills, the Government had the power to commandeer them and operate them itself.

Mr. DONOVAN. They could do just the same with any of those mills as has been suggested they might do with Mr. Blodgett.

Mr. MAGEE. Is there any doubt in your mind if there was not sufficient mills and machinery for the Government that they could not commandeer them and get out spruce enough to give practically every man in the light Army an airplane?

Mr. DONOVAN. The Government undoubtedly had power to take the mills?

Mr. MAGEE. It is generally conceded that the amount of spruce that goes into an airplane is from five hundred to a thousand feet?

Mr. DONOVAN. Exactly. But what has become of the 143,000,000 feet we sent away? That should have made 143,000,000 airplanes.

Mr. MAGEE. I do not know. But it has already appeared in evidence here, Mr. Donovan, that in a pursuit or fighting plane produced by American manufacturers the Army plane produced by American manufacturers that was in service overseas that up to the 2d of August, 1918, only some 213 GH-4's observation plane was over on the front, and by reason of the fact that the gasoline tank was placed between the pilot and the observer, without being protected, so that it was vulnerable to German incendiary bullets which if it pierced it would set the whole machine on fire, that they were called by Eddie Rickenbacher and other boys at the front, "Flaming coffins"; that those were the only machines of American manufacture that ever got on the front. And I wonder, as you do, what really became of all the spruce which you did produce. But the point I want to get at is whether in your opinion, there is any doubt in your mind that there were at the time sufficient mills functioning here and sufficient equipment in those mills to produce all the spruce that the Government could possibly need in the production of airplanes?

Mr. DONOVAN. I think we had mills sufficient. Now, if you will pardon me, I hope you will find out why this spruce did not get to the front. But please do not place the blame on us, as we did our very best.

Mr. MAGEE. Oh, no; I think you did your part. I am very much impressed with what you did, and I want to commend you and all of you who were interested in that for your patriotism and what you did do. I have not any doubt of that at all, and I do not think the committee has.

Mr. DONOVAN. Thank you, sir.

Mr. MAGEE. What you have suggested here is very pertinent and very important, and I hope we shall be able to get the information which you have suggested.

Mr. DONOVAN. I certainly hope you will.

Mr. MAGEE. That is all.

Mr. LEA. You realize though that all the lumber that was produced for both the Allies and our own airplanes were built of it, don't you?

Mr. DONOVAN. My understanding is that we supplied practically all the lumber that was needed for the Allies' planes—England, France, and Italy.

Mr. LEA. And the Allied airplane kept in the air, including over 5,000 that were furnished to America, were built of spruce principally produced here in Oregon and Washington?

Mr. DONOVAN. That is our understanding, although I do not know that is so.

Mr. LEA. And for over 13,000 airplanes built in the United States, you furnished the spruce?

Mr. DONOVAN. I do not know how many were built in the United States, but I know we did furnish the spruce.

Mr. FREAR. Do you want to be understood as testifying affirmatively to the questions that you have just been asked?

Mr. DONOVAN. I qualified in every case.

Mr. FREAR. I know you did. I know you endeavored to keep the record straight. The training planes were built largely of fir, were they not?

Mr. DONOVAN. Yes.

Mr. FREAR. And not spruce? The statement of Mr. Magee that there was not a single fighting plane at the front, you have understood that repeatedly, that that is true?

Mr. DONOVAN. I have been told that.

Mr. FREAR. The Secretary of War has so testified before this committee. And that there was not a bombing plane of American manufacture, and that we bought from the Allies or rented approximately 500 machines. There were 740, as I recollect, including the 213 of GH-4's, and those were observation planes.

Mr. DONOVAN. And yet I think, Mr. Chairman, that the Hughes committee showed by their testimony that at no time was there an actual delay in any American factory for lack of American wooden material. That is what we are proud of. They thought at one time that there was danger and that there was only a week's supply, but we did not fail them.

Mr. FREAR. The next question that I want to bring out—and let me say that Mr. Hughes was blocked on every side with the program, that there were delays of various kinds which were explained to the satisfaction of some people and not to the satisfaction of others. I am not prepared to go into that yet. But do you mean to say that there was no spruce or airplane material furnished by any other country than this country?

Mr. DONOVAN. No; I did not say that.

Mr. MAGEE. The English furnished a great number of planes before we got into the war.

Mr. DONOVAN. Sixty-five per cent of all we produced were sent to those Allied countries—England, France, and Italy.

Mr. FREAR. But those countries had been in the war four years, and you people were sending the stuff over there simply as a commercial proposition?

Mr. DONOVAN. Yes.

Mr. FREAR. We had been in for 20 months, from April, 1917, to November, 1918, and we can not cover up the fact and we can not close our eyes to the fact that when there was not a bombing plane or fighting plane and only 213 De Haviland 4's reached there, that there must have been some fault somewhere along the line, when one of those trees out there, or a dozen of those great trees would have supplied pretty nearly the De Haviland planes that you have.

Mr. DONOVAN. I am not excusing that at all. I am only trying to say that we furnished all that we were asked to furnish.

Mr. LEA. The only point I was making was that it is not a fair inference in reference to the spruce production to talk about 213 planes when the United States made over 16,000 from this lumber.

Mr. FREAR. Not all from this lumber, but from fir spruce.

Mr. LEA. I mean from the lumber on the coast.

Mr. FREAR. And from lumber from Maine and from the South and other places where fir is produced.

Mr. LEA. Yes. It don't amount to anything. I am not excusing the failure to make the planes, but it is no worse on the Pacific coast.

Mr. FREAR. These fir planes were training planes, elementary planes, of course, which were a good thing. But if a man had a wooden gun to train with in order to be a soldier, it would be all right, but when he came to fight he would have to have a fighting machine or a bombing machine. And those machines that we took were taken over from the Allies, who were sorely pressed themselves four years

Mr. DONOVAN. May I explain in regard to this Madden letter, the letter that was put in of the sergeant who complained to our company?

Mr. FREAR. Surely, any statement you have to make I would be glad to have.

Mr. DONOVAN. I telephoned our office after leaving here, and they were unable to find out about the \$2 charge because our office does not run Saturday afternoon. But I did find this from my partner, Mr. Bloedel; and that was that out of that 150 men we had at that mill and in that hotel there was a group of 25 who were the subject of consultation between the foreman of the mill and the officers and who were changed around repeatedly in an endeavor to find some place where they would fit. We finally concluded that they were "culls," in the language of Mr. Chisholm. We loggers agree on some things. And they were sent back to Vancouver Barracks, and this man Madden was one of them. I will look up the matter of the \$2, and I will try to send you a photograph of that hotel which was at one time the best in the city, in order to clear that up. It is not worth much time.

Mr. FREAR. Do you believe that the criticism lies against the officers down at Portland who had raised this man Madden to the position of a sergeant—from a private to a corporal, and then up to a sergeant—and made him what they supposed was a young soldier of some special attainments? Does the criticism lie here? Here is a noncommissioned officer, and it would take sometime to get up to that position if he is any good.

Mr. DONOVAN. I won't try to work that out.

Mr. FREAR. There were a couple of checks handed me about five minutes ago as I stepped out here by a soldier who said one of them represents his pay for two weeks from the Siems-Carey Co., and the other represents his pay for three days. You and I could not hardly be supposed to subsist at the Washington Hotel or any other first-class hotel on the returns given on those checks.

Mr. DONOVAN. I do not have to bear Siems-Carey troubles.

Mr. FREAR. One of these checks, dated October 1, 1918, runs to J. A. Mallory. And by the way, Mallory has just stated, and he

agreed to go on the stand, if necessary, but I told him it was not of particular importance.

Mr. LEA. I think that he is important as a witness if there is any significance to those checks.

Mr. FREAR. I do not know that there is. J. A. Mallory was a soldier at Whiskey Creek, working for the Siems-Carey Co., and the check shows 7 cents for the period from August 2, 1918, to August 21, 1918. That was the balance due him. Now he is fair enough to say this: I said, "How could that come about?" He said, "They could charge us anything they wanted to at their stores, and that was all the money handed to me, 7 cents, for practically two weeks' service." And the other, of course, was a little better. This check was for 65 cents for three days. These have not been cashed yet, as he is holding them as souvenirs.

Col. STEARNS. That report came to my office that prices were high at those stores, and I had an investigation made right away, and Maj. Sawyer made an investigation on that point and I have his report from the different organizations. We figured that they were very proper prices charged.

Mr. FREAR. One of these checks was dated three days before the signing of the armistice, and the other one was one month and three days before. The Siems-Carey Co., according to the president of this Spruce corporation, states that the prices charged by these people to soldiers who were working there were proper and reasonable.

Mr. LEA. This don't indicate what wages the soldier received, or what the other side of the balance was, and they are practically without significance, without further testimony, and I suggest that we let them go out unless we call the witness in regard to them.

Mr. FREAR. I am not going to put them in. But this committee is perfectly helpless to get hold of these records. Can you get the records, Col. Stearns, in regard to this, as to what purpose this was for?

Col. STEARNS. Yes.

Mr. FREAR. Get them for the committee so that we can use them when we get down to Portland.

Mr. LEA. Suppose we read the checks into the record.

Mr. FREAR. The check to Mallory is dated October 1, 1918, Camp Piedmont, No. 3, for 7 cents. The other one is dated November 8, 1918, for 65 cents, for services rendered from October 1 to October 3, 1918. This is a subcontractor—Palmer, Pierson & Woods, working on the railroad.

Mr. DONOVAN. May I express my regret that there should have been some misapprehension on my part in the middle of July which led to some exchange of compliments between you and myself, and to say that Mr. Fairbrother of the Providence Journal assured me this noon that you were entirely blameless in that matter, and he wished me to make that note to the committee.

Mr. FREAR. Let me say that Mr. Fairbrother is as helpless and innocent in regard to it as either you or I. But neither of us was in a position to place the responsibility. It is a third party, and he explained it all to me at the time.

Mr. DONOVAN. I wish to thank you and the other members of the committee for the opportunity you have given me and for the

fairness of the examination. One word further, and that is that whatever the testimony may be, or has been so far, from different gentlemen who are connected with the logging or lumber industry of the Northwest, I want to repeat and reiterate that every man here to the best of my knowledge and belief, the employers and employees, united and tried to do good work for the Government. We did not have any Huns in our mills or camps among the responsible men. The thing I mentioned a little while ago, that we produced in one year 143,000,000 feet of this airplane lumber, and a much greater amount of ship timber, and everything that the Government asked for from us it has gotten. And that is what I am proud of. We did work together, and we have met these conditions here and these needs. We did not pull back and it did not interfere with our product. I think you will find some places that while mistakes may have been made that they were honest mistakes. But we were trying to do the best we could for the United States and its people.

Mr. FREAR. If you want a statement of the situation as presented at the present time, I think it is fortunate that this committee has come here, if for no more than to give the loggers of the Northwest a chance to place their position fairly before the country. They did seek to help in every way they could. The testimony is that they went every time they could go and offered their services where they would be considered, but that they did not get the treatment to which they were entitled. I am not blaming you for it, but that is their statement and it is for the committee to weigh the value of it. Thank you, Mr. Donovan.

(Witness excused.)

TESTIMONY OF MR. H. A. LIGHTNER—Recalled.

Mr. FREAR. When you were before the committee yesterday. Mr. Lightner, I think you testified in regard to a matter that escaped me as to its force at that time, and I wanted to be sure that I had that right. You were talking about a logging railway from Clallam Bay to that spruce that has been under discussion near Pleasant Lake and you stated in substance, as I remember, that a railroad could have been built in ordinary times for getting out the logs for \$250,000, or at that time could have been built for half a million dollars. That is the figure that you used, is it not, substantially?

Mr. LIGHTNER. I figured that out, and we figured the line would cost \$25,000 a mile under ordinary conditions, and if we had to rush it that would make another \$25,000 added to it.

Mr. FREAR. If the line was to be built to-day, what would it cost?

Mr. LIGHTNER. I consider that line would cost between \$20,000 and \$25,000 to-day.

Mr. FREAR. If a line was built in there to Clallam Bay to take out this timber and the timber was brought down and logged at Clallam Bay or Pysht Creek, what would be the effect on the freight rates as compared to hauling it down this road that is now in existence, 40 miles—well, it would be 60 miles or more, to Port Angeles, would it not?

Mr. LIGHTNER. I just figured that out while Mr. Donovan was giving his testimony, and if I am wrong, I believe Mr. Sawyer is here in

the room and he will correct me. I think the road that is under discussion is 36 miles long.

Mr. FREAR. Yes; and you would have to get to Port Angeles.

Mr. LIGHTNER. I think it is 18 miles farther to Port Angeles. Mr. Sawyer is here and he can give that.

Mr. SAWYER. That is substantially right.

Mr. LIGHTNER. That makes 54 miles.

Mr. FREAR. That the logs would have to be hauled?

Mr. LIGHTNER. From Lake Pleasant to Port Angeles.

Mr. FREAR. What would be the difference in using your logging equipment or similar equipment at Clallam Bay for shipping in these logs to the mills on the Sound?

Mr. LIGHTNER. It is our honest judgment that we can haul logs from the so-called Lake Pleasant district and deliver them to the Seattle market for approximately a dollar less than by the other route.

Mr. FREAR. Than by this 56-mile route?

Mr. LIGHTNER. Yes; and we do not figure that road as a common carrier. If it was converted into a common carrier the cost would be greater.

Mr. FREAR. The rates made by the railroad would be greater?

Mr. LIGHTNER. Yes; as I understand it, the rates to-day from Joyce to Port Angeles, or from Twin to Port Angeles, is about \$1.87 a thousand.

Mr. FREAR. A dollar a thousand difference in the freight rate in favor of the Clallam Bay route?

Mr. LIGHTNER. Yes. We figure we can save a dollar a thousand by hauling it over the Hoko route; not only our timber, but the timber in the vicinity of Lake Pleasant.

Mr. FREAR. And that would be how much on, say, 500,000,000 feet of logs, which was the proposal for a year.

Mr. LIGHTNER. That would be \$500,000, would it not?

Mr. FREAR. That is \$500,000, as I understand it. That would be half a million dollars, which could be saved in a year on the proposal there. So that when he was calculating to get these logs, unless he had something else in view to remove that timber, he could do it far more economically, or it would be a better business proposition for him to go in from either Clallam Bay or the Pysht Creek route, than to haul over that 56 miles, in your judgment?

Mr. LIGHTNER. That is the way we feel, and if anybody would ask us to buy that timber as a logging proposition and a milling proposition, we would put it up to them that way.

Mr. FREAR. I thought I understood that yesterday, but I was just trying to get the thing clear so that there could not be any question about it. That is all, unless you have something further to add.

Mr. LIGHTNER. If I may have just a minute I would like to say that Mr. Donovan has made a remark about that railroad down the Hoko, and its capacity. I am just as friendly to Mr. Donovan as he is to me, and I think he is a fine man, but I believe he admitted that he had not been down in the Clallam country and he was somewhat surprised that we did not have losses, and I might state in that connection that if you will inquire you will find that the British munitions board towed logs in just the same way across Queen Char-

lotte Sound all last year, and that was spruce. One of the tugs they were using was a tug our company used which was hired by the munitions board. I talked to the captain about that and my understanding was that he lost two rafts, but he did not stop for anything.

Mr. FREAR. Where did that come from?

Mr. LIGHTNER. From Vancouver Island.

Mr. FREAR. What were they cutting spruce up there for?

Mr. LIGHTNER. For the British airplane stuff.

Mr. FREAR. They did get some airplane stuff out themselves?

Mr. LIGHTNER. Yes, sir. Now, my judgment is that we had planned that road to haul on a single track just as heavy a train as it was possible to haul on logging railroads, or any other kind of railroads hauling logs, and just as fast as they could haul them.

Mr. FREAR. In other words, do you mean to say that you could have got the logs out by that road that you have been speaking of as fast as logs could have been gotten out on this 56-mile line?

Mr. LIGHTNER. We planned it so that we could run our trains to the maximum speed that a logging train could be hauled.

Mr. FREAR. Well, it is true that the other locomotive runs faster upon the tracks such as they have there; that is, on these general tracks; but you had the shorter haul?

Mr. LIGHTNER. Yes, sir.

Mr. FREAR. A short haul of only 15 miles compared to the 56-mile haul.

Mr. LIGHTNER. Yes, sir.

Mr. FREAR. You could haul out as fast as they could on the other line.

Mr. LIGHTNER. I do not see why not.

Mr. FREAR. All you need is a few spurs to let one train pass another.

Mr. LIGHTNER. I will put it better than that. We can put a double track up there cheaper than the other road, I think.

Mr. FREAR. So you have not any fears but what you can get your timber out?

Mr. LIGHTNER. I have no fear of the railroad capacity at all.

Mr. FREAR. Or of competition, no matter whose hands it goes into.

Mr. LIGHTNER. No; I think that is the cheapest way to get that timber, and I think a good many timber owners would recommend that. I would like to say that I spent a year at Clallam Bay in a tent; I lived there just to become familiar with the conditions of the country. That was the first year we opened down there, and I have been down through that country, across Lake Crescent and down the straits practically every 15 or 20 days since that time. So I have studied those water conditions, and this is a matter of judgment.

Mr. FREAR. Did Col. Disque come down and discuss any of these matters with you or get your views?

Mr. LIGHTNER. To my knowledge there has never been an actual survey made up the Hoko River by any other people than the Milwaukee, and that was done, as far as I know—

Mr. FREAR. That was the Hoko around to Forks?

Mr. LIGHTNER. To Forks; yes.

Mr. FREAR. Around to Forks on that road, down to Grays Harbor; that was proposed?

Mr. LIGHTNER. I may be wrong in this statement, but in connection with the spruce production I do not think any road was ever surveyed up there by anyone other than ourselves.

Mr. FREAR. That appears upon the map we had of the Milwaukee road. What I was going to say was that you were here the closest operators to this tract of timber, the timber that was attracting the attention of people in New York and Washington and San Francisco, and, as the records show, it was stirring them up, that here was a tract of undeveloped timber and you were the closest operators, and you tried to see Col. Disque and he was told when he could see you, but you were never called in consultation, were you?

Mr. LIGHTNER. We missed him that day; we saw Mr. Hutchinson.

Mr. FREAR. Did you ever see Disque afterwards in regard to this business?

Mr. LIGHTNER. No, we never saw him; only in the condemnation matter; but to my knowledge we never talked to him directly about this. Mr. Donovan has raised a question. I hate to be personal in testimony of this kind, but I am giving him this in just the way that I would do with my own partner if I thought he was wrong about something; I would tell him. Mr. Donovan did not realize that on the Chicago, Milwaukee & St. Paul road at the Elwha River there is quite a big curve, and I do not believe that the Milwaukee road can haul over 30 cars of logs over that road.

Mr. FREAR. That is after you pass Joyce, going into Port Angeles.

Mr. LIGHTNER. Yes, sir. I will put it another way. The road that we would plan on can haul just as many logs as they can haul over that piece of road. Maybe Mr. Sawyer will be good enough to tell us about that. Maybe he knows what the maximum amount of logs is that is hauled up there.

Mr. SAWYER. Our calculations were based on 35-car trains.

Mr. LIGHTNER. My testimony yesterday was 30. I said I thought 30, but 35 cars was the average train of logs, and we could have hauled that as a maximum load over this road.

Mr. FREAR. Over this short road?

Mr. LIGHTNER. Yes.

Mr. FREAR. That would be 15 miles, compared to the 56 miles around by the Lake Pleasant, Lake Crescent, and Port Angeles road. You say that you and Mr. Donovan are passing compliments to each other and so on. Let me say that you forgot a very essential part when you spoke of curves. The members of this committee are particularly interested in knowing how they will affect a speeder. [Laughter.]

Mr. LIGHTNER. Our curves on our road were not serious; we planned them to run fast trains.

(Witness excused.)

TESTIMONY OF CAPT. WILLIAM O. McKAY.

The witness was sworn by Mr. FREAR.

Mr. MAGEE. Where do you reside, Captain?

Capt. McKAY. Seattle, Wash.

Mr. MAGEE. And how long have you resided here?

Capt. McKAY. Practically all my life, sir.

Mr. MAGEE. What has been your business?

Capt. McKAY. I have been an automobile man.

Mr. MAGEE. And you were in the service in the World War?

Capt. McKAY. Yes, sir.

Mr. MAGEE. When did you enter the service?

Capt. McKAY. May 12, 1917.

Mr. MAGEE. And how long were you in the service?

Capt. McKAY. I was in the service until the 14th day of May, 1919.

Mr. MAGEE. This last May. And you served overseas?

Capt. McKAY. Yes, sir.

Mr. MAGEE. How long?

Capt. McKAY. About nine months.

Mr. MAGEE. You were in the battles in the Argonne Forest?

Capt. McKAY. Yes, sir.

Mr. MAGEE. What division were you in?

Capt. McKAY. The Ninety-first Division, sir.

Mr. MAGEE. Your rank was captain?

Capt. McKAY. I was a lieutenant in the Argonne and I was made a captain afterwards.

Mr. MAGEE. Now, the committee would like to know just what airplane service and airplane protection your division had, from your own knowledge and observation in the Argonne forest in those battles?

Capt. McKAY. I was liaison officer of the Third Battalion, Three hundred and sixty-fourth Infantry, in the battle of the Argonne. My duties were to see that my particular battalion was connected up with the airplane. During the Argonne battle, which lasted about nine days—that is, my division was in the battle that long—there was one plane—I believe it was No. 10—and that was the only American plane I saw, and we saw very little of that. There were times when we would see plenty of German planes, and, as a matter of fact, before we went into the battle we had read in the Stars and Stripes all about what the airplanes were doing, especially the American aviators, and we expected some assistance from them, and we received very little. The Germans would come over and shoot us up practically whenever they felt like it. We would be dug in the side of a hill, and they would come and rake us out on one side and then the other with their machine guns.

Mr. MAGEE. From their airplanes?

Capt. McKAY. From their own airplanes; yes, sir.

Mr. MAGEE. Do you know what kind of planes they used; whether they were fighting planes or not?

Capt. McKAY. The Germans?

Mr. MAGEE. Yes; in doing this.

Capt. McKAY. I could not say whether they were fighting planes or not. I do know that No. 10 would patrol along the side and would come up at about 9 o'clock and go back at about 4 o'clock, and as soon as it would leave the German airplane would stay on duty an hour longer, and as soon as our plane would leave it would take a parting shot at us and go home, too.

Mr. FREAR. They were planes that carried guns and shot you up?

Capt. McKAY. Yes, sir.

Mr. MAGEE. How many men are there in a division?

Capt. McKAY. About 30,000. We then only had the Infantry in the Ninety-first Division.

Mr. MAGEE. Was that the only airplane that was connected in any way with the division?

Capt. McKAY. That is all I know about.

Mr. MAGEE. In all those days of battle?

Capt. McKAY. Yes.

Mr. MAGEE. That was the only airplane of any kind?

Capt. McKAY. That is the only American airplane I saw during the Battle of the Argonne.

Mr. MAGEE. What I want to know is if there was any other airplane than the one you have described connected with your division?

Capt. McKAY. That was the only one. In fact, one day we reported back that we were shot up by an American airplane, and it was the truth. An American airplane shot us up and we reported that back, and our commanding officers would hardly believe it, but they sent a French fighting plane out to pick that particular plane that was shooting us up. I believe they believed that a German was flying an American plane at that time.

Mr. MAGEE. There appears to be a propaganda, as nearly as I can get at it, started perhaps by a good many good people in this country, trying to impress upon the people of this country the wonderful efficiency of the United States in this aircraft production and in the aircraft service. Now, what we are interested in is to get just exactly, so far as we can get it, what protection from airplanes our boys had in their service overseas, and we want to get it from the boys here who were there and who know. As I understand it, this was the only airplane that was in any way connected with your division, of American manufacture or otherwise?

Capt. McKAY. It is the only one I know of. I do not know what was under the command of the general commanding the division. That is the only American airplane I saw.

Mr. MAGEE. Was there any other airplane connected with the work of your division; that is, to protect you in any way?

Capt. McKAY. Not that I saw.

Mr. MAGEE. The chairman asks me whether your division had losses. I hate to ask the question, because I know the losses were so heavy that they are more or less appalling.

Mr. FREAR. For your division the losses in the Argonne were great, but how much did your division suffer from casualties?

Capt. McKAY. How did they suffer?

Mr. FREAR. To what extent, in casualties, so far as you know?

Capt. McKAY. Well, I can tell you better as to one particular company. That company, Company L of the Three hundred and sixty-fourth Infantry, went into battle. When they went into battle I believe they had 134 men. They lost over half that number.

Mr. FREAR. What were those men being paid?

Capt. McKAY. They were paid the salary of privates, corporals, and sergeants.

Mr. FREAR. Yes. Now the enlisted man was getting how much a month?

Capt. MCKAY. He was getting about \$30 a month.

Mr. FREAR. And his commutation. They had no insurance against accidents?

Capt. MCKAY. No; they carried Government insurance.

Mr. FREAR. If they carried Government insurance, it was taken from their \$30.

Capt. MCKAY. Yes, sir.

Mr. FREAR. But they did not have anyone under a cost-plus contract to pay their accident insurance, as was paid on some of these contracts in the States of Oregon and Washington, did they?

Capt. MCKAY. No.

Mr. MAGEE. Now, Captain, tell the committee, from your own knowledge and observation, what the English Army had.

Capt. MCKAY. Well, in the Argonne we in the Infantry—and I speak for practically every man that has been under fire, and I think you will find every man will tell you the same—did not think very much of the American Air Service. I have seen a German come over, and just before we went into the Argonne I have seen a German come over and take a good look all around, and I do not know whether it was a French plane or an American plane, but whichever it was, he took a look at the German plane and beat it.

Things like that gave us no confidence in the American airplanes. I have told that to American aviators and they said they did not have the proper type of airplane; but when we got into Belgium we were under the British air service. I have seen the Germans start to come over. I do not know that they were German planes, except the only way a man could tell they were German airplanes was from the direction they came, and I have seen German planes start to come over and the British would immediately take the air and the Germans were driven back. We never were shot up once while I was in Belgium by a German plane.

Mr. MAGEE. When you had the protection of the British air service, you mean?

Capt. MCKAY. Yes, sir.

Mr. MAGEE. Now, is there any further fact in connection with the air service as a protection to troops overseas that you can give the committee?

Capt. MCKAY. I think I can give you a concrete example that will make you understand the situation better than anything else. I have seen a German come over during the battle of the Argonne and knock down three balloons and go back without anybody doing a thing to him.

Mr. MAGEE. There was nobody there to go after him?

Capt. MCKAY. Nobody went after him; if there was anybody there, he did not go after him.

Mr. MAGEE. Did you see anybody around there with an airplane to go after him?

Capt. MCKAY. No; I did not at that particular time.

Mr. MAGEE. Down in the Argonne were you next to the English?

Capt. MCKAY. No, sir; we had on the left of the 91st Division the 32d Division, and on the right was the 37th Division.

Mr. MAGEE. Do you know any men living here in Seattle who saw service overseas, who were aces, or took part in the air fighting there?

Capt. McKAY. I think there is a Lieut. Paul Coles. I do not know whether he was an ace or not.

Mr. MAGEE. Do you know what his address is?

Capt. McKAY. No, sir; I do not. He went to the University of Washington. There is also Lieut. Esterbrook. I believe he has been in the British service and the American service. I believe he is an ace.

Mr. MAGEE. Can you think of anyone else?

Capt. McKAY. I do not know of any more aviators, but I know a captain of infantry who was in my same battalion, in the city.

Mr. MAGEE. What is his name?

Capt. McKAY. Capt. Pandey.

Mr. MAGEE. Was there not some aviator residing here who was captured by the Germans?

Capt. McKAY. Yes; there is a Lieut. Archibald.

Mr. MAGEE. He resides here?

Capt. McKAY. Yes, sir.

Mr. MAGEE. I think that is all.

Mr. LEA. Did you see any French or British planes during this battle?

Capt. McKAY. The battle of the Argonne?

Mr. LEA. Yes.

Capt. McKAY. Yes, sir; I saw a Frenchman, as I said, one time.

Mr. LEA. What I meant was besides that French plane you mentioned.

Capt. McKAY. You see, the fighting planes are pretty high up and you can not tell what they are way up above unless they come down; but generally there would be a patrol of fighting planes around the Germans. The Germans always used them, and that is why we claim we did not have protection. The Germans always had a flight of five machines for observation, and that flight of five machines would come over every once in a while, and we did not see any American machines very close down. Then there would be a flight up higher, fighting up high, and we could not tell what they were unless they dropped.

Mr. LEA. You say you could not tell what nationality they belonged to, the machines up there?

Capt. McKAY. No, sir.

Mr. LEA. Did you see any up there at all outside of this one American and one French plane?

Capt. McKAY. Did we see machines up there?

Mr. LEA. Yes.

Capt. McKAY. Oh, yes; we saw them up there, ten or twenty thousand feet up.

Mr. LEA. It was the practice during the war for the Allies to assign their air service to different sections, was it not, indiscriminately; that is, the English might defend Americans or the French might come to the assistance of the Americans?

Capt. McKAY. I do not know very much about that.

Mr. LEA. Do you know what the relative number of machines of the Central Empires was as contrasted with the Allies?

Capt. McKAY. I believe I have seen figures, and I think we had, or were supposed to have, a great many more at the end of the war.

Mr. LEA. The Allies were supposed to have more than the Germans?

Capt. McKAY. Yes; I have been told by aviators that Germany always concentrated her airplanes where they were needed.

Mr. LEA. About how far across there was the front, do you know, the battle front at that time, the complete western front?

Capt. McKAY. The complete western front—that push of ours, you see; I could not tell you exactly, it was over—I believe that push was over a 25-mile front at that particular place.

Mr. LEA. What I meant was the complete front across from the sea to Switzerland.

Capt. McKAY. I have heard it, but I have forgotten.

Mr. LEA. I just want to get a general idea.

Capt. McKAY. Well, it would be a guess on my part.

Mr. LEA. I believe that is all.

Mr. FREAR. It would be a pretty hard circumstance, wouldn't it, Captain, for one American aviator to cover 25 miles of territory on a battle front when the troops were engaged and do the service that would be expected of airplanes?

Capt. McKAY. Yes, sir. This aviator that I speak of, this plane that I speak of, covered a kilometer front which was assigned to our division, a kilometer of front.

Mr. FREAR. What is the meaning of the word "kilometer"?

Capt. McKAY. It is five-eighths of a mile.

Mr. FREAR. He stayed in that section—sector?

Capt. McKAY. Yes; but his was an observation plane, you see.

Mr. FREAR. It was not a fighting plane?

Capt. McKAY. No; I think his duties were not to fight, because each nation—we had a man traveling up and back of our lines and the Germans had, too. These machines would not fight, but as I say, the Germans also had a flight of about five machines that would protect this other German plane, and it would allow this German plane to harass us and would keep other planes away, and every once in a while one of that flight of five would come over and pick off one of our balloons and attack the Infantry.

Mr. FREAR. How low would they fly; that is, when they were using their machine guns?

Capt. McKAY. How high?

Mr. FREAR. Yes, ordinarily?

Capt. McKAY. Oh, they would come down ordinarily about as low as this roof.

Mr. FREAR. As near as that?

Capt. McKAY. Yes, sir; and sometimes they looked nearer.

Mr. FREAR. Is that so. And they were using their machine guns on the soldiers?

Capt. McKAY. Yes, sir.

Mr. FREAR. That creates what kind of a sensation in the man who is helpless; I mean on the nerves of the soldiers, on the morale of the soldiers?

Capt. McKAY. Well, it is pretty bad at first, but after you go three days with very little to eat, with a can of tomatoes and a little water, and you do not get any sleep, and you are in shell fire, you do not mind it very much.

Mr. FREAR. After that kind of a time, after you had been through all those hardships, you would not have minded it so much if you were put down in one of Merrill & Ring's logging camps in the awful conditions that have been related here?

Capt. McKAY. No, sir. I want to make you gentlemen understand that the officers always had the best of it, they got the best of everything. I was fortunate enough to be an officer, but our men suffered an awful lot of hardships and we fought with poor equipment.

Mr. FREAR. We knew some facts about the conditions over there, although we are not so familiar with the situation on the coast here.

Mr. MAGEE. The fact is, that your division had no airplane protection service whatever?

Capt. McKAY. We certainly did not have enough, sir. We lost men because we did not have it.

Mr. MAGEE. Did you have any?

Capt. McKAY. We had very little. All that we had was this observation plane that protected us.

Mr. MAGEE. You did not have a fighting plane to protect you?

Capt. McKAY. No, sir.

Mr. MAGEE. Nor any plane to—

Capt. McKAY. I never saw an American fighting plane go down after the Germans and shoot them up in the trenches like the Germans would shoot us up, and we were pretty close to the Germans and I happened to be in the front line all the six days of the Argonne battle.

Mr. MAGEE. And there was no plane in your division to fight or chase the German planes when they came over to shoot you up?

Capt. McKAY. No, sir.

Mr. MAGEE. That is all.

Mr. LEA. What length of time did you suffer this loss—how many days?

Capt. McKAY. Well, we went over the top the morning of the 26th and we relieved—the 26th of September, and we were relieved the 4th day of October.

Mr. LEA. It was the fighting through the forest during that time, wasn't it?

Capt. McKAY. Yes, sir. Probably you recognize the towns of Verry, Cheppy, Ecclesfontaine, and Mont Foncon was on our fight.

Mr. LEA. You were constantly in battle from the 26th of September until the 4th of October?

Capt. McKAY. Yes, sir.

Mr. LEA. That is all.

Witness excused.

(Thereupon at 4.30 p. m. the committee adjourned until Tuesday, August 26, 1919, at 10 o'clock a. m.)

SUBCOMMITTEE NO. 1 (AVIATION)
OF THE SELECT COMMITTEE ON EXPENDITURES
IN THE WAR DEPARTMENT,
HOUSE OF REPRESENTATIVES,
SEATTLE, WASH., August 26, 1919.

The subcommittee met at 10 o'clock a. m. pursuant to adjournment, Hon. James A. Frear (chairman) presiding.

Also present, Hon. Walter W. Magee and Clarence F. Lea.

Mr. FREAR. Mr. Magee, I believe you wished to make a brief statement?

Mr. MAGEE. I would just like to have it noted in the record that in one of the Sunday morning papers there appeared a statement that while I was questioning Capt. McKay I declared that a propaganda campaign was now under way to convince the people of the United States that American aviators accomplished great things in France. Now, I think an erroneous conclusion was inferred from what I said, because I certainly did not wish to say anything from which any inference could be drawn disparagingly to American aviators in France.

We all know that the American aviators we had there were among the best in the world, and that the names of many of them will be remembered and revered as long as time shall endure. What I was trying to find out, and I thought I made myself absolutely clear in questioning Capt. McKay, was whether our boys in service overseas had sufficient and adequate airplane protection, and I will have noted in the record exactly what I did say, to wit, found on page 2014 of the typewritten record of the hearings:

Mr. MAGEE. There appears to be a propaganda, as nearly as I can get at it, started perhaps by a good many good people in this country, trying to impress upon the people of this country the wonderful efficiency of the United States in this aircraft production and in the aircraft service. Now, what we are interested in is to get just exactly, so far as we can get it, what protection from airplanes our boys had in their service overseas, and we want to get it from the boys here who were there and who know.

Mr. FREAR. It ought to appear in the record somewhere in some form that this committee and all the members have taken occasion to go over the railroad built by the Siems-Carey-Kerbaugh Co., and in addition to show what information the committee now has about existing conditions on the peninsula, in order to indicate their individual knowledge regarding matters as disclosed by the testimony.

Briefly stated, on Monday a week ago, August 18, this committee went to Port Angeles and took a trip along the line of the Siems-Carey-Kerbaugh Co., from Crescent Lake to Lake Pleasant. On the same day the committee drove in automobiles from Lake Pleasant, which is in the neighborhood of the timber tract which has been mentioned in evidence on several occasions, and went down to Clallam Bay, which it has been testified is 14 or 15 miles, or would be, by railway from the timber to Clallam Bay. We then returned to the highway which leads to Pleasant Lake and then drove down to Pysht River and its entrance into the straits. We then drove back to Crescent Lake and took the speeder the next morning down to the junction of the Milwaukee, about 18 miles west of Port Angeles, and from there went west on the Milwaukee road as far as to Twin, but did not examine the remaining 5 or 6 miles which lead to Deep Creek, and then returned to Port Angeles.

In other words, the committee has been over all of the line of the Siems-Carey-Kerbaugh road and has been over all the line of the Milwaukee road excepting 5 or 6 miles from Twin to Deep Creek. The committee has also driven down to Clallam Bay and also down Pysht Creek to the straits. We did not return from the Milwaukee road from Joyce to Port Angeles, Mr. Magee reminds me; but that is an old section of the railroad about 14 miles in length, as has been testified.

TESTIMONY OF MR. WILLIAM C. BUTLER.

(The witness was sworn by Mr. Frear.)

Mr. FREAR. Where do you live, Mr. Butler?

Mr. BUTLER. Everett, Wash.

Mr. FREAR. What position, if any, do you occupy in a business way?

Mr. BUTLER. I have a variety of business activities.

Mr. FREAR. Just briefly indicate. You are president of the First National Bank?

Mr. BUTLER. Yes; president of the First National Bank, treasurer of the Lyman Timber Co., managing director of the Sultan Railway & Timber Co., treasurer of the Puget Sound & Baker Railroad Co. I guess that will do.

Mr. FREAR. Well, go on; I have a reason for asking these things.

Mr. BUTLER. I am connected with a number of shingle mills and fish canneries.

Mr. FREAR. And logging industries.

Mr. BUTLER. And logging industries.

Mr. FREAR. What was your position in connection with this logging organization that has been testified to by Mr. Chinn and others?

Mr. BUTLER. I was on the committee having the matter in charge for the Loggers' Information Bureau.

Mr. FREAR. You are related to Dr. Nicholas Murray Butler?

Mr. BUTLER. Yes, sir.

Mr. FREAR. What is the relationship?

Mr. BUTLER. Brother.

Mr. FREAR. Brother of the president of Columbia University?

Mr. BUTLER. Yes, sir.

Mr. FREAR. How long have you lived here, Mr. Butler?

Mr. BUTLER. Since 1892.

Mr. FREAR. At Everett?

Mr. BUTLER. At Everett since 1893.

Mr. FREAR. And you have been engaged in these various industries how long?

Mr. BUTLER. In the logging business since 1895.*

Mr. FREAR. You are familiar with the general conditions regarding the logging business, are you?

Mr. BUTLER. Yes, sir.

Mr. FREAR. And were from the beginning of the war to the signing of the armistice, in relation to the production of spruce for Government purposes?

Mr. BUTLER. I think so; yes, sir.

Mr. FREAR. Will you briefly relate to the committee the circumstances that led up to the aircraft organization or corporation which undertook, without profit to itself, to log spruce on the Blodgett tract in Oregon, and state to us briefly all the conditions surrounding that agreement and what was accomplished, if anything, and the reasons that caused your company to undertake that work? This is the matter that was testified to by Mr. Frost, who was the general manager, as he stated to the committee.

Mr. BUTLER. I was interested as a member of the Loggers' Information Bureau, the attention of which had been directed by some-

body, presumably perhaps the Spruce Production Division, of the necessity of finding some one to log the Blodgett tract.

Mr. FREAR. The Blodgett tract is situated in Oregon about 24 or 25 miles south of Yaquina Bay.

Mr. BUTLER. Yes, sir.

Mr. FREAR. Near the ocean.

Mr. BUTLER. Yes. It was first called to our attention as a matter of profit. After some consideration, the members of the Loggers' Information Bureau thought the opportunity was one for patriotic service, so, after some of our number had been on the ground we decided to undertake the work without profit. To that end the corporation was organized known as the Aircraft Lumber Co.

Mr. FREAR. Just mention several gentlemen connected with it, to indicate the character of those who formed the corporation.

Mr. BUTLER. Including representatives of 20 so-called independent loggers such as the Thomas Irvine Lumber Co., the Sultan Railway & Timber Co., the Merrill & Ring Logging Co., and others of that character.

Mr. FREAR. The Merrill & Ring Lumber Co. is one of the largest that operates in that country?

Mr. BUTLER. Yes, sir.

Mr. FREAR. Whereabouts are they located?

Mr. BUTLER. They are operating in King County, Wash. King County is the county in which Seattle is located. That organization was formed with a capital stock of \$100,000. It was incorporated and officers were elected, and its directors interviewed the Spruce Production Corporation, and as a result—

Mr. FREAR. Just a moment. Whom did they interview?

Mr. BUTLER. We had hoped to see Col. Disque. We assumed when we were leaving for Portland that we were to meet Col. Disque, but when we arrived he was absent.

Mr. FREAR. Col. Disque was at that time president of the corporation at Portland?

Mr. BUTLER. Yes, sir. And we met a number of officers, Maj. Hitchcock and Maj. Eastman and half a dozen others whose names I do not recall. As a result there was finally executed on the 10th day of September, or finally agreed to on the 10th day of September, a contract, a copy of which I have before me.

Mr. FREAR. That was September, 1918?

Mr. BUTLER. The 10th day of September, 1918; yes, sir.

Mr. FREAR. Just give briefly the terms of the contract, not including all the details of the contract.

Mr. BUTLER. The logging was to be selective, the operator, or the Aircraft Lumber Co., was to have full charge of all logging operations, including the operation of the Alsea Southern Railroad.

Mr. FREAR. That was the road that was put through from the Yaquina to this tract in order to put out the logs?

Mr. BUTLER. That was the sole purpose of that road.

Mr. FREAR. It was built by the Warren Spruce Co.

Mr. BUTLER. Built by the Warren Spruce Co., and under construction at the time this contract was being negotiated. Necessarily operations under this contract had to be delayed until this railroad was fully completed., in view of the fact that that section was prac-

tically without usable highways, so that it would be impossible to move any machinery in or out without a railroad. Going on about the contract, the logging was to be under our specific direction. We were to operate the railroad and we should exercise due diligence, etc. We were to plan to put in 10,000,000 feet of spruce a day, beginning with the month of April, 1919. It must be understood, of course, that we were to begin to log on the 1st of November, but this input was to be reached. We were under obligations to reach it by the 1st of April. We were in a position to provide a very substantial quantity of the necessary equipment, including donkey engines, logging locomotives, and things of that kind, and were furnishing such equipment.

Mr. LEA. When you said 10,000,000 feet a day you meant 10,000,000 a month?

Mr. BUTLER. Ten million feet a month, I should have said.

Mr. FREAR. That briefly covers the principal points in the contract, does it, in your judgment?

Mr. BUTLER. We were to receive reimbursement of our costs, plus the sum of \$20.

Mr. FREAR. For the whole work?

Mr. BUTLER. For the whole contract.

Mr. FREAR. Let me ask you, up to that time had you any knowledge or any experience in the matter of selective logging, or did any of your company composed of 20 logging or contract companies have any knowledge of selective logging at that time?

Mr. BUTLER. None whatever, so far as I am aware. To indicate our position about the necessities of the case of selective logging operations, Mr. Frost, as manager of the company, figured that to be safe it would be necessary for him to have at the outset 21 logging units. That would figure out on the basis of 10,000,000 a month about 500,000 feet of input a month, and in a 25-day month that would figure about 20,000 feet per donkey to the day. We had hoped, of course, that it would not take all that, but we felt our responsibilities in this matter and we were anxious to make a record, so we provided what we thought would be ample machinery.

Mr. FREAR. Under your contract there was no guaranty as to the amount of logs that would be brought out?

Mr. BUTLER. Absolutely no guaranty at all. Apparently they were perfectly willing to depend on the fact that we represented loggers' organizations that had long logging experience and that we would do the best we could.

Mr. FREAR. Did you know of any company that ever had guaranteed under this selective logging contract that they would be able to fulfill the terms?

Mr. BUTLER. I never knew of any company that had a selective logging contract before.

Mr. FREAR. So that you knew nothing about any terms as to a guaranty or otherwise?

Mr. BUTLER. There was no guaranty under this contract of any kind, sort, or description. I want to add here that when our employees found out that the companies had taken this contract without profit we had numberless requests for assignments of our men to go down there and be allowed to work on that job. It was a very popular move with our employees, who wanted to push it along.

Mr. FREAR. You had no difficulty in getting labor for your work?

Mr. BUTLER. I think our labor would have gone there en masse if we had encouraged it.

Mr. FREAR. Because of the spirit that actuated all of the people in connection with it?

Mr. BUTLER. Yes, sir.

Mr. FREAR. What was accomplished under that agreement?

Mr. BUTLER. The Alsea Southern Railroad was to have been finished on the 1st of October, we understood; at the time of the signing of the armistice it was still uncompleted, and we had nine logging units loaded on the cars waiting to go in. We had our general organization complete, the spurs, the surveys of the logging spurs had been completed. We had at the time the armistice was signed places for the immediate operation of seven sides.

Mr. FREAR. Spur tracks?

Mr. BUTLER. Spur tracks. The tracks were not in; the spar trees had been selected and prepared, and we had a great quantity of movable bunk houses and everything ready to get right in the minute the rails were down into the tract.

Mr. FREAR. How many logs had been cut at that time?

Mr. BUTLER. The record shows that we had felled and bucked about 4,000,000 feet.

Mr. FREAR. Before the railroad was completed?

Mr. BUTLER. Before the railroad was completed.

Mr. FREAR. What was the expense to your people in getting those 4,000,000 feet and putting through these spur tracks and all; that is, this arrangement so far as your company went?

Mr. BUTLER. Our manager, Mr. Frost, advised the executive committee that there had been no question but what he could have been logging within 30 days after the railroad was completed, and in our settlement with the Government, which is now concluded, the entire disbursement for all that work, including the money which we put into it which has been returned and the disbursements made on our account, represented \$90,000.

Mr. FREAR. That covered all expenses?

Mr. BUTLER. That is what I understood, covered everything in connection with our operation.

Mr. FREAR. How many men did you have in there?

Mr. BUTLER. The number of men we had in there was about 25 or 40, because we could not get our camps in, our portable houses could not go in until they went on the railroad, and such men as we had were living in the Warren camps.

Mr. FREAR. But you had cut 4,000,000 feet of spruce?

Mr. BUTLER. Felled and bucked that much.

Mr. FREAR. That was on a somewhat different contract from the Siems-Carey contract, where something over \$4,000,000 had been advanced for their operations on their spruce contract?

Mr. BUTLER. I should think so; yes, sir.

Mr. FREAR. All right. Just go on and tell us. That is the conclusion as to the aircraft?

Mr. BUTLER. That is the end of the aircraft.

Mr. FREAR. When the armistice was signed, of course the work was discontinued and the machinery that had been leased was returned?

Mr. BUTLER. And financial adjustments were made and the incident was closed.

Mr. FREAR. Will you take up now, briefly, the relations of the loggers, generally speaking, with this Spruce Division, which existed prior to the Spruce Corporation, and what efforts, if any, you put forth to furnish spruce to the Government for airplane purposes?

Mr. BUTLER. Immediately it was known that the Government was in need of spruce for its airplane program, and knowing that this country possessed substantial resources and magnificent stands of spruce, the entire industry to the last man became interested and instituted inquiries and tried to find out what could be done.

Mr. FREAR. Will you permit an interruption at that point? You stated that the contract for the aircraft corporation was entered into with the Government in September, 1918?

Mr. BUTLER. Yes, sir.

Mr. FREAR. Our entrance into the war began in April, 1917, a year and six months or thereabouts before?

Mr. BUTLER. Yes, sir. The fact of that date is as humiliating to the industry as it must be to the country at large.

Mr. FREAR. That was 18 months before. Just bring down, if you will, any explanation about what part you people were endeavoring to perform in helping the production of spruce?

Mr. BUTLER. As early as the summer of 1917 the West Coast Lumbermen, I understand, at their convention or at one of their meetings, voiced the interest of the industry and tendered their good offices and assistance in the development of any program that the Government might develop. I personally attended the meeting in the fall of 1917, at which the logging industry of the State was represented almost to the last company and at the meeting I met, I think, perhaps Mr. Grammer, who was chairman; but we met Mr. Hawkins, who was a representative of the Government's efforts in spruce production at that time.

Mr. FREAR. Mr. Hawkins from Portland?

Mr. BUTLER. From Portland, and with him was, I understood, Lieut. Col. Disque. The lieutenant colonel made some remarks and the industry was appealed to, and we all expressed our interest and desire to help. We had a roll call asking each man to speak for his company and state how much his company was producing and how much additional it could produce in case the Government furnished additional machinery if necessary. It all went as cheerfully as a wedding bell.

Mr. FREAR. At what time was this, and where?

Mr. BUTLER. That was the meeting we had in the business room at the Washington Hotel in Seattle. The date of it I do not recall; it must have been November or December, perhaps.

Mr. FREAR. Of 1917?

Mr. BUTLER. Of 1917.

Mr. FREAR. That was the first time any organized effort on the part of the Government had been made, apparently?

Mr. BUTLER. That was the first time. Now, I am personally familiar with some negotiations which were had by some of the individual loggers and know of one incident which I think this committee should be advised of. One of our most representative railroad men, in conjunction with the Nestor of loggers, Mr. Cobb—

Mr. FREAR. The gentleman who was testified about the other day?

Mr. BUTLER. Mr. Donovan referred to him in his testimony the other day. They interested themselves and spent considerable time and some money investigating this matter of the immediate production of spruce, because it was beginning to get on the nerves of the industry that there was not anything being done. Their efforts were more or less voluntary. They located this particular body of spruce which was afterwards developed by this Siems-Carey Co.—they did not locate it, but came in contact with it.

Mr. FREAR. This timber near Lake Pleasant?

Mr. BUTLER. Yes, and both of these experienced gentlemen, after some investigation and discussion, including two fruitless trips to Portland to see Lieut. Col. Disque, finally wrote a letter which was dated on the 17th day of February, 1918, making, as I understand it, a distinct proposal to furnish 80,000 feet of spruce cants per day at a price which they estimated at \$85 a thousand.

Mr. FREAR. 80,000 at \$85 a thousand?

Mr. BUTLER. That is my recollection.

Mr. FREAR. Just briefly state what are these spruce camps?

Mr. BUTLER. This particular operation, I believe, involved the riving, splitting of a log, and bringing it out in pieces, in any weight that could be handled.

Mr. FREAR. That is a very difficult operation, is it not? That is, I mean it takes a great deal of labor?

Mr. BUTLER. It is practically all labor, of course.

Mr. FREAR. What have you to say as to the size of such a contract, or such an agreement?

Mr. BUTLER. It was considerably more than the ordinary logging proposition, but, coming from these gentlemen, indicated that they were going into it in an active way. It was not to represent their individual efforts, they were going to have an organization and attempt to do it in a large way. For the transportation, as I understand it, they figured on the Government furnishing the trucks. It was to be trucked out. This letter to which I refer, dated the 17th day of February, 1918, was addressed to Col. Disque, or to Col. Disque's office at Portland, and is still unacknowledged.

Mr. FREAR. Have you the letter there?

Mr. BUTLER. I have not the letter here, but I would like the privilege of furnishing a copy of the letter. The original is doubtless in the files in Portland.

Mr. FREAR. Can you give me just briefly the substance of it?

Mr. BUTLER. Well, the substance of the letter was that they proposed to furnish 80,000 feet a day of these cants at a price estimated at \$85 a thousand, delivery to begin within 40 days.

Mr. FREAR. Who were the parties?

Mr. BUTLER. Mr. Charles Cobb and Mr. J. C. MacFee.

Mr. FREAR. What occurred?

Mr. BUTLER. The letter was sent to Portland, and, after these gentlemen had made fruitless efforts—had made two trips to Portland specifically to see Col. Disque, and not being able to find him, they sent him this letter and that terminated the incident. It was closed because the letter was never acknowledged or replied to.

Mr. FREAR. That is to say, so far as you know, they did everything they could in order to bring this to the attention of the Government officials?

Mr. BUTLER. Mr. Cobb told me personally that he came to the conclusion that he did not think Col. Disque wanted any spruce, and he packed his grip and went to southern California, and dropped the matter.

Mr. FREAR. Now, what occurred subsequently in regard to the movements of the loggers as a body in their efforts to get in touch with the officials down there at Portland, and to help in procuring spruce logs for airplane purposes?

Mr. BUTLER. The loggers on Puget Sound have for some time maintained what they call the Loggers' Information Bureau. With that bureau the so-called independent loggers are pretty generally affiliated. What I mean by an independent logger is, as has been brought out previously in the testimony, a merchant logger, who owns the stumpage, logs the timber, and sells his logs. He has no interest or connection with any further manufacturing of the logs into lumber. In other words, these loggers, the merchant loggers, have no mill affiliations. Among the members of this organization, the people who took this aircraft contract—they always tried to do everything; tried to stimulate in every way the production of spruce. We were concerned that the spruce was not coming out, and we would read in the newspapers three times a day that the war was going to pot because the Government couldn't get any airplanes because it couldn't get any spruce.

Mr. FREAR. This is the same organization concerning which Mr. Chinn testified?

Mr. BUTLER. Yes, sir.

Mr. FREAR. He was, I believe, the manager or president, or something?

Mr. BUTLER. Yes, sir. The next activity that we noted, or the real activity of the spruce division in this country in a large measure, was connected with the Siems-Carey contract, the announcement of which was made some time early in June, although their contract was signed in May. Of course not only the loggers connected with our bureau but all the loggers were very much concerned as to just what this was. Nobody knew Mr. Siems or Mr. Carey or Mr. Kerbaugh, although some of us had known of Mr. Siems's father as a railroad contractor and understood that the young man was following in the footsteps of his father. But they were totally foreign to railroad construction in this immediate vicinity, and they absolutely had not been identified in any way with the spruce business or the lumber business so far as we could then ascertain or since. We were interested, therefore, as to what the situation really was and as to whether it was going to result in getting any spruce. We tried to obtain a copy of the contract, naturally. A matter of this kind was of the greatest possible interest.

Mr. FREAR. That is, a copy of the Siems-Carey contract?

Mr. BUTLER. Yes, sir.

Mr. FREAR. Which had been made with this Spruce Corporation?

Mr. BUTLER. Yes, sir.

Mr. FREAR. Or the Spruce Division?

Mr. BUTLER. It would seem that it was a matter of large public interest, especially to an old and well-established industry, so the first step, of course, was to see the contract. Our most vigorous efforts continued for months, and they have not brought the contract. The best that we have been able to do, with the assistance of United States Senator Poindexter, after six months of continued effort, was to get a condensed statement as to what the contract contained signed by the Assistant Secretary of War, Mr. Crowell.

Mr. FREAR. What efforts did you make to get this contract, that is, to whom did you apply and what was done?

Mr. BUTLER. Mr. Chinn, on behalf of the bureau, applied direct. At our meetings with these different officers we asked to have it presented. At the second meeting, to which we will refer later, we invited Mr. Disque, whom we expected to be with us, to bring a copy of the contract with him, all fruitlessly, of course.

Mr. FREAR. What reason was given, or was there any explanation given for the failure or refusal to produce a copy of the contract?

Mr. BUTLER. It was not the policy of the department to make public the document.

Mr. FREAR. That was the statement made?

Mr. BUTLER. That was the reason given, I believe.

Mr. FREAR. By whom?

Mr. BUTLER. I would not be able to testify positively as to who made that statement, except that I do know that Senator Poindexter wrote me that in response to his request upon the War Department to be furnished with a copy of the contract, the reply was made that they could not furnish him a copy of the contract, but if the Senator would come up they would show it to him.

Mr. FREAR. That was from Washington?

Mr. BUTLER. That was from Washington.

Mr. FREAR. That was the Aircraft Board?

Mr. BUTLER. That was the War Department itself. The correspondence seemed to have been conducted by Mr. Crowell, Assistant Secretary.

Mr. FREAR. Of the War Department?

Mr. BUTLER. Yes, sir.

Mr. FREAR. Now, what occurred after your failure to secure a copy of the contract?

Mr. BUTLER. Of course our failure to obtain the information simply whetted our desire to have it, especially as it was the foundation stone of the lumber business and the logging business for the next few months. We wanted to see what it all meant.

Mr. FREAR. Now let me ask you a question at this point; who was Siems-Carey-Kerbaugh, so far as you people knew? Were they operators out here on the coast or had they had any experience in lumbering or logging, so far as you knew?

Mr. BUTLER. Not that we knew of; no, sir.

Mr. FREAR. What did you ascertain later?

Mr. BUTLER. We have not been able to find out that they ever had had any experience until they attempted this operation, that is, so far as logging and lumbering is concerned.

Mr. FREAR. That is what I mean.

Mr. BUTLER. After our failure to obtain the terms of the contract, or a copy of the contract, it simply made it necessary for us to sit

down and wait and see what was going to happen. There wasn't anything else we could do.

Mr. FREAR. In other words, you had offered your services repeatedly down here; that is, the members of your association?

Mr. BUTLER. The whole industry, Congressman Frear, was organized and willing and anxious, and simply waiting for somebody to tell them to do something.

Mr. FREAR. Then the first you heard was that Siems-Carey-Kerbaugh had received this contract?

Mr. BUTLER. Absolutely. It came out of a clear sky. This important matter was given to interests that were entirely foreign to this section and to the business, and we did not know anything about them.

Mr. FREAR. Had there been any effort on the part of Disque or any other person connected with the corporation to have your people undertake any large contract for the production of spruce? If so, what were they?

Mr. BUTLER. Not to my knowledge.

Mr. FREAR. All right. What occurred after you had communicated with Senator Poindexter?

Mr. BUTLER. We accepted the situation as we found it. Of course, we could see that railroad construction was going on, and could find out what their plans were from what was being done over there. We were particularly disturbed with the extravagances of their expenditures and the resulting demoralization which was already beginning to appear in our own operations.

Mr. FREAR. In the industry?

Mr. BUTLER. In the industry.

Mr. FREAR. In what respect? You have suggested extravagances, in what respect were they apparent?

Mr. BUTLER. Well, our labor, of which there was a constantly diminishing supply in view of the draft, was already short. They began to hear the stories of the enormous wages paid and the enormous earnings made on contracts and subcontracts in the construction of that work, with the result that it was almost impossible to hold the men in the industry. They all wanted a piece of it, naturally.

Mr. FREAR. They all wanted to get the extra pay?

Mr. BUTLER. They all wanted the extra pay. The result was that there was a bidding for the labor. There was not enough to go around, and there was a constant bidding, and naturally the Government set the pace. That was the result of it.

Mr. FREAR. The Government, as a matter of fact, never set any pace, so far as the committee understands. Who was it that was acting?

Mr. BUTLER. The spruce division, or—

Mr. FREAR. That is, these people in Portland were fixing the figure?

Mr. BUTLER. Yes, sir.

Mr. FREAR. They were setting the pace?

Mr. BUTLER. Yes, sir.

Mr. FREAR. All right.

Mr. BUTLER. Along in September Mr. Chinn, as the chairman of the Loggers' Information Bureau, called a meeting to consider a

proposition that was submitted, as I understand it, by the Spruce Production Division, and the purpose of the meeting was set forth in a letter signed by Col. Disque, dated September 20, and which is already, I think, in the record. The purport of it was that the Government had entered into two contracts with the Siems-Carey-H. S. Kerbaugh Corporation, which provides for the construction of a railroad into Lake Crescent, and the second contract calls for a large monthly production of spruce, fliethces, etc. It goes on to say, "to carry out this second contract it will be necessary for this company to bring out from Clallam County a minimum of approximately one and one-half million feet of spruce logs daily."

Mr. FREAR. This is a letter written by the Spruce Production Corporation?

Mr. BUTLER. This is a letter written from the Spruce Production Division, the Bureau of Aircraft Production.

Mr. FREAR. Written by whom?

Mr. BUTLER. Signed by Brice P. Disque, colonel, Air Service, United States Army, commanding.

Mr. FREAR. To whom?

Mr. BUTLER. Addressed to the loggers of Puget Sound.

Mr. FREAR. Under what date?

Mr. BUTLER. September 20, 1918.

Mr. FREAR. Continue, please.

Mr. BUTLER. "To carry out this second contract, it will be necessary for this company to bring out from Clallan County a minimum of approximately 1,500,000 feet of spruce logs daily, after the 1st of January next. Their estimates call for approximately 50 sides to do this logging, and they have placed orders for the necessary logging machinery."

Mr. FREAR. Fifty sides, does that mean 50 spurs?

Mr. BUTLER. Not necessarily 50 spurs, but it means 50 separate units.

Mr. FREAR. Where you have a donkey engine working?

Mr. BUTLER. Yes, sir.

Mr. FREAR. I am trying to get it so we will have an understanding.

Mr. BUTLER. A side is a yard engine and a loading engine, one to bring the logs in, and the second one loads them on the car. "They feel confident that they can build up an organization that will be satisfactory to them, and that this organization will be able to produce all the logs which they will require to fulfill their contract." Now, I would like to call the attention of the committee to two statements in that second paragraph. They approximate that 50 sides will be necessary, will be all the machinery necessary, and that they will build up an organization that will be able to produce all the logs which they will be required to fulfill their contract. This contract, you understand, is the second Siems-Carey contract, calling for the production of 250,000,000 feet of spruce fliethces—

Mr. MAGEE. It is what is called the spruce contract?

Mr. BUTLER. The spruce contract. In other words—I will defer that. He goes on—

Mr. FREAR. What comment were you going to make upon that?

Mr. BUTLER. I thought the comment that I was going to make I would defer to some other time.

Mr. FREAR. All right.

Mr. BUTLER (continuing the reading): "It seems quite apparent that in view of the present draft legislation that the man power of Puget Sound will not be sufficient to carry on the present logging industry, and also supply sufficient labor to care for 50 additional sides." I would like to call the attention of the committee to that statement. I will refer to it again. "I also think it is true"—

Mr. FREAR. You are now reading from the letter again?

Mr. BUTLER. Yes, sir. "That if this enterprise goes forward as now planned, your district will be flooded with logging machinery at the close of the present war, which will react on the value of your present equipment." Right there, let me interpolate that we were not so much concerned about the value of our present equipment, but we were very much concerned about the increased productive capacity without any compensating increase in the milling capacity, because our market was logs.

Mr. FREAR. It would affect all industrial conditions, wouldn't it?

Mr. BUTLER. Yes, sir.

Mr. FREAR. That is, directly or indirectly?

Mr. BUTLER. Yes, sir.

Mr. FREAR. That is, if you had a great deal of productive capacity with the failure to market your logs?

Mr. BUTLER. Any excess of productive capacity necessarily meant an excess of production, and necessarily a demoralized market.

Mr. FREAR. That is what he referred to?

Mr. BUTLER. Yes.

Mr. FREAR. Excepting that he confined it to yourselves?

Mr. BUTLER. I will refer to this again, with your permission. "I have therefore requested the Siems-Carey, Kerbaugh Co. to first make an offer to the loggers of Puget Sound to contract their logging operations rather than follow their present plans of purchasing new equipment and creating a new organization."

Mr. FREAR. What is your understanding of that. "to contract"?

Mr. BUTLER. My understanding of that is that it was to be the policy of the department to disrupt the natural conditions in the industry as little as possible. The only trouble with the colonel's statement is that he ought to have found out that a long while before.

Mr. FREAR. I was trying to get the meaning of the term "contract." I assumed that was it, but it was a little indefinite.

Mr. BUTLER. Yes. "They came." "They" meaning the Siems-Carey, Kerbaugh Co.—

Mr. FREAR. You are reading from the letter?

Mr. BUTLER. Now I am reading from the letter, "They came to Portland on my request and agreed heartily to adopt my suggestions, although they stated that so far as they personally were concerned, they would much rather carry out their present plans."

Mr. FREAR. That is, their present plan of working under their contract?

Mr. BUTLER. Proceeding as independent operators, duplicating all this machinery at Government expense and building up an organization which only could be built up by robbing some other organization which was already functioning.

Mr. FREAR. In existence?

Mr. BUTLER. Yes.

They have authorized me—

Reading again from their letter—

they have authorized me to make the following proposition to you, which I have considered carefully, and consider a very fair offer; namely, that they will be willing to enter into a contract with either one or several large logging companies, which you may form, agreeing to pay a rental of 10 per cent and depreciation of 15 per cent per annum on all logging machinery and equipment which concerns may furnish, at their present agreed or appraised value; that they will pay all of the logging expenses of every kind and nature, and pay a profit of \$1 per thousand for all logs produced.

Their proposed contract is to contain a provision that they may cancel the same or insist upon a change in management if the output is not satisfactory, or if the operation is extravagant in their opinion. They also agree to pay all expenses incident to moving equipment into the district as well as returning same to its present location at the termination of their contract. In case the contract is canceled for cause, they are to have the option of retaining all of the equipment on the agreed rental basis if they care to do so.

With reference to that statement in there, "extravagant in their opinion," right there, I would like to know what that word means with those people.

This company is required to carry on selective logging operations, bringing out only the No. 1 and 2 logs, which may reduce the output per side to a certain extent.

Time is of the essence of this offer and my understanding is that the same will be withdrawn within 15 days if not accepted prior to that time.

Mr. FREAR. That is the end of the letter?

Mr. BUTLER. Signed, "Brice P. Disque, colonel, Air Service, United States Army, commanding."

Mr. FREAR. I want to ask one or two questions in reference to that letter. This was a letter sent to your organization authorizing your people to do the logging for the Siems-Carey, Kerbaugh Co., from which they were to make up the 250,000,000 feet of fitches?

Mr. BUTLER. Yes, sir.

Mr. FREAR. Did they have any such independent contract, or do you know?

Mr. BUTLER. No, sir. Their contract, so far as I am aware, was limited to the spruce contract and the railroad contract.

Mr. FREAR. That is to say, was there any logging contract that you have ever heard of?

Mr. BUTLER. No, sir.

Mr. FREAR. As separated from any contract for the production of fitches?

Mr. BUTLER. I never have seen any, sir.

Mr. FREAR. Now, Mr. Disque, as you read the letter says that this is a fair offer?

Mr. BUTLER. Yes, sir.

Mr. FREAR. An offer of \$1 a thousand, with a certain amount for depreciation, and so on. Do you know his experience as a logger, or as a business man generally, on which he could base such judgment?

Mr. BUTLER. I think he has had none, sir.

Mr. FREAR. He said he had considered it carefully. Had he considered it with any of the loggers that were operating here, so far as you know?

Mr. BUTLER. Not to my knowledge.

Mr. FREAR. Not with your organization, any how?

Mr. BUTLER. No, sir.

Mr. FREAR. And that represented a large organization, I take it, here on the coast?

Mr. BUTLER. Yes, sir.

Mr. FREAR. Now, there was a condition here, for instance, taking paragraph 5, "Their proposed contract"—that is, the loggers' contract—"is to contain a provision that they may cancel"—that is, that the Kerbaugh Co. may cancel—"The same or insist upon a change in management if the output is not satisfactory, or if the operation is extravagant in their opinion." In other words, what opportunity had you for determining what you could do, what expenditures you could make, under such a statement as that?

Mr. BUTLER. Of course, we did not think that was a very reasonable suggestion.

Mr. FREAR. Had you ever heard of such a contract being made in all of your logging operations, or lumbering operations, before this time?

Mr. BUTLER. Not by an experienced man with an unexperienced man; no sir.

Mr. FREAR. "In case the contract is canceled for cause, they are to have the option of retaining all of the equipment on the agreed rental basis, if they care to do so." That is, they were to commandeer all of the property that you had, providing at any time you had accumulated it, if I understand correctly, and if they desired at that time to do so they could take it over. Is that right?

Mr. BUTLER. That is, the machinery that we had devoted to or taken over to that enterprise.

Mr. FREAR. Yes; for the purpose of this logging?

Mr. BUTLER. Yes, sir.

Mr. FREAR. What have you to say in regard to the terms of the contract—that is, independent of this right of cancellation and the other conditions which surround it? Is \$1 per thousand for all logs produced a fair proposition?

Mr. BUTLER. On the assumption of selective logging, I think it is rather absurd. Nobody knows what it means, to begin with.

Mr. FREAR. That is, you mean to say that nobody knows what the expense means?

Mr. BUTLER. The expense is indefinite, but your compensation is based on the daily output, and if your selective logging means 10,000 feet a day that would mean \$10 a day. Of course, if you got a 100,000 feet you would get \$100 a day.

Mr. FREAR. You were not to make the selection for the logging?

Mr. BUTLER. It would be a contract to call for selective logging; the operations were to be conducted on the selective-logging basis—the selective-logging plan.

Mr. FREAR. Some one could go out and select the logs?

Mr. BUTLER. Select the trees.

Mr. FREAR. Select the trees; that is what I mean.

Mr. BUTLER. Yes, sir.

Mr. FREAR. And under this contract you would go on and log those trees that had been selected?

Mr. BUTLER. Yes.

Mr. FREAR. That is, two or three trees might be taken in an acre, or maybe 20 trees?

Mr. BUTLER. Yes.

Mr. FREAR. But you would be expected to take those trees that were marked?

Mr. BUTLER. Yes.

Mr. FREAR. That was the understanding?

Mr. BUTLER. Yes, sir.

Mr. FREAR. Had there ever been a contract of that kind before to your knowledge, prior to that time?

Mr. BUTLER. No, sir; not to my knowledge; that is, not in this country. Of course, they carry on such operations abroad, where the timber—you can carry most of it around on your back.

Mr. FREAR. The testimony here by Mr. Donovan was that that timber was from 2 to 2½ feet in diameter. These timbers here were up to what size?

Mr. BUTLER. I think up as high as 10 feet.

Mr. FREAR. Ten feet in diameter, some of that spruce?

Mr. BUTLER. Yes, sir.

Mr. FREAR. Now, you wanted to make some statement, I believe. I just wanted to bring out the points that I have suggested there.

Mr. BUTLER. A meeting was held on the 21st day of September to consider this letter. That was immediately after the receipt of this letter. The meeting was rather numerously attended, so well attended, in fact, that I, who came in a little bit late, had to stand up in the rear of the hall at the beginning of the meeting.

Mr. FREAR. Where was that meeting held?

Mr. BUTLER. The meeting was held in one of the little auditoriums in the L. C. Smith Building. I think Mr. Joseph Irving was chairman of the meeting, and present we had as representing the Spruce Production Division, or the Spruce Board, Major Hitchcock, Major Eastman, and Major Sawyer, all of whom were there in uniform. First, let me say that along in July and August things were not going particularly well in the logging business.

Mr. FREAR. 1918, you are speaking of?

Mr. BUTLER. 1918. Operations were somewhat disturbed, primarily due to the labor conditions, intensified by the railroad construction under the Siems-Carey contract, and it was manifest that all of the machinery which had been in operation would probably not be able to continue to run, because there were not going to be men enough to go around.

With this situation, the spruce board, which had the matter in hand, had a general supervision over the whole industry, in a way, were preparing, and I think had prepared to classify these different logging operations into what they called essential camps and nonessential camps. That is, a camp that was producing logs containing a substantial percentage of spruce, or logs which were of that growth, or log logs which were valuable for shipbuilding, should be allowed to continue, and those camps which were producing cedar or hemlock or small logs, which were not valuable in the Government's program, should be classified as nonessential and should be discontinued.

When I arrived at the meeting, Maj. Hitchcock was talking. He went on to recite how about the conditions—the labor conditions, the

Government had discontinued it—was going to discontinue its ship-building program, reducing the demand for lumber, making the outlook for our industry rather dubious, and thought that it would be to the interest of the loggers, rather than have their plants idle through the natural conditions of supply and demand in the district—that they should take over and accept this contract which was proposed. In other words, we should take a subcontract—the industry, as the members of the bureau, should accept a subcontract under this Siems-Carey-Kerbaugh Co., so-called spruce contract. Now, the essence—

Mr. FREAR. Just a moment right there. Had any of your loggers or companies ever had any conference with the Siems-Carey-Kerbaugh Co., or any of the individuals, with reference to the taking over of this contract?

Mr. BUTLER. Some of our members may have, personally.

Mr. FREAR. With reference to taking over this contract?

Mr. BUTLER. Not to take over the contract.

Mr. FREAR. That is what I mean.

Mr. BUTLER. But to take a subcontract—

Mr. FREAR. So the first thing that came to your attention regarding taking over this contract, in response to your communication, was the letter from Col. Disque?

Mr. BUTLER. So far as relates to my personal knowledge and my company's; yes, sir.

Mr. FREAR. In which he stated as you have stated?

Mr. BUTLER. I understand some of the members of the association had carried on negotiations privately and independently with Siems-Carey—been trying to induce them to go over there.

Maj. Hitchcock emphasized the importance of the Siems-Carey-Kerbaugh spruce contract, and said, in no uncertain language, that should occasion require or necessitate, all of the resources of their department would be put behind that contract to assist them in carrying it out, even going so far as to state that a labor differential in their favor would be installed, if necessary. In other words, they would be given the right to pay a higher rate of wage than any of these other independent companies.

Mr. FREAR. Was there anything said about a—and I am asking for information—about their right of commandeering, at that time?

Mr. BUTLER. Of course, everybody appreciated that—we were now discussing the Siems-Carey matter—of course, everybody appreciated the Government had full right in this matter, but Siems-Carey could not commandeer anything.

Mr. FREAR. Had they ever made such a proposition before, that there would be differentials permitted by your organization, had these officers at Portland ever given you any encouragement or suggestion that you would be permitted, in logging for spruce, as separate from ordinary commercial work?

Mr. BUTLER. My particular camps were not much of a factor, practically no factor at all in the spruce end of it. We were getting out timber valuable for the shipping program.

Mr. FREAR. I see.

Mr. BUTLER. There could have been no remaining doubt in the minds of any of the loggers assembled at that meeting that it was

one purpose of this division to see that that Siems-Carey-Kerbaugh contract was carried out, if it was humanly possible, and all the rest of the industry to the contract notwithstanding.

Maj. Eastman didn't say very much. Mr. Sawyer didn't say very much. But the concensus—the opinion of the lawyers which I think I voiced in the presence, perhaps—I don't know when—but it was very manifest that the whole tenor of the meeting was, to these companies represented, "You either take this contract or get out of business." That is what it meant, and, of course, it didn't make a real hit.

Mr. FREAR. How do you come to that reasoning?

Mr. BUTLER. Well, they had priorities already on all classes of material. Now, if they were going to handle us with a labor differential, we were only entitled to what was left over; it would not have been enough to have done anything.

So I think then, as the meeting progressed, I have an idea that we either adjourned for luncheon or else the officers retired and we continued our discussion many hours. Mr. Hitchcock, or Maj. Hitchcock, asked that our attitude in this matter be communicated to him later in the day, and that he would hold himself in the neighborhood to receive it.

Mr. FREAR. Was Maj. Hitchcock a logger, so far as you know?

Mr. BUTLER. Not to my knowledge.

Mr. FREAR. Who was he?

Mr. BUTLER. Maj. Hitchcock was one of the higher officers in the bureau there.

Mr. FREAR. From where?

Mr. BUTLER. I understood that he was a lawyer, from Cleveland. I don't know what his business is, but I understood he came from Cleveland.

Mr. FREAR. Cleveland, Ohio?

Mr. BUTLER. After much discussion, which continued well along in the afternoon, the members of the Loggers' Information Bureau, who were the only loggers present at that meeting, sent this telegram or communicated this notice to Maj. Hitchcock, and I was on the committee that called on Maj. Hitchcock and saw him with Maj. Sawyer in, I think, the office of the latter, in the same building.

At a meeting held in the fall of 1917, the Lumbermen's Protective League, of which the undersigned is a member, the services of themselves, their organization, and their equipment, was unanimously tendered to the United States for the winning of the war and in the filling of its requirements on lumber, and more particularly in its plan to increase the production of spruce and other airplane material.

We, the Loggers' Information Association of Puget Sound, having a joint input of 1,000,000,000 feet per year, in meeting assembled, again tender to the United States Government direct our services, organizations, and equipment, without profit, in the logging and opening up of the spruce tract of Clallam County on the Olympic Peninsula.

We consider as unnecessary and detriment to a large and important industry, the continuation of the operation of the so-called Siems-Carey Co., and ask that it, in the public interest, be canceled.

That was communicated to Maj. Hitchcock, and he expressed his disappointment, and, I suppose, returned to Portland.

Mr. FREAR. In other words, your organization, with an output, as I understand, of over 1,000,000,000 feet a year, had been confronted with the Siems-Carey-Kerbaugh contract, given to men none of

whom were loggers, by the head of the organization down here at Portland, who had no business experience—that is, I mean along the line of lumbering and logging—and you were dealing with Mr. Hitchcock, who was a lawyer from Cleveland, Ohio, and, with that situation before you, you sent this letter?

Mr. BUTLER. Yes.

Mr. FREAR. Let me take this.

Mr. LEA. Have you that letter?

Mr. BUTLER. I don't know whether it was a telegram. I communicated it in person to Maj. Hitchcock, who was waiting in the room above. It might have been confirmed; probably was confirmed by letter or telegram.

Mr. FREAR. I wanted to ask: It appears that the general production of logging reaches several million feet a day, does it not, in Oregon and Washington?

Mr. BUTLER. Yes.

Mr. FREAR. So that your organization, which was only one of a number, produces 1,000,000.000 feet of that total product?

Mr. BUTLER. Those are the figures; yes, sir.

Mr. FREAR. I am just getting the——

Mr. BUTLER. It is not our organization, it is the members who affiliate with the organization, who make the production.

Mr. FREAR. But they were the members up here on the Sound?

Mr. BUTLER. Our membership is limited to the so-called merchant loggers on the Sound.

Mr. FREAR. These were just the Sound loggers?

Mr. BUTLER. There are similar organizations, in fact, in the Columbia River district, the Grays Harbor district, and also in the British Columbia district.

Mr. FREAR. What next occurred?

Mr. BUTLER. That was the end of the meeting and that was the conclusion. There was a good deal of indignation expressed, very properly, in my judgment, because, among other things, they submitted, I think, a form of contract.

Mr. FREAR. Who submitted that and when?

Mr. BUTLER. I think this was a part of the negotiations, a part of—everything was submitted by these gentlemen in uniform.

Mr. FREAR. Now, was that submitted at the same time that Col. Disque wrote you, or at what time, or by this Maj. Hitchcock, or by whom and when?

Mr. BUTLER. Maj. Hitchcock represented Col. Disque and he did all the speaking to the bureau at this meeting.

Mr. FREAR. Yes; but I mean when was this contract of which you speak—when was that submitted, and by whom?

Mr. BUTLER. I am trying to find out. [Examining papers.] I do not find the form of contract here, but I have among my notes that the form of contract was such—I think we went over it, the meeting went over it in detail—what I would say here would be subject to correction as to this—Carey was to furnish the stumpage, cars, and supplies and pay a dollar a thousand profit——

Mr. FREAR. This was in this proposed agreement whereby your people were to undertake the logging?

Mr. BUTLER. Yes, sir.

Mr. FREAR. That was offered. Just read slowly, so that the reporter can get it.

Mr. BUTLER. The form of contract provided Carey furnish the stumpage, cars, supplies, pay a dollar a thousand profit, 10 per cent rental, 15 per cent depreciation. This note I made at the time interests me—all disbursements to be made by Carey; the loggers to handle no money.

Mr. FREAR. Disbursements of what character?

Mr. BUTLER. Beg pardon?

Mr. FREAR. Disbursements of what character?

Mr. BUTLER. All characters. In other words, any of these independent loggers accepting the contract under the suggestion of these gentlemen would operate under such a contract as I have just read, and would not be allowed to handle any money at all; in other words, the Siems-Carey Co. would pay the pay rolls and pay for the supplies and pay everything and everybody.

Mr. FREAR. They had a 7 per cent-plus contract anyhow, didn't they?

Mr. BUTLER. Yes, sir; but, of course, they were—the interesting point about it was the loggers were to do the work and if they were good and did a good job they were to get a dollar a thousand, but they were not to handle any money or do any other old thing.

Naturally, as most of these logging operations are rather substantial, and, in some cases, even large enterprises, the suggestion didn't meet with very friendly feeling.

Mr. FREAR. Is there any suggestion in that regarding guaranty?

Mr. BUTLER. None whatever.

Mr. LEA. Suppose we put that in evidence. You have a copy of the contract there, have you?

Mr. BUTLER. I would like to ask, if I may be permitted: Mr. Chinn, have we got a copy of that proposed contract?

Mr. CHINN. It is right there.

Mr. BUTLER. Is it?

Mr. FREAR. Is this another letter that you have before you?

Mr. BUTLER. Didn't we have a form of contract submitted at the first meeting?

Mr. CHINN. No, sir.

Mr. BUTLER. We discussed the formation, though, did we, at the first meeting?

Mr. CHINN. No; there was no—Gen. Disque's first letter outlined the conditions; that is the letter which you read.

Mr. FREAR. You have a second letter from Gen. Disque or Col. Disque?

Mr. BUTLER. That comes between the first meeting and the second meeting.

Mr. FREAR. Yes. Now, that letter Mr. Lea suggests might be put in the record here, also both letters, for that matter.

Mr. BUTLER. I think you already have it. This is the letter dated September 20.

Mr. LEA. That letter is in already.

Mr. FREAR. Let's put the other letter in, the subsequent letter.

Mr. BUTLER. I might be permitted to say, in fairness to the industry, that in this whole spruce production—

Mr. LEA. Suppose we get this letter in here while we are on that subject.

Mr. FREAR. Yes; let's introduce the second letter that you have there.

Mr. BUTLER. Do you want me to read it?

Mr. LEA. No; just give it to the reporter.

Mr. FREAR. I think that would be a good idea, to read it and to take it down. Read it slowly, so that it can be taken down, or is it very long?

Mr. BUTLER. No; it is not long.

Mr. FREAR. Well, read it slowly, and then we can get the terms of it as you read it.

Mr. BUTLER. This is in a little ahead of the story, though. This is a letter dated Leon Building, Portland, Oreg., September 24, 1918.

Mr. FREAR. What was the date of the other?

Mr. BUTLER. September 20, 1918.

Mr. FREAR. Four days later; yes.

Mr. BUTLER. Addressed to the Loggers' Information Association.

In accepting your patriotic offer made on the 21st day of September, 1918, at a meeting held in Seattle, Wash., wherein you agree to furnish all the necessary equipment and to log without profit the spruce tract in Clallam County on the Olympic Peninsula, I wish to call your attention to the fact that the equipment which you are to furnish will of necessity have to be the best equipment which your district can furnish, and in an amount sufficient to produce a minimum of 500,000,000 feet of No. 1 and No. 2 spruce logs within the year 1919, fairly proportioned over each month, commencing with January, 1919. Second—

Mr. LEA. This letter is in evidence, isn't it?

Mr. FREAR. I think it is, now. We need not put that in. I recognize it.

Mr. BUTLER. I want to say here, in justice to the industry, that this whole proposition of furnishing spruce was entirely a logging proposition. After the logs were produced and put in the water, the cutting of the log was simplicity itself, there is no problem involved whatever, except having the lumber manufactured in exactly the way that the designers of the airplane contemplated. There is no problem about it.

Mr. FREAR. Could that be done by the ordinary mill?

Mr. BUTLER. Yes, sir; unquestionably.

Mr. FREAR. Let me ask a question or so regarding this letter that you have read. This was introduced, I believe, by Mr. Chinn, was it not?

Mr. BUTLER. Yes, sir.

Mr. FREAR. The same letter. I had forgotten it. This is not—

Mr. BUTLER. Perhaps I have given you the wrong letter—September 24.

Mr. FREAR. I have it. You had made a proposition to log, without profit, according to this letter?

Mr. BUTLER. Yes, sir.

Mr. FREAR. In this spruce tract of Clallam County?

Mr. BUTLER. The Loggers' Information Association, yes, sir.

Mr. FREAR. Yes; that is what I mean, speaking for them, and it was in reply to that, that Mr. Disque or Col. Disque, on September 24, wrote you, according to the letter that was filed by Mr. Chinn,

which you started to read. The first proposition is that you are to furnish the best equipment. If I recollect, the last letter I was just reading was to the effect that if Siems-Carey-Kerbaugh Co. wanted to cancel the contract, they could take over all your equipment?

Mr. BUTLER. Such as we had supplied, yes, sir.

Mr. FREAR. Yes; such as you had supplied. Five hundred million feet of No. 1 and No. 2 spruce logs, by selective logging, was to be furnished within the year 1919, according to this statement, and fairly proportioned over each month. What would you say as to the size of such a contract or such an agreement for selective logging?

Mr. BUTLER. No responsible loggers, of course, would undertake it.

Mr. FREAR. That is, if he had to place up a forfeit or a guaranty or a bond, you mean?

Mr. BUTLER. I don't think he would take it—I don't think, with the interests at stake—the importance of furnishing this spruce to the Government in its war plans was such that no responsible logger would have undertaken such a contract on any basis—he would have gone in there and done the best he could, and that is all he could have done.

Mr. FREAR. But it says here, under the second provision—

During the first three months of the coming year, I feel quite sure that you can only count upon 15 working days in each of these months.

Mr. BUTLER. Yes, sir.

Mr. FREAR (continuing). Speaking about the proposition he puts up to your organization—

which means that, to provide necessary minimum output, you will have to have at least 65 sides immediately available—
and he tells about the engines you will have to have.

Mr. BUTLER. I would like to call attention to the difference in the procedure. The Aircraft Co. were going to produce 120,000,000 feet, and we were providing 21 sides to do the work. They were proposing—

Mr. FREAR. How many million feet were you to provide?

Mr. BUTLER. We were to put in 10,000,000 feet a month.

Mr. FREAR. That would be 120, yes.

Mr. BUTLER. These gentlemen were proposing to put in, with selective logging, 500,000,000 feet, with 65 sides, and I want to call your attention to the fact that between the date of the 20th and the 24th the number of sides, under the written statement of the general, necessary, has increased. In the letter of the 20th, when he was making this proposal that we should take this contract from the Siems-Carey, he thought it would only take 50 sides. The minute that we had suggested that we would take it, the demand made increased, within four days, to 65 sides.

Mr. FREAR. If you were putting in 21 sides down in your lumbering or in your logging operations down below Yaquina, on the Blodgett tract, to get out 120,000,000 feet it would take nearly 100 sides—

Mr. BUTLER. It is just the difference between a responsible operation and an irresponsible one.

Mr. FREAR. That is, showing, if your estimate was correct on the 120,000,000, it would have taken over 80 sides, in any event, to have covered 500,000,000 on the same basis, would it not?

Mr. BUTLER. Yes, sir.

Mr. FREAR. And he had before suggested 50?

Mr. BUTLER. Yes.

Mr. FREAR. Indicating what, as to his general knowledge of the business?

Mr. BUTLER. Well, my personal opinion is that both parties that made that spruce contract didn't know what they were talking about.

Mr. FREAR. This is a contract of very great importance, not only for the carrying on of the war activities—that is, in production of spruce for airplanes—but for every purpose, for the protection of the loggers as well, for the protection of business, and for the protection of the Government.

Mr. BUTLER. There is one very reassuring feature about the whole matter, and that is that the whole industry here, especially those gentlemen who have been experienced, were practical and know—that no one in connection with this whole industry in the Northwest is in any way concerned, or could possibly have been concerned, in this contract. If those gentlemen were their advisers—if their advice had been sought—such a contract would never have been entered into. I feel perfectly confident of that statement.

Mr. FREAR. This is the letter, as I now recollect, in which he compliments your association upon the patriotic action of its membership, which was not apparent, as I understand, from the 7 per cent cost-plus contract made with the Siems-Carey organization, and in the letter he says: "I will also permit the payment of a reasonable compensation to men actually engaged in the management of this organization." That is, your organization.

Mr. BUTLER. Yes, sir.

Mr. FREAR. That is, he was going to permit this.

Mr. BUTLER. Well, we were glad of that.

Mr. FREAR. Yes. He was a captain in the service, or an ex-captain, when he came into the service, was he not, as you understand it?

Mr. BUTLER. I never heard of him except as a lieutenant colonel, I think, when he first appeared here.

Mr. FREAR. When he was here?

Mr. BUTLER. Yes.

Mr. FREAR. I think the record shows that he was an ex-captain when he started in. He says, "Gentlemen: Inclosed herewith suggested form of agreement to be signed by the loggers." Then there is a short suggested agreement here; you are familiar with that?

Mr. BUTLER. Yes.

Mr. FREAR. Just a short one.

Mr. BUTLER. Do you want me to read it?

Mr. FREAR. You may read it into the record; yes.

Mr. BUTLER (reading):

We, the undersigned, hereby agree to lease to the —— company the number of complete sides containing 11 by 13 or larger yarding engine, geared locomotives and railroad rails set up in our respective names, at a rental of 10 per cent per annum and 15 per cent per annum depreciation on appraised value of equipment and a rental of 12 per cent on appraised value of railroad rails; and further agree that the duly authorized representative of the above company,

acting with the representative of the spruce-production division, shall have the right to choose from all the equipment which I own the number of sleds, engine and camps appearing below, the only limitation to this being that the complete unit must be taken.

Mr. FREAR. Now, what consultation or agreement did he have with any of the members of your organization who proposed to make this voluntary contract without cost to the Government prior to his making that proposition to you, as far as you know?

Mr. BUTLER. None, except such as he may have thought he had through his representatives at the meeting held on the 21st, three days before.

Mr. FREAR. Were those conditions discussed at that time by him?

Mr. BUTLER. I think that at the first meeting they discussed the form of a contract in case one should have been entered into.

Mr. FREAR. Now, he gives you 10 days there, is it, in which time is the essence?

Mr. BUTLER. Time is not the essence of this particular document.

Mr. FREAR. It seems to have been, because the opportunity was withdrawn.

Mr. BUTLER. That was in this telegram, but it was not in this particular paragraph.

Mr. FREAR. I mean it is in that letter of the 24th, after the telegram.

Mr. BUTLER. The time was put in the telegram of the 22d—September 22.

Mr. FREAR. And was to be withdrawn at what time?

Mr. BUTLER. Within 12 days. The impression that the meeting of the 21st made on me as a logger and business man was that had the Siems-Carey people been present in person they could not have been any more vigorously represented than they were represented by the gentlemen in uniform.

Mr. FREAR. Was it in the realms of possibility under this proposition which was put up to you, a safe measure for any business man to undertake?

Mr. BUTLER. Quite impossible.

Mr. FREAR. And for your whole organization that had the output of a 1,000,000,000 feet of logs taken together, what would you say as to that?

Mr. BUTLER. Quite impossible. Nobody would have seriously considered it on any such basis, of course.

Mr. FREAR. What occurred after that?

Mr. BUTLER. After this meeting had disbanded, that is the meeting of the 21st of September, and we had made our communication to Maj. Hitchcock, the next happening was the receipt of the telegram which is already in the record.

Mr. FREAR. Just what was the substance of that?

Mr. BUTLER. The substance of it was that Col. Disque would accept our proposition if agreeable to Mr. Carey, and if we would agree to guarantee them 500,000,000 feet a year, and if we would agree to have Siems-Carey operate the railroad, etc.

Mr. FREAR. It is a short telegram, is it not?

Mr. BUTLER. Yes.

Mr. FREAR. Then read it into the record, because there are some important propositions there.

Mr. BUTLER [reading]:

If agreeable to Carey accept loggers' proposition on same basis Frost contract, except operation main line railroad. The Government to acquire all stumpage and own logs, and eliminate from Carey contract all interest in logging operations. This will require modification of Carey contract, probable cancellation, and making new one for them to operate that main line railroad, and saw such portion of logs as we agree upon as understood by Hitchcock and Carey. Express to Carey my deep appreciation his patriotic attitude in the matter. Before closing we must have assurances that loggers will form into one company and guarantee same log input as Carey is no wobligated to produce as to time and quantity and definite arrangements made as to equipment assigned and so forth within 12 days. Also assure logging operators that we appreciate their action and will certainly bring their patriotic action to the attention of the Washington Government.

Mr. FREAR. He speaks of the Washington Government. What kind of a government does he mean?

Mr. BUTLER. I suppose he meant the War Department.

Mr. FREAR. Or did he mean the Government itself as distinguished from the operations of this organization here in Portland?

Mr. BUTLER. I presume he meant his superiors.

Mr. FREAR. He expresses gratitude to Carey.

Mr. BUTLER. Yes.

Mr. FREAR. What is the connection in there?

Mr. BUTLER. I presume Mr. Carey was to permit us the honor of putting in those logs.

Mr. FREAR. He speaks of a guarantee as you read there, that you must make to furnish this 500,000,000 feet of logs.

Mr. BUTLER. Yes.

Mr. FREAR. With all of these conditions of furnishing the best equipment and taking over the equipment if they chose, and all that.

Mr. BUTLER. Yes.

Mr. FREAR. Was there any such guarantee that you recall or that you know? You have seen this Siems-Carey contract?

Mr. BUTLER. My information about the Siems-Carey contract is very largely confined to the condensed statement of Assistant Secretary Crowell. While I have seen the Siems-Carey contract I do not feel that I am familiar enough with it to make any statement.

Mr. FREAR. He gave these people the sole right of cancellation at any time that they wanted by this contract that they were to put over with your people. That was evidenced in the preceding letter.

Mr. BUTLER. Yes.

Mr. FREAR. Now, go on with your explanation.

Mr. BUTLER. I would like now to analyze this telegram.

Mr. FREAR. All right.

Mr. BUTLER. The whole proposition, of course, must be acceptable to Mr. Carey. That is condition one. The second proposition is that it shall be on the basis of the Frost contract. The Frost contract is the Aircraft Lumber Co. contract.

Mr. FREAR. That has just been made out.

Mr. BUTLER. That has just been made. Of course, I presume that the details were fresh in the minds of his organization. Now, in the Frost contract there was no guaranty, and it was explained in our negotiation of that contract that the very essence of it was that we as loggers insisted on operating the railroad.

Mr. MAGEE. This Aircraft Lumber Co. contract was made with the Government, was it not?

Mr. BUTLER. No; it was made with the same organization.

Mr. FREAR. Was that the one that was a cost-plus contract?

Mr. BUTLER. Somebody has told me that there was an airplane contract which was a cost-plus contract—some operation in Grays Harbor. This is different altogether. This is the Blodgett contract we have been speaking of.

Mr. LEA. Which you had with the Spruce Production Corporation?

Mr. MAGEE. Has this Frost contract been described?

Mr. BUTLER. Yes; the Frost contract is the Aircraft Lumber Co. contract.

Mr. MAGEE. Has it been described in the evidence just exactly what it is?

Mr. BUTLER. I am prepared to submit a copy of the contract if you desire it. I think at the beginning of my testimony I referred to that. I do not recall exactly whether it went into the testimony.

Mr. FREAR. What would be the effect for a logger to enter into a contract for spruce production for logging when some other party had the right of immediate cancellation of the contract and had the entire control of the railway?

Mr. BUTLER. We were as loggers willing only to operate under that condition, providing that we were doing business with the United States Government or its representatives direct. We would not submit to it for a minute from any cost-plus operator.

Mr. FREAR. Could you do so where another party held the railroad in its power, and with the right of cancellation of your contract at any time and taking over of that property and equipment?

Mr. BUTLER. No. Now, I will go on with the telegram, with your permission. [Reading:]

Eliminate from the Carey contract all interest in logging operations.

Now, I have seen the skeletonized contract, and I know of no provision in that Carey contract regarding logging at all. My understanding is that it is for the furnishing of flitches. Whether it refers to the detailed logging operations I do not know. There is certainly no reference to it in the sketetonized form.

Mr. LEA. Do you know of any way of getting flitches without logging?

Mr. BUTLER. No; I do not.

Mr. FREAR. How could you take out the logging proposition from the contract that did not provide that it was? Is that the answer to it?

Mr. BUTLER. Yes. [Reading:]

This will require a modification of the Carey contract, probable cancellation, and making a new one for them to operate the main-line railroad and sawing such portion of the logs as we agree upon as understood by Hitchcock and Carey. * * * Before closing we must have assurance loggers will form into one company and guarantee same log input as Carey is now obligated to produce, as to time and quantity and definite arrangements made as to equipment, etc.

Now, in all our discussions, and especially the discussions at the meeting held on September 21st, we were impressed by the representatives of the spruce division that the Siems-Carey people were

obligated and had a bond and guarantee to do this thing. I ask now as a matter of information and as a matter of fact as to whether there was any such bond or any such guarantee? There is certainly no provision in any contract that I have seen.

Mr. FREAR. That is, you produced 250,000,000 feet of fitches inside of 18 months.

Mr. BUTLER. Yes.

Mr. FREAR. That, of course, is for the committee to determine.

Mr. BUTLER. Speaking now for our loggers' association, we ask information on that point, as to whether there is now or ever was any financial guarantee or assurance that would be forfeited in case of their failure to deliver!

Mr. FREAR. The committee would be prepared to submit to you the same evidence that it has in its hands with the copy of the contract.

Mr. BUTLER. Much has been made of the fact that there is a mortgage of \$6,000,000 given to secure all the property in Clallam County, the idea being that the contractors of large financial responsibility were behind it. As a matter of fact, in the skeletonized analysis of this contract, as forwarded by the Assistant Secretary of War, this security and this mortgage is simply for the return of money which was advanced, and there does not anything appear in this record, as far as I can find out, that the Siems-Carey Corporation ever advanced a dollar.

Mr. MAGEE. This contract made with the corporation created under the laws of the State of Maine, as I understand. Of course, there would be no personal liability as far as the corporation is concerned in entering into such a contract.

Mr. BUTLER. I submit that there has been a studied effort made to convey to the logging industry of this State that the contract given to these gentlemen was secured and guaranteed by substantial bond.

Mr. FREAR. That is, you mean to say that there was prior to that time?

Mr. BUTLER. Yes.

Mr. FREAR. Let me read a provision from the Siems-Carey contract relating to the railroad of which you have just spoken. It says here that the "Government will provide sufficient cars suitable for the transportation from the seller's mill." That is the Siems-Carey Corporation, reading from article 3. [Reading:]

of the spruce fitches herein contracted for, and will use its best endeavors to furnish sufficient cars suitable for transportation from said mill of the seller's product sold to others than the Government.

The Government would provide the cars to the operator, and the railroad, so far as anything appears in the contract, was to remain in the Siems-Carey Corporation, and that is the company over whose line you were required to log?

Mr. BUTLER. Absolutely; yes.

Mr. FREAR. Proceed.

Mr. BUTLER. After receiving this telegram just put in the record and after it had been studied and thought over in conjunction with the offer of Col. Disque, and all of that which I have just testified to being in our minds, a general meeting of the industry was then called to consider the proposition.

Mr. FREAR. Were you aware at that time that the Siems-Carey Corporation had a supplemental agreement for advanced payments from the Government upon their cost plus contract?

Mr. BUTLER. We had no information at that time except such information as was trickling out here from Washington, D. C. There was no information possible at this end of the line at all, and whether our information was correct and conclusive we could not tell.

Mr. FREAR. There was a mortgage, you said, of \$6,000,000?

Mr. BUTLER. Yes.

Mr. FREAR. I have here what purports to be a copy of a contract for advanced payments entered into on the 31st day of May, 1918, between Siems-Carey-H. S. Kerbaugh Corporation and Pliny Fisk and Wilbur C. Fisk and H. L. Denny, copartners, doing business as Harvey Fisk & Sons, and the United States of America, acting by the officer whose name appears below. It refers to the contract for spruce fitches, and it provides herein that \$6,000,000 may be advanced on this contract, the first \$1,000,000 immediately, the second \$1,000,000 on demonstration that \$750,000 had been expended, including the approval for the purpose of the principal agreement; and the third \$1,000,000 on demonstration that \$1,700,000 had been expended; and so on up to \$6,000,000. Now, this was signed by the Siems-Carey Corporation, by C. P. Siems, president, and by George M. Clark and Pliny Fisk for Harvey Fisk & Sons. For the United States of America there is a dash and I do not know whether that was signed, and I have just inquired. I do not know what the facts are in regard to it. It refers to a mortgage. Now, there was a mortgage recorded, as I understand?

Mr. BUTLER. Yes; there is a mortgage on record.

Mr. FREAR. Where?

Mr. BUTLER. In Clallam County, I believe.

Mr. FREAR. You have a copy of it there?

Mr. BUTLER. No, sir.

Mr. FREAR. Was there any suggestion given by Col. Disque or anyone else to your people that apart from this proposition that was made to you there should be any payment in advance or any opportunity to aid you in preparing for this contract that was to be made without expense to the Government; that is, without profit to yourself?

Mr. BUTLER. No, sir.

Mr. FREAR. Nothing whatever?

Mr. BUTLER. No, sir.

Mr. FREAR. All the load was turned over on your shoulders with these conditions?

Mr. MAGEE. I might call your attention, Mr. Chairman, to page 5 of this agreement. It says:

(a) The demand note of the contractor for \$6,000,000, of even date herewith, bearing interest at the rate of 6 per cent per annum, payable to the order of the Secretary of War on behalf of the United States at his office in Washington, D. C., and indorsed by Pliny Fisk and Harvey Fisk & Sons.

(b) Bond in the sum of two millions in form and with surety as may be approved by War Credits Board and conditioned on the performance by the contractor of his obligations under this agreement.

(c) Mortgage or mortgages to the Secretary of War on behalf of the United States of America on all the property now owned or hereafter acquired by

the contractor in form satisfactory to the War Credits Board. The contractors shall furnish opinion or opinions from counsel, approved by the War Credits Board, that the title to the property described in the mortgage or mortgages is vested in the contractor, and that the mortgage or mortgages constitute a valid lien thereon under the laws of the State where the property is situated.

Mr. LEA. What is this you are reading from?

Mr. MAGEE. This supplemental agreement?

Mr. FREAR. The statement shows—that is the statement of assets and liabilities furnished the committee by the Spruce Corporation—that \$750,000 was advanced under some agreement or contract with the Siems-Carey Co. under their spruce contract for getting out that spruce?

Mr. BUTLER. Yes.

Mr. FREAR. Now, my suggestion, is, was any offer ever made to your people who were to do this without compensation, who were to get out the logs without compensation—was there any offer made on the part of the Government to advance one dollar?

Mr. BUTLER. I think if you will consult or review my testimony this morning, in which I have attempted to be quite fair, you will find that there has never been any helpful suggestion coming from the board to our organization along those lines.

Mr. FREAR. That covers it.

Mr. BUTLER. Then the general meeting of the industry was called. At that time invitations were sent out to practically everybody interested in the logging business, whether they were identified in operating in conjunction with mills or not. We wanted to have everybody present, the whole industry. The response was general and the day the meeting was held everybody was there. All the proceedings of the meeting of the week before were recounted to the gentlemen, and the matter of General Disque's telegram was submitted, and the question was for the meeting to decide—the general industry, not alone the loggers' association, but everybody—what they were going to do about it. Representing the loggers' association, my personal attitude was that having made the offer we should go along with the negotiations. While the meeting was large, most of the talking, as is usually the case in such meetings, was done by not a very large number of men. One of the first speakers was Mr. Grammer. Mr. Grammer is identified with one of the various large lumber enterprises on Puget Sound and has had much experience, and was afterwards a major in the service.

Mr. FREAR. Was he on this advisory committee or some other committee that Mr. Donovan testified to? I am speaking of Mr. Grammer.

Mr. BUTLER. Not to my knowledge. And after some general discussion, the burden and purport of which was that the whole proposition was new, he had not heard about it, and had not had time to think about it, but he was inclined to be against it and was against it. Mr. Donovan came in, and Mr. Donovan is also a very large operator. Mr. Donovan at once took a position most violently antagonistic. He was against it and his company would not put a dollar into it and would not have anything to do with it.

Mr. FREAR. Was Mr. Donovan upon this board of directors of this corporation?

Mr. BUTLER. I think at that time he was. Discussion became more or less general and motions were made and withdrawn and substituted and finally boiled down to a proposition, in effect. I guess it is a little difficult to find out what the exact motion was. Those that were in favor of going ahead and taking this contract from the Government direct and eliminating the Siems-Carey Corporation as far as the logging was concerned, was put to a vote, and seven voted in favor of it and 15 voted against it, and 19 did not vote at all. There was only one thing surprising about it, and that is that there were seven that voted for it, in view of the facts which have been set forth in this room this morning.

Mr. BUTLER. Who were the seven? Can you mention any?

Mr. BUTLER. There was just one curious incident in connection with the seven, and that is that it was testified here and seems to be a matter of some importance that the nestor of the loggers, Mr. Cobb, voted against taking a contract. But quite curiously Mr. Cobb's partner in the only logging enterprise, was one of the seven.

Mr. FREAR. What was his name?

Mr. BUTLER. Alexander McEwan.

Mr. FREAR. What was your attitude?

Mr. BUTLER. My attitude, as I was trying to explain, was that I was trying to be consistent. I was in favor of going ahead.

Mr. FREAR. If you had gone ahead, you would have taken an enormous financial risk, would you not, in view of the situation that has been presented, or would you?

Mr. BUTLER. No. Of course, we could have gone ahead in a sense, but we very soon would have had to have found an entirely different ground on which to proceed. You understand, of course, that we were anxious to get this spruce; everybody was anxious to get this spruce.

Mr. FREAR. And you were ready to take over the Siems-Carey contract?

Mr. BUTLER. No; our attitude was that we were willing to go ahead and log the same body of spruce covered by the Siems-Carey contract, under the same conditions as the Frost contract.

Mr. FREAR. Without any compensation to yourselves?

Mr. BUTLER. Without any compensation to ourselves.

Mr. FREAR. That is, this Frost contract in regard to the Blodgett timber?

Mr. BUTLER. With all these whereas and conditions eliminated, just go over there with our equipment and organizations and experience, and in this new enterprise of selective logging do the best we could.

Mr. FREAR. All right. What further have you in mind?

Mr. BUTLER. I would like to make a general statement regarding the effect of this whole contract. As I have outlined, we were short of employees, of man power. We had plenty of machinery, which machinery we were all willing and anxious to put at the disposal of the Government in getting this spruce in Clallam County. We had been for months, were then, and always were. The Siems-Carey contract at its inception meant if they went ahead on the plan, which they proposed, a needless and expensive duplication of machinery already in existence and already available, which applies with more

force to the logging equipment than to the mills. Manifestly, if there were not enough men to operate our logging mills and we were going to be shut down in a classification of the industry into the essential and nonessential camps, the purchase of 50 or 65 additional sides would simply add chaos to the confusion, provided the industry—already short of men—had to furnish men for the additional expanded machines. What the percentage of the expansion is can be very readily appreciated. The members of our loggers' association represented only about a hundred of sides.

Mr. FREAR. All told?

Mr. BUTLER. All told, and yet we produced this general result. Now, they were duplicating that to the extent of 65 sides. The result is at once manifest. Labor conditions were absolutely shot to pieces. There was an immediate excessive demand for labor that could not be filled. There was bidding for labor, accompanied by reduced efficiency, and the result was, instead of hastening the production of spruce—and with the colonel, you know, time was the essence of the contract—it simply added such confusion that it would not but delay the actual production of spruce logs. Now, all these mill men and the loggers on Puget Sound who are not identified with our bureau are largely identified with the mill men, and they were very much excited because they were going to build two mills. The construction of those two mills would only have increased the sawing capacity from 6,000,000 feet per day to 6,500,000 feet per day of eight hours.

Mr. FREAR. That is on the Sound?

Mr. BUTLER. That is reachable by salt water. While they were going to increase the logging machinery or the log producing capacity by 65 per cent, at a time when the loggers were begging and willing and anxious to take their own machines and their own organizations and go over there and go after the spruce on any old basis for nothing, if necessary. It meant possibly that these operations, which were the only activity of the spruce board in this section, the only real activity—the rest was more or less perfunctory—their one action simply was to create chaos and trouble for themselves and the industry, which was struggling and wanted to help them.

Mr. MAGEE. What do you say about the route from Lake Crescent to Lake Pleasant; what was the necessity of that? That is, in getting into this tract?

Mr. BUTLER. Mr. Magee, speaking for myself personally, that is a most humiliating situation as an American. In war time and when the urgency and the demand for spruce is supposed to be paramount for our military program, to find out through a contract that the gentlemen or the department charged with the duty of coming out here and getting this absolutely essential product for the manufacture of these airplanes, comes out with a contract the very first clause of which reads, "Beginning from a point on the Chicago, Milwaukee & St. Paul Railroad."

This country is full of spruce. The officer comes out here with millions, with the authority of the United States Government behind him, and his activities are limited with one leg tethered to a point on the Chicago, Milwaukee & St. Paul Railroad. Could any-

thing be more humiliating? Is it any wonder that the logging industry lost confidence in Col. Disque by that very first official act?

Mr. MAGEE. What do you say as to the necessity of that route to get in to that timber, or the reasonableness of it or not?

Mr. BUTLER. I say this, Congressman Magee, there is a problem; there is that spruce. It is located west and north of Lake Pleasant. You submit the problem of getting that spruce from where it is grown and putting it into the market in the quickest, shortest possible time, eliminating the expense right here, in the shortest possible time, and there is not an experienced logger on earth; there is not one logger; there never was a logger that would have built this line from this junction into Lake Pleasant—not one.

Mr. MAGEE. Then is the building of that line, the construction of that railroad at a very large governmental expense, in your mind, a clear conviction of the inefficiency and incompetency of those who recommend it and made its construction possible?

Mr. BUTLER. Absolutely conclusive. I can go a little further. Col. Disque—I would like to say that I have never seen Col. Disque but once and have had no business relations with him whatever, and my judgment is purely affected by his action with reference to the logging industry with which I am in daily touch—Col. Disque had been out here for six months.

Mr. FREAR. You mean, in the West?

Mr. BUTLER. I mean out in the Northwest. I do not know whether he had been out here or not, but he had been charged with this work for six months. He had the entrée to every office, to every operator; they opened their books and would have told him all they knew and helped him in every way possible, and after six months of studying the situation he comes out here and begins to get spruce, tethered to a point on the Chicago, Milwaukee & St. Paul Road.

Mr. FREAR. Do you know whether he had ever been to Clallam Bay?

Mr. BUTLER. I do not know.

Mr. FREAR. To Pysht River, where large logging operations have been undertaken by some of the largest operators in the country?

Mr. BUTLER. I do not; no, sir. The natural procedure would be for a man who was looking for spruce, to find out those who have been producing spruce. Had he gone to these gentlemen, the Merrill & Ring Co. or the Goodyear Lumber Co., all of the information which you gentlemen have gathered in two or three or four days, would have been at his command in ten minutes. But, as far as I understand, he did not do anything about it; he never saw them.

Mr. FREAR. The testimony of Mr. Lightner, the manager of the Goodyear people, and also of Mr. Chisholm who supplements it, is to the effect that a road built from Clallam Bay to this timber would have been about 14 or 15 miles in length; that it could have been constructed for from \$300,000 to \$500,000; that it had been surveyed by different surveyors and it was possible to get that out in the shortest time from any point along the coast; that the process of logging or lumbering was by rafting from Clallam Bay; that not one raft had ever been lost by the Goodyear Co., which had handled hundreds of millions of feet of logs; that another point of entrance was from Pysht Creek, where the Merrill & Ring operators have been

doing business for many years; that the distance from there would be about 21 miles, as I now recollect, to this timber, or possibly a little farther, and that would be connected then with the Milwaukee road.

Mr. Frost has testified before the committee that surveys were made by himself, or he was interested in them, by Thomson acting on the part of Clallam County and others, to show that that was an expeditious way of getting it out either to Pysht Creek, where these logging operations are conducted by the Merrill & Ring people, or to get to the Milwaukee Road down to Deep Creek, 6 miles from Pysht. There are two propositions as offered; the railroad as built required a haul from Lake Pleasant down to Port Angeles of about 54 miles, 36 of which were coming down to Joyce and 18 miles from Joyce down to Port Angeles. In other words, a 56-mile haul was contemplated by the Siems-Carey-Kerbaugh Co. under this contract, under their railway contract and their spruce contract, whereas they could have gone in at an expense of \$300,000 to \$500,000 and gotten in 14 to 15 miles from Clallam Bay. I ask you if you have any knowledge—and I am asking purely for information—of logging operations, if logging operations are ordinarily conducted at a distance of 56 miles, here in the West?

Mr. BUTLER. That is an unusually long haul; most of the hauls are very much shorter than that.

Mr. FREAR. Here was to be a joint price arranged between the Milwaukee Road—which, however, is now under Government operation—and also this independent road which was being built by the Siems-Carey-Kerbaugh Co.: and the testimony of Mr. Lightner was that from actual freight under ordinary conditions when the Milwaukee makes this charge there would have been a saving of \$1 per thousand on every thousand feet of logs hauled down to Clallam Bay and rafted from there to the various mills, compared to the actual cost that was necessary in using this Siems-Carey-Kerbaugh road.

With those facts in mind, as the testimony thus far appears before the committee, what is your judgment about the necessity of this road?

Mr. BUTLER. There was absolutely no necessity; there was no necessity for it whatever. I want to emphasize in amplification of your question the fact that it is not denied that this road could have gone in from Clallam Bay and been 15 or 16 miles long, and what objection could there have been to constructing that road, in view of the fact that time is of the essence? It certainly would have taken less time to have built 16 or 20 miles than it would to have built 36 miles, building tunnels and cuts and I do not know what. In addition to that it must be recalled that after the logs got to Port Angeles, if they are objecting to towing, after the logs reached Port Angeles if it was possible to complete the terms of this contract and supply 250,000,000 feet of fitches, a great percentage of those logs after they reached Port Angeles would have to have been towed anyhow.

Mr. FREAR. Necessarily? These mills could only accommodate a portion, as I understand.

Mr. BUTLER. Absolutely.

Mr. FREAR. What about the necessity for building those mills that Siems-Carey Co. built?

Mr. BUTLER. Every mill on Puget Sound was running eight hours a day with a cutting capacity of 6,000,000 feet a day for the salt-water mills, and they could have been amplified two and one-half times by running 24 hours. It must be understood, again referring to the gentleman's communication, that 500,000,000 feet of logs for the Siems-Carey contract provision, 250,000,000 feet of flitches would require them to handle a great many more than 500,000,000 feet of logs in one year; they would have had to have handled 800,000,000 and perhaps a billion.

Mr. FREAR. And that was the output of your entire loggers' association under ordinary conditions?

Mr. BUTLER. Under ordinary conditions. I will give you another idea, if it has not occurred to you; the Siems-Carey contract in this whole proposition has been a dead weight on the Government spruce program in the Northwest. Instead of helping it has been a positive drawback. Months of time could have been saved, millions of dollars could have been saved. Another point we loggers want to know is why they did not get some spruce; eighteen months here, and no spruce. It is all very well to have an elaborate policy to get spruce 10 years from now, but the Government wanted spruce then.

Mr. MCGEE. How was it possible for the man in charge, with no experience in this business at all, in the face of all the facts you have suggested, with 400 mills with ample machinery and equipment on hand to supply the Government with all the spruce required, how was it possible to put through a proposition of this kind and the wasteful expenditures involved?

Mr. BUTLER. We loggers of Puget Sound are waiting for the answer. To our minds there is only one answer; an enterprise of this kind and the procedure of this kind could only have been possible through the conception and fostering care of some most potent political influence.

Mr. MCGEE. In other words, as I understand it, speaking plain English, the construction of the road and the wasteful expenditure it involved were done primarily for commercial considerations. Do you say that?

Mr. BUTLER. My opinion is that the production of spruce was not the primary object of this expenditure. I would like to amplify that by saying the primary object in the shortest possible time.

Mr. FREAR. Are you aware of the fact that it was a matter of general knowledge that the Milwaukee was seeking to get around to Grays Harbor?

Mr. BUTLER. Of course, they are over there and they want to develop that Peninsula, naturally.

Mr. FREAR. Was that a matter of common knowledge?

Mr. BUTLER. It was a matter of common knowledge that they had extended their line over there, and had further prepared plans for its amplification.

Mr. FREAR. Have you been over there and seen this?

Mr. BUTLER. I have been over there.

Mr. FREAR. To Clallam Bay and seen these various places?

Mr. BUTLER. Yes.

Mr. FREAR. Do you know where the Deep Creek route was planned?

Mr. BUTLER. Only in a general way. I have not been there sufficiently to testify to that.

Mr. FREAR. As to the question of distances, whether or not it is a fact that by the road by Crescent Lake and Pleasant Lake, down through Forks, as has been testified here, and shown on the maps, that it would make a short cut by some 32 miles or more?

Mr. BUTLER. Oh, yes; indeed.

Mr. FREAR. And if the Government could be brought into this plan to complete the road, a very expensive piece of road, it would be of value to-day, or after these operations are over, only to a railroad that could make use of that extension?

Mr. BUTLER. That is the only possible use I can see.

Mr. FREAR. Because of the fact that it would otherwise mean a 56 mile haul for logs?

Mr. BUTLER. Yes, sir.

Mr. FREAR. And whereas Mr. Lightner and others have testified they could not compete with the railroad shipping for Clallam Bay.

Mr. BUTLER. I would like to suggest something which might have been done. As the chairman has pointed out, 18 months have elapsed, and practically the program has not begun to unwind.

Mr. FREAR. That was up to September?

Mr. BUTLER. Up to September. The operations of the Siems-Carey contract required the use of a great many soldiers. Perhaps in a general way you might say the work could not have been done unless the soldiers had been furnished. In other words, this Government gave a contract to Siems-Carey on a cost plus basis, furnished all the money and then turned around and furnished all the men; and to find the men they had to go 3,000 miles down to New York and draft the men who could make an affidavit that he had never seen a spruce tree.

Mr. FREAR. A man who took charge of operations?

Mr. BUTLER. Yes. What could have been done when the spruce was not coming out was the Government could have canceled that contract, as it had a perfect right to do. Here was the logging industry waiting to go right in and do the work, and the Government itself could have built the railroad with soldiers as a Government work and it would not have had to pay anybody any profit, and to cover the point that you gentlemen raised, if it was a military road it could have been done without anything but military pay.

Mr. MAGEE. But, as I understand, you had your mills on the coast and you had your machinery. If the Government could not have made satisfactory arrangements with the mills it could have commandeered them. Why was it not possible, if the Government needed an increase in the amount of spruce, to have obtained that increase months, or perhaps more than a year, before the fall of 1918? Was that possible?

Mr. BUTLER. It was absolutely possible. All that was necessary would have been to encourage the extension of the activities of companies all ready headed into the belt. Now what happened in British Columbia? One gentleman walked up there, one military man walked up there and saw the loggers and told them what they wanted. They had no thousand officers.

Mr. FREAR. For Great Britain's supply?

Mr. BUTLER. Yes; they did not have any trouble. They turned it over to the industry, and with a small place like Canada with remote distances they got 35,000,000 feet of spruce.

Mr. MAGEE. Within what time?

Mr. BUTLER. Within 11 months. They left the industry just as they found it; it was not all torn to pieces.

Mr. FREAR. Your mills here in Oregon and Washington, according to the undisputed facts, produced 317,000,000 feet of spruce in 1916 and 1917. That is, that was all the commercial timber that had been brought out. What could have been done if the assistance had come to you and the money was offered in a case of this kind, in increasing additional hours, etc.?

Mr. BUTLER. We would have done all that experience and equipment and activity could possibly do.

(Thereupon, at 12.40 o'clock p. m., a recess was taken until 2 o'clock p. m.)

AFTER RECESS.

Mr. FREAR. Mr. Butler, I believe you mentioned McFee's name this morning?

Mr. BUTLER. Yes, sir.

Mr. FREAR. As the partner of Mr. Cobb?

Mr. BUTLER. An associate of Mr. Cobb's in this particular suggestion.

Mr. FREAR. This was the matter you referred to, was it?

Mr. BUTLER. Yes, sir.

Mr. FREAR. This is a copy of the letter, and you received this—

Mr. BUTLER. I got that from Mr. McFee's office. The original, no doubt, is in Portland.

Mr. FREAR. What is his business?

Mr. BUTLER. He is a railroad contractor.

Mr. FREAR. Mr. McFee is here

Mr. BUTLER. Yes, sir.

Mr. LEA. I haven't read the letter, but I presume it would be better to call the witness to testify instead of taking his letter. It would be the usual and ordinary way of doing. I never heard of this man's name before, and I do not know what the letter contains, but I would suggest that that is the orderly procedure.

Mr. FREAR. I have not an officer here, but I will see that he gets here to get Mr. McFee.

Mr. LEA. I might look this over.

Mr. FREAR. I will get him here in a few minutes if he is in town, and if he is in Portland I will have him there. There is no question but that letter came from his office.

(Mr. Lea examines letter.)

Mr. FREAR. You might read this letter, Mr. Butler. It is agreed that it will be accepted just for the purpose of showing what it contains. It is some proposition made by Mr. McFee to Mr. Hitchcock.

Mr. LEA. My suggestion that I made a moment ago, if the reporter has it, was based on a misapprehension of what the letter was.

Mr. FREAR. I take it there was no answer to that letter, was there?

Mr. BUTLER. Mr. McFee advised me that he never even had an acknowledgement of this.

Mr. FREAR. You might read it into the record. You know the materiality of it better than I do. Who is it addressed to?

Mr. BUTLER. It is addressed to Capt. Hitchcock, care of Col. Disque:

SEATTLE, WASH., February 7, 1918.

CAPTAIN HITCHCOCK,

Care of Col. Disque, Yeon Building, Portland, Oreg.

DEAR SIR: As requested by you in your office last week, I submit the following estimate of cost, etc., of delivering rived spruce at Clallam Bay.

Our approximate estimate of spruce delivered on cars at Seattle is \$85 per thousand. It might be that this is considerably high, however, we believe it is conservative and safe. We estimate that 40 days from the date of the signing of the contract we can be delivering some spruce in the water at Clallam Bay and this time would be required in preparing the present roads and building new roads; 30 days later than that we think we would be putting in 80,000 feet per day and probably could increase the output above that as the work developed.

We are ready to start in and crown this work as fast as possible at once and pay our bills, and for all money paid out each month we will be reimbursed the following month, plus 7 per cent for our profit, assuming that the Government will furnish what trucks are necessary and men to do the work. We would, of course, use a certain number of experienced men we have, along with the men furnished by the Government.

You will recollect that in our conversation I told you that there was approximately 260,000,000 of spruce in this piece and that approximately between 45,000,000 and 50,000,000 would be suitable for aeroplane stock. I inclose herewith a map of Clallam County, showing where the spruce is located that we contemplate taking up.

This estimate is based on auto-truck transportation. By building a railroad up the Hoko the timber could be taken out much cheaper after the railroad was built by the heavy grades, and it would take six months to complete it. I understand that you are anxious to get quick delivery of this spruce.

If this plan seems favorable to you wire us here, and we will immediately come down and go into detail if you wish.

Yours, truly,

HENRY & McFEE.
By J. G. McFEE.

That is the letter to which there was no acknowledgment.

Mr. FREAR. Now, for the benefit of the members of the committee, who do not know the terms and their effect as distinctly as you do, will you please state, just briefly, what that contemplates; that is, what the proposition meant?

Mr. BUTLER. That contemplates the production of spruce, rived spruce, by auto-truck delivery. I am informed by Mr. McFEE, or he told me some time ago, that his plan contemplated trucking out on auto trucks to the Goodyear road and shipping it into Clallam Bay.

Mr. FREAR. That is near Clallam Bay?

Mr. BUTLER. Yes; this is right back—this is practically the same tract that we have been talking about.

Mr. FREAR. This is from that tract near Lake Pleasant, on north of Lake Pleasant?

Mr. BUTLER. Yes; up in that vicinity.

Mr. FREAR. Now, he made this proposition and there was no reply?

Mr. BUTLER. No reply.

Mr. FREAR. That was in February, 1918?

Mr. BUTLER. February, 1918. One of the advantages of this suggestion was that work could really have begun at once, as it involved only the building of 2 miles of wagon road. It contemplated trucking on 6 miles of county road already there, and the plan contem-

plated putting logs or planks longitudinally along the road and running the trucks on the planks.

Mr. FREAR. Who did you say Mr. McFee is?

Mr. BUTLER. He is an experienced railroad contractor, of strong financial responsibility and large experience.

Mr. FREAR. He lives here in Seattle?

Mr. BUTLER. He lives here in Seattle.

Mr. FREAR. And has for how many years?

Mr. BUTLER. He was with the firm of Shepherd & Henry; he was with them as a boy, when they built the Great Northern Railroad, and he has done a good deal of railroad work, I think, for the Milwaukee road. I have here the certified copy of a real and chattel mortgage executed by Siems-Carey, H. S. Kerbaugh Corporation.

Mr. FREAR. That was the one referred to this morning?

Mr. BUTLER. Yes, sir.

Mr. FREAR. I will offer that in evidence and have it set out in full in the record.

(Document received in evidence and marked Exhibit O-Butler.)

76824

Indexed File No. 3.

REAL AND CHATTEL MORTGAGE.

This indenture, made and entered into this 20th day of June, 1918, by and between Siems, Carey-H. S. Kerbaugh Corporation, incorporated under the laws of the State of Maine (hereinafter called the mortgagor), of the one part, and Newton D. Baker, Secretary of War of the United States of America, as trustee, on behalf of the United States of America (hereinafter called the trustee), of the other part,

Witnesseth, that the mortgagor for and in consideration of the sum of \$6,000,000 to it paid (or to be paid), by the United States of America, does by these presents grant, bargain, sell, convey, and confirm unto Newton D. Baker, Secretary of War of the United States of America, and his successors as trustee, on behalf of the United States of America, and his or their assigns, all property purchased by it in the performance, or in connection with the performance, of its contract with the United States of America, approved by the Hon. John D. Ryan, May 28, 1918, relating to the production of spruce fitches, both real and personal (including, without limiting the generality of the foregoing, licenses to cut timber, easements and contract and property rights of any nature whatsoever), whether now owned or hereafter acquired by the mortgagor, together with all and singular the tenements, hereditaments, and appurtenances thereto, to have and to hold to the use of the trustee, his successors and assigns, forever, but upon trust to secure the payment of \$6,000,000, together with interest thereon at the rate of 6 per cent per annum from date until paid, according to the terms and conditions of a certain demand note, of even date herewith, made by the mortgagor, payable to the order of the Secretary of War on behalf of the United States of America, with interest at the rate of 6 per cent per annum from date until paid, and these presents shall be void if such payment shall be made according to the terms and conditions of said note.

And the mortgagor, for itself, its successors and assigns, doth covenant with the trustee, his successors and assigns, as follows:

1. To pay the said principal and interest in accordance with the terms of the said demand note.

2. To keep the buildings now or hereafter erected on the premises herein mortgaged, reasonably insured in so far as the mortgagor may be able by the use of reasonable diligence and efforts to insure the same, and to have the interest of the trustee in said property under this mortgage, noted on all policies of insurance.

3. To pay all taxes and assessments which may be assessed or levied or imposed upon the said property within at least 30 days after the same become due or payable, and to produce on request of the trustee, the receipts for such payments.

4. To keep all buildings, machinery, plant, and railroads on the said property in good and substantial working order and repair.

5. Not to place any lien or encumbrance on, nor suffer any lien or encumbrance to be placed on any of said property (excepting purchase money, mortgages, or encumbrances).

6. And in the event of any failure to effect and pay for such insurance or to pay such taxes and assessments, as aforesaid, or to keep the buildings in substantial repair, as aforesaid, that then, and in either or any such event, the said trustee or his successors or assigns may effect and pay for such insurance and pay such taxes and assessments and put such buildings in good and substantial repair, and the sum or sums so paid shall be deemed a part of the principal debt hereby secured and shall bear interest at the same rate, and the same shall be immediately due and payable and collectible with, and in the same manner as the said principal debt.

And further, that the mortgagor, its successors and assigns, shall from time to time, and as and when additional properties in substantial amounts shall have been acquired by it, and at any time on request of the trustee or his representatives or of any person deriving title thereunder, execute and do all such assurances, supplemental mortgages, deeds, and things for further or more perfectly assuring to the trustee, his successor, and assigns, the said property hereby mortgaged and as may be necessary or required to carry out the intention of this instrument that all property, both real and personal (including licenses to cut timber, easements, and contract, and property rights of any nature whatsoever), whether now owned or hereafter acquired by the mortgagor, shall be mortgaged to the trustee, his successors, and assigns, to secure the payment of the said demand note above mentioned.

In case default shall be made in the payment of the principal or interest of the said demand note or any part thereof when the same shall become due and payable according to the terms thereof, or in the performance of any covenant herein contained to be performed by the mortgagor, then the trustee, his successors, and assigns, is hereby empowered to sell the said property or any part thereof, with all and every of the appurtenances or any part thereof, in the manner prescribed by law, and out of the money arising from such sale to retain the whole of said principal and interest, whether the same shall be then due or not, together with the costs and charges of making such sale, and the overplus, if any there be, shall be paid by the party making such sale, on demand, to the said mortgagor, its successors and assigns.

Nothing herein contained shall be construed to prevent or interfere with the mortgagor performing its contract with the United States, approved May 28, 1918, as aforesaid, and doing of all things necessary to that end.

In the event that the said Newton D. Baker, or any successor trustee hereunder, shall at any time prior to the discharge of this mortgage, cease to be the Secretary of War of the United States of America, he shall thereupon be deemed to have resigned as trustee hereunder, and his successor in office as such Secretary of War shall become and be the trustee hereunder and shall, without further deed or instrument, succeed to, and be vested with, all of the right, title, and interest of the retiring trustee in and to the property hereby mortgaged and all of the right, power, and authority of the retiring trustee to enforce the security of this mortgage to the same extent as though he had been specifically named herein as such trustee.

In witness whereof the mortgagor, the said Siems, Carey-H. S. Kerbaugh Corporation has caused its corporate name to be hereunto subscribed and its corporate seal to be hereunto affixed by its president and assistant secretary in triplicate original on the day and year first above written.

[SEAL.]

SIEMS, CAREY-H. S. KERBAUGH CORPORATION,
By C. P. SIEMS, *President*.
JOS. F. HOFFMAN, *Assistant Secretary*.

Signed, sealed and delivered in presence of:
W. E. HANNA.

STATE OF NEW YORK,
County of New York, ss:

I, William E. Hanna, notary public in and for the State of New York, county of New York, do hereby certify that on this 20th day of June, A. D. 1918, before me personally appeared C. P. Siems and Joseph F. Hoffman, to me known to be the president and assistant secretary, respectively, of the Siems,

Carey-H. S. Kerbaugh Corporation, the mortgagor that executed the within and foregoing instrument, and acknowledged the said instrument to be the free and voluntary act and deed of said corporation, for the uses and purposes therein mentioned, and on oath stated that they were authorized to execute said instrument and that the seal affixed is the corporate seal of said corporation.

In witness whereof I have hereunto set my hand and affixed my official seal the day and year first above written.

[SEAL.]

W. E. HANNA,
Notary Public, Kings County, No. 5.

Certificate filed in New York Co., No. 18.

[Form 2. No. 73616—Series B.]

STATE OF NEW YORK,
County of New York, ss:

I, William F. Schneider, clerk of the county of New York, and also clerk of the supreme court for the said county, the same being a court of record, do hereby certify that W. E. Hanna, whose name is subscribed to the deposition or certificate of the proof or acknowledgement of the annexed instrument and thereon written, was at the time of taking such deposition or proof and acknowledgement a notary public acting in and for the said county, duly commissioned and sworn, and authorized by the laws of said State to take depositions and also acknowledgments and proofs of deeds or conveyances for land, tenements, or hereditaments in said State of New York. That there is on file in the clerk's office of the county of New York a certified copy of his appointment and qualification as notary public of the county of Kings with his autograph signature. And further, that I am well acquainted with the handwriting of such notary public and verily believe that the signature to said deposition or certificate of proof or acknowledgment is genuine.

In testimony whereof I have hereunto set my hand and affixed the seal of the said court and county this 21st day of June, 1918.

[SEAL.]

WM. F. SCHNEIDER,
Clerk.

STATE OF NEW YORK,
County of New York, ss:

C. P. Siems and Joseph F. Hoffman, president and assistant secretary, respectively, of the Siems, Carey-H. S. Kerbaugh Corporation, the mortgagor in the foregoing mortgage named, being first duly sworn on oath depose and say that the foregoing mortgage is made in good faith and without any design to hinder, delay, or defraud creditors.

C. P. SIEMS.
JOS. F. HOFFMAN.

Subscribed and sworn to before me this 20th day of June, 1918.

[SEAL.]

W. E. HANNA.

[Form 2. No. 73617—Series B.]

STATE OF NEW YORK,
County of New York, ss:

I, William F. Schneider, clerk of the county of New York and also clerk of the supreme court for the said county, the same being a court of record, do hereby certify that W. E. Hanna, whose name is subscribed to the deposition or certificate of the proof or acknowledgment of the annexed instrument and thereon written, was at the time of taking such deposition or proof and acknowledgment a notary public, acting in and for the said county, duly commissioned and sworn and authorized by the laws of said State to take depositions and also acknowledgment and proofs of deeds or conveyances for land, tenements, or hereditaments in said State of New York. That there is on file in the clerk's office of the county of New York a certified copy of his appointment and qualification as notary public of the county of Kings, with his autograph signature. And further that I am well acquainted with the hand-

writing of such notary public and verily believe that the signature to said deposition or certificate of proof or acknowledgment is genuine.

In testimony whereof I have hereunto set my hand and affixed the seal of the said court and county this 21st day of June, 1918.

[SEAL.]

WM. F. SCHNEIDER,
Clerk.

Filed for record by W. B. Stratton, June 28, 1918, at 8:30 a. m.

J. W. WARREN, *Auditor*,
By R. D. McLAUGHLIN, *Deputy*.

STATE OF WASHINGTON,
County of Clallam, ss:

I, R. D. McLaughlin, deputy auditor of Clallam County, State of Washington, do hereby certify that the within and foregoing is a full, true and correct copy of a real and chattel mortgage from Siems, Carey-H. S. Kerbaugh Corporation to Newton D. Baker, trustee, as the same appears of record and file in this office.

Witness my hand and official seal this 21st day of August, 1918.

[SEAL.]

R. D. McLAUGHLIN,
Deputy Auditor of Clallam County, Wash.

Mr. FREAR. This purports to be a real and chattel mortgage, according to its title. The portion that we care to specifically mention reads as follows:

This indenture, made and entered into this 20th day of June, 1918, by and between Siems, Carey-H. S. Kerbaugh Corporation, incorporated under the laws of the State of Maine (hereafter called the mortgagor), of the one part, and Newton D. Baker, Secretary of War, of the United States of America, as trustee, on behalf of the United States of America (hereinafter called the trustee), of the other part,

Witnesseth, that the mortgagor, for and in consideration of the sum of \$6,000,000 to it paid (or to be paid) by the United States of America, does by these presents grant, bargain, sell, convey, and confirm unto Newton D. Baker, Secretary of War of the United States of America, and his successors as trustee, on behalf of the United States of America, and his or their assigns, all property purchased by it in the performance, or in connection with the performance, of its contract with the United States of America, approved by the Hon. John D. Ryan May 28, 1918, relating to the production of spruce fitches, both real and personal (including, without limiting the generality of the foregoing, licenses to cut timber, easements, and contract and property rights of any nature whatsoever), whether now owned or hereafter acquired by the mortgagor, together with all and singular the tenements, hereditaments, and appurtenances thereto, to have and to hold to the use of the trustee, his successors and assigns forever, but upon trust to secure the payment of \$6,000,000, together with interest thereon, at the rate of 6 per cent per annum from date until paid, according to the terms and conditions of a certain demand note of even date herewith, made by the mortgagor, payable to the order of the Secretary of War on behalf of the United States of America, with interest at the rate of 6 per cent per annum from date until paid, and these presents shall be void if such payment shall be made according to the terms and conditions of said note.

I will pass over the following provisions, which seem similar to those ordinarily found in mortgages, to the last provision, which reads:

Nothing herein contained shall be construed to prevent or interfere with the mortgagor performing its contract with the United States, approved May 28, 1918, as aforesaid, and doing of all things necessary to that end.

In the event that the said Newton D. Baker, or any successor trustee hereunder, shall at any time prior to the discharge of this mortgage cease to be the Secretary of War of the United States of America, he shall thereupon be deemed to have resigned as trustee hereunder and his successor in office as such

Secretary of War shall become and be the trustee hereunder and shall, without further deed or instrument, succeed to and be vested with all of the right, title, and interest of the retiring trustee in and to the property hereby mortgaged, and all of the right, power, and authority of the retiring trustee to enforce the security of this mortgage to the same extent as though he had been specifically named herein as such trustee.

In witness whereof the mortgagor, the said Siems, Carey-H. S. Kerbaugh Corporation has caused its corporate name to be hereunto subscribed and its corporate seal to be hereunto affixed by its president and assistant secretary in triplicate original on the day and yeard first above written.

It is certified by R. D. McLaughlin, deputy auditor of Clallam County, Wash., and appears in proper form. That is the mortgage of which you were speaking this morning?

Mr. BUTLER. That is a direct mortgage given to secure the payment of a specific obligation. It has nothing to do, as I read it, with the performance of this contract.

Mr. FREAR. I understand that there is a supplemental agreement of some kind which provides for the advance payment. I presume this mortgage was given to secure those advance payments?

Mr. BUTLER. Yes.

Mr. FREAR. Have you anything further to suggest to the committee, Mr. Butler, that occurs to you, before concluding?

Mr. BUTLER. The only thing I would like to suggest again would be to reiterate the situation which existed in the industry. Everybody, even official representatives of the Spruce Corporation, agreed that in their judgment, as experienced lumbermen, there was no need nor necessity for the construction of the mills.

Mr. FREAR. That is, the two mills?

Mr. BUTLER. The two mills that were built.

Mr. FREAR. At Port Angeles and Lake Pleasant?

Mr. BUTLER. At Port Angeles and Lake Pleasant. Speaking for the loggers, the individual loggers who have no mill connection, we want to say that the antagonism against the bringing in of this additional machinery was quite as unanimous as it was on the part of the mill men to build these two additional mills, and at all times there was enough logging machinery and enough mills to provide for any wants the Government might have.

Mr. BUTLER. The mill men—

Mr. FREAR. What disposition did the mill men show toward complying with any requests, as far as brought to your attention?

Mr. FREAR. By the Government?

Mr. BUTLER. Had been ready, willing, and anxious, as far as I understand, to hold up the hands of the Government in every way. The only point that I want to make a distinction on is the fact that as mill men their antagonism may have stopped, as opposed to this Siems-Carey contract, when their interest stopped. When their interest as mill men stopped the opposition was transferred to the loggers, because they were threatened from the other end. So that the loggers, for which I have the honor to speak, were just as much opposed and just as unanimous in opposition to all this duplication of machinery as the mill men could possibly have been toward the construction of two additional mills. So that if a man who was a mill man—we as loggers do not quite understand why his antagonism should have stopped after the construction of the mills. Why should not it be general enough to include the interests of the

loggers who were threatened? Now, I take it that your opposition to the attitude, which was also expressed by Disque, according to the statement in his letter about overflowing the district with machinery, was not a selfish opposition at all, as you have indicated, but because of the conditions which would be invited by such action, and that you have evidenced your own desires and your own purposes through the taking of the contract for the logging of the Blodgett tract, without any recompense, and also your proposition to take up the general logging that the Siems-Carey Co. were expecting to undertake?

Mr. BUTLER. Exactly.

Mr. FREAR. Without any opposition whatsoever?

Mr. BUTLER. Exactly.

Mr. FREAR. And that was the proposition that you presented.

Mr. BUTLER. Exactly.

Mr. FREAR. In a general way, and I ask you from your experience and your knowledge of the business for so many years, what do you say of the method of procedure that was adopted in trying to secure the cooperation of the loggers and the manufacturing interests by those who were out here representing the Government at that time?

Mr. BUTLER. Well, apparently there was a desire to cooperate or to have the industry cooperate, but when it got to the point of actually doing something, why the relationship developed into one of indifference. They couldn't get anywhere.

Mr. FREAR. Where was the evidence of a desire to cooperate?

Mr. BUTLER. Every logger—

Mr. FREAR. I mean on the part of those representing the Government.

Mr. BUTLER. Perhaps I misunderstood your statement.

Mr. FREAR. Yes. I am referring now to those who were at Portland who represented the Government in this spruce production corporation, of whom you have spoken several times as the "Government"?

Mr. BUTLER. There was no evidence at any time of fair and hearty cooperation in Col. Disque's office with the loggers associated with the Loggers' Information Bureau here, representing the big end of the industry on Puget Sound. That is, so far as I am aware.

Mr. FREAR. I do not know whether I have asked you, Mr. Butler, about the building of railroads. You have been, I believe, a practical logger, that is, I mean you have had interests in practical logging, you have paid the bills and all that for the parties you have intimated in the past.

Mr. BUTLER. Yes.

Mr. FREAR. And built how many miles of railroad, or what number of miles have you built?

Mr. BUTLER. Well, I have built many miles. I suppose it must be hundreds in the 20 years I have been in business.

Mr. FREAR. You haven't anything over there on the —

Mr. BUTLER. No operation in Clallam County.

Mr. FREAR. Whereabouts have these roads been built?

Mr. BUTLER. Snohomish and Skagit.

Mr. FREAR. That is in this neighborhood?

Mr. BUTLER. Snohomish County and Skagit County, the two counties immediately north of King County.

Mr. FREAR. That is in the State of Washington?

Mr. BUTLER. Yes, sir.

Mr. FREAR. What is the general formation of the ground there; that is, how does it compare with the country in Clallam County?

Mr. BUTLER. The usual logging ground, flat valley with side hills and rolling country, and finally going up higher and steeper as you get back.

Mr. FREAR. What kind of timber?

Mr. BUTLER. The usual stand—fir, cedar, and hemlock.

Mr. FREAR. The same size as the fir found over in Clallam County?

Mr. BUTLER. The spruce in Clallam County is rather larger than the general timber we have here, but we use our heavy machinery here and our heavy locomotives just the same. We use the same heavy equipment as over there.

Mr. FREAR. Your equipment and rails——

Mr. BUTLER. Would be identical.

Mr. FREAR. What was the average cost, in a general way, of your railways prior to the war, prior to the year 1918, I mean?

Mr. BUTLER. Oh, sometimes as low as ten or eleven thousand dollars a mile. We never built anything at any time at more than \$15,000 a mile.

Mr. FREAR. What kind of rails did you put in?

Mr. BUTLER. We used invariably 60 pound.

Mr. FREAR. Sixty-pound rails?

Mr. BUTLER. Yes, sir.

Mr. FREAR. What size locomotives did they carry?

Mr. BUTLER. Well, our largest locomotive is 90 pounds.

Mr. FREAR. And that was sufficient to answer all the purposes there for how many years?

Mr. BUTLER. Well, we are gradually getting heavier machinery, of course, year after year; but the rails are still serving their purpose; that is, the weight rail. There has been no necessity for a change.

Mr. FREAR. For a change of rail?

Mr. BUTLER. For a change of rail yet.

Mr. FREAR. Did you build anything in 1918?

Mr. BUTLER. Our construction in 1918 is included in the statement, the composite statement, which was filed here by Mr. Chinn. We were one of the companies that reported.

Mr. FREAR. What is the largest amount that you can tell for railway that was built?

Mr. BUTLER. We never in all my experience, I never had any costing more than \$15,000 a mile.

Mr. FREAR. That is, in your experience with your logging companies?

Mr. BUTLER. Yes, sir.

Mr. FREAR. Is there anything else that you think of that I have overlooked?

Mr. BUTLER. I do not think so.

Mr. LEA. How long have you resided in Washington?

Mr. BUTLER. Since 1892.

Mr. LEA. Were you engaged in any logging operation before you came to the Pacific Coast?

Mr. BUTLER. Not as a logger.

Mr. LEA. How long were you as a logger engaged in logging operations on the Pacific coast?

Mr. BUTLER. I have been connected with logging operations ever since—within two or three years after I came here I began to do a little work.

Mr. LEA. You began to personally do logging, did you?

Mr. BUTLER. I did not personally log; no, sir.

Mr. LEA. Didn't you ever do any logging yourself?

Mr. BUTLER. If you mean with my hands; no, sir.

Mr. LEA. Or superintend the logging operations?

Mr. BUTLER. I always superintend them.

Mr. LEA. Actively in the woods?

Mr. BUTLER. Yes, sir; as manager for companies, treasurer and manager.

Mr. LEA. So actual logging operations, you never carried on any in your life?

Mr. BUTLER. No, sir; I am not a lumberjack, if that is what you mean.

Mr. LEA. If you were going to take this contract from the Government, were you intending to do the logging yourself or get somebody else to do it?

Mr. BUTLER. I could do it, but I intended to have my organization do it.

Mr. LEA. You would have gotten a practical man to do it, would you not?

Mr. BUTLER. I already had the practical men.

Mr. LEA. Do you know of any reason why, if Siems-Carey secured this contract, or as they did have it, why they could not also procure practical men the same as you could, without doing it themselves, personally?

Mr. BUTLER. Exactly; that is exactly what I testified. They did get the practical men and began bidding up the labor. They did not create them. We have educated our men.

Mr. LEA. I may have misunderstood you, but I understood you to criticize letting the contract to them because they personally were not loggers?

Mr. BUTLER. That is one reason; yes, sir.

Mr. LEA. But you yourself are not a logger.

Mr. BUTLER. Well, in the narrowest sense, perhaps not, but when a man is in business 20 years he is presumably a logging operator. Perhaps that is better.

Mr. LEA. You are a financier of logging operations, but not a logger?

Mr. BUTLER. Well, I suppose I will have to accept—

Mr. LEA. So Siems-Carey had the same opportunity that you had to hire practical men?

Mr. BUTLER. Except that I had 20 years' experience behind me in this particular business.

Mr. LEA. If this organization with which you were affiliated had secured this contract what part of its work did you expect to perform?

Mr. BUTLER. I presume if the association had taken the contract that we would have each subscribed the necessary machinery to an amount large enough to handle the contract. If it was 10 per cent each of us would have subscribed 10 per cent, if possible.

Mr. LEA. That was to be your only connection with the operation?

Mr. BUTLER. No; I expected to be connected with it. The Aircraft Lumber Co.—I was chairman of the executive committee and looked after it. I expected to do the same with this.

Mr. LEA. What was your position with the company organized—for the purpose of carrying on this work?

Mr. BUTLER. What do you mean?

Mr. LEA. The Airplane Co.

Mr. BUTLER. The Aircraft Co. I was on the executive committee; I think I was chairman of it.

Mr. LEA. You had no position carrying compensation on that organization?

Mr. BUTLER. No, sir.

Mr. LEA. Who was going to finance that corporation?

Mr. BUTLER. What corporation?

Mr. LEA. The Aircraft Co.

Mr. BUTLER. Why, we had \$100,000 which we had subscribed and were going to put in, and we assumed that would finance it.

Mr. LEA. Was any of that paid up?

Mr. BUTLER. It was subject to call. I think 25 per cent was paid up; yes, sir.

Mr. LEA. But only \$25,000 had been paid up for handling a \$25,000,000 contract?

Mr. BUTLER. Yes.

Mr. LEA. The Aircraft Lumber Co. wasn't going to take over the Siems-Carey contract, they only proposed to take over the logging.

Mr. BUTLER. No; the Aircraft Lumber Co. was organized to operate in the Blodgett tract, and that is the end of their activities.

Mr. LEA. What I referred to was with reference to the logging operation up here. Was any company organized for the purpose of carrying on logging operations on the peninsula?

Mr. BUTLER. No, sir. By these interests?

Mr. LEA. Yes.

Mr. BUTLER. No, sir.

Mr. LEA. You had never gotten that far with the effort?

Mr. BUTLER. It was such—if you will refer to the telegram of Col. Disque, it was such that one corporation was formed. That was one of the impracticable suggestions; it was not possible and it was not necessary.

Mr. LEA. Now, you were on the executive committee of the company which was going to do the logging in the Blodgett tract?

Mr. BUTLER. Yes, sir.

Mr. LEA. And that was to be selective logging, was it?

Mr. BUTLER. Yes, sir.

Mr. LEA. What did you think about the practicability of selective logging?

Mr. BUTLER. I didn't think very highly of it, but we were perfectly willing to do the best we could.

Mr. LEA. You thought that was not the right way to do it?

Mr. BUTLER. That was what they wanted done, and we were ready to try it.

Mr. LEA. What in your judgment was the way to do it, if you had followed your own judgment about it?

Mr. BUTLER. If we had followed our own judgment, we would have logged the land clean.

Mr. LEA. Now, I understood you to say that a donkey engine—is it, that could take out about 25,000 feet of logs a day?

Mr. BUTLER. No.

Mr. LEA. What amount did you state?

Mr. BUTLER. No. I said that we figured on—we were going to put in—we were equipping the Aircraft Lumber Co. to put in 10,000,000 feet of logs per month, and that to do that work we were providing 21 logging engines. That would mean that each logging engine would have to put in about 500,000 feet a month. Figuring a month is 25 days—working days—it would give a daily output for each logging engine in selective logging 20,000 feet.

Mr. LEA. Twenty thousand feet per engine?

Mr. BUTLER. We figured that that was a safe computation.

Mr. LEA. And who had charge of the construction of the Alsea Railway?

Mr. BUTLER. The Warren Spruce Co. had on a cost-plus operation.

Mr. LEA. It was to be completed by the 1st of October?

Mr. BUTLER. I think that is according to the terms of the contract; yes, sir—our contract.

Mr. LEA. Did you deliver any spruce logs to the Government during the war?

Mr. BUTLER. I think we delivered some spruce logs—not to the Government; we delivered all the spruce logs we had, on their directions, I think, to the Anacortes Lumber & Box Co.

Mr. LEA. For what purpose; was that for airplanes or other work?

Mr. BUTLER. We don't know.

Mr. LEA. And what quantity did you deliver?

Mr. BUTLER. In our operations, as I have previously testified, spruce was incidental, a very small amount. Our operations were very largely in the long timber for shipbuilding.

Mr. LEA. And you are not able to state any figures as to what you did deliver during the whole war?

Mr. BUTLER. Of logs?

Mr. LEA. Of spruce.

Mr. BUTLER. Spruce?

Mr. LEA. Yes.

Mr. BUTLER. No, sir. It is a very small amount.

Mr. LEA. The Government was willing to take all that you would deliver, weren't they?

Mr. BUTLER. The Government took nothing. We delivered—

Mr. LEA. The Spruce Production Corporation?

Mr. BUTLER. The mills took the logs.

Mr. LEA. Yes. Any operator or any logger that had a log that was suitable for this purpose could sell during the war?

Mr. BUTLER. Of course.

Mr. LEA. All that was produced?

Mr. BUTLER. Absolutely.

Mr. LEA. So that no man was handicapped from doing all that he wanted to do and was able to do during the war?

Mr. BUTLER. No, sir; that is, until the forces began to be disorganized, that is quite true.

Mr. LEA. Well, the forces began to be disorganized at the time of the trouble in 1917, didn't they?

Mr. BUTLER. Well, they had been disorganized, but they were getting together in pretty good shape again.

Mr. LEA. Did your capacity increase or decrease after that date?

Mr. BUTLER. At what date?

Mr. LEA. Of the mills, did the capacity to produce spruce increase or decrease after 1917, say August, 1917?

Mr. BUTLER. After August, 1917?

Mr. LEA. Yes.

Mr. BUTLER. In August, 1917, they had the I. W. W. troubles, and after that, just about the time the strike was adjusted and things were beginning to run again, this spruce corporation became active and we had the eight-hour day put in. When the eight-hour day went in, of course the production was reduced.

Mr. LEA. After this Spruce Production Corporation was organized, did the production of spruce increase or decrease?

Mr. BUTLER. I think it probably increased, due to the stimulation of the higher price.

Mr. LEA. It did increase?

Mr. BUTLER. Yes, sir; naturally increased.

Mr. LEA. And it increased 500 per cent, didn't it?

Mr. BUTLER. If it started with nothing and went to 400, it was 400 per cent.

Mr. LEA. From the time this organization went into the field. If the loggers were not increasing more, who was giving the increased product?

Mr. BUTLER. The loggers, you understand, the spruce—the production of spruce—until this airplane demand sprung up, the production of spruce was purely incidental.

Mr. LEA. That is correct.

Mr. BUTLER. The logging of spruce was not a real business. When there was a market for these logs stimulated, by the high price which the Government was offering quite irrespective of other foreign governments, were offering high prices for spruce, naturally every logger who had spruce immediately began to develop and go into his spruce to market it. That was a general condition which affected every logger, not only in Oregon, but just as well in British Columbia as well.

Mr. LEA. Well, every logger had that inducement, didn't he, to produce more?

Mr. BUTLER. Yes, sir.

Mr. LEA. And he availed himself of it as best he could?

Mr. BUTLER. Yes, sir.

Mr. LEA. Now, as I understand it—has a settlement been made with the Aircraft Corporation?

Mr. BUTLER. My understanding is it has.

Mr. LEA. And what was the total amount paid?

Mr. BUTLER. I think that the accounts were balanced on the basis of the payment and receipt of \$90,000.

Mr. LEA. Your company accepted that payment?

Mr. BUTLER. That is the statement that Mr. Frost issued to us, I think.

Mr. LEA. Did your company actually deliver any logs to the Government during the war?

Mr. BUTLER. Since we could not get on the ground, through the failure of the Warren Spruce Co., to get it—deliver the road, we did not; no, sir.

Mr. LEA. And you got \$90,000 without delivering anything to the Government?

Mr. BUTLER. Oh, we didn't—

Mr. LEA. I am not condemning that, but that is just the fact.

Mr. BUTLER. No; we didn't get anything. We didn't get anything except our bills paid.

Mr. LEA. You were reimbursed for what you paid out?

Mr. BUTLER. And the Government took the property.

Mr. LEA. In the expectation that you would deliver the goods, of course.

Mr. BUTLER. Oh, we didn't get any money. The Government paid the bills and took the property. The money that we had paid into the treasury of the company, after the bills of the company had been paid, the companies who subscribed were reimbursed the amount that had been called in on their subscription. the account was balanced and the incident was closed.

Mr. LEA. You anticipated that if you continued your contract, if the war had continued, that you would have assisted the Government in labor and materials for all that was expected to be paid you, didn't you?

Mr. BUTLER. As we were acting as direct Government agents, they were simply paying our bills; we were giving our services for nothing.

Mr. LEA. There was no financial injury to the Government then, in your transaction, was there?

Mr. BUTLER. No, sir.

Mr. LEA. That is what I mean. There was no injustice in it?

Mr. BUTLER. No, sir; I hope not.

Mr. LEA. Now, at the meeting of loggers at which Mr. Cobb took a part, what if anything did he say as to the method of Siems-Carey in following out their contract?

Mr. BUTLER. He said he thought they were building a good railroad.

Mr. LEA. Did he say whether he had seen it or not?

Mr. BUTLER. He said that he had seen it.

Mr. LEA. And how long since you have been up over that railroad?

Mr. BUTLER. The Siems-Carey Railroad?

Mr. LEA. Yes.

Mr. BUTLER. I have not been up over the Siems-Carey railroad.

Mr. LEA. Not at all?

Mr. BUTLER. No, sir.

Mr. LEA. Weren't you up there and examined the operation that Siems-Carey carried on?

Mr. BUTLER. No, sir.

Mr. LEA. Well, then, how are you qualified to come here and inform this committee as to the extravagances or competency of their operations?

Mr. BUTLER. Simply from the general knowledge of the conditions.

Mr. LEA. You mean the lack of knowledge, don't you?

Mr. BUTLER. No, sir.

Mr. LEA. How do you know the facts that would be of any information to this committee, without having seen or known what you were talking about?

Mr. FREAR. Let me interrupt here.

Mr. LEA. Let the witness answer.

Mr. FREAR. No; I want to interrupt here. That is not a fair question, because I asked the witness a question——

Mr. LEA. I will withdraw the question and ask another.

Mr. FREAR. I asked the witness this question. I asked him in what did the extravagance consist, and he mentioned it, and it was purely on the question of the difference in the cost of employees; he said it destroyed the labor market. And now you ask him a question and say "How do you know?" He told you, frankly, what he knew.

Mr. LEA. Isn't the witness able to answer for himself?

Mr. FREAR. Yes; he is, but you are misleading him—trying to.

Mr. LEA. I am not afraid of his being misled.

Mr. FREAR. Neither am I, very much, nor of any such attempt.

Mr. LEA. So, when you came here this morning and attempted to inform this committee that Siems-Carey and Kerbaugh conducted their operations in an expensive, wasteful, and extravagant manner, you did so without ever having seen what they had done, or without any opportunity of any personal observation of the matters concerning which you testified, so far as the acts were concerned.

Mr. FREAR. That is what you did say, in substance, and the exact statement that you made to the counsel or to the committee when that question was asked you on the direct examination.

Mr. LEA. I did not so understand. I thought he was talking about something he knew what he was talking about.

Mr. FREAR. No; he gave his statement about it. He knows more than you or I on this subject.

Mr. BUTLER. I would like to answer the question. I have sat here three or four days and I have listened to the cost of constructing railroads. The testimony in this case that that railroad cost \$113,000 a mile is the answer.

Mr. LEA. Well, now, suppose you give us the answer to the question that was presented to you.

Mr. BUTLER. What is the question, sir?

(Question read by the stenographer.)

Mr. BUTLER. I know of the acts here in the labor market, I knew all about those.

Mr. LEA. Well, about the operations up there?

Mr. BUTLER. Mr.——

Mr. LEA. We just want to be candid.

Mr. BUTLER. I want to be candid with you, Mr. Lea. These operations were not secretive. This is an open country. There are means of travel and communication, people are going and coming every

day. What was going on over there was common knowledge; it was street-corner—the extravagance—the wild extravagance was street-corner gossip.

Mr. LEA. Here is what I am asking, Mr. Butler: This committee, if it can ever be helped in ascertaining the facts, must rely upon the testimony of those who can testify to what they know. Now, what good does it do our committee, in the way of information, for a witness to come in here and base his suggestions upon common rumor? If that is common knowledge, there are, presumably, witnesses who are capable of testifying to the facts. Now, I simply wanted to have it in the record—the extent of your knowledge, and, of course, your opinion or conclusion from that is another matter.

Mr. BUTLER. I very carefully said, I think, that I had not been there.

Mr. LEA. Well, then we understand each other.

Mr. FREAR. Did you want further to amplify your answer there?

Mr. BUTLER. Not at present, sir.

Mr. LEA. Did you have any arrangement to finance any of the loggers who proposed to take over the work on the peninsula?

Mr. BUTLER. It didn't come to that; no, sir. The question hadn't yet arisen.

Mr. LEA. Did you expect to finance any of those loggers?

Mr. BUTLER. I didn't think that was in the problem at all; no, sir.

Mr. LEA. You didn't expect to furnish them any finances to carry on the operations?

Mr. BUTLER. No, sir. Most of them were amply able to carry them on without the slightest effort.

Mr. LEA. They didn't require any advancements from the Government to carry on the operations with their own machinery?

Mr. BUTLER. No; not in the last analysis; no, sir.

Mr. LEA. Mr. Frost was associated with the Oregon proposition, wasn't he?

Mr. BUTLER. Yes, sir.

Mr. LEA. And what salary was Mr. Frost to get in the Oregon operations?

Mr. BUTLER. \$12,000 a year.

Mr. LEA. A thousand dollars a month. That was the Mr. Frost who testified here that he was doing that work as a labor of love, or something to that effect, wasn't it?

Mr. BUTLER. Well, his efforts were being conducted—

Mr. LEA. Doing it as a matter of patriotism.

Mr. BUTLER. May I amplify the reply?

Mr. FREAR. Surely; go on.

Mr. BUTLER. These operations—most of these companies—practically all of the companies who joined in that operation were companies more or less prosperous. The individuals who owned the companies were not particularly, in the last analysis, dependent on their income from these particular operations. Mr. Frost was not in that category. Mr. Frost has to have a salary, and it would be unfair to Mr. Frost to ask him to leave his company and his salary and go down there and serve the Government without compensation. The compensation as fixed was considered modest and moderate, in view of the qualifications of Mr. Frost to do the work.

Mr. LEA. I have no fault to find with that. I do not want to be understood otherwise. I think it is a better policy for a man to be well paid for what he does, in any line. Mr. Frost was competent—

Mr. BUTLER. I don't think it is fair to Mr. Frost, after the splendid part that he has played, to have any aspersion of any kind cast on his motives in this matter.

Mr. LEA. Now, this 10 per cent and 25 per cent that was proposed to be paid to the loggers was based—the 10 per cent rental was simply on the value of their equipment, wasn't it?

Mr. BUTLER. Yes, sir.

Mr. LEA. And the 15 per cent depreciation was simply on the value of the equipment?

Mr. BUTLER. Yes, sir.

Mr. LEA. Was the question of a nonessential enterprise of industry during the war—did that proposition affect your company at all?

Mr. BUTLER. No, sir; that hadn't come up at the time. If there were any such plans by the spruce board, they hadn't been manifest at the time the Aircraft was formed, as far as I am aware of.

Mr. LEA. There was not any expectation on your part that you would be prevented from working on account of conducting a non-essential enterprise?

Mr. BUTLER. No, sir; so far as I know. It didn't influence my motive.

Mr. LEA. You were engaged in the lumber industry right through the war?

Mr. BUTLER. Yes, sir.

Mr. LEA. Now, the Spruce Production Corporation board of directors contained a number of men who are practical mill and logging men, didn't it?

Mr. BUTLER. Yes, sir.

Mr. LEA. And do you know whether Col. Disque, during the progress of his work out here, consulted with practical men and loggers and advised with them?

Mr. BUTLER. I hope that he did; but in this particular—in the one, the real—the one real activity, apparently he did not, because Mr. Donovan has testified that he did not approve. I saw by the press that Mr. Mark Reed in an interview said he was entirely opposed. So that in this particular matter they did not approve of it.

Mr. LEA. Do you know whether he did—you, of course, don't know whether he consulted with others or not?

Mr. BUTLER. No, sir.

Mr. LEA. When did you first learn of the Siems-Carey contract?

Mr. BUTLER. When it was made public in the press.

Mr. LEA. Do you remember about what date that was?

Mr. BUTLER. Some time in June, I think, or July.

Mr. LEA. Now, as the matter finally developed, were the loggers willing to tent their outfits, or not?

Mr. BUTLER. In which operation?

Mr. LEA. In the peninsula operation?

Mr. BUTLER. They hadn't got that far—oh, perhaps—I didn't finish that story. After the loggers had voted in that second meeting not to take over the Siems-Carey contract or to do the logging in case the Siems-Carey contract was cancelled, there was another reso-

lution put through, in which the—I think the motion was made by Mr. Reed, that we tender our machinery and services to the Government again. That motion was passed.

Then, I think further, that a committee was appointed to see what loggers would furnish machinery to go into the Siems-Carey operations. That committee was formed of men not favorable to taking over the Siems-Carey contract, and what they did is mere hearsay; but I understand they didn't do anything.

Mr. LEA. Have you a copy of that resolution here?

Mr. BUTLER. I think so [examining papers]. "It was moved by Mr. Ives, seconded by Mr.——"

Mr. LEA. If I could just look at it a minute, please?

Mr. BUTLER. Yes; that last one. [Handing paper to Mr. Lea.]

Mr. LEA. This is a part of the minutes of the meeting?

Mr. BUTLER. This is a part of the minutes of the meeting; yes, sir.

Mr. LEA. Well, we will offer this in evidence; that is, we will see if it relates to this matter [examining paper].

Mr. BUTLER. I think it is already in.

Mr. LEA. I believe this resolution is not in. Who is Mr. Irving, whose name is signed to this?

Mr. BUTLER. Mr. Irving was the chairman of the meeting.

Mr. LEA. I would like to place in the record the "Minutes of general meeting of Puget Sound loggers, held September 27, 1918, 10.30 a. m.," etc., and just let the reporter copy it into the record.

Mr. FREAR. No objection, I think, on the part of any member of the committee; not on my part.

Mr. LEA. I don't think there is.

(The following is a copy of the minutes above referred to:)

MINUTES OF GENERAL MEETING OF PUGET SOUND LOGGERS HELD SEPTEMBER 27, 1918,
10.30 A. M., 726 L. C. SMITH BUILDING, SEATTLE.

Meeting was called to order by Joseph Irving; the following were present:

Maj. Eastman (Spruce Productive Division), Maj. Sawyer (Spruce Production Division), Mr. Chinn. Mr. Draham, Mr. Siler, Mr. Eddy, Mr. Webb, Mr. Bordeaux, Mr. Hopple, Mr. Stephens, Mr. T. D. Merrill, Mr. Anderson, Mr. Chapman, Mr. Lewis, Mr. Bridge, Mr. Butler, Mr. English, Mr. Donovan, Mr. McFadon, Mr. White, Mr. Duggan, Mr. Stetson, Mr. Brown, Mr. Merklejohn, Mr. Dempsey, Mr. Jerome, Mr. Bruce, Mr. Cobb, Mr. Grammer, Mr. Reed, Mr. A. F. McEwan, Mr. W. H. McEwan, Mr. Ephendahl, Mr. McCoy, Mr. Ives, Mr. Spencer, Mr. Warren (Snoqualmie Lumber Co.), Mr. Barker, Mr. Lightner, Mr. Johnson, and Mr. Holmes.

Chairman Irving read a communication from Col. Disque relative to the Siems-Carey, Kerbaugh Co. relinquishing that portion of their contract covering spruce logging in Clallam County, the logging to be done by those now engaged in logging in this section.

After extended discussion, motion was made by Mr. Ives that it was the sense of the meeting that the Siems-Carey, Kerbaugh Co. continue to build the railroad and do the logging as contracted, so that the progress of the work will not be disturbed. Mr. Webb offered as a substitute motion, which was seconded by Mr. Reed, that a standing vote be taken to indicate those who wished to participate in taking over the logging portion of the contract direct from the Government, which would involve construction of logging spurs and tracks. The vote stood affirmative 7, negative 15, not voting 19.

It was moved by Mr. Reed, seconded by Mr. Ives, that it was the sense of the meeting that those present are willing to have their equipment turned over to the Government on any equitable basis if it is found necessary. Carried.

It was moved by Mr. Ives, seconded by Mr. Eddy, that a committee of three be appointed to confer with the Siems-Carey, Kerbaugh Co., and Col. Disque, or his

representatives, as to their requirements in the line of equipment and ascertain from the Puget Sound loggers what equipment of this type is available and will be offered. The committee as appointed is Messrs. Webb, Eddy, and Ives.

There being no further business, the meeting adjourned.

(Signed)

JOSEPH IRVING.

Mr. LEA. Now, was any meeting held subsequent to this time in which this matter was discussed?

Mr. BUTLER. Not to my knowledge.

Mr. LEA. Do you know of any further resolution which was adopted by the loggers' association in reference to the work on the peninsula?

Mr. BUTLER. No, sir.

Mr. LEA. Now, was the equipment of these loggers offered to the Government pursuant to this resolution?

Mr. BUTLER. Well, that resolution has been passed 40 times and every time the loggers got together.

Mr. LEA. Was it offered to the Government?

Mr. BUTLER. It was made——

Mr. LEA. Or to the Spruce Production Corporation?

Mr. BUTLER. It was made in good faith. I don't know what the officers did pursuant to it.

Mr. LEA. As a matter of fact, wasn't it offered to the Government and it was arranged that the control of the equipment of the loggers would be taken by Siems-Carey in the performance of their contract?

Mr. BUTLER. Not to my knowledge. Certain no such arrangement covering any of our machinery.

Mr. LEA. Were not the loggers willing that that should be done—that such equipment as they could spare would be used in performing the Siems-Carey contract—wasn't that the understanding?

Mr. BUTLER. I knew of no such arrangement; no, sir.

Mr. LEA. That was agreeable to the loggers, wasn't it?

Mr. BUTLER. I think many loggers—I can't speak for all of them—I think many loggers would not have anything to do with Siems-Carey under any circumstances; do anything for the Government, but absolutely nothing for Siems-Carey.

Mr. LEA. There was a good deal of bitterness on account of their being regarded as a competitor and interloper in the industry, wasn't there?

Mr. BUTLER. Not at all; not at all. Here was an industry that was ready and responsive, and themselves organized and standing and waiting for a year.

Mr. LEA. They were organized only as individuals but not as a single corporation or body, weren't they?

Mr. BUTLER. Mr. Lea, if any one man had come up here, who was authorized by the Government, and told this industry what they wanted, whether it was the Fourth of July, 1917, or Christmas Day, 1918, the industry would have done exactly that, without any incorporation at all. You understand, it is not necessary to incorporate. I can send my machinery in there and operate three or four sides, an entirely independent unit; I don't have to have any relationship with my neighbor.

Mr. LEA. I know; but on the question of taking over this Siems-Carey contract, here was a responsible firm that had agreed to do

this work, and, as I understand, to begin with the loggers' association, said "Cancel that contract. We won't promise to do what that company has agreed, but we will promise to do what we can."

Mr. BUTLER. There are several statements made there that there is not anything in the record, as far as I know, to justify it. You say they are responsible—

Mr. LEA. I was basing it on this information—oh, you mean about the Carey company?

Mr. BUTLER. They are not a responsible firm, as far as we know. They didn't put in a dollar. No information has ever been given as to the capitalization of the Siems-Carey-Kerbaugh Co., or whether they had any money in it at all.

Mr. LEA. They put up security for \$6,000,000, did they?

Mr. BUTLER. They did? They put up a note. I will give you a note any time for \$6,000,000 if you will lend me the money.

Mr. LEA. Before they could get the money from the Government they had to give security satisfactory to the Government?

Mr. BUTLER. They didn't. They give the \$6,000,000 note.

Mr. LEA. They had to give, in addition to that, such security as was satisfactory to the War Industries Board—

Mr. BUTLER. The only security they have given up in this whole transaction, as I read the record, is \$750,000 in United States Government bonds.

Mr. LEA. Do you know about the reliability of the Siems-Carey Co., or simply don't know?

Mr. BUTLER. I don't know anything.

Mr. LEA. Well, then you haven't any information to give to this committee as to whether or not they were reliable?

Mr. BUTLER. I am not attempting to give any. You said they were reliable and I was asking you if they were. I refused to assume it any more than you did.

Mr. LEA. Then you are simply unable to help the committee on that question, aren't you? The agreement in reference—was the one dollar profit proposition reference to the Blodgett tract?

Mr. BUTLER. Yes.

Mr. LEA. That was to be based on the amount that was delivered I presume?

Mr. BUTLER. On the amount?

Mr. LEA. Yes.

Mr. BUTLER. It was not to be based on anything. It simply meant that after the transaction was all over—there was no dollar a thousand in that. One dollar per annum. It was simply a dollar a year proposition.

Mr. LEA. Was that to be without profit?

Mr. BUTLER. Absolutely without profit. No profit, whatever.

Mr. LEA. Now, I don't know as I understood you, Mr. Butler, in reference to saying that the Siems-Carey had no logging contract. What is your point in reference to that?

Mr. BUTLER. Siems-Carey, as I read the skeletonized contract, furnished as I said, was a contract to furnish the Government with 250,000,000 feet of fitches.

Mr. LEA. Yes.

MR. BUTLER. Now, I don't see anything in there that necessarily involves their cutting down one tree or sawing it; they can furnish it—they can go out and buy it, if they could.

MR. LEA. Do you see any objection to that form of contract?

MR. BUTLER. Do I see any objection to it?

MR. LEA. If the Government get the flitches, what is the objection, whether they buy them, or whether they produce them?

MR. BUTLER. I don't know of any reason why the Government should appoint or give a man a blank check, as a purchasing agent, and pay him \$7 profit, when they can go out and do it just as well themselves.

MR. LEA. You have no objection to the method, but it is only as to the compensation; is that it?

MR. BUTLER. I think it is a profiteering contract of the worst kind.

MR. LEA. Outside of the question of the compensation, have you any objection to that form of contract?

MR. BUTLER. I haven't any objection to that, the only objection—

MR. LEA. I just wanted to know what your objection was.

MR. BUTLER. The only objection I have to that contract is that I think the people who made that contract, as I testified this morning, had little conception of what is involved. I think it was a proposition that the man who took it and the man who gave it didn't realize what it all really meant.

MR. LEA. Of course, that is only your opinion.

MR. BUTLER. It is the opinion that is justified by the testimony which has been introduced.

MR. LEA. Well, of course, what I wanted to know is the point of your objection. Do you know whether Col. Disque consulted any loggers in reference to that enterprise up on the peninsula?

MR. BUTLER. The Siems-Carey?

MR. LEA. Yes; the logging feature of it?

MR. BUTLER. I don't know anything about it. I have not been able to see or hear of a logger that he consulted before he gave them the contract, who approved it.

MR. LEA. Did you understand that the Siems-Carey contract contained a provision by which the Government could cancel it if they failed to comply with it?

MR. BUTLER. Yes, and I have often wondered why they didn't.

MR. LEA. And you, as I understand it, were not willing to enter into a contract of that kind with the Government?

MR. BUTLER. Yes, sir; we had a contract of that kind with the Aircraft Lumber Co.

MR. LEA. Well, I understood you to say here this morning that you would be willing to enter into a contract with Siems-Kerbaugh, that would contain a cancellation clause.

MR. BUTLER. No; I said I would not—

MR. LEA. When the proposition was made by the Government that the loggers take over the logging portion of the Siems-Carey contract, did you have any objection to doing that, so far as the cancellation provision was concerned?

MR. BUTLER. Not so far as the Government was concerned; no, sir.

MR. LEA. Well, the Spruce Production Corporation.

Mr. BUTLER. Not so far as the Spruce Production Corporation speaking for the Government; no, sir. In other words——

Mr. FREAR. Just a moment. What were you going to say, "in other words" what?

Mr. BUTLER. In other words, we were perfectly willing to rest our case when we were dealing with the Government direct, but we would certainly have no contractual relationship which gave Siems-Carey the opportunity to say whether we would do this or do that. We presumed we were experienced, and we knew they were not.

Mr. LEA. When the offer was made to the loggers for you to deal directly with them, that objection as to the cancellation clause was eliminated, wasn't it?

Mr. BUTLER. Cancellation clause—with the Siems-Carey?

Mr. LEA. No; after Siems-Carey were eliminated.

Mr. BUTLER. They were not eliminated.

Mr. LEA. When the offer was made to eliminate them——

Mr. BUTLER. They could not have been eliminated unless you agree to A, B, C, D, E, F, G.

Mr. LEA. Now, as a matter of fact, did you want this contract of Siems & Carey?

Mr. BUTLER. I was perfectly willing—no; I didn't want it. I wanted my companies and I wanted my machinery to be put at the disposal of the Government to get out that spruce.

Mr. LEA. After Col. Disque sent his message saying that they would accept the loggers' proposition, didn't a man with whom you were associated call you up on the telephone and say "Jesus Christ! our bluff has been called"?

Mr. BUTLER. Not to my knowledge.

Mr. LEA. Didn't you talk with a man on the phone, who made a remark similar to that?

Mr. BUTLER. I don't recall any such remark as that; no, sir.

Mr. LEA. Wouldn't you recall it, if it was made?

Mr. BUTLER. I think I would; yes, sir.

Mr. LEA. Who, about that time, did call you up?

Mr. BUTLER. I could not tell you.

Mr. LEA (continuing). From Seattle and immediately inform you about Col. Disque's proposition, or call your attention to it?

Mr. BUTLER. I could not tell you, sir. I will say this: I have many calls in a day, but I don't think anything of the kind occurred, that I can recall. In that meeting—the first meeting, I pointed out to the gentlemen, when we were preparing this resolution, that it was quite likely that we would be called upon, and I wanted to understand that this was not "hot water," that it was quite likely that we would be called upon to do it, and to be prepared to do it. You ask about the bluff called. That proposition of Col. Disque's, contained in that telegram of September 28, was a "stall," cold, and we knew it.

Mr. LEA. Why didn't you take it up, then?

Mr. BUTLER. What?

Mr. LEA. Why didn't you take it up?

Mr. BUTLER. Why?

Mr. LEA. Yes.

Mr. BUTLER. One reason was because he sent his men, in whom he had confidence—he sent them to our meeting, and it was their influ-

ence, as much as anything else, that prevented this thing from having a fair hearing.

Mr. LEA. I want to know whether or not you can state absolutely as a fact, whether or not one of your associates did not say that "Jesus Christ! our bluff has been called"?

Mr. BUTLER. Do you mean to infer that we, in a serious Government matter, were "playing horse"?

Mr. LEA. I am not inferring at all; I am simply asking a question.

Mr. BUTLER. I have no knowledge of any such telephone conversation; don't recall anybody ever having called me up and said anything of that kind, or anything like it.

Mr. LEA. Can you state who was the first one from Seattle that did call you up and tell you, in substance, that the colonel had accepted the loggers' proposition?

Mr. BUTLER. No, sir.

Mr. LEA. Don't know anyone of your associates that called you from Seattle and communicated with you over the telephone about that subject?

Mr. BUTLER. The matter you raise is one that is a point which is entirely new and something that I don't know whether there is any base or foundation for it or not. The whole thing is—there was no necessity for anybody calling me up; the thing had to be done in conference.

Mr. LEA. I was simply asking if you can recall, if you can tell the committee now, if you can tell the first one that called you on the phone from Seattle. Can you tell us one of your associates that shortly thereafter did call you?

Mr. BUTLER. I don't recall anybody calling me up on that subject at all, sir. I certainly don't recall any such message as you seem to know of, or seem to think you know of.

Now, I want to say right here, as long as the question you raise—or you have been coached—excuse me, you have been coached—you raise a question of good faith in this matter—I want to say that the loggers of Puget Sound have had enough, quite enough, of humiliation in connection with this whole matter, and I think it is quite uncalled for.

Mr. FREAR. It is insulting, that is what it is. Nothing has ever been more so that has been put over here.

Mr. BUTLER. I want to go further and tell you further that it is a common rumor, and is generally believed, that the men that Col. Disque sent to that second meeting were in conference with Mr. Carey the night before, came up there to prevent exactly—absolutely to prevent that proposition.

Mr. LEA. I am simply asking for the fact, that is all.

Mr. FREAR. And it is an insulting remark he has been placing in the witness's mouth, to a man who has given his services free, and against a body of men who have given their services free; to come with such a disreputable remark and put it in the witness's mouth—

Mr. LEA. I don't understand I have placed any remark in the witness's mouth.

Mr. FREAR. But you did, that is the purpose—of a man of this class.

Mr. LEA. Well, I am not passing on the class of the witness at all, I simply ask him the question.

Mr. FREAR. It is an unfair question.

Mr. BUTLER. I want to say, again, I think the suggestion is unworthy of the member of any committee.

Mr. LEA. Well, you are entitled to your opinion. I am not asserting an opinion, I am simply asking whether or not that is a fact.

Mr. BUTLER. I reply that I have no recollection of it at all, and I don't think it is a fact. If I could tax my recollection, I would say it is not a fact.

Mr. FREAR. Five minutes has been occupied on that very proposition, by the clock. Inside of 10 minutes, I am going to call another witness; if this line of cross examination is continued, I will go on with my other witness.

Mr. LEA. I have already concluded my examination, as I have already informed you, on that question.

Mr. FREAR. Well, on the entire examination.

Mr. LEA. That would be in pursuance of your policy to only permit one side of this evidence to be presented.

Mr. FREAR. Just a moment. The record has shown that in no legislative investigation, to my knowledge, heretofore, has any man attempted to cross-examine witnesses in the manner that has been pursued by this counsel, because he is simply acting as counsel. We care not what the inference may be, we desire to get the facts, we are going to get them, if we can, but here is a gentleman, the witness, who stands as high as any man, undoubtedly, in this community, the brother of one of the most prominent men in the United States, a high-class man, a man who gave all his time—not of the class of men that came from Portland, but a man who gave all his time and his money to a proposition of this kind, and showed what he was willing to do with the Blodgett tract, and I say he is insulted by language of that kind. For one, I am very tired of it, and I don't propose to sit here and listen for an hour to such cross-examination.

Mr. BUTLER. Mr. Chairman, I will be glad if you will allow him to pursue the same just as far as he wants to.

Mr. FREAR. But the time of this committee is consumed, as well as your time, by such frivolous cross-examination, and we can't spend the time, if we are going to conduct the investigation in an intelligent way. It is not for you to pass upon—I am sorry to say.

Mr. LEA. Were your loggers willing to take over the Siems-Carey contract, so far as the logging operation was concerned, on the terms of the Siems-Carey contract?

Mr. BUTLER. The telegram which was sent to Col. Disque, and the reply, if you will read the phraseology of Col. Disque's reply, was the loggers—the information operators offer to take the contract without profit.

Mr. LEA. Yes.

Mr. BUTLER. At cost.

Mr. LEA. Yes; I know. My question, though, is—

Mr. BUTLER. In his reply, he said "you are directed to accept the operators' offer, on the basis of the Frost contract," and then he proceeds to make the fence higher, and higher, and higher with conditions which were not in the Frost contract—evidence, to my mind, that there was absolute bad faith.

Mr. LEA. No, but you don't catch what my question was. My question is, were you loggers willing to take over the logging features of the Siems-Carey contract, upon the terms that Siems-Carey took it?

Mr. BUTLER. We had no idea what the terms were there, or nobody else.

Mr. LEA. Were you willing to take a contract for 250,000,000 feet of flitches?

Mr. BUTLER. We were not in the flitch business; we were in the logging business. We would have been willing to have done everything possible. We would have been willing to take any reasonable contract from the Government to take out the logs.

Mr. LEA. Would you have been willing to have made a contract to take out 500,000,000 feet of logs according to the terms of the Siems-Carey contract?

Mr. BUTLER. If it was according to the terms of the Siems-Carey contract, and do it in—according to selective logging?

Mr. LEA. Yes.

Mr. BUTLER. No, sir.

Mr. LEA. You spoke about the operation of the railroad. Do you know whether the Siems-Carey contract provided for the operation of the railroad by them?

Mr. BUTLER. I don't know, sir.

Mr. LEA. But I understood this morning that you thought that if the loggers took over the logging contract, they would be at the mercy of Siems-Carey on the operation of the railroad.

Mr. BUTLER. That was one of the provisions that Col. Disque made in accepting our proposition, that the Siems-Carey would continue to operate the railroad. That was not our suggestion, but his suggestion.

Mr. LEA. Do you know if any contract was ever made by the Spruce Production Corporation, or by the Government, by which Siems-Carey were to operate this railroad?

Mr. BUTLER. No, sir.

Mr. LEA. So, so far as you know, they were not to operate the railroad?

Mr. BUTLER. All the information that we ever had, sir, regarding the spruce contract, was that they were to furnish the flitches, and, under the contract as I read it, they could have gone out and bought them; they need not have run anything.

Mr. LEA. All they had to do was to deliver the flitches.

Mr. BUTLER. All they had to do was to deliver the flitches.

Mr. LEA. Except they did have to deliver them from Clallam County?

Mr. BUTLER. No, I don't know as even that is necessary.

Mr. LEA. That is specified in the contract. I guess there is no dispute about that. Now, this morning you spoke about some loggers' association having only one hundred sides. What association was that?

Mr. BUTLER. The Loggers' Information Bureau.

Mr. LEA. You spoke about tethering this road to the Milwaukee road. At that time this road was operated by the Government?

Mr. BUTLER. That does not make any difference. The thought I wanted to convey this morning was that anybody who was sent

out to get spruce should get spruce. It did not make any difference whether the road was operated by the road or not.

Mr. LEA. Your criticism was not that it was the Milwaukee or any other road?

Mr. BUTLER. No. If I send an agent out to get spruce in a time of the Government's desperate necessity I think it is an infamy to hold him in any way. Let him get the spruce wherever he can get it.

Mr. LEA. You said it was necessary to construct railroads in order to get the spruce?

Mr. BUTLER. Exactly, but it is not necessary to limit it in any way. When you send an agent to bring something, you want to give him an opportunity to get it.

Mr. LEA. Did you have any other objection to using this road any more than any other road under the circumstances?

Mr. BUTLER. My particular criticism in the matter was, I would not have cared if it had been the Northern Pacific road, that the agent allow himself to be tied up when he was sent out to get spruce, and the Government wanted the spruce.

Mr. LEA. The road that you spoke of up Hokko Creek was how long?

Mr. BUTLER. From 15 to 18 miles.

Mr. FREAR. Fourteen to fifteen miles was the testimony.

Mr. LEA. And Mr. McFee said it would take five or six months?

Mr. BUTLER. Of course, Mr. McFee had not any survey and did not know how soon it was going to be done.

Mr. LEA. The Canadian spruce production you referred to was the total spruce production and it was not a question about whether it was for aircraft lumber or not?

Mr. BUTLER. It was in compliance, as I understand it, with the Government request, whatever it was.

Mr. LEA. You do not know as to the quality of the lumber, do you?

Mr. BUTLER. No, sir.

Mr. LEA. I think that is all.

Mr. FREAR. I am simply going to ask you one or two more questions. In any private business what would be a reasonable compensation for Mr. Frost?

Mr. BUTLER. I think Mr. Frost, with his peculiar temperament and reputation as a successful logger, would have no trouble at all: I think the compensation allowed, especially in war times, was not enough.

Mr. FREAR. He took that position with all the responsibility that it entailed, representing you gentlemen in a contract that involved how many million dollars?

Mr. BUTLER. Well, it was to put in a 100,000,000 feet in a year and nobody knows what it would cost. It has been estimated that selective logging might cost as high as \$50. That would be \$5,000,000.

Mr. FREAR. Is there any reason why, when a man takes a position of that kind, to work for the Government in giving them the benefit of their services, giving their best energies for patriotic motives, why a man like that should be criticized either directly or inferentially?

Mr. BUTLER. I think it is a scandalous proceeding.

Mr. FREAR. You gentlemen were engaged in showing your good faith, as I take it, in the logging of the Blodgett tract free of any expense to the Government outside of the actual expenses incurred?

Mr. BUTLER. I do not believe even the Democratic member of the committee could imagine that it would not take some money to carry that work on.

Mr. LEA. I just want to say in regard to Mr. Frost that I did not intend to say he was not worth the money paid him, and I would not be justified in making any such statement, and I did not intend to say it.

Mr. BUTLER. I am very glad to hear you say that, and I would be glad if you would strike that remark from the record.

Mr. FREAR. It was not common sense, with men who had an organization, to ask them blindly to accept such a proposition as proposed by Disque, and Disque knew you would never take it. That is the type of man who was sitting down in Portland dealing with business men, and the proposition was put up to you with the knowledge that the cancellation by Siems-Carey & Kerbaugh, with all the conditions that were placed in their hands. You are now criticized for a telephone call and profanity, and insulting suggestions are placed in your mouth, and it comes from somebody here. I do not know him, but that is the type, just what has been here heretofore, and you gentlemen have been called and driven down by a class of men who said that they were the Government. They mistake their own authority; they mistake the position they occupy.

Mr. BUTLER. Might I make just one concluding remark? Speaking for the loggers, it is a matter of the very greatest congratulation that the testimony as far as presented indicates that no logger, no mill man, nobody in this industry is in any way involved or concerned with the activities of the Spruce Production Board so far as they relate to these Siems-Carey contracts. We will never quit being thankful for that. Now, I want to say, as I said this morning, the proposition of the giving of these contracts, the very peculiar mysteriousness of their being given, the fact that the men giving the contract were quite as unappreciative as the men who take it, knew not what they were doing. They knew, however, that 7 per cent on \$25,000,000 was \$1,750,000. In addition to that they came out here and camouflaged the situation; they told us about their responsibility and their bond. Is there a bond? Was there ever a performance bond? There is only one answer. The answer is, Mr. Chairman, that the people who were able to obtain this contract enjoyed very singular political support, not only in its securing, but in its execution, all the way along the line. The whole activity of this Spruce Division is centered on this Siems-Carey contract in this district. Anyone who runs can read; and what is the result? The execution was conducted with singular devotion to the interests that obtained it, with the result—what is the result? Is it not a shame? The result is we see the man entrusted with this grave responsibility playing with business men, playing with the dire necessities of his Government; we see him, however, promoted from lieutenant colonel to colonel. He goes back to the East with a distinguished-service medal, and the gold star of a general on his collar—but no spruce.

Mr. FREAR. You have left out one thing that I want to speak about, and the question was brought out by the gentleman who just examined you, in regard to the conjunction of this road with the Milwaukee road. The Milwaukee road had decided to build up

toward Pysht, according to the undisputed testimony. The Secretary of War agreed to the route and he indorsed the recommendation of certain officers, as well as your airplane associations, and others, that that was the proper route, then inside of a period of 30 days and much less, as far as we can gather, between April 24 and the time it was adopted, at a hearing—and prior to that time—with the president of the Milwaukee Railroad, at which Early was present, and the engineer of the Milwaukee road was present, the plan was shifted suddenly. Then they put an engineer from the Milwaukee road in charge and they kept him there, and he is now back in his Milwaukee job. That is no reflection, but I am showing the situation. The Siems-Carey contract was subject to a cancellation clause so that the men at the head of the aircraft could have canceled it in a moment and thrown those men out, and the man who had all the cards in his hands was a member of the Board of Directors and a member of the executive committee, and he had one of the finest contracts in the world with the Milwaukee road. Is not that true?

Mr. BUTLER. Yes.

Mr. FREAR. So it did mean something to the Milwaukee road.

Mr. BUTLER. We as loggers have considered this matter simply from the standpoint of supplying the Government with spruce. Our plants were ready if they had been called on. If they had come to us for the spruce they could have gotten the spruce. Thank you, gentlemen.

Witness excused.

TESTIMONY OF JOSEPH A. MALLERY.

(The witness was sworn by Mr. Frear.)

Mr. FREAR. How old are you?

Mr. MALLERY. Twenty-three years old.

Mr. FREAR. Where do you live?

Mr. MALLERY. Well, I suppose it would be at Cathlamet, Wash.

Mr. FREAR. Were you enlisted in the service, or how did you come in?

Mr. MALLERY. I was a private in the One Hundred and Thirty-eighth Production Division, drafted at Vancouver, Wash., on the 29th day of July.

Mr. FREAR. Did you live at Vancouver then?

Mr. MALLERY. No; in Cowlitz County, at that time.

Mr. FREAR. You were the Mallery whose time checks were mentioned in the evidence the other day, one for 7 cents and the other for 65 cents, I believe?

Mr. MALLERY. Yes.

Mr. FREAR. A statement has been furnished in regard to your compensation by the Spruce Production Corporation of Portland, Oreg. The 65 cents was the balance due you from the subcontractor, as I understand, for two and one half days, October 1, 2, and 3, and the 7 cents was the balance due for 112½ hours at 40 cents, from September 9 to 20, 1918. That is right?

Mr. MALLERY. That is correct.

Mr. FREAR. In this statement there appears another item; Army pay, $2\frac{1}{2}$ days at \$1, \$2.50; Army ration allowance, $2\frac{1}{2}$ days at 40 cents, \$1. That is correct; it is credited to you?

Mr. MALLERY. No; that is taken out of my pay.

Mr. FREAR. Other items are: Board, $3\frac{1}{2}$ days at \$1.05, \$3.85.

Mr. MALLERY. That is taken out of my pay.

Mr. FREAR. They took out of your pay the Army ration allowance, and board, which made \$3.85?

Mr. MALLERY. Yes; they took \$1.05 for board, \$1 for $2\frac{1}{2}$ days' Army pay, making \$2.50; and \$1 for Army ration allowance at 40 cents a day for $2\frac{1}{2}$ days.

Mr. FREAR. Here is an item of $2\frac{1}{2}$ days that you were working. The charge made by Siems-Carey Co. is for $3\frac{1}{2}$ days' board; that is a day extra, is it not?

Mr. MALLERY. Yes; that can be explained by the fact that one day was used in packing and being transported to another camp.

Mr. FREAR. That ought to be $2\frac{1}{2}$ days so far as the Carey balance against the credit is concerned?

Mr. MALLERY. Yes.

Mr. FREAR. That would be \$2.10, and the Army ration allowance two days and a half at 40 cents, making \$1. So \$3.10 was the subsistence charge against you for the two and a half days you were there?

Mr. MALLERY. Yes.

Mr. FREAR. On the next item, board at camp, 13 days, two meals, \$1.05. Did you not have over two meals a day?

Mr. MALLERY. We had three meals a day. I do not understand that.

Mr. FREAR. That made \$14.35, and the Army ration allowance for 12 days at 40 cents was \$4.80. In other words, you paid nineteen dollars and some odd cents for the 13 days you were in camp; that was board and subsistence?

Mr. MALLERY. Yes.

Mr. FREAR. How many men were there in camp with you?

Mr. MALLERY. Those checks are from two different camps. In the first camp I think probably there were about 30, and the second camp, roughly estimating, would be between one hundred and two hundred.

Mr. FREAR. Doing what?

Mr. MALLERY. In both camps they were engaged in grading on the railroad.

Mr. FREAR. What railroad was that?

Mr. MALLERY. The railroad going from Joyce to Lake Pleasant?

Mr. FREAR. Known as the Siems-Carey road?

Mr. MALLERY. Yes.

Mr. FREAR. What did you have there for the food that was mentioned here; what kind of food did they give you?

Mr. MALLERY. I will tell you of a particular incident that happened at Palmer Pierson & Woods camp No. 3, at Lake Crescent in the latter part of August.

Mr. FREAR. When, 1918?

Mr. MALLERY. Yes.

Mr. FREAR. Working on this railroad?

Mr. MALLERY. On this railroad, at the same time I received this check.

Mr. FREAR. During the time this check covers?

Mr. MALLERY. Yes. Complaint has been made repeatedly by different privates and by delegations to Lieut. Lord that the condition of the food was intolerable. There were several counts. The first was that the garbage was not taken care of, and there was a manure pile near by where there were piles of manure covered with flies. It was in the latter part of August, and they were so thick that you had to fight your way through, and there were no screens or fly paper of any kind. In the morning it was chilly and the flies would fall into your food. They were cooked into the food and you could not eat a meal without having flies in everything. Protest was made to the commanding officer time and time again, and he would always say, "I will see what I can do."

Mr. FREAR. Who was he?

Mr. MALLERY. Lieut. Lord at that time. Another count was that the potatoes were sour, half of the time, the bread was invariably musty and sour. It was the milling flour that was prevalent at that time. Pierson, a member of the firm, excused it by saying he ate it. I remember one particular incident, when he was standing outside of my own shack and somebody brought a piece of bread out, and nobody had anything to say about the bread, but Pierson saw it and he consequently seized an opportunity to scold about I. W. W'ism, I think.

Mr. FREAR. In what way?

Mr. MALLERY. He said it was agitation, to bring out sour bread.

Mr. FREAR. Did the officer ever take any action with regards to that first incident you mentioned?

Mr. MALLERY. Well, I am coming to that shortly. I spoke up, having a little more nerve than the rest, and he was saying, "What is the matter with this bread?" and I said if you do not think there is anything the matter with it, you eat it.

Mr. FREAR. Who was that?

Mr. MALLERY. I said that to Pierson, one of the contractors. I said, "If you think it all right, eat it," and I repeatedly told him that before the crowd. It was taken over to the doctor who was there, and the doctor said it was sour and unfit to eat. As a result of that I was called out in front of the regiment, later, and severely reprimanded.

Mr. FREAR. By whom?

Mr. MALLERY. By Lieut. Lord, and it was understood everything was to be set right; that he was looking out for us, and that we were to keep our mouths shut; but nothing was ever done. Shortly after that, three or four days—

Mr. FREAR. Within the time that is covered by this time check?

Mr. MALLERY. Yes. Shortly after that the food continued to get worse. They had no fresh vegetables nor fruits with meals, but in the commissary you could buy apples for 5 cents apiece. There was no use going into all these details, for the simple reason that 150 men are not going to be affected by the same trivial thing, and 150 men can not take common action without organization, and it was impossible to organize in the Army. But one morning the break-

fast was so bad that they all got up and refused to eat, with the exception of half a dozen or ten.

Mr. FREAR. How many were there?

Mr. MALLERY. I could not state exactly. There were recruits from different places. I should say there were between 100 and 200 men.

Mr. FREAR. That were there?

Mr. MALLERY. Approximately.

Mr. FREAR. What occurred?

Mr. MALLERY. They went out on the job. Naturally the first sergeant was greatly agitated, and Lieut. Turner that noon called the men all together and told them that he sympathized with them perfectly and that if Lieut. Lord did not take the thing into his hand he would himself.

Mr. FREAR. Who said that?

Mr. MALLERY. Lieut. Turner. He said he recognized we were absolutely justified, he says:

Go back to-day at noon and eat, and go back to-night, and then if nothing is improved, and we can not make any agreement, I will see later what I can do for you, but I want you to understand I am for you.

Mr. FREAR. What was his first name?

Mr. MALLERY. Earl O. Turner, commanding officer of the One Hundred and Thirty-eighth Spruce Squadron, and he later was commanding officer of the Whiskey Creek camp, where I also worked.

Mr. FREAR. The Disque Junction, so called?

Mr. MALLERY. Yes. That is one incident.

Mr. FREAR. What became of that; did they improve the conditions there as to the food?

Mr. MALLERY. That I am not in a position to say, for the simple reason that I, with several others, was considered unfit to associate with the remaining soldiers, and we were sent to general military headquarters, and I do not know whether any improvement was made, but I have been told by people who have continued to stay there that they did make some improvements to keep some of the flies out, although no screens were provided, and that there was some improvement in the food, though that is a matter of hearsay with me.

Mr. FREAR. What about the clothing?

Mr. MALLERY. The clothing was issued to us, and all the clothing we ever had, up until the 138th Squadron arrived in Vancouver, in January, I believe, or the very last of December, were the cotton clothes issued for summer wear. That is, one pair of cotton trousers, two old shirts, a cotton jacket; they issued us a pair of overalls and jumper, fatigue clothes, two summer-wear union suits, cotton, I think; two pairs of socks, and shoes, and a pack—two blankets, a bed roll, and cot; a mess kit and toilet kit. We never had a stitch of wool, excepting the shirts, during the cold weather in the mid-winter months, until we had come out of the woods to be discharged in Vancouver, in January.

Mr. FREAR. The winter months of 1918?

Mr. MALLERY. In those months of 1918, when the flue epidemic was raging and the hospital facilities at Joyce and Port Angeles were overstrained.

Mr. FREAR. This was during the winter?

Mr. MALLERY. This was during the winter that I am speaking of.
Mr. FREAR. I have understood the doctors—you had physicians there, didn't you?

Mr. MALLERY. Yes.

Mr. FREAR. What relief was given to a man from working on this Siems-Carey, Kerbaugh Railroad in case he was sick?

Mr. MALLERY. As late as the latter part of December, when the logging operations, as we understood, had largely ceased, we were compelled to work every day, rain or shine, tamping up and grading on the Siems-Carey right of way, and the only excuse a person could have to go on sick leave was that he had a fever. I will give you a particular incident that happened to me. Naturally we had just simply regulation Army tents with the Army regulation stove, and we had no facilities for drying clothes, and you know the amount of rainfall in the winter out in the country, raining some every day. We had no facilities for drying clothes, and there was naturally considerable cold and neuralgia. I caught a bad cold and had neuralgia, and one particular bad day when it was raining hard—this was in December—I went to the orderly tent and I asked the second lieutenant, Lieut. Rector, if I could be excused that day and go on sick call. I told him I had neuralgia, and it was the truth. About 10 o'clock the medic came around. The medic is a man who knows absolutely nothing about medicine, and he gets his qualifications from being in the Medical Corps, and about all he knows how to do is to take temperatures. He took my temperature and he did not find that I had a fever, and at noon the commanding officer came to my tent and said I would have to go out to work that noon or—I forget just what the threat was, some military proceeding. You have to have a temperature, and the Army physicians appeared to back up the commanding officer. The commanding officer showed his stand particularly in that case.

Mr. FREAR. Who was the commanding officer?

Mr. MALLERY. In this case Lieut. Earl O. Turner. Then there was a man by the name of Schmalzl, who said, "Lieutenant, it is rather a peculiar position to be in to feel that in case you should fall sick in this country, that you could not lay off until a fever had developed." He said, "Yes." These are not his exact words, but substantially to that effect. He said, "Yes; there has been a disagreement between the military authorities and the civil authorities on this job." And he conveyed the impression that he would conduct things in a much different fashion but for the fact that Col. Disque backed up the civil authorities in their demands. and whenever a man laid off the civil authorities in Camp D immediately came and found out what was the matter and insisted on all the men being out all the time. He practically dictated the policy in all of the camps. This is not any joke; it was common knowledge among the men that they felt that Disque absolutely did not back the military authorities in the sanitary and other regulations, and that the commanding officers were mighty good fellows and wished to help us, but that they were powerless to do anything for us.

Mr. FREAR. Because of the contractors?

Mr. MALLERY. Because the contractors were backed by Col. Disque. The Army officers gave out the impression repeatedly to different people that they were powerless.

Mr. FREAR. Did you hear that matter discussed by the officers, or did you get that from the men?

Mr. MALLERY. Both. Lieut. Turner himself in both cases of the food said he was with us, and he said that he was with us, and stated it plainly, in definite English, that there was a disagreement between the military and civil authorities.

Mr. FREAR. Tell about your clothing. You said that it got wet; did you have a change of clothing?

Mr. MALLERY. We had a change of clothing because we bought extra clothing; but no change of Army clothing, unless you consider the fatigue clothes a change.

Mr. FREAR. How much outside clothing did you buy with the 7 cents you got for the 20 days' service, or were you provided with it in advance?

Mr. MALLERY. We bought our rain clothes and other clothes out of the wages that were allowed, the best we could.

Mr. FREAR. You did not have any wages after the 20 days' service?

Mr. MALLERY. We had a wage amounting to about 75 cents a day. A general order, as I understand it—in fact, I believe that I have read in the general order that \$3.20 was the minimum wage, and as has been brought out, \$1 was taken out of that for Government pay, 40 cents for Government ration allowance, and \$1.05 for your board. That will leave 75 cents out for your expenses, to buy your clothes, and other incidental expenses.

Mr. FREAR. That is, do I understand that after you took out your board—what else was there—did you get your dollar a day from the Government in money?

Mr. MALLERY. Your dollar a day came to you from the Government, minus the allotment that you may have made and your insurance money?

Mr. MAGEE. Didn't you get civilian pay?

Mr. MALLERY. When we started for the Olympic Peninsula from Vancouver the examining officer says, "Is there any reason why you can not make 8 or 10 dollars a day," and we said, "None in the world." We understood that we were to receive civilian pay if we were doing the same work that a civilian was doing, we would receive the same pay. Consequently from that basis they said, "You can buy your own clothes," and the Government never furnished anything but cotton. There was also a provision in the general order which said that \$3.20 would be the minimum, and I feel safe in saying that 75 per cent of the men received the minimum.

Mr. FREAR. That is, that were working where you were?

Mr. MALLERY. Now, that does not apply to everybody. I will say this, that the truck drivers and the men working on the telephone lines, and some of those things—

Mr. FREAR. Specialized work.

Mr. MALLERY. Specialized work. They did get big money, between \$100 and \$200.

Mr. FREAR. What kind of work were you doing?

Mr. MALLERY. I was in six different camps, and probably did six different kinds of work.

Mr. FREAR. During what period, how long?

Mr. MALLERY. From September until after Christmas.

Mr. FREAR. September 6, 1918, until after Christmas?

Mr. MALLERY. Yes.

Mr. FREAR. What were you doing, as a rule? Just give the committee some facts.

Mr. MALLERY. As a rule, the biggest part of the labor was consumed in throwing up grades.

Mr. FREAR. How?

Mr. MALLERY. Throwing up the railroad grade.

Mr. FREAR. With what?

Mr. MALLERY. With shovels.

Mr. FREAR. That is, you were shoveling on the railroad.

Mr. MALLERY. Shoveling on railroad.

Mr. FREAR. In all seasons?

Mr. MALLERY. In all seasons. But later, after the rails had been put on, then we used a slightly different type of shovel to bolster up the track and tamp ties and finish the work. But it was substantially shovel work from beginning to end.

Mr. FREAR. What is your education, where have you been educated? I speak of that because you talk clear and clean cut.

Mr. MALLERY. I received a high-school education at Castle Rock.

Mr. FREAR. Where?

Mr. MALLERY. Washington, and have had a year at Reed College, and a summer at the University of Washington. I am now principal of the high school at Cathlamet, Wash.

Mr. FREAR. What part of this education had you before, when you were there in the camp?

Mr. MALLERY. All but the summer at the University of Washington.

Mr. FREAR. And your training as principal here.

Mr. MALLERY. Yes.

Mr. MAGEE. What do you mean when you say you had 75 cents left, do you mean out of the \$3.20 minimum?

Mr. MALLERY. Yes, that is what I mean. You can figure it up for yourself. You can subtract \$1.05, \$1, \$0.40; 75 cents left.

Mr. FREAR. What pay did you receive from the Government?

Mr. MALLERY. That was from the job. Now, then, here you get your 40 cents allowance. then the dollar that I paid the Government—

Mr. FREAR. That was for rations?

Mr. MALLERY. Rations. Out of the dollar I paid for my Government pay. I paid \$30 a month to the Government and got \$8 50. That was with insurance and allowances taken out.

Mr. FREAR. Who did you have the insurance for?

Mr. MALLERY. I had the insurance in my wife's name.

Mr. MAGEE. You mean that was under your soldier's pay?

Mr. MALLERY. Under my soldier's pay.

Mr. FREAR. You had how much money left?

Mr. MALLERY. \$8.50.

Mr. FREAR. I understand you to say that you are a graduate of a high school and married?

Mr. MALLERY. Yes.

Mr. FREAR. And you were doing this peonage service here with the Siems-Carey outfit, and you got 7 cents, if I recollect those figures right, for 20 days' pay, over and above your income.

Mr. MALLERY. Yes. Now, there is something about the 7 cents. Of course, each one of them, each of these camps had a commissary, commonly called by the soldiers "robissary," for obvious reasons. We never at any of the camps could receive or were able to receive an itemized account of our commissary bills. In some months, perhaps, it amounted to considerable, but in other months it amounted to very little. Practically the only thing the men bought was tobacco. At Camp D, Whiskey Creek, I know of one—

Mr. FREAR. That is Disque Junction?

Mr. MALLERY. Yes; that was our address, was that. I know of one case that perhaps might be apropos. George E. Lefferty, of Albany, N. Y., a railroad trainman, worked on the railroad as a trainman for something less than a week. He brought back meal tickets that he had used in the eating house and turned them in at the eating house at Camp D, and finished the month at Camp D as a regular laborer. At the end of the month he received a check for less than the amount of his meal tickets.

Mr. FREAR. How much, approximately?

Mr. MALLERY. I can not say definitely, but it was four dollars and some cents.

Mr. FREAR. That is, for the month?

Mr. MALLERY. For the month.

Mr. FREAR. Now, were you boys given military training? If so, in what particular, how were you benefited physically, and what did they do for you over in this camp to make better men of you?

Mr. MALLERY. There was no military training whatever except at military headquarters at Joyce, and that was very, very slight. In the camps there was none whatever. They had reveille and retreat in some of them. In some of them not. I never stood an inspection while I was in the woods, and never knew a Government inspector to be in any of the camps. Particularly they were scarce in Palmer, Pearson & Wood's camp, where they had the flies and the like.

Mr. FREAR. Did you ever drill with arms, guns?

Mr. MALLERY. I never did.

Mr. FREAR. You drilled with shovels alone?

Mr. MALLERY. Yes.

Mr. FREAR. Why were you not made a lieutenant, or a captain, or a major, do you know—you had an education—instead of giving you a shovel why didn't they give you something that you were fitted to handle?

Mr. MALLERY. Well, when I first went to Vancouver I was put in the receiving company, checking up clothing slips, and I presume that I could have continued there as long as that company was there, but I requested to be transferred to a company that was sent out on active duty. I will say further that later on it was promised by the officers that there would be a division sent over to France from the Spruce Production Division, on or about the first of the year, and the sentiment of the men was taken and it was practically unanimous, as the commanding officer will testify—or should—that

the men all wanted to go. Their sentiment was any place rather than here.

Mr. FREAR. That is, they would rather take a chance in the trenches than over here on that railroad?

Mr. MALLERY. Yes; all of them.

Mr. FREAR. What about the general conditions that you saw? You were in six camps, you say?

Mr. MALLERY. I was in six camps.

Mr. FREAR. What were the general conditions in those various camps, did they differ?

Mr. MALLERY. They differed greatly. I will say that no two camps were alike. Some jobs, the biggest part of them, the general tendency was \$3.20. They kept that constantly in mind.

Mr. FREAR. That is, income.

Mr. MALLERY. Yes; but there were some exceptions. I was at Piedmont, working at the Log Cabin Hotel.

Mr. FREAR. Where is that?

Mr. MALLERY. That is at the near end of Lake Crescent, toward Port Angeles, where the officers stayed. The men there were treated probably as well as any place that I saw. But we worked 10 hours a day, 7 days a week, and when they settled with me I protested the amount, and in the inventory they gave me they figured my wages at 30 cents an hour. Ryan, the civilian that was in charge of transportation on Lake Crescent, gave me the statement.

Mr. FREAR. You were working 10 hours a day?

Mr. MALLERY. Ten hours a day. That was in November, part of the time after the armistice was signed.

Mr. FREAR. They kept you on the same job, building the railroad?

Mr. MALLERY. No, this job was doing everything that Capt. Martin wanted done at the Log Cabin Hotel, which was taken over, as we understand, by the Government for the convenience of the officers going through the country.

Mr. FREAR. Were you practically an orderly, or what?

Mr. MALLERY. Just a common laborer.

Mr. FREAR. Just a common laborer?

Mr. MALLERY. Yes, sir.

Mr. FREAR. How did you work 7 days a week?

Mr. MALLERY. By working Sunday.

Mr. FREAR. They had you work Sundays as well as the other days?

Mr. MALLERY. We were compelled to work Sundays as well as other days. We petitioned not to work Sundays, but it was not allowed. There the sergeant did not pretend to have charge of about six or eight men that were detailed there, but we took our orders directly from Ryan.

Mr. FREAR. And he was a civilian?

Mr. MALLERY. He was a civilian.

Mr. FREAR. Did you have different subcontractors at all these places, or were you under the same subcontractor at times, or how?

Mr. MALLERY. Under different subcontractors. The first camp I was in was under Rojott, Fobert & Winters. That camp was probably as well as any that we were in, although they had no latrine facilities.

Mr. FREAR. No what?

Mr. MALLERY. No latrine. Then the next I was under Palmer, Pearson & Woods. They were subcontractors. Next I worked on the ferry transporting the Government trucks across Lake Pleasant, until it was sunk. Then I worked at the Log Cabin Hotel, which was right there, and last I went to Whiskey Creek, Camp D. After the armistice was signed and the major part, as we understood, of the logging operations had ceased we were expecting, fully expected to be shipped out any moment, but we were compelled to work, rain or shine, on the grade from then until Christmas or after.

Mr. FREAR. That was after the armistice was signed?

Mr. MALLERY. That was up until——

Mr. FREAR. They continued with you on the grade, working there shoveling on the railroad?

Mr. MALLERY. Yes. There was no excuse that you could get off, whatever. Sickness was not sickness unless you had a fever.

Mr. FREAR. What kind of teacher's certificate do you hold?

Mr. MALLERY. Second grade.

Mr. FREAR. And you are now principal of the high school at what place?

Mr. MALLERY. Cathlamet.

Mr. FREAR. When did you receive that appointment?

Mr. MALLERY. I was assigned that this spring, I think in April.

Mr. FREAR. That is, after you got out you went to the University first, did you, or what?

Mr. MALLERY. No; I taught three months after I got out of the Army. I happened to strike a job just after I got out.

Mr. FREAR. Where did you teach?

Mr. MALLERY. At Ariel, Wash. That is in Cowlitz County also.

Mr. FREAR. What branches did you teach?

Mr. MALLERY. It was just a common grammar school.

Mr. FREAR. I know, but what branches did you teach there, when you gave up this job of shoveling, this educational position that was given you by Siems-Carey-Kerbaugh, what did you then undertake to teach in the school where you were? What kind of grade school was it?

Mr. MALLERY. It was a rural country school. It was the best I could do on the spur of the moment.

Mr. FREAR. What did you teach there?

Mr. MALLERY. The common branches, reading, writing, arithmetic, grammar, geography, history, drawing, and the like.

Mr. FREAR. That is, you taught all those branches at that time?

Mr. MALLERY. Yes.

Mr. FREAR. And they kept you, notwithstanding the education, the training that you had which suited you for that kind of work, they kept you working with a shovel?

Mr. MALLERY. Yes, sir.

Mr. FREAR. Under the conditions that you have described?

Mr. MALLERY. Yes.

Mr. FREAR. So that the questionnaire that is put out, so far as this branch of the service is concerned, did not seem to be of much benefit to the men, did it?

Mr. MALLERY. It did not apply.

Mr. FREAR. Did it apply in any respect, outside of the men who were chosen to drive trucks, or something of that kind?

Mr. MALLERY. Those are the men that occurs to me. I do not know of any except telephone linemen, although the telephone linemen were very scarce and men were selected from a camp at random who never had any experience at all in telephone work, and they made \$8 a day on that job, and if they hadn't just accidentally been picked they would have got \$3.20 on the grade.

Mr. FREAR. That is all.

Mr. LEA. Mr. Mallery, as I understand it, you wanted to go over to France because you wanted to do your part as a patriotic citizen, wasn't that it?

Mr. MALLERY. There were two motives which actuated all the men. Foremost in our minds, that is, most often voiced, was any place rather than here. Second, naturally we wanted to go to France.

Mr. LEA. Would you if conditions here had been all right, would you have preferred to have been in France or here?

Mr. MALLERY. I would have preferred to have been here.

Mr. LEA. But the men generally were loyal and patriotic, were they not?

Mr. MALLERY. Undoubtedly, absolutely.

Mr. LEA. Any case of disloyalty was a rare thing?

Mr. MALLERY. I never heard of an instance. The average man working out there wanted to do the best he could to help his country.

Mr. LEA. And he was willing to serve wherever proper authority assigned him?

Mr. MALLERY. Yes.

Mr. LEA. Were you down at the meeting when they promised to let the men go to France?

Mr. MALLERY. This promise was made by the various commanding officers at some formation of their squad.

Mr. LEA. Of these six camps that you were in, about how many of them were there where the bad conditions prevailed to which you have referred?

Mr. MALLERY. The two cases that I referred to were the worst.

Mr. LEA. In what camps were those?

Mr. MALLERY. Palmer, Pearson & Woods camp No. 3, and Whiskey Creek, camp D.

Mr. LEA. Who was the contractor at the Whiskey Creek camp?

Mr. MALLERY. That I do not know.

Mr. LEA. How long were you out there in this service?

Mr. MALLERY. From September 6 until after Christmas. That is, on the peninsula itself.

Mr. LEA. When did you go into the service?

Mr. MALLERY. July 29.

Mr. LEA. How old are you?

Mr. MALLERY. Twenty-three.

Mr. LEA. Now, explain this bill; you were charged \$1.05 a day for your board?

Mr. MALLERY. Yes.

Mr. LEA. The Government stood that expense to the contractor, didn't it?

Mr. MALLERY. As I understood it—

Mr. LEA. The money did not pass into your hands, but the Government would pay the contractor under which you worked, is that the way it was handled?

Mr. MALLERY. I understood it that the contractor paid the Government, under whom I worked, a dollar.

Mr. LEA. He paid you your wages, as I understand it, and part of that was held out in payment of your account, on account of your board?

Mr. MALLERY. Yes; turned over to the Government and the Government then turned it back to me.

Mr. LEA. So that was a legitimate offset here, wasn't it?

Mr. MALLERY. Absolutely.

Mr. LEA. And the relative allowance was the same class, wasn't it, it was paid the same way?

Mr. MALLERY. Yes.

Mr. LEA. Now, from your experience out there with the men, did you work along with civilians?

Mr. MALLERY. Yes; often.

Mr. LEA. How much were the civilians paid for doing this same work?

Mr. MALLERY. The first camp I was in, Rajotte, Fobert & Winters, camp 3, there were more civilians than soldiers. There were about 30 soldiers. The civilians were mostly Italians, but some Swedes. The Italians who were working by the day were making, I believe, \$5, but many of them took contracts to grade a certain length of right of way and those generally made more than that.

Mr. FREAR. That was a station?

Mr. MALLERY. A station; yes.

Mr. LEA. They paid more on a contract than they would for working by the day?

Mr. MALLERY. I believe that was the general experience. It is altogether possible to make less, but I believe the general experience was that they made more by contract.

Mr. LEA. The ordinary laborers, the ones doing the same kind of work you were doing, what did they get?

Mr. MALLERY. \$5.

Mr. LEA. Now, from your practical experience out there what do you think of the contention that soldiers on this job should only be paid the same as they were paid in France, a dollar a day?

Mr. MALLERY. I do not understand what you are driving at.

Mr. LEA. Well, the contention has been made here that you soldiers out there, because you were soldiers, should have been paid only the same as the soldiers were paid in France, and that you should not have been paid civilian wages. I wanted to get your judgment on that.

Mr. MALLERY. My judgment is that we were entitled to civilian pay, and the reason for that is that notwithstanding the fact that we were soldiers and doing no greater service than those in France, we were let out to private contractors, the same as prison labor, for instance, and consequently those people owed us as much money as if we were civilians, and we were therefore entitled to it.

Mr. LEA. You were really doing civilian work, were you?

Mr. MALLERY. Yes.

Mr. LEA. And you were just as deserving of that pay as any man who was not wearing the uniform?

Mr. MALLERY. That was our contention.

Mr. LEA. You did not volunteer for the spruce work, did you?

Mr. MALLERY. No. There were men taken from Camp Lewis and from different places who were overseas men. There were men in the spruce production camps from every State in the Union, and every class of men, from street sweepers to college professors.

Mr. LEA. Did they give you any option at all to begin with as to whether you should go into this service or another service?

Mr. MALLERY. No, sir; I was inducted directly. I had no choice.

Mr. LEA. What was that first service you went into? You spoke of some other employment that you had for a while.

Mr. MALLERY. That was at Vancouver. That was just what they call fatigue work. It was in the receiving company checking clothing slips, a sort of office work.

Mr. LEA. There is another thing here, if you could tell us about it. You spoke of some officer that seemed to be fair about this matter with you there.

Mr. MALLERY. Yes.

Mr. LEA. Now, do you know of any officer that you think wanted to give you a square deal who is now out of the service that we could get to testify in reference to this matter?

Mr. MALLERY. I believe that you could get the man I am speaking of; I think he is out; E. O. Turner.

Mr. LEA. Do you know his address?

Mr. MALLERY. No; but he was commanding officer of the One hundred and thirty-eighth during the time I was speaking of, so you can probably get that.

Mr. FREAR. You were asked if you would prefer to be here and you said "Yes." That was your answer?

Mr. MALLERY. Yes.

Mr. FREAR. Probably if the three members of Congress who are sitting before you had the same ideas, unless age might have disqualified them, they would have been in France, isn't that true, if the suggestion had anything to do with your presence?

Mr. MALLERY. I presume so.

Mr. FREAR. You are a married man, you say?

Mr. MALLERY. Yes.

Mr. FREAR. And you were married at that time?

Mr. MALLERY. I was married at that time.

Mr. FREAR. The question was asked of you, and it was suggested that there was an improper thought carried with it, about paying soldiers a dollar a day here. You would rather have been doing something in France than to have been working under the conditions you were working there, wouldn't you?

Mr. MALLERY. Absolutely.

Mr. FREAR. And the soldiers who were over in France, they were only getting a dollar a day?

Mr. MALLERY. Yes.

Mr. FREAR. And that is what you would have gotten there, but you would have been willing to have taken your time and performed your part in a patriotic way over there at a dollar a day, and you would have felt that you were getting somewhere with it and receiv-

ing some kind of recognition by your Government by being placed there?

Mr. MALLERY. Yes.

Mr. FREAR. Instead of being placed in this peonage camp down there of the Siems-Carey-Kerbaugh Co.

Mr. MALLERY. I frequently heard the sentiment voiced that no kick would have ever been made if we had been working on the railroad grade directly for the Government. We would have been willing to have done it for the dollar a day, but the impression that everyone that I came in contact with myself had was that the wages simply went to Siems-Carey.

Mr. FREAR. It was a condition that existed?

Mr. MALLERY. Yes; and for that reason we felt altogether differently about it.

Mr. FREAR. I want to say frankly that we are not trying to fix the responsibility for that that I know of now, but it is a condition that has been brought before us. This statement is correct, substantially, so far as you know. You do not know anything about what the charges were?

Mr. MALLERY. I would say they are all correct, except I do not remember what the commissary items are. They may or may not be correct. I will say this, that we never could get a statement of our commissary bills at any of the places, although we asked for them.

Mr. FREAR. I will offer this in evidence.

(Document received in evidence and marked "Exhibit P—Mallery.")

Mr. FREAR. Why did they give an Italian who had had no training or no knowledge here—all he could do was use a shovel—why did they give him \$5 a day and give you \$3.20? Was that ever explained to you satisfactorily or unsatisfactorily?

Mr. MALLERY. In the first place, Rajott, Fobert & Winters, it was explained like this. We fully expected the \$5 because it had been promised to us.

Mr. FREAR. By whom?

Mr. MALLERY. And we were to pay our clothes, because of that, and something leaked out that we were not to get the \$5. We do not know what the source was, but we immediately investigated and it was true that it was not contemplated that we should get the \$5, and naturally we protested.

The plea was that if we would do the same kind of work—"You are inexperienced; you do not know how to handle a shovel. If you will do the same amount of work, we will give you the same wages," but I never knew of anybody getting the same amount.

Mr. FREAR. That is, no man with the training that he had over there in building that railroad was able to qualify as an expert so he could get \$5 a day?

Mr. MALLERY. None of us were qualified as expert shovelers.

Mr. FREAR. I think that is all.

(Witness excused.)

TESTIMONY OF J. W. LINDSAY.

The witness was sworn by Mr. Frear.

Mr. FREAR. State your name.

Mr. LINDSAY. J. W. Lindsay.

Mr. FREAR. What is your business?

Mr. LINDSAY. Lawyer.

Mr. FREAR. Where is your home?

Mr. LINDSAY. Port Angeles, Wash.

Mr. FREAR. How long have you lived there?

Mr. LINDSAY. Seven years.

Mr. FREAR. I call your attention to an organization or company that was formed for the purpose of building a railroad from Port Angeles down around Crescent Lake, and you were interested, as I understand, to some particular extent in getting the franchise and in the work that was connected with that road. That is true?

Mr. LINDSAY. Yes, sir.

Mr. FREAR. Will you please just state to us, so as to bring it before our attention, just how that road was organized; just what occurred and just what happened to your organization?

Mr. LINDSAY. The Port Angeles & Grays Harbor Railroad was the name of the company. The idea was to build a railroad from Port Angeles to Grays Harbor. It was organized on the 8th day of January, 1917. At that time we had probably 40 different surveyors and surveyors' crews in the field surveying the line from Port Angeles to the Hoh River. We established one camp at the Hoh River to survey there and one camp just west of Port Angeles and one camp at Lake Crescent. At that time the company was incorporated by myself, my law partner, and Mr. John Cain. We were the board of trustees.

Mr. FREAR. What was your law partner's name?

Mr. LINDSAY. J. W. Redden. Mr. Cain was elected president of the company and I was elected general counsel. Mr. Redden was vice president.

Mr. FREAR. Did you fix the date?

Mr. LINDSAY. This was on the 8th day of January, 1917, that we organized.

Mr. FREAR. That was before our entrance into the war.

Mr. LINDSAY. That was before we entered the war. At that time we had some parties in San Francisco interested with us and were furnishing part of the money to pay the expenses of the surveying crew. The surveying was completed from Port Angeles to the Hoh River, a distance of 74 and a fractional mile.

Mr. FREAR. What was the route, briefly?

Mr. LINDSAY. It went through Port Angeles up to the Elwha River, about 7 miles west, followed the Elwha River south about 3 miles, and turned west and went up Indian Valley to Lake Sutherland.

Mr. LINDSAY. Then on the north side of Lake Southerland to what is called East Beach, on Lake Crescent, and then turned south and went on the south side of Lake Crescent.

Mr. FREAR. East Beach—that is at the head of the lake?

Mr. LINDSAY. At the northeast corner of the lake. Piedmont is at the northwest corner. The survey line crosses the highway going to the Sol Duc Hot Springs, about 3 miles west of Fairhome.

Mr. FREAR. Which side of the lake did your line run on?

Mr. LINDSAY. On the south side. Then we followed down the Sol Duc River from Lake Crescent to Lake Pleasant and down about a mile north of Forks.

Mr. FREAR. Lake Pleasant and the lake in itself that has been in discussion here as the extension of this Siems-Carey Railroad?

Mr. LINDSAY. Yes.

Mr. FREAR. Then from Lake Pleasant?

Mr. LINDSAY. Southwesterly going about a mile north of the village of Forks, and then we turned south down to the Bogaschiel River, and then from the Bogaschiel River to the Hoh River.

Mr. FREAR. And that was a distance of how far from Port Angeles?

Mr. LINDSAY. Seventy-four and a fraction miles.

Mr. FREAR. You say that was to be one sector of a road purposed for Grays Harbor from Port Angeles?

Mr. LINDSAY. Yes. I think it was February 9, 1917, that the city council of the city of Port Angeles granted us a franchise over the streets and alleys such as we desired. The survey was completed, I think, and the work was completed in June, 1917, and the office work was completed about the 1st of August, 1917.

Mr. FREAR. Now, before I forget it, your survey led you to the south side of Lake Crescent instead of to the north side?

Mr. LINDSAY. It did.

Mr. FREAR. On the north side of Lake Crescent, where the Siems-Carey road is located, are tunnels and large cuts in the side of the mountain or hill there, as I remember, with that road?

Mr. LINDSAY. Yes; there are some.

Mr. FREAR. What was your reason for locating on the other side of the lake?

Mr. LINDSAY. It was a less expensive road and easier to grade.

Mr. FREAR. Was that the understanding that you had and those who were associated with you?

Mr. LINDSAY. That was the engineer's advice.

Mr. FREAR. That is on the south side of Lake Crescent?

Mr. LINDSAY. Yes.

Mr. FREAR. This survey was made around and then down to the other end of Lake Crescent and then down the Sol Duc River after you got to the crest?

Mr. LINDSAY. Yes. The Siems-Carey survey came on our survey, I should judge, about 3 miles west of Lake Crescent and followed our survey to Lake Pleasant. In fact, their stakes were right beside our stakes.

Mr. FREAR. You say their stakes were alongside your stakes; that is, on the right of way as finally adopted?

Mr. LINDSAY. Yes.

Mr. FREAR. All the way, or crossing and recrossing, or what?

Mr. LINDSAY. After they came onto our line about 3 miles west of Lake Crescent, from there to Lake Pleasant they were on our right of way, with the possible exception of a mile at Lake Crescent. I am not sure about that. But there was about 19.9 miles of the Siems-Carey road constructed upon our right of way, which was adopted by the board of directors of our line. It was adopted in March and in June, 1917.

Mr. FREAR. In March, 1917, before our declaration of war, and then afterwards, you say, in June?

Mr. LINDSAY. In June the completed line was adopted, and in June by the board of trustees, as the line was constructed.

Mr. FREAR. Now, what occurred with your company and its privileges, etc.?

Mr. LINDSAY. Mr. Kane went east to New York in July after the surveys had been completed to assist in financing the line. He was in New York until, I think, the 1st of October. About the 1st of August, or maybe in July, I received a telegram from Mr. Helm, who was connected with us and was a sort of a promoter, and who was in New York at the same time as Mr. Kane.

Mr. FREAR. What is Mr. Helm's first name, if you know?

Mr. LINDSAY. Franklin Helm.

Mr. FREAR. Is that the man whose name appears with Mr. Pliny Fisk and Mr. Kerbaugh—the same gentleman?

Mr. LINDSAY. Yes; the same fellow. I got a telegram from him to meet this aviation commission that came west here. I think it was composed of Italian, French, English, and American aviators, and urged the necessity of getting into the spruce belt of the Olympic Peninsula and see what they could do. I wired him and got a telegram that they would meet me at Tacoma. Our chief engineer and I went to Tacoma and took it up with them. They were so very busy that they said to us, "We are going to take a trip to Camp Lewis, and if you will get into the same car with us we will talk this matter over on the way." Mr. Rixon, the chief engineer, who had charge of the survey work, and I got into the car and went to Camp Lewis, and in the car was Mr. F. A. Douty, of Portland, a mill man. We presented the proposition of the spruce situation and our engineer's report to some of these men, and said to them that we could complete a line if we got the consent of the Government.

Of course, they had no authority. But Mr. Douty said to me at that time, "I have been in touch with some English capital, and if you will hand me your surveys and your engineer's report, I will take them up with them, and it may be that they will become interested in your railroad." About two weeks after that the spruce council of defense, consisting of loggers from the loggers and lumbermen of these two States—of Oregon and Washington—had a meeting in Portland. Mr. Helm and Mr. Kane at this time were in Washington, D. C., attempting to interest the Government in getting in there and getting this spruce; and he telegraphed for me to go to Portland and present the figures on the spruce situation to this council of defense and to get their indorsement or recommendation to the Government for us to go on and construct this line. I went to Portland and met with them. Mr. George Long, I believe he is the head man of the Weyerhaeuser syndicate, was chairman of the meeting, and, of course, called upon the different loggers and lumbermen to give their knowledge of the spruce situation and the possibilities of getting out the spruce in the different localities of Oregon and Washington. I was called upon to state what I knew about the spruce situation. I gave them a résumé of the spruce situation on the Olympic Peninsula. We have a complete cruise of the spruce and location of the spruce there.

Mr. FREAR. That includes this tract that is over near Lake Crescent that has been in discussion considerably?

Mr. LINDSAY. Practically all the spruce in Jefferson and Clallam Counties west of the lake. So I disclosed to them the great quantity of spruce there, and I said nothing about the railroad that we had surveyed at that meeting. Mr. Long asked me how it could be gotten out. I answered him that a railroad might be built from Clallam Bay into the spruce belt, or run from Port Angeles, reaching the Government spruce in about 8 miles from Port Angeles, going through the forest reserve. There was some spruce there.

Mr. FREAR. That was some other body of spruce?

Mr. LINDSAY. Yes. And he asked me how long it would take to complete the railroad from Port Angeles into the spruce belt. I said, in ordinary railroad building it would take from eight months to a year. His answer to me was that the Government did not want to have anything to do with any proposition that would take a year. After lunch they were going to have an executive session, and, of course, I not being a logger or lumberman, did not stay, though I said to Mr. Long, "I will be pleased to meet with you this evening at your hotel." He said, "All right, meet me at 9 o'clock at the Portland Hotel." So I did. And at that time I disclosed to Mr. Long our railroad survey and the work that we had done up to that time, and what we were doing in Washington, and that we would like to get this spruce council of defense to recommend to the Government that we be permitted to go forward and build this line and finance it. I said to him, "We are not asking the Government for a dollar, but we want the permission to go forward and build it." He says, "Well, Mr. Lindsay, if it will take you a year, the Government won't do anything, and we can not make that recommendation." Then he asked me something about other lines of road up there—the Milwaukee—and what the general situation was. And he finally said to me that "Well, if a railroad is to be built in there to this spruce, the Milwaukee can build it better than you people can." I concluded that was about time for me to quit talking, and that ended that conversation.

Mr. LEA. To what spruce was that that this conversation referred?

Mr. LINDSAY. On the Olympic Peninsula.

Mr. FREAR. The Pleasant Lake spruce?

Mr. LINDSAY. It is in Clallam and Jefferson Counties. About the 21st day of December, 1917, I received a letter from Mr. Douty, who was in Washington, D. C., to meet him at Portland about the 25th of September; that he had received a cablegram from a man by the name of Mr. Huson, whom he had put this matter up to—that is, the financing of it.

Mr. FREAR. Who is Mr. Douty?

Mr. LINDSAY. Mr. Douty is a lumberman of Portland and has a mill there.

Mr. FREAR. A man of some affairs?

Mr. LINDSAY. He is a man of large affairs. He was then furnishing lumber to Mr. Huson at that time, and had been for a year or two shipping by the way of Galveston or some port in the South. He advised me that he had received a cablegram from Mr. Huson that Mr. Huson would furnish us \$3,000,000 to build this railroad,

on condition that we would make a contract to furnish \$20,000,000 worth of lumber within five years after the close of the war.

Mr. FREAR. Five years after the close of the war?

Mr. LINDSAY. Yes.

Mr. FREAR. Had you any estimates up to that time from your engineers as to the cost of construction?

Mr. LINDSAY. We did.

Mr. FREAR. What were the estimates, briefly?

Mr. LINDSAY. From Port Angeles to the Hoh River, 74 miles of construction, \$29,000 a mile; construction and equipment, \$40,000 per mile.

Mr. FREAR. The construction was \$29,000 and the equipment added brought it up to \$40,000?

Mr. LINDSAY. Yes.

Mr. FREAR. Who was your engineer or engineers?

Mr. LINDSAY. Mr. Theodore Rixon was chief engineer, and Mr. L. M. Rice, of the L. C. Smith Building, was consulting engineer. I think they estimated the cost from Port Angeles to Lake Pleasant—the construction and equipment—to run about \$45,000 per mile.

Mr. FREAR. What was the construction alone?

Mr. LINDSAY. I should judge about \$35,000. That was the hardest end of the work around the lake.

Mr. FREAR. What was the equipment? That would only make the equipment \$10,000.

Mr. LINDSAY. The equipment sufficient for the needs of that locality. When I received Mr. Douty's letter announcing this cablegram I immediately telegraphed him, and also telegraphed Mr. Cain in New York City, to get in touch with Mr. Douty. So they did, and Mr. Douty went to New York and made arrangements to take charge of the financial end of the concern, and about the 1st of October he and Mr. Cain returned to the coast. Mr. Douty went over the line and went out as far as Forks. At that time the plans were to build a mill at Port Angeles, where the Government mill now is at the same location.

Mr. FREAR. Who was to build that?

Mr. LINDSAY. Mr. Douty. That was part of the program. And saw the lumber up there, and that was to be shipped to Mr. Huson at the close of the war.

Mr. FREAR. Who was to build a mill? Was he to build it himself at his own expense, or what?

Mr. LINDSAY. No; that was part of the comprehensive scheme.

Mr. FREAR. Part of the general plan; I see.

Mr. LINDSAY. And Mr. Douty was very enthusiastic over the proposition. But during the war time we were supposed to cut spruce for the Government. They came back here in October, and Mr. Douty and Mr. Kane and myself returned to New York and Washington, leaving here the 4th day of November. We were trying to organize the combination there of about \$6,000,000. Walson H. Brown, the banker, of New York, became interested also, in connection with Mr. Huson, of London. And we were there for about two months carrying on negotiations for the completion of the financial arrangement, and trying to get the Government interested in permitting us to go forward with the construction of the railroad.

Mr. FREAR. How far did you get along? What did you do?

Mr. LINDSAY. We had the consent of Gen. Carmack, who had charge of the English affairs, that he would do all within his power to have the money credited to the English Government here, if Mr. Huson would make arrangements there, so that it would save us the exchange in bringing the money over; and he showed a very willing disposition to do all he could. Mr. Douty had mainly charge of this end of it. I was looking after the organization of some logging companies in connection with this comprehensive scheme; so the detailed work in Washington, D. C., was largely done by him, although later on about the 15th of December he and I went to Washington, D. C., from New York.

Mr. FREAR. That is December, 1917?

Mr. LINDSAY. I think it was about the 15th or 16th. We went down Saturday, and on a Monday we took it up with several of the departments. We first went to the forestry department. Pardon me, I am going back a little. About the 1st of December, 1917, Mr. Douty and I prepared a statement in typewritten form about our comprehensive scheme to get into the spruce, showing the organization of the railroad, the organization of these different logging companies that I had just incorporated while I was in New York.

Mr. LEA. When was that?

Mr. LINDSAY. About the 1st of December, 1917. Setting out the situation as we then had it in hand, and stating to the Government that if there was no appropriation to pay for the cruising of the timber in the forest reserve that we would advance the money to the Government and the Government would pay us back by taking out of the timber as we logged it from the Government reserve; and at the same time we made an application for timber on the Government reserve.

Mr. FREAR. Where is the Government reserve? Where do you strike it?

Mr. LINDSAY. Lake Crescent is in the Government reserve.

Mr. FREAR. The southern side of Lake Crescent?

Mr. LINDSAY. Yes.

Mr. FREAR. Is all of Lake Crescent in the Government reserve?

Mr. LINDSAY. Yes.

Mr. FREAR. Both sides of it?

Mr. LINDSAY. Yes; both sides. We strike the Government reserve about 7 miles southwest of Port Angeles and we went up Indian Valley and we went through a considerable portion of the Government reserve. On the south side of the lake it was practically all Government reserve where our survey was made. And we mailed that about the 1st of December, 1917, to the forestry department at Portland, Oreg. Mr. Douty and I got into Washington, D. C., about the 15th or 16th of December, 1917, and we went up to the forest reserve office and disclosed the spruce proposition and discussed it with the head man there whose name I can not now recall.

Mr. FREAR. That was in Washington?

Mr. LINDSAY. Yes.

Mr. FREAR. In what department was it?

Mr. LINDSAY. The forestry department. And we began to tell him the proposition that we had made to the Portland forestry office, and he said to me, "I have got it right here. Here it is right on

the table. I received that from Portland this morning." We had received a telegram a few days before from Portland that, being the major proposition, they would have to refer to the Washington office. So we discussed the proposition and he said to us, "We do not know the exact condition of the spruce situation on the Pacific coast there or in your country, but we have a large number of men out now and within 30 days we will have the matter pretty well checked up." Then he said, "We could talk further with you people, but until that report comes in from the field we can not do very much." This was on Monday morning, I think, and that morning a telegram came from Col. Disque. I do not know whether it was Mr. Leadbetter or the spruce committee of Washington, D. C. At any rate the substance of the telegram was that there was a man by the name of Mr. Douty at Portland who was acting very queer and he ought to be investigated.

Mr. FREAR. That came to you while you were in Washington?

Mr. LINDSAY. That came to me that Monday morning in Washington.

Mr. FREAR. You do not know whether it was sent by Disque or Leadbetter?

Mr. LINDSAY. I do not know to whom it was sent, but it was signed by Disque and sent to the Aircraft Board. Leadbetter was just elected to the board a few days before that. Mr. Douty's mill at that time at Portland had been commandeered and was cutting spruce for the Government, and we were doing all we could to further the interests of getting spruce for the Government.

Mr. FREAR. What was the occasion for sending such a communication; what was Douty doing? He was trying to help along with this railroad project, was he not?

Mr. LINDSAY. He was doing everything in the world possible. His mill was commandeered for cutting spruce, and we were spending our money helping to get out spruce and advancing money to the Government to pay for cruising it.

Mr. FREAR. He was there in Washington with you?

Mr. LINDSAY. Yes; we were together.

Mr. FREAR. Trying to do what? Trying to get the railroad through?

Mr. LINDSAY. Trying to get it into the spruce.

Mr. FREAR. All right. What was done about that investigation of Douty, if you know?

Mr. LINDSAY. I do not think anything was done. In fact, there was not anything done. That was done to break our combination up and prevent us from doing anything.

Mr. FREAR. That is, you think it was sent for the purpose of prejudicing your case there that you were trying to put through?

Mr. LINDSAY. It was damnable, to say the least.

Mr. FREAR. Now, what occurred after that? That was in what month, by the way?

Mr. LINDSAY. That was about the 16th of December, 1917, and in fact I think while I was in Washington, a week or 10 days before that, and Mr. Huson had sent three parties over from London to confer with us on this railroad proposition and lumber proposition, and who also were on their way to Japan.

Mr. FREAR. Where did you meet them; in New York?

Mr. LINDSAY. They came from London and we met in New York and went over the proposition. They were representing Mr. Huson and his company, of London. While we were in Washington the head man of these three came there that same day that this telegram came in from Portland.

Mr. FREAR. That is, the telegram in reference to Douty?

Mr. LINDSAY. Yes. And he advised us that he had just received a cablegram from Mr. Huson in London stating that the English Government was becoming antagonistic to letting Mr. Huson send the money over here at that time, and he feared that he would not be able to do it.

Mr. FREAR. What was Mr. Huson's position, if you know?

Mr. LINDSAY. As near as I know, he was a wholesale lumberman in Glasgow and London. He had organized a large syndicate there to handle lumber after the war.

Mr. FREAR. What occurred after that—after they notified you about the trouble they were having in London?

Mr. LINDSAY. We concluded that we had better return and await developments.

Mr. FREAR. Return here to Seattle?

Mr. LINDSAY. Yes; I returned home and Mr. Cain returned home.

Mr. FREAR. Mr. Cain lives in Seattle?

Mr. LINDSAY. No; Cain lives in Port Angeles. Mr. Cain arrived home several days before I did. I think I returned the 1st day of December, 1918. At that time Mr. Cain had gone to Portland. After we had left New York Mr. Helm and Mr. Pliny Fisk, whom we interested in the proposition, got in touch with, I think, Mr. Kerbaugh—I was not there and I am just giving you what they told me—Mr. Kerbaugh, of Siems-Carey-Kerbaugh Corporation, and went over this proposition with them and urged them to come in and talk it over and build a line into the spruce belt and then do a lumber business and railroad business after the close of the war.

Mr. FREAR. That is to say, if I get this right, that the proposition was to build in there, so afterwards they would have an established traffic or business?

Mr. LINDSAY. Yes; that is the idea; and they would have a railroad there for general purposes and logging purposes and a mill at Port Angeles. And Mr. Kerbaugh came out and looked over the situation and came to Port Angeles and went down to Forks and looked at the timber and discussed the proposition with Mr. Rixon, and went back, and such arrangements were made that they were to take over our railroad and build a line. Mr. Fisk was interested with them. We were to surrender the control of it and receive about \$60,000 of the money that we had already spent in surveys and other expenses out of the plan when we turned the railroad over to them.

Mr. FREAR. Was \$60,000 to be the sole payment or was that just part of the reimbursement?

Mr. LINDSAY. I think possibly Mr. Helm may have had some interest in the proposition. What the details were I have never been able to get to this day, and I do not know.

Mr. FREAR. Just give us the idea as best you can.

Mr. LINDSAY. Anyway, we turned over our maps and tracings and data, the timber, railroads, and everything else that we had, there in New York, which was a complete set.

Mr. FREAR. Who did you turn them over to?

Mr. LINDSAY. To the Siems-Carey-Kerbaugh Co.—either to them or Mr. Fisk. But it came into their possession, and in figuring on this proposition they used our surveys and all the data we had.

Mr. FREAR. How do you mean, figuring on it?

Mr. LINDSAY. Looking the proposition over to see whether it was a profitable one or a feasible one to become interested at all in.

Mr. FREAR. What did you turn over to them?

Mr. LINDSAY. The engineer's reports, the surveys, the data upon all the timber. We had the cruise of all the timber in Jefferson County and Clallam County—the class and kind and quantity—which any business man would want to know what was there in order to go into a comprehensive scheme of this kind.

Mr. FREAR. Naturally. What was done?

Mr. LINDSAY. I received a good many telegrams from Mr. Helm, and he went to Washington, I think, during the latter part of January or the early part of February.

Mr. FREAR. That is, from New York.

Mr. LINDSAY. Yes. He and Mr. Fisk. I understand Mr. Fisk was in Washington a great deal of time presenting this thing to the Government—the idea of getting in there and getting the spruce; and I think they had several meetings with the Government at our Commercial Club.

Mr. FREAR. That is, your Commercial Club in Port Angeles.

Mr. LINDSAY. Yes, in Port Angeles. And telegraphed Secretary McAdoo and Mr. Loyett.

Mr. FREAR. Who was Lovett?

Mr. LINDSAY. He was formerly president of the Union Pacific Railroad, and at that time was regional director of railroads—both in Washington. The telegram was to the effect 95 per cent of the people of Clallam County favored the line constructed around Lake Crescent instead of the Milwaukee line.

Mr. FREAR. Instead of the continuation of the Milwaukee line?

Mr. LINDSAY. Yes. That it was a cheaper route, and would serve the people much better than the continuation of the Milwaukee line.

Mr. LEA. Whose telegram was that?

Mr. LINDSAY. The Port Angeles Commercial Club's telegram endorsing the comprehensive scheme that we were trying to pull through. And I think I telegraphed Mr. Fisk at one time while he was at Washington, D. C., some data that Mr. Helm wanted while he and Mr. Fisk were in Washington. It resulted finally, as far as I am familiar with the facts, in that Siems-Carey-Kerbaugh became interested, and Mr. Cain was in Portland during the months of February and March at the request of Mr. Helm and Mr. Fisk and Siems-Carey and negotiating back and forth from Portland with our organization at Washington and New York.

The final upshot of it was that, I think, Mr. Fisk and the Siems-Carey, Kerbaugh Co. reached some tentative arrangement with the Government to build a road from Joyce around the north side of Lake Crescent, using the 20 miles of our line west.

Mr. FREAR. That is, west of Lake Crescent down to Lake Pleasant?

Mr. LINDSAY. Down to Lake Pleasant. We had a comprehensive survey of the north side of the lake as well as the south side.

Mr. FREAR. You had surveyed both sides?

Mr. LINDSAY. Both sides, and we furnished them, and I think they furnished the Government with all the data we had. In other words, we had an open book.

Mr. FREAR. Your survey ran from the east side of Crescent Lake, but it did not run up to Joyce?

Mr. LINDSAY. It did not. I think the tentative arrangement, as I understood it, was for Siems-Carey to get 200,000,000 to 300,000,000 feet of spruce, and the location of the line had not been settled at that time. As I understood it, the Milwaukee were pulling hard for the Deep Creek line and we were pulling hard for our line.

Mr. FREAR. I see.

Mr. LINDSAY. Showing to the Government all the good points of both lines. They were, and so were we, and trying to convince the Government that, from a war-measure standpoint, our line was the one to be built.

Mr. FREAR. I understand. Now, what occurred?

Mr. LINDSAY. We sent a man by the name of Horseman to Portland to talk the situation over with Mr. Disque and urge him to come up and look over the country, to go over the Milwaukee line and our proposed line, and judge for himself which was the most feasible route for the Government to recommend; and Mr. Horseman, I think, said to Mr. Disque, so he told me, that Mr. Disque was surrounded by people who were not giving him good advice. So he said to Mr. Horseman, "I will make you a promise that I will not recommend any line until I come and look it over, but it will be about three weeks before I can make the trip." He never did come there, and in about two weeks after he made this statement, the reports came out in the papers that he had recommended the Milwaukee Deep Creek line. I wired that fact to Washington to Mr. Helm, and later on this line that was built was finally recommended by Col. Disque. What occurred at Washington during that time I am not familiar with.

Mr. FREAR. What portion of this line was a portion of your line, if any?

Mr. LINDSAY. Nearly 20 miles. Our engineer has measured it, and he told me it is about 19.9 miles.

Mr. FREAR. Did you send to Gen. Disque in the month of April, or thereabouts, a statement in regard to your railroad?

Mr. LINDSAY. We put in a claim to the United States Spruce Production Corporation setting out the situation in full.

Mr. FREAR. I have some papers that came to me here.

Mr. LINDSAY. I have some papers here; I have a copy of our whole statement. It is now pending before the Spruce Production Corporation, at Portland.

Mr. LEA. There has been no determination of that yet?

Mr. LINDSAY. No.

Mr. FREAR. Let us introduce it, then, and while it will take several pages of the record I do not see that there would be any objection.

Mr. LINDSAY. It is our case, that the Government should pay us for what they took.

Mr. LEA. I presume that is a claim for taking your right of way and surveys, etc.?

Mr. LINDSAY. Yes; this is an exact copy of the claim of the Port Angeles & Grays Harbor Railroad, filed at Portland, Oreg., with the United States Spruce Production Corporation, claiming damages for the taking of our railroad right of way, and the use of our maps, surveys, data, etc., in the preliminary work of determining the location of the railroad and the actual construction of the railroad, except that the name of the notary public who verified these, and his seal are not attached. They are all sown to.

(The paper above referred to was marked "Exhibit Q. Lindsay, August 26, 1919," and is copied in the record, in full, as follows:)

EXHIBIT Q.

UNITED STATES SPRUCE PRODUCTION CORPORATION,
Portland, Oreg.

SIR: The Port Angeles & Grays Harbor Railway Co. hereby presents a comprehensive plan of said company, together with its claim against the United States Government for injury and damages sustained by it by reason of the construction of that portion of the Government railroad from Muller's Pass to Lake Pleasant, in Clallam County, Wash.

Said company was incorporated under the laws of the State of Washington on the 8th day of January, 1917, with the avowed purpose and intention of constructing and operating a railroad between Port Angeles, Clallam County, Wash., and Grays Harbor County, in said State. To that end engineers were immediately employed to survey and locate two lines through the city of Port Angeles and one line from said city to the Hoh River, in Jefferson County, said State, a distance of approximately 75 miles. The surveys were completed from Port Angeles to the said Hoh River in the month of June, 1917. Upon application of said railway company the city of Port Angeles, in February, 1917, by ordinance, granted a franchise for 50 years to said railway company to conduct its lines over the streets and alleys in said city.

That there was great need for such a railway is evidenced by the fact that it would tap a large amount of territory in the United States Forest Reserve and permit the Government to market great quantities of its overripe and deteriorating timber. That the timber tributary to said railroad and which would be hauled to market over said line is shown by the report of L. M. Rice, our consulting engineer, hereto attached and made a part hereof. Arrangements were well under way for financing the construction of said railroad before its organization and the commencement of survey work. Before the completion of said surveys war was declared, and at the request of the Government all financing and construction of new enterprises, other than those necessary as a war measure, were stopped. In the meantime, the Government, in order to develop the spruce production in Chllam and Jefferson counties, constructed a line of railroad from Joyce to Lake Pleasant, over 20 miles of which is constructed over our line, surveyed and adopted by the board of trustees of said railway company, being that portion from Mullers Pass to Lake Pleasant. The taking and occupying of that portion of our line by the Government and the construction of a line from Mullers Pass to Joyce, connecting there with the line of the Chicago, Milwaukee & St. Paul Railroad, made the construction of the line so surveyed by the Port Angeles & Grays Harbor Railway Co. undesirable, useless, and valueless.

Under a well-known rule of law, the surveying and adoption of a line by the board of trustees of a railroad company gives to that company a preference right for several years as against any person or railroad company, to the use of the line so surveyed and adopted, and the Government alone could construct a railroad line over said adopted line without the consent of the Port Angeles & Grays Harbor Railway Co.

"* * * It is perhaps the general rule that when a railroad company in good faith surveys and locates a line of railway, and proceeds with reasonable diligence to procure a right of way thereover and to construct its road, the courts will protect its survey from the encroachments of another road."

(*Columbia Val. R. Co. v. Portland & Seattle R. Co.*, 49, Wash. 88, 92; vol. 22, R. C. L. P. 832, No. 86.)

We beg to submit our claim for damages sustained by the Port Angeles & Grays Harbor Railway Co. for the taking of about 20 miles of a right of way and for damages sustained by the said railway company because of the construction of the said Government line of railroad as follows:

Actual cost of survey on the line of the railroad from Port Angeles to the Hoh River, \$25,000.

As before pointed out, the adoption of this line of railroad by the Government and the construction of the railroad was undertaken by the only public body which had any right to take our property from us. We had up to that time spent, including promotion expenses, attempts to finance, etc., a total of approximately \$40,000. We paid the city of Port Angeles for a franchise through that city \$500 in cash.

When the Government built the line from Muller's Pass to Lake Pleasant the balance of our entire line of railroad was rendered valueless. There is no reason for building a line of railroad from the city of Port Angeles to Lake Crescent. It would not serve any purpose whatsoever and the entire expense of condemnation proceedings covering lands west of Lake Pleasant and east of Muller's Pass has been thrown away, as a result of taking from us all the middle portion of the railroad. Likewise the franchise payments to the city of Port Angeles have also been thrown away. In the same manner our entire expense has been likewise rendered valueless and we submit that in all equity the Government can do no less than pay back to our stockholders the \$40,000 which was invested by them to good advantage and the return to them of their property in as good condition as they found it.

It is manifest, of course, that this project was undertaken as a business venture. The affidavit of Mr. Cain evidences the fact that the Milwaukee Railroad was ready to take over this project on such terms as would enable us to market the logs which we could secure in the river valleys to the west of Lake Crescent. The project, however, was of such commercial value that the stockholders of the railroad refused to accept such a proposition. The Government, in taking your portion of our line of road have not only rendered valueless all the money which has been spent by the company, but have deprived the stockholders of their reasonable expectation of profit in the future. In a word this project, in the shape in which it was at the time the Government took it, was of greater intrinsic value than the \$40,000 which has been spent on it. Commercially this property is a valuable proposition, and this fact should be taken into consideration by the Government in arriving at a conclusion for this settlement.

1. The Government, in building their spruce road, invaded the territory of the Port Angeles & Grays Harbor Railway.

2. They had the use and benefit of surveys, profiles, maps, and data of said Port Angeles & Grays Harbor Railway.

3. Twenty miles of the Government spruce road is built on the rights of way of the Port Angeles & Grays Harbor Railway.

4. So far not one penny has been paid by the Government for the use of such maps, surveys, data, and rights of way of said Port Angeles & Grays Harbor Railway.

5. We respectfully request the Government to put the Port Angeles & Grays Harbor Railway back in as good a position as it was in before the Government found it necessary to take it over as a war measure, and to allow a fair compensation for the use of the project.

Dated at New York City, N. Y., this 5th day of May, 1919.

PORT ANGELES & GRAYS HARBOR RAILWAY,
By JOHN CAIN, *President*.

STATE OF WASHINGTON,
County of King, ss.

John Cain, being first duly sworn, on oath deposes and says:

That at and during all the times hereinafter mentioned affiant was, and still is the president of the Port Angeles & Grays Harbor Railway Co., a Washington corporation. That about the month of May, 1916, affiant decided to undertake the building of a line of railroad from Port Angeles to Grays Harbor, in the State of Washington, for the greater portion of which line a pre-

liminary survey had previously been made. That affiant discussed the proposition fully with Mr. Chris Morganroth, who then was and still is the United States district forest ranger with headquarters at Port Angeles, Wash., and who furnished very comprehensive maps showing the timber on the national forest reserve tributary to the line of the proposed railroad, including the amount, classification, and quantities. That affiant procured Mr. Theodore F. Rixon, a well-known engineer, to prepare and approximate estimate, together with maps and general data, showing resources, cost of road and rights of way, including a right of way through the holdings of the Clallam Lumber Co., a Michigan corporation, owning large bodies of timberlands in Clallam County, and for which corporation Mr. Rixon then was and still is local agent.

That about the middle of June, 1916, affiant took up with the mayor and city council of Port Angeles the question of obtaining railroad franchise through said city, covering the entire water front. That on June 27, 1916, the city council signed an agreement assuring the granting of city franchises, a copy of which said agreement is hereto attached, together with copy of a letter from the mayor of Port Angeles dated July 1, 1916. That during this time affiant also took up with the commercial club of Port Angeles the appraisalment of property within said city which the railroad company would require for terminals and rights of way, and that attached hereto is a copy of the findings of the committee of the commercial club of the city of Port Angeles pursuant thereto. That affiant also secured assurances from Mr. James Campbell, of Seattle, who has large timber interests in Clallam and Jefferson Counties, that affiant could procure free rights of way wherever the line of said railroad crossed the lands controlled by Mr. Campbell.

That after compiling all of said data, affiant took a trip East for the purpose of arranging necessary capital to carry through the undertaking, and received sufficient encouragement from persons who then were and now are sufficiently able to carry out the whole undertaking; that as soon as the surveys were completed and rights of way secured that they would see to the financing of the proposition. That on this trip affiant discussed with Mr. Wood Beal, of the Clallam Lumber Co., the carrying out of this project, and was assured by Mr. Beal, who as affiant now recollects was secretary of the Clallam Lumber Co., that he could secure free rights of way across the entire holdings of the Clallam Lumber Co. That Mr. Beal also stated to affiant that he feels sure the Clallam Lumber Co. would assist in financing the railroad.

That finally in December, 1916, arrangements were made for the surveying of the said line. On January 8, 1917, the Port Angeles & Grays Harbor Railroad Co. was incorporated and L. M. Rice, a well-known consulting engineer of Seattle, with offices in the L. C. Smith Building, was employed as consulting engineer for said line and Mr. Theodore F. Rixon became its chief engineer. Several crews of engineers were placed in the field and the line located from Port Angeles to the crossing of the Hoh River, a distance of 74 miles, and said line was adopted by the board of trustees of said railroad company, which had been incorporated as a common carrier, as the line of said railroad.

That there has been expended in the actual engineering expenses in making the surveys of said railroad \$25,000. That a tracing of the profiles of said railroad was delivered to Mr. Kelleher, who was the chief engineer for Selms-Carey-H. S. Kerbaugh Corporation in the construction of the present Government railroad from Joyce to Lake Pleasant in said county. That on statements of Mr. Carey and Mr. Kerbaugh the officials of said Port Angeles & Grays Harbor Railway Co. were induced to believe that said company would be made whole for said surveys, and relying thereon, said tracing was delivered and, as affiant is informed and believes, was used by engineers and contractors in the construction of said Government railroad in Clallam County. That the fact that the Government had built its line from Muller's Pass over the line of the Port Angeles & Grays Harbor Railway Co., a distance of about 20 miles to the westward, and has made a connection with the Chicago, Milwaukee & St. Paul Railroad at Joyce, has left the line of the Port Angeles & Grays Harbor Railway which remains practically useless, although the extension from Lake Pleasant to the Hoh crossing might be worth something some day to the persons operating and owning the present Government line as far west as Lake Pleasant. That said survey was delivered in good faith; that the Government has received benefit thereof; and that affiant's said com-

pany has been necessarily prevented from carrying out its said project, as a result of the action of the Government.

That not one cent has been received in payment therefor, neither the cost of the surveys, nor any other expenses in connection with said project, nor any compensation for those who devoted their entire time in connection therewith. That affiant personally devoted his entire time for 15 months to said project and has never received therefor a dollar in salary.

That before said surveys were completed, the Chicago, Milwaukee & St. Paul Railway Co. through Mr. R. M. Calkins, who was then their general manager and now the president of the road, in the office of said L. M. Rice, in the city of Seattle, offered to complete the said railroad as their own railroad and to give the persons interested in the project at that time such a rate on their logs and timber as would result in the transportation of the said logs and timber product more cheaply to the owners and promoters of said Port Angeles & Grays Harbor Railway Co. than we could afford to operate the railroad for if we had it built. That this offer was declined and is suggested at this time that the Government may see that the project could have been profitably handled by said Port Angeles & Grays Harbor Railway Co. at any time, if the Government had not practically taken over the project and rendered it useless to said railroad company.

JOHN CAIN.

Subscribed and sworn to before me, this 13th day of February, 1919.

Notary Public in and for the State of Washington, residing at Seattle.

PORT ANGELES, WASH., June 27, 1918.

JOHN CAIN, Esq.,
Port Angeles, Wash.

DEAR SIR: We the undersigned mayor and members of the city council of the city of Port Angeles, Clallam County, State of Washington, hereby promise and agree in consideration of the performance of the obligations herein contained on your part, so far as they relate to the city of Port Angeles, which said obligations are as follows, to wit:

That upon proper application being made by yourself in your own behalf, or in behalf of yourself and associates, we, the said mayor and members of the city council of said city of Port Angeles, will on or before the 1st day of November, 1918, or as soon thereafter as possible, grant to you, or to your associates or assigns, certain franchises permitting you or them to build, equip, and operate a standard-gauge railroad over, across, and upon the following streets and alleyways in said city of Port Angeles, viz.:

Beginning at the intersection of Victoria and Liberty Streets and running in a westerly direction along said Victoria Street to the intersection of Victoria and Front Streets. Thence west along Front Street to Lincoln Street, crossing Lincoln Street near the intersection of Front Street, also crossing the alley in block 16 of Norman R. Smith's subdivision of the townsite of Port Angeles; thence along First Street on the south side thereof from, at, or near lot 7 in block 31, N. R. Smith's subdivision of the townsite of Port Angeles, to Oak Street; thence diagonally across Oak Street to the alley in block 33; thence along the said alley crossing Cherry Street to Valley Street, crossing Valley Street diagonally to Second Street; thence west along the south side of Second Street to Pine Street, crossing Pine Street and the alley in block 49 to Cedar Street, crossing Cedar Street diagonally to Third Street, west on Third Street to K Street, including Third Street North, with the right to cross, use and occupy such other streets and alleyways as may be necessary in order to reach the sand spit located at the head of Port Angeles Bay. Also to grant a franchise or lease to such portion of said sand spit as may be necessary for the proper operation of said railroad along and upon said sand spit when same has been properly surveyed and the line definitely located by the engineers of said railroad, such lease or franchise not to conflict in any manner with any lease or franchise already granted to any other person, company, or organization. Also a franchise on Cedar Street from Third Street North to the north line of Cedar Street. Also a franchise on

Valley Street from the boulevard to the north line of said Valley Street, Said franchises to be granted upon the following conditions, to wit:

1st. The faithful performance by the grantees of all the conditions herein set forth.

2d. Said grantees to have commenced actual construction of said railroad not later than November 1, 1916, and to have said railroad completed to trans-continental connection not later than November 1, 1912.

Witness our hands this ——— day of June, 1916.

E. J. WALTON, *Mayor*.
L. A. JENSON.
J. W. HOOKEB.
J. E. BIGELOW.
C. D. BEST.
WILLIAM BRENNAND.
FELIX FILION.

CITY OF PORT ANGELES,
OFFICE OF THE MAYOR,
Port Angeles, Wash., July 1, 1916.

Mr. JOHN CAIN, *City*.

MY DEAR Mr. CAIN: With reference to the matter of a right of way through the city of Port Angeles for another railroad, I beg to say that I shall be pleased to lend you any assistance in this connection that I can consistently with my duty to the city. I will approve any franchise granted to such proposed railroad by our city council which would not jeopardize the best interests of our city.

I am confident that all our people fully appreciate the immense value to our city and the Olympic Peninsula of another railroad, and feel that all the citizens of this community should give their energetic and loyal support to the enterprise.

I wish to express to you my personal appreciation of your efforts in connection with this matter, and sincerely hope your work may be crowned with success.

Very truly, yours,

E. J. WALTON, *Mayor*.

LAW UNION & ROCK INSURANCE CO. (LTD.), OF LONDON,
Port Angeles, Wash., July 1, 1916.

PORT ANGELES COMMERCIAL CLUB,
Port Angeles, Wash.

GENTLEMEN: The committee appointed to estimate the cost of a railroad right of way crossing the following described property, beg to report that in their opinion said right of way could be obtained at a price approximately \$40,000.

The following is a list of the property affected: Block 16, lots 1, 2, 3, 13, 14, and 15; block 33, lots 11 to 30; block 34, lots 11 to 20; block 49, lots 1, 2, 3, and 11 to 17; and blocks 135, 136, and 137.

Respectfully submitted,

H. M. FISHER,
E. J. WALTON,
CHAS. L. HAGGITH,
Committee.

STATE OF WASHINGTON,
County of Clallam, ss:

Theodore F. Rixon, being first duly sworn, on oath deposes and says that he was the chief engineer of the Port Angeles & Grays Harbor Railway, a railroad corporation of the State of Washington, having been appointed to that position about the 1st of January, 1917; that immediately thereafter he commenced the survey and location of the said railroad for said company, from Port Angeles, Clallam County, Wash., to the Hoh River in Jefferson County, Wash.; that said line as located by him was afterwards adopted by the board of trustees of said company as and for the line of the road of said railway company; that the length of said line was approximately 74 miles; that of this distance

all that portion of the line between Port Angeles and Lake Pleasant in Clallam County was finally located except a portion between a point about half a mile west of Lake Crescent, Sol Duc Divide, and a point about 1 mile east of the second crossing of the Sol Duc River, which was approximately 3 miles east of Lake Pleasant; over this portion a preliminary line was run and a projection made, and adopted by the board of trustees; that the Siems, Carey-H. S. Kerbaugh Corporation about the 1st of July, 1918, made a survey over, across, and along the line of the projected and located line of the said Port Angeles & Grays Harbor Railway; that the survey crews of the Siems, Carey-H. S. Kerbaugh Corporation used the preliminary line of the said Port Angeles & Grays Harbor Railway, taking advantage for a greater portion of this distance, of hubs and brush cutting put in and cut out by the surveyors of the Port Angeles & Grays Harbor Railway; that the greater portion of said preliminary survey was used by the Siems, Carey-H. S. Kerbaugh Co. in order to save time and was the only means of saving valuable time in completing their survey; that nearly all of said location of said Siems, Carey-H. S. Kerbaugh Co.'s line is located and is being built on the projected and located line of said Port Angeles & Grays Harbor Railway from a point about half a mile west of the Crescent Sol Duc Divide, and that the first crossing of the Sol Duc River is identical with that located by the Port Angeles & Grays Harbor Railway; that all of said Siems, Carey-H. S. Kerbaugh Co.'s location, with but very few exceptions, is laid out and is being built upon the 100-foot right-of-way projected and located by the Port Angeles & Grays Harbor Railway; that recently affiant was over said line in the company of Frank King, the head cruiser of the James D. Lacey Timber Co., of Seattle; that said Frank King was present when affiant took down location stakes herein-after referred to by affiant, and that affiant on that occasion called the attention of Mr. King to the identity of the said hubs and stakes; that by said examination on the ground affiant knows that Sta. L. 430 plus 63 of the Siems, Carey-H. S. Kerbaugh Co.'s location is identical with P. 2101 plus 47 of the Port Angeles & Grays Harbor Railway, the same being used; that Sta. IA 30 plus 25.4 P. T. of Siems, Carey-H. S. Kerbaugh line equals Sta. 1545 plus 40 of the Port Angeles & Grays Harbor Railway, both hubs being identical.

That Sta. L. 430 plus 67.8 triangle, equals and is identical with L. 1545 triangle of the Port Angeles & Grays Harbor Railway; that L. 451 plus 36.1 of the Siems, Carey-H. S. Kerbaugh Co. equals and is identical with L. 1524 plus 33.6 of the Port Angeles & Grays Harbor Railway; that L. 455 plus 20 P. O. C. of the Siems, Carey-H. S. Kerbaugh Co. is the same hub which was also used by the Port Angeles & Grays Harbor Railway, but at the time the affiant examined the stakes on the ground, the stake of the first survey had been pulled up and thrown away and affiant did not have his notes with him; that L. 459 plus 04, of the Siems, Carey-H. S. Kerbaugh Co. equals and is identical with L. 1516 plus 65.8 of the Port Angeles & Grays Harbor Railway and that all of the Siems, Carey-H. S. Kerbaugh Railway location west across Tyee Prairie and about one mile further west thereof are identical with the survey of the Port Angeles & Grays Harbor Railway until the point is reached where the Siems, Carey-H. S. Kerbaugh Co.'s logging road branches off to the Dickie River and away from the line of the Port Angeles & Grays Harbor Railway to the westward.

That the entire distance of this survey of the Port Angeles & Grays Harbor Railway thus taken over and appropriated approximates about 1048 plus 29.2 stations of approximately 19.9 miles; that of this amount about 242 stations were on, over, or identical with the 100 feet right of way of the located line of the Port Angeles & Grays Harbor Railway, or about 4.6 miles.

That affiant was one of the men who negotiated with the United States Government on behalf of the Siems, Carey-H. S. Kerbaugh Co. in the consummation of the negotiations which resulted in the present business relations between them; that during the negotiations with the United States Government it was always contemplated by the men conducting the negotiations that if an agreement was finally reached the railroad would be built along at least a portion of the line of the Port Angeles & Grays Harbor Railway and the contract of the Government, and the draft of the contract which the Government approved was based upon the assumption that the line would be built into the west end of Clallam County, substantially upon the line located by the Port Angeles & Grays Harbor Railway, as aforesaid.

That affiant is an agent of the Clallam Lumber Co., the owner of a tract of land through which said line of railroad passes almost exclusively down the

Sol Duc Valley; that the company by which affiant is employed had promised the stockholders and officers of the Port Angeles & Grays Harbor Railway that said company would furnish a right of way through the lands down the Sol Duc Valley; that said Port Angeles & Grays Harbor Railway instituted many condemnation suits for the acquisition of the right of way over many other portions of said right of way principally between Lake Crescent and the city of Port Angeles, and no condemnation proceedings were actually begun against the Clallam Lumber Co. for the reason that affiant and all parties concerned knew that the promise of the Clallam Lumber Co. could be thoroughly relied upon; that during said negotiations with Col. Disque, he was particularly insistent that the Government should be assured, among other things, of the furnishing of a right of way down the Sol Duc Valley; and that affiant filed a written letter, as agent of said Clallam Lumber Co., advising him that such right of way would be obtainable from said lumber company; that by reason of the official position of affiant with both the Clallam Lumber Co. and the Port Angeles & Grays Harbor Railway, it was never necessary technically to protect a right of way through the lands of the Clallam Lumber Co., and for this reason no such technical legal rights were obtained as otherwise would have been procured; that after the negotiations of affiant on behalf of said Siems, Carey-H. S. Kerbaugh, Mr. W. F. Carey and Mr. H. S. Kerbaugh came to Port Angeles and went down the Sol Duc Valley and along the line of the projected railroad as now located; that upon that visit a personal arrangement was made with the Siems, Carey-H. S. Kerbaugh Co. whereby affiant advised them that he believed the entire survey, including all overhead costs, franchises, and corporation costs, were worth and could be obtained from said Port Angeles & Grays Harbor Railway for the sum of \$60,000. That from that day it was always understood that Siems, Carey-H. S. Kerbaugh Co. intended to take over the survey and pay up all outstanding bills and a reasonable price for the survey of company, etc. That upon the statement being made to Mr. W. F. Carey, he said he believed the amount asked was reasonable and asked the name of the person who had furnished the money. That he was told it was a Mr. Heyneman, and that thereupon Mr. W. F. Carey said that he should be reimbursed all that he was out upon the project. This conversation took place at affiant's house while Mr. W. F. Carey and Mr. H. S. Kerbaugh were looking over the country. That another conversation took place between W. F. Carey and affiant in the presence of Mr. Donlan, who also has been interested in the Siems, Carey-H. S. Kerbaugh Co., in a Pullman car while traveling from Portland to Seattle; that on this occasion affiant repeated to Mr. Carey that all the outstanding labor bills, amounting to about \$5,000, would have to be paid immediately. This Mr. Carey stated would be promptly taken care of.

That upon this understanding affiant handed to Mr. Kelliher, then chief engineer of the Siems, Carey-H. S. Kerbaugh Co., his tracing of the profile of the line of the Port Angeles & Grays Harbor Railway, containing all estimates of yardage, alignment, and curves, at his request; that subsequently many blue prints of this profile were made and were used by the Siems, Carey-H. S. Kerbaugh Corporation; that one of the said blue prints was used by one of the construction contractors in letting subcontracts, and that said blue prints were seen by affiant in his possession, and acknowledged to be such when asked by affiant; that said tracing is still in the hands of Mr. Kelliher. That on another occasion affiant in the presence of Chris Morganroth, forest ranger of the Olympic National Forest, at Fairholm, on Lake Crescent, saw one of said blue prints of said profile one morning in the possession of one A. L. Johnson, who was one of the contractors for the Siems, Carey-H. S. Kerbaugh Co.; that said Johnson on that occasion asked affiant where to build camps; that affiant showed said Johnson where the same should be built; that said Chris Morganroth has informed affiant that on another occasion he saw one of the blue prints in the possession of Mr. Wilson, who was assistant superintendent of construction on the west end of said railroad; that affiant was not present and that Mr. Morganroth, as an employee of the Government, does not wish to be placed in the position of witness in the presentation of claims against the Government by which he is employed, but affiant states that upon application by the Government, Mr. Morganroth will confirm these allegations. Affiant also states that Mr. Morganroth has personal knowledge that at the time he saw said profile in the possession of Mr. Johnson and Mr. Wilson, no other survey on the line of said railroad was in existence other than the survey of the Port Angeles & Grays Harbor Railway.

That the portion of said railway line so taken over and used by the Siems, Carey-H. S. Kerbaugh Co. was the center portion of the entire railway of the Port Angeles & Grays Harbor Railway, and that the eastern portion and southern portion of said railway have been rendered entirely valueless by said action as the Siems, Carey-H. S. Kerbaugh Co. by the constructing the road down the Sol Duc Valley have controlled all strategic points over the Sol Duc Crescent Divide and other steep rocky points which can not now be avoided except at the outlay of prohibitive sums of money; that in the judgment of affiant, Siems, Carey-H. S. Kerbaugh Co. could not have surveyed at the present time for less than \$400 per mile for preliminary survey and \$600 per mile for location; that in the judgment of affiant the cost of the survey over that portion of Port Angeles and Grays Harbor Railway appropriated and taken over by Siems, Carey-H. S. Kerbaugh Railway, if made at the time of its appropriation under the circumstances hereinabove set out, would be worth \$8,880; that the actual cost of the survey of that portion appropriated was about \$6,890; that furthermore, no part of said money has ever been paid by said Siems, Carey-H. S. Kerbaugh Co., although promises to that effect were repeatedly made to affiant.

That said Chris Morgenroth was present at the home of affiant upon the occasion of the visit of Mr. W. E. Carey and Mr. H. S. Kerbaugh, above referred to; that said Chris Morganroth will also confirm the statement of affiant that it was contemplated that Siems, Carey-H. S. Kerbaugh Co. would adopt the line of the Port Angeles & Grays Harbor Railway from Mullers Pass westward and build from the end of the Milwaukee road from Joyce down to the Lyre River at Piedmont, and would continue the line again from Fairholm up to Mullers Pass either by ferry across the lake or a line of railroad along the north shore of Lake Crescent, and that this plan was always contemplated by all parties in the conversation regarding the purchase of the rights and property of the Port Angeles & Grays Harbor Railway by Siems, Carey-H. S. Kerbaugh Co., as aforesaid.

THEO. F. RIXON.

STATE OF WASHINGTON,
County of Clallam, ss:

J. W. Lindsay, being first duly sworn, on oath deposes and says that at and during all the times hereinafter mentioned the affiant was and now is an attorney at law, regularly engaged in the practice of his profession at Port Angeles; that affiant was one of the original incorporators of the Port Angeles & Grays Harbor Railway Co., and at all times was and still is a stockholder therein; that at the incorporation of the company the affiant became its trustee, secretary, and general counsel, which positions he has at all times since retained; that immediately upon the organization of the company steps were taken to procure a survey of its line of road; that Theodore F. Rixon, who has been for many years an engineer practicing his profession in the State of Washington, was appointed chief engineer for this railway, which position Mr. Rixon still occupies; that under the direction of the board of trustees Mr. Rixon began a survey locating the line of said railway from the city of Port Angeles around the south shore of Lake Crescent and down the Sol Duc Valley to various points in the west end of Clallam and Jefferson Counties in the State of Washington; that said road was finally located over the greater portion of the route, and preliminary surveys were made over such minor portions of the line as were not finally located. Upon report being made by Mr. Rixon of the line of road, the board of trustees, on the 18th day of June, 1917, adopted and permanently located a line of railway 100 feet in width to be constructed by this company upon the line thus surveyed and located by Chief Engineer Rixon; that a franchise had thereafter been obtained from the city of Port Angeles, which was one terminus of said railway, and said franchise was duly and regularly accepted by the company, as shown in the minutes of the meeting of the board of trustees of said company on the 13th day of February, 1917; that immediately upon the location of the line of said railway by Mr. Rixon and its adoption by the company as aforesaid, affiant as general counsel of the company was instructed by the board of trustees to take immediate steps to procure the right of way of said railway; that Mr. Rixon at that time was and still is the agent and representative in Clallam County of the Clallam Lumber Co., through whose lands the said right of way passed about 23 miles; that the chief engineer knew that no difficulty would be experienced in obtaining right of way for 23 miles, and therefore affiant was not instructed to start condemnation proceedings; that

there were other pieces of said road over which rights of way could be obtained, as the company knew from negotiations with the owners of the land, any of whom were anxious to have the line built, developing that section of the country, and that for such lands no condemnation proceedings were started, but that the company instructed affiant and affiant did begin condemnation proceedings for various pieces along the right of way which it was reasonably anticipated would have to be condemned, and accordingly affiant began 14 condemnation suits for the acquisition of property lying between Port Angeles and Mullers Pass, and three suits covering real estate needed for the right of way at points west of Mullers Pass; that in all of said suits service was had either by publication or personal service upon all defendants shown of record to have any interest in the lands described in the petitions in said condemnation suits; that appearances were filed in some instances, and said condemnation proceedings are still pending in the superior courts of Clallam and Jefferson Counties; that steps were prosecuted in good faith at all times for the purpose of raising money to finance the said road and carry out the project; that the inability of the company to immediately finance the road was occasioned in part by war conditions and in part by regulations regarding the obtaining of money and materials for new railway enterprises, to which regulations the Government has required uniform compliance; that steps were taken to obtain finances for the road from foreign capitalists. An attempt was made to appraise the Federal Government of the value of this line of road in the prosecution of war work, and negotiations of various kinds were conducted to that end; that L. M. Rice was the disbursing officer who disbursed most of the funds of the company; that some of the expenses of the company were disbursed by the affiant, such as office expenses, stenographic expenses, and legal expenses, including court costs in the condemnation suits; that the money for the expenses above enumerated disbursed by affiant was a portion of the general expenses of the company; that the amount of such expense totals \$7,406.50.

J. W. LINDSAY.

Subscribed and sworn to before me this ——— day of February, 1919.

Notary Public in and for the State of Washington, residing at Seattle.

Mr. LEA. Your idea is that the substance of this case is presented in that exhibit?

Mr. LINDSAY. Yes.

Mr. FREAR. We are not trying out their case, but simply presenting the facts as one of the incidents that is connected with this transaction. You have practically supplied everything that you wanted to place before the committee, except this matter of identification. Is there anything else that occurs to you?

Mr. LINDSAY. Some time in July or August, 1918, we learned that there was some doubt about constructing a mill at Lake Pleasant. I came down one morning and met the secretary of the commercial club at the post office, and I said, "What are you doing toward trying to get the Government to locate the mill at Port Angeles?" He said they had not done anything. I said, "The thing seems to be in the air about Lake Pleasant not being the proper place for it. I wish you would come with me to the commercial club and call a meeting of the citizens and tender a free site at Port Angeles." So he did, and the president of the commercial club called a meeting at 11 o'clock that day and we telegraphed Mr. Carey and also Col. Disque that Port Angeles would furnish free site for the mill at Port Angeles, if it did not cost over \$30,000. We heard nothing from that for about a week, and then they indicated that they would come down and meet us on a certain day and go over the different sites we had in Port Angeles. It resulted in looking them all over and selecting the site where the mill is now built. So they wanted a certain number of

acres and certain parts which would cost us \$36,000, and we entered into an agreement which was rather one-sided. We signed up the agreement, guaranteeing clear, free title at a cost to the citizens of Port Angeles of \$36,000, and they were to pay \$11,000.

Mr. FREAR. Who?

Mr. LINDSAY. Siems-Carey & Kerbaugh, because we then went \$6,000 beyond what our original proposition was, and we were afraid we could not raise the additional money. So we entered into tentative arrangements, probably a hundred of the business men of Port Angeles guaranteeing free and clear title to this property; but in our guarantee it was conditional that if the mill was not constructed and put in operation the title of that property should be conveyed back to the Citizens National Bank as trustees for the citizens of Port Angeles.

Mr. FREAR. What is the status of that now?

Mr. LINDSAY. We conveyed complete title to Siems-Carey & Kerbaugh, and they turned it over to the Spruce Corporation. The citizens of Port Angeles would like to have their agreement fulfilled.

Mr. FREAR. Was that a trustee's deed, or what?

Mr. LINDSAY. It is a straight deed.

Mr. FREAR. Was that all there was to it.

Mr. LINDSAY. Straight deeds went from the different owners to Siems-Carey & Kerbaugh.

Mr. FREAR. Where was this condition evidenced?

Mr. LINDSAY. In a statement that about 100 of us citizens signed and filed with Siems-Carey guaranteeing that if they would come there we would get this title.

Mr. FREAR. Does it appear anywhere in the evidence, in the deeds?

Mr. LINDSAY. No.

Mr. FREAR. What would be the legal status of it, so far as you understand?

Mr. LINDSAY. They accepted the conditions of that, and I take it that probably a court of equity would hold that if the mill was not completed they should convey it back.

Mr. FREAR. You have that contract?

Mr. LINDSAY. Yes; the people of Port Angeles do not want it conveyed back; they want the mill completed and finished, and would be only too glad to forget about it if the mill is finished.

Mr. FREAR. What was done about it after the armistice was signed?

Mr. LINDSAY. They stopped work.

Mr. FREAR. Did they have any machinery in there?

Mr. LINDSAY. I understood there was machinery in there and that there were 10 car loads of machinery on the tracks at Port Angeles. The mill was dismantled and the material taken out and shipped to Vancouver.

Mr. FREAR. So that all you have—

Mr. LINDSAY. Is the framework of the mill.

Mr. FREAR. That is the mill that the committee saw on the day they were up at Port Angeles; it is over at the right as we approached the city from the land side?

Mr. LINDSAY. That is the one. The people of Port Angeles paid \$36,000 for that.

Mr. FREAR. And that property is in the hands of the Spruce Production Corporation?

Mr. LINDSAY. It is.

Mr. FREAR. It was built by Siems-Carey Co., but, under the cancellation clause, as I understand it, it goes now to the Government, which takes it over under the clause in the contract which so provided?

Mr. LINDSAY. The board at Portland, Oreg., has made a statement, and I think Gen. Disque has made it, to the commercial club, that if the mill was not completed and operated they would pay the money back. Of course, we want the title back; we do not want the title to that valuable mill site go to somebody who is going to tie up one of our best mill sites.

Mr. FREAR. What is the number of buildings there at Port Angeles; what is the value of them?

Mr. LINDSAY. I do not know.

Mr. FREAR. It runs into a good many thousand of dollars?

Mr. LINDSAY. Probably a couple of hundred thousand dollars; maybe more.

Mr. FREAR. Of course values are largely determined upon the usage to which they are put, and you say the machinery is all out?

Mr. LINDSAY. Yes.

Mr. FREAR. Is there anything else you think of just now, before we adjourn?

Mr. LINDSAY. I do not think of anything just now.

(Thereupon, at 5.30 o'clock p. m., an adjournment was taken until to-morrow, Wednesday, August 27, 1919, at 10 o'clock a. m.)

SUBCOMMITTEE NO. 1 (AVIATION) OF THE
SELECT COMMITTEE ON EXPENDITURES IN THE
WAR DEPARTMENT, HOUSE OF REPRESENTATIVES.
Seattle, Wash., Wednesday, August 27, 1919.

The subcommittee met at 10 o'clock a. m., pursuant to adjournment, Hon. James A. Frear (chairman) presiding. Also present: Hon. Walter W. Magee and Clarence F. Lea.

TESTIMONY OF J. W. LINDSAY—Continued.

Mr. FREAR. At the conclusion of the hearing yesterday I asked if there was anything further that you had to offer and told you to let me know this morning. Please tell me of any conditions that were brought about by any other railway interests affecting the action of your campony there, either by sending men to you for employment or in attempting to interfere in any way with the efforts of your company to organize this railroad that you have spoken of that goes from Port Angeles down past Lake Pleasant to the Hoh River.

Mr. LINDSAY. A short time after our survey had been started a young man by the name of Jean Myers, who had been employed by the Milwaukee Railroad for the last six or seven years, came to our chief engineer and wanted a position. He said the Milwaukee had no work for him to do, and he was an old acquaintance of our chief engineer's, and he gave him a position. He was down there a couple of weeks, and that matter came up to the officials of the company and they requested the chief engineer to discharge him. He then went back to work for the Milwaukee railroad.

Later on a man by the name of Mr. Barklill came to Port Angeles and said that he wanted to get out of city life and thought that Port Angeles was a good place to come to. He said he would be glad to come in my office and assist in the legal work of our railroad. I had been acquainted with Mr. Barklill seven or eight years. He was a very fine young man, but I told him I thought my partner and I could handle the legal work for the time being.

Mr. FREAR. What became of him?

Mr. LINDSAY. He went back; he is working with the Milwaukee yet, in their legal department. Mr. Calkins came to our consulting engineer, Mr. Rice, somewhere in the spring of 1917 and tendered his services to finance the line and assist us in any way he could. He is now president of the Milwaukee railroad, succeeding Mr. Byrum. You will find me corroborated in this statement by Mr. Cain's statement of our claim before the Government.

Mr. FREAR. In this connection, a copy of the affidavit of Mr. Cain which was offered in evidence last night, is among these papers. I do not desire to introduce all these papers which I have here, but I will read briefly from John Cain's affidavit, which is in relation to this same matter. Who was Mr. Calkins?

Mr. LINDSAY. At that time he was traffic manager of the Milwaukee railroad and had been for a great number of years. Since the Government took over the railroads and Mr. Byrum was appointed regional director—

Mr. FREAR. Byrum, who had been president?

Mr. LINDSAY. Yes. Mr. Calkins has been elected president of the Milwaukee Railroad, and is now president.

Mr. FREAR. In Cain's affidavit of February 13, 1919, he says [reading]:

That before said surveys were completed the Chicago, Milwaukee & St. Paul Railway Co., through Mr. R. M. Calkins, who was then their general manager and now the president of the road, in the office of said L. M. Rice, in the city of Seattle—

Rice was your engineer?

Mr. LINDSAY. Our consulting engineer.

Mr. FREAR (continuing reading):

offered to complete the said railroad as their own railroad and to give the persons interested in the project at that time such a rate on their logs and timber as would result in the transportation of the said logs and timber product more cheaply to the owners and promoters of said Port Angeles & Grays Harbor Railway than we could afford to operate the railroad for if we had it built. That this offer was declined, and is suggested at this time that the Government may see that the project could have been profitably handled by said Port Angeles & Grays Harbor Railway Co. at any time, if the Government had not practically taken over the project and rendered it useless to said railroad company.

From that and from your own statement as an official of the company, it appears that Mr. Calkins, who is now the president of the road, at that time offered to take over and build the road for your people.

Mr. LINDSAY. He did.

Mr. FREAR. Do you know about what time that was?

Mr. LINDSAY. I think it was the spring of 1917; just the exact month I am not prepared to say.

Mr. FREAR. In relation to this whole affidavit, I see he fixes it as beginning in May, 1916. That affidavit gives a résumé of the conditions.

Mr. LINDSAY. I might say in connection with this, after these different overtures were made to Mr. Rice and myself and our chief engineer, we deemed it advisable that we confer with the Milwaukee Railroad, with the idea of connecting with them at the west city limits of Port Angeles, and Mr. Helm visited Mr. H. B. Earling, the vice president of the railroad, with the view of running over their line into Port Angeles and then over our franchise. Of course, Mr. Earling said he was very glad to make traffic arrangements of that kind with us if we got that far.

Mr. FREAR. I am asking you if you know anything about the Milwaukee Land Co. and any of the people who were connected with them. The statement has been made, both in the Ray hearings and elsewhere, that the people connected with the Milwaukee Railroad organization—

Mr. LINDSAY. The Milwaukee Land Co. is the town-site and timber-holding company of the Milwaukee Railroad. As I understand, the officials of the Milwaukee Railroad are the officials of this Milwaukee Land Co. I understand the profits of the land company go into the railroad earnings.

Mr. FREAR. The testimony occurs, either directly or indirectly, in the Ray hearings, and it appears in the Spruce Production Corporation's statement, that the Milwaukee Land Co. has some 19,000 acres of timberland in Clallam County.

Mr. LINDSAY. They have a great deal, I think.

Mr. FREAR. And much of it is along this line of railroad that is projected to Pleasant Lake, according to the description on the map?

Mr. LINDSAY. They have some timber west and south of Pleasant Lake, also.

Mr. FREAR. That would take them in the direction of Grays Harbor?

Mr. LINDSAY. Yes.

Mr. FREAR. And your road was projected and it was surveyed to Grays Harbor?

Mr. LINDSAY. To Hoh River, 75 miles.

Mr. FREAR. But eventually to Grays Harbor was the proposal?

Mr. LINDSAY. It was.

Mr. FREAR. And that was true of the Milwaukee Road, which runs around by Pysht?

Mr. LINDSAY. Our survey ran into and over some of the survey of the Milwaukee Railroad, south of Forks.

Mr. FREAR. That would be west of Pleasant Lake, and south?

Mr. LINDSAY. Yes; between Forks and the Hoh River we ran over considerable of their line. As a matter of fact, they had bought some right of way in there.

Mr. FREAR. The Milwaukee Road had?

Mr. LINDSAY. Yes.

Mr. FREAR. Let me fix it in the minutes. The Milwaukee Road had bought some of this right of way between Pleasant Lake and Grays Harbor?

Mr. LINDSAY. They had, and I started a condemnation suit against the Milwaukee Road at the crossing of the Hoh River in behalf of

our company at the time we surveyed our line there. There is practically only one available crossing of the Hoh River, and they owned that land, and I started a condemnation suit immediately so that we could get across the Hoh River.

Mr. FREAR. That is about how far from Port Angeles?

Mr. LINDSAY. That is 75 miles.

Mr. FREAR. And between Port Angeles and Grays Harbor, over on the Pacific coast?

Mr. LINDSAY. Yes.

Mr. FREAR. I desire to read an affidavit from John Cain, under date of January 7, to Franklin Helm, Holly Hotel, New York. John Cain was one of the officers of your company?

Mr. LINDSAY. He was president of the company.

Mr. FREAR. I will read that in evidence; it is short.

Mr. LEA. In order to straighten out the record, this was not certified by the notary public, but I understand there was a notary's certificate.

Mr. LINDSAY. Yes.

Mr. FREAR. This is a telegram from John Cain to Franklin Helm, who was also an officer working for your company?

Mr. LINDSAY. Mr. Helm was not an officer; he was the financial promotor of the company.

Mr. FREAR. In New York and Washington?

Mr. LINDSAY. Yes.

Mr. FREAR. The telegram reads as follows:

JANUARY 7, 1918.

FRANKLIN HELM,

Holly Hotel, New York, N. Y.:

Attorney and I two hours' conference with Col. Disque. He is favorable to our proposition, ready sign 50,000,000 contract, but without authority to commandeer mills or timber. Bill introduced in Congress which he hopes will pass in next two or three days; would sign contract now if we wish and agree to adopt conditions of bill as soon as passed; he realized its necessity. Is pleased with our proposition. He suggests we confer with Angeles Mill Co. to either buy their mill or have them saw our timber, or we put in a mill. He will help us with machinery. He will furnish an officer to go with us to help negotiate; present bill gives him all authority to commandeer, which he is willing to use for us. See long night letter to Brown from Bristol Rixon—

He is your engineer?

Mr. LINDSAY. Our chief engineer.

Mr. FREAR (continuing reading):

Rixon and I were misinformed regarding his present authority to commandeer. Suggest Rixon and man from Disque department take up negotiations with Angeles mill. If we control it, there is nothing for that road west of Angeles but our product. Col. Disque knows where there are 40 miles 40-pound rails. Thinks rails procurable. Large spruce track on Bogachiel. Owners ready to sell. Will look up owners' address and wire you. Think you can contract on cutting basis. Will correspond with Whitmore—

Who is Whitmore?

Mr. LINDSAY. I do not know.

Mr. FREAR (continuing reading):

Have letters from several people offering small tracks cheap. Rixon starting to Angeles to-morrow. Wire me what you wish me to do. Have not heard from funds you sent.

JOHN CAIN.

This telegram was dated January 7, 1918. He is referring, is he, to your line that runs around Port Crescent?

Mr. LINDSAY. Yes; he was at Portland at that time.

Mr. FREAR. And he is referring to your line which ran south of Port Crescent?

Mr. LINDSAY. He was.

Mr. FREAR. And on April 24 the Secretary of War, according to Gen. McIntyre's letter, wrote that he was in favor of the Deep Creek route, which was the Milwaukee direct line past Deep Creek, and that was the letter that was read here in the evidence.

The next is a telegram to you, J. W. Lindsay, Port Angeles, Wash., under date of August 7, 1919, signed by Franklin Helm and John Cain, and reads as follows:

AUGUST 7, 1917.

J. W. LINDSAY,
Port Angeles, Wash.:

You and Rixon go immediately to Seattle meet delegation, Mr. Allen William C. Chadeayne, superintendent wood production, Curtiss Aeroplane Co., in the National Forest Service; also representative of the French and Italian commission. They are looking for aeroplane lumber. The Allies require more spruce than is now produced by the present mills. You and Rixon show them the spruce timber on the Hoh. Insist on some of them accompanying you on peninsula trip. Spruce aeroplane timber is worth \$135 delivered. If they will agree to make advances on half of our railroad bonds, we can agree to contract with them to deliver spruce lumber in sufficient quantities that the saving in the costs in one year would be enormous. Assure them that we will agree to deliver spruce lumber in 10 months at a price not to exceed \$30 per thousand f. o. b. Port Angeles. Have Rixon impress upon them the amount of high-class spruce lumber that we can furnish. We have railroad contractors ready who guarantee date of completion of railroad; half of the necessary money available. We do not desire to make big profits out of the country's needs. Look for delegation at Hotel Washington or chamber of commerce. Wire Rutherford to meet you. Do your work quietly.

FRANKLIN HELM.
JOHN CAIN.

That telegram was sent August 7, 1917, and in it he states, "We will agree to deliver spruce lumber in 10 months at a price not to exceed \$30 per thousand," and also, "We have railroad contractors ready who guarantee date of completion of railroad; half of the necessary money available."

That was back in August, 1917.

Mr. LINDSAY. That is the telegram I testified about yesterday that I had received, and I met this commission at Tacoma and took the trip with some of them, Mr. Chadeayne and Mr. Douty. That is the time I met Mr. Douty. Mr. Rixon and I were together on the trip to Camp Lewis, and that was the time Mr. Douty said he might be in a position to assist in the financial arrangements.

Mr. FREAR. Who was Rutherford?

Mr. LINDSAY. Rutherford is a man living at Vancouver, Wash. He was interested with us more in looking up timber owners.

Mr. FREAR. Was he interested in your railroad?

Mr. LINDSAY. He was not; he was a friend of ours.

Mr. FREAR. The next is a short telegram from Franklin Helm.
[Reading:]

WASHINGTON, D. C., *January 13.*

JOHN CAIN,
Multnomah Hotel, Portland, Oreg.:

F. R. Howe, International Harvester, was appointed to help Disque. He left New York for Portland Tuesday. Coffin wired him and Disque to carry through

the contract; that they had commandeering rights, but to be doubly sure they will reconstruct Chamberlain's bill immediately. Leadbetter don't favor Port Angeles deal, claiming it will take months before we will be producing. You should have Rixon return to Portland by Monday to impress Howe. Will advise you further by Monday.

FRANKLIN HELM.

That was under date of January 13, 1918. Where was Mr. Helm at that time?

Mr. LINDSAY. Mr. Helm was then in Washington, D. C., or New York.

Mr. FREAR. Who is Howe?

Mr. LINDSAY. I do not know.

Mr. FREAR. He speaks of "Howe, International Harvester."

Mr. LINDSAY. I do not know him.

Mr. FREAR. The next is a telegram under date of April 14, 1918, to Franklin Helm, New Willard Hotel, Washington, D. C., signed by John Cain. [Reading:]

APRIL 14, 1918.

FRANKLIN HELM.

New Willard Hotel, Washington, D. C.:

Parties left yesterday 10.15 Milwaukee train. Deal closed satisfactorily. Contractor's name, Siems, Carey-H. S. Kerbaugh (Inc.) Co., now being organized in the East, which I presume you are fully advised. Believe it to advantage that I be on directors' board; however, will leave that to you. I like all three men. Donlan, who came with them from Montana, fully understands both branches lumber industry and a good dealer. Hope you will protect my two years' salary while I have been working on this deal. Mailed you special-delivery letter to New Willard. Learned they asked Rixon why it is people out here did not take this proposition. The fact, people here are busy working out their own problems and are absolutely opposed to opening up this section with all the forest reserve which they have no way to control and with which they can not hope to compete. Suggest not contracting any timber other than forest reserve at this time, except that contained within the spruce area. Your telegram from New York to-day just received. I wired you Friday night, care Pliny Fisk. I did not give details, as they thought it inadvisable to wire. I understand there is a full working arrangement between Siems, Carey, Fisk, and you. Contract 300,000,000 cants; prices, 60 and 100, Nos. 1 and 2. Sorry you did not receive my New York telegram. Reach me Port Angeles. If you want me East, wire me.

JOHN CAIN.

It says "suggest not contracting any timber other than forest reserve at this time except that contained within the spruce area." Do you know what was referred to as the "spruce area"? Was it this tract over there near Lake Pleasant that has been discussed?

Mr. LINDSAY. It was around Lake Pleasant and the Hoh River. There was a great deal of spruce in there owned privately. At that time we had been in communication with a good many of the owners with a view to buying their tracts of timber in connection with the railroad company.

Mr. FREAR. That is, you had been negotiating with these owners in reference to purchasing their timber?

Mr. LINDSAY. Quite a few of them; yes. But our main plan at that time was to get through the forest reserve, because the spruce was a little heavier in the forest reserve than it was in the privately owned timber.

Mr. FREAR. I will read another telegram into the record. [Reading:]

PORTLAND, OREG., March 7, 1918.

FRANKLIN HELM,

New Willard Hotel, Washington, D. C.:

Your confidential wire received. Have personally canvassed local situation to-day and find Bristol has everything up to final point but awaits Brown's assurances. Bonds and guaranty required by Government. Met David at train this morning on his way to New York. Expecting arrive Monday; straighten his affairs about your contract. States does not know how he can take Fisk without releasing Brown. My opinion situation if Brown will not go ahead have Brown release Bristol as attorney and have Fisk wire Bristol similar firm authority and arrangements; then entertain no doubt if Brown goes out both Rixon and Bristol can be fully relied on work with us on new proposal. If Brown and Fisk alone are to go on jointly with the present deal, then have Fisk definitely wire Bristol that effect, and also whether contract if Government shall be with Walston H. Brown Construction Co. or with Brown and Fisk or with whom and who will furnish unquestioned guaranty for advances as required by Government. Matter in such situation required quick and positive action without further delay. David assures me prefer deal with you and Fisk. Brown wires Rixon Fisk in deal with us.

JOHN CAIN.

Who was Brown? What relation did he have to the matter?

Mr. LINDSAY. Well, Mr. Walston H. Brown—I testified yesterday that we were in negotiations in New York to furnish three and one-half millions in connection with the English syndicate headed by Mr. Huston.

Mr. FREAR. About this time, March 7, there was a switch around from Brown to Fisk, was there not?

Mr. LINDSAY. Yes, sir; I do not know what the situation in New York was at that time, but it appeared that Mr. Brown was hesitating and Mr. Helm was handling the New York end of it, and then they made this switch to Mr. Fisk.

Mr. FREAR. Fisk, as has been testified, is—

Mr. LINDSAY. He is a banker in New York.

Mr. FREAR. He is a banker in New York, the man who financed the McAdoo tunnel scheme and many other large pieces of public work?

Mr. LINDSAY. Yes; New York interests. When I was in New York we had some negotiations with Mr. Fisk at that time, but there was nothing definite.

Mr. FREAR. This telegram is signed by Theodore Rixon. He is over at Lake Pleasant, where we were the other day?

Mr. LINDSAY. Yes.

Mr. FREAR. He sends this telegram to Franklin Helm, New Willard Hotel, Washington, D. C. [reading]:

Expect to arrange meeting with Disque to-morrow. Goodyear Co. operating at Clallam Bay. Be here the last of this week from East with Mr. Lacey and are going to try to secure a spruce contract and 500,000 from department toward extending their logging road into Hako 14 miles.

That relates to a proposed railway from Clallam Bay up the Hoko River?

Mr. LINDSAY. Yes.

Mr. FREAR. That would be 14 miles.

Mr. LINDSAY. The Goodyear Logging Co. has a railroad now from Clallam Bay, a logging railroad, out probably 15 or 20 miles from Clallam Bay. They have been logging there for several years, and they proposed to extend their line from there into the spruce.

Mr. FREAR. Into this spruce tract that has been under discussion here?

Mr. LINDSAY. Yes.

Mr. FREAR. Well, a road from Clallam Bay, it has been testified, would only be 14 or 15 miles from the bay, where the Goodyear Co. is logging up to the spruce tract?

Mr. LINDSAY. Well, of course, they gradually get into the spruce. They were in some spruce then, but the heavy spruce is about that distance, I presume.

Mr. FREAR. That is what this relates to, this telegram?

Mr. LINDSAY. It does.

Mr. FREAR (reading telegram):

On account of so much unsatisfactory references from Brown and so much misunderstanding very important you arrange bond for advances and have your bonding company wire Disque that they are prepared to furnish bond covering advances on spruce contract. Disque will not advance a cent toward building a railroad, but we will arrange a price on spruce so that we can afford to build. It must be a straight spruce contract and we must be in position here to close. Several times in past we could have closed had we been ready. It is our opinion if the Government do any financing of roads the Milwaukee through their influence with Lovett will get the preference and the decision will be reached back there. Therefore important we close spruce contract in advance Lovett's action. This in our opinion can be closed in two or three days if you have bonding company wire Disque and ourselves. You overlooked sending funds John Cain.

THEODORE RIXON.

Who was Lovett?

Mr. LINDSAY. Lovett was the regional director, succeeded by Mr. McAdoo.

Mr. FREAR. Mr. McAdoo was at that time—

Mr. LINDSAY. The Secretary of the Treasury.

Mr. FREAR. And the railroad administrator?

Mr. LINDSAY. No. After Lovett went out—pardon me, I guess McAdoo was regional director and Mr. Lovett was next in order.

Mr. FREAR. What do you mean by regional director, Mr. Lindsay? Wasn't McAdoo the railroad administrator?

Mr. LINDSAY. Possibly that is it.

Mr. FREAR. And Lovett held a position under him?

Mr. LINDSAY. Next to him. Lovett was up to that time—until he took that position he was president of the Union Pacific Railroad.

Mr. FREAR. Now, the suggestion is made here in this telegram to Helm at the New Willard Hotel, Washington, that if you can complete the arrangements there that they must look after this spruce contract at once; if there was any question about financing the road, the Milwaukee Road would get the preference in putting it through, as I have read it here. That is a fair interpretation of the telegram?

Mr. LINDSAY. That was the sentiment of it.

Mr. FREAR. That they had a large advantage?

Mr. LINDSAY. We believed so, at least.

Mr. FREAR. This is a short telegram from Franklin Helm, under date of May 28, 1918, from New York, to John Cain, Seward Hotel, Seattle [reading]:

I presume you are helping Carey all possible. What have you done with town site. Will it be possible to option land around Crescent? This is important. Don't fail to try this. Wire me what you buy this land for. Cover entire water front of the bay and such lands fit for mill or industrial site. Regards.

What mill and what site did that relate to, if you know?

Mr. LINDSAY. I think the site at Lake Pleasant.

Mr. FREAR. I was wondering whether it was Lake Pleasant or Port Angeles.

Mr. LINDSAY. Lake Pleasant.

Mr. FREAR. That is, you were going to have a mill at Lake Pleasant?

Mr. LINDSAY. That was the talk at that time.

Mr. FREAR. That was the contemplation?

Mr. LINDSAY. Yes. Our previous plan had been to put a mill at Port Angeles.

Mr. FREAR. The next telegram is to Col. Brice P. Disque, sent by John Cain—this is a letter [reading]:

Col. BRICE P. DISQUE,

*Aviation Corps, Spruce Division, United States War Department,
Yeon Building, Portland, Oreg.*

SIR: I have the honor to submit next subjoined in three sheets the proposal and application of Messrs. Selms, Carey-H. S. Kerbaugh, contractors, of New York City, N. Y., for logging and delivering 300,000,000 spruce logs Clallam County for the Government, as well as railroad facilities. You gave me an interview before when this matter was in somewhat different shape and I now request that you accord me a personal interview upon this proposal, in order that an understanding may be immediately reached.

Very respectfully,

JOHN CAIN.

The date does not appear, but that was after Siems, Carey-Kerbaugh had taken over this proposition?

Mr. LINDSAY. It was after January 1, 1918.

Mr. FREAR. In other words, after you people were wiped out of any spruce contracts or railroad?

Mr. LINDSAY. Yes.

Mr. FREAR. There is one more that is under date of March 8, 1918, signed by John Cain, that I wish to introduce [reading]:

FRANKLIN HELM,

New Willard Hotel, Washington, D. C.:

Brown second reference so far unsatisfactory. Try and arrange satisfactory guarantees for advances as required by Government. Unless quick action, we are liable to lose out. You know who is after this proposition. Possibly they are influencing Brown's references. It is my opinion that is what happened. We are in position to close immediately, providing we qualify. Wire me as early as possible situation. A trip to St. Paul advisable, unless you succeed immediately.

By the way, Mr. Cain is now in New York?

Mr. LINDSAY. He is.

Mr. FREAR. You have been expecting him at any time to come west?

Mr. LINDSAY. I will know in a day or two.

Mr. FREAR. Tell me, if you know, in regard to this: "We are liable to lose out. You know who is after this proposition. Possibly they are influencing Brown's references." Do you know who they had reference to there?

Mr. LINDSAY. The Milwaukee Railroad.

Mr. FREAR. That was under date of March 8, 1918. Do you know who David is? I see his name in these telegrams.

Mr. LINDSAY. I do not. I was not at Portland at that time.

Mr. FREAR. I will read this short telegram of March 11:

WASHINGTON, D. C.

JOHN CAIN,

Oregon Hotel, Portland, Oreg.:

See telegrams to Bristol and push matters vigorously, advising me fully hereafter. Bristol has met with Disque. Please telegraph name of contractor you mentioned as being prepared to make contracts to complete road within six months. Rixon should remain there until this matter is settled. If David or Fisk telegraphs Bristol to close contract for an additional 20,000,000 feet of spruce, so that additional advances can be had, can be consummated.

Do you know the amount of spruce that was in question to be produced?

Mr. LINDSAY. No; not exactly.

Mr. FREAR. It varies here, I see, and speaks of twenty million additional.

Mr. LINDSAY. Between two and three hundred million.

Mr. FREAR. Here is a telegram, dated at Portland, Oreg. [reading]:

MARCH 27, 1918.

T. F. RIXON,

Stevens Hotel, Seattle, Wash.:

If possible, be here to-morrow. Bring all data amount of spruce, both privately owned forest and State. Disque wants that data before signing contract. Also like to see our line location and reasonable assurance of right of way. If you can't be here to-morrow, wire me, and I will meet you next day either in Seattle or Olympia. Advisable you come, if you can, providing you have such data.

JOHN CAIN.

Those are only a few of many telegrams and letters that have passed between your company and the people who were in Washington and also Seattle?

Mr. LINDSAY. A very small percentage of them.

Mr. FREAR. From those telegrams, and as it appears at different times, the Milwaukee Road was a road that was interested in your right-of-way proposition to this extent; they agreed, as you say, to finance your road, if necessary; is that right?

Mr. LINDSAY. Through this Mr. Rice—Mr. Rice made the statement to us that Mr. Calkins made that statement. That is included in Mr. Cain's affidavit there.

Mr. FREAR. Now, when Cain telegraphed that you know who the parties are, or he telegraphs to that effect, and you say it was the Milwaukee Road that were trying—that was what Mr. Cain referred to?

Mr. LINDSAY. Yes; the Milwaukee Road.

Mr. FREAR. Is there anything else you think of?

Mr. LINDSAY. I would like to have in the record this statement; Mr. Carey has made the statement—

Mr. FREAR. Of Siems-Carey-Kerbaugh Co.?

Mr. LINDSAY. Yes; that when we asked that they pay for the data we furnished, our surveys, blue prints, profiles, and all our engineering work to them, he made the statement that they had not used them and did not want to use them.

Mr. FREAR. Carey made that statement to whom?

Mr. LINDSAY. He made that statement to me at one time, and to Mr. Cain and several of our parties. Several contracts were made

to do the grading on this 20 miles that they went over our adopted line, and the Siems-Carey-Kerbaugh Co. delivered to the proposed contractors blue prints of our line.

Mr. FREAR. Who delivered those?

Mr. LINDSAY. I presume the engineer of the Siems-Carey-Kerbaugh organization.

Mr. FREAR. But I mean who delivered them from your company, who had possession of them?

Mr. LINDSAY. Of course, we turned them over to Siems-Carey-Kerbaugh.

Mr. FREAR. Who is "we"?

Mr. LINDSAY. The Port Angeles & Grays Harbor Railroad.

Mr. FREAR. What individual?

Mr. LINDSAY. Mr. Helm, of New York, and Mr. Fisk. In other words, Mr. Helm had the complete survey, data, blue prints, and tracings. When Mr. Fisk became interested, of course those were turned over, and when the Siems-Carey-Kerbaugh Corporation was organized, of course we delivered the whole data to them, assuming that they were part of our organization. After they got in and got the contract they repudiated any connection with us. What the occasion was I do not know. That is something that happened with Mr. Fisk in New York. I have never been able to learn what the trouble was.

Mr. FREAR. What do you know or understand about the Siems-Carey-Kerbaugh Co., or any of those companies, the stockholders, what do you understand about them?

Mr. LINDSAY. I would like to finish this, please, Mr. Frear. Several firms used our blue prints, and the chief engineer used our blue prints and profiles of the 20 miles of right of way in letting contracts. One of the contractors was Johnson McDermott. Afterwards Mr. McDermott became a client of mine and told me that the blue prints submitted to them had the printing of the Port Angeles & Grays Harbor Railroad on them, and in taking that contract they figured from our blue print of the survey work.

Mr. FREAR. That is, they used your data for the purpose of letting their contracts?

Mr. LINDSAY. And they ruined our entire comprehensive scheme and refused to pay us a cent for it. The whole proposition up to date that I have testified to and covered, I think Mr. Cain and myself and those who have been associated with us, that it has cost us about \$150,000 in actual cash, without any money for services.

Mr. FREAR. This money, a good share of it, was put up by whom?

Mr. LINDSAY. Well, I put up some, Mr. Cain put up some, and Mr. Heyneman, who was originally with us, and Mr. Helm has put up a great deal. I think Mr. Fisk put up some money.

Mr. FREAR. Where did Mr. Heyneman live?

Mr. LINDSAY. San Francisco.

Mr. FREAR. He is a young man?

Mr. LINDSAY. Yes.

Mr. FREAR. He went into the Army?

Mr. LINDSAY. Yes.

Mr. FREAR. And while he was in the Army this condition arose, did it?

Mr. LINDSAY. It did.

Mr. FREAR. That is, that these people took possession of your right of way and started construction, is that right?

Mr. LINDSAY. Yes. He withdrew from further financing because he had to go into the Army.

Mr. FREAR. To what extent had he financed your company up to that time?

Mr. LINDSAY. About \$75,000.

Mr. FREAR. That is, Heyneman had put in about \$75,000?

Mr. LINDSAY. Yes. And this taking of this 20 miles ruined our entire comprehensive scheme.

Mr. FREAR. I asked you about Siems-Carey-Kerbaugh, about their stock; who were their stockholders, the owners, so far as you heard of any?

Mr. LINDSAY. Personally I do not know. Mr. Cain was in New York about two months ago, and upon his return to Port Angeles he told me he had been advised in New York that some company that John D. Ryan was connected with owned a large block of stock of the Siems-Carey Corporation. That is only hearsay.

Mr. FREAR. We may inquire further into that.

Mr. LEA. Is Mr. Cain the Seattle attorney?

Mr. LINDSAY. No; he is not an attorney at all.

Mr. FREAR. That is Mr. Cain—C-a-i-n?

Mr. LINDSAY. K-a-n-e is the Seattle attorney for Siems-Carey. Mr. Cain is the president of our company. The names of both men are pronounced the same, but spelled differently. I might suggest one point: The day that that telegram was received in Washington regarding Mr. Douty, Mr. Douty and I went up to see Maj. Leadbetter. He was on the Aircraft Board. It was about 4 o'clock in the afternoon and he refused to talk with Mr. Douty. Mr. Douty tried to make an appointment with him, and he said he couldn't tell when he could meet him.

Mr. FREAR. Douty and Leadbetter were both from Portland?

Mr. LINDSAY. Yes. Mr. Douty is a very high-class man.

Mr. FREAR. A man of large business affairs?

Mr. LINDSAY. A man of large business affairs, and a gentleman.

Mr. FREAR. Did he give any reason?

Mr. LINDSAY. None whatever. He turned white and seemed to be very angry.

Mr. FREAR. In one of those telegrams, as I recollect it, it states that Leadbetter was rather opposed to the Port Angeles proposition. Do you know why?

Mr. LINDSAY. No; I do not.

Mr. LEA. Do you know of any further activities of Leadbetter in reference to this enterprise?

Mr. LINDSAY. I do not. I might suggest this: At the time Mr. Leadbetter was a candidate for this position Mr. Douty, I think, favored another party.

Mr. LEA. I see.

Mr. LINDSAY. Mr. Douty favored Maj. Sligh. Mr. Douty had been working in Washington with Maj. Sligh for two or three months after he got into this matter with us, and thought a great deal of Maj. Sligh, and when this vacancy came on Maj. Sligh was a candidate, and Mr. Douty's associations with him in furthering this

spruce proposition led him to give what little support he could toward Maj. Sligh for this position. Maj. Leadbetter won out in the matter, and it seemed that Maj. Leadbetter resented the fact that Mr. Douty, who was a Portland man, would oppose him and support Maj. Sligh.

Mr. LEA. I see, some personal matter between them?

Mr. LINDSAY. A personal matter.

Mr. LEA. So far as you know, did Leadbetter have any interests on the peninsula, either one way or the other?

Mr. LINDSAY. I do not know of any, one way or the other.

Mr. LEA. So as far as his relations were concerned they were personal rather than in relation to this enterprise?

Mr. LINDSAY. I think so.

Mr. LEA. I presume there can not be any question but what the Milwaukee Railroad would be benefited by having a spur tapping this country? What I mean is the timber belt back there on the peninsula?

Mr. LINDSAY. Yes; their main line would be benefitted from Port Angeles east.

Mr. LEA. Any railroad company that got access to that from either direction would be greatly benefited in the matter of tonnage, wouldn't it?

Mr. LINDSAY. Oh, yes.

Mr. LEA. Now, yesterday you spoke something about the Milwaukee wanting the Deep Creek route. Did your company ever consider going up parallel with the Sound or in that general direction?

Mr. LINDSAY. Not this present company. The company that I organized about seven years ago, that was taken over by the Milwaukee looked into that situation.

Mr. LEA. What company was that?

Mr. LINDSAY. It was organized in November, 1911, called The Seattle, Port Angeles & Lake Crescent Railway.

Mr. LEA. You were attorney for that company, were you?

Mr. LINDSAY. I was attorney, and one of the board of directors. I organized the company.

Mr. LEA. What, if any, facts did they find as to the practicability of that route.

Mr. LINDSAY. We surveyed the line from Port Townsend through Port Angeles to Piedmont, on Lake Crescent, and at that time the plan was to eventually extend the line from Piedmont, on the north side of the lake where the Government route now is. Later on the Milwaukee made arrangements with us to take over the line. We had put up the money for the surveys. But before they took it over they wanted us to ascertain from our engineers what the prospects would be to build where they now are instead of going around Lake Crescent, so we sent our chief engineer, Mr. Donovan, who has been with the Milwaukee ever since, and our locating engineer, Mr. Hunter, over that line—the Deep Creek Line—to Lake Pleasant. They reported that it was not a feasible line to build.

Mr. LEA. Did they give any reasons?

Mr. LINDSAY. Yes. The line if built would be very crooked, a great many bridges going over deep gorges, and it would be in serious danger of slides. There was one hill, I believe, near Pysht, called the Soapstone Hill, that would have to go on the north side

of that hill and the whole hill was sliding. It would be very difficult to maintain a main line there.

Mr. LEA. So it was the determination that the most practical route to reach Lake Pelasant country from Port Angeles was by Lake Crescent, is that right?

Mr. LINDSAY. That was the engineers' determination at that time.

Mr. LEA. And you purposed to build your route in that direction?

Mr. LINDSAY. We did.

Mr. LEA. As I understand the position of your company now, in its claim, is that the Government made use of your work in locating and establishing its road and that you should be compensated for it?

Mr. LINDSAY. We feel that we ought to be compensated for what we have done.

Mr. LEA. Had you purchased any rights of way in the territory covered by the road as it is now?

Mr. LINDSAY. We had arrangements with the Clallam Land Co., which owned practically all the right of way of that 20 miles taken by the Government road, that if we built in there they would give us that right of way, providing we would simply pay for what timber was cut.

Mr. LEA. How does the amount of timber tonnage available to these routes compare; that is, the one along your route compared with the one along the Deep Creek route?

Mr. LINDSAY. I think the tonnage along our route is much greater, for this reason; the Milwaukee has the timber pretty well cut toward Pysht. There is only a few miles there, and the Merrill & Ring Co. have a road at Pysht, and have taken out a great deal of timber in there.

Mr. LEA. A large part of that timber is already under plan of development?

Mr. LINDSAY. Has been taken out, and there has none been taken out on the route that we have.

Mr. LEA. To what extent is tonnage available on the south side of the Crescent route, before you get to Lake Pleasant?

Mr. LINDSAY. Very heavy tonnage.

Mr. LEA. Will you just state what that is?

Mr. LINDSAY. It is fir, spruce, hemlock, and cedar.

Mr. LEA. And just at what locations?

Mr. LINDSAY. Well, up Indian Valley, before you come to Lake Crescent, there is a large body of privately owned timber, and forest reserve timber, and there is some timber around the lake, but it is not very heavy. After you get over on the Sol Duc River I think we strike the heaviest timber in the county.

Mr. LEA. Which side of this route is that timber, or is it on both sides?

Mr. LINDSAY. It is on both sides, but mainly on the south side of our line, back up in the forest reserve.

Mr. LEA. It is your judgment, as I understand from the testimony and investigation there, that if a railroad was to be built to tap this Lake Pleasant country from Port Angeles, it should go substantially along this route; that is, the general route by Lake Crescent.

Mr. LINDSAY. I think that would be the most feasible route for a railroad over in that country.

MR. LEA. Are you able to inform the committee as to the relative distance of the two roads; that is, by the Crescent route as compared with the route on the Sound side—the straits side, rather?

MR. LINDSAY. Well, I think the Crescent route is a little shorter.

MR. LEA. You reach the common point at Lake Pleasant in a shorter distance by going by Crescent Lake?

MR. LINDSAY. Yes. The amount of saving—the distance that would be saved I am not able to state, offhand.

MR. LEA. That is approximately, I presume; that is, you intend simply to state it approximately?

MR. LINDSAY. Oh, 5 to 8 miles, something along there.

MR. LEA. In these negotiations that you had in trying to get your railroad established, and in the endeavors of you and your company in community to develop the peninsula, what, if any, opposition have you encountered?

MR. LINDSAY. Well, directly we felt that the Milwaukee Railroad was the greatest opponent, and the millmen at Seattle and Tacoma, or what we call the up-sound mill owners.

MR. LEA. And what has been the opposition of the millmen; will you explain that?

MR. LINDSAY. We felt, from things that have happened now and then that are hard to put in concrete facts, that they were opposed to the construction of mills at Port Angeles, and I was naturally wanting to develop Port Angeles.

MR. LEA. What reason would there be for that opposition of the millmen?

MR. LINDSAY. The only reason I can give is that they would naturally want to hold that timber back for their future use.

MR. LEA. How about the suitability of that location at Port Angeles for a mill—that is, the one that was selected by the Government?

MR. LINDSAY. One of the best in the State.

MR. LEA. And why do you say that?

MR. LINDSAY. Well, it is right on the Straits there—a splendid location, level, and ships can sail right in to the dock, from the ocean, and load.

MR. LEA. How deep is the water there?

MR. LINDSAY. Get out a little way in the bay there and it runs 75 feet. You would have to go out probably a quarter of a mile with a dock to get into about 30 or 35 feet of water—somewhere in that neighborhood.

MR. LEA. Well, to get back to the disposition, as you regard it, of the millmen who oppose the establishment of a new mill, is it based on the idea of avoiding competition, or any particular objection to that location? I simply want to get your viewpoint on this.

MR. LINDSAY. We naturally reached the conclusion that they don't want competition.

MR. LEA. What has been the position of the loggers in reference to the development of the peninsula?

MR. LINDSAY. I don't think that applies to the loggers, because there are two or three large logging firms have been logging in Clallam County and shipping logs up-sound to these mills. The Merrill & Ring Co. and the Goodyear and Puget Sound Mills & Timber Co. are the three big logging firms in Clallam County that have been selling logs to the up-sound mills.

Mr. LEA. Your community made a large contribution to the location of this mill at Port Angeles, didn't it?

Mr. LINDSAY. \$36,000.

Mr. LEA. What is your judgment, knowing the practical conditions there, as to the sale of this Government property on the peninsula; what course should be pursued, in your judgment?

Mr. LINDSAY. We want it sold; we want it developed. We think we are entitled to have it developed. We shall urge, very strongly, that the Government put this matter in use; if not themselves, to somebody else, at the earliest possible moment. That is the sentiment of 98 per cent of the inhabitants of Clallam County.

Mr. LEA. That is, that community desires transportation facilities, do they?

Mr. LINDSAY. They do, and they want the mill operated.

Mr. LEA. Is there any permanent prospect for this road, other than timber?

Mr. LINDSAY. As the timber is removed, they develop a great deal of farming and berrying. There is some very fine land in those valleys, that makes very fine pasture land, dairy farms, when the timber is off; in fact, around Port Angeles and east of Port Angeles, where the timber has been taken off, we have the best farming community in the State of Washington; very large dairy farms there.

Mr. LEA. In which direction does that country extend from Port Angeles?

Mr. LINDSAY. Well, this part I just speak of is east of Port Angeles, and in part west, a few miles, around Joyce and in that neighborhood.

Mr. LEA. That is all.

Mr. FREAR. Several matters have been brought out that I wish to ask you about. It has been asked if you would like to have a mill at Port Angeles. Of course you would.

Mr. LINDSAY. Sure; civic pride.

Mr. FREAR. If you were a business concern and built a mill at Port Angeles, that would cut up 250,000 feet of lumber a day, and expected to bring in on the railroad 1,500,000 feet of lumber a day, according to the plan of the Siems-Carey-Kerbaugh Corporation, what would you do with the extra 1,250,000 feet of logs, if you were going to have that cut up quickly?

Mr. LINDSAY. You would have to send them upsound?

Mr. FREAR. Sure you would.

Mr. LINDSAY. To the mills?

Mr. FREAR. So that that mill would only cut up a small proportion of the 1,500,000 feet that they proposed to bring in every day?

Mr. LINDSAY. A very small proportion.

Mr. FREAR. That was the situation that was contemplated there, was it not?

Mr. LINDSAY. Yes. The mill they constructed there, or partly constructed there at Port Angeles, would not cut up the quantity that they proposed to bring in on the railroad.

Mr. FREAR. If they brought in the amount that they proposed, it wouldn't cut up over about 20 per cent of it, would it?

Mr. LINDSAY. Just about.

Mr. FREAR. So that about 80 per cent of all the logs that were brought into Port Angeles would have had to have been shipped out, dumped off the cars, after being hauled 56 miles from Lake Pleasant, and then dumped out into the water and sent to the sound mills?

Mr. LINDSAY. Yes.

Mr. FREAR. Would that have been a profitable proposition, from any standpoint, in view of the fact that the testimony here is uncontroverted that 14 miles to 15 miles from Clallam Bay a railroad would have immediately tapped this timber tract near Pleasant Lake, and they could have shipped the logs as the Goodyear Co. are now shipping them—upsound?

Mr. LINDSAY. They could have shipped from Clallam Bay about as well as they could from Port Angeles.

Mr. FREAR. Exactly.

Mr. LINDSAY. I say ship; I mean tow.

Mr. FREAR. Yes; I know. And with the addition of only 14 miles haul, instead of 56 miles, which it would have been around by Lake Crescent.

Mr. LINDSAY. Yes; they could have done that.

Mr. FREAR. So that the proposition, from a business standpoint, is unmistakable that the only place to have shipped was Clallam Bay if you expected to get those logs out quickly?

Mr. LINDSAY. That was from the Government's standpoint at that time. We didn't press that point with the Government.

Mr. FREAR. I am speaking to you as a man who knows the conditions. What the motive may have been by the building of this Siems-Carey-Kerbaugh Railroad down to Lake Pleasant, and thence, as you proposed, down to the Hoh River; you don't know anything as to that?

Mr. LINDSAY. I do not.

Mr. FREAR. I am bringing the practical logging proposition to you, that you could have logged, as Mr. Lightner says, at a dollar a thousand cheaper, by the Clallam Bay route, irrespective of the cost of the roads, at a dollar a thousand cheaper than you could by way of Port Angeles?

Mr. LINDSAY. I think that is true.

Mr. FREAR. Lake Pleasant is almost, I think you testified, on a direct route from Port Angeles to Grays Harbor if a line was to be put through that way.

Mr. LINDSAY. It has got to go through there.

Mr. FREAR. And it is probably shorter than it would be around by the straits, around by Pysht and around that way—Deep Creek?

Mr. LINDSAY. The exact mileage I can't say, but it is shorter.

Mr. FREAR. Yes; because one goes in a westerly or northwesterly direction for a short distance, whereas Grays Harbor is south of west, and the other breaks off quickly and runs down to Lake Crescent, which is south, and then in a southwesterly direction to Pleasant Lake; is that right?

Mr. LINDSAY. That is true.

Mr. FREAR. You spoke about the logging, the logs that are available, and you said the Milwaukee had disposed of most of their logs—that is, they have disposed of their logs near Deep Creek and Twinn?

Mr. LINDSAY. Deep Creek and Twinn.

Mr. FREAR. Those logs are sold, or most of them?

Mr. LINDSAY. Yes.

Mr. FREAR. So that they haven't the same interest in developing that part now that they had before?

Mr. LINDSAY. I think in that particular locality they have but very little timber.

Mr. FREAR. Mr. Scott is logging that now, is he not?

Mr. LINDSAY. He is.

Mr. FREAR. Cleaning it up?

Mr. LINDSAY. He is. The Puget Sound Mill & Timber Co. are logging it.

Mr. FREAR. Yes; I understand. You had an engineer, or two engineers, who went out, and they saw that hill there at Pysht Creek, and they said it was a bad place to build around; there was a slide there?

Mr. LINDSAY. Yes.

Mr. FREAR. Aren't there slides over there on the northern side of Lake Crescent?

Mr. LINDSAY. Quite a good many.

Mr. FREAR. They have had some experience with them; they just cleaned out one before we went over.

Mr. LINDSAY. Yes.

Mr. FREAR. And this Pysht Creek route was the one that was placed in Moody's—or do you know that, whether it is placed in Moody's Financial Record as the proposition under which the Milwaukee is trying to finance their bonds?

Mr. LINDSAY. I don't know.

Mr. FREAR. And hold up their securities. I think you will find it is so in 1918. This Deep Creek route is the one, is it not, or do you know, that the Secretary of War, on April 24, urged upon Gen. Disque as the route to be pursued, so far as his judgment went?

Mr. LINDSAY. I never heard that except the statement you made here.

Mr. FREAR. Well, it has been the testimony here, in Gen. McIntyre's report. That is all.

Mr. LEA. In speaking about the question of shipments, you didn't take into consideration the establishment of a mill at Lake Pleasant, did you?

Mr. LINDSAY. In our original proposition?

Mr. LEA. Yes.

Mr. LINDSAY. No; we were going to establish a mill on this same site that the Government had at Port Angeles. Mr. Douty had selected that as a very desirable site.

Mr. LEA. So far as finished lumber was concerned, there was no point of shipment west of Port Angeles, was there, by railroad east? Yes; there was, too; the Milwaukee road was the only road there that had have transcontinental connections.

Mr. LINDSAY. They were the only road.

Mr. LEA. So the Lake Pleasant country could not be connected with the East by rail except through the Milwaukee road?

Mr. LINDSAY. Either the Milwaukee road, through Port Angeles, or a road built to Grays Harbor, was the only way they could make connection.

Mr. LEA. And about how far was it from Grays Harbor to Lake Pleasant?

Mr. LINDSAY. Let's see, I should judge about 100 to 110 or 115 miles.

Mr. LEA. And what, if any, connection has this Port Angeles mill with the Milwaukee; that is, the location as it is?

Mr. LINDSAY. It is right on the Milwaukee main line out of Port Angeles, east.

Mr. LEA. You spoke about the expense of towing from Clallam Bay. Now, did you intend to give your judgment on the question of whether the excess would be one dollar a thousand or not?

Mr. LINDSAY. I don't know just what the towing rate from Clallam Bay to Seattle is; I don't know just what the rate is, but I think it is a little more than from Port Angeles to Seattle.

Mr. LEA. Your idea was that it would be a cheaper method of transportation by water from Clallam Bay than it would from Port Angeles?

Mr. LINDSAY. No; I think my statement was that it would be cheaper to tow from Clallam Bay than it would be to ship by rail to Port Angeles and then tow from Port Angeles to the up-sound mills.

Mr. LEA. The water transportation, you thought, would be cheaper than rail transportation for that proportion of the distance?

Mr. LINDSAY. Yes.

Mr. LEA. That is all.

Mr. FREAR. About this Pleasant Lake mill: Supposing that Pleasant Lake mill could manufacture 250,000 feet of lumber a day, in addition to Port Angeles, and this railroad was expected to carry, for the Siemens-Carey-Kerbaugh contract, a million and a half feet of logs per day, there would still be a million feet of logs, or two-thirds of the entire supply, that would have to be dumped into the water at Port Angeles and then sent to the Sound?

Mr. LINDSAY. That is true.

Mr. FREAR. That is all.

Mr. MAGEE. You spoke of a third large lumber company here—the Goodyear Lumber Co. and the Merrill & Ring Co., and what was the other company you mentioned?

Mr. LINDSAY. The Puget Sound Mills & Timber Co. They have a large mill at Port Angeles. They also are loggers. Merrill & Ring are not sawmill men; they are loggers. The Goodyear people are loggers, and not sawmill men.

Mr. MAGEE. You said that you were in favor of the Government disposing of its properties here promptly. Would you be in favor of the Government selling this Crescent Lake Railroad to the Chicago, Milwaukee & St. Paul Railroad Co. for a small percentage of its cost?

Mr. LINDSAY. You can't sell it to anybody for anywhere near what it cost.

Mr. MAGEE. Well, that doesn't exactly answer the question.

Mr. LINDSAY. It doesn't. All the people of Clallam County are very anxious to see our county developed—

Mr. MAGEE. Well, that doesn't answer the question. I will put it in another form: Are you in favor of the Government giving this railroad to the Chicago, Milwaukee & St. Paul Railroad Co.?

Mr. LINDSAY. No; I am not.

Mr. MAGEE. Isn't it your judgment that if the Government sells it to this railroad company that the Government ought to get the fair and reasonable value of the property?

Mr. LINDSAY. They ought to get the fair value.

Mr. MAGEE. There is no question about that, is there?

Mr. LINDSAY. No.

Mr. MAGEE. That is all.

Mr. FREAR. That is all.

TESTIMONY OF E. B. CHINN—Recalled.

Mr. FREAR. Mr. Chinn, you have a statement there, of which you spoke the other day in your testimony, which relates to the difference in the prices paid to labor and which caused, as you said, some disturbances in the industrial field. Will you please state briefly what it is?

Mr. CHINN. You asked me to submit this to your committee, and I have it here. In brief, there is a statement at the end here which includes the entire matter [reading]:

The foregoing are specific instances of violations of the wage schedule as established and bulletined by the Spruce Division—

Mr. FREAR. Wasn't this submitted in the Ray report, or placed in the Ray report?

Mr. CHINN. Yes; I believe it was.

Mr. FREAR. All right.

Mr. CHINN (continuing reading):

and enforced against the lumber industry. They are only a small part of the statements that could have been obtained, but as they seemed to bring no results when transmitted to Portland the practice was discontinued. Attached letter from Maj. Abbey, chief of staff, indicates the lenient attitude of the Spruce Division toward the contractors and subcontractors. Above statements made to employment manager of Loggers' Information Association.

Then there are specific instances here, giving the names of the men making the statements. Of course, that would involve looking all over the Northwest to find those men, but they are known and can be—

Mr. FREAR. This was submitted in the Ray report, as I remember. There were a number of illustrations given—

Mr. CHINN. Yes; but the names of the men were not given at that time; we withheld that information for ourselves, but it is submitted to you in full.

Now, Maj. Abbey's letter is next here, and if you care to have me read an extract from it to give you an indication of the attitude—

Mr. FREAR. Read it.

Mr. CHINN. I am leaving out the opening paragraphs:

The bulk of your complaints have been with reference to the Siems-Carey-Kerbaugh Corporation. While these are continually bobbing up, it is, nevertheless, true that many of the matters have been adjusted satisfactorily. The Siems-Carey-Kerbaugh Corporation insists now that they are adhering to the wage scale in every particular.

While there is, perhaps, little excuse for anyone violating the schedule, it should be remembered that the Siems-Carey-Kerbaugh operation is handled largely by subcontractors, and these subcontractors frequently seem to be irre-

sponsible, and much of the trouble has come through them. About 5,000 men have been put to work by the Siems-Carey-Kerbaugh people in 50 different camps, so it will be seen that there is considerable magnitude to the operation.

You may rest assured that this office is doing everything possible to enforce the wage scale and shall continue to do so and solicits a continuation of the support of your association.

Mr. FREAR. How many pages are there there, about, in that statement?

Mr. CHINN. Three.

Mr. FREAR. Is that all?

Mr. CHINN. Yes, sir; and the letter is four.

Mr. LEA. The 50 camps referred to, was that on the railroad, or the logging operation together, do you know?

Mr. CHINN. I don't remember that there is any reference to 50 camps in here—in Maj. Ray's letter—or Maj. Abbey's letter.

Mr. LEA. Yes.

Mr. CHINN. I don't see that it makes any reference to 50 camps there.

Mr. LEA. I may have misunderstood you.

Mr. CHINN. Possibly so. It says, if I remember, about 5,000 men.

Mr. LEA. "In 50 different camps."

Mr. CHINN. Oh, 50 different camps; yes. He evidently refers to the camps along the Siems-Carey right of way; that would be my idea of it.

Mr. FREAR. Well, we will just introduce that. It is short.

Mr. LEA. These references to particular persons who have given this information are based on the representation given to your organization?

Mr. CHINN. Yes, sir.

Mr. LEA. By them, or by some one for them; is that the idea?

Mr. CHINN. You will find a footnote there which I read on next to the last page.

Mr. LEA. Oh, yes.

Mr. CHINN. I think that covers the situation.

Mr. LEA. All right; thank you.

(Document referred to was marked "Exhibit R," Chinn, August 27, 1919.)

TESTIMONY OF JAMES H. KANE.

(The witness was sworn by Mr. Frear.)

Mr. MAGEE. You reside where?

Mr. KANE. Seattle.

Mr. MAGEE. How long have you resided here?

Mr. KANE. For 15 years—16 years.

Mr. MAGEE. You are an attorney and counselor at law?

Mr. KANE. Yes, sir; practiced here during that time.

Mr. MAGEE. And you have been counsel for the United States Spruce Production Division and Spruce Production Corporation?

Mr. KANE. Yes; I was employed by Siems-Carey, H. S. Kerbaugh, shortly after they came here, to look after their legal matters, and I think I was employed about the first of June a year ago, and looked after all their matters, including the acquiring of the right of way, and all other legal matters that came up, the acquiring of timber and mill sites, etc.

Mr. MAGEE. Have you been counsel for the Spruce Production Corporation?

Mr. KANE. Only as I was attorney for the Siems-Carey people.

Mr. MAGEE. I mean, you haven't been retained by the Spruce—

Mr. KANE. No; never been retained by the Spruce—

Mr. MAGEE. By the Spruce Production Corporation or the Spruce Production Division, which preceded it?

Mr. KANE. No; except in this, that since the Siems-Carey people have closed up their operations and gone away from here, there are some matters still left unfinished in the right of way, as always will be true; that is, it will take a little time to close it up, and I am looking after those matters for the Spruce Production Corporation, under the direction of the general counsel at Portland.

Mr. MAGEE. Who is the general counsel?

Mr. KANE. Mr. Murphy.

Mr. MAGEE. For the Spruce Production Corporation?

Mr. KANE. Yes.

Mr. MAGEE. Now, are you familiar with the acquiring of the title, or whatever rights were acquired for the construction of what is known as the Lake Crescent-Lake Pleasant Railroad from junction with the Chicago, Milwaukee & St. Paul to Lake Pleasant?

Mr. KANE. Yes, sir.

Mr. MAGEE. Now, will you go on and tell the committee just what the condition is in respect to the title of the right of way occupied by the railroad company?

Mr. KANE. There is about 36 miles of railroad there and I—

Mr. MAGEE. That is from the—

Mr. KANE. From the junction where we start a little below Joyce up to Lake Pleasant.

Mr. MAGEE. Junction with the Chicago, Milwaukee & St Paul?

Mr. KANE. Yes. We run through a number of different holdings. Some of them were large holdings and some of them were small individual holdings, lots 100 or 300 feet wide.

Mr. MAGEE. Can you give us the amount of some of the larger property holdings?

Mr. KANE. The larger property holdings were the Clallam Lumber Co. and the Puget Sound Saw Mills & Timber Co. Those were the two largest holdings. Now, I might tell you this, that all of that right of way has been acquired by negotiations with the property owners, without condemnation proceedings, except about five pieces of property that they acquired the title and took it in the name of Siems-Carey, H. S. Kerbaugh Corporation. Before Siems-Carey Corporation left here, a deed was made by that company, conveying all of the titles which it acquired to the United States Spruce Production Corporation, so that every title that is acquired on that right of way now has been conveyed to and is vested in the United States Spruce Production Corporation.

Mr. MAGEE. By one deed?

Mr. KANE. By one deed.

Mr. MAGEE. From the Siems-Carey-Kerbaugh Corporation?

Mr. KANE. Yes.

Mr. MAGEE. Has that deed been recorded?

Mr. KANE. I delivered the deed to the Spruce Production Corporation, and I think it has been recorded; my understanding was that it had been.

Mr. MAGEE. It has been delivered?

Mr. KANE. Yes.

Mr. MAGEE. To the Spruce Production Corporation?

Mr. KANE. Yes.

Mr. MAGEE. Were all these lands in one county?

Mr. KANE. All in one county.

Mr. MAGEE. Clallam County?

Mr. KANE. Clallam County.

Mr. MAGEE. Now, in reference to the lands mentioned in this deed to the Spruce Production Corporation from the Siems-Carey-Kerbaugh Corporation, are there any liens of any kind or nature—

Mr. KANE. There are no liens.

Mr. MAGEE (continuing). Mortgage, or otherwise, on any of the lands described in that conveyance?

Mr. KANE. There is no lien or mortgage on any of those lands. The title was free and clear when we got it from the different owners; took, in many instances, some negotiations to clean up the title, as there was little defects in it here or there, and we got a merchantable title in all cases, and that title has been conveyed to the United States Spruce Production Corporation in the same way, subject, however, to this: At the time that the Siems-Carey-Kerbaugh Corporation did this, after they secured this contract from the Government, the Siems-Carey Corporation executed a mortgage to the Government or its agent.

Mr. MAGEE. That is the mortgage described here.

Mr. KANE. Yes; the six-million-dollar mortgage. And, of course, every piece of property that went into the name of Siems-Carey was affected by that mortgage, because it was a mortgage that took effect after acquiring the property as well as prior.

Mr. MAGEE. Outside of this mortgage which was given to the Government by the Siems-Carey Co. as security for the note of \$6,000,000 mentioned in the mortgage, no other mortgage lien, tax lien, or other lien upon the property mentioned in this deed from the Siems-Carey Co. to the United States Spruce Corporation existed, did it?

Mr. KANE. That is correct, with the single exception of the taxes that accrued thereon after we acquired the property. Any property that we acquired prior to February, 1919, we had to pay the 1918 taxes thereon, which fell due in 1919.

Mr. MAGEE. So that the time when the deed was delivered to the Spruce Production Corporation was February, 1919, about the time when this deed was delivered to the Spruce Production Corporation?

Mr. KANE. Our deed was delivered to the Spruce Production Corporation subsequent, I think, to February. It might have been about that time. But those taxes accumulated against that property for the 1918 taxes, and naturally went on to the Spruce Production Corporation to pay, because we acquired title for the Spruce Production Corporation.

Mr. MAGEE. Whatever taxes accrued prior to February, 1919, were paid?

Mr. KANE. I think they were paid by the Spruce Production Corporation; I have been so advised that they were adjusted.

Mr. MAGEE. Now, you mentioned some portion of this railroad right of way which has not been acquired.

Mr. KANE. I would like to tell you about this piece. There is one piece, the Muller estate—a very small piece of property—that was owned by an old man up there, and he suddenly disappeared and was lost and we finally determined that he was dead. His estate is in the process of probate—being probated. And there are two heirs claiming heirship to it—an adopted son and an adopted daughter. Title can not be acquired to that until that estate is probated and finished.

Mr. MAGEE. Where is that land located?

Mr. KANE. That is at Mullers Summit, about 2 miles beyond Lake Crescent.

Mr. MAGEE. How much of the right of way of the railroad would those lands comprise belonging to this estate—what distance?

Mr. KANE. It is a very short distance across the piece. I would say not to exceed a quarter of a mile. Maj. Sawyer knows about that; I have forgotten just exactly, but about a quarter of a mile. We ran right close to the old home of Muller, ran through their orchard, and paid them about \$600 and cleaned up that title.

Mr. MAGEE. And that is under adjustment?

Mr. KANE. That is under adjustment, and I will have no trouble in doing that when I get the title clean. There is another piece of property, the Eckert estate. Mr. and Mrs. Eckert both died in about a week of each other, leaving this estate and it is being probated in Clallam County. That is along Lake Crescent.

Mr. MAGEE. How much of the right of way in distance would those lines comprise?

Mr. KANE. That is about a hundred feet across their property. We took a hundred feet in width. There is the Silvia property up at Lake Pleasant, which comprises part of the terminal grounds. We went in on that ground and damaged some of it by virtue of the operation, and took a great portion of it for terminal operations, and I have a map in my office now showing just how much of that we are taking and what it will cost us about for the total amount of land taken. It will cost us about, for the total amount of land taken and the damage done to the timber taken, both from Arthur Silvia and his mother, somewhere about \$3,400. We have got no definite agreement on that, but the title is not in good shape and the heirs are scattered, and I have drawn the documents and they are being forwarded from place to place to clean up the title on that. The next piece of property is the Kline estate. I have the title to one-half of that, and here has been a partition suit brought which is being prosecuted in Clallam County, by which they have vested the title in a party there with whom I have made arrangements to acquire the other half for \$75. So that is closed. The other only piece remaining.

Mr. MAGEE. Where is this last piece which you spoke of?

Mr. KANE. That is very close to Joyce; in the vicinity of Joyce. They have 80 acres there and we cross one 40.

Mr. MAGEE. What distance on the railroad?

Mr. KANE. We cut across the corner of the 40, and we are paying at the rate of \$20 an acre for the land taken.

Mr. MAGEE. How much do you expect to pay to close that up?

Mr. KANE. \$75. I have paid \$75 for the other half, and I will pay \$75 for the other half still required. There is only one piece remaining, and that is the Puget Sound Mill & Lumber Co. property. I came here the other day when Mr. Scott was testifying and did not hear all of his testimony on the title to that property. During the time we were proceeding up there to acquire this railroad right of way I took up with the Puget Sound Mills & Timber Co., one of the first people I negotiated with, the right to cross their land, and it was very difficult to agree with them on a right of way or to come to any agreement with them. But we finally came to a definite positive agreement that we would pay them \$20 an acre for the land that we had taken, and the regular rate for the timber cut upon their property. That was finally agreed upon. And then we asked them for an abstract of the property. After long negotiation we got the abstract and I examined it, and considerable objection was made to the title as a number of items had to be cleaned up. There was a mortgage upon that property held by the Peabody-Houghteling Co., of Chicago. We had to give a release of the mortgage on that portion of the property which we took. Weeks had passed, and I have my file here showing the correspondence that I had with the attorney for the Puget Sound Mills & Timber Co. on that question urging them to get that release for us.

I was unable to get it. I finally sent to them and got the address of the Peabody-Houghteling Co., in Chicago, and I wired them myself asking them why we could not get the release. They wired back and said that their delay was caused entirely by the Port Angeles people—the Puget Sound Mills & Timber Co.—and said that they were waiting for information from them. I then went to Scott and his attorney again to find out what information the Peabody-Houghteling people wanted, and I personally furnished it, and after furnishing that the release of the Peabody-Houghteling Co. was sent here and is still deposited in the bank waiting for us to pay this money. Then after our work was completed Mr. Scott and his people raised another objection which was raised for the first time, and that was that now since this railroad was built through their property, and we built it over part of an old logging road which they had and had taken up their tracks for all intents and purposes and had abandoned the land. They wanted pay for it. We told them that according to the report of our engineer we would pay them a reasonable compensation for the roadbed taken. Then they insisted and are now insisting upon an agreement with the Spruce Production Corporation, to the effect that they will have some rights over this railroad whenever they decide to log that land; if it gets into the hands of a private owner that that private owner will have to buy that road, with the understanding that they have the right to log over the road if they want to do it, with that limitation secured to them. Frankly, I have not been in favor of giving that to these people, because it is putting a cloud upon their title. I think that the fact that the railroad is in there and in that location, whether it is a private individual or a public carrier—if it is a public carrier

of course it has got to carry their goods for them, and if it is a private individual he will be glad to carry it for a reasonable compensation. But I do not care to cloud the title. I want to say that I have had more trouble with that piece of right of way than I have had with half of the rest of it.

Mr. MAGEE. How much trackage is involved in this claim of the Puget Sound Co. in miles?

Mr. KANE. I can show you the map.

Mr. MAGEE. Approximately.

Mr. KANE. I do not want to give it definitely, but I think we ran over about somewhere around 3 miles of their property.

Mr. MAGEE. That is, the Lyre Canyon?

Mr. KANE. Yes. I want to say that those are the only loggers or the only timber holders that we agreed to pay or had to pay anything to for the land itself. I bought from the Clallam Lumber Co. their holdings for several miles from the head of Lake Crescent on over toward Lake Pleasant, and paid nothing for the land, but got the fee in the deed, but just paid for the timber that was on the land.

Mr. MAGEE. I supposed here they had, as you suggest, some road of their own?

Mr. KANE. That was the contention they made.

Mr. MAGEE. In whole or in part, as I understand, did you appropriate that?

Mr. KANE. We only appropriated a small portion of that.

Mr. MAGEE. What I wanted to get at was the condition of the title.

Mr. KANE. Precisely.

Mr. MAGEE. Now, how much, approximately, is involved in this claim?

Mr. KANE. You mean the claim of the Puget Sound Mills & Timber Co.?

Mr. MAGEE. Yes; that is, I do not want an admission, if the matter is pending, but what is the amount of their claim?

Mr. KANE. We have agreed with them now upon their timber. The value of that timber that we cut we have agreed with them for \$20 an acre on the right of way, and we have practically agreed on the amount of the roadbed taken. The only thing that is left unsettled is what kind of an agreement we will give them for the right to use the road in future logging.

Mr. MAGEE. How much is approximately involved in the adjustment of this?

Mr. KANE. I would say offhand \$5,000 or \$6,000. I would like to verify that if it is important.

Mr. MAGEE. It is only an approximation that I want. Now, in these matters of title which you have described, and you have described all which have not been adjusted.

Mr. KANE. Yes. All of these titles that are to be acquired are being acquired in the name of the United States Spruce Production Corporation and not in the name of the Siems-Carey-Kerbaugh Corporation, so that this deed running now has been paid, the deed we expect to have signed there; instead of the grantee being the Siems-Carey-Kerbaugh Corporation it is the United States Spruce Production Corporation.

Mr. MAGEE. The contention is that the title to the complete right of way of this railroad shall be vested ultimately in the United States Spruce Production Corporation?

Mr. KANE. Yes.

Mr. MAGEE. Now, what would be the aggregate amount of these portions of the roadbed as to which the title has not yet been adjusted—\$7,000 or \$8,000?

Mr. KANE. Yes; more than that. It would be about \$10,000, possibly.

Mr. MAGEE. Do you know, Mr. Kane, approximately what amount you have paid for the titles already secured?

Mr. KANE. Yes; I can tell you. We have paid about \$70,000.

Mr. MAGEE. So that would make the amount paid and to be paid for the acquisition of the title to that roadbed complete from its junction with the Milwaukee Railroad to Lake Pleasant in the neighborhood of \$80,000, approximately.

Mr. KANE. Yes.

Mr. MAGEE. Was there any other fact in connection with these titles which you think the committee ought to know about?

Mr. KANE. No; I can not think of anything in relation to the titles. I think it is as a whole satisfactory in regard to the title to the right of way. There is just one title on that right of way—I want to say this: There is 1 inch that we can not get. We had to take one tax title up there, and our practice in selling tax titles out here under the statutes of this State is that when a piece of property is sold for taxes they start in at the west and sell until they get over here near the other end, and then they always leave 1 inch on the one side or the other that is not sold, and that inch is in the way, and I do not know how to find a way to get it. But I do not think we will ever have any trouble about that.

Mr. MAGEE. Is that a provision of the statutes of this State?

Mr. KANE. Yes; when property is sold for taxes they start in and sell so many inches and so many inches until a bidder turns up to take the title and pay the taxes for the property.

Mr. MAGEE. That is all.

Mr. LEA. Does that \$80,000 include the timber on the right of way?

Mr. KANE. All the timber on the right of way, and that was the bulk of what we had to pay for; that was the biggest item we paid to the Clallam Lumber Co., because we ran through some very valuable timber and paid for that at the regular rate, but paid nothing for the land.

Mr. LEA. What difference did you pay for the timber?

Mr. KANE. We paid \$3 for fir, cypress, and cedar and \$1 for hemlock.

Mr. LEA. Do you know about what the quantity of timber is that you produced on the right of way—I mean that can be turned over?

Mr. KANE. That can be turned over? I think the Spruce Production Corporation is salving probably all of it at the present time.

Mr. LEA. You do not know the quantity of it?

Mr. KANE. No; I would not want to give the figures on the quantity.

Mr. LEA. You have negotiated for the titles?

Mr. KANE. I have.

Mr. LEA. About how many separate landowners are there on that right of way?

Mr. KANE. Forty-five, I think. I have got the numbers on my map right here; 45, I think.

Mr. LEA. So the right of way cost over \$2,000 a mile?

Mr. KANE. About that.

Mr. LEA. Now, you spoke of the impediments that were placed in the way of the Government enterprise at this end of the road. Was there any reason or opinion that you can give to the committee to enlighten us as to the reason for that?

Mr. KANE. None at all; absolute stubbornness on the part of the Puget Sound Mills & Timber Co. There was no reason for the delay in this, and there was no reason for the opposition we got there.

Mr. LEA. They have a mill located at Port Angeles?

Mr. KANE. Yes.

Mr. LEA. Do you know about how large a mill that is?

Mr. KANE. Yes; it is a large mill. That mill was built by Mr. Michael Earles, who owned that property and afterward sold it to the Charles Nelson Co., who now hold it, and they have a capacity there, I think, of about 250,000 feet. It is a nice mill and a good mill.

Mr. LEA. And they opposed the location of another mill that might become a competitor.

Mr. KANE. They did very seriously. Mr. Scott was one of the strong moving factors in the opposition to the building of either the mill at Lake Pleasant or the mill at Port Angeles.

Mr. LEA. A good deal of the opposition that had developed after the Government's enterprise has come from millers and loggers adversely affected, has it not?

Mr. KANE. That is my experience in handling the business up there; entirely so.

Mr. LEA. When did you become acquainted with the Siems-Carey people?

Mr. KANE. About the 1st of June, 1918.

Mr. LEA. Did you know any of them prior to that time?

Mr. KANE. No, sir.

Mr. LEA. What information is there that you could give the committee about the membership of that company?

Mr. KANE. I knew of Siems and Carey before and I knew of Mr. Kerbaugh, but I had never met any of them previous to that time. Mr. Chester Siems, who was Mr. Carey's partner, was the son of Mr. Peter Siems, of St. Paul, a very prominent railroad contractor in this country and had been for years before he died. Chester Siems and W. F. Carey formed a partnership several years ago and carried on railroad construction work and did a great of it, and did a large amount of work on the Grand Trunk in Canada, and generally. Carey had been with Mr. Siems, the old man, I think, for sometime before he died, and they have done a great quantity of railroad construction work all through this country, particularly the western part of the country. I knew of their operations in China, and I knew that they had a contract there to build a number of miles of railroad and some canal work, and I knew that Mr. Carey had been for awhile on the Panama Canal. I do not know very much about Mr. Kerbaugh, except the fact that he was a rail-

road contractor in the East. At the time he came here it was brought to my attention that he at one time had the largest contracting outfit, I think, of any contractor in the world, as I understood.

Mr. LEA. Which one was that.

Mr. KANE. Mr. Kerbaugh.

Mr. LEA. Do you know anything about their financial responsibility?

Mr. KANE. I know that they qualified for the Government for something over a million dollars, and I know that Mr. Siems since died, and that his estate is something around a couple of million dollars. Of course, I do not know that of my own knowledge, and I do not like to testify to hearsay, but I understand it was a pretty big estate.

Mr. LEA. That company whose membership had devoted their lives to contracting work, and was one of the great contracting firms of the country, is that true?

Mr. KANE. Yes; there is not any question about it. I will say this, that on that railroad when these men came here to take this job that it was considered an impossible task within the time limit. It was told around on the street corners, and every place, that they were undertaking something that was absolutely impossible; nevertheless when the armistice was signed they were ahead of their time.

Mr. MAGEE. Has this got anything to do with the question of title? I called the witness on the question of title only, and that is the only thing that I am interested in.

Mr. FREAR. You are simply pursuing a line of examination that is unnecessary.

Mr. LEA. Don't blame me, blame the witness.

Mr. MAGEE. I want to get the testimony in and get away. I don't care for hearsay. If you have got any facts that you want to get, make him your own witness. I have called him on the question of title, and I would like to have him confine himself to the purpose for which I have called him.

Mr. LEA. I don't regard this as any personal matter. I am just a member of this committee, and I am a very humble member, and I simply wanted the facts as far as we could get them.

Mr. MAGEE. I called him on the question of title. This may be material to the question of title, but it does not seem so to me. You have gone over it about 14 times already.

Mr. LEA. No other witness has told us anything about who Siems-Carey-Kerbaugh were. In the first place, I want to get your initials, Mr. Kane?

Mr. KANE. James H. Kane. And in that connection I want to distinguish it from the other name, C-a-i-n, that has been mentioned here. I am not related to him in any way.

Mr. LEA. Is there any other matter that you wanted to say anything about while here?

Mr. KANE. I would not want to come here and volunteer to make a statement. There are a lot of things I know about this operation, but I do not want to offer myself as a voluntary witness here. I do not know that there is anything that is material that has not been covered by the other witnesses.

Mr. LEA. On what particular features are you informed about the operation?

Mr. KANE. I spent all my time on this work, practically from the beginning up to the time, and for some time after, the armistice was signed. I knew the way the work went on and the rapidity of it. I knew the difficulty that they encountered in carrying on the work, and the efforts that were put forth to turn out the fitches there for the Government. And along those lines I would like to say that in the testimony that I have heard here, that this spruce contract that the Siems-Carey Co. had has always been referred to as a cost-plus contract, and I think that is in error.

Mr. FREAR. How do you know that has always been referred to as a cost-plus contract? You have not been present here all the time?

Mr. KANE. I said when I was present.

Mr. FREAR. Who referred to it as a cost-plus contract?

Mr. KANE. I have heard these cost-plus contractors referred to all the time.

Mr. FREAR. Who has referred to a cost-plus contract of the Siems-Carey-Kerbaugh Corporation? Name one person who has so testified.

Mr. KANE. I have never heard the spruce contract referred to while I was in the room. I have heard it referred to as a cost-plus contract.

Mr. FREAR. By whom?

Mr. KANE. I have heard you, Mr. Chairman, speak of them as cost-plus contracts.

Mr. FREAR. You mean the railroad contract, and not the spruce contract.

Mr. KANE. You did not let me finish.

Mr. FREAR. You say the spruce contract has always been referred to as a cost-plus contract. It has never been so referred to in my hearing, and I have heard every witness.

Mr. KANE. Then I am in error.

Mr. MAGEE. The chairman explained it at the time.

Mr. KANE. Then I was not here when the explanation was made. But when I was here the other day, and Mr. Chinn was testifying on this logging operation or these logging operations, they were referred to as being favored as cost-plus contractors.

Mr. FREAR. They never became such until the cancellation of the contract?

Mr. KANE. Of course not.

Mr. MAGEE. The evidence speaks for itself, and there is nothing you could say that would enlighten us on that.

Mr. KANE. No; but to that extent I felt it was an error to refer to that work as cost-plus work up to the time the contract was canceled.

Mr. MAGEE. The contract is here, and it has been stated at least three or four times in my hearing that they did not take a cost-plus contract, caused by the signing of the armistice.

Mr. KANE. Every time I was present he always gave you the impression that it was a cost-plus contract.

Mr. MAGEE. In reference to this right of way, there is not any reason, is there, why Mr. Scott or the Puget Sound Co. should be called stubborn or criticized because they were making a claim for

Mr. KANE. Not at all, sir.
property taken by the corporation that required this right of way?

Mr. MAGEE. And every claim which has been made by the company, as I understand from you, Mr. Kane, has been recognized, even to the claim for the portion of their railroad to be taken, and is under adjustment?

Mr. KANE. Yes. But I say that because of my experience in dealing with them and in acquiring this right of way I have had my own troubles much more than anything else.

Mr. MAGEE. Lawyers may differ. And it seems to me from what developed here that your criticism, and your designation of them as stubborn was uncalled for in view of the fact that they were only making a claim for property taken.

Mr. KANE. That is a matter of opinion, purely, on that question, I will agree with you.

Mr. MAGEE. There is no ground for criticism.

Mr. KANE. I would not say that; no, sir.

Mr. MAGEE. You think they should be called stubborn?

Mr. KANE. Not on that question, but on the method of handling it. I would reserve my opinion on those questions.

Mr. FREAR. Just one question—on that thought which was brought out, and which you was testifying to here. It appears here in evidence that 4,000 soldiers were turned over to the Siems-Carey-Kerbaugh Corporation to help put through that railroad operation, and they had many civilians, and priority was given to them by the Government, so that they had a clear field in their operation, and that naturally was not understood in advance by the people who were contemplating the difficulty of building a railroad of that kind; they did not know that, and you did not know it, I assume.

Mr. KANE. I did not know that they would have those soldiers offered.

Mr. FREAR. And those special privileges which are not in controversy are not criticized. But I mean that that all had to do with the expedition with which the railroad was built.

Mr. KANE. May I answer that as I see it?

Mr. FREAR. Yes.

Mr. KANE. I am satisfied that the Siems-Carey people did not request any soldiers to be put upon this job.

Mr. FREAR. I am not speaking of that. I am not going into this at all. I am saying that you said here that people did not believe it possible. I am not bringing in the physical situation or that all of these soldiers were sent here. That is immaterial, and we are not criticizing that.

Mr. KANE. I think that did not aid at all in doing that work, because I think the men could have been obtained for that work from civilian life. But if they had been taken from civilian life to do that, it would have crippled other industries that were also necessary in carrying on war activities at the time. In other words, my judgment on that is this: I have not anything except my judgment, and what I noticed developed at the time—that a great many of those laboring men who are accustomed to this kind of work prefer to work on railroad work, rather than in shipyards, if they can get even the same pay for it.

Mr. FREAR. The only point that came to my mind was that because they gave them the soldiers and everything they wanted, including the priorities, and they gave them three shifts of men of eight hours

each, and naturally for that reason there was expedition in the building of the railroad. That is unquestioned, is it not?

Mr. KANE. Well, what was—

Mr. FREAR. Do you know of any other railroad where they have put in three shifts of men of eight hours each?

Mr. KANE. No, not in my experience, because I have never had railroad experience.

Mr. FREAR. So the people who are commenting on this, base that upon their own judgment and their own information.

Mr. KANE. I do not know what they based it on.

Mr. FREAR. Is it not natural? A man bases his judgment upon what he knows and what he hears. You are going into the realms of about what Siems-Carey did there. We do not question that they had the right, but you made the remark that here were these people who did not think it was possible to do that work. They had all the soldiers and priorities they wanted, and they worked shifts three times a day. No company had ever done that, but it was because of the war necessity, and that was the explanation of why it was done expeditiously?

Mr. KANE. I think not. I think they could have done that without the soldiers.

Mr. FREAR. We admit they could have done that.

Mr. KANE. I suppose they contemplated that when they took the contract. What I say is that the railroad men, the contractors and the loggers and everybody else said it was absolutely impossible; but when the armistice was signed it did not appear to be impossible but very probable. I think that covers it.

(Witness excused.)

TESTIMONY OF MR. E. S. GRAMMER.

(The witness was sworn by Mr. Frear.)

Mr. LEA. Where do you reside, Mr. Grammer?

Mr. GRAMMER. Seattle.

Mr. LEA. How long have you lived here?

Mr. GRAMMER. I have actually lived in Seattle 12 years; I have been in the vicinity over 30 years, about 32 years.

Mr. LEA. What is your occupation?

Mr. GRAMMER. I am what they call a logger.

Mr. LEA. How long has that been your occupation?

Mr. GRAMMER. Well, sir, I have been in the logging camps in some capacity practically all the time for 32 years.

Mr. LEA. Did you have any connection with the spruce operations in behalf of the Government that have been carried on here in the West?

Mr. GRAMMER. I did.

Mr. LEA. What was your connection with them?

Mr. GRAMMER. Well, at the present time I am a member of the board of directors of the Spruce Production Corporation.

Mr. LEA. When did you become a director?

Mr. GRAMMER. I believe it was in March of this year.

Mr. LEA. And before you became a member what, if any, connection had you with this operation?

Mr. GRAMMER. I was district supervisor of the Grays Harbor district.

Mr. LEA. What was the nature of your work as district supervisor?

Mr. GRAMMER. It was my business to look after the Government's interests in so far as spruce production was concerned in that district.

Mr. LEA. About when did you become connected with that?

Mr. GRAMMER. I went on duty the 1st of October, 1918.

Mr. LEA. Now, I wish you would briefly tell us about that enterprise down there.

Mr. GRAMMER. At the time I went to the harbor there was one company operating on a rather small scale, called the Airplane Spruce & Lumber Co., which had been incorporated, and they were at that time operating four or five camps. In three of the camps they were producing some logs. One of them developed into a construction camp about that time, to prepare to haul logs later.

Mr. FREAR. Name it, to save time.

Mr. GRAMMER. That camp was what we called—we had them numbered; they were numbered A, B, C, D, etc. I believe that was one of the A camps. As a matter of fact, it had been in operation for some time and had just about logged out. They had been getting some fitches in that camp, and in order to open other timber up it had to be opened in a different way, and about that time they started construction work in that camp to open new timber. At another camp, which was a railroad camp, they were producing logs and also doing a great deal of construction work that would go a few miles farther into the spruce belt where there was a good stand of spruce timber. That was railroad construction that I have reference to. That was on the Elk River.

There was another camp that was producing logs, which was one of the A camps, situated in what they call Grass Creek. That continued to produce logs until about the time the armistice was signed, when they had hauled all the spruce there was at that particular point. That was not a railroad camp. There was in operation what were called the C camps. That was a railroad-extension proposition, where a railroad was being built that would tap the Olympic Forest Reserve, and also the Quinault Indian Reservation. That extension was under construction when I went to the job. There were several camps; that is, there were several places where men were quartered, some three or four, for the purpose of carrying on that work.

Mr. LEA. And with what success was the work being carried on there at that time?

Mr. GRAMMER. Well, that is not for me to say, because I do not know what took place prior to my arrival on the job.

Mr. LEA. After you went there what did you find out about that?

Mr. GRAMMER. When I went there I found the work was in progress; that there were men and tools on the ground, and, going as I did in charge of the proposition, I took things as I found them and got as busy as possible to see if we could get the construction work ahead as rapidly as possible and at the same time to produce logs in the camps where it was possible to produce logs; and I think it is the consensus of opinion that the work went ahead satisfactorily and the people that saw that it was done.

Mr. LEA. Were you acquainted with Col. Disque?

Mr. GRAMMER. Yes, sir.

Mr. LEA. When did you meet him?

Mr. GRAMMER. I think I met Col. Disque in November, 1917.

Mr. LEA. Is that when he first came out to the coast.

Mr. GRAMMER. About the time when he came out first. He may have been here a month or two before that; I am not sure.

Mr. LEA. You became well acquainted with him, did you?

Mr. GRAMMER. I did become well acquainted as months and months went by.

Mr. LEA. As your operations were carried on, were you consulted with reference to them by Col. Disque?

Mr. GRAMMER. Which operations do you have reference to?

Mr. LEA. I mean the general operations here in Washington and Oregon.

Mr. GRAMMER. Regarding the same point where I was working?

Mr. LEA. In reference to the line of work that you were conducting?

Mr. GRAMMER. You mean as a private individual?

Mr. LEA. No; in your connection with this operation were you consulted by him with reference to the work that you were doing?

Mr. GRAMMER. You mean for the Government?

Mr. LEA. Yes.

Mr. GRAMMER. Yes, sir.

Mr. LEA. In other words, to what extent did you advise with him about this work in operation?

Mr. GRAMMER. You mean in connection with the Grays Harbor work at the time that I was——

Mr. LEA. No; I mean the general operation—its various phases.

Mr. GRAMMER. Prior to the time that I went to the Harbor I, along with many other loggers and lumbermen here, discussed this situation, I think, in about all of its phases that would occur to the industry at that time. I think so.

Mr. LEA. And after you became a member of the board of directors did you attend the meetings?

Mr. GRAMMER. I have attended two.

Mr. LEA. And did you confer with Gen. Disque and with the directors as to the management of the Spruce Production Corporation?

Mr. GRAMMER. I became a member of the Spruce Production Corporation after Gen. Disque's resignation, I believe.

Mr. LEA. I see.

Mr. GRAMMER. I never attended a meeting when he was present.

Mr. LEA. Have you any information that you could give the committee as to the housing conditions and the question of food for the men; are you posted in that phase of the work?

Mr. GRAMMER. I have some knowledge as to the housing of the men and the kind of food that was supplied by the Airplane Spruce & Lumber Co. in that district where I was supervisor.

Mr. LEA. With that company was Mr. Frost connected?

Mr. GRAMMER. No, sir; a different corporation.

Mr. LEA. I will ask you to tell us about that district where you were superintending, in that respect.

Mr. GRAMMER. So far as the housing was concerned, the men used Army tents, I would call them; they were these little A tents. I

suppose they were Army tents, and so far as I know they were new when they came on the job, or practically so.

Mr. LEA. Did they have board floors or not?

Mr. GRAMMER. Yes, sir; they had good board floors.

Mr. LEA. And how about the food that was furnished to the man, as you observed it?

Mr. GRAMMER. The food was of the same character, so far as I could see, and quantities, and practically the same condition as was generally furnished in the Puget Sound district for the men who worked in the logging camps by private operators.

Mr. LEA. What type of kitchens did they have?

Mr. GRAMMER. As a rule, they had board floor and tables and benches, where they could be seated, the ordinary utensils for eating, and with a roof, in some cases tenting or fly, you might call it, or maybe the two of them; in some cases a combination of tent and shingles or shack, whatever it might be, with the sides boarded or tented, as the case might be.

Mr. LEA. About how many men were in this district where you were superintendent?

Mr. GRAMMER. I can hardly answer that question, because I do not know exactly. The Airplane Spruce & Lumber Co. had a certain number of men working for them, and there were others—I do not know whether I understood your question, whether you referred to men or soldiers.

Mr. LEA. No; I meant the total number of men employed in that district?

Mr. GRAMMER. In the lumber industry?

Mr. LEA. Yes; in connection with spruce production.

Mr. GRAMMER. Well, that is a pretty hard question, because that was a spruce district, and a great many men in there, in practically every camp, you might say, in the entire district in Grays Harbor County, were there to get spruce, and that would mean, you might say, how many men were working in the district.

Mr. LEA. I wanted to know approximately the size of the district?

Mr. GRAMMER. In Grays Harbor County that was the chief activity.

Mr. LEA. Were they doing selective logging or general loggings?

Mr. GRAMMER. There was some of both being done.

Mr. LEA. Did you have any connection with the selective logging as carried on by the Spruce Production Corporation?

Mr. GRAMMER. The Airplane Spruce & Lumber Co. in my district were doing selective logging.

Mr. LEA. With what success?

Mr. GRAMMER. Based on the opinion of many loggers and men who usually said that it was impracticable and could not be done, I say it was done with very fine success.

Mr. LEA. That is, you believe that it was a result-producing enterprise, do you?

Mr. GRAMMER. I do, sir; the same as you can gather a few apples off a tree quicker and cheaper than you can gather all of them, and the same as you can take a portion of the ice off a lake cheaper and quicker than you can take it all off, etc.

Mr. LEA. Is that your impression, based on your experience?

Mr. GRAMMER. I saw selective logging done there in a way which I think was beneficial to the spruce-getting plan.

Mr. LEA. In other words, it produced more spruce, and more promptly?

Mr. GRAMMER. I can not say it produced more spruce, but it produced more spruce of the particular grade that the Government wanted, at a less price than you could get it for—less money and in a shorter time than you could get it if you took all the other spruce and all the other timber out with it.

Mr. LEA. In what business were you engaged prior to coming with the spruce-production operation for the Government?

Mr. GRAMMER. Logging.

Mr. LEA. On your own behalf?

Mr. GRAMMER. I am associated with the Puget Milling Co. in conducting the Admiralty Logging Co.'s work.

Mr. LEA. Where is their plant located?

Mr. GRAMMER. Between Seattle and Everett.

Mr. LEA. How large an enterprise was that?

Mr. GRAMMER. We produce about a hundred million feet of logs annually.

Mr. LEA. And what was your particular duty in connection with that company?

Mr. GRAMMER. I am general manager.

Mr. LEA. Is there any other matter here that you deem pertinent, that you would like to give us some information on?

Mr. GRAMMER. Selective logging, I think, as I remember the reports that come in, would be about 25,000, 30,000, or 35,000 feet a day. Those are supposed to be number 1 and 2 logs. The way the selective logging was carried on, it developed that it was necessary to select the tree, and men who were skilled in the business were sent into the forest to select those trees and mark them, so that when the timber fellows came right away they would see whether a tree was marked or not. In case the tree was marked, they would cut that tree. That was to facilitate the work as it would go along. Also you had the judgment of what was supposed to be an expert in selecting the tree that would be proper to handle. You know, I have heard some of the testimony here, not to comment on anybody's testimony, but I studied this proposition very closely from the beginning, and I have seen a commission or two from Washington regarding spruce, and they would meet sometimes with lumbermen and timber holders, and probably I would be one, and they would ask for information, maybe, about spruce.

Mr. FREAR. I wanted to finish with this witness, and of course this is rambling into the fields of uncertainty, and it will take quite a while, and we want to meet at 10 o'clock. You are going into the question of commissions that came from Washington, and I can not see the relevancy of that before this committee.

Mr. GRAMMER. I have to give that in order to qualify for the remarks that I want to make.

Mr. FREAR. All right then, go on; take your own time.

Mr. GRAMMER. And even in those meetings there would be something said about war and how important it was and all that, and is not spruce to be had, and so forth. Most any man in a large area would say, "Yes, I have got spruce." "Well," they would say, "how much have you got?" He would answer, "Well, I have got a lot of spruce, etc., buildings, and all that." But the man who made

that statement did not know whether he had a spruce tree; he believed that he had. Probably he did not know that he had one spruce tree that would make one wing beam, because we did not know—and I was one of those men—what a wing beam was. We did not know that it had to be straight grain, and so forth. The spruce trees sometimes grow and twist, and if you go out and cut a lot of spruce trees down that would be any size that they happened to grow; still they would not make the straight grain stock required by the Government.

Mr. FREAR. We understand all that. We have been through a good deal of it, but go on if you want to.

Mr. GRAMMER. Yes, sir. We had to be educated as to what it meant to get spruce. We thought we could just run out and get spruce, but we found out that there was a difference between the timber we had and airplane stock. There were mills that undertook to cut out spruce logs that got such a small percentage of wing beam stock that it would not have justified the mills continuing to, you might say, destroy the logs. It was necessary then that it should be a matter of education, straight down the line. The full truth of the thing regarding selective logging was that it was thought it could not be done. It could not have been done at the prices prevailing or that ever had prevailed in this industry as a commercial proposition; but we thought we would have 18 months before the war was closed, possibly, that the spruce would be needed in large quantities, and so forth, and we were falling down and falling down rapidly. When I say "we" I mean the lumber industry because we had discovered—

Mr. FREAR. Now you are opening up a tremendous field, which I am perfectly willing to go into. I am going to show why you have fallen down, and I do not object to that line; but I want you to know you are opening a new line here.

Mr. LEA. It is a matter that we want to go into. We have had too many men who did not know what they were talking about.

Mr. FREAR. They did not know what they were talking about? They knew what they were talking about just as much as this man does.

Mr. LEA. We do not get anywhere by getting wrathful over these common things that come up.

Mr. FREAR. This is not testimony, and it could not be offered in any court of justice.

Mr. LEA. Yesterday it was claimed that the men were talking about timber only from rumor, and here is a man who was a director of the Spruce Production Corporation and was selected for this enterprise because he was a logger of 30 years' experience and he is telling what he has learned from his experience, and I would like to have him given the privilege of going ahead and candidly telling us as to his knowledge and not from hearsay.

Mr. FREAR. The only point is that it is going to take so much time. But I will say that the opening you make about having fallen down simply opens up a wide field, and I have got to show why you fell down, that the loggers failed to receive the assistance, why you did not do what ought to have been done, and all that requires a long investigation to go into.

Mr. LEA. That is an essential part of the inquiry here.

Mr. GRAMMER. If my testimony is not wanted I am not anxious to give it.

Mr. FREAR. You were just asked if there was anything further that you have to say.

Mr. GRAMMER. This is what I have to say regarding the matter, and if I can not say that I will not say anything.

Mr. FREAR. I say it would be better to take the matter up by questions and answers rather than having you go on with this long dissertation. . •

Mr. GRAMMER. If you want to know the truth as I see it, I am willing to give it.

Mr. FREAR. Can you tell us of the conditions any better than the gentleman who preceded you?

Mr. GRAMMER. That has not been the question in my mind. I wanted to tell the truth.

Mr. FREAR. Of course, it is not a question of your telling the truth; it is only a question of judgment.

Mr. LEA. Here we have a witness who says something a little favorable to the War Department, and he ought to have the privilege of going ahead, without being harassed and insulted, and there is no use for you and I to contend with each other.

Mr. FREAR. You can not use that language—"harassed and insulted"—undisputed. The worst insult and harassment before this committee at any time was offered by the member of the committee who has just spoken to a witness the other day. I have not any objection to the testimony of this witness, excepting that it ought to be by question and answer. The witness has been asked to make a speech, and that may take an hour or two hours, when this is the last day of these hearings in Seattle. I think it is only fair to the committee that the witness should be asked questions, instead of asking him to go ahead and state anything else he may happen to know. If it is insisted that he shall open up this new field, we will stay here to-night if necessary. It is not that I object to the testimony of the witness, but it is to the way in which he is asked to testify.

Mr. GRAMMER. I am not going to testify under oath to try to meet the time-tables of the several different roads.

Mr. FREAR. You are going to testify just the way this committee wants you to testify, as far as time is concerned. I understand that time-tables have nothing to do with your arrangement.

Mr. LEA. Now, what was the question pending there?

(The stenographer repeated the last part of the witness's statement, as follows:)

It could not have been done at the prices prevailing or that ever had prevailed in this industry as a commercial proposition, but we thought we would have 18 months before the war was closed, possibly, that the spruce would be needed in large quantities, etc., and we were falling down and falling down rapidly. When I say "We" I mean the lumber industry, because we had discovered—

Mr. LEA. Now, what did you find out, Mr. Grammer?

Mr. GRAMMER. That we had discovered?

Mr. LEA. Yes.

Mr. GRAMMER. That the kind of spruce necessary to supply the Government's wishes was so thinly located, you might say, in the

timber, that it was necessary to just go and take the particular trees that would produce what the Government wanted, instead of pursuing the custom here of taking all of the trees that might grow on the ground. That was a justification which I think most of the loggers condemned, in a way, from a commercial standpoint, but thought it would be justified under the war emergency. Construction work was done, some of it not completed, because the necessity for completing it was forced off by the signing of the armistice. It is a fact that in the district where I was supervising that in a very few weeks the output of the Government's operation there would have increased materially, because we believed that it was necessary to do that thing, and we were making arrangements so to do—that is, to produce more spruce logs.

Mr. LEA. Were you connected with the spruce-production operation at the time the riving program was adopted?

Mr. GRAMMER. No, sir.

Mr. LEA. You had nothing to do with that?

Mr. GRAMMER. The Lumbermen's Protective League, which has been mentioned here once, was an organization of the loggers, the millmen, the men in the lumber industry; that is, the operators in Washington, Oregon, and Idaho, organized for a certain purpose. We used to meet frequently, about the time that this spruce work was being installed, and in those meetings there would be anywhere from 80 or 90 to 100, up to probably 200 or 225 men, maybe, in some extreme cases, and these questions would sometimes be discussed. That is, in a broad way, a man would talk about the war, etc., and maybe he would get a little bit off the subject and make a speech, like I was supposed to be making here a while ago. In one of those meetings there was a committee appointed, of lumbermen, and the committee authorized—there were five of us, I think—to go to Col. Disque, or have a meeting with him and advise with him regarding the situation here, for their services, or the services of the industry in any way that we could serve the Government, and to make any suggestions that we thought he would like to hear in connection with the spruce program. That committee was appointed and it happened that I was appointed chairman of that committee. We went to Portland and conferred with Col. Disque regarding the problem that was before him, etc. We were courteously received, and the conference lasted until late in the night. Remarks that I made—I happened to have a copy of some notes that I used in talking to him regarding the spruce proposition at that time, which were practically O. K.'d by the committee that was with me. These notes were based on the consensus of a good many opinions which had been expressed by lumbermen in these several meetings prior to the time that we had this consultation with Col. Disque just mentioned.

Mr. LEA. Do you remember what date that was?

Mr. GRAMMER. I do not remember the exact date, but I believe that it was in the month of December, 1917.

Mr. LEA. Can you give us the substance of those recommendations that were made by the lumbermen to him at that time?

Mr. GRAMMER. I have a copy here. These are just crude notes, taken down.

Mr. LEA. Can we put that into the record, is that your idea? Are they complete?

Mr. GRAMMER. They are just notes, just rambling notes.

Mr. LEA. Well, this, in substance, states the position of the lumbermen at that time, does it?

Mr. GRAMMER. I think it does.

Mr. LEA. Suppose we just put this in the record.

Mr. FREAR. That is a very unusual proceeding, to say that here is a memorandum prepared as the consensus of opinion of men. until we find out more about it.

Mr. LEA. I just suggested that to save time.

Mr. FREAR. He can go on and tell what there is there. That is the proper way.

Mr. LEA. Will you go ahead?

Mr. GRAMMER. There has been testimony here as to whether Col. Disque consulted with practical men after coming here before he launched this proposition. I will say that that evening in this conference that I read these notes, as I may be privileged to read them here, and he commented on these notes with this committee that had been selected by this Lumbermen's Protective League. At that time Col. Disque requested a copy of these notes, with which he was supplied, and what action he took is now common knowledge. I said, to begin with, in these notes—I had in mind that three sources should be expected to produce the desired material—that is, to get out spruce for the Government. First, the sawmill now in operation, figuring, of course, that the sawmills had some logs supply and would get some spruce. Second, the small portable mill to be installed to cut aircraft spruce only that might be plucked out after the lumber was cut to place in transportation, going into the timber to keep from hauling the logs and such part of the tree as would not make aircraft spruce. Third, the riving of flitches by shingle-bolt cutters, farmers, and others. That was to stimulate the proposition and try to keep it to capacity. Another thing that we thought should be done was to waive the trespass of privately owned as well as State, school, and national forest reserve timber. To define a reasonable stumpage to be paid by the Government for any spruce cut and removed from any land. To compose a set of rules to govern the removal and payment of spruce stumpage and lumber and riven bolts or flitches. Designate specifications, price to be paid for each piece, points of delivery, dates for inspection, and minimum quantity that would be accepted from an individual.

Labor agencies to deliver all men applying for work in the lumber industry to the spruce-production camps under penalty for violation. You see how absurd some of these would be now, but it was the recommendations we had in mind at that time. No laborers should be allowed to leave the job until discharged. Probably you would say for cause. Applicants should sign an oath of allegiance to the Government. That meant applicants for labor in the spruce camps. Appropriate rules of discipline should be strictly enforced at all points where force account is in order. Secret service should be provided to report sabotage, derelictions of duty, pro-German influence, etc. A standard wage per hour should maintain. Grades for railroads should be constructed to spruce bodies which could be brought in next year. An instructor should be provided for each half dozen mills cutting aircraft stock to teach the sawyers how to cut the logs to produce most and require them to do so. Those were

some of the things which we thought at that time as lumbermen should be done by the Government in order to produce the required aircraft material. I think at that time it was supposed that the spruce required would be somewhere, as I remember, from six to ten million feet a month, or whatever could be gotten. Col. Disque commented on one or two of these propositions. At that time he told us frankly that he did not have the authority to follow these recommendations. One of the things I remember distinctly, to which I replied, he said, "You could not keep a man on the job if he didn't want to work," that that was contrary to American principles. I remember the answer which I gave him, if this is interesting to the commission.

Mr. FREAR. It is all right; I am throwing the door wide open now.

Mr. GRAMMER. The answer I made was, "Well, Colonel, our previous wars have been carried on by volunteer soldiers, and men can volunteer before they go into these woods to do this very patriotic work. I, for one, will volunteer." So he said it might be gotten by along that line, or some comment of that kind. Now, this very crude proposition gives this commission some idea of what the lumbermen that were here on the job at that time thought of getting out spruce for the Government.

Mr. LEA. What is the explanation of this last suggestion you read?

Mr. GRAMMER. An instructor should be provided for each half dozen mills cutting aircraft stock to teach the sawyers how to cut the logs to produce most—I mean aircraft stock, of course—and require them to do so.

Mr. LEA. What was the problem of sawing spruce logs to meet the aircraft program as contrasted with the sawing as it had theretofore been conducted on the coast?

Mr. GRAMMER. I am not a millman and I can only speak from hearsay.

Mr. LEA. Can you give an explanation about that?

Mr. GRAMMER. In cutting commercial lumber they cut in order to get the maximum number of feet out of a log, whether the log was cut across the grain or not, except, probably, in cutting some vertical grain, flooring. In cutting spruce logs for airplane stock it seemed that it was necessary to direct the saw so the saw would run parallel with the grain. That, it seems, was not understood by many sawyers in the mills and was not the custom, and it was probably easier and swifter to cut the log in the old commercial way rather than to cut it in such a way that it would produce straight grain flitches or material for the Government.

Mr. LEA. Did that cause any delay or different operation than to cut it with the grain?

Mr. GRAMMER. Again I would have to speak from hearsay. They told me that it did, that it would cause a delay.

Mr. LEA. Would it necessitate shifting the log while it was being sawed?

Mr. GRAMMER. I think it would depend to some extent on how the carriage or machinery was placed in the first place.

Mr. LEA. Now, briefly, what took place about the riving operation?

Mr. GRAMMER. I do not know so very much about the riving operation. There was in this meeting and in subsequent meetings much

said about what it would cost to rive the trees. The riving of spruce, it was thought, would stimulate the output. There was another feature, that it would be educational to the men engaged in getting out spruce, because in splitting you would see how the grain ran in the trees and you would thereby gain some knowledge of selecting trees later, even, that would go to the sawmill to be sawed into aircraft stock. I do not know from memory how many million feet of spruce flitches were produced. I know finally the proposition was not altogether—I might say largely—discontinued.

Mr. LEA. Now, the riving operations, were they conducted near a rail transportation or not, or were they conducted in both sorts of places?

Mr. GRAMMER. Well, as a rule, I think they were mostly near rail transportation.

Mr. LEA. What was the advantage in riving, if any, over any other method of getting those logs?

Mr. GRAMMER. A tree that was large might be rived into smaller pieces, so that the transportation feature would be much easier, so the transportation feature would be possible, you might say. You could not, maybe, with the facilities at hand, which sometimes would be meager—a team, for instance, or two—you could not transport a log that was 4 or 6 feet in diameter and 22 feet long, whereas in smaller pieces they could take it.

Mr. LEA. Now, is there any other information that you regard of importance for the committee to hear in reference to the matters that have been brought up here and on which you can give us specific information?

Mr. GRAMMER. It has been said that a large amount of construction work which was carried on was absolutely unnecessary.

Mr. LEA. What have you to say in reference to that?

Mr. GRAMMER. I have this to say, that such remarks as that were heard here after the signing of the armistice; but I did not hear such remarks, sir, prior to the signing of the armistice that I remember of. There is no question, of course, but what if we had known, and these men in this industry that have testified, and many others who might testify, had known that the Government wanted 143,000,000 feet of spruce only that would make airplane stock, and that is all they were going to need and then there would be no use for any more, why, it would have been gotten in a very different way and under different circumstances. I doubt whether it could have been gotten any quicker or not at any less expense. That is, when you figure the expense that was put upon the particular amount of logs that would come out. But there are a great many logs that were not sawn into flitches that was ready for the saw when the armistice was signed that became, you might say, scrap or salvage, that have not been taken into consideration. Some of these ambitious railroad projects—I call them ambitious—would not have been even surveyed, gentlemen, if the men in this industry had thought the armistice was going to be signed when it was, and you men would not be out here, probably, to investigate this proposition. But we thought the country was at war, and the whole cry was—many of our lumbermen in these meetings, and some of them I have seen here in this room, would talk about the honor of his American Republic which must be upheld, etc., and that one airplane was equivalent to—what was it, 1,500 or 15,000 soldiers; some

such basis as that—and “let us get the spruce and it doesn't make any difference what it costs. If it costs a dollar a foot, let us go and get the spruce. Let us build into Clallam County and build into the other counties, etc.”

That was the consensus of the opinions of most of the men that you would hear speak that were connected with the lumber industry, prior to the signing of the armistice. It didn't make any difference what it cost, but get the spruce, and get it in sufficient quantities. The spruce-production division or spruce-production corporation, the direct agent of the Government here to do this work, was getting orders, and I saw some of the telegrams. to produce this spruce in ever-increasing quantities, no matter what they were doing.

Mr. LEA. What was your judgment as to the advisability or necessity of constructing a road into Lake Pleasant, if large spruce production was to be provided in 1919?

Mr. GRAMMER. In reply to that, I want to say that I am not personally familiar with that locality. I have been to Clallam Bay some years ago. I have a general knowledge, and I examined also county cruisers' reports. I have seen a railroad alignment which I was told was a certain road in Clallam County, etc. I believe that there was large quantities of desirable spruce there for airplane purposes. Now, with that meager information, I, for one, would say absolutely yes; build the road and build it as quickly as possible, if we never use a stick of it. It is preparedness, and if we do need it, why, the people of the United States will say, “Why in the world didn't you get that spruce ready? You had time to get it ready.” I would say, “Yes; build it.” I think, sir, that you will find that many, many, many lumbermen were all of the same opinion—that that road should be built. As a matter of fact, I heard lumbermen express themselves that they were late in starting. But, of course, then it was war, now it is peace; and we can not compare peace conditions with war conditions.

Mr. LEA. Now, that is in substance what occurs to your mind to say at this time, or is there anything else of importance? Of course. I want to be as brief as we can and get at the facts, but we want you to have a chance to tell them.

Mr. GRAMMER. I want to say regarding the condition of the lumber industry that the Government sent agents here to get spruce at a time, and at the time that Col. Disque came here, the industry was very much disrupted regarding labor. It was having practically its first experience, you might say, with labor troubles; that is, organized labor troubles. There had been a little organization that had caused some trouble in shingle mills years gone by, but the lumber industry of the Pacific Northwest had never been organized under the A. F. of L. or any other organization, and we had a disorganized mass of men. A certain organization had organized a few men in several different localities in the industry, and those men, under certain tactics, had brought to bear on the minds of a great many men that were at work a condition which caused those men to stop work in the lumber industry. About the time that Col. Disque came into the field there were probably not to exceed 50 to 60 per cent of the laborers actually at work in the lumber industry that usually worked in that industry. At the same time the lumber industry was being called on by the Government for cantonment lumber, which took a good deal of lumber away from here, and it was up to these

50 or 60 per cent of the men that were working to supply that demand as well as the demands for shipbuilding timber, which came along a little later. Our industry as a whole was very much disorganized as an industry. At the time Col. Disque came here to get the spruce it was very much disorganized. And in connection with that work there was an organization started the name of which practically defines it. It was called the Loyal Legion of Loggers and Lumbermen. The idea was that on a 50-50 basis we would all be loyal to the country, and we signed a little pledge that we would show our loyalty by each of us doing all that we could to produce spruce lumber and the things that the Government would require. Now, these men that I mentioned awhile ago that had organized quite a few men in several different districts were very much opposed to this organization, the Loyal Legion of Loggers and Lumbermen, and refused to join it. That organization worked well during the war. It is still in existence, however, with a membership composed of both employers and employees.

Mr. LEA. Now, is there any other material feature that you think the committee ought to be informed about, Mr. Grammer, or that you could give us information on?

Mr. GRAMMER. I am willing to answer any questions that I can answer.

Mr. LEA. Well, I am not familiar with all your activities in reference to this matter, and I simply wanted to call upon your information, thinking you might give the committee any information that you thought might not have been supplied here that was important. If there is any such in your mind in addition to what you have already given, I wish you would give it.

Mr. GRAMMER. I want to say that during the war I never heard of any condition being imposed by the Government or the Government's agents that would prevent any man from getting any spruce log or lumber that would make airplane stock. Furthermore, I want to say that the Government agents, in so far as I know or came to my knowledge, encouraged men and corporations and those interested in the industry here to the end that they might get all possible of spruce and ship timbers.

Mr. LEA. Do you know of any case in which priorities were denied to men who wanted to produce spruce?

Mr. GRAMMER. I do not know of any such case.

Mr. LEA. Were any portable mills used? I notice you suggested portable mills.

Mr. GRAMMER. I don't know whether the Government made advances or bought and put in portable mills or not, but I know that there were some—well, practically portable mills, very small mills, that were easily installed—put in in Grays Harbor County.

Mr. LEA. That is all.

Mr. FREAR. What is your military experience?

Mr. GRAMMER. Very little.

Mr. FREAR. What has it been?

Mr. GRAMMER. I was commissioned from private life in the Spruce Production Division.

Mr. FREAR. What military experience had you had prior to that?

Mr. GRAMMER. I had none, except what you might get in school.

Mr. FREAR. What did you get in school?

Mr. GRAMMER. A little marching and drilling, and that kind of thing.

Mr. FREAR. Guns, and so on?

Mr. GRAMMER. Oh, no; I think we had broomsticks, or something like that.

Mr. FREAR. So that when you were appointed major by Col. Disque it was not with any reference to any military training which you had had prior to that time?

Mr. GRAMMER. No, sir.

Mr. FREAR. And when this captain came before us several days ago, who had been fighting in the trenches for a long period, as he said—eight days under fire—and he returned as a captain, with his long term of military training, compared to the training that you had had he would have been entitled, would he not, under any fair method of measurement, to a highly increased command, compared with yours in your military training?

Mr. GRAMMER. I have told you I was not familiar with military affairs. That is not for me to say.

Mr. FREAR. It is not for you to say? But you were entitled to higher titles than men who have been through that war and who have been fighting hard?

Mr. GRAMMER. I have not testified I was entitled to it.

Mr. FREAR. Did you recommend Disque for distinguished service?

Mr. GRAMMER. No, sir.

Mr. FREAR. Did he recommend you for distinguished service?

Mr. GRAMMER. Not to my knowledge.

Mr. FREAR. He recommended 20 people, did he not?

Mr. GRAMMER. I don't know.

Mr. FREAR. You are not familiar with that?

Mr. GRAMMER. No, sir.

Mr. FREAR. He made you a major, didn't he?

Mr. GRAMMER. Well, I don't know how that is done.

Mr. FREAR. Explain how it was.

Mr. GRAMMER. The commission, I think, came from Washington, signed by somebody—The Adjutant General or somebody.

Mr. FREAR. Did The Adjutant General know you?

Mr. GRAMMER. I don't think he did.

Mr. FREAR. So that he would not have made the nomination of you as a major unless he had had some influence brought to bear, would he?

Mr. GRAMMER. That I can't say. I guess there was a recommendation made.

Mr. FREAR. What is your judgment?

Mr. GRAMMER. Well, I should think that I had been recommended to him for such a commission.

Mr. FREAR. Surely. Now, by whom?

Mr. GRAMMER. I presume, sir, that it was by Col. Disque.

Mr. FREAR. That is right. Now, we get back to the point: So Col. Disque nominated you for a major in the Army and you received that title. When was that?

Mr. GRAMMER. When do you mean?

Mr. FREAR. When you received it?

Mr. GRAMMER. That I received—

Mr. FREAR. Your appointment as major?

Mr. GRAMMER. That I received the commission?

Mr. FREAR. Yes.

Mr. GRAMMER. It was late in October.

Mr. FREAR. What year?

Mr. GRAMMER. 1918.

Mr. FREAR. Oh, that is just before the signing of the armistice?

Mr. GRAMMER. Yes, sir.

Mr. FREAR. It could not have been over two or three weeks, then?

Mr. GRAMMER. I don't suppose it was. Two or three weeks, or something like that.

Mr. FREAR. Had you had any military title before that?

Mr. GRAMMER. No, sir.

Mr. FREAR. And no military experience before or since?

Mr. GRAMMER. Very slight. The same as other citizens have.

Mr. FREAR. What was it?

Mr. GRAMMER. I have told you.

Mr. FREAR. Well, but you have described none. What have you had of military experience before or since you were appointed to that position?

Mr. GRAMMER. Since I was appointed I had some experience.

Mr. FREAR. What doing?

Mr. GRAMMER. I have told you what my duties were.

Mr. FREAR. Yes.

Mr. GRAMMER. To act as district supervisor.

Mr. FREAR. Oh, I know, but I am asking for military training; what experience you had.

Mr. GRAMMER. Well, what do you want to know about it?

Mr. FREAR. What?

Mr. GRAMMER. What do you want to know about it?

Mr. FREAR. I want to know what military experience you have had before or since the signing of the armistice?

Mr. GRAMMER. Well, sir, I——

Mr. FREAR. You say you had the same as ordinary citizens. Tell me what, if any.

Mr. GRAMMER. That was prior to the time I was commissioned, I said. I had experience the same as other citizens have.

Mr. FREAR. What other citizens? I had 16 years. What have you had? I am a citizen, just an ordinary citizen.

Mr. GRAMMER. Well, distinguishing between the military and the citizen when I said civilian.

Mr. FREAR. You had no military training before or since?

Mr. GRAMMER. Probably I should have said civilian.

Mr. FREAR. You have had no military training, have you, before or since——

Mr. GRAMMER. Not in the strict sense of the word; no, sir.

Mr. FREAR. What have you in any other sense of the word?

Mr. GRAMMER. Well, sir, I have been commissioned as an officer in the United States Army.

Mr. FREAR. That doesn't——

Mr. LEA. Now——

Mr. GRAMMER. And performed my duties as such that were acceptable to the commanding officer and drew pay for it.

Mr. FREAR. Surely. I am asking what military training you have had before or since the signing of the armistice?

Mr. GRAMMER. Training?

Mr. FREAR. Yes; that was my question every time—military training or military experience.

Mr. GRAMMER. Well, I had military experience in connection with my duties.

Mr. FREAR. What were you doing?

Mr. GRAMMER. What doing?

Mr. FREAR. Tell me the military training or experience that you had, now, in connection with your duties from October to the signing of the armistice. That was about three weeks.

Mr. GRAMMER. My duties were to look after the interests of the Government.

Mr. FREAR. Oh, well, the Government—

Mr. GRAMMER. That was being done, sir, under the military directions of the Government, and I was an agent in that work and performed it to the best of my ability.

Mr. FREAR. The statement has been made here from nearly every one who is employed in the Spruce Corporation, no matter what their position was, that they were the Government. Tell me what you did as an individual showing any military training or experience.

Mr. GRAMMER. You mean march out on the—

Mr. FREAR. Military training or experience. You know what that is, whether it is marching or whether it is drilling, or what; tell us what you did.

Mr. GRAMMER. There hasn't been anybody training me in a military way, if that is what you have reference to.

Mr. FREAR. You were never trained in it and never trained anyone else?

Mr. GRAMMER. Not as an officer in the Army; no, sir.

Mr. FREAR. So you know nothing about that?

Mr. GRAMMER. I can't say I know nothing about it.

Mr. FREAR. What do you know, then?

Mr. GRAMMER. I have never actually done the work.

Mr. FREAR. Let's see, what do you know? What do you know?

Mr. GRAMMER. What do I know?

Mr. FREAR. Yes; about military training?

Mr. GRAMMER. Well, sir, I know that men wear a uniform; what I mean by that is that they have—each of them have similar uniforms.

Mr. FREAR. Did you wear one?

Mr. GRAMMER. That there are similar commands, that commands are given that numbers of the men understand at the same time and obey.

Mr. FREAR. You have seen that?

Mr. GRAMMER. I know that this usually leads up to the point where they become a combative force—

Mr. FREAR. And you have seen all that, you have seen that, you have been in camps where you have seen this done?

Mr. GRAMMER. I can't say I have been in camps where I saw it done.

Mr. FREAR. Well, then, how do you know it—simply because you have read of it or have heard of it?

Mr. GRAMMER. I have seen it done on the streets and in places where it was convenient to have——

Mr. FREAR. That is the best of your information?

Mr. GRAMMER. On ship deck, probably, in the Navy, etc.

Mr. FREAR. You were not commissioned in the Navy, of course?

Mr. GRAMMER. No, sir; but that is military, isn't it?

Mr. FREAR. Military; yes. And you had absolutely no training at any time in your life—military training or experience, have you——

Mr. GRAMMER. No, sir.

Mr. FREAR. And you were commissioned a major. You went into this board in March, 1919, you said, as a director?

Mr. GRAMMER. About that time; I think it was March.

Mr. FREAR. You are a logger?

Mr. GRAMMER. Yes, sir.

Mr. FREAR. A business man. That was March, 1918, I guess, wasn't it? Was it 1919? Did I get these figures right?

Mr. GRAMMER. I think in my testimony it was 1919.

Mr. FREAR. 1919, and that is long after the signing of the armistice.

Mr. GRAMMER. You said on the Spruce Production Board, didn't you?

Mr. FREAR. Yes. That is, the time you went in was 1919?

Mr. GRAMMER. Went into what?

Mr. FREAR. The Spruce Production Board, as director?

Mr. GRAMMER. That was in 1919.

Mr. FREAR. And then that is six months after the signing of the armistice?

Mr. GRAMMER. Yes.

Mr. FREAR. Oh, I mistook; I thought you were there during the service. You spoke—taking it down in the order—of the airplane company at Grays Harbor. You had some knowledge about that, did you?

Mr. GRAMMER. Yes, sir; for a couple of months; two or three months.

Mr. FREAR. What time; what months?

Mr. GRAMMER. October, November——

Mr. FREAR. That is just before the signing of the armistice.

Mr. GRAMMER. Yes, sir.

Mr. FREAR. Several weeks?

Mr. GRAMMER. Oh, yes.

Mr. FREAR. Mr. Polson was the man who had charge of the airplane—or president of the airplane company—was he not?

Mr. GRAMMER. President; one of the Polsons was.

Mr. FREAR. He was president of the company. You were not connected with this spruce production company during the time that they were engaged in getting out or working there on their railroads and working there in their spruce, prior to this short time in October, 1918. Did you know or did you learn that Mr. Polson, who was president, had met with very serious obstacles in trying to put this railroad through to the Quinault Reservation?

Mr. GRAMMER. I didn't know that he had.

Mr. FREAR. Did you know that Maj. Hitchcock, of Cleveland, Ohio, had been there on the job—or was it Hitchcock—for a long period and had been finally removed; did you hear that?

Mr. GRAMMER. No, sir; I never had heard it.

Mr. FREAR. And did you hear if anyone had been there on the job, representing the Government on this airplane project that Polson was conducting?

Mr. GRAMMER. In an official capacity, do you mean?

Mr. FREAR. In an official capacity?

Mr. GRAMMER. What particular capacity?

Mr. FREAR. Representing the Government, in charge?

Mr. GRAMMER. There were a number of men there, representing the Government.

Mr. FREAR. The one in charge.

Mr. GRAMMER. You mean in charge of the military?

Mr. FREAR. The one in charge at Polson's scene of operations, who had the direction of the general work there in putting in the railroad and getting out the spruce?

Mr. GRAMMER. There was a man by the name of Hutchinson that I—

Mr. FREAR. Maj. Hutchinson.

Mr. GRAMMER. That I succeeded as district supervisor.

Mr. FREAR. He was succeeded by you? He was failing, was he not, in getting things going there?

Mr. GRAMMER. That is not for me to say.

Mr. FREAR. Well, that is the reason that you were considered more competent and you were put in his place, was it not?

Mr. GRAMMER. I don't wish to be evasive, but I wish to tell you what I was told.

Mr. FREAR. All right.

Mr. GRAMMER. That Mr. Hutchinson was a very patriotic young man; wished to go to an officers' training corps, to join the artillery, and I was informed that he had resigned, and I saw a letter requesting—that is, a letter from him—requesting that his successor be appointed as quickly as possible, because he wanted to be at some point East by a certain date, in order that he might train for the work in the Army.

Mr. FREAR. And don't you know that there was a great deal of trouble on the part of Polson with this Hutchinson because he had failed to—or he had put so many obstacles in his way, in the construction of the road, due to ignorance or due to—probably not on purpose, but due to his lack of knowledge of conditions that would be familiar to you—didn't you hear that?

Mr. GRAMMER. I can't say I heard it as you testify to it.

Mr. FREAR. What did you hear? It is all in the testimony—the Ray testimony. What did you hear when you were there?

Mr. GRAMMER. I heard from one person that it was his opinion that this man Hutchinson was too young a man for the job that he had; that probably he had not arisen to the emergency of the occasion, or something to that effect. I never heard that there had been a lot of obstacles placed in anybody's way regarding the matter.

Mr. FREAR. Have you ever read the testimony in the Ray investigation?

Mr. GRAMMER. No, sir.

Mr. FREAR. Did you ever talk with Mr. Polson in regard to this Hutchinson?

Mr. GRAMMER. I have.

Mr. FREAR. In regard to his insisting upon the railroad being built with a certain plan of driving in the piling, and the delay that was caused by that very insistence on his part?

Mr. GRAMMER. I have heard Mr. Polson talk about it.

Mr. FREAR. Polson complained, didn't he, quite seriously?

Mr. GRAMMER. When talking to me he complained, I think, regarding the matter.

Mr. FREAR. And Polson was willing to work, providing he could do the work and providing that there was no needless obstacles. And didn't he testify in the Ray matter, and hasn't he told you, that he was delayed there for weeks and months by the action of this Hutchinson, who was unfamiliar with matters of this kind?

Mr. GRAMMER. Not in those words; he never told me that.

Mr. FREAR. What words? I mean in substance. Of course, I don't expect you to give the exact wording of the testimony that is in the Ray report.

Mr. GRAMMER. If it was him complained to me in—Senator Polson, I suppose you refer to. There are two men there that are very practical—

Mr. FREAR. He is a Senator? I didn't know that. Yes.

Mr. GRAMMER. He was president of the company.

Mr. FREAR. That was the airplane company?

Mr. GRAMMER. Yes, sir. This driving of the piles, I should say, if I know the particular place that they have reference to on the line, it was far enough ahead in the construction of the work that it need not delay anybody two minutes for doing much-needed work at the time I arrived on the job.

Mr. FREAR. When was Polson's contract entered into, do you know?

Mr. GRAMMER. Oh, I don't remember. I have seen it, but I don't remember.

Mr. FREAR. Was it in the spring of 1918?

Mr. GRAMMER. I don't know that even.

Mr. FREAR. Isn't it a fact that there was over six months there in trying to get that railroad together?

Mr. GRAMMER. That I can't say.

Mr. FREAR. How long a railroad was built, can you tell me? How long was the railroad—what length?

Mr. GRAMMER. Oh, it must have been approximately 10 miles. I walked over it, but I don't remember exactly the stations.

Mr. FREAR. Isn't there testimony and isn't it a fact that they were only a mile or a mile and a half from the timber?

Mr. GRAMMER. When?

Mr. FREAR. When the railroad operations stopped?

Mr. GRAMMER. When they stopped?

Mr. FREAR. From the Quinault Reservation, I believe.

Mr. GRAMMER. What do you mean by that?

(Question read by the stenographer.)

Mr. FREAR. The timber on the Quinault Reservation.

Mr. GRAMMER. Do you mean the railroad construction?

Mr. FREAR. Yes.

Mr. GRAMMER. Well, what part—

Mr. FREAR. By Polson?

Mr. GRAMMER. What part of the railroad construction?

Mr. FREAR. The part that Hutchinson was engaged on.

Mr. GRAMMER. And now I am not trying to evade.

Mr. FREAR. I know. I don't think you are.

Mr. GRAMMER. We had miles of grade ahead of the rails at times, and that kind of thing, and I don't know just what you call the railroad.

Mr. FREAR. The railroad that reached the Quinault Reservation—that was to reach the Quinault Reservation?

Mr. GRAMMER. Do you mean where were the rails laid to or where was the construction work?

Mr. FREAR. How far had they reached? You have testified here with reference to—

Mr. LEA. Do you mean the grading or rails?

Mr. GRAMMER. We had grade made up into the timber, so far as that is concerned.

Mr. FREAR. Surely.

Mr. GRAMMER. Where there was timber on each side.

Mr. FREAR. As I understood the testimony, and as I remember it—but I haven't seen it for a long time—it was to the effect that they got within a mile or a mile and a half of the timber, and, due to the delay and largely chargeable to Hutchinson, according to the testimony that was submitted in the Ray report—now, where was that mile or mile and a half, or do you know anything about it? Of course, you came in six months subsequent; I don't know that you do.

Mr. GRAMMER. It may be that that has reference to the easterly line of the Quinault Indian Reservation.

Mr. FREAR. Well, now, they built 10 miles there in something like how many months; six months?

Mr. GRAMMER. I don't know how long they were at it?

Mr. FREAR. This was an ordinary logging railroad, wasn't it, with piling?

Mr. GRAMMER. Yes; it was such a road as Mr. Polson builds on his works.

Mr. FREAR. And Polson was a man who conducted very large operations, didn't he?

Mr. GRAMMER. Compared with other loggers; yes.

Mr. FREAR. A very large logger. But his complaint was that he could not proceed because of the restrictions placed over him by Hutchinson; isn't that right?

Mr. GRAMMER. I don't know that.

Mr. FREAR. You don't know?

Mr. GRAMMER. No, sir.

Mr. FREAR. You never talked with him?

Mr. GRAMMER. Not on that.

Mr. FREAR. The delay. You don't know that that was charged by Polson?

Mr. GRAMMER. I know the Senator talked with me about delay, etc. You questioned me a while ago about certain piles.

Mr. FREAR. Well, that was one of the suggestions, as I remember it. I haven't read it for a long time. Hutchinson was very slow, and the insistence upon how this piling should go in, and he delayed the operation by reason of the conditions he put around Polson—now,

that is, as I remember it, the Ray testimony. I can get at these facts, if necessary, but isn't that the substance of it, or do you know the facts?

Mr. GRAMMER. I don't know the facts about it, you see.

Mr. FREAR. You came in long later.

Mr. GRAMMER. That was prior to my—

Mr. FREAR. I don't want to be unfair. I just want to know what I can find out in regard to that situation without sending down and getting certain witnesses up here. The Olympic Forest Reserve Railroad; what railroad was that, or was there any—

Mr. GRAMMER. The same road.

Mr. FREAR. That is the Polson road that was to be put up here to the Olympic Forest Reserve—that is, the Quinault Reservation.

Mr. GRAMMER. As I understand it, that ran through—no, sir; that ran through a portion of the Olympic Forest Reserve with this road, in order to get to the Quinault, or we expected to go in there.

Mr. FREAR. There is a fine stand of timber down there, isn't there—spruce timber?

Mr. GRAMMER. In places there is.

Mr. FREAR. That is true in any stand of timber, that it is in places, isn't it?

Mr. GRAMMER. Well, spruce, you know—you might say all over the forest here we have fir—

Mr. FREAR. Hasn't the Forestry Board, Cecil and Nelson, both made statements that that is an excellent stand of timber in the Quinault Reservation—spruce timber?

Mr. GRAMMER. I think they have.

Mr. FREAR. Well, it is; it is a good stand of timber, isn't it?

Mr. GRAMMER. Yes. I am not denying it.

Mr. FREAR. Well, now, the purpose was to get into that stand of timber there, and how far was that from Polson's line, can you tell, when he entered into the contract, or do you know?

Mr. GRAMMER. I don't know. I should say it was 8 or 10 or 12 miles, something long like that.

Mr. FREAR. And under ordinary conditions he ought to be able to build 20 or 30 miles, hadn't he?

Mr. GRAMMER. If he had men and material; yes.

Mr. FREAR. Surely. And if he had had, as you said—you were talking awhile ago about some case where every facility hadn't been granted. If he had had the men given to him, and if he had had proper management regarding the Government, and if he had had the priorities and everything furnished him as they furnished to this company over here, he could have done that, couldn't he, according to his own statement—sworn statement?

Mr. GRAMMER. There is one point in that I don't wish to O. K.

Mr. FREAR. All right; what?

Mr. GRAMMER. It infers that the Government didn't give him, etc.

Mr. FREAR. The Government is a Government of thousands of individuals. I am speaking about this Col. Disque and those under him.

Mr. GRAMMER. I see. I think that Senator Polson did all that he could to forward that road.

Mr. FREAR. So far as he was concerned?

Mr. GRAMMER. Yes, sir; and I think those that were engaged in forwarding it under him, connected with him, did all that they could.

Mr. FREAR. In his employ?

Mr. GRAMMER. Yes, sir.

Mr. FREAR. Yes.

Mr. GRAMMER. And in the Government's employ.

Mr. FREAR. And in the Government's employ, you think so. And yet he didn't think so, in his testimony, did he? And he is very strong in his position or in his criticism?

Mr. GRAMMER. I don't know what his testimony was.

Mr. FREAR. You never heard of it; never talked with him about it?

Mr. GRAMMER. I didn't know that he testified.

Mr. FREAR. Of course, as a matter of fact, you didn't know anything about it, because you came in six months later; that is true, is it not?

Mr. GRAMMER. Six months later than what?

Mr. FREAR. Later than the armistice. You didn't get in there until March, or when were you there? Or, no; you went in October. Now, this road was building when you were there?

Mr. GRAMMER. I have so testified.

Mr. FREAR. The road was building. Was it building rapidly at that time?

Mr. GRAMMER. Yes, sir.

Mr. FREAR. Did he have all the men he wanted?

Mr. GRAMMER. On that line that you have mentioned, yes; we had all the men that we could use.

Mr. FREAR. How fast was he building this road?

Mr. GRAMMER. As fast as you would usually expect that amount of men and equipment to build a road.

Mr. FREAR. How many miles a day or a month or a year were they building; at what rate?

Mr. GRAMMER. That is a question I can't answer the way it is put.

Mr. FREAR. How many feet; how many stations? Can you give the committee any idea of your method of measurement; how rapidly that road was being put through?

Mr. GRAMMER. The road, up to a certain point where the grade was finished, was under a certain percentage of completion, you might say, for a number of miles, and during the entire month of October we were adding to that percentage of completion.

Mr. FREAR. Yes.

Mr. GRAMMER. But I could not testify as to how many miles of road we were building.

Mr. FREAR. Well, now, how many hours a day were they working on this road?

Mr. GRAMMER. They were working eight hours.

Mr. FREAR. They were working over here on the Siems-Carey-Kerbaugh Road 24 hours a day?

Mr. GRAMMER. Not the same crews of men.

Mr. FREAR. No; not the same crew of men. I am speaking about what was done by what you call the Government, and by what other people would call the Spruce Corporation, as headed by Col. Disque.

Mr. GRAMMER. A part of the time I believe the men worked 10 hours. They worked 10 hours, I think, until the days shortened a little bit, and then they worked nine, and then, possibly, eight.

Mr. FREAR. Did they have a hundred men there or did they have a thousand?

Mr. GRAMMER. Oh, I should say they had a couple of hundred men there.

Mr. FREAR. They had a couple of hundred men. They had 4,000 men over here, working on the Siems-Carey-Kerbaugh road, working 24 hours a day; they had a couple of hundred men down there at Polson road, working 10 hours a day. That is a fact, is it?

Mr. GRAMMER. I think so. Do you want me to say why

Mr. FREAR. Surely. I am glad to have you amplify it any way you choose.

Mr. GRAMMER. The requirements per month by the Government for airplane stock were being met, and 1919 was supposed to furnish about 300,000,000 feet, which would increase the demands in the future much over what they were at that time. And this work, of course, would have produced a great deal of spruce during 1919, and it may be—I say “may be”—that the requirements were being filled at that time, and it was not deemed necessary to go to a larger expense in building that road in order to get it ready before it would actually be used. I say it “may be,” now, that is just my judgment.

Mr. FREAR. Let us analyze that, about that road that was put through at the expense of a few thousand dollars a mile. What different position was that in, regarding your statement, than a road over here that was costing \$115,000 a mile? Weren't all the conditions the same regarding the demand for airplane timber? Didn't it apply with equal force to the Quinault Reservation as they applied it here to the Pleasant Lake?

Mr. GRAMMER. The last question—I should think those conditions were about the same.

Mr. FREAR. So that the conditions under which they were both operating were the same, weren't they; and the same argument that would apply to the Siems-Carey-Kerbaugh Co. regarding the importance of getting out airplane spruce applied to Polson's company?

Mr. GRAMMER. I should think so.

Mr. FREAR. Surely; it seems so. And I was just asked by Mr. Magee to place in the record the county seat of Clallam County. That is Port Angeles, is it; or do you know? Naturally, anyone can probably testify to that.

Mr. LEA. Sure; that is a fact.

Mr. GRAMMER. I think it is Port Angeles.

Mr. FREAR. He wanted to have that to appear in the record. He asked me to make a note of it. Now, you have given quite a discussion on the subject of selective logging. Did you ever do selective logging yourself?

Mr. GRAMMER. You mean commercially?

Mr. FREAR. Any way; individually.

Mr. GRAMMER. I have worked where that was done.

Mr. FREAR. You what?

Mr. GRAMMER. I have worked as an employee where that was done.

Mr. FREAR. Where was this?

Mr. GRAMMER. New Mexico and in Arkansas.

Mr. FREAR. When was that?

Mr. GRAMMER. Oh, long ago; the eighties.

Mr. FREAR. What kind of timber?

Mr. GRAMMER. In Arkansas it was cypress, and in New Mexico it was pine.

Mr. FREAR. What is the size of cypress?

Mr. GRAMMER. Oh, it grew anywhere from a couple of feet up to 4 or 5 feet.

Mr. FREAR. Does cypress grow as large as that?

Mr. GRAMMER. Yes, I have cut many cypress trees——

Mr. FREAR. What kind of contracts were you working on there?

Mr. GRAMMER. What kind of contracts was I working under?

Mr. FREAR. Yes.

Mr. GRAMMER. I was cutting logs by the thousand.

Mr. FREAR. Were you getting out this cypress and leaving the others?

Mr. GRAMMER. Just certain cypress trees.

Mr. FREAR. What proportion of the trees were cypress?

Mr. GRAMMER. Oh, the cypress. You mean what was the proportion of trees in a cypress brake? All cypress, practically.

Mr. FREAR. So that you practically cleaned up the whole thing in your selective operations?

Mr. GRAMMER. We cut certain trees because of their value.

Mr. FREAR. How did you log there, with donkey engines, as you do out here?

Mr. GRAMMER. No, sir. Where I was cutting those trees, the back-water from the Mississippi River would float everything.

Mr. FREAR. So that you would cut a log and you dumped it right into the water?

Mr. GRAMMER. Yes, sir.

Mr. FREAR. Where was the place in Mexico or New Mexico?

Mr. GRAMMER. It was a few miles from Santa Fe, probably 20 miles.

Mr. FREAR. What kind of logging were you doing there?

Mr. GRAMMER. I was cutting logs by contract; pine logs.

Mr. FREAR. What is the size of the pine logs down there?

Mr. GRAMMER. That was timber that would run anywhere from 18 inches to 3 feet on the stump.

Mr. FREAR. Were the operations there with donkey engines?

Mr. GRAMMER. No, sir; the logs were hauled by oxen.

Mr. FREAR. So you did not have the railroad there. It was a different kind of logging?

Mr. GRAMMER. It was before this system was developed.

Mr. FREAR. A different kind of operation entirely?

Mr. GRAMMER. Yes.

Mr. FREAR. Up here when you were engaged in logging in your company where this great timber grows to 10 feet in diameter, you have to have donkey engines and railroad spurs, as they are called?

Mr. GRAMMER. We do use them; yes.

Mr. FREAR. Is it not done almost entirely?

Mr. GRAMMER. That is the system now employed.

Mr. FREAR. And it is the only system that could be employed in getting out the goods rapidly?

Mr. GRAMMER. Well, again I will have to qualify that.

Mr. FREAR. Go on; I am willing to accept it. I am getting information here.

Mr. GRAMMER. To handle a large body of timber you get away from the dumping ground, so to speak. The railroad in our present system will reach all of the timber and log it systematically cheaper, probably, than some other way. But near the dumping ground to the place you only have a quarter section of 40 acres, or something of that kind, and you can log that to the dumping ground much cheaper maybe by the old system with horses or mules than you could by putting in a railroad and donkey engine, because of depreciation.

Mr. FREAR. Certainly, that is a very short operation. But it is 54 miles, according to this railroad, from the dumping ground. In a case of that kind you have got to have some way of getting to it, such as spur tracks, donkey engines, and things of that kind, haven't you?

Mr. GRAMMER. Yes.

Mr. FREAR. So that in your selective logging operations it is under entirely different circumstances from anything you had ever been engaged in yourself; that is right, is it?

Mr. GRAMMER. Not entirely different, but it is a little different.

Mr. FREAR. Let us find out where we can get together. Whereabouts did you ever log any selective logging like they do here in this country?

Mr. GRAMMER. I have not, but they do not do selective logging here entirely different from anything I have been connected with.

Mr. FREAR. We will get to that further on. I am trying to find out in what particular your experience in selective logging is like that that is being done out here in this country. One place where you dump the logs into the water, because it is convenient, and the other where you put them on the oxcart because the oxen were there. Another method is employed here. Here you used railways and donkey engines—I believe that is your testimony, and I believe that is a fact. Now, where did your method of selective logging bear comparison with the method that is being used here?

Mr. GRAMMER. I think that practically every logger in this industry has at times gone ahead of his work and selected a few spars and some piling, if you please, or some other character of timber, maybe a few logs of a certain length, and then cut down just the trees they think that would make these spars or logs or piles of a certain required length, and hauled them to be loaded, and take them away to the dumping ground, leaving all the rest of the timber standing until such a time as their commercial work progressed. That is selective logging.

Mr. FREAR. I agree with your thought. But do you know of a case, in your experience, where 26,000,000 feet of selective logging was required to be brought in one month by any company?

Mr. GRAMMER. No.

Mr. FREAR. That is the proposition that we have been discussing here in regard to the Siems-Carey contract which related to 500,000,-

600 feet of logs, and part of the time 26,000,000 feet were to be cut out by selective logging. That is a matter that has been testified to, which these men said seemed impracticable, and they could not think it possible. Now, what other experience have you had, either directly or indirectly, in selective logging besides that in Santa Fe and in Arkansas? I am getting at the practicability of it.

Mr. GRAMMER. I have testified that we had airplane spruce. The lumber company was engaged in selective logging?

Mr. FREAR. What kind of selective logging have they been engaged in?

Mr. GRAMMER. When I was there we were taking out the spruce logs—the No. 1 and No. 2 logs.

Mr. FREAR. What method of operation were they using?

Mr. GRAMMER. The present system we have here—railways and donkey engines.

Mr. FREAR. You had to build in railways just the same as though you were going to log the whole tract, did you?

Mr. GRAMMER. Not the same; no.

Mr. FREAR. What difference?

Mr. GRAMMER. It did not require so many railroads.

Mr. FREAR. What would be the difference in procedure that would not require so many railroads?

Mr. GRAMMER. The difference in procedure would be this: There might be a large stand of fir or cedar not near the railroad. For commercial logging you would build a railroad into that, a few spruce trees very desirable would be drawn in by cable, to the road that is constructed.

Mr. FREAR. To the railroads?

Mr. GRAMMER. Yes.

Mr. FREAR. Now, let us see. You would have to bring them in to the donkey engine, wouldn't you? That engine was over on the railroad wasn't it?

Mr. GRAMMER. Yes.

Mr. FREAR. So you had to bring it in by the same procedure you would in logging the whole tract?

Mr. GRAMMER. What is sometimes done is to send the engine away from the railroad.

Mr. FREAR. Was that done down there?

Mr. GRAMMER. In some cases.

Mr. FREAR. How frequently, compared with the other system, the old regular system. I am asking for information.

Mr. GRAMMER. That depended altogether on railroad construction possibilities.

Mr. FREAR. How did they proceed there in getting selective logging? They dragged the logs up to the donkey engine, did they not?

Mr. GRAMMER. Yes.

Mr. FREAR. Then what did they do with them?

Mr. GRAMMER. They are loaded on the car.

Mr. FREAR. There were no cars here. The donkey engine would haul them into the wood?

Mr. GRAMMER. They took them with another donkey engine.

Mr. FREAR. You mean to say that you dragged the logs with one donkey engine, up to the engine, and then you would have another engine located at a distance and drag the logs from there on.

Mr. GRAMMER. Yes.

Mr. FREAR. How many cases can you speak of that you have ever seen that done?

Mr. GRAMMER. I have seen that done in two or three cases there.

Mr. FREAR. With the airplane people there?

Mr. GRAMMER. Yes.

Mr. FREAR. What kind of timbers were being taken out?

Mr. GRAMMER. Spruce.

Mr. FREAR. Was it generally spruce?

Mr. GRAMMER. Yes; it was generally spruce.

Mr. FREAR. They were cleaning it pretty nearly all up, weren't they?

Mr. GRAMMER. No; only cutting selective trees.

Mr. FREAR. Was that the place where Mr. Chisholm went past and saw you when you were engaged in operation, or do you remember?

Mr. GRAMMER. What Chisholm do you have reference to?

Mr. FREAR. The one who works for the Merrill & Ring Co.

Mr. GRAMMER. I do not remember. I know the gentleman well.

Mr. FREAR. You do not remember him out there in the forest?

Mr. GRAMMER. I do not remember having seen him on that operation.

Mr. FREAR. I will ask this; was it true that the timber was practically being cleared off instead of taking selective trees here and there?

Mr. GRAMMER. We were taking selective trees, I tell you.

Mr. FREAR. How much did you get out?

Mr. GRAMMER. I have testified from about 25,000 to 35,000 a day.

Mr. FREAR. How many men did you have on that operation?

Mr. GRAMMER. The usual number of men that work around the machines.

Mr. FREAR. The same number of men that you would have in taking out all the timber?

Mr. GRAMMER. The same distance, in commercial logging, yes.

Mr. FREAR. Do I understand that it would take as many men proportionately to pull out these occasional selective spruce trees as it would to log indiscriminately?

Mr. GRAMMER. Practically the same number of men.

Mr. FREAR. So that unless you had an enormous army of men to draw on you could not engage in this selective logging, could you?

Mr. GRAMMER. I could engage with the same number of men that you can in commercial logging.

Mr. FREAR. Do you mean to say that the same number of men can get out as many spruce trees, or other kinds of trees, by selective logging, as can be had in the general logging method?

Mr. GRAMMER. I did not say that.

Mr. FREAR. I want to get an understanding between us.

Mr. GRAMMER. I will explain this for both of us. You think that you are going to get me to say—

Mr. FREAR. Strike that out. That is not any answer. I simply want an answer—yes or no—and I have tried to be fair and honest.

I do not know whether I understood you or you understood me. I am not trying to mislead you at all.

Mr. GRAMMER. In answering this question, I wish to be clear. I do not mean to testify that men will go into an operation and do selective logging and only take certain trees and get as many thousand feet out in a day as they might get provided they take every tree that is on the ground; that is, if there is a large stand of timber on the ground. But if every tree happens to be a selective tree, there would be no difference.

Mr. FREAR. If only one tree out of a dozen trees was a selective tree, then, what as to the comparative number of men?

Mr. GRAMMER. I have already told you under that kind of condition about how many thousand feet they would get in a day.

Mr. FREAR. It takes a great many more men, does it not, under those conditions, to operate and get out the same amount of timber?

Mr. GRAMMER. It would take more men to get out 100,000 feet of spruce in selective logging in a day, providing there was only 15 per cent of the trees taken.

Mr. FREAR. And that is about the average of spruce?

Mr. GRAMMER. Yes. I did not mean to say "yes" to that, as I do not know what the average is that was taken in that district.

Mr. FREAR. I think it averages 15 or 20 per cent up there in the Pleasant Lake district.

Mr. GRAMMER. I do not know whether it does or not. I have never been up there.

Mr. FREAR. Have you ever been on the Siems-Carey Railroad?

Mr. GRAMMER. No, sir.

Mr. FREAR. You do not know anything about that situation?

Mr. GRAMMER. I can not say I do not know anything about it.

Mr. FREAR. Nothing, except what you have heard?

Mr. GRAMMER. That is all.

Mr. FREAR. Do you mean to say you thought it was necessary to put in the Siems-Carey Railroad?

Mr. GRAMMER. I thought it was necessary upon the Clallam County tract of spruce.

Mr. FREAR. That is not an answer. Did you think it was necessary to build the Siems-Carey Railroad?

Mr. GRAMMER. I thought it was necessary to construct some railroad.

Mr. FREAR. From where?

Mr. GRAMMER. I do not know.

Mr. FREAR. The testimony is here—and you have heard the testimony, I presume—the testimony is that it would take 14 miles to go from Clallam Bay up to this tract of spruce; that over the Siems-Carey Road it will take 56 miles of haul, even if they built both of their mills, and two-thirds of their logs will have to be rafted after they reach the tidewater. If you, as a practical logger, were going to get out such timber as quickly as possible, would you take a 14-mile route and build a quick railroad in there to get it out or would you take a route of more than 56 miles, when two-thirds of anything that you had had to be rafted?

Mr. GRAMMER. I will have to leave that to other men to testify to.

Mr. FREAR. That is a fair question, is it not?

Mr. GRAMMER. My experience has shown me in the timber industry here that it is very easy to mark out a logging proposition on paper, but when it comes to the solution of the proposition it is very necessary to make a thorough cruise of the proposition, as I understand it. But I do not think my judgment in the matter is worth very much.

Mr. FREAR. I do not think it is worth much. But we have had the testimony of Mr. Lightner, who is head of the company there. You recognize him as a fair and experienced man, do you?

Mr. GRAMMER. I heard his testimony. I did not know what his experience had been up to that time.

Mr. FREAR. You have never known of him as a logger and a man of business here?

Mr. GRAMMER. Yes, I have.

Mr. FREAR. His testimony has been supported by the testimony of Mr. Frost, excepting from another point. You know Mr. Frost, do you?

Mr. GRAMMER. Yes.

Mr. FREAR. Is Mr. Frost a reputable man?

Mr. GRAMMER. I am willing to make this statement—

Mr. FREAR. I am glad to have any statement you see fit to state. I am throwing the door wide open.

Mr. GRAMMER. The statement I wish to make is that the men that I have heard testify before this table I believe testified to what they thought to be the truth at the time.

Mr. FREAR. That is fair, and I would not expect you to make any other statement, because I understand your reputation is in like manner good. But it would seem to the man who is a layman and is not a logger—

Mr. GRAMMER. I do think, if you will let me go further in justification of that statement, Mr. Chairman, that all of the truth regarding this proposition would come out.

Mr. FREAR. Surely.

Mr. GRAMMER. And I think that men that come before this table should be allowed to tell in their own way what they know about it.

Mr. FREAR. That is not the way that any investigation or any court procedure under heaven is ever conducted, and you must understand that this committee must determine upon some rule of procedure, because if any speeches as made and as proposed by other witnesses, outside of yourself, were allowed the investigation would have unlimited scope.

Mr. GRAMMER. It is a big thing.

Mr. FREAR. Yes; but the questions will bring it out, either by one side or the other, and we want the truth, and only the truth, and I presume we are going to get at it before we get through. To get to the point, here is the situation that confronts the layman in regard to your testimony: If you mean that the Siems-Carey-Kerbaugh Railroad should have been built—I do not care at what expense, \$20,000 per mile or \$115,000 a mile, as it did cost—if you, as a logger, were going to get that timber out, would you have built that railroad, even if you could have built it for \$20,000 per mile from Joyce, if you were trying to get the logs out quick and in the best manner possible up at the section where it was built?

Mr. GRAMMER. It depends altogether on the incentive?

Mr. FREAR. Even with war conditions, the worst conditions that you can imagine?

Mr. GRAMMER. I think that I have answered that question.

Mr. FREAR. No; I want to know. With all conditions imaginable, can you as a logger—I want to get the record here—can you as a logger say it would have been the proper thing there, either for expedition or for economy, or for any other purpose, to have there to get these logs out 56 miles to Port Angeles, where two-thirds of them had to be shipped by water, located on the coast there, rather than to build a 14-mile road up to Clallam Bay?

Mr. GRAMMER. I think it would depend upon the possibilities of towing, contour, etc.

Mr. FREAR. It has been testified that a road could have been built there for about \$23,000 a mile, and it could have been built under war conditions for \$500,000. We have taken notice of the experience of the Goodyear Co. from Clallam Bay, where they have shipped, as I understand, hundreds of millions of feet. With that added condition, would you as a logger say it was advisable to build the Siems-Carey Railroad 40 miles back before it struck the spruce tract?

Mr. GRAMMER. I as a logger would say that if it had occurred to me that there was a better way I would have followed up what I thought was the better way. If that were the longer way—this road that was being built—I would build it that longer way. If it were the shorter way I would have built it the shorter way, taking into consideration all the time the amount of tonnage to be hauled, how rapidly it must be moved, etc.

Mr. FREAR. Would it have been possible—it has been so testified, and I want your opinion as an expert—would it not have been possible to have shipped all these logs out from the Pleasant Lake region, down to Clallam Bay, as rapidly or more rapidly than they were, if you had carried them 50 miles?

Mr. GRAMMER. There may have been a mountain range in there. I do not know anything about it, as I have not been there.

Mr. FREAR. That don't make any difference if the railroad is in there and it is capable of operation, and you have locomotives and facilities; it don't make any difference if there are 10 mountain ranges?

Mr. GRAMMER. If there is no adverse grade.

Mr. FREAR. The testimony is not over 2 per cent with loaded cars, not more than that. You are familiar with logging, of course. What kind of grades can be taken by these engines that are used for logging purposes—the geared engines? You can make a 7 per cent grade there, can't you, or more?

Mr. GRAMMER. Yes; 10 per cent with empties.

Mr. FREAR. Except that they have to be limited trains, of course?

Mr. GRAMMER. It is to be understood, however, that the capacity of the railroad is minimized largely by excessive grades.

Mr. FREAR. That is true. Let us get back, because I feel that I am entitled to a fair opinion, because you have made a statement and I want to see what you have based it upon, in regard to this Siems-Carey Railroad. The testimony here is that their highest grade is about 2 per cent. The testimony of Mr. Lightner in regard

to the Clallam Bay, and also Mr. Frost in regard to the Pysht Creek is that the highest grade is about 2 per cent, unless you make the mileage of 17 miles on Pysht Creek when it reaches 3 per cent. Two per cent is the same on one road as it is on the other.

Mr. GRAMMER. Service conditions being equal, yes.

Mr. FREAR. You do not want to testify this in regard to a condition of that kind without qualification, do you? Here are the conditions that are presented before you—

Mr. GRAMMER. Will you ask that question in a way that I can answer the question?

Mr. FREAR. I will be very glad to. That will shorten it for both of us and give us the light that we want. One railroad, the Siems-Carey Railroad, built 36 miles, or 40 miles approximately, to the spruce, requires the carrying of logs 56 miles, including the 18 miles additional over the Milwaukee road, before it gets to the Port Angeles Harbor. At Port Angeles Harbor there is a mill that will cut 250,000 feet of logs. Their proposition is to carry in 1,500,000 feet every day, which means that two-thirds to 80 per cent of those logs must be rafted from Port Angeles under the conditions that confronted the Siems-Carey Co., unless they sawed up the same over at Lake Pleasant mill, which would reduce the amount from 80 per cent to two-thirds. That is one proposition. The other proposition is that it was possible to build a 14 to 15 mile road from Clallam Bay, which could haul out, as they stated, all the logs that could be cut there as rapidly as cut, which road could be built more expeditiously, and that not one log had ever been lost by rafting; that a 2 per cent grade was the highest grade in either case. I ask you now can't you determine for yourself which road you would prefer to build if you were going to get those logs out?

Mr. GRAMMER. The way you put this question it seems that it would be quicker and easier and cheaper to take them over the shorter route. As a practical logger, that is the way I would take them out.

Mr. FREAR. Leaving the question of economy out of consideration, because it was carried on at a dollar a thousand cheaper, but the question of speed—and that was the big question and in time of war was a material question, and that is the one I address myself to in this question particularly. Do you know anything about riving?

Mr. GRAMMER. Very little.

Mr. FREAR. That was an expensive operation and was dismissed very quickly, was it not?

Mr. GRAMMER. No; they were still riving when the armistice was signed, but not to any great extent.

Mr. FREAR. I understand that it had practically been done away with because it had not only been found expensive but wasteful.

Mr. GRAMMER. It was being discouraged, but at the same time it seems to me there was some of it going on at Pysht Bay and on the rivers, where they would get some spruce, by some of the men probably that had entered into contract.

Mr. FREAR. There was not 5 per cent of all the timber that was being logged for airplane purposes—not 5 per cent that was got from riving, was there?

Mr. GRAMMER. I can not say; I do not know.

Mr. FREAR. As far as you know, in your judgment? You were employed there, were you not?

Mr. GRAMMER. In my district it was much less than 5 per cent while I was there.

Mr. FREAR. Riving is not only expensive but a very wasteful method of conducting operations, because of the waste not only of the tree itself but because of the *débris* that gets around the brush and the branches, causing danger from fire, which, of course, is a serious waste.

Mr. GRAMMER. The riving of spruce as carried on by the Spruce Production Division would hardly be regarded as being so very wasteful of the tree, in view of the fact that it was supposed to take all the tree that was needed for the special purpose by the Government.

Mr. FREAR. What was done with the heart of three?

Mr. GRAMMER. It was not of any use, and it was left.

Mr. FREAR. There is a limitation to our forest. We do not appreciate it possibly, but there is, is there not?

Mr. GRAMMER. There is a limitation, surely.

Mr. FREAR. And this method of riving simply meant the destruction of a tree to get out a very small part for airplane purposes. Is that right?

Mr. GRAMMER. Yes.

Mr. FREAR. And all the rest of the tree was wasted and left in the woods as it is to-day. That is right, is it not?

Mr. GRAMMER. Yes.

Mr. FREAR. And the brush and the accumulation that is left there make it more dangerous for fire—more than you would have in the general logging as ordinarily pursued; that is true?

Mr. GRAMMER. It would make some *débris*, which, of course, is combustible.

Mr. FREAR. That is one of the dangers that they have in selective logging, is it not?

Mr. GRAMMER. Yes.

Mr. FREAR. Now, you spoke about the volunteers who went into the woods to do this patriotic work. That is about like taking a commission as major or colonel or anything else by a man who has had no previous military experience to go down there and perform the work, was it not? Was there any more patriotism in that than there was for a man to go into the Army and fight?

Mr. GRAMMER. In what?

Mr. FREAR. Going into the woods to work?

Mr. GRAMMER. I do not think there was any more; no.

Mr. FREAR. Was there as much?

Mr. GRAMMER. Maybe I am not competent to judge regarding patriotism except by men's actions. I think it is usually understood that all men can not be fighters.

Mr. FREAR. I am not questioning regarding yourself. This is not personal.

Mr. GRAMMER. I understand. I was not thinking of myself at all.

Mr. FREAR. We come near being in the limitation of not being of any particular value in the trenches; but now I am speaking of the men who volunteered.

Mr. GRAMMER. I think, however, that any man that is in the country at the time that the Nation is trying to build up a military fighting force, which was done here, that will lend his services—and when I say lend his services I mean by ceasing some less important occupation and taking a more important occupation, to the end of building up the program—I think it is a patriotic act.

Mr. FREAR. Oh, certainly. But if you have got the choice of going in and fighting, as the needs of the Government require, when required, when we sent 2,000,000 men “over there” and were expecting to send 2,000,000 more, and if you had that proposition and you had the proposition of a man who was ordered sent to the woods, which would you think was the greater patriotic work? Answer yes or no.

Mr. GRAMMER. I did not know that men had this choice.

Mr. FREAR. Didn't you have employees here in the Army from every State in the Union?

Mr. GRAMMER. Yes.

Mr. FREAR. Brought here from New York and elsewhere?

Mr. GRAMMER. Yes.

Mr. FREAR. Brought here from 3,000 miles away, when they could have gone into the service? Is it not a fact that some of the officers were placed in the spruce service upon the influence of their own relatives instead of going over there to fight?

Mr. GRAMMER. Not to my knowledge. There may have been, however.

Mr. FREAR. Do you know whether it is a matter of fact that there were men working here in these positions who were related to the men in charge?

Mr. GRAMMER. I do not know that.

Mr. FREAR. Do you know Col. Disque's relatives?

Mr. GRAMMER. No, sir. I was introduced at one time to a man that was said to be his brother. I saw that man two or three times afterwards, but I do not know that we ever passed the time of day.

Mr. FREAR. It was testified here a moment ago that he had two or three relatives.

Mr. GRAMMER. That I do not know. I met this man, I think, in the hotel in Aberdeen, where I was introduced to him.

Mr. FREAR. You say you signed a pledge to show your loyalty?

Mr. GRAMMER. That was in connection with the Loyal Legion; that was to distinguish between the loyal employees and German propaganda and the men that stood for it.

Mr. FREAR. How many men were there that refused to sign this pledge?

Mr. GRAMMER. That is asking me a question that nobody can answer.

Mr. FREAR. From your own observation?

Mr. GRAMMER. Many refused; there were quite a number of men who refused.

Mr. FREAR. I was not aware of that. I thought that practically everyone was willing to sign.

Mr. GRAMMER. Oh, absolutely not.

Mr. FREAR. I understand that men were found with both badges, the Industrial Workers of the World and with Loyal Legion certificates in their pockets, sometimes?

Mr. GRAMMER. That may be. I have no knowledge of that.

Mr. FREAR. But it does not require a pledge to show loyalty?

Mr. GRAMMER. No, sir. As a rule, however, a man is proud of his loyalty. I do not know whether that is the right word.

Mr. FREAR. Glad to evidence his loyalty?

Mr. GRAMMER. Yes.

Mr. FREAR. I do not think there is a doubt of it. Is there anything more in my question that ought to be brought out in cross-examination? I have opened the door wide, and it takes a good deal of time; but I am glad to do it, because we will hold a night session, if necessary, so that we can get through with this investigation. Is there anything more that occurs to you that you want to testify to? I want the truth, as you say, and the whole truth to show here. That is the desire of the committee.

Mr. GRAMMER. I want to testify to the fact that I did not hear any rumor of anything regarding graft in connection with the Spruce Production Division, or the Spruce Production Corporation, before the signing of the armistice. I want to make this reservation on that, that I did understand that Mr. Hughes suggested in his report, a portion only of which I read, that further investigation be made of the spruce production operations. There was no charge of graft in that, as I remember; it was just a recommendation that this be carried on. I want to testify that I may not be able to call names, but such people as I communicated with, talked with, regarding the matter, when that statement was made, seemed to be surprised that an investigation would be made, seemingly with the idea in their mind that everything was above board and, so far as they knew, proper.

Mr. FREAR. Did you feel that way individually?

Mr. GRAMMER. I did.

Mr. FREAR. Do you now, from your knowledge of the things that have been developed by this committee?

Mr. GRAMMER. I will answer that this way, if I may.

Mr. FREAR. Choose your own way.

Mr. GRAMMER. I think this investigation is educational to the people, and that it is proper so long as it has been gone into, and that it should be carried on.

Mr. FREAR. I do not ask you to testify any more directly than that, but this investigation has developed the fact that a logging railroad, so called, at a cost of \$115,000 a mile, was built from Joyce to Lake Pleasant for the purpose of taking out logs, when it would require a 56-mile haul to dump them, a part of them, into the water at Port Angeles to be shipped elsewhere; and that that road in which the Milwaukee engineers helped to determine the route makes a very convenient short-cut down toward Grays Harbor from Port Angeles. Now, that is one of the things that has been developed, at least it is one of the theories here. If that road was built for that purpose as a commercial proposition, instead of a logging proposition to get out this spruce, do you think it was right and fair to the people and the Government and the taxpayers who were putting up the money to have it so constructed?

Mr. GRAMMER. I wish to answer that this way.

Mr. FREAR. Take your own way.

Mr. GRAMMER. And it is practically repeating. If there was a better way and a cheaper way, the road certainly should have been

built that way; but there are many conditions connected with this proposition and, as I told you, I have not been on the ground. I told you I had been to Clallam Bay, and when there I was looking for some spruce timber that was not connected with this thing at all, many years ago, and there was a man—I think he is located there yet—who was logging in that vicinity and was holding his logs in some river that comes in there—

Mr. FREAR. Clallam River, or the Hoko?

Mr. GRAMMER. One of those little rivers. There was a tugboat lying there, and I said, "What is the boat here for?" He said, "I have it here, and when the swells go down I am going to try to get the logs out." I asked him how long he had been in there with the logs and he said they had been there three weeks. As I remember, it was in the summer time and there was a swell coming in that would lift the gravel and back it up the stream, and his logs were being kept in.

Mr. FREAR. If you were informed that the testimony of Mr. Lightner was that there were only one or two days a month when any interference occurred and that they had never lost a raft of logs and that they could carry it on as expeditiously and regularly when they had once started as on the railroad, would you still feel that that one instance, when you say the tugboat was there, should govern your judgment?

Mr. GRAMMER. I would certainly be guided to some extent by Mr. Lightner's testimony as to that matter and would investigate it further.

Mr. FREAR. Were you in favor of the erection of a mill at Port Angeles?

Mr. GRAMMER. No, sir.

Mr. FREAR. You opposed it, did you not?

Mr. GRAMMER. No, sir; I was not consulted.

Mr. FREAR. You were not in favor of it?

Mr. GRAMMER. No, sir; I said I did not know about it and I did not oppose it because I was not consulted. I did not mean to say that I would have opposed it if I had been consulted, but I had no opportunity to oppose it.

Mr. FREAR. What else is there that you know in regard to the situation that you want to give to the committee?

Mr. GRAMMER. I think there is a point which you may have in mind that would probably be interesting, and that is this: In assembling the rails and the men, etc., for the construction of a railroad, especially when the rails and most of the material come from other points, it is considered a very beneficial thing among the loggers here, and I guess among all transportation men, to have a railway connection rather than a gridiron or a scow connection, for instance, both in assembling to build and also in tearing up and getting away.

Mr. FREAR. Who were the largest logging operators on the peninsula?

Mr. GRAMMER. Who are the largest operators?

Mr. FREAR. Yes.

Mr. GRAMMER. I suppose it is the Puget Sound Mills & Lumber Co.

Mr. FREAR. One of the largest is Merrill & Ring?

Mr. GRAMMER. That I do not know, but I presume so.

Mr. FREAR. They are supposed to be one of the largest firms in the country. What are their railroad connections that you have in mind?

Mr. GRAMMER. You were discussing this Siems-Carey road that has been discussed here, and I have been told it connected with the Chicago, Milwaukee & St. Paul.

Mr. FREAR. They have not any connection with the Chicago, Milwaukee & St. Paul, and they dumped their logs over in Pysht Bay.

Mr. GRAMMER. I did not know—

Mr. FREAR. You do not know about the Merrill & Ring situation?

Mr. GRAMMER. I did not know that.

Mr. FREAR. I think they are the largest loggers, according to the testimony, and it has not been denied. You will admit that the Goodyear people are large loggers?

Mr. GRAMMER. Yes.

Mr. FREAR. And they have no railroad connections, so far as logging operations are concerned. As a matter of fact, the object is to get the quickest way to get them to the mills?

Mr. GRAMMER. The cheapest way.

Mr. FREAR. Of course, as a matter of fact, it will cost a dollar more per thousand, according to the testimony for this Siems-Carey railroad, to get these logs out. I do not think there is anything more.

Mr. LEA. Where the question of speed was involved and you once had to put your logs on the train and had a railroad all the way to your milling point, under those circumstances I presume that the milling would be more expeditions than if divided into part railroad transportation and part water transportation, would it not?

Mr. GRAMMER. I think in a major operation that might be overcome, in so far as the mill is concerned, so that it might be supplied at all times.

Mr. FREAR. Would you consider the fact that two mills were contemplated up here on the Siems-Carey railroad and also the accessibility of the Puget Sound mills to dispose of the logs, would affect the question of the advisability of building the railroad?

Mr. GRAMMER. I do not know whether that was a consideration or not at the time of construction.

Mr. FREAR. You were not conferred with about that at all?

Mr. GRAMMER. Not about that point.

Mr. FREAR. Is there anything further you want to say in reference to that railroad?

Mr. GRAMMER. I would like to ask a question, if I may.

Mr. FREAR. We have given pretty good license; we have been two or three hours already.

Mr. GRAMMER. I might wish to modify an answer I made to one of your questions, which was very long.

Mr. FREAR. You can modify anything.

Mr. GRAMMER. When you said there was a maximum of a 2 per cent grade on each of these roads—

Mr. FREAR. Yes.

Mr. GRAMMER (continuing). You did not make it plain whether that grade was toward the dumping ground or adverse to it.

Mr. FREAR. It was under the same conditions, as I understand, in both cases.

Mr. GRAMMER. Then I do not wish to change my answer.

Mr. LEA. Mr. Grammer, have you any reason to believe there was any graft or crime committed by Gen. Disque or any officer of the Government or the Spruce Production Corporation in carrying on these operations?

Mr. GRAMMER. Not to my knowledge. Anything that came to my ears was words of praise, more especially of Gen. Disque and the attitude he took toward the lumber industry here, and the way he studied the question and propositions before he went into them, absolutely aboveboard, and I often heard the remark that he was a very broad, unusually intelligent man.

Mr. FREAR. He had no previous experience in this work?

Mr. GRAMMER. That was one of the points of contention brought out—

Mr. FREAR. Answer yes or no.

Mr. GRAMMER. I do not know whether he did or not.

Mr. FREAR. You do not know anything about it. With all the association you had with Disque you did not know that he had had no previous experience in logging?

Mr. GRAMMER. I have heard that he had not, but I did not know.

Mr. LEA. You were speaking about the number of feet gotten out per day, 25,000 to 30,000, down in the district where you were superintendent. That is, that much per engine?

Mr. GRAMMER. Per side they call it. As a matter of fact, it used to be quite the custom to set one engine at the railroad, and it would haul for a distance, and then put on another, and sometimes another. That is done now largely in the industry here still, and some men in this room are probably engaged in that kind of operation at this time.

Mr. LEA. And in selective logging they did get out 25,000 to 30,000 feet per side?

Mr. GRAMMER. That is my memory.

Mr. LEA. After you went down where this Polson railroad construction work was being carried on, was there any undue delay in the work proceeding after you were there and saw the work?

Mr. GRAMMER. Not that ever came to my attention.

Mr. LEA. Did Mr. Polson complain to you about the Spruce Production Corporation in any way failing to support the effort?

Mr. GRAMMER. I have heard him talk along that line.

Mr. LEA. What, in substance, was his complaint?

Mr. GRAMMER. And I remember very well my replies.

Mr. LEA. What were they?

Mr. GRAMMER. My reply to him was this, that we had this equipment and this opportunity to do. Now, let us do as rapidly as we can, to the end that we get these roads completed and get out the spruce. I do not remember, except in a general way, and I do not know that I could quote really three sentences that he said to me about the matter. I testified awhile ago about what he said about Hutchinson, etc.

Mr. LEA. Was that the substance, then, of the complaint to you?

Mr. GRAMMER. That was the substance of it. I have heard him say in speeches where he was addressing a few men, that he had

been delayed and that the spruce might have been gotten out quicker if something had taken place, which I do not remember.

Mr. LEA. I think that is all.

(Witness excused.)

TESTIMONY OF LIEUT. NORMAN S. ARCHIBALD.

(The witness was sworn by Mr. Frear.)

Mr. MAGEE. Where do you reside?

Mr. ARCHIBALD. Seattle.

Mr. MAGEE. How long have you lived here?

Mr. ARCHIBALD. For 25 years.

Mr. MAGEE. And were you in the service during the World War?

Mr. ARCHIBALD. Yes, sir.

Mr. MAGEE. And in what capacity did you serve?

Mr. ARCHIBALD. As pilot in the Air Service.

Mr. MAGEE. Did you have service overseas?

Mr. ARCHIBALD. Yes, sir.

Mr. MAGEE. In France?

Mr. ARCHIBALD. Yes, sir.

Mr. MAGEE. When did you go over?

Mr. ARCHIBALD. October, 1917?

Mr. MAGEE. And how long were you there?

Mr. ARCHIBALD. I was in France about 18 months.

Mr. MAGEE. Now, will you go on and describe for the committee your experiences and what you observed there in reference to the American airplane service in France?

Mr. ARCHIBALD. Well, when we first landed in France we were called up by the commandant, a number of us, and were told that there was absolutely no chance to train in France on account of lack of planes and there were rumors around the camp at that time that we might be sent back to the States to train, because there was no chance for us to train in France.

Mr. MAGEE. What time was that?

Mr. ARCHIBALD. That was in the last of November, 1917.

Mr. MAGEE. And the place?

Mr. ARCHIBALD. At Issoudon, and he selected 17 of us to train on the French Neuports as an experiment, because there were no preliminary training ships to train on, and out of probably 200 or 300 men there were 17 selected to do their preliminary training on the faster Neuport, and we were called the Suicide Club by the French, because of the idea of training on these ships. Out of that 17 about 6 of us made good, and it took us from then until the end of May to complete our training. We started training the 1st of December, 1917; it took about 7 months to complete our training, and after we completed our training we were sent back to the gunnery school at Cazeaux, and the officer at Cazeaux told us there was absolutely no chance to go to the front on account of the lack of planes, and that we could not get training for 3 or 4 months.

Mr. MAGEE. When was this?

Mr. ARCHIBALD. May, 1918. So he urged us, and practically forced us to volunteer to stay there and instruct; but four of us got out of that because we had trained on the Neuports and we were sent to Orly waiting to go to the front.

Mr. MAGEE. When were you sent to Orly?

Mr. ARCHIBALD. We were sent there the first part of June, 1918, and at Orly there were about 150 or 200 men all ready for the front who had completed their training.

Mr. MAGEE. Were they Americans?

Mr. ARCHIBALD. Yes, sir; in every respect ready to go to the front, but they could not go on account of lack of planes.

Mr. MAGEE. Did they have any planes?

Mr. ARCHIBALD. The men there were used to ferry ships that were accepted by the American troops to ferry them from the manufacturing plants to the different schools.

Mr. MAGEE. You say they could not go to the front because they did not have planes. Were there any planes for these 150 men?

Mr. ARCHIBALD. Evidently there were no planes for them to use at the front.

Mr. MAGEE. Well, go ahead; what else?

Mr. ARCHIBALD. In July there were about 10 of us sent to the front with the first pursuit group flying then over the sector at Chateau-Thierry, and at that time we were the only pursuit group at the front.

Mr. MAGEE. The only American pursuit group?

Mr. ARCHIBALD. The only American pursuit group.

Mr. MAGEE. That was in July, 1918?

Mr. ARCHIBALD. Yes, sir.

Mr. MAGEE. What do you mean by "group"? How many were there in a group?

Mr. ARCHIBALD. There are four squadrons in a group.

Mr. MAGEE. How many men in a squadron?

Mr. ARCHIBALD. There are 20 pilots in a squadron, but at no time was our squadron at full capacity. There were always less than 20 men to the squadron.

Mr. MAGEE. This group, then, would comprise 80 men?

Mr. ARCHIBALD. Yes, sir.

Mr. MAGEE. How many fliers would there be in the group?

Mr. ARCHIBALD. That would comprise 80 pilots in the group.

Mr. MAGEE. Then, what happened, as far as you observed?

Mr. ARCHIBALD. We had heard about American planes coming over, and everybody was waiting for them, thinking that when they did get there they would get a chance to go to the front, because there were hundreds of aviators ready to go to the front that were held back on account of lack of planes, and it was at the front that I got a glimpse of the first American plane, which flew over the air-drome and had a forced landing, because it got lost or something, and it turned over and was smashed, and the men there, and I know I for one, had my first view of an American plane.

Mr. MAGEE. What time was that?

Mr. ARCHIBALD. That was either the latter part of July or the middle of August; along in August, I think.

Mr. MAGEE. Was that the only American plan you saw there?

Mr. ARCHIBALD. Yes, sir.

Mr. MAGEE. In your whole service?

Mr. ARCHIBALD. Yes, sir; until when I was on my way home from France.

Mr. MAGEE. I mean prior to the armistice, November 11, 1918, that was the only American plane that you saw on the front?

Mr. ARCHIBALD. Yes, sir.

Mr. MAGEE. Do you know what kind of plane that was

Mr. ARCHIBALD. Yes, sir; it was a Liberty plane, DH-4.

Mr. MAGEE. Had you heard anything about this kind of plane there on the front?

Mr. ARCHIBALD. We heard that there was some at Romonantin.

Mr. MAGEE. What did they call those planes of that kind there?

Mr. ARCHIBALD. Observing planes.

Mr. MAGEE. Did you ever hear them called "flaming coffins"?

Mr. ARCHIBALD. Yes, sir; that was their name among all the fliers, "flaming coffins."

Mr. MAGEE. That was the DeHaviland Four?

Mr. ARCHIBALD. Yes, sir.

Mr. MAGEE. Now, go on with your experiences and your observations there.

Mr. ARCHIBALD. Well, I was at Chateau-Thierry in the month of August, and statistics showed that we lost 28 men in the month of August.

Mr. FREAR. Out of your group?

Mr. ARCHIBALD. Yes, sir; out of the group, which was a very large percentage for an air-service group. The last of August or the first of September we moved to St. Mihiel to be there at the time that the drive was to open on the 12th of September, but unfortunately I was only there four days, and I was taken prisoner on the 8th of September, and that limited my career of observation in France.

Mr. MAGEE. You were taken prisoner in the operations at St. Mihiel?

Mr. ARCHIBALD. Well, yes, sir; it really was not the operation, because the official drive did not open until the 12th, but I was at the St. Mihiel sector.

Mr. MAGEE. You were taken prisoner before the drive actually began?

Mr. ARCHIBALD. Yes, sir.

Mr. MAGEE. How did that happen; did you fly over the German lines?

Mr. ARCHIBALD. I was shot down by antiaircraft.

Mr. MAGEE. Over the German lines?

Mr. ARCHIBALD. Yes, sir.

Mr. MAGEE. What did you observe as to whether or not our men had adequate airplane protection there, whether there were sufficient aviators there to protect the men properly?

Mr. ARCHIBALD. No; they had not, sir.

Mr. MAGEE. Just describe what you saw with reference to that.

Mr. ARCHIBALD. Well, the only thing that I saw was our group, which was the only American chasse group at the front, and the chasse group were supposed to be the men that did the fighting, and one group can not do very much, because the limit of one patrol in a Spad machine is two hours.

Mr. MAGEE. You were flying with the French Spad?

Mr. ARCHIBALD. Yes, sir.

Mr. MAGEE. How many groups were necessary there to protect reasonably our men at the front?

Mr. ARCHIBALD. I could not say exactly how many would be needed, but I know it would be considerably more, a great deal more than were provided.

Mr. MAGEE. You know about the protection the French were given?

Mr. ARCHIBALD. I would probably say three or four groups at least on that sector.

Mr. MAGEE. In order to be given the same protection that the French airplane and the British airplane service gave, you mean?

Mr. ARCHIBALD. Yes, sir.

Mr. MAGEE. You were a prisoner for how long, Lieutenant?

Mr. ARCHIBALD. From September 8 until December 1, 1918.

Mr. MAGEE. And then you were released?

Mr. ARCHIBALD. Yes, sir.

Mr. MAGEE. What time did you get home?

Mr. ARCHIBALD. To the United States?

Mr. MAGEE. Yes.

Mr. ARCHIBALD. I landed in New York on the 2d day of March.

Mr. MAGEE. 1919?

Mr. ARCHIBALD. Yes, sir.

Mr. MAGEE. I think that is all.

Mr. LEA. Do you remember what day you first went to the front?

Mr. ARCHIBALD. The exact date?

Mr. LEA. Yes.

Mr. ARCHIBALD. I think it was the 23d of July, sir.

Mr. LEA. Do you know if any American aviators went over the lines before the 2d of August, 1918?

Mr. ARCHIBALD. Before the 2d of August?

Mr. LEA. Yes.

Mr. ARCHIBALD. In 1918?

Mr. LEA. Yes.

Mr. ARCHIBALD. American aviators or American planes?

Mr. LEA. American aviators?

Mr. ARCHIBALD. Yes, sir.

Mr. LEA. They did?

Mr. ARCHIBALD. Yes, sir.

Mr. LEA. What kind of machines did they go over in?

Mr. ARCHIBALD. I went across the line before the 2d of August, in 1918, in a French Spad.

Mr. LEA. So the machines with which you were working were foreign-made machines in the American service?

Mr. ARCHIBALD. Yes, sir.

Mr. LEA. What section were you on of the front?

Mr. ARCHIBALD. Chateau-Thierry.

Mr. LEA. You were on that section all the time?

Mr. ARCHIBALD. Yes, sir; until we moved up to St. Mihiel, and then I was in St. Mihiel sector.

Mr. LEA. As far as your information goes over there, there was never a time but what the Allies lacked machines and needed them, was there?

Mr. ARCHIBALD. No.

Mr. LEA. There was a shortage of planes for the Allies from the beginning to the end of the war?

Mr. ARCHIBALD. As far as I came in contact with any.

Mr. LEA. Yes. That is the general impression, is it?

Mr. ARCHIBALD. Yes, sir.

Mr. LEA. That is all.

Mr. MAGEE. You had reference to the French and the British in reference to the lack of airplanes, or was it the Americans?

Mr. ARCHIBALD. I had reference to the Americans, because I could not say—I did not come in contact with the French and British enough to know.

Mr. MAGEE. All that you know is that the American soldiers were greatly lacking in airplane service and protection?

Mr. ARCHIBALD. Yes, sir.

Mr. MAGEE. That is all.

Mr. LEA. But in response to that the planes were used, they were distributed among the Allies; sometimes a machine of one nation would defend the soldiers of another nation among the Allies?

Mr. ARCHIBALD. Yes.

Mr. LEA. And it was the common impression that England was also distressed for planes, wasn't it?

Mr. ARCHIBALD. Well, I do not know about that. The only thing I know is that there was an English aerodrome right close to us just for about a week, and that they had more planes than we had and they made many more patrols than we did.

Mr. LEA. Were English planes sometimes assigned to the American sector?

Mr. ARCHIBALD. No; they were not, sir.

Mr. LEA. That was true as far as your observation went?

Mr. ARCHIBALD. At our front, of course, there was—when I first went there to Chateau-Thierry there was an English air force there, but when we went to St. Mihiel I did not know of any English aviators there.

Mr. LEA. There were English aviators at the Chateau-Thierry front?

Mr. ARCHIBALD. Yes, sir; for a short while.

Mr. FREAR. I do not know that it shows in the record, but the testimony of the Secretary of War before the committee was that there was not a single fighting plane or bombing plane at the front at the time of the signing of the armistice. The testimony of Dr. Patrick was that there were 213 American-built De Haviland 4's, the ones that have been testified to, and those were all, outside of about 500 foreign planes of various types.

Mr. LEA. Well, there were 5,071 foreign planes delivered to the United States during the war?

Mr. FREAR. There were only 740 planes before the signing of the armistice, including about 500 foreign planes, in round numbers, and 213 De Haviland planes, as shown by the testimony.

Mr. LEA. Well, the testimony is in evidence.

Mr. FREAR. Surely.

Mr. LEA. I have the figures as stated in the evidence. It is in evidence that 5,071 planes were delivered to the United States by the Allies during the war.

Mr. FREAR. Whose testimony?

Mr. LEA. It was introduced at the time Gen. Menoher testified.

Mr. FREAR. Dr. Patrick testified there were 740 planes on the front.

Mr. LEA. On the front?

Mr. FREAR. Well, that is the place that I am speaking of, and that is what I stated, on the front at the time of the signing of the armistice. There were only five hundred and some odd foreign planes purchased from various governments, and there were 213 of these De Haviland 4's that Rickenbacher calls flying coffins, observation planes. (Witness excused.)

TESTIMONY OF HENRY SUZZALO.

(The witness was sworn by Mr. Frear.)

Mr. FREAR. State your name, Doctor.

Mr. SUZZALO. Henry Suzzalo.

Mr. FREAR. You live in Seattle.

Mr. SUZZALO. In Seattle.

Mr. FREAR. How long have you live here, Doctor?

Mr. SUZZALO. A little over four years.

Mr. FREAR. What position do you hold and with what institution of learning?

Mr. SUZZALO. President of the University of Washington.

Mr. FREAR. You have taken a very active part in endeavoring to urge along the aircraft program, as we all know, during the year 1918 and prior to that time.

Mr. SUZZALO. My position as chairman and director of the State Council of Defense brought me in connection with that problem.

Mr. FREAR. You were anxious to expedite and urge along the program.

Mr. SUZZALO. Yes.

Mr. FREAR. That is understood. And in that connection you had much to do with the department at Washington and with the various officials there in bringing about what you believed would be an improvement in conditions?

Mr. SUZZALO. Yes, sir. While I had certain contacts, they chiefly arose through the strike situation and the attempt to solve the labor problem, as that had put the industry down. So that my connection was of two types: First, the attempt to get a widespread policy adopted by the Government, with rapid, effective action, and my contracts terminated with a report that I sent to an assistant in the War Department. My connection with the labor problem continued along until about the last of February.

Mr. FREAR. February, 1918?

Mr. SUZZALO. Yes, sir.

Mr. FREAR. Will you briefly give to the committee an idea of the conditions that confronted you here and what was done by your people, and yourself, particularly?

Mr. SUZZALO. The chief activity was in attempting to settle the labor dispute in the logging industry. The loggers had shut the mills down and of course that stopped the product of spruce, so we felt that the essential thing was to put the industry back upon its feet. We attempted by conferences under the auspices of the State council of defense to get the representatives of labor and the

employing interests together. Our diagnosis of the situation was that the men chiefly wanted the recognition of a basic eight-hour day. Many compromises were offered. The loggers and the mill-men, at the conclusion of the conference, stated that they were for an eight-hour day, but were afraid to go upon an eight-hour day with competition from the South. So that while they practically agreed with us as to what was necessary to set aside the discontent, the chief thing we could not agree upon was as to the method of bringing it about.

Mr. FREAR. That is to say, that the competition in one section of the country would directly influence their own business.

Mr. SUZZALO. They felt it would, permanently.

Mr. FREAR. And they wanted to have the same conditions imposed by the Government in all cases?

Mr. SUZZALO. Yes. Our conference broke up because we could not agree upon the method. The object was the same. The men wanted the eight-hour day and the employers apparently agreed, and sent such a telegram, I understand, to the Secretary of War or to some official at Washington. Those of us who were neutral, who were merely mediating, were also agreed that that was a desirable thing to do. Of course, we were interested in cleaning up the local situation.

Mr. FREAR. That is, you mean by the local situation——

Mr. SUZZALO. I mean the local strike.

Mr. FREAR. In these States?

Mr. SUZZALO. In these States.

Mr. FREAR. Oregon and Washington.

Mr. SUZZALO. But the employers simply felt that it could not be done with safety to the industry unless it was a universal eight-hour day. The next step was when the mediation commissioners came here, headed by Secretary of Labor Wilson. Secretary of Labor Wilson tried to bring about various compromises, just as the State council did, and failed. I went into conference with them after the failure, with Mr. Carleton Parker, who was sort of representing the War Department on the labor end here, and assisting me, and we tried to induce them to relieve the local situation, which was very important because we needed to supply the spruce, by doing what they had done in other industries, and that was putting an eight-hour clause, a universal eight-hour clause, in all Government contracts dealing with lumber. They did not know whether that would be possible or not, but when they left us we carried the idea that that is what they would probably try to do. Secretary of Labor Wilson did not commit himself, but we talked with Mr. Frankfurter, the secretary of the commission——

Mr. FREAR. And he was the Assistant Secretary of War?

Mr. SUZZALO. No; he was assistant to the Secretary of War, as I remember it, and I think he was chiefly in charge of labor difficulties affecting the War Department. I got the impression from him that he would try to bring that about. On that basis we kept calling the attention of the War Department to the need to do something to solve the situation. The industry was down. We were suffering from two things. The industry was down, and there seemed to us to be no constructive policy, no decisive action, up to January.

Mr. FREAR. That was January, 1918?

Mr. SUZZALO. 1918. On January 2, after many conferences running through the month of December, where I talked with almost everyone I could, people I personally knew and had confidence in, lumbermen, members of my faculty in the College of Forestry, millmen, laboring men, just as I could pick them up—sometimes the conferences were formal—and I wrote this up in a series of recommendations as to what I, as a layman, thought ought to be done, giving chiefly not my own views, but the consensus of opinion. This is presented in a document under date of January 2. I told Mr. Frankfurter I would prepare it, and asked him if he would get it to the attention of the people in the War Department. This he promised to do, and this document, under date of January 2, is the document that I sent him. I think that my whole view of the situation at that time was summarized in that document. If you want it read or entered in your record you can do just as you please.

Mr. FREAR. We can enter it in the record?

Mr. SUZZALO. I can read it if you want.

Mr. FREAR. I saw it in Washington before I came here.

Mr. LEA. Let the witness just refer to what he deems the essential things and let it go in evidence.

Mr. FREAR. Just without reading it all.

Mr. SUZZALO. I will glance over it and refer to the essential things. I felt that there had not been a progressive policy, or decisive policy. The first thing I did was to call attention to the fact that up to the time I had written the letter—we had then a smaller program than the one later adopted, which called for 50,000,000 feet, and from August to December they had only produced 12,500,000 feet. The first presentation, then, was one of fact. The causes of delay were three. The normal organization of the lumber industry could only supply about half our needs. Even this half supply was down because of industrial unrest. The industry has been crippled by strikes and industrial unrest since the middle of July. The Government has not moved with adequate resourcefulness and decisiveness in using extraordinary methods of logging and milling spruce so as to get the unusual supply needed. The policy, therefore, should be of two types: First, to restore the industry and bring the normal supply up; and, second, to have an additional policy which would supplement that normal supply. The situation called for extraordinary effort. Therefore I recommended the following policies. They are four in number. First, use the regular industrial logging companies in order that normal by-product supply of spruce logs be restored. This requires elimination of industrial discontent. Also to increase the quantity and efficiency of labor in the logging camps through use of more civilian and army workers. Again, to make an adequate price so as to stimulate enlarged and new logging camps, if necessary.

The second general recommendation was to encourage the present logging camps to develop their logging operations out of the usual direction. Now, what would be profitable industrially might not bring the largest stand of spruce, and so, of course, there would be a certain loss of money if they had to turn the direction of the logging toward the larger stands of spruce. That was the second policy. Of course, in order to do this they would have to provide for a higher price, because there would be a higher cost.

Then in order to do this thing effectively they would have to give the officer in command the power to commandeer and fix the price of stumpage so that he could permit companies to operate adjoining properties which did not belong to them, so as to get speed, which would involve commandeering private property, Indian reserves and forest reserves.

Mr. FREAR. As a matter of fact, the Indian reserves and the forestry, those were subject under the law to use at any time?

Mr. SUZZALO. Well, of course I did not know that. I merely plotted the policy. Second, to give Disque, who was then commanding, power to requisition rights of way over private and public property. I wanted that power, because we were wasting too much time going back and forth to Washington. I wanted that power locally. Give Disque power to commandeer all unused trackage and logging equipment not operating for spruce and ship timber needs.

Give Disque power to commandeer, in addition to stumpage, logs and lumber, so that materials do not escape into other industrial channels and so that over-supplies in one mill may be turned over to another mill for prompt manufacture.

The third large policy was to use the same existing industrial concerns to do selective spruce logging.

Then to supplement these three uses, one ordinary and two extraordinary uses of normal industrial concerns by the organization of riving companies, a still more expensive method, but this question because of much need and great haste.

That was the policy in brief. Now, I made certain recommendations with reference to the transportation problem, that as much could be done in the manufacture of spruce here so as to economize on transportation. There was some difficulty with transportation at that time, as you will remember. Cutting to blank sizes. The recommendation there was favorable to the cut-up mill below, so that things could be put in as near a final shape as possible.

Then in speeding up the policy I made the following recommendations:

Put one man in absolute charge of obtaining the necessary spruce. So that they would not be circulating around.

The present appointee, Col. Disque seems to be the right man. Stop further changes. Every change has meant a bad delay. Station him on the ground, in the center of the spruce field, where he can work with the conditions as they are from day to day. Give him unlimited power save in operating with general priority board, which must be at Washington, and hold him for results. This is the only way we can avoid a tragic defeat in our war program.

Some of the specific grants of power should be: Power to make and sign contracts at Portland without further red tape. Power to make payments at Portland out of a large appropriation directly at the disposal of the representative of the War Department. Quick payment is essential. Much of this work must be done by companies without much capital, and the capital they have must be turned over rapidly to get the work done. Power to work out all policies of management in getting supplies of spruce, and a general fund to buy equipment and supplies in the open market, and to cover overhead expenses. This fund must be flexible for quick action.

Power to make many forms of contract for spruce gotten under different conditions, or power to make cost-plus contracts. There was a disagreement of opinions as to which way should be selected, and I put in both ways, because there was that difference.

Then the power to commandeer, which I have already mentioned. The power to fix the price of stumpage, logs, and lumber. Adequate forestry engineering regiments to provide labor supply needed, and complete control over Vancouver Barracks, which should be given over to this single task.

The above requests involve an unusual organization and an unusual grant of power. But the spruce supply warrants this kind of extraordinary action. Let me call your attention to what will happen in the spring, when the expanded airplane plants reach their maximum of productive power at the end of a winter which leaves us with the lowest stock of spruce logs we have had since the strike came on us.

Mr. FREAR. That was giving practically a power possessed by no one but the President of the United States?

Mr. SUZZALO. Approximately.

Mr. FREAR. Giving the man the opportunity to become a czar in every respect, provided he stepped out; in fact, overruling the Secretary of War?

Mr. SUZZALO. And holding him responsible for results.

Mr. FREAR. Holding him individually responsible for results. Now, what correspondence or what conferences did you have in reference to the labor question, which became a very vital question, as I understand?

Mr. SUZZALO. This document ended my contact with the Government upon the question of policy and quick action. My further contact with the situation was exclusively upon the labor question. I think I have carried it up to the date of December, when the mediation committee came, and through this report. We kept urging upon Washington that they do something to settle the labor trouble.

Mr. FREAR. Will you please, Doctor, read from what you have and amplify as you go along, so that we will understand the situation that confronted you here and what suggestions were made?

Mr. SUZZALO. After the commission got home I waited until about the middle of January, 1918. There seemed to be nothing, so far as I could find out, being done to solve the discontent in the labor industry. So upon January 16 I had Mr. Parker wire to Mr. Frankfurter, in the War Department.

Mr. FREAR. Whom, I believe you testified, was an assistant to the Secretary of War?

Mr. SUZZALO. Mr. Frankfurter was an appointee.

Mr. FREAR. Assistant to the Secretary of War?

Mr. SUZZALO. Yes, sir. He wired to Mr. Frankfurter, and I wired to Secretary Baker and to Mr. Coffin, as follows, under date of January 16, 1918. [Reading:]

Inefficiency in production of spruce continues despite remarkable effort made by Col. Disque, of Signal Corps. Absolutely essential for Government to give Disque extraordinary powers and clean up labor inefficiency. Labor efficiency running about 30 per cent short, caused by discontent, which can only be eradicated in any degree by establishing of basic eight-hour day. Strongly urge establishment of universal eight-hour day in lumber industry by Executive order requiring basic eight-hour day clause in all Government lumber contracts.

Mr. FREAR. That is the first message that you have there in reference to this?

Mr. SUZZALO. Yes, sir, that is the first one bearing on this particular question. On January 17 I received the following reply from Secretary Baker, which indicates their policy. [Reading:]

Telegram received. Conditions in California and Pacific northwest in industry differ widely from those in other parts of the country and the considerations which justify an eight-hour clause in lumber contracts in the Northwest do not obtain elsewhere. The President is loath to use his power to establish an eight-hour day in Pacific Northwest, by Executive order, believing that much better feeling will exist and result be obtained if operators would establish this basis of their own accord, either voluntary or as a patriotic response to his request. Can you not join Parker in urging this on them?

It practically stated, as you see, that they did not feel like considering an universal eight-hour day, and suggested that we get the operators to establish one on a voluntary basis, or in patriotic response to his request.

Mr. FREAR. That is, the Government refused to enter into an universal eight-hour policy, but advised you people here locally to put it in force, notwithstanding the industrial condition which confronted every man who was engaged in the industry?

Mr. SUZZALO. That, in general, is my interpretation. They simply said, practically implied, that we should get it done locally. I presented that report to the chairman of the labor committee, I believe he was, of the employers' association, Mr. Bloedell. I had talked the thing over with Mr. Parker and I finally work out this constructive suggestion.

Mr. FREAR. Bloedel was a member of the firm of Donovan & Bloedel?

Mr. SUZZALO. Yes, sir. I thought I saw a chance to solve the question by compromise. And I think that compromise is suggested in my reply of January 26 to Newton D. Baker. I was not personally in favor of the Governor using this Executive order in putting on an eight-hour day, discriminating against the Northwest. Therefore, we worked out the plan of getting both the Government and the industry to leave the entire dispute in the hands of Col. Disque, and here is the telegram of January 26 to Baker. [Reading:]

Have had many personal conferences on your proposition that lumber operators voluntarily put on the eight-hour day or do so in response to President's patriotic appeal. Matter was finally laid before the leading operators in charge of labor policy at meeting of the industry yesterday. They informed me this morning that they are willing to leave the entire matter of the eight-hour day and all other labor issues in the hands of Col. Disque of the Signal Corps, and will accede to any requests which he may make as fast as his judgment decrees they are necessary. We feel that this understanding between the industry and the War Department's spruce representative will solve the situation as fast as is necessary for effective spruce production, and recommend that the War Department handle all problems bearing on spruce production efficiency through Col. Disque alone, giving him full power and holding him to complete responsibility.

On February 28 I had the following telegram from Disque. [Reading:]

Entire lumber industry Pacific Northwest goes on eight-hour basic day March 1. Decided last night in conference in this city.

And that stopped the whole trouble, because it stopped the dispute between the War Department and the industry.

Mr. LEA. What date was that, Dr. Suzzalo?

Mr. SUZZALO. February 28. Then I reported that to Baker.

Mr. FREAR. What was that report?

Mr. SUZZALO (reading):

After two days' session of a most representative gathering of loggers and lumbermen of Oregon and Washington, held at Portland, Monday and Tuesday, it was unanimously decided that each operator should send the following wire to his plant: "This camp or mill will go on an eight-hour basic day on the job March 1. Wages to be paid will be announced during the first week in March, after consultation with Government officials." Disque present at second day's conference, which disbanded with complete and hearty confidence in Disque and his management of affairs. Glad to report that our plan of adjustment has worked out exactly as we hoped when we made a recent compromise to leaving everything to Disque.

I wired a similar telegram to the Secretary of Labor.

Mr. FREAR. Did you get any response?

Mr. SUZZALO. Yes, sir; under date of March 2, 1918, from Secretary Wilson. [Reading:]

I am in receipt of your telegram 28th. Permit me to congratulate you, Col. Disque, and your other associates upon the great work you have accomplished in inducting the loggers and lumbermen of Oregon and Washington to put their camps and mills upon a basic eight-hour day. I have been convinced since my visit to Seattle that it was necessary for the lumbermen and loggers of the Pacific Northwest to meet the competitive labor conditions existing on Puget Sound if they hoped to secure workmen enough to carry through the Government program for spruce and Douglas fir. Even with the concession of the eight-hour work day, it will take some little time before a sufficient number of men can be attracted to the work. The lumbermen and loggers are also entitled to congratulations for the spirit they have shown in meeting a difficult situation.

Mr. FREAR. They did join hands there?

Mr. SUZZALO. Oh, yes.

Mr. FREAR. And bring that about?

Mr. SUZZALO. They joined hands in leaving it to Disque, and whatever Disque suggested they did.

Mr. FREAR. What else have you there?

Mr. SUZZALO. That terminated my connection with the labor situation.

Mr. FREAR. Have you any other correspondence there?

Mr. SUZZALO. Not on this topic.

Mr. FREAR. Is there anything in relation to a letter from Poindexter?

Mr. SUZZALO. I have a letter from Poindexter, which a number of us got. It was a protest against the contemplated discrimination against the Northwest.

Mr. FREAR. Have you it there?

Mr. SUZZALO. Yes, sir.

Mr. FREAR. Read it, please.

Mr. SUZZALO. I do not know what provoked this letter.

Mr. FREAR. This was only one link in what I have in mind, so that is the reason I am asking to have it read.

Mr. SUZZALO. This was written to Hon. W. B. Wilson, Secretary of Labor. This was sent to me for my information. Apparently this was written in response to a letter of Secretary Wilson, and perhaps I had better read that first.

Mr. FREAR. Read that first, please. Who signed it, please?

Mr. SUZZALO. W. B. Wilson, Secretary of Labor. Apparently Poindexter wrote me, and I haven't that first letter. [Reading:]

I am in receipt of your letter of the 19th instant, with telegram from the Seattle Chamber of Commerce and Commercial Club, relative to the report that the Government will require that the eight-hour day be established in the Pacific Northwest in the lumber industry, without its being established in this industry in the other sections of the country.

This is a subject that has had a great deal of attention and concern from me in all its phases. I studied it at first hand during the hearings and deliberations of the President's mediation commission held at Seattle and since my return from the West, and if the labor situation was the same in all of the lumber-producing sections of the country as it is in the Pacific Northwest, I would have no hesitancy in recommending to the President that the basic eight-hour day be applied to all of the lumber fields of the United States. So far as I am advised at the present time, no other lumber-producing district is situated as is the Pacific Northwest in its surrounding circumstances. Nearly all the large industries on the coast are being operated on an eight-hour workday, with time and one-half for overtime. The wage rate for all classes of labor is high as compared with the prewar period. These industries are absorbing large numbers of men. They will not go into the lumber industry on a 10-hour basis when they can secure an 8-hour workday in the immediate vicinity with as high or higher wages and more comfortable housing conditions and social surroundings. As a result the lumber industry in the Pacific Northwest is short of labor. The spruce production is not more than 50 per cent of the needs of the Government, and I am advised by Mr. Hurley that the Shipping Board is unable to get the fir it needs for shipbuilding purposes.

Under these circumstances I believe it is imperative that the Pacific Northwest lumbermen should accede to a basic eight-hour workday, with time and one-half for overtime. I know of no other way in which civilian labor can be obtained to secure the necessary production of lumber. In any event, civilian labor, in my judgment, will have to be immediately supplemented by volunteers from the cautionsments to promptly bring the lumber production up to the pressing needs of the Government. There is no other lumber-producing section in the United States that has to meet these conditions. It would be useless to maintain equality of competitive conditions if they are unable to secure the labor to produce the necessary material to compete with. The lumbermen of the Pacific Northwest are so situated that they must meet the competition for labor as well as the competition for trade, or else the United States Government can not be supplied with essential material to fill its imperative needs for aeroplanes and ships.

This is the situation as I found it in the Pacific Northwest, and which impels me to recommend to the President that the basic eight-hour day, with time and one-half for overtime, be instituted in that lumber field.

Now, the letter from Mr. Poindexter is a copy? These are not originals. [Reading:]

DEAR MR. SECRETARY: I am just in receipt of yours of 25th instant relative to the establishment of an eight-hour day in the North Pacific States alone, while no such restriction is made in some other parts of the country in the same grade of labor and kind of work.

I appreciate fully the difficulties which have confronted you, but do not think that any amount of argument can justify for a moment discrimination between different sections of such a fundamental proposition as hours of labor. There has been considerable labor legislation with reference to railroads, Government employees, Government contracts, etc., by the Federal Government and to the best of my recollection this is the first time it was ever proposed to discriminate in the favor or against a particular section of the country in this matter. The attempt to do so is bound to do more harm than good, create wide-spread dissatisfaction, not so much on account of hours of labor, but on account of discrimination. If there is one principle that needs to be adhered to above all others in this extraordinary measure being taken for the safety of the country in this war it is the principle of uniformity and equality of burdens and service required. I am taking the liberty of calling the President's attention to the matter.

It seems to me in your letter that you rather misapprehend the attitude of the employers of the North Pacific States in this matter. They do not object

to an eight-hour day and are perfectly willing, as you intimate they should do, to establish an eight-hour day in their work. They insist, however, that when they do so, or when they are required to do so, the same requirements shall be imposed upon every other section of the country. In other words, it is not the eight-hour day at all that they object to (on the contrary they are in favor of it), but it is the discrimination, which is rankly unjust, of requiring them to put in an eight-hour day, while relieving other sections of the country from this requirement. The discrimination affects employees as well as employers, and in that behalf it may be said that laborers in these industries in other parts of the country are entitled to the same consideration as those in the Pacific Northwest in the matter of the eight-hour day. The principle underlying and justifying the establishment of an eight-hour day is in no sense local or temporary, but permanent and of universal application.

I note your statement that the lumbermen of the Pacific Northwest ought to be ready to "meet competition for labor as well as for trade." This is exactly what they are willing to do and in doing so insist that so far as Government laws and regulations are concerned in meeting this competition they should not be handicapped by discriminatory and special impositions, but that the competition which they must meet should be subject to the same conditions. Of course you are familiar with the fact that the lumber industry of the Pacific Northwest, both employees and employers, are compelled to compete in their work with the same industry throughout the United States, and for that matter throughout the world, it being a national and international industry and trade lumber market.

I am very much in hopes you will give this matter further serious consideration before putting into effect any regulation as to hours of labor that is not applicable throughout the country.

With kind regards,

Very truly yours,

MILES POINDEXTER.

Then the letter that he wrote at the same time to the President, inclosing this correspondence. [Reading:]

HON. WOODROW WILSON.

DEAR SIR: I inclose herewith correspondence with the Secretary of Labor relative to the proposed establishment of an eight-hour day in the lumber industry of the Pacific Northwest. This would be a rank discrimination against a particular section. The lumbermen of the Pacific Northwest have no objection to an eight-hour day. They do object, however, to being discriminated against by having such a limitation of hours or labor imposed upon them and not imposed upon their competitors in the South and in other sections of the country.

I would appreciate it very much if you would give serious consideration to the matter as set out in this correspondence with the view of avoiding either favoritism on the one hand, or unequal burdens on the other.

MR. FREAR. Is that the end, substantially, of the correspondence that relates to this question of labor?

MR. SUZZALO. So far as is in my possession.

MR. FREAR. The situation, as I gather from that, is that Mr. Disque—Col. Disque at that time—was given power to put in force any proposition he saw fit, to commandeer.

MR. SUZZALO. I do not know about commandeering. I am merely speaking of the labor question.

MR. FREAR. You recommended that—

MR. SUZZALO. I recommended, but I don't know about that.

MR. FREAR. And he imposed it, as I understand it.

MR. SUZZALO. I don't know anything about the management; I would not care to testify on it.

MR. FREAR. A position that gave him power enough to bring about what you were all anxiously seeking to bring about—union of action, that is, in regard to the hours of labor, so as to expedite matters in the war activities here, whether they related to shipbuilding or to spruce—

Mr. SUZZALO. First—

Mr. FREAR. But the proposition was put up to the Secretary of War, and also to the Secretary of Labor, that this be made universal, so that the employer here, who was subject to the market in business, would be protected in his business—that is, so that he would not be destroyed or undersold or underbid by the people of other sections, where no such limitations were placed upon hours of labor; that is true?

Mr. SUZZALO. That was true with the employers.

Mr. FREAR. The Secretary of War, you say—at least you believe, after giving this power to Col. Disque—

Mr. SUZZALO. Col. Disque didn't have the power at that time.

Mr. FREAR. He didn't have the power at that time. Well, he placed it with you people, that you must make this decision yourselves here and that there was no industrial or universal recommendation that would be had. Now, I ask you, was this the case with any other activity here?

Mr. SUZZALO. None that I know of.

Mr. FREAR. The effect, just like it would be in any other business, like it would be in a railroad or anything else, would be that it would mean destruction to the person who endeavored to meet these conditions, unless all other competitors would be subject to the same conditions, would it not?

Mr. SUZZALO. Well, that is an economic question I would not pass on.

Mr. FREAR. An important economic question, that is what I am getting at; that is true, isn't it?

Mr. SUZZALO. They are on a basic eight-hour day, as I understand it.

Mr. FREAR. Who is?

Mr. SUZZALO. The local industry.

Mr. FREAR. I am not speaking of the local industry. You sell your lumber clear to the east?

Mr. SUZZALO. Yes; we do.

Mr. FREAR. A universal act, which would place all organizations under the eight-hour day, would be fair to the people here, as suggested by Senator Poindexter.

Mr. SUZZALO. It was my own view that the Government—if the Government exercised its general power—that the Government should not issue a discriminatory order. That is my own personal opinion.

Mr. FREAR. Yes; that is to say that they ought not to require this locality to be placed in that position, unless it was general.

Mr. SUZZALO. That was my own personal opinion.

Mr. FREAR. In other words, if the prices and conditions are the same here as they are throughout the central part of the country, and the lumber is brought into competition down there, these men here who are in business have a sufficient competition to make it a serious business proposition with them, because of the additional haul of the goods and the freight charges to pay on them.

Mr. SUZZALO. They sought—

Mr. FREAR. If, in addition to that, they are held down, even directly or indirectly to an eight-hour day, and the people of the Southern States, for instance, or elsewhere, can go into a 10, 12, or

any number of hours day, then the people here are discriminated against—that is, I mean the business, and that employs the labor—to such an extent that it may act to their serious disadvantage.

Mr. SUZZALO. They felt that very keenly, and were afraid to face the future with that discrimination.

Mr. FREAR. Do you know what the effect of that was?

Mr. SUZZALO. No; I don't. I haven't followed the market at all on the matter of lumber.

Mr. FREAR. That is all. I thank you very much.

Mr. LEA. The lumber market is very high to-day, though, isn't it?

Mr. SUZZALO. I understand so, but it is mere hearsay on my part.

Mr. LEA. Yes.

Mr. SUZZALO. I don't want to pass on expert questions that I am not competent to testify on.

Mr. LEA. I suppose you recognize this feature that was involved in the eight-hour question, so far as making it universal, that while by making it universal you might settle the eight-hour day problem in Washington, you might create another problem, just as difficult, in another section of the country that was not agreeable to it.

Mr. SUZZALO. My responsibility was to clear for spruce and long ship lengths, and I was looking at it from that angle.

Mr. LEA. And this plan did settle the problem here, didn't it?

Mr. SUZZALO. Yes, sir; it did settle the problem here.

Mr. LEA. That is all.

Mr. FREAR. That is all, Doctor. Thank you.

TESTIMONY OF JOHN E. BRATNOBER.

(The witness was sworn by Mr. Frear.)

Mr. FREAR. What is your full name, please?

Mr. BRATNOBER. John E. Bratnober.

Mr. FREAR. You live in the city of Seattle?

Mr. BRATNOBER. Yes, sir.

Mr. FREAR. Engaged in the lumbering business?

Mr. BRATNOBER. Yes, sir.

Mr. FREAR. And interested in the lumbering business. I have been very anxious to secure some statement of the conditions of the lumber business back in the times of the war, that have been testified to here by Dr. Suzzalo, and I ask that you give me such information as can be had. Will you please tell me if you have any such statement?

Mr. BRATNOBER. I have a copy of the statement of the prices fixed by the price-fixing board, for both yellow pine and fir.

Mr. FREAR. The price-fixing board is what board?

Mr. BRATNOBER. That is the board in Washington.

Mr. FREAR. The board at Washington; yes. Have you got duplicate copies there?

Mr. BRATNOBER. I just have the two copies.

Mr. FREAR. You take one—

Mr. BRATNOBER. No; there are two separate; one is yellow pine and one is fir.

Mr. FREAR. Well, testify from those copies, if you will. Briefly describe to the committee what are the comparative lines of timber that correspond there in character, so that we can understand. You have had some business experience in the South, I understand?

MR. BRATNOBER. Well, I have had this experience, that we, in our wholesale yards and retail yards in the East, handled yellow pine, as well as fir, before I came West; but the prices that I have here are more with reference to lumber—building lumber rather than airplane lumber or ship lumber.

MR. FREAR. Well, that is immaterial. I mean just the same grade of lumber that you use. I don't mean aircraft or shipbuilding, but I mean these ordinary kinds of lumber, the lumber of the South and the lumber that you have here.

MR. BRATNOBER. Well, take the items of No. 1 here, No. 1 flooring, in yellow pine—

MR. FREAR. Where is that? That is in the South?

MR. BRATNOBER. That is in the South. The price is fixed at \$52 per thousand.

MR. FREAR. That is fixed by the Government board?

MR. BRATNOBER. Yes; and for the same thing in fir—this is the price at the mill.

MR. FREAR. Yes.

MR. BRATNOBER. The same thing in fir, the price is \$42.

MR. FREAR. That is, the price fixed by this board here is \$42, and for the South—

MR. BRATNOBER. That is the maximum price.

MR. FREAR. The maximum price for the South was \$52.

MR. BRATNOBER. Yes; and on what we term as No. 2 flooring, which is B and better in yellow pine, the yellow pine price is \$46, and our price is \$39.

MR. FREAR. That is, the price for fir is \$39.

MR. BRATNOBER. \$39.

MR. FREAR. No. 2.

MR. BRATNOBER. No. 2. On the item—I am just picking out the most common items—

MR. FREAR. Well, just two or three, for the purpose of comparison.

MR. BRATNOBER. Five-eighths by four ceiling, in yellow pine, the price is \$32.

MR. FREAR. What is that used for?

MR. BRATNOBER. That is for ceiling inside—

MR. FREAR. Yes. What was the first price?

MR. BRATNOBER. \$32.

MR. FREAR. \$32; yes.

MR. BRATNOBER. And for fir, the same grade, is \$28 at the mill.

And then passing on down to drop siding, in yellow pine the price is fixed at \$35, and in fir the price is \$31.

MR. FREAR. That is enough, in comparison.

MR. BRATNOBER. I was going to give you two or three items in common lumber, now.

MR. FREAR. Yes.

MR. BRATNOBER. On 2 by 4's the yellow-pine price was \$23.50.

MR. FREAR. \$23.50.

MR. BRATNOBER. And the same thing on fir is \$18.50.

MR. FREAR. \$18.50. That is a difference of about \$5.

MR. BRATNOBER. Well—

MR. FREAR. About 25 per cent.

MR. BRATNOBER. Well, it ranges about the same through the common lumber.

Mr. FREAR. Now, I think you have explained; but is yellow pine, the southern yellow pine, used for the same identical purposes as the fir?

Mr. BRATNOBER. These items that I have mentioned are; yes.

Mr. FREAR. So that, to return to your figures, the price fixed by the Government, where the time was unlimited, of labor, and conditions were such that the people there had the local advantage in freight rates and all, was \$52.

Mr. BRATNOBER. Yes.

Mr. FREAR. And the price that was given here, that the people here on the coast were allowed to charge, was only \$42?

Mr. BRATNOBER. Yes, sir.

Mr. FREAR. In other words, there was a 20 per cent differential in favor of the southern manufacture as against the western manufacture?

Mr. BRATNOBER. Yes, sir.

Mr. FREAR. Now, in the case of No. 2, the price was \$46 for yellow pine and \$39 for the fir timber?

Mr. BRATNOBER. Yes, sir.

Mr. FREAR. That would be a difference of \$7 per thousand, or a difference of between 15 and 20 per cent?

Mr. BRATNOBER. Yes.

Mr. FREAR. It follows along in the same proportion.

Mr. BRATNOBER. About the same proportion. Some items of common lumber, it is greater than that.

Mr. FREAR. And the testimony has just been offered before this committee that the two Cabinet officers who were urged to make this rule universal—this rule of the eight-hour day—felt that it ought to be decided locally, and the lumbermen and the employees here were forced to come to a common agreement here, notwithstanding the rates fixed by the rate board showed this differential of 20 per cent in favor of the southern manufacturer under equal conditions.

Mr. BRATNOBER. Yes, sir.

Mr. FREAR. That is all.

Mr. LEA. How did the prices allowed the industry here compare with the prices allowed or received before the war?

Mr. BRATNOBER. Well, these prices are somewhat higher than the prices previous to the war, because—they were somewhat higher on account of the higher basis of cost.

Mr. LEA. They are based on the basis of delivery—point of delivery or at the mill?

Mr. BRATNOBER. At the mill.

Mr. LEA. And are they higher than the prices were before the Government fixed the prices?

Mr. BRATNOBER. Yes; some items are higher.

Mr. LEA. They were not lower, were they?

Mr. BRATNOBER. No; I think not.

Mr. LEA. In any instance? Now, do you know how that is with reference to the prices on southern lumber as compared with the prior prices?

Mr. BRATNOBER. I don't know. I think—well, I know that the southern prices were considerably higher than they were previous to the war.

Mr. LEA. Yes. The southern prices were higher.

Mr. BRATNOBER. Yes.

Mr. LEA. Do you know whether that is ordinarily true with the prices of this yellow pine, compared with the prices here of fir?

Mr. BRATNOBER. You mean—

Mr. LEA. For instance, we will take, just for example, that 1 by 4 flooring. What is the price of that back East, as compared with your price here, ordinarily?

Mr. BRATNOBER. Well, that varied at times with the market. Sometimes it was the same and sometimes it was a little higher. We were always a little under yellow pine.

Mr. FREAR. That lumber price back there, generally speaking, is higher because it is nearer the eastern market; isn't that the situation?

Mr. BRATNOBER. Yes; that was true—

Mr. LEA. The western lumber industry is always under the handicap of the long shipment.

Mr. BRATNOBER. Yes, sir. A lot of this lumber that they used was used here locally—was used here on the Pacific coast.

Mr. LEA. There is no eastern lumber shipped in here, is there?

Mr. BRATNOBER. No; not that I know of.

Mr. LEA. And was any lumber shipped east for ordinary building purposes during the war?

Mr. BRATNOBER. You mean for the Government's use?

Mr. LEA. No; for commercial use.

Mr. BRATNOBER. Oh, yes; there was some shipped all the time.

Mr. LEA. Was there any for Government use?

Mr. BRATNOBER. Yes; lots for Government use.

Mr. LEA. Shipbuilding, etc.?

Mr. BRATNOBER. I don't know as to the shipbuilding. Our company shipped a number of carloads of timbers to the Atlantic coast, but I don't know whether they were used for shipbuilding or not.

Mr. LEA. Was there any handicap on Washington production on account of these prices?

Mr. BRATNOBER. Well, yes; I think there was. Not so much on that price, but on the quantity of side lumber of cantonment lumber that we received out here. You see, we only got a very small percentage of it out here, even at the lower price; the yellow pine got the greater percentage of the cantonment orders.

Mr. LEA. On account of the distance to the cantonments?

Mr. BRATNOBER. I don't know what the reason was.

Mr. LEA. I suppose, of course, that the local cantonments were supplied by the local market weren't they?

Mr. BRATNOBER. Yes, sir.

Mr. FREAR. Now, if the administration, as represented by two Cabinet officers, objected to a universal rate or universal employment of the eight-hour law, but imposed it upon you people here, that would give the people who had no limitation whatsoever a great advantage, wouldn't it?

Mr. BRATNOBER. Yes, sir.

Mr. FREAR. Was necessarily so in all lines of business and all occupations?

Mr. BRATNOBER. Yes, sir.

Mr. FREAR. Now, as a matter of fact, it became a physical or a practical impossibility for the lumbermen out here on the coast, who

were so held to an eight-hour day, to compete with the men of the South in the same kind of lumber, who had no limitation?

Mr. BRATNOBER. Yes, sir.

Mr. FREAR. And yet this board—this War Industries Board, or Price-Fixing Board—did fix these prices on which they made their 20 per cent differential in favor of the South, and you had, in addition to that, the necessity of conforming to the agreement here for the eight-hour day, and they had no limitation there. I think we have it clearly.

Mr. BRATNOBER. Yes.

Mr. LEA. Does the price-fixing continue at the present time?

Mr. BRATNOBER. No, sir.

Mr. LEA. What date did it cease?

Mr. BRATNOBER. I think about shortly after the armistice was signed, or at the time the armistice was signed.

Mr. LEA. It was only a war order?

Mr. BRATNOBER. It was a war order; yes.

TESTIMONY OF CHARLES A. TURNER.

(The witness was sworn by Mr. Frear.)

Mr. FREAR. What is your full name, Captain?

Mr. TURNER. Charles A. Turner.

Mr. FREAR. Where do you live?

Mr. TURNER. 1912 Rucker Avenue, Everett, Wash.

Mr. FREAR. And you have lived there how long, Captain?

Mr. TURNER. Approximately 10 years.

Mr. FREAR. You were in the service, were you, during the war?

Mr. TURNER. I was commissioned a captain in the aviation section of the Signal Reserve Corps from the Second Presidio Training Camp, November 7, 1917.

Mr. FREAR. Now, will you briefly state to the committee such matters as you have in mind and as you have suggested to us in correspondence, which I will appreciate very much; it will save me the necessity of questioning you along the line of your experience and general service.

Mr. TURNER. Before I make any statement, I would like to state that I didn't go into this Spruce Division because I wanted to get there. I was a line officer.

Mr. FREAR. You were in what branch of the service?

Mr. TURNER. I was from the Infantry Training Camp.

Mr. FREAR. I see.

Mr. TURNER. And—

Mr. FREAR. Where was the training camp?

Mr. TURNER. The Second Presidio Training Camp.

Mr. FREAR. Oh, yes.

Mr. TURNER. Presidio, San Francisco.

Mr. FREAR. Yes; you were assigned here, were you?

Mr. TURNER. After I was commissioned; yes, sir.

Mr. FREAR. After you were commissioned, you were assigned up here?

Mr. TURNER. But I would like the committee to understand that I was a line officer.

Mr. FREAR. You had no volition in the matter, I assume?

Mr. TURNER. No, sir; and I wanted to go with combat troops, but I was sent where I was sent, and so I went.

Mr. FREAR. Well, that is one thing about military discipline that we all have to comply with.

Mr. TURNER. I learned that in the old Regular Army 20 years ago.

Mr. FREAR. You had been in the Regular Army before?

Mr. TURNER. I was in there 1898 to 1900.

Mr. FREAR. That is, during the Spanish War?

Mr. TURNER. The Spanish-American; and that is the only thing that held me down when I got assigned to this job. I learned to obey orders then, disagreeable though they were, and I obeyed them this time.

Mr. FREAR. Tell me what the conditions were as you found them, and any statement that you have to make to the committee will be appreciated.

Mr. TURNER. I will try to be frank and fair in what I say, and I will start in. I reached Vancouver Barracks, or, rather, I reported for duty in Portland, Oreg., November 20th, 1917, in company with 105 other officers from the Second Presidio Training Camp. I was ordered to duty at Vancouver Barracks. Reported there the same day. Vancouver Barracks was at that time garrisoned by the Fourth Engineers and the Spruce Production Division was assigned to what was known as the North Cantonments. We had no men.

About the 10th of December, or a few days prior to that, we got 600 Michigan lumbermen. They were lumbermen on paper.

Mr. FREAR. What do you mean by that, Captain?

Mr. TURNER. I will explain that in a moment. I would like to add that I have lived in western Washington now for the last 16 or 17 years, and my duties have carried me out among a great many of the camps and around the mills here. I was the second ranking captain on the post there, and the first four of us on that list were assigned troops from these 600. I thought about that 600.

Mr. FREAR. That has nothing to do with those who were charging over in Turkey, once, on a celebrated occasion?

Mr. TURNER. No, sir. Some of my relations were in that original outfit in the Crimea. That is the reason I thought about this 600.

Mr. FREAR. I observed the connection. All right.

Mr. TURNER. I had 109 Michigan lumbermen assigned to me, and I ran them through that same night.

Mr. FREAR. Through what?

Mr. TURNER. A course of examination to find out what I got.

Mr. FREAR. Yes.

Mr. TURNER. One man of the 109 had been a foreman in a Michigan logging camp for 6 years, and 6 of the others had worked occasionally in the winter.

Mr. FREAR. Those were accidents?

Mr. TURNER. The 102 remaining were body polishers, wall painters, muffler assemblers, automatic-machine hands, and similar experts.

If my recollection is good, 13 of those men could not speak English. I thought that somebody had put something over on me. So I called on the captain of the Four hundred and first Squadron. Mine was the Four hundred and second Squadron. I called on Capt. Bradner to find out how he had fared. He had the same tale of woe

to relate. I then went down to the captain of the Four hundred and third Squadron—we were all in the Presidio.

Mr. FREAR. What were the names of these various captains?

Mr. TURNER. He is an Oregon man. I have not the roll now, but it is the Four hundred and third Squadron. He is an Oregon man, and Capt. Bradner was a California man. I journeyed down to the Four hundred and fourth. I think that was Capt. Dimond from Sacramento; and I found we were all in the same boat. When these men came they were not equipped properly.

Mr. FREAR. How do you mean?

Mr. TURNER. They were short of shoes and short of clothes, and they were short of raincoats.

Mr. FREAR. About what time was this?

Mr. TURNER. The early part of December, 1917. I left there the latter part of 1917. The pneumonia began to get them right away.

Mr. FREAR. What do you mean by that expression of the pneumonia beginning to get them right away? Do you mean that sickness followed?

Mr. TURNER. Sickness began immediately. My first man was warned, and the men were warned not to go out without their blouses on, and if their shoes were leaking to keep in as much as they could. Our first man of the Four hundred and second went out with pneumonia the first hour after he arrived.

Mr. FREAR. Were there any fatalities?

Mr. TURNER. Not that I know of. In the course of 10 days I had 10 men in the hospital. There was pneumonia, scarlet fever, and other things of like degree—the diseases that come from exposure and overcrowding. I tried to get clothes and shoes for those men. Every company officer does that if he is worth a whoop. But we did not have them. I do not believe that was a fault of Col. Disque or anybody in the division. It was solely and simply that the Army did not have the stuff. I marched my company in one day from drill—I only had about 100 men out that day—and 40 of my men had wet feet. The soles of their shoes were worn clear through. I went up to headquarters to get shoes, and there was nothing doing. There were no shoes. It was not the division commander's fault. We did not have them. I would like to add here and now that the time at Vancouver Barracks when we were in this predicament that that was the very time that the Secretary of War Baker issued his statement to the press that the men of the Army were equipped, in answer to Senator Chamberlain's charges in the Senate.

Mr. FREAR. What have you to say, Captain, about the employment of the men in the woods and the treatment they received, and anything that came under your observation?

Mr. TURNER. I left Vancouver Barracks with the Four hundred and sixteenth Squadron destined to Stillwater, Wash., the Cherry Valley Timber Co., about December 26. We were washed out and marooned here at Fort Lawton for a while, and while we were there I improved the occasion to get clothes from the quartermaster for these men. The men from the Four hundred and sixteenth Squadron were nearly all Pacific coast loggers of the Ninety-first Division. I have seen a lot in the papers about these men in the spruce division being one-armed and peg-legged and one-eyed, and so forth. My men were picked loggers, men from the Ninety-first and the Fourth Infantry

Regiment. I picked those men myself. There were hook tenders, chasers, choker setters, and whistle punkers.

Mr. FREAR. What is that?

Mr. TURNER. He is a signal man. I had five full crews from top to bottom. I even went down and got the company's former foreman and got him up there. We went out in the woods finally toward the end of January, after many mishaps—there was a big flood at that time, and we had lots of grief getting there.

Mr. FREAR. Where is its location?

Mr. TURNER. The Cherry Valley Timber Co. is at Stillwater, King County, Wash., about 32 miles from Seattle by automobile. That command remained with the company from January until and including December, 1918, logging during that time. We had no spruce in that camp. That was a fir camp and always had been a fir camp and never had produced any spruce.

Mr. FREAR. Just to get out fir?

Mr. TURNER. It was purely a fir camp.

Mr. FREAR. For shipbuilding?

Mr. TURNER. General logging.

Mr. FREAR. What size logs?

Mr. TURNER. At first our timber ran about 10 per cent No. 1.

Mr. FREAR. I mean the length of the logs and things of that kind.

Mr. TURNER. They cut a 40-foot standard log up there; that is their standard. They don't cut anything shorter than 24 feet. But the 40-foot is the standard log. At first it would run about, of the fir, approximately 10 per cent No. 1, and the fir up there in the beginning was averaging 40 per cent of the cut. About 30 per cent of the total cut, or perhaps a little better, was cedar and the remainder would be hemlock. We did get a little, 50,000 or 60,000 feet of No. 2 or No. 3 spruce, which was merely box stock and not used for airplanes. But several months we got none at all of that.

Mr. FREAR. What were those men used for—general logging for Government purposes for the purpose of doing spruce and shipbuilding business?

Mr. TURNER. Directly the logging output was entirely in the hands of the company management. The Army officer on the ground was a commanding officer and had absolutely nothing to say as to what happened to the logs. That was entirely, wholly, and solely in the hands of the civilian manager, which was a private firm.

Mr. FREAR. What were the conditions surrounding you there?

Mr. TURNER. With respect to what?

Mr. FREAR. With respect to the men, I do not know, and I am asking you just for whatever information you can give the committee in regard to the living conditions, etc.

Mr. TURNER. The living conditions in the Cherry Valley camp were satisfactory. That company a camp-car outfit which I would class as satisfactory. In all but a very few exceptions. They put a few too many men to the section more than the Surgeon General allowed and more than I would prefer to put in myself if I were running the camp. But speaking generally I would class that camp as a No. 1 camp so far as equipment is concerned.

Mr. FREAR. Yes.

Mr. TURNER. Now, when these men got out in the woods and started in to log—the men of the Four hundred and sixteenth Squad-

ron, when the got out in the woods on the job had to have experience, and many of them were from this immediate vicinity. I personally chose those men by reason of the fact that they were qualified because they were north-coast loggers from Washington, Idaho, Oregon, and Montana and were all experienced men. They began to grow dis:ontented with the fact that they were not turning out spruce. However, orders are orders, and it was necessary to hold them up and keep the traces so long as we were getting out what we were. We got out some ship timber; but we were not there for that purpose. We were there solely for signal corps and aviation section work.

Mr. FREAR. You were classed as an aviation command, weren't you?

Mr. TURNER. Precisely; yes.

Mr. FREAR. What proportion was ship timbers and general work and what proportion was commercial?

Mr. TURNER. I was called down here suddenly to-day, and I am unable to give you the exact cut.

Mr. FREAR. Just approximately. I do not care for it accurately.

Mr. TURNER. The proportion of ship timbers was not sufficient to justify the retention of the command on the job.

Mr. FREAR. Was it small, such as a quarter, or 25 per cent?

Mr. TURNER. No, sir; nothing like that.

Mr. FREAR. Ten per cent, would you say?

Mr. TURNER. It would not run 10 per cent.

Mr. FREAR. That is sufficient. I just wanted to get a general idea.

Mr. TURNER. The ship timber at that time called for long logs—over 40 feet, and it called for a heavy stick; and we were not in that class of timber. I think in one month or in the space of six weeks we got out about 300 long logs, 44 and over, and that was our best record. We kept on logging there into the summer, and the cut was miserably poor. In fact, we got in the standard timber. So along in July we realized that there was neither justification or excuse for the retention of Army loggers there.

Mr. FREAR. Who were you working under there?

Mr. TURNER. The Cherry Valley Lumber Co. Our cut then was really nothing more nor less than cleaning up; that is all it was. We got into a lot of old dry cedar, and I classed a lot of it as rubbish.

Mr. FREAR. How did you come to remain in that kind of work, if you know? You were assigned and put in charge, were you not?

Mr. TURNER. Yes; I was.

Mr. FREAR. Under whose orders?

Mr. TURNER. The division commander of the Spruce Production Division, Gen. Disque.

Mr. FREAR. He had assigned you to that work?

Mr. TURNER. He had.

Mr. FREAR. You were working on this job until you succeeded in cleaning up the situation?

Mr. TURNER. I was.

Mr. FREAR. Was there anything said about it?

Mr. TURNER. I reported the monthly input by species, by craft. Fir is graded 1, 2, and 3. Cedar goes in as one grade, hemlock as one; and I think two months we did have a little spruce, about 40,000 or 50,000 feet of No. 2 and 3. We never did have any No. 1.

Mr. FREAR. Did you call any special attention in these reports, or were they just files, or what?

Mr. TURNER. When we first went in there we had orders to submit recommendations, but after the first reports went in, which was for the month of January, and we only got there on the 20th, if my recollection is good, we were merely to submit the report of operations, if I remember right; and I carried out my orders in that respect. I believe you can find my report in the files down there. Now, it caused discontent of the gravest nature among the men.

Mr. FREAR. What were the soldiers paid?

Mr. TURNER. Straight loggers' wages—the logging scale.

Mr. FREAR. What was the logging scale?

Mr. TURNER. It would vary. At that time a hook tender got in the vicinity of \$7, if my recollection is correct, and the head loader would get about \$6.50. They had a sliding scale. There was a maximum and minimum that they would run up and down. A choker setter at first got about \$4.40, and later on, I think, they raised that to pretty close to \$5. Buckers and fallers had two or three scales. And on one occasion there was an uproar there at one of the camps when the men discovered that civilian workmen doing the same work had been given larger pay than the troops, and the officer in command called me in to settle the matter, and I settled it by stating that the troops would be paid the same as civilians if they were doing the same work, and if anyone was unsatisfactory to let me know and I would relieve them of their presence. I was only called upon to remove two or three. There were about 20 men and better that had their wages raised. I may say this much, that I have seen a great many loggers in a great many camps during my travels on Puget Sound, and I have never seen an outfit in numbers in any camp anywhere that could equal the men of the Four hundred and sixteenth Squadron.

Mr. FREAR. Your complaint very largely is that they were not doing the work to develop this aircraft program of getting out the spruce?

Mr. TURNER. That is the key to the situation.

Mr. FREAR. And that the work that they were doing was in part ordinary commercial logging?

Mr. TURNER. It was wholly general logging, as we call it on the sound.

Mr. FREAR. They were using soldiers for that purpose for this company?

Mr. TURNER. Yes.

Mr. FREAR. How many men did you say you had under you at the time?

Mr. TURNER. I went out with 129, but I heard of new men around there and I got them transferred, and I ultimately had 140 at that one camp.

Mr. FREAR. How long were you there with them?

Mr. TURNER. I left in December, 1917, and that Four hundred and sixteenth Squadron, at Stillwater, was made the One hundredth Spruce Squadron the 1st of September, 1918, and was denominated the One hundredth Spruce Squadron, and one of my junior officers was left in command of it, and I moved into Everett, as I had 10 or a dozen other detachments around in there.

Mr. FREAR. Why did they call it the spruce squadron if they were engaged in getting out fir and hemlock?

Mr. TURNER. My high command fixed my title, sir. I would like to say this, in this connection, that those spruce—I say it because they are all men from my own State and my own vicinity—that many of the Army loggers did not receive a fair deal at the hands of civilian overseers. There was a disposition to take advantage of the troops, as men in the Army could not quit. One of my best men came up to me and said, “When I first stepped into this camp the first thing they said to me was ‘I have got you now where you can’t quit.’”

Mr. FREAR. That is, the man who was the employer who said that?

Mr. TURNER. Exactly, and they rubbed it in on them.

Mr. FREAR. That was true, that they had them where they could not get out.

Mr. TURNER. I can bring you that man down here. He is one of the best men I have.

Mr. FREAR. Was there any distinction between him and yourself as far as that is concerned?

Mr. TURNER. I was in the same boat. I endeavored to see that these men of mine got a fair deal and I was kept pretty busy. I will tell you what happened as a result of this, “You can not quit” business. One crew that had been working at camp No. 3 Stillwater, men who were experienced loggers, found that the main line, that is a six-strand cable, had two strands parted in the eye where the hook is fastened on. They complained themselves and reported that to the hook tender, who was the only man there who was a civilian, and he refused to quit. The men were without recourse and they had to go on working. Presently the main line parted and whipped back, retracted an inch and five-eighths steel cable, and it struck one of my men. It comes back like some big snake, just like a whirling crowbar, twisting all over. There was a 12 by 15 donkey engine pulling on that line when it snapped and parted the line, and it got him here and here [indicating], and that man’s arm is gone and 20 per cent flexion left in his leg.

Mr. FREAR. What is the inference to be gathered from your remarks, that there was negligence on the part of those in charge?

Mr. TURNER. No inference, sir; there was negligence.

Mr. FREAR. Where was that negligence centered; who was responsible?

Mr. TURNER. The civilian foreman of the crew, the hook tender.

Mr. FREAR. What was done for this man, anything under your practices out here? Was he insured or anything of the kind?

Mr. TURNER. Yes. He was in the Army hospital at Fort Lawton—I took him in myself—from May 16, 1918, until April, 1919. He was then at the Letterman General Hospital in San Francisco. In September, 1918, they were going to discharge that man and turn him loose a beggar on the streets; and I went down there and used some language to that surgeon that he did not report. They sent me the forms up there to make out for his discharge and they did not get them back again, and I went down and saw the surgeon, and I also visited the post commander, and I told him that if they discharged that private in the shape he was in then that I would wire

Senators Poindexter and Jones of this State and would stand the general court-martial that I would get for doing it. They took him down to the Letterman General Hospital, and I had a letter from him the other day, and he is over here in Idaho now. He is out of the service.

Mr. FREAR. Did he receive any compensation or anything for these injuries?

Mr. TURNER. Some civilian swivel-chair warmer in Washington there decided that he is disabled, but he does not get any money. He does not get in under the war-risk insurance. He gets \$30 pension as a disabled soldier, although he paid for war-risk insurance. I have his letter at home. He does not get a sou.

Mr. FREAR. But if he had been a civilian and was injured, he would have had a right of action against the company for negligence?

Mr. TURNER. Under the State industrial insurance act he would have been taken care of. But as an ordinary soldier he took what he got, like the rest of us.

Mr. FREAR. What else have you got in mind, Captain?

Mr. TURNER. I have this in mind: I did not want people to think that everybody had treated the soldiers that way. As I said, I wanted to be fair. I had men with the Crown Lumber Co. at Mukilteo, Wash., A. A. Scott, manager; and Mr. Scott was prompt, fair, and businesslike in all his dealings. I had men with the Walton Lumber Co., of Everett. That firm produced as high as half a million feet of airplane fir a month, and dealings with that firm were very satisfactory. The Walton Lumber Co. deserves the thanks of Congress for what they did at a critical time in the way of getting out airplane stock without a soldier in the mill or camp from which they got their logs. They got their logs from the Ebey Logging Co., which had not a soldier in their camp at any time, and they got as high as half a million feet of airplane fir fitches a month.

Mr. FREAR. I wish to read, Captain, from a letter which you sent to Senator Poindexter of June 16, 1919, from one paragraph, and ask you to direct your testimony to that, if this is the case:

Three of my men were killed in one logging camp, one crippled for life, and 8 or 10 injured, this in a total of 130 men; and we did not produce 1 foot of airplane spruce in 12 months.

Mr. TURNER. That statement was correct.

Mr. FREAR (continuing reading):

One of the dead men was from Krupp, near Spokane; the crippled man formerly lived near Pasco. When an officer needlessly loses his men in battle, he is court-martialed for it. Shall we do less with the traitor who sends men to their death under the plea of producing airplane spruce at a camp which he knows before ordering them there contains no spruce?

Mr. TURNER. That is correct. I will address myself to that.

Mr. FREAR (continuing reading):

I happen to have seen the letter advising Col. Disque of the absence of airplane stock at the particular camp mentioned and to have recommended removal of troops therefrom, without avail.

Mr. TURNER. That is correct.

Mr. FREAR. Who sent you to the Stillwater camp?

Mr. TURNER. By order of Col. Disque of the Signal Corps.

Mr. FREAR. There are some other things in that letter that I will not read unless you care to testify to them. Would you care to have me do so? This was a letter to Senator Poindexter.

Mr. TURNER. You are at liberty to do so, sir.

Mr. FREAR. You say in this letter [reading]:

The writer has just received his discharge as captain from the Army Air Service after 6 months on the border and 13 months in the so-called Spruce Production Division, where he put in 12 months in the woods with 325 Army loggers for the alleged production of spruce for airplane stock, during which time the writer and most of his command never saw a spruce tree, but were engaged in commercial logging and lumbering for the private profit of private corporations and individuals.

That is correct, is it?

Mr. TURNER. Yes.

Mr. FREAR. You, by the way, had been down on the border serving there as well.

Mr. TURNER. Since I left the Spruce Division.

Mr. FREAR. You were down on the Mexican border?

Mr. TURNER. Yes.

Mr. FREAR (continuing reading):

I request that you have me called before the congressional investigating committee who are to go into the conduct of the aviation program. I am going to insist upon the prosecution of Gen. Brice P. Disque, his chief of staff, Maj. C. P. Stearns, and the collection of individuals and corporations who are with them, guilty of the blackest scandal of them all—the misuse of the peonage act—and put an end to this flagrant misuse of troops in any way in the future.

Mr. TURNER. That is correct. I will withdraw that statement in regard to the chief of staff, Col. Stearns, as the commander of the division is responsible. I do not intend that to apply to Maj. Stearns.

Mr. FREAR (continuing reading):

The public have been drugged by lying propaganda advertising the work of Gen. Disque and the Spruce Production Division; every bit of it is false as to the amount of spruce produced and the manner in which it was being done. Under cover of this, Gen. Disque's profiteering friends have exploited thousands of soldiers drafted or enlisted to serve against the enemy. I have production, or better lack of production, figures of two of the largest mills in the Northwest, supplied by Army loggers with logs which were cut into commercial timber. This is but one of many instances which can be uncovered. Union labor should know of Gen. Disque's \$2 per day wage scale. The rank I held was obtained at Presido officers' training camp, 1917, while the membership in the bar and 12 years' residence in our State of Washington will make it clear that I am not idly making empty charges.

Mr. TURNER. Yes; that is correct.

Mr. FREAR. You are a lawyer?

Mr. TURNER. I am. I have been a member of the bar of the State of Washington for the last 10 or 11 years.

Mr. FREAR. The rest of the letter relates to conditions elsewhere. Here is one other paragraph I will read:

Will you be good enough to obtain and forward me copies of the War Department's orders to Gen. Brice P. Disque, U. S. A., also the same officer as Col. Brice P. Disque, Signal Corps, governing the organization and uses of the Spruce Production Division? I desire them in preparing the case against above officer and others for violation of the peonage statute in ordering troops to work in places and keeping them there under threat of the Prussian court-martial system of the Army, where he knew there was no spruce timber being logged. A number of individuals are going to learn that American soldiers can not be sold into slavery for purely private commercial purposes without those guilty being brought to trial.

Mr. TURNER. That is correct. With respect to that \$2 a day wage scale, in November, 1918, we received a circular putting the men on a \$2 a day scale. Now, the net that they would receive, that would be \$2.35. It did not though by a later amendment apply to any but a limited number, but it did apply to some.

Mr. FREAR. But not to all of those men who were with you?

Mr. TURNER. Not by the amendment, no, sir. The first reading of that would indicate that they were all going on that, and I pretty nearly had a riot, the telephone was very hot to and from the district commander. I had 10 of them. I have seen some remarks about the propriety or otherwise of paying troops civilian wages on this job, and I want to stick up for my men on that. My men were in there working with civilians, many of those civilian foreigners, and a whole lot of them would not serve in the Army if they had been drafted—under conditions such as the American Army never before faced and I hope they never will face again—my men and my officers were most of them first-line troops, combat troops. We were not in these woods because we were afraid to face the music—all we asked was the chance—but we were stuck up here and we had to obey orders, but it was unfair to those men.

Mr. MAGEE. Do you not know that this man against whom you make these serious charges was a general?

Mr. TURNER. I do. I feel, sir, that I have been made nothing more nor less than a peon. I have seen them down in Mexico.

Mr. FREAR. You mean, by reason of the work to which your men were assigned?

Mr. TURNER. By reason of the work that I and my men were assigned to. I stand on the same plane with my men.

Mr. FREAR. One of the serious criticisms which you aim at the work is where a soldier and a civilian are employed in the same camp laboring together, and there, of course, this question of injustice would naturally arise if one was paid a different rate than the other.

Mr. TURNER. Exactly.

Mr. FREAR. But if you and your men were employed in the Army, working on a specific piece of work by yourselves, your men would be willing to do their part as a patriotic duty for the Government?

Mr. TURNER. If it was a Government job on a Government reservation we would face the music the same as the fellows on the other side and never say a word. I have gone into camps that were not up to the Surgeon General's requirements; they were not up to the Army requirements, but we had to get the stuff out. At Maj. Stearns's request I went down to Grays Harbor on an inspection trip. There was one camp I was called upon to inspect and when I came back I frankly told them, "If you send the Surgeon General down there he will condemn it, but the men on the other side are taking their medicine, and the spruce has got to be gotten out, so send the men down there." That was in South Bay, 45 miles southwest from Aberdeen. The Aberdeen Lumber & Shingle Co., a little concern, was down there; it went into the hands of a receiver later.

I may be considered severe in some of my language, but I want to be fair also in other respects.

Mr. FREAR. I understand, Captain. Were you a married man?

Mr. TURNER. Yes, sir; I have a wife and two children.

Mr. FREAR. And you did have during the war?

Mr. TURNER. Oh, yes. I went into the Army because our folks have been in every war.

Mr. FREAR. But you did not go into the war with the expectation of being assigned to log for some private individual or private concern for private purposes?

Mr. TURNER. No; I did not, and that is my object in bringing this thing up now, to forever put an end to such a situation as occurred up here. Never in the history of the American Republic have American troops been put out to work for wages for a private concern, and I will be too old to turn out again, but I want to make sure that when my boy goes such a thing will not happen again.

I would like to say this with respect to Col. Disque. The colonel is not to blame for all this mess, not all of it. One hundred and five of us came up from the second Presidio. We were trained as soldiers of Infantry and Field Artillery, and I think we were trained by regular officers. I respect the regular officer as a soldier. I served in the old engineer battalion where every officer was a West Point man.

Mr. FREAR. What is your age?

Mr. TURNER. I am 41.

Mr. FREAR. You were 39 when you went in the service?

Mr. TURNER. I was. I served in the old engineer battalion in the old Regular Army, when the Army was an Army, and every one of our officers was a West Pointer. They only took the first one or two or three, and sometimes they got as far as the fifth on the list. When I went out with that Army I was only a youngster, being under age; I was a corporal, but every one of us in the organization respected our officers—every one of them. I wish I could say as much to-day. I still have respect for the West Point officer as a soldier, and, Maj. Stearns, I would like you to understand that that respect will always endure, but at the same time in this matter I feel that both the officers and men were misused.

Mr. FREAR. In what particular, outside of the situation that you have presented to us, Captain?

Mr. TURNER. Briefly it is this, sir. I reached Vancouver Barracks in December; I got my first shipment of clothes for my men on the 21st of the next April.

Mr. FREAR. What were the men wearing in the meantime during the winter months?

Mr. TURNER. I was lucky. I had gotten some clothes from the Lawton quartermaster, but another detachment that went to Sultan was not so fortunate, and another detachment that went to Woodinville was not so fortunate.

Mr. FREAR. Were efforts made by the officers to get clothing for the men?

Mr. TURNER. Requisitions were made by the officers. I do not believe it was the fault of the division commander that they did not have the stuff; it was not to be had. We got a lot of officers in the Spruce Division after the first consignment, many of whom were no more fit to be officers than they were to be privates.

Mr. FREAR. Why not?

Mr. TURNER. I had one man. I have been a private myself—

Mr. FREAR. So have I.

Mr. TURNER. And I respect the private soldier, and I try to look at things when I handle him from the private's standpoint. I had one man, who was a hotel clerk, in handling logs——

Mr. FREAR. You mean an officer?

Mr. TURNER. Yes, sir.

Mr. FREAR. What was his rank?

Mr. TURNER. He was a second lieutenant. I had another one that I do not know ever did have a job. I would not hire him for anything.

Mr. FREAR. Did he come from a training camp or was he promoted from civilian life?

Mr. TURNER. I think one of them came from a training camp. The other, I believe, had served in the State troops on the Mexican line in the ranks. I had another officer that had been a policeman in the East.

Mr. FREAR. What was his rank?

Mr. TURNER. First lieutenant; and those officers that went back——

Mr. FREAR. Do you make any charges of favoritism?

Mr. TURNER. No, sir; they were ordered there. I do not believe the division commander had a word to say about the appointments.

Mr. FREAR. I mean in regard to making them officers.

Mr. TURNER. I do not know how they were made officers. I know I worked three hard months for my commission. I had another officer who was worse than nothing at all.

Mr. FREAR. That is a pretty hard statement, Captain. In what respect—absolutely incompetent, do you mean, or what?

Mr. TURNER. Yes, sir; incompetent and unreliable.

Mr. FREAR. How did he come to be made an officer?

Mr. TURNER. I am sorry to say that latter one in some manner got through a training camp. I do not know how.

Mr. FREAR. Then we can not blame people around here, but it belongs down in San Francisco or elsewhere for graduating men like that.

Mr. TURNER. The officers at the training camps are very hard pressed.

Mr. FREAR. You know, in timber they have the first grade and culls, as we have been informed.

Mr. TURNER. Yes; every variety. The officers at the training camps were largely regular officers, and they did their level best to sort out the wheat from the chaff, but the time was too short. I know it, because I was pressed into service in the office down there, and was there for a number of weeks.

Mr. FREAR. So a part of it is excusable by reason of the necessities of the case.

Mr. TURNER. And the press of duties; but the worst feature of this officer matter was this: These officers were all of them from a distance. They had never seen a fir tree or a spruce tree, and they were totally unused to woods work.

Mr. FREAR. That did not make any particular difference, as long as there was no spruce down there, did it, Captain, so far as their operations were concerned?

Mr. TURNER. Well, logging spruce and logging fir is pretty much the same, but the men got out of hand, and I can not put it better than to tell you that I had a Ford automobile, and the driver told me that on the 1st of September we had covered 20,000 miles.

Mr. MAGEE. How do you figure, if you had so many men here and elsewhere in the spruce division who were presumed to be working on spruce, that they would start in on another township and build a railroad that would cost \$115,000 a mile and go 40 miles to find a little spruce?

Mr. TURNER. I really can not answer that. I was a soldier obeying orders, and regardless of where they ordered me I would have to go, and would have gone, but I am out of the Army now.

Mr. MAGEE. Can you figure out a proposition of that kind?

Mr. TURNER. It can not be figured by any rule that I know of in mathematics or anything else, or business. Why my men were kept where they were is beyond understanding. The only thing I can credit it to is that in the haste and confusion they had so many men out and the headquarters was not familiar with the situation in the woods, and we were overlooked. That happens in the Army. Sometimes even a regiment is lost, and my men were merely one part of a large number.

There was one other thing that I wanted to put down here on this record, and I want to do it in fairness to some men whose homes are in the Northwest. I had in my company Clarence Anderson, a graduate of the University of Washington, in forestry, in 1912. Anderson was assistant supervisor of the Skyhomish National Forest, Wash. He had worked his way from a mill hand, down at Hoquiam. He had worked up from a piler, clear through. He not only was a mill man but a woodsman, and a good one. Anderson entered the Army a private, and he went out of it a private. I did my best to get him promoted, because he was one of the men we needed and needed badly, but it could not be done. I do not know why.

I had Charles H. Smith. Smith lives in Arlington, Wash., near where I live. He was the best half-miler in the Washington State College in 1915. He was assistant in charge of surveys, United States surveyor general's office, Olympia, Wash., at the time he went into the Army. I recommended him for a commission. He was the head loader. He was a skilled loader, that man; but nothing came of it.

I had Kenneth Emerson, a Harvard man. He was sales manager for Rucker Bros., and I recommended his promotion, and got him promoted to a sergeant, first class, but never could get him any higher.

I also had as a sergeant, William E. Hodgson, a camp foreman, and the best man I have ever seen in the woods; and another foreman, A. J. Gillespie. Both of those men should have been running camps for the Government down on the straits in the heavy timber. Why they were not sent there, I do not know.

Now, I am going to speak of a subject that is a very unpleasant one and a very painful one to me. I do not like to do it, but I am going to. The public is entitled to know all the truth connected with this division, and I would like the committee to know that in talking as I do I hope that in the future if this country gets into a war we will have something like an organization ready for it in the matter of promotions, promoting men from the ranks. You positively can not take outsiders and put them over men, without training those men that you make officers. I will give you one instance. It is, I think, the worst I know of in the service, and I am very sorry to have to

make this statement, but that is in the spruce division. We had a young man named Robert L. Stearns. I believe he was related to the chief of staff of the division. This is a very unpleasant matter to me, and it may be to others. That young man was an enlisted man in December; he was a second lieutenant in February; he was a first lieutenant about April; and he was a captain in June. That young officer was sent down to Lake Pleasant in charge of the Lake Pleasant subdistrict. He had 1,000 men put under his control. This is a very painful matter to me, but it is a duty. That promotion, gentlemen, broke the back of the morale of the spruce division; it absolutely broke the back of the division.

Mr. FREAR. Explain a little more definitely what you mean; for what reason?

Mr. TURNER. I had with me two Presidio second lieutenants; one was No. 1 on the list, and he stayed there a second lieutenant clear up until October, 1918, and the other I got promoted, I think, in May or June. These young officers came to me, and other young officers came to me. I had 11 junior officers in my command. I think it was the largest squadron in the Spruce Division. I had men in 11 detachments, although I was only a captain, and I had men all over the universe, 45, 50, 30, 20 miles, and other distances away, and I had nothing to complain of as to these junior officers but the unfairness to them.

Mr. FREAR. What was the capability of this young officer—anything exceptional?

Mr. TURNER. I only met the young officer two or three times, I think. I would class him as an ordinary intelligent young American.

Mr. FREAR. How old is he?

Mr. TURNER. I should say about 24.

Mr. FREAR. Do you know whether he had previous military experience or not, or previous military training?

Mr. TURNER. I do not; but this was in the Spruce Division. That one promotion almost cut the ground from under the feet of those junior officers. They were coming to me with their various complaints, and it was impossible to satisfy them.

Mr. FREAR. Do you know of any other illustrations, or do you want to go on further with that?

Mr. TURNER. No, sir; I think the unfairness of the system is manifest.

Mr. FREAR. Let me suggest to you, Captain, the case of a boy I know who was married; he graduated after three years from one of the first military academies of the country; spent two years in a university, with military training during both years; went into the service as a first lieutenant, fought all through Chateau-Thierry; was over there a year, and then came back as a first lieutenant. So you see that the situation they had here was not exceptional, and I happened to know very closely about this case.

Mr. TURNER. This particular case had such a damaging effect on the morale of many officers; it came under my own observation. The senior second lieutenant of the second Presidio training camp remained there a year as second lieutenant, while men were being appointed from civil life over his head. That was utterly destructive of discipline.

Mr. FREAR. What was it due to; what would bring it about? Was there anything here in the power lodged in what they call the Government here, this Spruce Corporation, that permitted that to be done, or what was it, as far as your observation went?

Mr. TURNER. It was this, sir: I inquired when I got back to Vancouver Barracks last December what system existed for promotions, how promotions were made, and I could not find out. I heard that not one man in all the thousands sent into the field was made an officer from the ranks. I do not know as to the correctness of that. I do know that scores were secured over in the Yeon Building.

Mr. FREAR. What do you mean by that?

Mr. TURNER. Men on office details were promoted.

Mr. FREAR. In Portland?

Mr. TURNER. Yes, sir.

Mr. FREAR. Where were those men taken from?

Mr. TURNER. Entirely from civilian life.

Mr. FREAR. Who gave them the promotions?

Mr. TURNER. The division commander.

Mr. FREAR. Who was he?

Mr. TURNER. Gen. Disque.

Mr. FREAR. Disque was the one who had charge of that?

Mr. TURNER. He did.

Mr. FREAR. Do you know what determined him in making his appointments?

Mr. TURNER. I have no means of knowing at all.

Mr. FREAR. Was it military training, or what, so far as you know?

Mr. TURNER. Quite a number of them down there came in from civil life. I had one first lieutenant assigned to me who was a man 47 years of age, who came down from South Carolina or Georgia, appointed ostensibly because he was a lumberman, and that officer was worthless; he was no good at all.

Mr. FREAR. I understand that you complain of the system and the method of promotion as they existed and anything that permits promotions to be made in that way?

Mr. TURNER. I do, sir.

Mr. FREAR. And you believe an officer ought to be trained either in a military way through the academy or elsewhere or raised from the ranks, as I gather?

Mr. TURNER. I most emphatically do.

Mr. FREAR. I do not know how far this committee can go into that.

Mr. TURNER. It is a gross injustice to the American private soldier to take a civilian and stick him up over those American boys with the threat of a general court over him for violation of the sixty-fourth article of war.

Mr. FREAR. In case he fails to obey the commands of his superior officer?

Mr. TURNER. The punishment for the violation of the sixty-fourth article of war, the willful refusal to obey an officer, is death in time of war. I had one of these officers that was sent out to me—we have a summary court system in the Army.

Mr. FREAR. What is that?

Mr. TURNER. For all minor offenses, like police court offenses in law. A man has a summary court charge made against him, and he

is given a hearing and is tried, and justice is done as the case merits. This officer I speak of had a system of his own.

Mr. FREAR. What was that?

Mr. TURNER. He just levied a fine of \$10 or \$5, or some other sum, and that ended it.

Mr. FREAR. What was done with the money?

Mr. TURNER. He was going to put it on the pay roll until I found out this was happening, and we got another officer there.

Mr. FREAR. Was he a civilian or an Army officer?

Mr. TURNER. He was from civil life, I believe.

Mr. FREAR. Well, now, is there anything more of importance? We have got to hurry along.

Mr. TURNER. The logging scale that was promulgated in February, 1918, contained a number of very grave—I hardly know what to term it; anyhow it was not entirely fair to the workmen involved. As an example, I would state that a locomotive fireman was given \$2.80, from which \$1.05 was taken, while at the same time a laborer down there was getting very much more than that. The result was that we had to put soldier firemen on the locomotives, because civilians would not stay. A signalman was given \$4 a day, while a choke setter, the hardest kind of work there is, gets the same pay. It had a most damaging effect, and I would like to state that had the officers in the woods been called on for their opinion of that scale before it went into effect, that could have been avoided. I had men that stated it would depopulate the woods, and our cut dropped 100,000 feet a day. It was necessary for me to assemble the command and announce that there would be no reduction in wages. It went down 100,000 feet a day.

Mr. FREAR. That was because of the change in the wages?

Mr. TURNER. Precisely; that was the scale of February, 1918. I would like to add that it was immediately corrected.

Mr. FREAR. I suppose they were endeavoring to do the proper thing.

Mr. TURNER. There is one other item and then I am done. When we got back to Vancouver Barracks last December there was 20,000,000 feet of lumber in the yard there.

Mr. FREAR. At Vancouver Barracks?

Mr. TURNER. Twenty million feet of lumber, or approximately that, was in the mill yard. Yet in the case of the largest detachment I sent down I got a report from my first lieutenant that he was turned out in the open, no tentage or anything, and he had to dismiss his command and let them go out and hunt rooms for the night. A condition such as that is manifestly unfair.

Mr. FREAR. You mean they did not provide quarters for these men?

Mr. TURNER. They could not even get tents. I do not know who was responsible for that, but it is probably incidental to the large number of troops that were coming in. But there is this much, gentlemen, in closing, that all the blame for this is not to be placed on any one man's shoulders. This is the second time I have been through this. In 1898 it was not quite so bad; it was not any too good then. But unless this country gets some kind of a plan and has a trained reserve of officers our American boys are going to go to their death just as they have in the past. You can not make

officers overnight, and you can not take inexperienced cubs and put them over regulars.

Mr. FREAR. What is your judgment in regard to taking soldiers and putting them into commercial walks of life?

Mr. TURNER. I have this to say, and I hope you will convey this to Congress. There should be a statute enacted making it a felony to put across any such scheme as was done in these spruce production camps.

Mr. FREAR. But here we had a situation where one man was practically in command of everything, empowered to do practically everything, and a very intelligent witness this afternoon said that he asked that he be given all kinds of power.

Mr. TURNER. I had nothing to do with the higher command, sir, but I will say this, that I never want to see my boy put out at any such task as I saw them put on, or any other of the members of our family. I did not get out and shoulder a gun this time in defense of the Republic, but I was put out as a slave, that is what I was put out as, and a herder of serfs, and I would like to urge upon your committee here that a statute be enacted forbidding that for all time to come. This is the first time in the history of the Republic that such a thing has happened, and it should be the last. I do not mind doing anything when it is necessary. When I went into the Army it was to take what I got. I obeyed orders. And in winding up I would like to introduce this letter to show that I was not a kicker in the service [producing letter]:

WAR DEPARTMENT,
Washington, D. C., July 5, 1919.

DEAR CAPT. TURNER: I beg to express to you on behalf of the War Department its appreciation of the excellent service rendered by you as an officer in the Law Enforcement Division of the Commission on Training Camp Activities. The work performed by you as fixed post representative of the division at Douglas, Ariz., shows ability of a high order, and has been most effective and commendable.

Expressing to you the thanks of the War Department and myself, I am,
Cordially, yours,

NEWTON D. BAKER,
Secretary of War.

Mr. FREAR. You do not ask for any higher class of testimonial, I suppose?

Mr. TURNER. I carried out my orders, gentlemen. They were disagreeable orders, and when I was doing it I made up my mind that if I got through with my life I was going to see to it that no further Americans would ever be imposed on in this fashion.

Mr. FREAR. We find here as a committee that the commanding officer recommended 20 of his subordinates for distinguished-service medals, as I understand it. Do you know anything about that?

Mr. TURNER. No, sir; I haven't heard any such thing as that.

Mr. FREAR. You were in the service, and you had served in a previous war. Did you get any such recommendation from the officers here?

Mr. TURNER. I never heard of anything of that kind; no, sir. I was out in the woods with my men all the time.

Mr. MAGEE. You haven't got the medal yet, anyhow?

Mr. TURNER. I would like to state this; I served with the troops in the field from the beginning to the end. I stayed with my men

out in the woods, and I stayed with them down in Vancouver Barracks in the mud and——

Mr. FREAR. That is what a good officer has to do to get the respect of his men.

Mr. TURNER. That is where a company officer belongs. I do not regret that no promotion ever came to me. That is the least of my troubles. I would like to give in conclusion my experience when I did get back to Vancouver Barracks.

Mr. FREAR. Just very briefly, Captain, because we are trying to get through and get away.

Mr. TURNER. When I got back I reported to a major there, that I believe was a sergeant when I left, and he in turn ordered me to report to a captain who was 110 numbers my junior, and who had been first lieutenant out of the second Presidio training camp with me and who came up with me. It was the conclusion of my service in the spruce production division, and I carried out my orders.

Mr. FREAR. Have you any examination, Mr. Lea?

Mr. LEA. I just want to get a better understanding of what you mean by peonage. Do you think that every soldier that was sent out into the woods to perform this work of spruce production was engaged in peonage labor?

Mr. TURNER. My remark, sir, related directly to the men of my own command.

Mr. LEA. Did you regard the soldiers who were working all over this section in that service as performing peonage labor or not?

Mr. TURNER. My own men were.

Mr. LEA. I asked you how you regarded the others. I simply want to get your position. Do you think that a soldier in a United States uniform, under the conditions of this war, should not have been assigned to spruce production work out here in the timber? That is what I was getting at.

Mr. TURNER. No, sir. I think they needed the spruce, and if he was ordered there it was for him to go.

Mr. LEA. And he performed his full duty when he obeyed the command?

Mr. TURNER. When he obeyed the command. It is the higher command that is responsible.

Mr. LEA. The soldier that wore the uniform here in the woods should not be charged with any slackerism simply because he wore a uniform?

Mr. TURNER. I would like to have somebody charge me with that.

Mr. LEA. Isn't that the way you feel about it?

Mr. TURNER. I do.

Mr. LEA. Now, you spoke about the camp where the men died. Was that at Stillwater?

Mr. TURNER. Where they were killed?

Mr. LEA. Yes.

Mr. TURNER. Yes, sir.

Mr. LEA. How many were there killed?

Mr. TURNER. Two instantly killed, and one died following injuries. That man, I want to put in the record, is Pvt. E. D. Middleton, of Marshfield, Oreg. Middleton had a wife and two children, and he did not claim exemption when the draft came. He had a third baby born while he was at Stillwater. That man received in-

juries and went to Vancouver Barracks and was operated on, and, I believe, he died of some complication that set in.

Mr. LEA. How were those two men killed?

Mr. TURNER. One by a falling tree. He was a buckler and a log rolled on him. That happens every once in a while. They were straight accidents.

Mr. LEA. In what way was the War Department to blame for that? I may have misunderstood this letter that was read here, Mr. Frear. Have you that letter?

Mr. FREAR. I haven't it right now.

Mr. TURNER. It was this: Those men were doing commercial logging.

Mr. LEA. How many men were there in the Stillwater camp?

Mr. TURNER. I had as high as 140 there.

Mr. LEA. Now, out of that whole 140 you mean that none of them were engaged in spruce production?

Mr. TURNER. None, sir. We had no spruce there.

Mr. LEA. For what period were they employed without being engaged in spruce production?

Mr. TURNER. They were ordered out from Vancouver Barracks. I can give you a reference to the order. I have it in mind. It is paragraph 3, Special Orders, No. 100, Headquarters, Spruce Production Division, Portland, December 22, 1917.

Mr. LEA. And continued to what date?

Mr. TURNER. That continued until they came back, in December, 1918.

Mr. LEA. Were they engaged in the production of fir during that time?

Mr. TURNER. Oh, yes; general help, fir, cedar, and hemlock.

Mr. LEA. Do you know for what purpose that fir was used?

Mr. TURNER. For general commercial purposes. Some of it went into ships, but the majority of it went into commercial lines.

Mr. LEA. Do you know of any of that fir that went for airplane use?

Mr. TURNER. Oh, some, I hope did; a cut of airplane fir from that is almost impossible to get, for the reason that the firm disposed of its logs as it saw fit. It sold them in the commercial logging market all around Puget Sound. It would be a very difficult matter to run that all down. In fact, it would be impossible, I think.

Mr. LEA. So you were engaged in a service where a large part of it went into commercial channels and some was probably used for shipbuilding, and possibly some for aircraft?

Mr. TURNER. Possibly. I would like to state this, that this airplane fir can not be obtained from small timber. It has to be a big stick, and it must be a clear stick. You can not cut airplane flitches from fir that is less than 40 inches, on an average. They take a slab off the side, and from the small stuff you can not make airplane fir.

Mr. LEA. I think that is all.

(Witness excused.)

TESTIMONY OF TAGGART ASTON.

(The witness was sworn by Mr. Frear.)

Mr. FREAR. State your full name.

Mr. ASTON. Taggart Aston.

Mr. FREAR. Where is your home?

Mr. ASTON. I am living at Everett, Wash., temporarily.

Mr. FREAR. You have lived in Washington how many years?

Mr. ASTON. For about 18 months.

Mr. FREAR. Where did you live before that?

Mr. ASTON. In Seattle.

Mr. FREAR. You have lived in the State of Washington how many years?

Mr. ASTON. For 18 months.

Mr. FREAR. And where before that?

Mr. ASTON. In Vancouver, British Columbia, and California.

Mr. FREAR. What part of California?

Mr. ASTON. San Francisco, for some eight or nine years.

Mr. FREAR. What is your business?

Mr. ASTON. I am a consulting civil engineer.

Mr. FREAR. You were connected with this road that has been mentioned that was originally surveyed from Port Angeles down past Crescent Lake to the Hokko River?

Mr. ASTON. Yes, sir.

Mr. FREAR. You heard the testimony of Mr. Lindsay this morning?

Mr. ASTON. I did.

Mr. FREAR. He was an officer of that road?

Mr. ASTON. He was an officer of the Port Angeles & Grays Harbor Railroad, which was a subsidiary company of the Pacific Syndicate (Ltd.), of which I was the consulting engineer.

Mr. FREAR. You were the consulting engineer of the Pacific Syndicate?

Mr. ASTON. Yes.

Mr. FREAR. Just very briefly tell us what your position was, what kind of an organization you had, and how this other company became subsidiary, and anything that is important.

Mr. ASTON. The Pacific Syndicate was composed, when I went to them early in 1917, of four members. The money for its promotive work was supplied by a young San Francisco man. Through us the money was provided for the surveys for this Port Angeles & Grays Harbor Railroad. We put in a dummy company, with dummy directors, to carry through these surveys.

Mr. FREAR. That is the ordinary procedure in such cases?

Mr. ASTON. Yes. Of course all the stock in the company was allotted temporarily and could be taken back to the Pacific Syndicate at any time that they desired. I was informed in 1918 that somebody had brought surveys belonging to the Pacific Syndicate to New York and had used them to make a deal with the United States Government to secure a contract for a spruce railroad. Knowing the inner details of the syndicate, I knew that no such authority ever had been given, and we ourselves were not concerned with the contract. I afterwards learned that our surveys and our located line and blue prints had been used for the construction of this road without our authority.

Mr. FREAR. By whom?

Mr. ASTON. By Siems-Carey-Kerbaugh Co., acting on behalf of the Government, and that they had never obtained any authority from us. I went to see Mr. Carey late in August, 1918, and asked him about it, and he said they had no intention of using the surveys; they had not used them, and they were only crossing our right of way in one or two places—that is, ordinary crossings—but they were not using our right of way: they were not using our surveys, and did not intend to. Some weeks later I met Mr. C. C. Tinkler at the New Washington Hotel in Seattle. I had known Mr. Tinkler very well for many years, and he told me that he was the field manager for Siems, Carey & Kerbaugh, in charge of the Port Angeles railroad construction. I asked Mr. Tinkler to tell the truth about the matter, and he said they were using our plans and that they were building the line on our located line for a considerable distance. In other words, Mr. Carey told me a lie and Mr. Tinkler told me the truth. Since that I have seen affidavits which fully prove that they have been using the right of way, the located line, and plans which really belonged to the Pacific Syndicate, and had been using the Port Angeles & Grays Harbor Railroad for that purpose.

Mr. FREAR. That testimony in some respects was put in also by Mr. Lindsay?

Mr. ASTON. It was put in in some respects.

Mr. FREAR. Have you anything further?

Mr. ASTON. Yes; I wrote to Col. Disque on August 28, 1918.

Mr. FREAR. This last August?

Mr. ASTON. Yes. It is a short letter, and I will read his reply.

Mr. FREAR. All right.

Mr. ASTON. This letter is dated August 28, 1918 [reading]:

Col. BRICE P. DISQUE,

Chief of Spruce Production, Portland, Oreg.

DEAR SIR: Early last year surveys were made by the Pacific Syndicate (Ltd.), of Vancouver, British Columbia, through a subsidiary company, the Port Angeles & Grays Harbor Railway Co., which they had formed and through which they supplied the necessary money to survey and obtain rights of way for some 74 miles of a railway between Port Angeles and Grays Harbor, Wash. Neither this subsidiary railway company nor any person or persons, other than said Pacific Syndicate, had any right or authority to bargain or sell these surveys or any charters or rights connected therewith.

The writer, who owns 7 per cent of the stock of the Pacific Syndicate, heard some months ago that certain unauthorized parties were bargaining to sell or had sold these surveys to the United States Government through the Siems-Carey Co. I then called upon Mr. Carey who said that neither they nor the Government had bought or intended using these surveys in anyway, nor had they any intention of trespassing on the located line.

Dr. E. S. Rutherford, a member of the Pacific Syndicate, has since informed me that not only has he found that these surveys have been sold, apparently through the Siems-Carey Co., to the Government by parties who had not authority to sell and, whom he states, have already received money in payment therefor from the United States Government, but that this railway has already been graded over portion of the located line of the Pacific Syndicate, and that the line of our stakes was used after the numbers had been erased from these stakes and new numbers substituted.

Dr. Rutherford also informs me that an affidavit by a responsible civil engineer has been made to the effect that our blue prints of our profiles have been used by the contractors in constructing portions of the line, and that construction engineers using them were instructed to keep the matter secret.

If the condition of affairs, as stated to me by Dr. Rutherford, is correct then you will see that the matter is one of considerable gravity, demanding immedi-

ate attention and investigation, and that all moneys, profits, contracts, or emoluments which may have been conferred on parties wrongfully claiming to own the surveys and rights (through and by which they obtained concessions and contracts from the United States Government) should be taken from them by the Government and held for the rightful owners.

I shall feel greatly obliged for any enlightenment or information you care to afford me in the matter. I am,

Very respectfully, yours,

I received a letter from Col. Disque on September 2, which I will not take up your time by reading, because on September 9 I received a letter from Col. Disque in answer to my letter of August 28. It states [reading]:

1. In reference to your letter of August 28, in which you state that you had been informed that the Clallam County Railroad had been graded over a portion of the located line of the Pacific Syndicate and a line of their stakes used after the numbers had been erased from them, we beg to state that we are advised by our district supervisor that this statement is not true, and furthermore that our representatives have not used any portion of the survey in question but have run an entirely new line throughout. It is probable that in places between a point 2 miles west of Lake Crescent and Lake Pleasant the two lines are identical, but, if so, this is a coincidence and not due to our representatives having used your location.

Mr. FREAR. It was a pure accident?

Mr. ASTON. A pure accident, dropped from the clouds. Then I wrote him again pointing out that one of their prominent representatives had informed me that they had constructed the railroad over a portion of our survey. That was their manager, Mr. Tinkler. He told me the truth about it. I went on and said that I had not personally verified any statements, but I was sure his department would make the fullest investigation.

Should we find the allegations made to us to be substantially correct, then it is my purpose, with your assistance, to have the matter taken to Washington.

In reply to that, on September 16, he wrote me [reading]:

We are in receipt of your letter of September 13 in reference to the above subject.

As stated to you in our letter of September 2, we forwarded a copy of your letter of August 28 to our officer in charge of the construction of the Clallam County Railroad with the request for whatever information he could give us on the subject. Our letter to you of September 9 contained the information resulting from our investigation, and we are now forwarding a copy of your letter of September 13 to Maj. Mott Sawyer, our supervisor of the Clallam County operation for whatever action may be necessary.

In view of the fact that construction of the Clallam County Railroad and all negotiations for rights of way in connection therewith have been carried out by our contractors, the Siems-Carey-H. S. Kerbaugh Corporation, and in order to save time we would suggest that you take this matter up with them. Their address is 921 L. C. Smith Building, Seattle, Wash.

I did not take it up with them, because they told me a lie before and I did not suppose they were liable to tell the truth again.

Mr. FREAR. What else have you to place in the record that you were interested in, in regard to this or in relation to the investigation being conducted by this committee?

Mr. ASTON. I do not think there is anything.

Mr. FREAR. That substantially covers the matters, with what Mr. Lindsay has placed in the record, in regard to the conditions there?

Mr. ASTON. Yes, sir; substantially.

Mr. LEA. Your right of way was used beyond Lake Crescent to Lake Pleasant?

Mr. ASTON. Yes; for some 20 miles.

Mr. LEA. What is the situation, is it practicable there to build another railroad on another line or not?

Mr. ASTON. Those are the controlling points, and you can not get by, and in any case our operations were entirely spoiled by the building of this line, which we feel has been built in the interests of the Milwaukee Railroad, pure and simple, to put us out. They opposed us before, and strongly opposed us in our original operations, in getting our franchise, and I do not think there is any question about it. The hand of the Milwaukee can be seen all through this deal.

Mr. LEA. The Milwaukee had opposed your company?

Mr. ASTON. Had opposed our original promotion of this railroad.

Mr. MAGEE. Who pulls the strings for the Milwaukee? You say the hand of the Milwaukee has been seen all through this, who pulls the strings for the Milwaukee?

Mr. ASTON. My own personal experience of their operations against us was obtained when we were trying to get the franchise. That was in February of 1917, and they had all their agents—

Mr. MAGEE. You live up here in this locality, do you not?

Mr. ASTON. Yes.

Mr. MAGEE. And you have for a great many years?

Mr. ASTON. For 18 months I have lived in the State of Washington.

Mr. MAGEE. You had interests up there between Lake Crescent and Lake Pleasant?

Mr. ASTON. Yes.

Mr. MAGEE. You say they gobbled up your right of way, took it?

Mr. ASTON. The Siems-Carey-Kerbaugh Co., took our right of way.

Mr. MAGEE. And you say the hand of the Milwaukee is seen in all these operations?

Mr. ASTON. Yes, sir.

Mr. MAGEE. Now, I will ask you, if that is so, and you know it is so, who pulled the strings for the Milwaukee Railroad?

Mr. ASTON. I presume their agents.

Mr. MAGEE. Well, do you know?

Mr. ASTON. I know that one of their engineers was the engineer in charge for the Siems-Carey-Kerbaugh Co.

Mr. MAGEE. Can you give us the name of any person or persons who guides the hand or has guided the hand, as you designate it, of the Milwaukee Railroad in these operations?

Mr. ASTON. I can not give you any names, simply their agents.

Mr. MAGEE. How are we going to determine that fact unless we can get the names of some persons who are charged with doing this?

Mr. ASTON. I do not know of any persons who are charged with doing it.

Mr. MAGEE. And yet you say that the hand of the Milwaukee Railroad is seen in all these operations?

Mr. ASTON. Yes, sir; because the railroad, as they have built it, would benefit the Milwaukee Railroad, and would entirely shut us out. The location that has been made would benefit the Milwaukee

Railroad. The Milwaukee Railroad are the only people who would benefit by that railroad, because the railroad starts 18 miles out on their line. I have been informed that several of their engineers have been employed by the Siems-Carey-Kerbaugh Co.

Mr. MAGEE. Well, do their engineers control the policy of the road?

Mr. ASTON. Engineers can possibly give advice as to the location.

Mr. MAGEE. We would like to find out, if we can?

Mr. ASTON. I would like to find out the inner details of it, too. I only know that the road as built now, it would not be worth our while to take the road over now, because it benefits the Milwaukee Railroad.

Mr. MAGEE. You feel sure that this road never would have been built except for the guiding hand of the Milwaukee Railroad?

Mr. ASTON. It has all the appearances of that, because if they wanted to get into the spruce they could have extended the railroad around by Pysht Creek, but we had the shorter route and this, in effect, afforded them the means of getting our route, which they would have desired, because we would have been a heavy competitor of them, particularly if we had joined up with the Northern Pacific Railroad. Another reason is that the line was built for commercial purposes. If it was only necessary to build a line in there for logging purposes—it was apparently built with the intention of being extended—if it had only been built for logging purposes it would have been built at a very much less cost and in a very much less time.

Mr. MAGEE. In your opinion the road was built primarily for commercial purposes?

Mr. ASTON. In effect it is a road that has been built for commercial purposes. Otherwise it would have been built at a lower standard of road, shorter curves, which means a very much less cost. In other words, it is quite possible to build a road in a hurry by putting in sharp curves. I have personally received instructions in work that I have undertaken to go out and survey roads and construct them at the rate of a mile a day. To do so it was necessary to use very sharp curves.

Mr. MAGEE. It is your opinion, is it, that somebody wanted a road built at Governmental expense?

Mr. ASTON. That appears on the face of it, sir. I can give no other reason for building a road of such a high standard.

Mr. LEA. There was a big spruce supply to be tapped by building this road to Lake Pleasant, wasn't there?

Mr. ASTON. Yes.

Mr. LEA. And you had advocated the building of a road on this route for that purpose?

Mr. ASTON. Partly for that purpose and partly for extension to Grays Harbor. We had fully intended to extend it to Grays Harbor to connect up with the Northern Pacific.

Mr. LEA. Why didn't you construct your road by the Pysht Creek route? I want to get your reason, briefly.

Mr. ASTON. Because the route we had was shorter and cheaper, a cheaper route to get out of Port Angeles. If we had constructed it by the Pysht Creek route, we would have been paralleling the Milwaukee road for a great many miles.

Mr. LEA. So your criticism of this road is not that it would not reach spruce, but that it was built more expensively than required for temporary purposes?

Mr. ASTON. Yes, sir; absolutely. There is no question about that. (Witness excused.)

TESTIMONY OF M. J. CARRIGAN.

(The witness was sworn by Mr. Frear.)

Mr. FREAR. What is your full name, Mr. Carrigan?

Mr. CARRIGAN. M. J. Carrigan.

Mr. FREAR. And where do you live?

Mr. CARRIGAN. In Seattle.

Mr. FREAR. And how long have you lived here?

Mr. CARRIGAN. I have lived here and at Port Angeles for 30 years. I have lived here about 16 years.

Mr. FREAR. You are one of the old residents here?

Mr. CARRIGAN. I was formerly mayor of Port Angeles, and formerly State tax commissioner of this State and former county commissioner of this county—King County.

Mr. FREAR. Have you held any other offices?

Mr. CARRIGAN. Those are the principal offices I have held.

Mr. FREAR. You are acquainted with John Cain, who has been named here to-day as one of the men with Mr. Aston and Mr. Lindsay, who were connected with this railroad.

Mr. CARRIGAN. Intimately, for 25 years.

Mr. FREAR. Some telegrams were put in evidence to-day, which went between these parties, between John Cain and the others. I wish to ask you—and don't answer until I have arranged the record—I wish to ask you if you had any conversations with John Cain in regard to this railroad and the influences that were behind the railroad, and what his version of the matter was?

Mr. CARRIGAN. Yes, sir; I have.

Mr. FREAR. In line with the questions just asked by Mr. Magee of the last witness.

Mr. CARRIGAN. Yes, sir; I have.

Mr. FREAR. Mr. Cain is now in New York, I understand?

Mr. CARRIGAN. Yes, sir.

Mr. FREAR. This committee has been trying to get in touch with him, but finds that he is too far away to do anything at this time. Subject to further confirmation, I ask you to tell the committee just what Mr. Cain's statement is to you in regard to these conditions and the influences behind this matter?

Mr. CARRIGAN. I had another proposition up, for a hard-surface road from Lake Crescent to Mora, as the speediest means of getting our spruce, before Col. Disque, and we made him a logging proposition to put logs in the water at Lake Crescent for \$40 a thousand, minimum of 300,000 a day, as rapidly as he wanted to increase it. Mr. Cain was working on another proposition, this railroad proposition, and we were at Portland a great deal, and in consultation with Col. Disque a great deal.

I have seen all these telegrams you refer to. I think I have seen every telegram Mr. Cain received from his eastern associates.

The Milwaukee—at the same time while I was trying to get Col. Disque to adopt this hard-surface road, Mr. Cain and his associates were trying to get them to adopt their railroad and logging proposal; the Milwaukee was also trying to get the Government to advance them \$2,500,000, for 10 years, without interest, or to take their bonds at 75 cents on the dollar, to extend their line from a point between Twin and Deep Creek by way of Pysht Pass to Lake Pleasant and the Hoh. The Milwaukee was pretty certain that they were going to get that contract, because they kept announcements going through the newspapers, every week or two, that they expected to start construction immediately, on the strength of a railroad contract being awarded to them by the Government. They were absolutely cocksure of that. Col. Disque had recommended that the Milwaukee be loaned this money, without interest, and the skids seemed all greased for a Milwaukee killing.

Mr. Cain was very much discouraged, feeling that the Milwaukee had finally gotten the upper hand, but his associate, Franklin Helm, who was the chief promoter of the Port Angeles & Gray Harbor Railroad, was in New York and hooked up with Pliny Fisk, of the banking house of Harvey, Fisk & Sons, of New York, and were working very hard to secure the contract, but things were not going well. And finally out of a clear sky came the announcement that the award had been made—in the first place they were working with Rogers, Brown & Bros., railroad contractors. The Milwaukee had sufficient strength to see to it that Rogers & Brown were not accessible to the Government as railroad contractors, which was one of the biggest firms in the country and very successful. So in all the negotiations with Helm and the Cain and Lindsay and Aston crowd Rogers & Brown, up to a certain point, had been their railroad contractors; they were going to be put in charge of this work. And saw the original telegram that came to Mr. Cain ordering him to substitute Siems-Carey first and later to add H. S. Kerbaugh to the contract, just then being formed at Portland, in connection with an attorney named Edwards, who was, he said to Col. Disque, in a logging contract which Col. Disque made Mr. Cain believe he was on the point of signing. So Siems-Carey-Kerbaugh were substituted for Brown. Neither Cain nor I understood why that was done at that time, but later, after the contract had been awarded and Siems-Carey had \$6,000,000 placed to their credit by the Government on a blanket mortgage that covered nothing, because they didn't have anything; the whole story came out to me through Mr. Cain, which he obtained through his associate, Franklin Helm, as to how the miracle had been worked.

Mr. FREAR. And how?

Mr. CARRIGAN. Now, the Milwaukee had absolutely the call on this contract up to a given point. It seemed that in earlier days the banking house of Harvey, Fisk & Sons, of New York, had financed Secretary William McAdoo, of the Treasury, in building the tunnels under the Hudson River—a very disastrous venture for Mr. McAdoo—it broke him and almost broke the house of Harvey, Fisk & Sons; they got through by the skin of their teeth, but that established a friendship between Fisks, and particularly Pliny Fisk, who was an active member at that time, and McAdoo that was never ended and is not ended to this day. When the life of the Port

Angeles & Grays Harbor Railroad proposition, both railroad and logging, was in the balance and Fisk had made up his mind they were licked he went to Secretary of the Treasury McAdoo, who was Director General of the Railroad Administration, and said to him, "Bill, I am vitally interested in securing a railroad contract in the Northwest for getting out airplane spruce for the Government. We have got the spruce, we have got the surveys, we are ready to build this road if we can get the Government's approval and get this logging contract. Now, I have simply got to have it. The skids were greased for the Milwaukee to get this contract, and I can't get a look-in without your intervention. You and I have fought and played and died together, been resurrected together, gone through hell's fire together, and you have got to come to the front and help me get this contract for my company."

Mr. FREAR. That is, Fisk said this to—

Mr. CARRIGAN. Pliny Fisk said this to Secretary of the Treasury McAdoo, who was also Director General of the Railroad Administration. And he made this last appeal, which is the only prop he had to lean upon, because up to that moment the Milwaukee had triumphed in all their negotiations, and they were relying upon John D. Ryan to turn the tide in their favor—Ryan, I think, being a director of the road and the man who electrified the Milwaukee road through the State of Montana, for the Milwaukee—and that was the big influence which they were counting upon, as I gathered from various intimate and Milwaukee sources, to secure them this contract. Then Fisk played his trump card, went to McAdoo and got McAdoo's active intervention, and it was on McAdoo's orders, or suggestion, however you choose to put it, that the contract was given to Siems-Carey-Kerbaugh for this logging operation on the Olympic Peninsula.

Mr. FREAR. Now, McAdoo had determined that the Milwaukee should not extend their line; he had done that by an order. I don't know whether you know that or not.

Mr. CARRIGAN. Yes. That was all a part of this negotiation; it didn't happen in a minute.

Mr. FREAR. No.

Mr. CARRIGAN. But, Mr. Chairman, the Milwaukee had a great deal of influence in this deal.

Mr. FREAR. Yes.

Mr. CARRIGAN. They felt that that was their territory, and they have resented, at all times, anybody else going in and opening up that splendid territory of the finest timber standing in America to-day. They have fought every effort to get in there, and so have the loggers of this State, generally speaking. The Northwestern Lumbermen's Association, they have all been opposed to opening up that territory, they have kept it on the reserve list; they have opposed anybody getting in there to make that timber available to the market; they have opposed the building of mills. That is why they were all unanimous in condemning the building of the mill at Port Angeles.

Now, it comes back to this: The Milwaukee was working hand-in-hand with the Northwest lumbermen, as far as killing the mill at Angeles was concerned. But they had a strong drag with the administration; they had a strong drag with Col. Disque; they had his

approval of their scheme; but when the final solution came—the proposition of Mr. Aston, Mr. Helm, and Mr. Cain was to build from Port Angeles by way of the Elwah River, Lake Sutherland, and the south shore of Lake Crescent to Fairholm, and thence down the Sol Duc River to Lake Pleasant, and thence on to the Hoh River, with spurs up to the headwaters of the Hoh, and dragging in through all the valleys the stuff to the main line.

Mr. FREAR. And, as he says, that was for the continuation of the line down to Grays Harbor?

Mr. CARRIGAN. Yes. They later expected to sell this road to the Northern Pacific, which ran to Moclips; so that it would give two lines, competing lines, through the Olympic Peninsula, and open up that vast territory. That was our plan.

Now, the Milwaukee having the strength it had, when McAdoo got into the game he thought it advisable to make a compromise, not permitting the Milwaukee to build westward, not permitting the new line to go into Port Angeles, and compete with the Milwaukee, but to make a compromise by swinging the road around the north shore of Lake Crescent to Joyce, which is about 3 miles from the lake, and tie in the Government railroad number one to the Milwaukee system at Joyce; the idea being that when the war was over and this emergency had ended, the Milwaukee would have not only a line with a physical connection with the Government railroad, and presumably the only line, too, but that road would be valuable. That was done on this theory: It is 20 miles from Port Angeles to Joyce, so, in round numbers, it will be 20 miles from Port Angeles to a common point on the lake equivalent to the point at Joyce. With railroad building material being scarce, labor being scarce, what was the sense in building an independent 20 miles of road when there is 20 miles of existing road to which this Government road could be tied in at Joyce? And on that theory the independent line to Port Angeles was eliminated and the physical tie made with the Milwaukee at Joyce.

On the further theory that a half loaf was better than no bread: If the Milwaukee could not get the Government money and could not get its line extended with Government aid, and the other fellows having to take the contract, needing the money possibly, the Milwaukee would be the final winner in having the Sol Duc territory, opened up at Government expense, tied into their line to the westward at Joyce. So that the line was useless to anybody else, and that is the compromise that was made, and that is exactly how it was made, Mr. Chairman, from the intimate narration of all the inside facts obtained direct from Mr. Cain, and I have seen the correspondence, I have read the original telegrams; I have read their contracts, and I know the facts around about all these different negotiations, that you haven't time to listen to now.

Mr. MAGEE. Where is Cain?

Mr. CARRIGAN. Mr. Cain is in New York at the present time, trying to get a settlement for the surveys and other things that they made, that the Government used—or Siems-Carey-Kerbaugh used—from a point west of Lake Crescent to Lake Pleasant.

Mr. FREAR. Let me say this, that without any knowledge of all these facts, until we got here on the ground, that that seemed the

only explanation and the only solution of this whole question, as you have given it right here.

Mr. CARRIGAN. Yes. Now, I have been out of the city or I would have come and volunteered this information before.

Mr. MAGEE. Where are those telegrams and correspondence which you speak of?

Mr. FREAR. We have introduced a lot this morning.

Mr. CARRIGAN. The last I saw them, he placed them in the possession of his attorney, Mr. C. A. Riddell, of the firm of Jones & Riddell, of this city. I helped Mr. Cain arrange his telegrams; helped him find them.

Mr. MAGEE. Have you seen those telegrams?

Mr. CARRIGAN. I have seen them all and read them all, sir.

Mr. MAGEE. Who are those telegrams from?

Mr. CARRIGAN. They are from Pliny Fisk, in large measure; Pliny Fisk and Franklin Helm.

Mr. MAGEE. They are from Mr. Helm and Fisk?

Mr. CARRIGAN. Yes; to Cain, who was in Portland. Then, either in New York or Washington, as occasion—

Mr. MAGEE. Mr. Helm didn't have the power to say where this railroad should go?

Mr. CARRIGAN. No.

Mr. MAGEE. Did you see any telegrams or correspondence from anybody who did have the power to locate this road?

Mr. CARRIGAN. I would not be apt to see any telegrams from Mr. McAdoo. He wasn't sending telegrams on that subject, I don't imagine.

Mr. MAGEE. All the telegrams and the correspondence which you have been mentioning were telegrams and correspondence sent and signed by Mr. Helm and Mr. Fisk?

Mr. CARRIGAN. Yes; to their associate, Mr. Cain, giving him the story of the development that was going on from day to day at Washington and New York.

Mr. MAGEE. Who determined the location of this road from Lake Crescent to Lake Pleasant?

Mr. CARRIGAN. I think it would naturally follow, the road being surveyed—

Mr. MAGEE. But who determined its location, do you know?

Mr. CARRIGAN. I think I have told you as near as I know.

Mr. MAGEE. No; I don't think you have told the committee who determine it. Who had the power to determine it, the authority to determine it?

Mr. CARRIGAN. If you would boil it down to the last analysis for power, my guess, I would say Col. Disque.

Mr. MAGEE. He had the power to determine where the road should be located and where it should go?

Mr. CARRIGAN. Yes; but—

Mr. MAGEE. I mean the official power?

Mr. CARRIGAN. Col. Disque didn't want the road to go where it went at all.

Mr. MAGEE. Did he determine that it should go there?

Mr. CARRIGAN. No; he didn't.

Mr. MAGEE. He decided it, didn't he?

Mr. CARRIGAN. He decided it because he was ordered to decide it.

Mr. MAGEE. Who ordered him to decide it?

Mr. CARRIGAN. You are asking something I wish I could answer in just as positive language as you want it answered. If you will let me answer this way—

Mr. MAGEE. You go right around in a circle when it comes down to the point of who actually ordered it.

Mr. CARRIGAN. I don't proceed in a circle at all.

Mr. FREAR. I don't think you do.

Mr. CARRIGAN. I tell you the best impression I have. If you will let me answer it my way, I will tell you. I think the road was located in its exact present location, the location determined by Mr. McAdoo, on his orders.

Mr. MAGEE. You say you think so?

Mr. CARRIGAN. From all the information I have.

Mr. MAGEE. Yes; but that might possibly do Mr. McAdoo an injustice.

Mr. CARRIGAN. It might.

Mr. MAGEE. Because that is your "think."

Mr. CARRIGAN. No; based upon information given me by Mr. Cain, who was intimate in all these negotiations; got it direct from Mr. Helm, who is associated with Mr. Fisk, the man in conference with Mr. McAdoo.

Mr. MAGEE. Can you give us the names of any men who know who directed Col. Disque to locate this road where it was located?

Mr. CARRIGAN. Of my own personal knowledge? I can't; no. How could I?

Mr. MAGEE. Do you think that Mr.—

Mr. CARRIGAN. If I had been mixed in this deal as close as Mr. Cain, I could tell you right off the bat. Mr. Cain told me who gave the orders. Mr. Cain told me how they got this contract. He told me how the compromise effected there was that this road would tie into the Milwaukee.

Mr. CARRIGAN. Mr. Cain was informed by Mr. Helm who gave the orders.

Mr. MAGEE. No; I don't want—

Mr. CARRIGAN. Mr. Cain was informed by Mr. Helm how they got this contract. Is that plain enough?

Mr. MAGEE. Well, what I am after is—

Mr. FREAR. Mr. Helm, then, ought to know for a certainty?

Mr. CARRIGAN. Surely.

Mr. FREAR. And Mr. Fisk ought to know for a certainty.

Mr. CARRIGAN. Absolutely.

Mr. MAGEE. What I want to know, Mr. Carrigan, is whether Mr. Cain, to your knowledge, ever came personally in contact with Mr. McAdoo or Mr. Ryan in reference to the location of this road?

Mr. CARRIGAN. He may have with Mr. Ryan; I don't know. I don't think he did with Mr. McAdoo, because Mr. Cain was kept at this end of the line.

Mr. MAGEE. Do you know whether or not he came in personal contact with Mr. Ryan or had any correspondence with Mr. Ryan in reference to the matter?

Mr. CARRIGAN. I don't think he would. I think he would steer absolutely clear of Mr. Ryan. Mr. Ryan was trying to queer his game. Mr. Ryan was for the Milwaukee. He wasn't trying to put

any water in Mr. Cain's wheel; he was trying to take the water away from his wheel. So he would have nothing to do with Ryan.

Mr. MAGEE. Is it your judgment that Mr. Helm would know who directed Col. Disque to locate this road?

Mr. CARRIGAN. Yes.

Mr. MAGEE. And anyone else?

Mr. CARRIGAN. And Mr. Fisk, absolutely.

Mr. MAGEE. You think either one of those gentlemen would be able to give that information?

Mr. CARRIGAN. Outside of the first-hand information? Yes, sir; I do, beyond any question.

Mr. FREAR. Here is another situation that arose in connection with what you have stated: Mr. Ryan, of course, has these connections which you say with the Milwaukee road?

Mr. CARRIGAN. Yes.

Mr. FREAR. Mr. Ryan at this time was superintendent of aircraft?

Mr. CARRIGAN. Yes.

Mr. FREAR. That is, of production?

Mr. CARRIGAN. Yes.

Mr. FREAR. He was in a position to determine and cancel any contract which had been made, without notice, and Siems-Carey-Kerbaugh Co. had a \$25,000,000 spruce-production contract?

Mr. CARRIGAN. Yes.

Mr. FREAR. They also had this railway contract. A cancellation would mean that some one else would be substituted in their place?

Mr. CARRIGAN. Yes.

Mr. FREAR. Could there be any greater control placed in the hands of one man than vested in the superintendent or the director of aircraft, so far as you can judge, who had that power?

Mr. CARRIGAN. No; excepting that they recognized a higher power.

Mr. FREAR. Yes.

Mr. CARRIGAN. Which was William G. McAdoo.

Mr. FREAR. Yes; and the road, as put through there to-day, who will buy that road?

Mr. CARRIGAN. God knows. The Milwaukee.

Mr. FREAR. That is all.

Mr. CARRIGAN. It was built with the idea; and, my friend, Maj. Mott Sawyer here, a Milwaukee man, taken either out of Spokane—or superintendent of Tacoma, I think, at the time—went into the spruce division and was immediately put in charge of railroad construction; a derved competent man, let me tell you.

Mr. MAGEE. So that the major can tell us who gave the order to Col. Disque to locate the road?

Mr. FREAR. He probably would not know that.

Mr. CARRIGAN. I don't know that Maj. Sawyer could. He is a gentleman, a fine railroad man, a Milwaukee man, every drop of blood in his body, and was put in charge there, and he has built a magnificent railroad, no better in this country; any man that looks at that road must take off his hat to Maj. Sawyer as a railroad constructor.

Mr. FREAR. Now, he is back with the Milwaukee?

Mr. CARRIGAN. I don't know. He ought to be, if he isn't.

Mr. FREAR. I understand so. So it comes all back to this: Who is to buy that railroad as constructed—who was to buy that railroad as constructed?

Mr. CARRIGAN. So far as—

Mr. FREAR. Ray finds in his report that the Milwaukee will probably buy it for 50 per cent, or thereabouts; something to that effect.

Mr. CARRIGAN. Yes.

Mr. FREAR. Now, that is the situation which confronts us to-day.

Mr. CARRIGAN. Yes.

Mr. FREAR. There is no other railroad company to buy it.

Mr. CARRIGAN. Who else would buy it? Who could buy it? What would they do with it?

Mr. FREAR. That is the question, exactly.

Mr. MAGEE. I presume that Col. Disque would be able to tell who gave him the order.

Mr. CARRIGAN. I understand; yes, sir. Col. Disque could tell you why he was turned down and why his recommendation—about the only one he ever made that was not carried out—was not adopted; Col. Disque certainly could tell you.

Mr. MAGEE. Did you ever talk with Col. Disque on the proposition?

Mr. CARRIGAN. I did; many times.

Mr. MAGEE. Well, did Col. Disque ever state to you that he changed his mind or located the road here because some one ordered him to do it?

Mr. CARRIGAN. Col. Disque told me, sir, in one talk with him: I said, "Colonel, I understand that you have recommended"—now, I was very much interested in promoting a plan for getting out airplane stock that would beat anybody's game, being under the fool impression that time was the vital element in this whole undertaking. I submitted a proposition to Col. Disque by which we were to dump the airplane stock into Lake Crescent at the rate of 300,000 feet a day, over a hard-surfaced road, running as high as 200 trucks, equivalent to a double-line road, to have that road ready for operation by the first of June, 1918; and he thought very well of it. He said, "I know your plan is all right; I know you can log spruce by truck, because I have seen it done in the Northwest." We could carry on a truck—5-ton truck—5,000 feet of spruce; with a trailer loaded to capacity, we could carry, and it was estimated, the loggers suggested, you could put on 7,000 feet.

Mr. MAGEE. Put on a 10-foot log?

Mr. CARRIGAN. Yes; surely. That is all that a railroad truck will carry, Mr. Chairman. We could put them on the trucks and take to Lake Crescent, dump them there, put them into a boom, and tow them 10 miles to Piedmont, at which point the Milwaukee railroad, through its engineer—district engineer, I presume you would call him—speaking in behalf of the railroad company, assured me that I could assure Secretary Baker that the Milwaukee road would extend its line to Piedmont, which is a point on the lake about 3 miles—the nearest point to the Milwaukee—they to come down the head of the Lyre River into Piedmont, take the logs from the lake there by crane, put them on the cars, and shoot them into the mill at Port Angeles or distribute them anywhere they wanted to, any mill on the Sound. The colonel had it under advisement for a long time, as most things were.

Mr. MAGEE. We want to know why Col. Disque located this road.

Mr. CARRIGAN. Well, I was trying to get a decision of the thing I was concerned in and had taken some of the best loggers in the country down there, made him a formal proposition for logging, to be backed up by a \$250,000 cash bond. Michael Earles was the logger who was the spokesman that I took down there, at Col. Disque's request. And while this was up, I said to colonel, "Colonel, I hear you have recommended the Milwaukee's plan of extension be adopted." Now, mind you, the Milwaukee's plan contemplated getting down to the spruce district, to the Hoh, in 18 months, and here a war was on, men being killed by the thousands on the western front for lack of airplanes, and talking about 18 months to take building a railroad to get spruce. Disque said, "It is absurd." This is in the early stage of the game. I am telling about the high spots. And he didn't seem to think anything at all about the Milwaukee scheme, because it was not immediate enough.

Mr. MAGEE. And that scheme was what; to get there by what way; by the Deep Creek route?

Mr. CARRIGAN. Well, Deep Creek route, Pysht Pass, Lake Pleasant, and on down to the Hoh, and they wanted 18 months to complete the road. And Disque wanted airplane spruce, and that didn't meet his requirements. But later, as the negotiations went along from month to month, I heard that Col. Disque had recommended the Milwaukee's proposal, and I told him, I said, "Colonel, I hear you have recommended the adoption of the Milwaukee plan." "No," he said, "I haven't at all." I said, "I got it on what seemed to be rather good authority." "Well," he says, "it is not so; I haven't." Well, as a matter of fact, he had.

Mr. FREAR. Recommended the Deep Creek route?

Mr. CARRIGAN. Yes. Now, what was it you asked me?

Mr. FREAR. It doesn't make any difference which way the Milwaukee comes, whether around by Deep Creek or by Lake Crescent, except Lake Crescent is a much shorter route?

Mr. CARRIGAN. In any analysis made of this matter, this proposition is Milwaukee only.

Mr. MAGEE. The question was whether or not Col. Disque ever told you who ordered him to change the route and locate the road where it was located and build it—

Mr. CARRIGAN. Are you asking seriously? Do you think that Col. Disque, who was an absolute czar out here, more difficult to see than President Wilson—do you think he would tell me, an ordinary civilian, who had compelled a change of his own mind here?

Mr. MAGEE. I am simply asking if he did.

Mr. CARRIGAN. He did not.

Mr. MAGEE. Then, that answers the question. That is what I have been trying to find out.

Mr. FREAR. You have made it very clear. I think, Mr. Carrigan.

Mr. CARRIGAN. And Col. Disque, after I had put this proposition up to him, he said, "Now, Carrigan, your road is all right, your logging by truck is all right, but what assurance have I that if we adopt your scheme that I would get any logs?" I said, "Colonel, you have been telling me all along"—will you let me go back and tell you some other interesting stuff?

Mr. FREAR. Yes.

Mr. CARRIGAN. I have been out of town. I have been keeping close track of this inquiry, through the newspapers, and there are some things that you apparently have been trying to get that you haven't gotten.

Mr. FREAR. Tell us anything that bears on this matter.

Mr. CARRIGAN. You are trying to find out who turned the trick—

Mr. FREAR. Yes.

Mr. CARRIGAN. For Siems-Carey-Kerbaugh Co.

Mr. FREAR. Yes.

Mr. CARRIGAN. I have told you.

Mr. FREAR. Yes.

Mr. CARRIGAN. Now, I attended all the meetings of the Northwest Lumbermen's Association at Tacoma and at Portland and in Seattle, and one day—it was, we will say, in March, 1918—there was a big meeting, attended by possibly 200 of the big loggers and lumbermen of this coast, at the parlor of the Tacoma Hotel. Col. Disque was present. Col. Disque was intensely interested at that time in trying to solve a very difficult problem. He came up here absolutely ignorant of the job he was assigned to—admitted it; didn't make any pretense that he was a logger, and he didn't know a spruce tree from a white rhinoceros, but he was anxious to learn, he was anxious to perform, apparently, at that time, and he was impatient with these restraints put on him; there were labor troubles, I. W. W. troubles, there was opposition from the lumbermen, there was a difficulty in finding out where this spruce was, it seemed to be a difficult thing to find; and I told him one day; I said, "Colonel, the people are getting damned good and tired of your continual excuses, which I know you are making in good faith, about not being able to get spruce."

"You are being advised by men who do not propose to get you the spruce and you are listening to their advice and you are never going to get it if you are listening to the organized lumbermen of the State at the present time." He said, "Why do you say so? They are the biggest men in the country. They have got the organization, the timber, and everything we need. Why can't I get them to give me the spruce?" I said, "I will tell you why. You can not get them to. Those men are all big, splendid men, with plenty of money and equipment and timber, but they are in the commercial logging business, they understand their business and they are only going to log the way they understand, and the way they have to log if they do not go bankrupt. They are going to take their timber out as they come to it. Now, Colonel, there is no such thing in this country as a stand of spruce. There is no such thing, and if anybody tells you so he is simply misinformed or lying. The spruce is scattered among the cedar and fir and hemlock forests, a tree here and there. You take the average stand in what they call the spruce country"—

Mr. FREAR. We understand that. Just state what the conversation was.

Mr. CARRIGAN. This is what I was telling him. Now, I said, "That being true, these men are going to take out the timber as they come to it. They are not going to mess up their woods and create a great fire hazard and build miles of logging road that they do not need. They will give you such spruce as they come to and

that is all they will give you." That is the truth, Mr. Chairman, and that is what they were up against, and they were right in that respect. But I knew if he was depending on the lumbermen to get that spruce he would never get it in the world. I am going back to this meeting at the Tacoma Hotel. Col. Disque was there and was all animated with a desire to solve this problem and to get out the spruce. That was in March, 1918. And he then put out his famous proposition for the rived spruce and made an impassioned appeal to the farmers of the State to bring in spruce, no matter in what quantities, but to bring it in on the theory that with a little here and a little there you would get very much finally. That was up for discussion. Now, this meeting was called for the purpose of trying to solve the spruce problem. A little bit was said about that and the prominent loggers there, Mr. Boedell and Mr. Chinn and Mr. Donovan and Mr. Polson were there.

Mr. FREAR. I think we have been all through with this matter.

Mr. CARRIGAN. Yes. But they were at this meeting and did more or less of the talking. Well, the meeting was fairly under way, and the discussion started not in connection with airplane spruce, but fir logging, ship timbers, and the wage scale. Col. Disque sat there in great patience for about an hour, and he finally got up and said, "Gentlemen, this meeting was called for the purpose of trying to solve the spruce problem." Col. Disque listened to all this, and they got to talking about everything but spruce—talking about labor troubles and every other thing. And he finally said, "Gentlemen, this meeting was called primarily for the purpose of discussing how you could serve the Government in getting out aeroplane spruce. They are calling upon me for 11,000,000 feet a month. Last month, the highest month since I have been on the job, we got 4,500,000 feet; that is, January, 1918. Do you know what happened last month? The production fell down to 2,500,000 feet." And he said, "Now, we are here to talk spruce, and I want you to confine your talk to spruce. I am not interested in your wage scale and your ship timbers. My job is to get airplane spruce, and I want you to help me to get it." Well, it was fine. Everybody was going to help. The next day I was over in Portland to see the colonel about this hard-surfaced road from Lake Crescent to Moro. I said, "Colonel, I sat all through yesterday's session at Tacoma. What did you get out of it?" He said, "I got everything but an intense interest in helping to solve the problem of getting out spruce. They were more concerned in the wage scale, the price of fir and ship timbers, and preferential orders for shipment of rails than they were in spruce."

"Now," he said, "Carrigan, what I want out of this, I told them, is not patriotic speeches. What I want is spruce, and by God I am going to get it." He was smoking a pipe, sitting at his desk, all worked up with the failure of the meeting to approach a solution. He said, "Carrigan, I have asked for orders from Washington to do two things—to commandeer the timber and to put our own men in the field in logging it. Some day some of these people will wake up with a jolt. I am going to get the spruce, and I am going to do what you and others have been urging all along. All the data that you have given me has been checked. You have got the goods in Clallam and Jefferson Counties, and I am going to get the goods. I am going to stage the biggest spruce production in your country." I call that my

country, because I lived down there for 15 years, and I know every road and every trail in the country. "That is where my problem is going to be, and I do not believe it will ever be solved until I can get into that country. I am going to try to cooperate with those loggers and lumbermen, but I am going to do it out of no misapprehension. I know I have got to solve this problem myself, and I know now where the spruce is, and I am going to do everything I can to get it, and as soon as I receive the orders enabling me to commandeer it and make them get it out, then we will get the spruce; when I can get that jurisdiction and get that transportation into your north-western section of the country, Clallam and Jefferson Counties, and I know I will get all we want and my troubles will be over." That is the history of it.

Mr. LEA. That was the solution of the problem, was it not, to go into that district?

Mr. CARRIGAN. Absolutely.

Mr. LEA. You were associated with this other company that was fighting to go in there—Mr. Cain's company?

Mr. CARRIGAN. No. Saving life was the important thing in getting out aeroplane spruce for aeroplanes on the front, and if we could only save a month in time and save one human life it was worth the effort. So I evolved a scheme, which was the quick and conclusive scheme, of hard surfacing the road from Lake Crescent to Mora. Mora is on the Quillayute River and is 41 miles from Lake Crescent. If you can figure the road that Maj. Sawyer built down the Sol Duc River you will come to Mora 1 mile from the Pacific Ocean. There are a number of rivers, the Calawah and the Bogachiel and their branches that come into the Quillayute River at Mora. My plan was to put on a hard surfaced road and put on the trucks and put the loggers every where you could along these streams, and then carry the heavy percentages of trees and chuck them into the river and float them down to Mora, where all these streams come together. All of these streams empty there; put that big rafting station there, lift your logs out of the basin with a crane, and put them on your trucks there and take them to Lake Crescent and dump them into the lake and tow them from there into the mills. That would beat any scheme that anybody could devise for speed and certainty.

Mr. FREAR. From what point was this to go; to get the logs from where?

Mr. CARRIGAN. Just from the point that Maj. Sawyer was headed for.

Mr. FREAR. Here is the suggestion that has come before the committee; that this timber is within about 15 miles of Clallam Bay.

Mr. CARRIGAN. I am perfectly familiar with that. I read that and I laughed when I read it, for this reason: There is a fine pocket of fir at the headwaters of the Hoh.

Mr. FREAR. This is the timber they are speaking about, that is in question—the Pleasant Lake River.

Mr. CARRIGAN. I know.

Mr. FREAR. That is, it lies about 15 miles from Clallam Bay.

Mr. CARRIGAN. You must understand that country. That country is an empire. That little spot is just as a postage stamp compared to the area of timber they were trying to reach, with an awful lot of other stuff.

Mr. FREAR. This circle?

Mr. CARRIGAN. Oh, that circle was taken out of a lot of other material. Mr. Lightner's proposition was to have the Government advance him \$500,000 to build a logging road up to this place on the Hoh. That was all right; that would have taken that out.

Mr. FREAR. Mr. Lightner never asked for that.

Mr. CARRIGAN. Mr. Charlie Patton did, for Mr. Lightner.

Mr. FREAR. The proposition was to build a road 15 miles in length and then to strike the same timber as would be struck by the Siems-Carey Road, and it was the proposition suggested by Lightner and was his plan that they could carry that timber down and dump it into the bay, as they are doing at the Goodyear Co.

Mr. CARRIGAN. That was all right as a unit in the big scheme.

Mr. FREAR. It was a quick means of getting it down with only 15 miles of railroad.

Mr. CARRIGAN. But that did not solve the problem. We supposed the war would last for two or three years, and all of the discussion and plans were made for a two-year war. Mr. Lightner's scheme was all right, but it was only a drop in the bucket. That bunch of stuff at the head of the Hoh did not answer the requirements. There would be a 75-mile tow—

Mr. FREAR. And they never lost a raft in the history of their business; that is Mr. Lightner's sworn statement.

Mr. CARRIGAN. I have seen the beach from Clallam Bay to Port Angeles absolutely strewn with logs.

Mr. FREAR. Whose logs were they?

Mr. CARRIGAN. I would not say from what company.

Mr. FREAR. That is his company, and only three rafts of logs were ever broken in the Merrill & Ring Co.; that is, from Pysht; that is all the testimony before us.

Mr. CARRIGAN. Then, I will say that God was good to Merrill & Ring and Mr. Lightner. I have known those straits for 30 years, and I have seen, I was going to say, hundreds of tows, and I have seen lots of tows go to pieces.

Mr. FREAR. You have never seen one of theirs go to pieces, have you?

Mr. CARRIGAN. I would not know it if I saw it, because they are all alike.

Mr. FREAR. They would not come here and swear under oath that they never lost a raft if they did, would they?

Mr. CARRIGAN. No; I do not think they would.

Mr. FREAR. But it is a general impression that all of the rafts were carried intact in every single case from Clallam Bay?

Mr. CARRIGAN. The system of logging has changed. They used to carry those rafts in between swisters, and when they struck a rough sea, particularly towing cedar and spruce, they would ride high, and the waves in breaking over them would jump them out of the booms, and finally the thing would go to pieces. Now they take and tie the thing together in a cigar shape taking a little bit at a time, and move them instead of a large quantity, and I guess they do get by in pretty good shape, but it is a slow operation.

Mr. FREAR. They say they can carry them out as fast as any train of cars, because they keep them moving constantly all the time.

Mr. CARRIGAN. Sometimes that is true; but still it is a drop in the bucket and does not solve the problem.

Mr. FREAR. You had to combine all the units?

Mr. CARRIGAN. The Milwaukee is taking out spruce all the time, because they go through the spruce country. Deep Creek has plenty of spruce, and also on the Pysht. [Referring to map.] There is a range of mountains here. This is the Straits country with the Milwaukee trains. Over on the other side of the ridge is the Sol Duc country.

Mr. FREAR. We have been all through it.

Mr. CARRIGAN. The plan as finally worked out was to put a main line down to the Sol Duc country and then radiate from there like the ribs on your body, which would have drained the whole country except the north side.

Mr. FREAR. There is not anything on the north.

Mr. CARRIGAN. Oh, yes; there is.

Mr. FREAR. Between the mountains and the Sol Duc? There was nothing that was shown to us.

Mr. CARRIGAN. I can show it to you.

Mr. FREAR. The testimony is that there is nothing along the Sol Duc except until you get to Lake Pleasant, in any material amount. That takes it up to Lake Pleasant, where you strike this bunch of timber, which is, of course, a large quantity and of a very fine grade. There is where the Siems-Carey road comes one way, and here comes up from Clallam Bay to the other, and they reach that point there. [Indicating on map.] One is a 15-mile road, and the other is a 56-mile road. That is the situation as presented to the committee.

Mr. CARRIGAN. That is not fair. You would never, as a sensible man, put your reliance on bringing that timber from Clallam Bay and running the risk of the sea.

Mr. FREAR. There is no risk. It is only once in a while that occurs.

Mr. CARRIGAN. That is true. You can start in from Clallam Bay and reach that timber with a much shorter mileage than the way the road is going. But the way this road is planned it was a permanent proposition that when the Government got through somebody else would want the road, but meanwhile it would open up the country. The railroad scheme is planned for draining the country of its spruce by means of lateral roads, which is all right.

Mr. FREAR. And they are paying \$115,000 a mile?

Mr. CARRIGAN. Yes.

Mr. FREAR. That is interesting. May I ask a question? You spoke something about the Northern Pacific coming from Grays Harbor?

Mr. CARRIGAN. Yes.

Mr. FREAR. Have they had that plan constantly?

Mr. CARRIGAN. Yes.

Mr. FREAR. Then, later, the Milwaukee has planned to come down to Grays Harbor?

Mr. CARRIGAN. I made the surveys and sold them to the Northern Pacific for that very project.

Mr. FREAR. Then you are familiar with the facts?

Mr. CARRIGAN. That is the fact.

Mr. FREAR. So that both companies were scheming to get through and get their line through first, realizing that if the other one did that that they would probably preempt that whole territory. The Northern Pacific had gotten to Moclips, and the Milwaukee had gotten to Deep Creek?

Mr. CARRIGAN. Yes, sir.

Mr. FREAR. Now, the Milwaukee has this other branch?

Mr. CARRIGAN. If you understood the history of the situation a little more you know that the Northern Pacific has always traditionally considered the Olympic Peninsula its territory. When we were trying to get the road down there Mr. Elliott said to me, "Carrigan, you are 20 years ahead of your time." The Milwaukee came along and took it away from them, and they have always been sore as a boil ever since, always meaning to get into the country for which they have the survey. Every foot of that is surveyed. And when they get it they don't mean to let that territory finally pass to the ownership of the Milwaukee. These fellows know all of that, and they figured that if under this emergency of war they could raise sufficient funds to get that road through to Moclips they would not only make money in building the road, but that they would have a good selling proposition to the Northern Pacific.

Mr. FREAR. I think Mr. Lindsay testified that it was one of their purposes to turn it over to the Northern Pacific, and then get the two roads bidding against each other. Is there anything more that you have in mind, Mr. Carrigan?

Mr. CARRIGAN. That is all.

Mr. LEA. What do you think was the best route to build a railroad to meet the demands of the Spruce Corporation?

Mr. CARRIGAN. Of course, I would like to have seen it come to Port Angeles for the purpose of opening up the territory better and as a lasting benefit to the whole country, and that the Government could spend its money just as well to have enriched the entire peninsula and have given it two ways instead of one. But eliminating that and in answer to your question directly, I think the route adopted was the better plan. Now, you must always keep in mind that the armistice came out of a clear sky. I was at Lake Crescent on this railroad when the armistice was announced. Col. Disque and the Government and everybody else was figuring on at least two years. The Airplane Production Board—and I have this direct from Mr. Ryan—had a program for building 50,000 mammoth bombing planes, each plane to contain a 1,600-horsepower motor.

Mr. FREAR. Did they ever build one?

Mr. CARRIGAN. I am telling you the plan. Each plane to carry a 1,600-horsepower motor, each plane to carry eight machine guns, each plane to carry 16 men, each plane to carry sufficient gasoline to make the journey from the western front to Berlin and back again, or in round figures 1,700 miles, without stopping to take a drink, and to carry, in addition to all this other cargo, four tons of high explosive bombs. That was the program.

Mr. FREAR. Do you know how many men that would take?

Mr. CARRIGAN. I do not know.

Mr. FREAR. It would take 8,000 men at 16 men to the plane, and it takes 100 men to the plane to handle the plane on the ground. That is the testimony an officer put before us.

Mr. CARRIGAN. That is the program. John D. Ryan said it is a tremendous proposition. The plan was then to form those into battle squadrons and send them out simultaneously to blow up the aeroplane bases of the enemy and their transportation bases and ammunition dumps and Krupp Works and all the industrial tenants on the Rhine and Berlin, in other words, simply blow hell out of Germany in 48 hours. That was the big program, and John D. Ryan said, "Gentlemen, we can get the engines. We are short of linen, but we have thousands of acres planted in Ireland of hemp, raising flax for a living. We are shy of castor oil for lubricating purposes, but we have thousands of acres planted in Texas and elsewhere of the castor bean from which you extract the oil for lubrication. We are shy of mahogany for propellers, but we have men ransacking the forests of Mexico and Yucatan and Guatamaula and Hayti and the Philippines looking over the groves and assembling the mahogany, and we can get that. We will have the linen and we will have the oil.

Mr. FREAR. Where were they going to get the men?

Mr. CARRIGAN. He said, "Gentlemen, we can get everything else to carry out this program but spruce." Now, he said, "The burden is upon you men." This was at a banquet at the Washington Hotel. Maj. Sawyer and Gen. Disque and Gen. Kenley were there. He said, "We can get every single thing to carry out this gigantic program and end the war, because the war will be ended by the aeroplane, if you men will give us the spruce."

Mr. FREAR. Where had he been? Had he been over to the peninsula?

Mr. CARRIGAN. Yes. He had just come from there that day. Now, of course, we felt, and I still feel, if this program had been carried out, if we had had time, that although it would cost a pile of money, that that railroad is a fine railroad.

Mr. FREAR. We are not getting the question that we want, that was directly before the committee.

Mr. CARRIGAN. I am telling you John Ryan's plan.

Mr. FREAR. John Ryan's plan is not material to us in the committee for ascertaining what the facts are in regard to the road.

Mr. CARRIGAN. The point of all of this was that this big plan all hinged on our getting out the spruce, which meant the railroad.

Mr. FREAR. Let us get down to the railroad. This railroad was a 56-mile haul from Lake Pleasant down to Port Angeles. I want you to do some figuring now. Now, the two mills, admitting that both of them were built and both of them continued to manufacture, would mean about 500,000 feet of lumber a day?

Mr. CARRIGAN. The plan to build a mill at Lake Pleasant was crazy.

Mr. FREAR. I am going to admit that it was crazy for the sake of argument. Now, there is 500,000 feet that leaves the mill that they had to carry, because under their contract they had to carry one million and a half, consequently they had to dump a million feet of logs every day into the water at Port Angeles on a 56-mile haul?

Mr. CARRIGAN. Yes.

Mr. FREAR. You said that is right. I want to see if you are right. I know you reason from common-sense principles. Now, from Clallam Bay they had a 15-mile haul, or maybe a 20-mile haul; that has

been testified to. And, of course, if they could build as they build in ordinary times it would save a dollar a thousand even on freight charges, and they could build it expeditiously. They only had to haul it that short distance, put it in the water there, and start it over, just as they had to start it from the Port Angeles mill—the thousand feet every day. Now, why do you say that that long route, even though it might have been built at the same rate—which, of course, it could not; it was built at an enormous price—even though it could have been built at the same rate that that 56-mile haul was, why do you say that long route was preferable?

Mr. CARRIGAN. Because that road is splendidly built for the heaviest kind of traffic to run a continuous line of trains over, if you please. The amount of tonnage you could carry over that road depends upon the amount of equipment you put on the road. The road that Mr. Lightner proposed to build was an ordinary logging road that could never stand this amount of traffic.

Mr. FREAR. He said he could double-track it if he chose.

Mr. CARRIGAN. You could double-track this, too, if you chose. The point is that this was planned for a tremendous development.

Mr. FREAR. This was planned for more than a logging road.

Mr. CARRIGAN. Of course.

Mr. FREAR. That is the point.

Mr. CARRIGAN. It was planned for a link of the transcontinental road, which would serve a larger purpose, making a link of the transcontinental road. But Mr. Lightner's proposition was inadequate.

Mr. LEA. I do not want to detain you, Mr. Carrigan, but I am very much interested in your testimony. How long did you say you have lived in this county?

Mr. CARRIGAN. I have lived out here since the fall of 1889—30 years.

Mr. LEA. How long in Clallam County?

Mr. CARRIGAN. I lived there 12 years. The balance of the time I have lived here.

Mr. LEA. What was your occupation there?

Mr. CARRIGAN. I was the principal goat of the city. I was the principal property owner there, and am yet. I was collector of customs there for the United States Government for seven years. I was one of the three Government appraisers at Port Angeles. I was mayor of the city and chief property owner and all-around active citizen, if you choose to put it that way, interested in building up the community and doing whatever I could, incidentally learning that country up there.

Mr. LEA. You have been all over that country, have you?

Mr. CARRIGAN. All over everywhere. I built the first wagon road to Lake Crescent. That is the one that goes from Port Crescent. It was some job getting to that forest at that time. I put the first canoe that was ever put on Lake Crescent.

Mr. LEA. Do I understand that Mr. Ryan did not approve of this route by Lake Crescent?

Mr. CARRIGAN. He approved of the Milwaukee route. Mr. Ryan approved of the western extension of the Milwaukee, which was all right, which would get into this timber.

Mr. LEA. That would go through Deep Creek?

Mr. CARRIGAN. Deep Creek and Pysht, past Lake Crescent down to the Sol Duc River, finally on to the Hoh. It would go from Deep Creek southwesterly and southerly to the Hoh River, tapping the main spruce belt.

Mr. LEA. Would that come in contact with this railroad that is now built?

Mr. CARRIGAN. They would practically meet at common point at Lake Pleasant or near there.

Mr. LEA. Do you know about what the difference in the distance of the two roads would be from Port Angeles to the common meeting point?

Mr. CARRIGAN. If you have a map there, you can see it very easily. From Lake Pleasant you come down to the Sol Duc River practically on water grade until you get over the summit. [Referring to map.] Here is Lake Pleasant about 24 miles out from there. You are ascending over here to this point, and over here you are descending all the way.

Mr. LEA. That is at mile 23, approximately?

Mr. CARRIGAN. Yes; that is the summit of what we call Mullers Pass. Now, you see this road comes down here [indicating], to this point here.

Mr. LEA. In order to get it into the record, it comes down from Lake Crescent?

Mr. CARRIGAN. From Lake Crescent down the Sol Duc River, following practically water grade after you get over the summit to Lake Pleasant. That is 13 miles by rail.

From Deep Creek by way of Uysht Pass, or the Pysht River, to Lake Pleasant is a distance of approximately 28 miles, the distance the Milwaukee would have to build from their present terminal at Deep Creek to the southwest portion of Lake Pleasant. It is 13 miles from Mullers Pass to the same point, the southwestern portion of Lake Pleasant. That point would be Siems-Carey; that is the local name of it. But all the time we fellows that were interested in just seeing spruce gotten out figured on this and why this was better. The Milwaukee all the time was going through a spruce country and it has extended gradually, all the time. Merrill & Ring have a big camp at Pysht and they are in the spruce territory. We men who insisted on simply seeing spruce gotten out were aware of the fact that the Milwaukee, through the territory it then had developed and through which it was operating daily, was in spruce territory and getting out a considerable quantity of spruce every day; that Merrill & Ring, one of the big operators on this coast, were conducting a very large logging operation at Pysht adjacent to the Milwaukee's territory and were getting out a considerable percentage of spruce every day; that the Goodyear Co., logging at Clallam Bay, was in spruce territory getting out a large percentage of spruce every day, and was adjacent to still larger spruce areas within a limited mileage that could be made available if desirable; that all of these operations, the Milwaukee's, Merrill & Ring's, Goodyear's, and others in active course of log production were draining the territory on the north side of the mountain tributary to the Straits of Fuca; that all that was needed to amplify the spruce production from that particular region, and so help out the Government in its urgent need for airplane spruce, was that they should continue and enlarge their present

operations. They had a very large quantity of spruce immediately available, requiring no extraordinary development or expenditure to place it at the Government's disposal for airplane stock.

We figured an additional operation was necessary if the Government's spruce problem was to be quickly and adequately and permanently solved. This meant that it was absolutely necessary to put a line down the Sol Duc River through to Lake Pleasant and to the Hoh River, in order to tap the interior country in which practically not a single log had ever been cut. If you know the country you will realize that, and Maj. Sawyer will tell you that it is gospel truth. There was two separate countries; the country on the north the Milwaukee is draining, and Merrill & Ring and Goodyear is a totally different country from that on this side, and the only logging that has been done has been the logging that could be carried on by taking the spruce and dumping it into the water and drifting; and in this interior country there has never been a log, there has never been a stick, of timber cut for export. There is a local mill at Forks that cuts joists and flat boards for home consumption, but it is just a little dinky thing. But in this country on the south side of the mountain there have never been any logging operations.

There was no transportation; there was no means of getting out logs that were cut there. The transportation had to be supplied. There is a highway, the Olympic Highway, from Lake Pleasant to Mora; there is a gravel road. That was the only transportation in the country, and that was not suitable to haul a large tonnage of logs over until it was hard surfaced. That was my scheme, to hard surface that road, because that could be done quickly. Feeling all the time that this good work was going on the Merrill & Ring Co. and the Milwaukee Co., and all of them, were in a position where they could extend their operations, that was taking care of the spruce on the strait side of the mountain, if they could not come out by rail they could come out by water, as Mr. Lightner testified. There is a lot of spruce on the strait side, but the great area of the spruce, as Mr. Lightner testified, was up at the headwaters of the Hoh. In one township near Forks, according to the Government's own survey, there are 306,000,000 feet in one township.

Mr. LEA. What kind of wood?

Mr. CARRIGAN. The finest spruce that ever came up from the ground.

Mr. LEA. How far is that from Lake Pleasant?

Mr. CARRIGAN. In other townships adjacent there were 295,000,000, 200,000,000, 195,000,000, 150,000,000. While there are no stands of spruce, as stands, there are sections where there is a great deal more spruce than others, and here is where the big spruce territory is, south of the Sol Duc River [indicating on map]: a territory that is not tapped by the straits country. There is a splendid stand of spruce at the headwaters of the Hoko, where there are 300,000,000 feet. That would come out to Clallam Bay. The gentleman would build down the Hoko to Clallam Bay, a distance of 15 miles. There is a splendid stand of spruce, but it is only a drop in the bucket compared to this area southwest of Lake Pleasant.

Mr. LEA. You mean the Government railroad?

Mr. CARRIGAN. The Government Railroad No. 1. But I want to make this clear. I am not here for or against anybody; I am here

to tell you just what little I know about this, because I belong to that country and I know the country. I know that this road as worked out under Col. Disque's plan, or whoever was responsible for it, would have drained that entire country of spruce. The logging roads could have been built from that at any point, short, temporary roads existed to the timber along those lines; but that line is the axis of the country. Everything over there after you get to the divide drains to it. It is a water grade road and it is so strategic that you can drain the entire spruce territory from that road, and there is not any scheme that could be proposed to better it.

Mr. LEA. What do you think about the advisability of building this road as good as it was, as compared with building a cheap road to answer a temporary purpose?

Mr. CARRIGAN. I do not think there is any question about building it as good as it was built, because the war was an incident—although a bloody one—that would last only two, four, or five years, while that country is the biggest timber country in the world, and the finest. It would have been a crime to waste money on a temporary proposition when a permanent road could have been put in that would represent to the Government a valid asset when the war was over, instead of a pile of junk.

Mr. LEA. Do you believe there will be a practical sale for that?

Mr. CARRIGAN. I think the sale of that road is very seriously handicapped by its physical tying with the Milwaukee road. If that road had been started from Port Angeles and carried on to its present location, I think you would have—I will not say dollar for dollar, because there was excess costs unavoidably connected with rushing the work in war time. There was a constant cry that you must get any land, any spruce; the whole country was yelling for spruce, and the country did not care a damn about cost. Speed, speed, speed; that is what we were all hearing, what we were all demanding, and were cursing the men that did not say speed. So, while nobody will question that it cost 50 per cent more than peace-time construction, everybody was satisfied, and a wonderful record was made. Those men worked miracles; they made good. It is a splendid piece of construction, and if it was an independent line, not hooked in where it practically has got to fall into the hands of the Milwaukee road, I would say that under normal cost conditions you would have a 100 per cent investment.

Mr. LEA. How about the practicability of severing this connection with the Milwaukee and running it on?

Mr. CARRIGAN. That could be made at a point somewhere on the Lyre River. That physical connection could be severed at some point where you could make grade and come in about 3 miles southwest of Joyce, by breaking the physical connection of the Milwaukee road about 3 miles southwest of Joyce and proceeding thence by a practicable grade along the hillside directly north of the north end of Lake Crescent to and through the valley by way of Lake Sutherland, down the Indian Valley eastward to the Elwha River, and thence into Port Angeles on a grade heretofore established as entirely practicable, from the east end of Lake Crescent to Port Angeles. If you did that the Government would have a piece of railroad worth 100 per cent of ordinary peace-time construction, opening up in the right

way, on the right grade, and in the right place, the finest and biggest body of timber in America.

Mr. LEA. That would be practically the road that was selected by the Port Angeles—

Mr. CARRIGAN. No; it would not. Their road comes from Port Angeles by the way of the Elwha River, through Indian Valley, along the north shore of Lake Sutherland and then southwesterly through the divide between Lake Sutherland and Lake Crescent to the south shore of Lake Crescent, thence along the south shore the entire length of the lake to a point which would be common to the Government road at station 23, or $2\frac{1}{4}$ miles west of the west end of Lake Crescent. If that physical connection was broken there the Government would have a magnificent independent line. You can see the wisdom of building the way they built, instead of building a temporary logging road which would not have served permanent purposes. And this country is worthy of permanent construction. There is not any country richer on the face of the globe, fine farming land when the timber is removed, and it is an empire. Clallam County alone is bigger than the State of Rhode Island, and I think the wisdom of putting in permanent construction is beyond assail.

Mr. LEA. About Clallam Bay what shipping facilities are there now?

Mr. CARRIGAN. Not a damn thing.

Mr. LEA. There is no way of shipping in there for railroad construction?

Mr. CARRIGAN. The dock is here [indicating on map], and I have been there when we could not land at all; we had to throw the mail sack off and take a chance of its landing in the sea, which it frequently did, and time after time I have not been able to land from the steamer at Clallam Bay. There is a westerly swell that comes in from the Pacific, that bangs in there to beat the band. There is nothing there but a little jerkwater town. There is a chance for some protection over on the west side, but very small. It is not a fine commercial harbor like that at Port Angeles.

Mr. LEA. On the question of towing, you have seen a good deal of those conditions there?

Mr. CARRIGAN. I have seen them doing the skirt dance, when not a thing but a float would live, and they do not go out in that kind of weather. If they tell you they have gone out there, they have done it because they have picked their weather. There are weather stations all along the way, and they go over the chart when the weather is threatening and they can tell 48 hours ahead about the weather, and they do not start out with a tow; they stay ashore, and they pick the weather and get through. Michael Earles told me himself he had lost enough timber logs towing between Port Crescent, which is a very much shorter and simpler tow, only about 14 miles. He had a big logging camp at Port Crescent, the Puget Sound Mills Co. had a big lumber camp at Port Crescent; that was before the Milwaukee got through, and then they abandoned townig from Port Crescent, 14 miles away. They had their big mill at the head of the bay, but it was so risky and the loss so great that the Puget Sound Mills, which is the Charles Nelson Co. now, absolutely abandoned logging from all this country by tow, and are putting the logs on

the railroad to-day, and have been doing so ever since the road got through.

Why? If they could save a dollar a thousand by towing, why would they not do it? They had the logging railroad to the bay; they had docks there and bunkers, every possible facility there, and thousands of dollars invested to get logs to the bay. If they could save a dollar a thousand by towing from Clallam Bay, why was it not a much better proposition—there is a 75-mile tow—why was it not better, with 14 miles, with a chance to go into fresh water to break the tow, if they could save a dollar a thousand, why did they not do it, instead of throwing away their vast investment on a towing basis, instead of to get their logs on the road?

Mr. LEA. Going back to the interest of the Milwaukee in this road: Is what you have said in that respect intended to be a denunciation of the Milwaukee for wanting to build this road?

Mr. CARRIGAN. No, sir.

Mr. LEA. I want to know if the fact that the Milwaukee is going to be benefited is any reason why the Government should not have built this road?

Mr. CARRIGAN. No; not at all. They could have done just one thing better. The question was asked what was the sense in building the 20 miles of road from Port Angeles to Lake Crescent when those 20 miles were already in operation, when men were scarce, materials high and difficult to get. That was the reason for cutting out the continuous line from Lake Crescent to Port Angeles. One was very hard to overcome when speed was the governing factor, and time was the essence of the contract, and when lives were at stake. There was no way of getting around that argument. It was a straight argument, as far as the Milwaukee was concerned. It is not a denunciation of the Milwaukee; it is a corporation organized for the purpose of making money; it owns a great transcontinental system. It is the first and only railroad in the richest timber country in the world. It naturally does not want competition. You can not blame them for that. They may hurt some of us in the Southwest by having a strangle hold on the country, but, looking at it from a corporation point of view and a business point of view, the Milwaukee can not be criticised for wanting to hold what it has; and if anything is done, in any way to minimize that danger as much as they can, by forcing the physical connection with their road, it is a perfectly specious argument, hard to overcome, that, while there are going to be two rails in their part of the country tying at this point, they are not of any use to anybody in that condition but the Milwaukee. I would call that good business generalship.

Mr. LEA. Now, looking at it from the other standpoint, I ask you this question—

Mr. CARRIGAN. Their interests are there and they will fight hard and fight everything to get into that country. If it was the Northern Pacific or the Oregon & Washington they would be doing exactly the same thing. They are all alike, as far as that is concerned.

Mr. LEA. Now, looking at the other side of it, what would you say as to whether or not the Government interests were sacrificed by building this line as they did and connecting it with the Milwaukee, from the standpoint of spruce production?

Mr. CARRIGAN. Well, that is a big question. You could say that the Government interests were actually served by saying that 20 miles of construction, I would say that in the initial stages—we will divide this program into two parts—that in the first part of the program the Government interests were subserved beneficially by starting the Government railroad No. 1 from the Milwaukee main line at Joyee, because it absolved the Government from the need of building 20 miles of road and the furnishing of that equipment, and diverting that number of men to that at that moment useless construction. Up to that point I would say that the Government's interests were beneficially served. But looking to the final answer—to the end of the war and to the disposition to be made of that property after the war—if the Government is placing any value on that war-time production or construction, then the Government's interests have been injured, because that road, in its present state, is valueless for private individuals.

Mr. LEA. Its salvage value is decreased by making this connection with the Milwaukee?

Mr. CARRIGAN. Vastly, vastly.

Mr. LEA. In other words, in the hands of other parties.

Mr. CARRIGAN. If that other 20 miles had been built and the line carried into Port Angeles you would have had an independent line, useful to anybody competent to buy, own, and operate a railroad, without interference with another transcontinental railroad. No matter what the name of the railroad, I do not care whether it is the Milwaukee, or the Northern Pacific, they are all alike to me—they would all do the same thing, as far as that is concerned. The Milwaukee was only doing that to conserve its interests and protect its interests, no matter whom it hurt. The Milwaukee was not attempting to do an unselfish thing in its attitude. They were absolutely selfish. That might be called good business, but in the last analysis the Government has been vastly injured by that one fact, the physical tie-up with just one road. Now, that can be severed. That does not mean that you or I could not form a combination to buy that road and disconnect that connection and put in that 20 miles of separate road. That can be done.

Mr. LEA. I think there is one more question. This Port Angeles mill, as I understand it—do you know what its capacity is?

Mr. CARRIGAN. Four hundred thousand a day.

Mr. LEA. Is that on an eight-hour basis?

Mr. CARRIGAN. An eight-hour basis.

Mr. LEA. About what would be its capacity on a 24-hour basis?

Mr. CARRIGAN. Why, I suppose possibly a million.

Mr. LEA. It would not be three times that amount?

Mr. CARRIGAN. I doubt it very much. Maybe I am wrong. I say three shifts, a million would be a fair output to expect from three shifts. Now, that is another splendid piece of construction.

Mr. LEA. It is?

Mr. CARRIGAN. Yes, sir; absolutely.

Mr. LEA. Reverting again to this question of whether or not the Government's interests were sacrificed by this road that was built, what would you say as to whether or not the Government interests were sacrificed during the war, for war purposes?

Mr. CARRIGAN. In the matter of the construction of the road?

Mr. LEA. Yes. That is, the Government is endeavoring to accomplish its war purposes by constructing this road; do you think it was built at the most available route?

Mr. CARRIGAN. Yes, I do.

Mr. LEA. But from the standpoint of salvage it is not of as much value as it would be if it was an independent line all the way?

Mr. CARRIGAN. Yes; that is correct. The Government when it planned that road, I know, was figuring on the war lasting two years, or possibly three, and that they expected to really put the finishing touch to the war by means of airplanes. The Government had to have not only enough spruce for ourselves but for our allies. This was to be the chief source of supply, this was the big dramatic operation. This was the final solution of our spruce problems, and it wanted a line of railroad there that would stand the grief and deliver the goods. It was put in right and it was put in the right place and it was built in the right way, no matter what the cost. It is a magnificent piece of construction and, to that extent, the Government has got a bully piece of property if it was not for the fact that the Milwaukee has a strangle hold on it at Joyce.

Mr. LEA. Now, is there anything else of importance that you want to say? It is getting pretty late.

Mr. CARRIGAN. No, unless you want to ask me something.

(Witness excused.)

(Thereupon, at 6.50 o'clock p. m., the committee adjourned until Tuesday, September 2, 1919, at 10 o'clock a. m., at Portland, Oreg.)

SUBCOMMITTEE No. 1 (AVIATION)
OF THE SELECT COMMITTEE ON
EXPENDITURES IN THE WAR DEPARTMENT,
HOUSE OF REPRESENTATIVES.

Portland, Oreg., August 29, 1919.

The subcommittee met at 10 o'clock a. m., Hon. James A. Frear (chairman) presiding. Also present Hon. Walter W. Magee and Clarence F. Lea.

Mr. FREAR. The committee will come to order. I will ask that the telegram sent to Secretary Newton D. Baker be inserted at the beginning of this hearing, purely as a matter of convenience for reference purposes.

(The paper above referred to is copied in the record, in full, as follows:)

HON. NEWTON D. BAKER,

Secretary of War, Washington, D. C.:

In accordance with our promise to you for a report from this committee in reference to the public sale of properties owned by the Government in the States of Washington and Oregon, acquired in the production of spruce during the war, we hereby respectfully report.

Practically all Government spruce production, airplane property, is advertised for sale September 2, 1919. The estimated salvage on railways and mills, given at the hearings, of the Spruce Production Corporation is less than 10 per cent of the actual cost. For illustration: The expenditures for railroad construction undertaken by the Spruce Production Corporation, according to its report, reach \$8,742,100. The salvage is estimated at \$750,000, or less than 9 per cent. The sawmill built by the Siems-Carey-H. S. Kerbaugh Corporation cost the Government \$2,395,345, and according to the same authority its salvage value is \$239,000 or only 10 per cent of its cost. On this estimate a settlement has been made with Great Britain. Those directly responsible for excessive expenditures used to advance large business interests should be held to a strict legal responsibility.

A sale of the different mills, railways, and other property, costing approximately \$20,000,000 is advertised in Portland, Oreg., for September 2, 1919. The recent sale by the War Department to the Curtiss Aeroplane Co. of \$20,000,000 of aircraft material for \$2,700,000, or 13 per cent of the cost, suggests the importance of preventing further unnecessary loss to the Government.

Evidence before this committee discloses that on the Olympic Peninsula, near the extreme northwest part of the State of Washington, a large tract of undeveloped timber is located, reaching several billion feet in amount, of which nearly 20 per cent is spruce, a considerable portion of which is suitable for airplanes. This timber is found in about a dozen townships located west of Lake Pleasant, and from 10 to 20 miles distant from the Pacific coast. This timber is also located a like distance from the Strait of Juan de Fuca. It is about 10 miles west of Port Angeles and 80 to 100 miles north of Grays Harbor on the Pacific, one of the largest milling centers in the country.

Prior to the beginning of the war the Chicago, Milwaukee & St. Paul Railroad had been extended from Port Angeles to Deep Creek on the straits, a distance of nearly 40 miles. The Milwaukee had also made surveys further west and south in an effort to reach the undeveloped timber section and in its attempt

to get to Grays Harbor. The Northern Pacific Railroad from Grays Harbor also had been reaching northward for this same undeveloped timber section and had reached Moclips, on the coast, about 30 miles north of Grays Harbor, near the south line of the Quinault Indian Reservation. This reservation was heavily timbered and on a direct line to Lake Pleasant timber.

During the war the Milwaukee Railroad asked the Railroad Administration for permission to extend its line west from Deep Creek toward this Lake Pleasant timber, but was refused as not a necessary war measure. When spruce activities developed for airplanes the extension of the Milwaukee road from Deep Creek, along the strait to Pysht and thence to the Lake Pleasant timber was urged.

The Spruce Production Division, a Government agency controlled by Col. Disque, in May, 1918, granted two contracts to the Siems-Carey-H. S. Kerbaugh Corporation, of New York. One, of \$25,000,000, was for spruce fitches at rates and time of delivery fixed in the contract. The second was a cost-plus contract to build a railroad connecting with the Milwaukee to reach Lake Pleasant for the purpose of hauling the spruce mentioned in the \$25,000,000 contract. When this extension of about 36 miles length was built, at a cost of over \$115,000 dollars per mile, or over \$4,000,000 in the aggregate, it connected with the Deep Creek line of the Milwaukee near Joyce, 20 miles west of Port Angeles. From thence the road struck south through Lyre Canyon to Lake Crescent and thence west to Lake Pleasant.

Practically no spruce is found on this route until Lake Pleasant is reached, near the coast, on the western outskirts of the large timber tract already described. The construction of this road presented most difficult engineering problems, and several slides have occurred, particularly along the base of the mountains surrounding Lake Crescent, one of which has just been removed.

A high bridge was also washed out since construction, one of several across the Sol Duc River, showing the general character of the route chosen ostensibly to reach the spruce.

The situation is further disclosed by a letter from Congressman Johnson, of Hoquiam, on Grays Harbor, which was placed in the record, wherein the Northern Pacific Railroad was stated to have apparently abandoned the race to the Lake Pleasant timber because it was understood the Government had advanced \$5,000,000 to the Milwaukee road to build a from its Port Angeles branch.

The Siems-Carey-H. S. Kerbaugh Corporation's railroad was almost wholly built by 4,000 soldiers furnished by the Spruce Division and Spruce Corporation, working in eight-hour shifts, day and night, and was nearly completed when the armistice was signed.

Committee hearings have already disclosed that among about a dozen railroads built by the Government spruce officials this road over the Olympic Mountains, known as road No. 1 or the Lake Crescent route, was built on a cost-plus contract at an exorbitant expense per mile. The cost of \$4,000,000 was exclusive of equipment, but included the construction of bridges, tunnels, and cuts, and is unprecedented in logging-road construction and built ostensibly to connect the Chicago, Milwaukee & St. Paul system with a tract of spruce nearly 40 miles distant.

Hearings show that this new line joins the Milwaukee Railway at a point about 18 miles west of Port Angeles on the Deep Creek line, making necessary a 54-mile haul to tidewater for the nearest timber on that line.

A 14 to 15 mile railway from the same timber to Clallam Bay where large logging operations and good logging railways exist could have been built for from \$300,000 to \$500,000 in 1918 and would have placed logs far more quickly at the mills, prevented a waste of \$3,500,000 for a useless railway, could have been built in less than one-half the time and would have saved a half million dollars in freight charges on the 500,000,000 feet of timber contained in the Siems-Carey-H. S. Kerbaugh Spruce contract.

These facts upon the evidence are beyond controversy and it appears that the line was primarily built not to carry spruce logs, but as an extension of the Milwaukee railway for commercial purposes and as a short cut to Gray's Harbor.

As stated above, the extension of the Milwaukee road runs near the north coast of the Olympic Peninsula to a point on Deep Creek and passes through a fair stand of spruce timber and would reach other holdings within 5 miles. An extension of this road could have been built at a small cost to the same

terminal reached at Pleasant Lake, in half the time and on a comparatively easy grade. This Deep Creek line was advocated April 10, 1918, by the Chief Signal Officer, supported by the Chief of the Spruce Production Division, Col. Disque, also by the Pacific coast committee of the Aircraft Board, also by the Aircraft Board in Washington, which facts have all been set forth in evidence before the committee.

You, as Secretary of War, also approved the Deep Creek route, April 24, 1918, a few days before the other route was adopted and work started thereon. In a report made by Gen. Frank McIntyre of the General Staff appears the following quotation from that letter:

"A virgin stand has been located in the northwestern part of the State of Washington, sufficient to meet the necessities of the next two or three years. The nearest railroad is the branch of the Chicago, Milwaukee & St. Paul, running west from Port Angeles. This branch now terminates at Deep Creek.

"The question of a railroad to reach this timber has been carefully considered and it is the unanimous opinion of the Pacific coast committee of the Aircraft Board that the best solution of the question is the extension of the Chicago, Milwaukee & St. Paul Railway from Deep Creek to Forks. This extension is included in the plans for the future development of the Milwaukee and the route has already been surveyed.

"It is the opinion of the War Department that this railroad should be built. * * *"

According to the testimony of Col. Disque, taken before Maj. Ray, in the hands of this committee, Disque consulted with the president, general manager, and chief engineer of the Milwaukee Railroad, together with other parties, and he states that all unanimously changed the route approved by the Chief Signal Officer and Secretary of War, which now makes a direct route through tunnels and over the Olympic Mountains that would materially shorten the Milwaukee line to Gray's Harbor. Col. Disque's superior officer was John D. Ryan, Director of Aircraft. Col. Disque apparently disregarded the decision of the Secretary of War. Col. Disque was advanced in rank from an ex-captain to a general in about one year.

The contract for \$25,000,000, already referred to and dated May 12, 1918, was entered into by the spruce officials through an agreement made in the East with Siems-Carey-H. S. Kerbaugh Corporation, of New York City. This corporation had no previous logging experience, but by a coincidence its reputed superintendent was Edward Donlin from Missoula, Mont., and liberal profits guaranteed in the contract were approved by John D. Ryan, Director of Aircraft, who held that position from May to December, 1918, inclusive.

A cost plus contract dated May 18, 1918, for a logging railroad to get out the \$25,000,000 worth of spruce was entered into by the same official also based on an agreement made in the east, whereby a standard gauge railroad was to be built over the Olympic Mountains.

This contract provided the road should be constructed in whatever form might prove necessary or desirable. An engineer to be employed in the work was empowered to both interpret and revise plans and specifications and all such conditions were subject to the engineer's approval, binding both the Government and the Siems-Carey-H. S. Kerbaugh Corporation without any right of appeal from his decision.

The railroad contract, dated May 18, was handed to John D. Ryan, Director of Aircraft, who approved the \$25,000,000 spruce contract, dated May 12, for which the railroad ostensibly was to be built. He refused to sign the railroad contract giving as a reason his connection with the Milwaukee road. Mr. Ryan was a member of the executive committee of the Milwaukee railroad; he was a director of the Milwaukee road, and the Secretary of War excused him from signing any approval, which formality was performed by Mr. Stettinius at the Secretary's request.

A Milwaukee road division engineer, Mott Sawyer by name, was commissioned a major and given extraordinary power of interpretation and revision of plans described in the contract. Nineteen thousand acres of timber lands belonging to the Milwaukee Railroad Co., an organization closely allied to the Milwaukee Railroad Co., are benefited by largely increased values through the extension of this same line. Mr. Sawyer was the engineer in charge of construction and is now an assistant to the president of the Milwaukee Railroad.

The following facts then appear from the testimony:

1. The Milwaukee Railroad officials and Milwaukee engineers apparently controlled the location and determination of the road that has been built.

2. The 36-mile route is not that approved by the Chief Signal Officer or the Secretary of War, and cost eight times as much as the maximum estimate for building a 15-mile road to tidewater at Clallam Bay.

3. This spruce could also have been reached by an extension of railroads from Grays Harbor on the coast or by any logging railroad built through the spruce country, or by other available routes including either the Deep Creek, the Pysht, or the Clallam routes.

4. The Lake Crescent line as constructed is of particular value to the Milwaukee Railroad as it shortens its proposed line to Grays Harbor from 30 to 50 miles, by a cut-off over the mountains. It is a \$4,000,000 road built at Government expense that will eventually form a link in the Milwaukee extension to the south along the coast. Reputable witnesses have testified before this committee that a good logging road, 15 miles long, to the same spruce could have been built in 1918 for \$500,000 from Clallam Bay and saved a 56-mile haul necessary under the Lake Crescent route.

John D. Ryan was the Government Director of Aircraft from May to December 1918, and in a position of supreme authority throughout that period, besides being a member of the board of directors and the executive committee of the Milwaukee Railroad. Mr. Ryan was president of the Montana Power Co., that holds valuable contracts for furnishing electric power with which to operate the western portion of the Milwaukee system.

Mr. Ryan approved the \$25,000,000 spruce contract dated May 12, 1918, and he knew that the construction of this railroad was for the purpose of carrying out the execution of such spruce contract.

Milwaukee Railroad officials apparently determined the route. A Milwaukee engineer built the road. Mr. Ryan personally examined the route in July, 1918. He was in a position of authority to determine all matters relating to the character or location of the road, and if necessary, was empowered to cancel any contract. His absolute power made him master of the situation from and after the signing of the spruce and railway contracts which were executed in the East.

It also appears from the evidence before this committee that two sawmills, one at Lake Pleasant and the other at Port Angeles, were being built at the time of the armistice by the Siems-Carey-H. S. Kerbaugh Corporation under their \$25,000,000 spruce contract at a cost of over \$2,000,000. The contract was automatically canceled by the signing of the armistice. These mills are now being junked by the Government with a 10 per cent estimated salvage value.

The total sawing capacity of the coast is given by the Spruce Production Corporation at 9,000,000,000 feet of timber annually upon an eight-hour day basis. This amount of production could easily have been doubled in case of necessity and was sufficient, under commandeering powers possessed by the Government, to have cut every spruce tree on the coast that could be logged and would have provided sufficient lumber for 1,000,000 airplanes if logs were to have been had, whereas, according to undisputed testimony, not one American-built fighting plane or bombing plane ever reached the battle front during our war with Germany.

John D. Ryan, in his letter to the Secretary of War submitted in the Ray investigation, conducted by the War Department, declared that the Siems-Carey-H. S. Kerbaugh Corporation's mill at Port Angeles was "absolutely necessary." This was in reply to the charge made in writing by Government Intelligence Officer Maj. Howes, that the Milwaukee Railroad was seeking to dominate the lumber industry of Washington.

Additional facts before the committee are of such importance that the proposed sale of railroads, mills, and timber tracts should be postponed until a further investigation can be had. To this end any bids received should be held subject to final decisions by the proper authorities.

It is believed from the foregoing facts that approximately \$5,000,000 of Government funds were squandered, misapplied, and converted to the prospective uses of the Milwaukee Railroad interests, and that such acts were permitted by men in positions of authority whose duty it was to prevent wasteful and unnecessary expenditures.

We would rather see this railroad and the mills scrapped than to have the Government sell them to the Chicago, Milwaukee & St. Paul Railroad for

an insignificant percentage of their cost. The facts here presented speak for themselves and further investigation may disclose conditions upon which a recovery can be had against John D. Ryan and others who are responsible for this wasteful expenditure of public funds.

JAMES A. FREAR.
WALTER W. MAGEE.

TESTIMONY OF FRANK R. PENDLETON.

(The witness was sworn by Mr. Frear.)

Mr. FREAR. Where do you live?

Mr. PENDLETON. Everett, Wash.

Mr. FREAR. You have lived there how many years?

Mr. PENDLETON. Twenty; most of the time. I have been in British Columbia off and on.

Mr. FREAR. What is your business?

Mr. PENDLETON. Lumberman.

Mr. FREAR. Logging?

Mr. PENDLETON. Logging and manufacturing.

Mr. FREAR. You have a place of business at Minneapolis?

Mr. PENDLETON. Yes, sir.

Mr. FREAR. I happened to know that. At what point have you been logging in the State of Washington?

Mr. PENDLETON. Near Everett, Monroe, and Darrington; the camps are out in the woods, but adjacent to those points.

Mr. FREAR. You have also been lumbering in British Columbia?

Mr. PENDLETON. Yes, sir.

Mr. FREAR. Will you please state to the committee the conditions under which you undertook the lumbering at British Columbia, and at what time?

Mr. PENDLETON. I went with the Imperial Munitions Board to help get out spruce the first part of January, 1918.

Mr. FREAR. How did you happen to take up that work?

Mr. PENDLETON. Maj. Austin C. Taylor was sent out to the coast by the imperial munition board.

Mr. FREAR. He was a member of the British Army?

Mr. PENDLETON. No. I do not know how he got his title. He never wore a uniform, and no one in our organization ever wore uniforms.

Mr. FREAR. No one in the British organization?

Mr. PENDLETON. In the spruce organization at Vancouver.

Mr. FREAR. You mean in British Columbia?

Mr. PENDLETON. Vancouver, B. C. He had the title of major, but I never knew how he got it.

Mr. FREAR. Please go on and tell us about your work.

Mr. PENDLETON. He was sent to British Columbia to see what could be done towards getting out spruce for airplane production, and I understood they needed help there from the lumbermen, and I offered my services to help get out airplane stock in any way that I could.

Mr. FREAR. By whom was he sent; what was his authority, or do you know who he was going for?

Mr. PENDLETON. He was sent by Sir Joseph Flavelle, chairman of the imperial munition board for Canada. This imperial munition board has a great headquarters in Great Britain; not a Cana-

dian concern, and they have different branches. Sir Joseph Flavelle was chairman for all Canada.

Mr. FREAR. And did they have charge of this airplane work and getting out the spruce?

Mr. PENDLETON. Yes, sir; they had charge of everything in the munition line. Then Maj. Taylor was sent out there to get this airplane stock.

Mr. FREAR. Where did Maj. Taylor come from?

Mr. PENDLETON. From Toronto.

Mr. FREAR. You were asked to take charge of that work, or did you volunteer?

Mr. PENDLETON. I volunteered.

Mr. FREAR. Where were you then?

Mr. PENDLETON. I was operating a mill and logging camp in British Columbia.

Mr. FREAR. Where?

Mr. PENDLETON. The mill is located at Red Gap, Vancouver Island.

Mr. FREAR. How far from Vancouver?

Mr. PENDLETON. About 60 miles. The railroad logging camp is at Lang Bay.

Mr. FREAR. What occurred; please explain your methods of operation in British Columbia, and how they handled the spruce question at that time?

Mr. PENDLETON. After I went over there I was appointed superintendent of production; that was the title they gave me.

Mr. FREAR. Where was your headquarters?

Mr. PENDLETON. Vancouver. We then discussed and went into details as to how to get out the spruce in the shortest order and how to get the greatest production.

Mr. FREAR. Can you tell the committee what the plan had been prior to that time, what the method of procedure was.

Mr. PENDLETON. There had not been any plans.

Mr. MAGEE. What was the date?

Mr. PENDLETON. The first part of January, 1918; I do not remember the exact date. Maj. Taylor had been there a few months, or a short time, trying to get at where the timber was located and who the men were that were capable of getting it out.

Mr. FREAR. What had been their method of securing airplane stock prior to that time?

Mr. PENDLETON. They had been buying a little from the mills, mostly in Washington.

Mr. FREAR. In the State of Washington?

Mr. PENDLETON. In the State of Washington.

Mr. FREAR. In the United States?

Mr. PENDLETON. In the United States. They were getting a little in Vancouver, but there was a very small amount being produced there.

Mr. FREAR. They were trying to get this spruce for their own use; their own needs?

Mr. PENDLETON. It was to go to Great Britain. I suppose it was for all of the Allies. I had no way of following it after it was shipped.

Mr. FREAR. Will you tell the committee what your methods of operation were after you went there, and what you did?

Mr. PENDLETON. It develops that the logging camps that were operating at that time had very little spruce. They were logging fir, cedar, hemlock, but there was no spruce to amount to anything in that district.

Mr. FREAR. Where was this district?

Mr. PENDLETON. All the way from Vancouver along the coast for 150 miles north, and what spruce was there was not of a character that would make airplane lumber. It would make pulp wood and box lumber, but it was not any good for airplanes. After having a crew of cruisers out for a long time, it developed that the only amount of spruce available in British Columbia was on the Queen Charlotte Islands, about 500 miles north of Vancouver, and about 100 miles out to sea from the mainland, across Heclett Straits. We found there was a reasonable amount of spruce there, although it was limited.

Mr. FREAR. Have you any idea as to what the stumpage was over there?

Mr. PENDLETON. Yes, sir.

Mr. FREAR. About how much?

Mr. PENDLETON. The Government established a rate of \$6 per thousand for No. 1 logs, at \$2.50 for No. 2 logs, to be paid as the actual scale.

Mr. FREAR. At what point?

Mr. PENDLETON. That was the stumpage value; but the Government did all the scaling, so that whenever logs came out and they were scaled that was the basis of settlement, and the Government made this law and urged all the independent owners to pay the same price, so we paid \$6 per thousand for spruce stumpage, selected spruce No. 1, and \$2.50 for No. 2. That included all damage to the ground and timber, and also paid nothing for the No. 3 logs that we left in the woods.

Mr. FREAR. What grades did you use?

Mr. PENDLETON. No. 1 and No. 2.

Mr. FREAR. And \$6 was the general stumpage price?

Mr. PENDLETON. The stumpage price.

Mr. FREAR. About what quantity of timber was to be found up there?

Mr. PENDLETON. We kept cruisers out all the time, so we kept finding a few little bunches; but we figured we had enough spruce in sight to last another year on Queen Charlotte Islands, and some small bodies on the mainland, up in the same vicinity.

Mr. FREAR. Now, go on and tell the committee the procedure, please.

Mr. PENDLETON. We figured that the only possible way to get logging done was to have it done by loggers who knew their business.

Mr. MAGEE. Just what is the nature of these islands; were they occupied?

Mr. PENDLETON. Very sparsely; a few fishermen there, but it was almost unoccupied.

Mr. MAGEE. What is the extent of them?

Mr. PENDLETON. There are two large islands about a hundred miles long each. Now, that is not exact, but it is approximately correct. We figured that the lumberman was the only man that could get out the spruce. He had the equipment and the organization and he had the men, and we made arrangements then with the loggers to take their whole output, equipment, men, and everything else and move them out.

Mr. FREAR. Where?

Mr. PENDLETON. To Queen Charlotte Island.

Mr. FREAR. From the mainland?

Mr. PENDLETON. From the mainland in the Vancouver vicinity. We would go to a fir man and say, "You are logging fir, which is not a war essential at present. We want you to take your whole outfit and move to Queen Charlotte Island and get out spruce. We will transport it for you and give you the work and put your stuff back where you were when you started."

Mr. FREAR. How did you come to make your orders; what was the machinery?

Mr. PENDLETON. The basis?

Mr. FREAR. The regulations?

Mr. PENDLETON. In consultation as to what was the best method of getting at that.

Mr. FREAR. Who was consulted in regard to that?

Mr. PENDLETON. Maj. Taylor, as director of airplane production; H. R. McMillan, assistant director; and myself.

Mr. FREAR. Did you also discuss the matter with the loggers?

Mr. PENDLETON. Yes.

Mr. FREAR. You took them into consultation to find out what was the most effective means of getting out the spruce?

Mr. PENDLETON. Yes. They have a British Columbia loggers' association and a British Columbia lumbermen's association, and we consulted with both of those bodies.

Mr. FREAR. Before you give these regulations what occurred after the regulations were established?

Mr. PENDLETON. The men simply pulled up their mills and put them on barges.

Mr. FREAR. You mean the loggers?

Mr. PENDLETON. Yes; and we towed them north and put them to work on these islands, and they got out the spruce. Right along there, do you want the basis of our prices, etc., that were paid then?

Mr. FREAR. I would be glad to get everything.

Mr. PENDLETON. No one knew what it was going to cost to operate in that country, so in order to take what we thought was a fair basis we took the price that logs were then selling for in the market and agreed with these loggers that we would move them north at our expense, and back again, and pay them the market price for logs, less the price for stumpage. We would secure the stumpage for them. The price at that time was \$28 for No. 1 logs and \$16 for No. 2 logs, spruce logs.

Mr. FREAR. You furnished the stumpage?

Mr. PENDLETON. Furnished the stumpage, but charged it to them.

Mr. FREAR. And that came out of the price?

Mr. PENDLETON. Out of the price. We had to get part of that from the Government, and we had to take it up with owners all over

the country, so the Munition Board figured they could get that. In case a man owned timber, he could go and buy it if he had the price.

Mr. FREAR. You refer to the stumpage?

Mr. PENDLETON. To the stumpage.

Mr. FREAR. What amount of timber, spruce material, was being produced when you first went there in January?

Mr. PENDLETON. There was not any.

Mr. FREAR. None at all?

Mr. PENDLETON. A little bit of lumber was being bought by the mills, less than 100,000 feet per month, of spruce lumber for airplane purposes.

Mr. FREAR. Now, please tell the committee how your work advanced, if at all?

Mr. PENDLETON. It took us two or three months to get the camps moved north. Heckett Straits is considered by mariners about the worst piece of water on the British coast. It is nearly 100 miles wide, and the winds blow down through there, and it is shallow water, and the result is that a great many times we would be tied up in getting the scows across with the machinery. So it took three months before the loggers got in there and built their camps and roads and got to operating. So that through January, February, and March very little was coming in. In April they commenced to do a little better, and kept increasing until the last month we produced, delivered, almost 8,000,000 feet of finished airplane lumber.

Mr. FREAR. That is, in a month?

Mr. PENDLETON. In the month of November.

Mr. FREAR. The armistice occurred in November.

Mr. PENDLETON. In October, about 4,000,000. After the armistice was signed they told us to keep on and finish out that month, that they considered they could still use the airplane lumber.

Mr. FREAR. In the month of November you produced almost 8,000,000 feet of finished airplane stock?

Mr. PENDLETON. Yes, sir.

Mr. FREAR. What was the number of logs, and the number of spruce logs, that you got out?

Mr. PENDLETON. All together a little over 200,000,000 feet, and for the last month about 24,000,000 feet.

Mr. FREAR. Twenty-four million feet of logs, by this procedure, working through the regular loggers' organization there?

Mr. PENDLETON. Yes.

Mr. FREAR. How were the logs brought down from the islands, or were they brought down, and where were they sawed up?

Mr. PENDLETON. A part of them was taken across to the mainland. They were taken to Vancouver and sawed up in mills that were established there. In two cases there were sawmills and in two other cases large pulp mills.

Mr. FREAR. They were in existence before?

Mr. PENDLETON. Yes. The plan was to use small mills established on the islands and take the lumber across in barges.

Mr. FREAR. What distance did you say you rafted these logs to get them to the mills?

Mr. PENDLETON. From 100 to 175 miles.

Mr. FREAR. They were rafted?

Mr. PENDLETON. Yes, sir.

Mr. FREAR. How were they rafted?

Mr. PENDLETON. They were rafted in what is called the Davis raft. They would lay a bottom of logs and interweave them with cable, and then load in the top. That would bend the center down, and then they would pile them on top and put other cables over the top, so it made a kind of cigar-shaped raft, all bound with heavy iron cables.

Mr. FREAR. That is a well-recognized method of rafting, similar, I presume, to what the loggers use over at Clallam Bay, or do you know?

Mr. PENDLETON. It is the same thing. That is a patented method, and they use the same thing.

Mr. FREAR. How many of those rafts did you bring over?

Mr. PENDLETON. I am not sure about the number.

Mr. FREAR. Just in general, approximately?

Mr. PENDLETON. I would think in the neighborhood of 75 rafts.

Mr. FREAR. Seventy-five rafts?

Mr. PENDLETON. Between 75 and 100.

Mr. FREAR. And did you have any accidents to these rafts?

Mr. PENDLETON. Yes, sir; we lost the second raft we towed, on account of inferior cable being put on.

Mr. FREAR. That is, you were learning how to handle the matter, and the other rafts got over?

Mr. PENDLETON. One other raft of rejects was lost later on.

Mr. FREAR. And what became of the other rafts?

Mr. PENDLETON. They all went through.

Mr. FREAR. All went through properly?

Mr. PENDLETON. Yes, sir.

Mr. FREAR. When did you cease operations there?

Mr. PENDLETON. The last of November.

Mr. FREAR. 1918?

Mr. PENDLETON. Yes; 1918.

Mr. FREAR. You said you occupied what position?

Mr. PENDLETON. Superintendent of production for the British Government in Canada.

Mr. FREAR. And you were an American citizen during this time?

Mr. PENDLETON. Yes, sir.

Mr. FREAR. And you went there because of your own experience and your volunteering, as I understand?

Mr. PENDLETON. Yes, sir; I happened to be over there, so I thought I could do some good there.

Mr. FREAR. I wish to ask you, because I know your own frame of mind on this subject, and do not wish to state it, if you received any recognition for what you had done there, because I feel the committee is entitled to know that, irrespective of your own personal wishes.

Mr. PENDLETON. I received several very nice letters and an English sovereign in payment for my services.

Mr. FREAR. Will you show me the letter that was received by you which was shown to me yesterday, and which I know you showed me with some reluctance because of your own feeling of modesty.

Mr. PENDLETON. Is that necessary?

Mr. FREAR. I think it is advisable for the committee to have it, to show the position in which you were acting and how you were

regarded by the British Government. The committee desires that, and I recognize from what you have said in the past that you prefer not to use it.

Mr. PENDLETON. It is a personal letter [handing letter to the chairman].

Mr. FREAR. This reads:

IMPERIAL MUNITIONS BOARD, VANCOUVER, B. C.,
OFFICE OF DIRECTOR,
DEPARTMENT OF AERONAUTICAL SUPPLY,
August 18, 1919.

MY DEAR MR. PENDLETON: The conclusion of settlement of contracts as an aftermath of our production campaign brings to a final termination the activities of this department, and the consequent dissolution of our organization.

Will you, therefore, permit me to record the deep appreciation I share with the chairman and officers of the imperial munitions board in your excellent contribution of service, to which is largely due the gratifying results obtained by this department.

In the early stages of formulating the best mode of procedure to obtain a rapid aeroplane spruce production your intimate knowledge of coast lumbering conditions allowed me to lean heavily on your judgment, my admiration and respect for which has grown greater as succeeding production and settlement difficulties were supervised by you.

I am sure you will always be able to look back with gratification on your intimate association with the work of producing aeroplane lumber to meet a national crisis. My regret at this the termination of our daily personal association is tempered with the pleasurable memory I shall always hold of the privilege of having you associated with the board in the production of this essential war material, and I am also deeply sensible of the sacrifice of your own business interests and home comforts to gratuitously devote your time and energy to important national work in the production of this essential war material.

Assuring you of the board's, and my own personal sense of deep obligation for a signal service well and faithfully performed by you,

Most sincerely,

AUSTIN C. TAYLOR, *Director.*

Mr. F. R. PENDLETON,
Straits Lumber Co., Red Gap, B. C.

Did you receive material compensation for your services there; and if so, in what form?

Mr. PENDLETON. Nothing except an English sovereign; instead of a dollar a year they gave me a sovereign.

Mr. FREAR. We have dollar-a-year men here in our country. Have you the sovereign with you?

Mr. PENDLETON. Yes, sir [handing coin to the chairman].

Mr. FREAR. This is all that was given to you, an English sovereign, reading on the reverse side: "Department of Aerial Supplies to F. R. Pendleton in payment of services rendered. Austin C. Taylor, director."

That is worth more to you, I suppose, Mr. Pendleton, than whatever compensation could have been offered you by the Government?

Mr. PENDLETON. Yes; I was not interested to take a job for compensation.

Mr. FREAR. You were in active logging and lumber operations at the time you undertook this work, were you?

Mr. PENDLETON. Yes, sir.

Mr. FREAR. At that time at Vancouver, I believe you said?

Mr. PENDLETON. My headquarters were at Vancouver, but the mills were on Vancouver Island.

Mr. FREAR. Do you know whether or not the plan pursued in British Columbia was adopted in any particular by this Government, or do you know the conditions here?

Mr. PENDLETON. Only by hearsay. I understand that it was not.

Mr. FREAR. Were you ever asked or invited to contribute in any way to the production of spruce by this organization that had its headquarters in Portland?

Mr. PENDLETON. No, sir. I attended several meetings down here to see if we could get some ideas that would benefit us over there.

Mr. FREAR. When was that?

Mr. PENDLETON. That was during the year 1918, all during the year.

Mr. FREAR. While you were carrying on your operations over there. What aid did you get?

Mr. PENDLETON. I did not find anything here that was of material benefit to us, as they seemed to be doing their business in a different way.

Mr. FREAR. Your people were working in cooperation with the real lumber interests and the loggers there?

Mr. PENDLETON. Yes.

Mr. FREAR. Did you find that situation here?

Mr. PENDLETON. No; I did not. I found that the loggers were very much dissatisfied here and humiliated because they had not been allowed to go in and do this work.

Mr. FREAR. Was their active cooperation here evident at the time when you were here?

Mr. PENDLETON. I would not be capable of judging as to that in the short time I was here.

Mr. FREAR. But in your operations up there did the Government itself undertake to erect sawmills and to build railroads and do things of that kind, or what was done?

Mr. PENDLETON. The only thing we did in the way of building was that we built one short piece of railroad, about 6 miles long.

Mr. FREAR. Where was that?

Mr. PENDLETON. On Nituat Lake, on the west coast of Vancouver Island. There was a body of spruce in there that had not been developed in any way, and we realized that if the war lasted another year we would have to get into every piece of spruce possible; so in order to be prepared we graded that piece of railroad ready to open up and put loggers in there if necessary.

Mr. FREAR. I do not know whether you know or not, but I am asking you what the average cost of a railroad like that would be per mile at that time?

Mr. PENDLETON. About \$6,000 per mile, without putting on the ties and rails.

Mr. FREAR. And what would that add to it about, with, say, 60-pound rails?

Mr. PENDLETON. It would probably be as much more; probably \$15,000 per mile.

Mr. FREAR. That would be the amount that was paid by the Government for those 6 miles of which you speak?

Mr. PENDLETON. Yes, sir; something in that neighborhood.

Mr. MAGEE. If completed?

Mr. PENDLETON. Yes, sir.

Mr. FREAR. Was it completed?

Mr. PENDLETON. No; it was not. It was just graded.

Mr. FREAR. Would you have thought \$115,000 a mile to have been a little in excess of what was really necessary for getting out logs?

Mr. PENDLETON. Yes, I would.

Mr. FREAR. Would you have thought \$90,000 a mile was more than would ordinarily be charged for getting out logs?

Mr. PENDLETON. Yes.

Mr. FREAR. Or \$70,000 a mile?

Mr. PENDLETON. Yes, sir.

Mr. FREAR. The testimony before the committee is that such contracts have been paid by the spruce production corporation in building railways in the States of Oregon and Washington, and that is the reason for my asking the question.

Mr. PENDLETON. Maybe I did not make myself exactly clear as to the railroad. That was let on a contract. The board went ahead and did that without knowing exactly what use they were going to make of it later, but they let that contract for the work.

Mr. FREAR. What labor was employed; what was the method of employing labor in British Columbia?

Mr. PENDLETON. Every logger employed his own labor.

Mr. FREAR. How many soldiers were employed in doing this logging?

Mr. PENDLETON. None at all.

Mr. FREAR. In British Columbia were any soldiers, so far as you know, let out, hired out to do commercial logging?

Mr. PENDLETON. None at all. There was not a man in uniform in the spruce production department there.

Mr. FREAR. Where were the men who were in uniform, who went from British Columbia, so far as you know?

Mr. PENDLETON. Overseas.

Mr. FREAR. If you were advised that approximately 30,000 soldiers were in Portland and in this lumber section engaged in logging, what would you think of that as a method that might have been pursued up in British Columbia; would it have been necessary there?

Mr. PENDLETON. No, sir.

Mr. FREAR. And you got out how many million feet of lumber the last month?

Mr. PENDLETON. About 8,000,000.

Mr. FREAR. How many feet of logs?

Mr. PENDLETON. Between 20,000,000 and 25,000,000; I can not state the exact amount now.

Mr. FREAR. You got out between 20,000,000 and 25,000,000 feet of logs last month with this simple method of procedure that you have spoken of?

Mr. PENDLETON. Yes, sir. I might say right there that our theory was that in order to get out this lumber, to get this thing done quickly, we should go to the men that were doing it in small units. We let, I think, one hundred and forty-odd contracts to loggers. Some of them had only two men at work, but every man that was on the ground, the beach combers, and the hand loggers, and fishermen, and everyone else was used. Everyone that had a few loggers was doing the work, on the theory that a great big unit would not be as econom-

ical and that you could not get as quick action. We did the same thing with our sawmills. The sawmills on these islands were all small. A few men went up there on their own responsibility and put in mills. Where they did not, we secured small mills and induced them to go north. We would move them the same as we did the loggers; we would transport them up to Queen Charlotte Island, and pay them the cost of installing their machinery. Then we would sell them the logs at actual cost—what they cost us. We would buy back the airplane lumber, which left them with the commercial lumber to dispose of in a commercial way, and when they were through we brought their mills back to where they were re-located, so when they were finished we had no equipment to speak of on hand and no lumber.

Mr. FREAR. These loggers, you say, were small operators as a rule?

Mr. PENDLETON. Most of them.

Mr. FREAR. What would you say about logging operations like those conducted at Clallam Bay—the Goodyear people and the Merrill & Ring operations conducted at Pysht Creek, the other at Clallam Bay, with whom I presume you are familiar—what would you say about their operations; are they small or large?

Mr. PENDLETON. I would call those good-sized operations.

Mr. FREAR. You are acquainted with Mr. Butler, of Everett?

Mr. PENDLETON. Yes, sir.

Mr. FREAR. What is his standing in that community?

Mr. PENDLETON. Very good.

Mr. FREAR. Is he a logger?

Mr. PENDLETON. He does not do the logging himself, but he is interested in a number of logging concerns, and they are all practical operators.

Mr. FREAR. He stated that to the committee, substantially. If men of that kind had been brought into the production of spruce in this country, with your knowledge of conditions, you living in Everett, and knowing of the methods that have been pursued here, what would you say as to the increase in the production of airplane spruce lumber?

Mr. PENDLETON. I would think they could do it better than anyone else.

Mr. FREAR. You succeeded in British Columbia getting the results in the manner you have described?

Mr. PENDLETON. Yes. I might say right there that we had several parties who wanted large contracts up there on the coast, but we did not see any reason for giving such contracts.

Mr. FREAR. Did you let any contracts on a cost-plus basis?

Mr. PENDLETON. None.

Mr. FREAR. None whatsoever?

Mr. PENDLETON. None.

Mr. FREAR. I will say in justice to you that when I met you yesterday in this city you had no idea of testifying, but stated you were going to leave to-day, and, having known you for a number of years, I asked you if you would not briefly testify to the matters that you have stated here before leaving, and the committee has remained over for that purpose. I believe Mr. Magee has one or two questions to ask.

Mr. MAGEE. You spoke of 8,000,000 feet of finished product?

Mr. PENDLETON. Yes, sir.

Mr. MAGEE. In what form is that, in the form of flitches?

Mr. PENDLETON. No; not flitches. The definition of flitches as used here is where they take a wide slab off a log, leaving the bark on two sides, and then resawed in a cut-up plant. We have no resaw plant. The mills resawed those at their own plants, and it was made up in deals running from 2 by 4 up to 3 by 12 or 14.

Mr. MAGEE. You speak of lumber here as a thousand feet, say?

Mr. PENDLETON. Yes, sir.

Mr. MAGEE. I want to ask whether this 8,000,000 feet of that character, made up of a thousand feet of lumber, or whether it was a finished product ready for airplane construction?

Mr. PENDLETON. Ready to go to the factories.

Mr. MAGEE. Suppose that amount of finished product was in what you ordinarily call so many million feet of lumber, how many million feet of lumber to make that finished product comprise?

Mr. PENDLETON. That depends altogether on the class of logs you are cutting. With some logs you would get as much as 25 per cent airplane lumber out of the logs, and with some you would not get more than 2 per cent.

Mr. MAGEE. I do not know that you exactly understand what I mean. Suppose a man had a contract to provide 10,000,000 feet of spruce lumber in January, and 12,000,000 feet in February, and so on; that, I assume, would not be regarded as the finished product?

Mr. PENDLETON. No; it would depend on his specifications.

Mr. MAGEE. Suppose it was not the finished product. You spoke of getting out 8,000,000 feet; did you mean 8,000,000 feet of finished product?

Mr. PENDLETON. Yes, sir.

Mr. MAGEE. Can you give the committee an estimate of how many feet of lumber, in ordinary parlance, that would be?

Mr. PENDLETON. No; I cannot; because you might take one raft of logs and get 25 per cent that would make finished lumber, and the next raft would be full of knots and you would not get but 5 or 10 per cent. So it would depend altogether on the class of logs you were cutting.

Mr. MAGEE. It would be approximately three or four times that amount?

Mr. PENDLETON. Yes.

Mr. MAGEE. To get 8,000,000 feet of finished product it would take 25,000,000 or 30,000,000 feet of lumber?

Mr. PENDLETON. It would in our district. In poor districts in some cases it would be ten times.

Mr. MAGEE. It might take 80,000,000 feet of spruce lumber?

Mr. PENDLETON. Yes; it would be 80,000,000 feet of spruce lumber if we had taken the logs coming from regular operators around Vancouver. The airplane lumber saved out of that ordinary run of logs was less than 5 per cent.

Mr. FREAR. Naturally, you developed all the new territory?

Mr. PENDLETON. Yes.

Mr. MAGEE. You spoke of rafting logs 175 miles. I understood you to say at first that the Queen Charlotte Islands are 500 miles from the mainland?

Mr. PENDLETON. No; from Vancouver; about 100 miles from the mainland, but we could not take them all across direct.

Mr. MAGEE. So you rafted them 175 miles?

Mr. PENDLETON. Yes; that was those which came 'across. All did not come across the Heckett Straits.

Mr. MAGEE. About what proportion of the lumber did you raft, and what proportion was cut up on the islands?

Mr. PENDLETON. I could not tell you that now.

Mr. MAGEE. Can you give us any idea?

Mr. PENDLETON. I would say possibly half and half.

Mr. MAGEE. This was good spruce lumber, was it?

Mr. PENDLETON. Yes, sir.

Mr. FREAR. Was it all used for airplane purposes?

Mr. PENDLETON. Yes.

Mr. MAGEE. Was any part of the Queen Charlotte Islands cultivated?

Mr. PENDLETON. Not to amount to anything; once in a while there would be a little ranch with a patch of potatoes.

Mr. MAGEE. The only inhabitants are practical fishermen?

Mr. PENDLETON. Practical fishermen.

Mr. LEA. Is this timber over there all spruce, or did you divide it?

Mr. PENDLETON. No, it is divided.

Mr. LEA. What is the other timber?

Mr. PENDLETON. Cedar and larch and hemlock.

Mr. LEA. Did you do selective logging?

Mr. PENDLETON. Yes, sir; selective logging.

Mr. LEA. You did not log it clean?

Mr. PENDLETON. No; took only No. 1 and No. 2 spruce logs.

Mr. LEA. Do you know about the proportion of No. 1 and No. 2 logs?

Mr. PENDLETON. No; I do not.

Mr. LEA. I suppose that has to be determined?

Mr. PENDLETON. By the Government scaler.

Mr. LEA. You spoke about the Government scale. Was that based on the actual aircraft produced or the estimate of it, before it was sawed into lumber?

Mr. PENDLETON. The Government scale was on the logs when they were put into the water. The Government in British Columbia scaled all the logs.

Mr. LEA. I do not suppose it was your purpose to pass on the merits of any controversy here that existed between the Government Spruce Production Corporation and the lumbermen.

Mr. PENDLETON. Not at all.

Mr. LEA. I suppose you are not familiar with the details of that.

Mr. PENDLETON. No; not the details.

Mr. LEA. Was this organization, the imperial munitions board, a Canadian or a British organization?

Mr. PENDLETON. A British organization.

Mr. LEA. That was an adjunct of the military system of Great Britain?

Mr. PENDLETON. Yes, sir; had charge of the production of all munitions, shells, ships, airplane lumber, etc.

Mr. LEA. Were those officers who were sent out military officers?

Mr. PENDLETON. No, sir.

Mr. LEA. Were they practical loggers?

Mr. PENDLETON. Maj. Taylor was not.

Mr. LEA. What was his position?

Mr. PENDLETON. He was director of airplane production.

Mr. LEA. Was he the man sent by England or by Canada?

Mr. PENDLETON. Not sent by Canada. Canada really had nothing to do with that. Sir Joseph Flavelle in eastern Canada, with headquarters at Toronto, was appointed chairman for Canada, for all munitions. He appointed Maj. Taylor to come to British Columbia as director of this branch. They would have another man in charge of shipbuilding, and another in charge of shell making, etc.; but Maj. Taylor was out there in charge of airplane production.

Mr. LEA. Do you know about what was your total production of aircraft lumber?

Mr. PENDLETON. Somewheres around 26,500,000 feet of finished airplane lumber.

Mr. LEA. Do you remember what month you began the falling operations?

Mr. PENDLETON. Not exactly, but it would be along in March, I think, that they commenced felling timber.

Mr. LEA. How many mills did you begin work with on the island?

Mr. PENDLETON. There were a couple of small mills on the island, and they commenced soon after that in a small way.

Mr. LEA. Part of this timber was transported as logs, and part was shipped as lumber?

Mr. PENDLETON. Yes, sir. Just a minute. In bringing out the amount of lumber there, if any comparisons are going to be made, we should also have a comparison as to the normal output of lumber between British Columbia and Oregon and Washington.

Mr. FREAR. Can you give that, substantially?

Mr. PENDLETON. Approximately British Columbia would get out about one-tenth as much lumber as Washington and Oregon. No one can get the exact figures, but from the statistics that these lumbermen get out, it would be approximately between one-eighth and one-tenth.

Mr. LEA. Where was your principal place of operation?

Mr. PENDLETON. My own?

Mr. LEA. Yes.

Mr. PENDLETON. We have a camp at Red Gap on Vancouver Island and a logging camp and railroad at Lang Bay.

Mr. LEA. When you made these contracts with the loggers what would they be for, a specific sum, or so much per log?

Mr. PENDLETON. So much per thousand.

Mr. LEA. Did you place a limit on the amount they would produce, or a maximum amount?

Mr. PENDLETON. No, sir; all they would produce for a year.

Mr. LEA. So that everybody who could produce logs could go ahead and get your spruce and you would take all that was produced that was suitable?

Mr. PENDLETON. For a year.

Mr. LEA. And the loggers did accept that proposition and did their best?

Mr. PENDLETON. Yes. I might say that some of the loggers made contracts and went up there without going to look the land over first, they did not know where they were going. They figured that it was in the hands of practical men and they would have a fair deal, and they would simply put their equipment on a barge and go up there with the idea of doing the very best they could.

Mr. LEA. Did they finance themselves, outside of the moving proposition?

Mr. PENDLETON. Yes.

Mr. LEA. And the loggers over here had that same opportunity, did they not?

Mr. PENDLETON. I do not know.

Mr. LEA. They could sell all the logs they could produce?

Mr. PENDLETON. I do not know anything about that. There was always a cancellation clause in every contract that if at any time the board wanted to cancel these contracts they had the authority to do it.

Mr. MAGEE. You mean the power was in the director?

Mr. PENDLETON. The power was in the director to cancel the contract at any time.

Mr. LEA. What was the object of having the cancellation clause in the contracts?

Mr. PENDLETON. In case the war ceased they could step out, which they did do. They, of course, had compensation arrangements in case of stopping them before their contracts were completed.

Mr. MAGEE. The compensation was adjusted according to the damages?

Mr. PENDLETON. Yes, sir.

Mr. FREAR. I understood you to say the production of logs was about one-tenth in British Columbia, compared to the production in Oregon and Washington, prior to the war?

Mr. PENDLETON. Yes, sir; something along there; and this twenty-six and a half million feet mentioned is spruce; that was finished spruce lumber that was finished and shipped direct overseas.

Mr. FREAR. What is the comparative milling capacity, if you know?

Mr. PENDLETON. Practically the same proportion.

Mr. FREAR. About one-tenth. It is stated in the spruce production corporation book that it reaches 3,000,000 feet a day. That would make about 9,000,000,000 feet a year?

Mr. PENDLETON. Nine billion; while ours is between 700,000,000 and 800,000,000, a little less than 1,000,000,000 feet a year.

Mr. FREAR. So practically about one-tenth is the milling capacity. You spoke of the finished product. That would take, you said, considerably over 25 per cent, on the average?

Mr. PENDLETON. Twenty-five per cent of what?

Mr. FREAR. I mean that would take more than three times that amount or four times that amount, and that would be about 100,000,000 to 150,000,000 feet of spruce lumber?

Mr. PENDLETON. Yes; if you cut up the whole log.

Mr. FREAR. So that if in this country we produced 143,000,000 feet that would mean approximately the same amount of ordinary spruce lumber which you produced up there?

Mr. PENDLETON. You would have to produce 260,000,000 to be approximately the same.

Mr. FREAR. Two hundred and sixty million?

Mr. PENDLETON. Yes.

Mr. FREAR. I mean, of the finished product?

Mr. PENDLETON. Yes.

Mr. MAGEE. What the chairman was getting at was, assuming that we produced in the United States 143,000,000 feet of lumber, how many million feet of finished product would that be?

Mr. PENDLETON. I could not answer that, because in one district you would get 10 per cent and in another 40 per cent.

Mr. MAGEE. It might not be more than 15,000,000 feet of finished product?

Mr. PENDLETON. It might not. Mills up there put in logs a month ago that got less than 5 per cent.

Mr. MAGEE. From March to November, up in Vancouver, with one-tenth of the capacity that the people in the United States have, you produced nearly twice as much finished product as was produced here?

Mr. PENDLETON. Of course I do not know what they produced here.

Mr. MAGEE. They produced 143,000,000 feet of lumber.

Mr. PENDLETON. Was that spruce or spruce and fir?

Mr. MAGEE. No, spruce; which might not be more than 15,000,000 feet of finished product. You produced 26,500,000 of the finished product from March to November. So it is probable you produced a third more or perhaps double the amount of finished product from March to November as was produced in the United States in the year and seven months that we were at war?

Mr. PENDLETON. That would be possible. Of course I do not know anything about what they did here.

Mr. LEA. Of course this 143,000,000 shipped in the United States was the finished lumber, not the fitches.

Mr. FREAR. If you were told that 60 per cent of some shipments were refused by Great Britain and a percentage were refused at Grand Rapids by the Curtiss Airplane Co. and others, it would be very difficult to get an accurate basis of estimate?

Mr. PENDLETON. Yes.

Mr. FREAR. You said Col. Taylor, when he came there, associated himself with the loggers. He put you in charge as superintendent at the outset?

Mr. PENDLETON. He was there a short time getting what information he could before that.

Mr. FREAR. Just how did he call them together; what would be the method of calling together these lumbering operations? You say they called together the loggers and millers; what was the method?

Mr. PENDLETON. We had an advisory committee composed of the loggers and lumbermen, and we would hold meetings every time we needed to.

Mr. FREAR. Was it very difficult to get in communication with Col. Taylor or was everyone invited and given full consultation?

Mr. PENDLETON. Absolutely. We saw personally, I think, almost every man that had a contract and talked it over with him.

Mr. FREAR. And you say there were over a hundred contracts:

Mr. PENDLETON. Yes, sir.

Mr. FREAR. What was the method of logging? I omitted to speak of that. What was your method of logging there?

Mr. PENDLETON. Practically all with donkey engines.

Mr. FREAR. You had very little mill facilities?

Mr. PENDLETON. Yes.

Mr. FREAR. And it was all done by donkey engines. That is the method pursued in British Columbia at the present time?

Mr. PENDLETON. Yes, sir.

Mr. FREAR. They went in there with donkey engines and pulled out the logs, with the results you have described?

Mr. PENDLETON. Yes.

Mr. LEA. What was the amount of production per side of logging?

Mr. PENDLETON. I could not tell you that.

Mr. LEA. That is the usual method of logging everywhere, is it not, the use of donkey engines?

Mr. PENDLETON. Oh, yes; nearly all; some places they use railroads and some hand logging, as they call it.

Mr. LEA. You have to fit the circumstances?

Mr. PENDLETON. Yes.

Mr. FREAR. At the places I have described, Goodyear, Merrill & Ring, and these very large operators here, getting out all kinds of material including spruce, have railways, as I suppose you know.

Mr. PENDLETON. Yes.

Mr. FREAR. They operate with railways, and in its efforts the Spruce Production Division, to get out spruce, built one railway at a cost of \$115,000 a mile to ship logs 56 miles before they were brought to tide water. That would be considered a very unusual operation up in British Columbia?

Mr. PENDLETON. Yes; it would.

Mr. FREAR. Did you ever hear of any operation of that kind?

Mr. PENDLETON. No, sir.

Mr. MAGEE. What length of log do you cut ordinarily?

Mr. PENDLETON. From 24 to 32 feet, as a rule.

Mr. MAGEE. Did you do any riving out there?

Mr. PENDLETON. Very little. We did start a few rivers to see how it would work. We heard they were riving down at Gray's Harbor, and figured that possibly they knew a little more than we did, but it was not satisfactory. We just put in a few men for a short time.

Mr. MAGEE. In getting these materials and these results there and getting them promptly, did you take advantage of the knowledge and experience of the men who had spent a large portion of their lives in the logging and sawmill business?

Mr. PENDLETON. Absolutely.

Mr. MAGEE. That is all.

Mr. FREAR. That is all.

(The witness was excused.)

Mr. FREAR. Telephone communications have come to members of the committee this morning from soldiers, or from those who claim to be soldiers, asking if they would be protected in case they gave testimony before the committee. The word has been sent to them that if they appear this afternoon the Secretary of War has promised them full protection, and I advised them that they could make their state-

ments to the committee. The committee will undertake to protect them in every way they possibly can in presenting their statements, and I do not believe that there will be any doubt but what they will be accorded full immunity by the Secretary of War.

Mr. PENDLETON. Mr. Chairman, there is one thing more, the question of making up these Davis rafts.

Mr. FREAR. Yes.

Mr. PENDLETON. In our contracts with the loggers they were allowed \$1 extra where they made up the Davis rafts. The price of them was so much, and if they were made up in Davis rafts to take them across the straits they were allowed \$1 extra.

Mr. FREAR. You found that was a satisfactory means of transportation?

Mr. PENDLETON. Yes, sir.

Mr. FREAR. Thank you very much, Mr. Pendleton. One question more: How long did you serve as superintendent?

Mr. PENDLETON. I served 15 months as superintendent.

(Thereupon, at 11.05 o'clock a. m., the committee took a recess until 2 o'clock p. m.)

AFTER RECESS.

The committee met, pursuant to the taking of recess, at 2 o'clock p. m.

TESTIMONY OF GEORGE W. FRENCH.

(The witness was sworn by Mr. Frear.)

Mr. FRENCH. Mr. Chairman, before giving any testimony, as a former operator in the intelligence department and master electrician, now in the service of the Government detachment of the Aircraft Service troops, may I ask that I have absolute protection for any testimony I might give as a witness and be amply protected in every respect?

Mr. FREAR. The jurisdiction of this committee extends only to the investigation. We have been assured by the Secretary of War in person that anyone testifying before the committee would be amply protected. We will go beyond that as a committee and wire the Secretary of War in the name of the committee, if necessary, asking that full immunity and protection be given to you from any testimony you may give here, and that no interference be permitted in regard to your discharge, which I understand has been ordered at Camp Dodge, and you have been ordered to start home.

Mr. FRENCH. I get my transfer papers to-morrow.

Mr. FREAR. I understand you are a private?

Mr. FRENCH. A master electrician.

Mr. FREAR. You have been subpoenaed and asked to come here and testify, and you are expected to give your testimony the same as you would if you were out of the service.

Mr. FRENCH. Very well, sir.

Mr. FREAR. What is your full name?

Mr. FRENCH. George W French.

Mr. FREAR. What is your age?

Mr. FRENCH. Thirty-three the 24th of October.

Mr. FREAR. How long have you been in the Army?

Mr. FRENCH. It will be about a year and 11 months, sir.

Mr. FREAR. Where were you living before you entered the Army?

Mr. FRENCH. Minneapolis, Minn.

Mr. FREAR. You had lived there how many years?

Mr. FRENCH. I have been on the road in and out of there seven or eight years.

Mr. FREAR. What was your business?

Mr. FRENCH. Lumbering and banking.

Mr. FREAR. When you came into the service in what capacity was it?

Mr. FRENCH. I came in as a private inducted into the Three hundred and thirty-seventh Field Artillery, Camp Dodge, Iowa.

Mr. FREAR. Were you assigned to any particular branch of the service?

Mr. FRENCH. Yes, sir, the Artillery.

Mr. FREAR. How long did you remain there?

Mr. FRENCH. Until about the 11th of January and was sent to the third training officers camp and transferred from there to Vancouver Barracks along about March of 1918.

Mr. FREAR. That is, before you had qualified for a commission?

Mr. FRENCH. I was sent out before I was qualified for a commission.

Mr. FREAR. Sent out to Vancouver Barracks?

Mr. FRENCH. Yes, sir.

Mr. FREAR. What was your position then?

Mr. FRENCH. I was a private with the Twenty-fourth Spruce Squadron.

Mr. FREAR. Then what position?

Mr. FRENCH. I was made a sergeant in the Twenty-fourth Spruce Squadron in connection with certain detail work at the cut-up plant.

Mr. FREAR. Were you given any particular assignment in any other branch of the service?

Mr. FRENCH. During from—I can not just state the date exactly, not having my papers with me—from about 1918, in conjunction with my work at the cut-up plant, not through an order but through certain arrangements, I was given the position of intelligence operator at the cut-up plant, with absolute jurisdiction of all reports; that is, to be reported to Capt. Gunn, and at that time Maj. Howes, rather, in which capacity I served from May, 1918, to January, 1919.

Mr. FREAR. May, 1918, to January, 1919?

Mr. FRENCH. Yes, sir. In November I was officially transferred by order to the One hundred and sixth Squadron.

Mr. FREAR. At Portland?

Mr. FRENCH. Yes, sir.

Mr. FREAR. Where are you stationed now?

Mr. FRENCH. At Vancouver Barracks, detachment air-service troops, record and storage office.

Mr. FREAR. What was this arrangement whereby you say you were given duties under the intelligence department?

Mr. FRENCH. The general plan and scope, after having been thoroughly investigated, on account of my sawmill and sales experience, was to report on the condition of operations and general conditions, most anything pertaining to labor that might come under my observation.

Mr. FREAR. From whom did you get your assignment?

Mr. FRENCH. Capt. George B. Gunn.

Mr. FREAR. You reported to him?

Mr. FRENCH. I did, sir.

Mr. FREAR. And through him to Maj. Howes?

Mr. FRENCH. After the captain turned the office over I reported to Maj. Howes.

Mr. FREAR. You had personal communications with both of these officers at different times?

Mr. FRENCH. Yes, sir. My files will show that.

Mr. FREAR. I did not bring out your experience in banking.

Mr. FRENCH. I had experience in banking and lumbering sales, and sawing experience.

Mr. FREAR. Where?

Mr. FRENCH. The Clark Nickerson people at Everett, the Willapa Lumber & Shingle Co. at Carlisle, and with the sales agency of D. H. McMillan and C. M. Stafford Lumber Co., Minneapolis.

Mr. FREAR. What education have you?

Mr. FRENCH. I have had a grammar and high school education.

Mr. FREAR. The reason I speak of that is because I desire to show your qualifications in the record. What is your rank now?

Mr. FRENCH. Master electrician.

Mr. FREAR. What rank does that correspond to in the Regular Service?

Mr. FRENCH. Just a rank—it is the rank of master electrician in the Air Service troops proper, and a grade that could only be given to carry our position and rank in this division.

Mr. FREAR. It is the equivalent of a noncommissioned officer?

Mr. FRENCH. A noncommissioned officer and pays \$81 per month.

Mr. FREAR. Will you now tell in your own way what you did after you went over in that service and what you observed in reference to the conditions you found there, under the instruction of Capt. Gunn, who was your superior officer and to whom you made your reports?

Mr. FRENCH. I wish to say that, not having the dates and having reported on a number of different subjects it would be almost impossible to give any specific time and to give the name of any specific officers connected with matters I may speak of, but if you will refer to my file, marked "P 110," the number which I reported under, they can be verified. Our files were boxed in the intelligence office at Portland and started away to San Francisco, and you will find those reports will cover generally those matters. There are some boxes from the Army that were taken and detached and made special. That is, Maj. Howes was requested to get in touch with them and report and work in conjunction with Capt. Farr.

Mr. FREAR. Where is Maj. Howes now?

Mr. FRENCH. San Diego, Calif. His correct address I have, but not with me.

Mr. FREAR. Do you know Lieut. Carrigan, who was under Maj. Howes at the time the Ray report was made?

Mr. FRENCH. The last time he reported back to the Western Department office at San Francisco.

Mr. FREAR. He was the lieutenant with whom Maj. Howes filed the charges that were investigated by Maj. Ray?

Mr. FRENCH. Yes, sir.

Mr. FREAR. As fully as you can will you state to the committee what particular things you found which were reported to Capt. Gund? I understand that you have not all the data, but all that data is on file, and can be used afterwards to corroborate your statements which you give us at this time in a general way, which the committee ought to know in carrying on this investigation.

Mr. FRENCH. You understand, sir, that the first part of my work pertained more or less to a general outline and a general report of conditions at the cut-up plant at an early time, such as fire protection, etc. Of course, that all would relate back to the early days of the outfit. I might say that I have made from memory a few notes of some of the reports that were touched upon.

Mr. FREAR. You can refer to that.

Mr. FRENCH. For example, there was one report made early on a burner for sawed cuts.

Mr. FREAR. About what time was that?

Mr. FRENCH. That was, I would think, along about May, 1918, possibly, covered by the general report.

Mr. FREAR. What was the character of that?

Mr. FRENCH. The reason being that at that time all waste and edgings were being handled in what I considered a very expensive manner, being trucked at a considerable cost for gasoline, and extra labor, to tally back on the railroads, where it was taken from the sheds and carried out by motor truck—the only means of transportation—and allowed to be accumulated and burned.

Mr. FREAR. What other means could have been taken in disposing of that refuse?

Mr. FRENCH. From my mill experience it had always been customary for mills to establish a burner and a conveyor of some sort.

Mr. FREAR. Did this plant lack that?

Mr. FRENCH. Absolutely.

Mr. FREAR. And it was using motor trucks?

Mr. FRENCH. Motor trucks and an ungodly amount of labor.

Mr. FREAR. How many men?

Mr. FRENCH. I could not say, because part of those men were furnished from fatigue details and part were not.

Mr. FREAR. Your report states fully in regard to that?

Mr. FRENCH. It simply touches on that matter and suggests something should be done so as to eliminate that expense.

Mr. FREAR. That report was made to Capt. Gunn?

Mr. FRENCH. Yes, sir.

Mr. FREAR. What else have you in mind?

Mr. FRENCH. I wish to say in connection with a burner, that if you will investigate you will find that the board had under construction at the time the armistice was signed a concrete burner. I personally know that the construction of the burner—that is, the operation of it, the cement and labor that went into it, were not ceased after the armistice was signed. I made a general report to Maj. Howes on that, but I do not believe that was incorporated, but I came this time to say that that was just one instance of where money and time and labor could have been saved.

Mr. FREAR. After the armistice was signed that continued how long?

Mr. FRENCH. I could not say as to that.

Mr. FREAR. Would it have been necessary or feasible to have gone on and completed it in order to make a necessary part of the equipment there?

Mr. FRENCH. I would not say so.

Mr. FREAR. Why?

Mr. FRENCH. Because it is used as a storage place at the present time, roofed over.

Mr. FREAR. Was it ever used for mill purposes?

Mr. FRENCH. No, sir; it was uncovered at the time the armistice was signed.

Mr. FREAR. What is the next matter you wish to bring before the committee?

Mr. LEA. What was uncovered?

Mr. FRENCH. The concrete burner. The next thing I reported was the speed in competition of the mill crews.

Mr. FREAR. The speed in competition of the mill crews?

Mr. FRENCH. Yes, sir.

Mr. FREAR. That is to say, the activity with which each crew was working?

Mr. FRENCH. Absolutely.

Mr. FREAR. And the results accomplished and so on?

Mr. FRENCH. Yes, sir.

Mr. FREAR. What did you report there?

Mr. FRENCH. I reported that from personal observation and talks I had with officers, whose names are included in those reports, that the policy or method would be much safer if more time was taken if quality was gone after instead of output, the reason being that at that time; as a matter of fact, a good part of the time, considerable of the stuff was going to the resaws, or as commercial lumber shipped out of the yard as commercial. To get to that point I would suggest that you check up the bill that the Willapa people made with the corporation.

Mr. FREAR. The Willapa people? Who do you mean by that?

Mr. FRENCH. The Willapa Lumber & Shingle Co.

Mr. FREAR. Where were they located?

Mr. FRENCH. I do not know whether their head office is at Carlisle, but they have a mill at Carlisle as I understand.

Mr. FREAR. Why do you suggest that we investigate as to their operations?

Mr. FRENCH. For the simple reason that I at one time suggested that a careful check be made on all incoming cants and an absolute tally made on all outgoing lumber, so that a tally estimate on wastage could be considered and the figures could be gotten at. Of course we had figures that supposedly would get that, but the thing at the time was that our resawing department, composed of resaws back of the units and one little resaw we had out on the platform, were not able half the time to take care of the lumber that was being sent back for remanufacture.

Mr. FREAR. What will be the effect of this rechecking on the Willapa Co., so far as you understand?

Mr. FRENCH. The Willapa Co., I have every reason to believe, has a legitimate deal, so far as they are concerned—the price I know nothing about—the matter of commercial lumber and footage, that is. The matter of the amount of footing that the Willapa people

took over would give you some idea as to the amount of stuff that went into commercial lumber.

Mr. FREAR. Does the committee understand you to say that the probability is that this Willapa Co. got more than the amount that was proper to deduct?

Mr. FRENCH. I do not say that; no. What I am trying to get at is this, that the Government was paying supposedly for airplane stock. There was airplane stock supposedly loaded. There was a difference represented in the commercial lumber, which the Willapa people later bought. That difference is the question; how was it accounted for?

Mr. FREAR. Do you know anything about how it was accounted for?

Mr. FRENCH. I can not say, because I had my hands too full of other stuff.

Mr. FREAR. You reported that to Capt. Gunn for the protection of the Government?

Mr. FRENCH. Absolutely.

Mr. FREAR. And that was according to instructions that you should report those matters to him?

Mr. FRENCH. Absolutely. I might say in connection with the speed system, that under the system that I believe was inaugurated by Maj. Breece there were certain tallies kept of wing-beam stuff. Those tallies were bulletined just as you would find a mill scale, so they were open to the inspection of the different units. Inspecting on the six unit, as I did over there, I found a good many of the foremen, while they had experience, they would be anxious to have their crew make a good showing. It was simply a matter of rivalry. That was reported to Maj. Breece, and I think it was later thrown in the intelligence files, and they said that speed could not be sacrificed, that the Government needed the stuff; the quality feature seemed to be disregarded.

Mr. FREAR. You reported that to Capt. Gund?

Mr. FRENCH. Yes, sir.

Mr. FREAR. Was anything ever done in regard to these recommendations?

Mr. FRENCH. As in a good many things, those reports went down to the abstract office. Some of them we got letters on; on some we got no replies. I was instructed to watch any checking and found in one connection that there had been a change, and that was in the manner of cluttering crews. The speed was such a foremost proposition with these men that they would say, "If I can cut a million feet of stuff, it don't make any difference how I get rid of it; let the next crew take care of it. That made considerable dissension among the superintendents, especially Supt. A. A. Green, who lives in Portland, and can give you testimony in that connection.

Mr. FREAR. What was the particular cause of the dissension?

Mr. FRENCH. It was simply a matter of speed and not cleaning up. You see what I am getting at? You would go into the mill and find stuff all over the floor. There was a shortage of trucks. That made the crew coming on necessarily clean up the work of the others before them, before they could commence operations.

Mr. FREAR. Who was responsible for that?

Mr. FRENCH. Higher up, sir; just who I could not say.

Mr. FREAR. Was any improvement made in those conditions?

Mr. FRENCH. There was, but it was just temporary and they went back to it again.

Mr. FREAR. Have you anything further in regard to that? If not, take up the next item.

Mr. FRENCH. The next thing was friction between mill inspection and shed inspection. At the time this report went in the shed inspector was supposed to pass finally on the sticks that went into the car. The result was, and I know this personally, that considerable lumber was rejected, sent back to the mill for resawing. The result was that on one or two large cuts especially there was an extremely large amount of it, and the mill inspector claimed that the shed inspector did not know his business. At that time I suggested, in view of the fact that we had one or two airplane inspectors from the East come out here, that they institute a course of instruction for inspectors. That is also covered by a report which gave the need for it, the idea being that if we were wrong show that we were wrong, and if we were right show that we were right. In other words, there was no set standard of inspection and it was very much needed. Now that thing finally resulted in the last days to a discontinuance of inspection on the platform, and the inspection in the mill holding fast. That was done on an order of H. S. Mitchell, so that the inspector was practically nothing more than a tally man. If anything looked too bad he was supposed to pass on it. The car was held out and the stuff was not inspected at the car.

Mr. FREAR. Do you mean to say that resulted in a poorer system?

Mr. FRENCH. There is no question about it.

Mr. FREAR. And that more worthless material was used as a result?

Mr. FRENCH. That is my idea, and I will tell you why. It was suggested that every crater in the mill be given a mark so that the wing beams could be marked and the source traced back. That system of marking was discontinued.

Mr. FREAR. Why?

Mr. FRENCH. I could not say but the result would be that you had a chance to pass the buck on. Unless you happened to know one unit was cutting spruce, possibly, it would have that effect.

Mr. FREAR. What the general effect of the change of which you speak in that system of inspection, and what proportion was rejected? I do not suppose what was rejected; it was all shipped out?

Mr. FRENCH. I have a note on that. There seemed to be so much agitation among the inspectors that it was found necessary or advisable to appoint three supervisors of inspection, by that meaning men who would have immediate jurisdiction of the mill and the shipping shed to say whether they were wrong or right, and keep a record of the rejects of each crew so that they could be recorded in the office.

Mr. FREAR. Was that done?

Mr. FRENCH. It was done; but, like everything else, there was contention about it.

Mr. FREAR. Why?

Mr. FRENCH. I would refer you to A. A. Green, superintendent of crews.

Mr. FREAR. Where will he be found?

Mr. FRENCH. In Portland, the last I know, sir.

Mr. FREAR. What did he say to you as to the contention; what was the reason?

Mr. FRENCH. I just don't like to get into personalities.

Mr. FREAR. You need not give the names.

Mr. FRENCH. I might just as well tell you, I guess. We had on one of the crews there one of the Mitchells, H. S. Mitchell's son.

Mr. FREAR. Who is Mitchell?

Mr. FRENCH. H. S. Mitchell is manager of the cut-up plant. There was also a C. E. Byrd, who was superintendent of one of the crews.

Mr. FREAR. Were they in the regular service?

Mr. FRENCH. No; Mitchell and Byrd and Green were civilians that can be found on the pay roll records of the cut-up plant.

Mr. FREAR. What was their position?

Mr. FRENCH. Mill supervisors, at a salary of \$300 a month.

Mr. FREAR. Were they inspectors?

Mr. FRENCH. As to that I could not say.

Mr. FREAR. They passed upon these inspections, you say?

Mr. FRENCH. No; I am saying that the contention among the crews was such that the inspectors were put on and that resulted in reports being handed in which the crew superintendents could not see. For example, take the case of Green. I do not know anything about Green's experience, but Green seemed to think he was having it thrown into him, by that meaning the reports going in on his crew were not just. His cut will be found to be the lowest in amount; I am talking about quantity, not quality. The others, Byrd and Mitchell, seemed to be after the speed proposition. Why I do not know. Green said he was endeavoring to cut the lumber right, and, of course, he was being hustled to get the stuff out. That is natural, but he was a man you could talk to. I know as assistant in the shipping shed, when you found the stuff was coming poor you could go in to him and say the stuff was coming rotten and he was a man who was willing to make amends. I understand that Mitchell and Byrd were different. That is testimony that would have to come in from men in their units.

Mr. FREAR. The substance of it is that the policy pursued in urging speed or haste was to the injury of the shop and the mill?

Mr. FRENCH. I would say so.

Mr. FREAR. That is, it was a poor class of stuff?

Mr. FRENCH. Yes; I would say so.

Mr. FREAR. That was your report to Capt. Gun?

Mr. FRENCH. Yes, sir.

Mr. FREAR. Was there any change made as to that?

Mr. FRENCH. It was stopped, and then it would pick up again.

Mr. FREAR. What is the next suggestion?

Mr. FRENCH. I have a report as inspector for the sixth unit.

Mr. FREAR. What is the character of that?

Mr. FRENCH. On a pretext and in order to get in to find out the truth I went in as an inspector on the sixth unit, which was considered the fastest.

Mr. FREAR. Did you do this after consultation with Capt. Gun?

Mr. FRENCH. Yes, sir. The unit was cutting a big percentage of fir and there would be a considerable amount of stock rejected.

Mr. FREAR. What was it for?

Mr. FRENCH. Wing beams. It was wing-beam stock, as we knew it. I had occasion to call attention to the fact that a lot of that was green; it was spoiled when it came into the camps. I can not tell you just what it was, but I made a report that was checked up and verified by an officer who was in charge of that unit at the time, substantially my report. The thing was, to be honest and frank, the stuff was dammed rotten that I requested that a check be made so as to find the source. The report was handed down through the lower office, and the last I knew we got nothing on it, the reason being, as I found out by going back to the head of the unit, was that the stuff came in, the cants had been dumped off on to a pile. I might say two or three different cars, but one pile, had been in there, they started to pile the stuff and the cars pulled out so that the car numbers could not be gotten and a check made.

Mr. FREAR. Those are largely technical terms that you are using, but in a general way we can follow you. What was the cause of that, and how could it have been improved so that the waste material would not have been sent out?

Mr. FRENCH. I do not understand you. What do you mean by waste material; do you mean poor cants?

Mr. FREAR. Yes.

Mr. FRENCH. Very well. I reported on that and made a suggestion that a record should be kept of the mills supplying these cants, that there should be a designation by a letter.

Mr. FREAR. That is, the mills that sent the cants in to the cut-up plant?

Mr. FRENCH. There should be a closer record made so that that stuff could be checked back to the source. It would be necessary, of course, to formulate some system of checking cants such as the Government uses on their logs.

Mr. FREAR. Was there a difference in the class of cants that came in from the various mills?

Mr. FRENCH. There is no question about that.

Mr. FREAR. Have you any idea as to any particular mills that furnished defective cants?

Mr. FRENCH. We could not check that up.

Mr. FREAR. It was impossible, because there was no system under which they could have determined that through an inspection of the cants as they came in?

Mr. FRENCH. We had inspection of the cants, sir; but the point I make is this, that those cants came in, and if you had the cants in surplus on the pile they might be used or might be taken off the car. The car comes in and cants are unloaded and go into the units. With a number of cars in and a plenty of stock ahead it was necessary to store those cants until they were ready to be handled. I might, as a millman, ship in a carload of cants and get by if that stuff was intermixed with a good bunch.

Mr. FREAR. Was that done purposely?

Mr. FRENCH. I can not say as to that.

Mr. FREAR. Was it done to any considerable extent?

Mr. FRENCH. We were supposed to have car numbers and checks.

Mr. FREAR. Did you?

Mr. FRENCH. We had; and those men were supposed to report conditions.

Mr. FREAR. What was the trouble with these cants as they came in; were they defective cants?

Mr. FRENCH. Of course, I am not an old millman, but from the stuff I have handled, and especially the stuff I have handled in the sixth unit, it was twisted; it was cross-grained.

Mr. FREAR. Unfit for airplane stock?

Mr. FRENCH. Part of it might be good, but a big percentage was second growth; it was too wide; the annual rings would not carry.

Mr. FREAR. You mean the number of rings permitted within a certain distance?

Mr. FRENCH. Yes, sir; and another thing was the method of checking.

Mr. FREAR. What did you do in an effort to try and get that condition improved?

Mr. FRENCH. I made a report on the sawing first.

Mr. FREAR. To Capt. Gunn?

Mr. FRENCH. Yes; and suggested that the sawyers take more time in laying out their cants. If a cant goes in and you have straight grain and turn it, you have got cross-grain. The sawyer was there for the cut. That is what he was after, if he could get by the inspector all right.

Mr. FREAR. Was there any improvement on the part of the sawyers so far as you could determine?

Mr. FRENCH. There was some improvement. I do not know how that came about, but there was.

Mr. FREAR. That came about through Capt. Gund?

Mr. FRENCH. I could not say. I know there were some changes made.

Mr. FREAR. You were making reports to him regularly under his orders, for the improvement of general conditions in the mill?

Mr. FRENCH. Yes, sir.

Mr. FREAR. What next have you that you wish to present to the committee?

Mr. FRENCH. The matter of wing-beam tallies.

Mr. FREAR. We know what wing beams are. What are wing-beam tallies?

Mr. FRENCH. It is the record that an inspector naturally was anxious to make; he was anxious to make as good a job for his unit as possible, because an inspection job was a desirable job; it paid well.

Mr. FREAR. What was the pay of an inspector?

Mr. FRENCH. It was along about \$5 or \$5.50 a day—\$4.50 or \$5 a day—and those men were anxious to get the wing-beam stock. There was one man we had over there that was found to be paid a bonus for the amount of wing beams he turned out a day.

Mr. FREAR. By whom?

Mr. FRENCH. By the higher ups; whether H. S. Mitchell I could not say.

Mr. FREAR. Was that general?

Mr. FRENCH. No, sir.

Mr. FREAR. Who were these inspectors; what kind of men were they?

Mr. FRENCH. They were supposedly men who had had mill experience.

Mr. FREAR. Had they, so far as you know?

Mr. FRENCH. That is getting into personalities. I might say that I believe the records will show that we had men over there that were inspectors that had had the experience and were good inspectors.

Mr. FREAR. How about those that were appointed; were they efficient to do the work?

Mr. FRENCH. I would not volunteer to cover all those men. I know some were not competent.

Mr. FREAR. Of course, that is true of any trade.

Mr. FRENCH. That is to be found, but that is going into personalities. I want to say in connection with these wing beams this fellow was getting. The beam would be tallied up as a beam, and would show a full net of tallies for that unit. The beam would be rejected in the shipping shed and go back for reworking.

Mr. FREAR. What do you mean by that?

Mr. FRENCH. I mean the beam would not pass inspection.

Mr. FREAR. What does the term "reworking" cover?

Mr. FRENCH. It might be cutting out from bad stock; it might be the stuff was fit for nothing but commercial; it would not be a beam.

Mr. FREAR. It might be used for struts, or something else?

Mr. FRENCH. Yes; but the beam tally showed the units and the thing I tried to show was that the inspection should be such that we should have known of that reject, and that the percentage of rejects should be so small as not to affect the proper mill tally of the beams. This was not the same through all the units. It all depended on the inspector.

Mr. FREAR. Was that very serious?

Mr. FRENCH. There were times when it was; yes, sir.

Mr. FREAR. What proportion?

Mr. FRENCH. I could not say, because the days varied, but there were tallies when the percentage of rejects was considerable.

Mr. FREAR. And you reported that to Capt. Gunn?

Mr. FRENCH. I did.

Mr. FREAR. And sought to have that improved?

Mr. FRENCH. Yes, sir; and I think there is a letter signed by Maj. Breece in which he charged us to prove to him that the wing beam tallies had been padded.

Mr. FREAR. Were they padded?

Mr. FRENCH. It was absolutely impossible to get that data; the stuff was in such a way that we could not get at it. The intelligence department and the corporation did not go hand in hand.

Mr. FREAR. What was the evidence of that?

Mr. FRENCH. There were a good many things we endeavored to get that we did not get. Maj. Howes will testify on that.

Mr. FREAR. Who was the major you spoke about before?

Mr. FRENCH. Maj. Breece.

Mr. FREAR. Did he act in conjunction with you?

Mr. FRENCH. In some things he did. In this one connection he remarked that he defied us to show him that the wing-beam tallies were padded. At that time we had a lieutenant who was making reports direct to H. S. Mitchell, and his reports were considered authentic. I can not tell his name.

Mr. FREAR. You were working under Capt. Gunn, seeking to improve conditions?

Mr. FRENCH. Yes, sir.

Mr. FREAR. Where is he?

Mr. FRENCH. I do not know. The last I knew he was in Washington, D. C.

Mr. FREAR. What were his initials?

Mr. FRENCH. Capt. George Gunn.

Mr. FREAR. Do you know what business he was in?

Mr. FRENCH. I believe he was in the real estate business. I am not just positive about that. My work was such that I did not see him much until the last. I knew more of Maj. Howes than I did of Capt. Gunn.

Mr. FREAR. Did you report to Maj. Howes direct?

Mr. FRENCH. Yes; until I was over in the cut-up plant. I was assigned to work which kept me over there.

Mr. FREAR. Where was Gunn; was he here in the city or over at Vancouver?

Mr. FRENCH. What do you mean—while out on duty?

Mr. FREAR. Yes.

Mr. FRENCH. He was on duty in the Yeon Building.

Mr. FREAR. Where was Howes; was he on duty in the Yeon Building, too?

Mr. FRENCH. Yes; we had our offices in the Yeon Building.

Mr. FREAR. During your work you were over at Vancouver?

Mr. FRENCH. Part of the time; and part of the time over here. You understand, the men radiated from this office.

Mr. FREAR. Were you in your hours of service told what to do by Capt. Gund?

Mr. FRENCH. Much of it was left to my discretion, much depending on the circumstances.

Mr. FREAR. What was your work over there when you were over at the plant, ordinarily, outside of this inspection work?

Mr. FRENCH. My activities would be different; it would all depend on what I did; what I did would depend on what I was after. My last work was as assistant foreman of the shipping shed.

Mr. FREAR. Those were your directions?

Mr. FRENCH. Yes. I wish to say that I have a report to show you just how much help we had from Maj. Breece. I had a report which I made on lumbering in my shop.

Mr. FREAR. What was that?

Mr. FRENCH. He simply advised at the time I was turning in reports on conditions over there, and, not making it hot for them, but asking and demanding better conditions, I was advised that he said he would like to get the S. P. who was making those reports. That was pretty strong.

Mr. FREAR. Who was with him at the time; who was he talking to?

Mr. FRENCH. H. S. Mitchell.

Mr. FREAR. Did Mr. Mitchell know?

Mr. FRENCH. I do not think so. The only way I might have been known, was because I was supposed to work on private cases regarding aliens.

Mr. FREAR. Those were your instructions?

Mr. FRENCH. Yes, sir.

Mr. FREAR. You were working on the question of aliens in the cut-up plant?

Mr. FRENCH. No, sir. My duty was that I was supposed to work on individual cases.

Mr. FREAR. You said aliens.

Mr. FRENCH. They might be aliens brought up. For example, sighting one man supposed to be destroying wing stock.

Mr. FREAR. An alien in the cut-up plant?

Mr. FRENCH. Yes. That was the case; nobody knew what I was doing.

Mr. FREAR. Excepting the people who employed you here at the office?

Mr. FRENCH. Absolutely.

Mr. FREAR. What next do you wish to tell the committee?

Mr. FRENCH. The next is a report on the Bridal Veil Lumber Co.

Mr. FREAR. Where are they located?

Mr. FRENCH. At Bridal Veil, Oreg. That covered a shipment of larch and hemlock.

Mr. FREAR. What was the cut-up plant doing with larch and hemlock?

Mr. FRENCH. That is what I wanted to know, sir.

Mr. FREAR. Was that to be used for airplane stock?

Mr. FRENCH. It was made up into beam stock and put through the mills.

Mr. FREAR. That is, for airplane stock?

Mr. FRENCH. Yes, sir. There was a rather amusing incident in connection with that.

Mr. FREAR. It was serious?

Mr. FRENCH. It was serious, when a man did not know the difference.

Mr. FREAR. It was intended for planes to be used by men who were risking their lives?

Mr. FRENCH. I could not say as to that.

Mr. FREAR. Men risk their lives when they go up in an airplane. Tell us what was the truth about that?

Mr. FRENCH. I reported on the larch and hemlock and immediately asked what the stuff was over there for.

Mr. FREAR. Who did you ask?

Mr. FRENCH. The first thing I took up as a feeler, to take this matter up with Capt. Broughton and the shipping shed. I next felt out Capt. Elliott, and finally Master Electrician McMillan, who was foreman of our crew, agreed with me that the stuff was either larch or hemlock. Understand, the Bridal Veil had an elegant stand of larch. It is an upland growth of larch, and so far as larch is concerned it is good stuff.

Mr. FREAR. For airplanes?

Mr. FRENCH. I am not speaking about airplanes.

Mr. FREAR. What do you mean by good stuff?

Mr. FRENCH. It is a good grade of larch.

Mr. FREAR. It might be a good grade of oak, or anything else?

Mr. FRENCH. Absolutely.

Mr. FREAR. What is larch used for?

Mr. FRENCH. The larch I have handled was used for sheeting and sheathing lap and common boards, and you might use it for finishing.

Mr. FREAR. Were there any instructions there, so far as you know, that permitted larch to be used as a substitute for spruce?

Mr. FRENCH. I brought over two samples. The matter was immediately taken up down below, when I found out that Capt. Elliott and Capt. Broughton did not know what the stuff was. We were asking for instructions as to how to handle it, because the stuff was coming out at the shed and was being intersorted with our fir, and when we found the larch we asked instructions as to what to do with it, and we were told that it was not larch. I brought two specimens over and they were sent to the Seattle laboratory for inspection. I contended that part of it was hemlock that had the birdseye.

Mr. FREAR. Was it?

Mr. FRENCH. So far as I know.

Mr. FREAR. What was the report?

Mr. FRENCH. We got a report back that the two specimens were larch. This report we got from above, but the average mill man said they were hemlock.

Mr. FREAR. Neither was spruce?

Mr. FRENCH. Neither spruce nor fir.

Mr. FREAR. What proportion of that was there contained in the material brought in there?

Mr. FRENCH. I can not tell you; it was in two or three cars; it was not mixed in.

Mr. FREAR. Straight cars of larch and hemlock?

Mr. FRENCH. Yes.

Mr. FREAR. What explanation was there for that?

Mr. FRENCH. It was sent over there for experimental purposes, they said. What the price was I tried to find out because of the amount of larch that came in.

Mr. FREAR. You were informed that it was for experimental purposes?

Mr. FRENCH. Yes.

Mr. FREAR. By whom?

Mr. FRENCH. That is the report I got from the office. You will find the correspondence with the Bridal Veil people on that and the different inquiries we made.

Mr. FREAR. You do not know anything about the prices?

Mr. FRENCH. That is one thing we tried to find out but we could not learn.

Mr. FREAR. Have you any information that they were going to use this for airplanes, this larch and hemlock, the same as fir, for elementary training?

Mr. FRENCH. Of course, you understand if a man wants to get by with that stuff he can have three or four different excuses; but what I can tell you is that the stuff was sawed into winged beam sizes and put into the mills and came out of the mills that way.

Mr. FREAR. Did you ever hear of the authority for such material being used?

Mr. FRENCH. I will say there was a considerable hubbub when it came in and it was reported.

Mr. FREAR. Was there any continuance of that?

Mr. FRENCH. No, sir; that stopped it.

Mr. FREAR. That came from the Bridal Veil Company?

Mr. FRENCH. Yes, sir.

Mr. FREAR. You reported that to Capt. Gunn and samples were sent to the laboratory for tests.

Mr. FRENCH. I brought over two specimens and the report came back that it was larch, and the bird's-eye showed it was hemlock. We had some good men over there. They were not given a chance, but they knew their business; not to make a slam on the officials, but we had a bunch of good men. I do not know why they never got up.

Mr. FREAR. You mean they did not get up into position of responsibility?

Mr. FRENCH. I say those men were not put where they should be.

Mr. FREAR. They could have done more effective work if given other positions?

Mr. FRENCH. In my own case—I can not give the date I was put on inspection. I reported that I had had inspection experience with the Clark Nickerson Mill under Herb Cluff and inspected planers. I inspected their common stuff and part of their cargo. Of course this was incident to getting experience for sales. I noted that fact in my papers, and it was something like two or three months that I was only piling lumber.

Mr. FREAR. In other words the questionnaire did not seem to be of much value?

Mr. FRENCH. That is what I would say.

Mr. FREAR. That is true of a good many branches of the service. What is next?

Mr. FRENCH. The report on the Oregon Planing Mill.

Mr. FREAR. Where is that?

Mr. FRENCH. Located here. The Oregon Planing Mill was being supplied per contracts with fir beams. The reason I reported on the Oregon Planing Mill was because of the tremendous cost entailed in the handling of the stuff and rehandling of the rejects they threw out. The reason I reported on that was because their men for some reason or other were entitled to take their pick of the cream.

Mr. FREAR. You say "their men"; who do you mean?

Mr. FRENCH. The inspectors from the Oregon Planing Mill.

Mr. FREAR. They were entitled "to take their pick of the cream"?

Mr. FRENCH. Because we loaded the rejects and they went out on our cars. Do you get me?

Mr. FREAR. No. Where did you get the rejects, from whom?

Mr. FRENCH. For example, a certain cut is ordered for the Oregon Planing Mill, for certain lengths of wing-beam stock. Their contracts specified certain lengths.

Mr. FREAR. Did their inspectors go over that stock?

Mr. FRENCH. Yes.

Mr. FREAR. Where did they go over it?

Mr. FRENCH. This stuff was piled out in the shipping shed, taking space that should be converted right to the corporation work only, unless they had some other arrangement, because, God knows, we needed the floor space. That stuff was gone over, and the stuff that was rejected was piled up. Our inspectors were given instructions

to reinspect and reload according to our specifications any stuff that would pass our specifications, and we did. Do you understand?

Mr. FREAR. I do not know whether I understand or not. The question is, what was the effect of that?

Mr. FRENCH. Just this, that the Government was loading Oregon planing rejects. The Oregon planing mill, according to their contract, was to be furnished so much footage.

Mr. FREAR. What is that?

Mr. FRENCH. I could not say, but they were supposed to be continuously supplied. They would make their selection out of that wing-beam stuff. The stuff would be stacked over, held for our inspectors, and our men would go over that stuff and load such beams as our specifications would cover. The balance of the stuff would go out into commercial. The point I make is the question of the contract. I tried to find out how it was that the Oregon people were given that privilege.

Mr. FREAR. Did you find out anything about it?

Mr. FRENCH. No, sir.

Mr. FREAR. Did you report it?

Mr. FRENCH. I did, sir.

Mr. FREAR. Were the conditions changed?

Mr. FRENCH. I can not say that they were.

Mr. FREAR. That continued right along?

Mr. FRENCH. Up until the Oregon planing contract was filled.

Mr. FREAR. What was the mill getting the lumber for?

Mr. FRENCH. I understand that went into the wing beams.

Mr. FREAR. What was the length of their stock?

Mr. FRENCH. Now, I could not say; but I think the lengths were from 18 feet 6 to 20 feet 6, and possibly 22-foot lengths. It was one of those three small lengths.

Mr. FREAR. You reported that, but there was no change?

Mr. FRENCH. The reason I did that was it did not seem right that the Government should be reloading Oregon rejects and that our floor space should be taken up, and especially for men to work on that unless there was some reason for it.

Mr. MAGEE. What did they do with the rejects?

Mr. FRENCH. They were reinspected by our inspectors and such portions as could be loaded by our specifications were put on the cars.

Mr. MAGEE. And sent away?

Mr. FRENCH. I do not know. You would have to get that on the bills of lading. They were sold as beams.

Mr. LEA. The point to that is that the lumber, according to your inspection, which was suitable for use they got the inspector to keep?

Mr. FRENCH. Yes, sir; you understand, they got the pick of the stuff and our inspectors were ordered to go through it and load such sticks as they could according to specifications, and the balance of it went out as commercial.

Mr. MAGEE. The point, I suppose, is that these rejects which upon further inspection you found suitable went to other mills?

Mr. FRENCH. I could not say as to that. They were shipped out. They went just the same as any other shipments.

Mr. MAGEE. The point is that discrimination was made in favor of the Oregon mill?

Mr. FRENCH. I would say so, and the result of it was that I took this matter up with Maj. Howes, and he said he could not understand it, and that we should have some idea as to what the contract was. But the question is, Why would the Government make that sort of a contract when we needed that stuff many a time, and car shipments were held up because we did not have those same lengths?

Mr. MAGEE. Where were you shipping them?

Mr. FRENCH. Of course, those bills of lading were secret. There were shipments going East. A lot went to Halifax, British Columbia; some went East to the airplane factories. It was supposed to be airplane stuff.

Mr. MAGEE. What did the Oregon company do, so far as you know, with the shipments it got?

Mr. FRENCH. I never worked on that end of the case.

Mr. MAGEE. Were they getting out airplane stuff?

Mr. FRENCH. They were getting out beams. We kilned it and loaded it for them and sent it over here.

Mr. FREAR. How far did that report get, do you know?

Mr. FRENCH. I could not tell you exactly. I know Maj. Howes made quite a stir about it and endeavored to get something definite on it, and finally told me the gig was up, to simply drop it and take up something else.

Mr. FREAR. That is, no action could be brought about?

Mr. FRENCH. The contract for the Oregon people was nearly finished. That was what was told us: "We will only have this to contend with a short time and then it will be over."

Mr. FREAR. Was there anyone there connected with the company that you thought was purposely engaged in helping the Oregon Company?

Mr. FRENCH. I could not say as to that.

Mr. FREAR. What next?

Mr. FRENCH. Extension of the shipping shed. Of course if you go over the place now, you could hardly believe it, but for a long time lumber was all along the track. Cars were being loaded hit or miss all along the right-of-way. That meant the accumulation of stocks and extra labor to load those cars. In other words, the output was too large for the shipping shed facilities. I reported on that several times; not once, but several times; and we finally got a letter advising that the Engineer department had in contemplation an extension of the shipping shed floor, but that they had not been able to get to it; that they did not seem to be able to get ahead with the operation.

Mr. FREAR. Did they ever get to it?

Mr. FRENCH. They did, sir, and made the improvement.

Mr. FREAR. Because of the complaint that was made?

Mr. FRENCH. Yes, sir.

Mr. FREAR. Did that come from Maj. Howes to whom you reported?

Mr. FRENCH. Yes. Another thing was, we had considerable trouble with car shortage in lengths.

Mr. FREAR. You mean you were not furnished cars for the shipments?

Mr. FRENCH. Yes. Of course there was a shortage of cars at the time, but the thing I want to make mention of is that considerable

time was lost that could have been used, not taking it from a matter of dollars and cents—if we could have had the cars and the right length of cars.

Mr. FREAR. For shipments from the cut-up plants?

Mr. FRENCH. No, sir; shipments going out, which we were getting out for wing beams, and they would send in 25 or 30, necessitating the loading of short stuff. What we were after was the 40-foot beam capacity so we could mix our load.

Mr. FREAR. The cars were not of the right type?

Mr. FRENCH. Yes. It was a Government proposition, and we should have had some special service.

Mr. FREAR. After complaint was made was any effort made to improve conditions?

Mr. FRENCH. There was very little. We were told it was due to the car shortage in this country.

Mr. FREAR. That may have been one of the reasons?

Mr. FRENCH. That may have been; I do not know. That was a condition I reported.

Mr. FREAR. What else?

Mr. FRENCH. There is just a small report on the planing mill. I never could just figure out what the idea of the planing mill was, the way it was lined up. The Willapa people had made a planing mill out of it, but the way those planers were put in. I have one report showing those planers coming from the old Leadbetter mill at Vancouver. I am not much of a planing-mill man, but I have seen stuff coming through and have inspected it, and they were not of the type that we wanted for production. That was getting into the commercial to a certain extent, but at the same time in order to handle some of our rework stuff we were getting out a little commercial.

Mr. FREAR. How do you mean for commercial stuff; what was the cut-up plant doing handling that?

Mr. FRENCH. I reported it and it was supposed to be followed up by one of the other operators.

Mr. FREAR. Did you ascertain at any time?

Mr. FRENCH. No; I could not find out much. I found out the stuff was commercial.

Mr. FREAR. You say these planers were not proper for that work?

Mr. FRENCH. I would not say so; I would say they were second-hand.

Mr. FREAR. They were secondhand if they were bought from the Leadbetter mill.

Mr. FRENCH. They were bought from the Leadbetter mill. Who bought them I do not know.

Mr. FREAR. What position did Leadbetter hold?

Mr. FRENCH. I do not know whether he was on the purchase board or the sales board.

Mr. FREAR. Where was he?

Mr. FRENCH. He was here, I believe. On Leadbetter I am not as conversant as I might be.

Mr. LEA. Could those planers do practical work?

Mr. FRENCH. They would be all right for rough work, but take anything like, say, ceiling or flooring stuff and you would get possibly a third grade.

Mr. FREAR. Did that continue after the report was made?

Mr. FRENCH. About the last time I checked that over I think the Willapa people were dickering for the planing mill, and I was not there at the time that the Willapa people took that over, and not being instructed to check that I did not follow it.

Mr. FREAR. Did they keep the planers there?

Mr. FRENCH. I do not know whether the Government paid for them or whether they were loaned; I do not know.

Mr. FREAR. Were you there when they were installed?

Mr. FRENCH. No, sir; that was preliminary to my report. I have the names of the men who moved that stuff.

Mr. FREAR. How many planers were there?

Mr. FRENCH. Two of them.

Mr. FREAR. How far is the Leadbetter mill from the cut-up plant?

Mr. FRENCH. I could not estimate, very close.

Mr. FREAR. What next have you in mind?

Mr. FRENCH. The next is the cant shortage.

Mr. FREAR. What was the effect of that and what were the conditions?

Mr. FRENCH. In the first place we had a large capacity mill and in conjunction with the reports I made on speed there were times when the mill yard was out of cants, absolutely nothing on hand, necessitating the laying off of from one to two crews. I made that report in conjunction with the speed report, suggesting that if there was any way to store the stuff, to anticipate shortages, it might be better to reduce the speed and get quality, and then at such time as the mill was crowded by cants, do the next best thing.

Mr. FREAR. What occurred—did they increase the supply of cants, or did they materially decrease the amount of work?

Mr. FRENCH. That situation was not only a one-day occurrence; it happened frequently. You might have a whole slather of cants coming in in a bunch, and everybody chasing his head off.

Mr. FREAR. That would be a matter of supply, as supplied from the outside mills?

Mr. FRENCH. Supply for one thing, and supervision of cants for another.

Mr. FREAR. Were not the cants properly prepared when brought in, or the material?

Mr. FRENCH. That is not the idea. I am talking about the supply.

Mr. MAGEE. Lack of system?

Mr. FRENCH. Lack of system in handling cants. If the mill was to be crowded at one time at the expense of airplane stock, why not have made some provision so that the stuff could be accumulated and handled in such a way that they did not have to speed up at one time and then be slack at the next time.

Mr. FREAR. Did they not have storage facilities so that they could hold these cants?

Mr. FRENCH. Very limited.

Mr. FREAR. Your theory is that they attempted to cut up the cants as soon as they were received, requiring a speeding up when there was an abundance of cants on hand?

Mr. FRENCH. Yes, sir.

Mr. FREAR. What was the force employed at the mill; did they have more than enough men, or enough, or what?

Mr. FRENCH. Of course, the cut-up plant in my experience is a different proposition from anything I ever seen before. I do not know, I am not an engineer, but I believe much labor could have been cut out if certain things had been installed, if it had been made a little bit bigger.

Mr. FREAR. They were new conditions?

Mr. FRENCH. I take that for granted. I do not know enough about that, but the only thing is, of course—

Mr. FREAR. Was there any improvement in the matter of presenting these cants?

Mr. FRENCH. How do you mean "presenting"?

Mr. FREAR. Bringing them in; was there any more regularity about the supply as they were furnished?

Mr. FRENCH. No, sir. The only thing I can say is that after the armistice was signed we seemed to get an ungodly accumulation of stuff. I know I was detailed on special duty to take car numbers, and my reports cover cars galore that came in.

Mr. FREAR. How long after the armistice was signed did the cut-up plant continue to operate?

Mr. FRENCH. That I would have to refer to my reports for.

Mr. FREAR. A week or a month, or how long?

Mr. FRENCH. They kept going until a big percentage of the stuff was cleaned up, or until the time they used to get possibly one or two or three cars.

Mr. FREAR. Six months after the signing of the armistice?

Mr. FRENCH. I would not want to state as to that offhand, because I am not positive. I know the accumulation was taken care of up to a considerable period. Cants continued to come in, and they started dismantling some units, and they reserved one or two units to handle the surplus. They dismantled part and would handle the rest with the other part. In the matter of cants there is one thing I want to make mention of, and that is the system of handling, and it is a thing that I think is very significant in the matter of crew competition. The men handling sawed cants naturally could get the big cut, sawing sawed cants as against rives. There seemed to be some sort of system whereby certain men—I might say Mitchell was favored with sawed cants.

Mr. FREAR. By whom would that favoritism be brought about?

Mr. FRENCH. I can not say. There was considerable opposition; I could not say whether it was H. S. Mitchell or not, but it was so arranged that if they were sawed cants Mitchell got the sawed cants, and Green and Byrd worked the rived cants.

Mr. FREAR. What was the significance of that; they were trying, each in this work, to get out the most material?

Mr. FRENCH. It would seem that favoritism was being shown, so as to show what the crew cut.

Mr. FREAR. Was there any significance to the fact that one man got out more material than the other, whether he was working on rived cants or sawed cants?

Mr. FRENCH. There is no question but what it was bound to make a feeling so far as the superintendents were concerned.

Mr. FREAR. I am wondering whether it is significant.

Mr. FRENCH. I would ask you to question A. A. Green on that.

Mr. FREAR. He is here in the city?

Mr. FRENCH. Yes, sir.

Mr. FREAR. And you thought that was favoritism, so far as Mitchell was concerned; he seemed to get the benefit of the cants that were sawed, while the rived stuff went to Green and others; is that the idea?

Mr. FRENCH. Yes, sir; that is the point.

Mr. FREAR. What else?

Mr. FRENCH. There was a report on the mess fund. There was a time when the mess in some squadrons was very poor. We were led to believe that our men over there would be sent to the front, and the natural tendency in that case was that the men would accumulate a mess fund. The thing got so bad that the men on the night shift—that is, the graveyard shift, from 11 to 7 in the morning—were being sent out with one sandwich made of bologna, and possibly an apple, and then a cup of coffee. If I remember rightly, that mess was at about 3 o'clock in the morning. There was a lot of that food that was absolutely thrown away; it was unpalatable. There was considerable agitation among the men, and it got so bad that I thought it advisable to make a report on it, and what I wanted to ask was, if we were to be a permanent organization why the accumulation of these mess funds? Why not put it into the stomachs of the men?

Mr. FREAR. What was the surplus from the mess fund?

Mr. FRENCH. In our squadron we had something like \$2,500 mess fund.

Mr. FREAR. For how many men?

Mr. FRENCH. For 250, I believe.

Mr. FREAR. Who had the custody of the mess fund?

Mr. FRENCH. William N. Edwards.

Mr. FREAR. Who was he?

Mr. FRENCH. Second lieutenant in charge of the Twenty-fourth Spruce Squadron.

Mr. FREAR. What became of him?

Mr. FRENCH. He was discharged and went back to Chicago.

Mr. FREAR. What became of the fund?

Mr. FRENCH. That is something which I imagine went through ordinary channels. There was a few men that was left, that had big dinners. We had one or two big dinners, and maybe 50 men may have participated. Some of the mess fund was used for big dinners, printing, and decorations, and possibly a little music.

Mr. FREAR. Did that help the man who had the bologna and the apple?

Mr. FRENCH. I would not think so. And the result was they asked for a report from all the squadron commanders showing the different mess funds, and of course we had reports pro and con. I also suggested that the officer of the day, who we could consider as being the most unbiased, should make a report on the night lunches and report those in, and some of the reports of those officers don't show good in print.

Mr. FREAR. What was the character of them?

Mr. FRENCH. Not satisfactory.

Mr. FREAR. In what respect?

Mr. FRENCH. They simply advised that men for that class of hard work which they were asked to do, under the pressure that they were working, should be given better food.

Mr. FREAR. Was there any improvement in the food?

Mr. FRENCH. Yes, sir. I think Maj. Palmer, I believe, came into command over there, and he had a special meeting of the officers and they were all advised that there should be no accumulation of mess funds. This man was a Regular Army officer. He said that money should go into the stomachs of the men.

Mr. FREAR. What was done with the fund accumulated?

Mr. FRENCH. Part of it went into either the regimental exchange or was turned back. One other thing: What did become of the balance of those mess funds? To come back, a lot of it was fed up in special dinners. Some of them did cost like blazes.

Mr. MAGEE. To whom were they given?

Mr. FRENCH. To the balance of the squadron that were left. There might be a detachment of 25 or 30 men, and possibly they would invite their friends in.

Mr. FREAR. The proceeds of the squadron were used for a few men?

Mr. FRENCH. Part of it was used in special dinners.

Mr. FREAR. Was there any accounting to the men themselves in regard to this mess fund?

Mr. FRENCH. No, sir; and that is what the men wanted; and they never got it.

Mr. FREAR. Did they apply for it?

Mr. FRENCH. They did; and I asked for it. It was agitated around the squadron; but the average man thought the thing would be over soon, and "I should worry; as soon as I am out I will be out." So we let it drift.

Mr. FREAR. What were these men getting who had the bologna and had the privilege of working from 11 to 7?

Mr. FRENCH. Some of those men ran from \$3 to \$3.50 up; some were laborers. Of course we were all the same, unless you happened to fit in with the mess sergeant, when you could grab off an extra sandwich or so.

Mr. FREAR. The point you make is that those men were working hard nights and that they were not given sufficient of the right kind of food?

Mr. FRENCH. That was it exactly.

Mr. FREAR. Was that improved?

Mr. FRENCH. It was.

Mr. FREAR. After you made the complaint?

Mr. FRENCH. Yes, sir. After the matter had been taken up by the squadron commanders, I want to say that I came near getting court-martialed for that report. In some way or other William N. Edwards surmised that I made that report.

Mr. FREAR. What was his position?

Mr. FRENCH. Second lieutenant, then.

Mr. FREAR. What did he do?

Mr. FRENCH. He called me in and told me I must not overlook the fact that I was still military and there was a way of handling men such as I was, and he did not propose to have any squadron secrets go out and he would handle such matters himself.

Mr. FREAR. Where did he come from?

Mr. FRENCH. He was a Chicago man.

Mr. FREAR. He is out of the service?

Mr. FRENCH. Yes, sir. I also want to say in conjunction with my work here, that before I could work to advantage it was necessary for me to fit myself with special passes.

Mr. FREAR. Passes from whom?

Mr. FRENCH. Passes through the squadrons. I was refused absolutely any pass until I was furnished the proper passes. These passes came from above, furnished, however, by Maj. Howes.

Mr. FREAR. What authority did this lieutenant have over you?

Mr. FRENCH. I was in his squadron; I was attached to his outfit at that time.

Mr. FREAR. But under the orders of Capt. Gunn?

Mr. FRENCH. Yes, sir.

Mr. FREAR. Did you report this to Capt. Gunn?

Mr. FRENCH. I had this covered in one report.

Mr. FREAR. What was done then?

Mr. FRENCH. I was furnished with passes, and Lieut. Edwards was given to understand that I was not to be pampered with, that my work was to go on.

Mr. FREAR. He may not have known that you were engaged in this intelligence work?

Mr. FRENCH. He did, sir.

Mr. FREAR. He was not a Regular Army officer?

Mr. FRENCH. I think he had been in the militia and had served on the border.

Mr. FREAR. You say conditions were improved, so far as the food was concerned, and that is one of the most sensitive points for a soldier, is it not?

Mr. FRENCH. We found it that way.

Mr. FREAR. What else have you?

Mr. FRENCH. The next thing is the matter of the 15 per cent reduction from all pay checks.

Mr. FREAR. Describe that.

Mr. FRENCH. I do not know the facts. There may be some men that do know what was the object of that 15 per cent and how it was arrived at. We were paid Army pay and we were paid the mill scale. Out of the mill scale was deducted the Army pay and insurance premiums returned, and deductions, as I understand, for board. If your check was \$75, it would be represented on the mill payroll given to you, and up in the left-hand corner of that check was a little figure showing the difference between the \$75 and the 15 per cent that had been deducted from it.

Mr. FREAR. What for?

Mr. FRENCH. That is what I would like to know.

Mr. FREAR. Was any statement made in connection with it?

Mr. FRENCH. There was a list passed around among the squadron when I first went in. We were all green. On that list you had to sign that you would stand for the 15 per cent deduction.

Mr. FREAR. What reason was given?

Mr. FRENCH. I can not say.

Mr. FREAR. Was no reason given in the statement you signed?

Mr. FRENCH. The majority of the men could not have got any intelligent understanding on it. To show how it was, we had men that never paid the 15 per cent.

Mr. FREAR. You mean, it was not deducted?

Mr. FRENCH. They took their check, and it was written with pencil, and they rubbed off the 15 per cent and got full money.

Mr. FREAR. Who made the deduction?

Mr. FRENCH. It was made in headquarters of the cut-up plant.

Mr. FREAR. What officer?

Mr. FRENCH. I was unable to get any further than that. I went over and in my own case asked for an explanation.

Mr. FREAR. What did they say?

Mr. FRENCH. They said it was supposed to be for maintenance of the squadron kitchen and k. p.'s and squadron administration, and, I believe, headquarters administration also; company administration and headquarters administration. There were lots of men up there.

Mr. FREAR. Why did they take the money away from the ordinary soldier to look after the headquarters?

Mr. FRENCH. We had soldiers employed at headquarters.

Mr. FREAR. To take care of soldiers at headquarters?

Mr. FRENCH. That is what I was told.

Mr. FREAR. Were they civilian employees who looked after this extra work, the kitchen police?

Mr. FRENCH. No; all Army men.

Mr. MAGEE. This 15 per cent was not for tips, was it?

Mr. FRENCH. No; my understanding was it went in for squadron and corporation administration there at the cut-up plant.

Mr. FREAR. How long did that policy continue?

Mr. FRENCH. For some length of time, and the big bone of contention of the men who left the plant was that they would like a statement as to that 15 per cent.

Mr. FREAR. Was it received?

Mr. FRENCH. We never got it.

Mr. FREAR. Do you know what fund it was credited to?

Mr. FRENCH. No.

Mr. FREAR. You say it was not taken away from some men?

Mr. FRENCH. They removed the pencil mark from the check.

Mr. FREAR. There was an attempt on the part of some squadron commanders to enforce that?

Mr. FRENCH. These deductions were supposed to be made at the canteen, and the checks at the cut-up plant office. Some men got wise and went to the Vancouver plant and got face for their checks. When they came back through channels it was not charged in on the pay roll, but they were told they must go up and pay that 15 per cent at the canteen.

Mr. FREAR. Did they?

Mr. FRENCH. A lot did not go.

Mr. FREAR. Then what?

Mr. FRENCH. In some cases we go on company punishment, and some squadrons—the names I do not have with me—

Mr. FREAR. What do you mean by that?

Mr. FRENCH. Extra fatigue and one thing or another.

Mr. MAGEE. Did you understand that it was customary to deduct 15 per cent?

Mr. FRENCH. I did after I got wise to the system; yes, sir.

Mr. MAGEE. Do you know whether it extended to other places or not?

Mr. FRENCH. I could not say as to that. I had absolutely no jurisdiction outside of the cut-up plant.

Mr. FREAR. Was there anything done by your superior officers, Capt. Gunn or Maj. Howes, in trying to get that system remedied?

Mr. FRENCH. At the time I made that report we were just cleaning up the bits of the former investigation.

Mr. FREAR. Which was that, the Ray investigation?

Mr. FRENCH. The Ray investigation. Now, Maj. Howes was anxious to get a commission strong enough to follow up certain lines we had lined up, and this happened to be one of them; but it was absolutely impossible to check those up without a certain amount of power back of us, and we were not in any position to demand this accounting at that time from the corporation.

Mr. FREAR. Was that taken up with any officers—Col. Disque?

Mr. FRENCH. I could not say. I know the major and I talked it over, and he said, "It looks to me as though the jig is up and we might just as well make the best of it and let it go."

Mr. FREAR. You do not know whether any complaint was made to headquarters?

Mr. FRENCH. I know any amount of men complained to their commanding officers.

Mr. FREAR. Did they take any action?

Mr. FRENCH. Evidently not, because the 15 per cent was being charged the last I knew.

Mr. FREAR. Is it being charged to-day?

Mr. FRENCH. It was charged on the pay-roll checks. Now, of course, the mill is out of business.

Mr. FREAR. What is the difference between police work and kitchen work?

Mr. FRENCH. I can not say.

Mr. FREAR. Is there any distinction as far as you can observe?

Mr. FRENCH. Of course, at that time they figured the kitchen and K. P.'s were entitled to civilian wages, according to the system, and they were put on a civilian wage. Now, the question the men asked was—

Mr. FREAR. They are back now on the regular Army basis?

Mr. FRENCH. No; we were on the regular Army basis.

Mr. FREAR. But you do not get the civilian pay now?

Mr. FRENCH. No. But the men asked, "Why is it we have to pay—we will pay the mess help—why do we have to pay the headquarters?"

Mr. FREAR. You say there were a good many men up at headquarters?

Mr. FRENCH. There were.

Mr. FREAR. Was that for the officers or for the men?

Mr. FRENCH. This 15 per cent was supposed to take care of squadron administration, supposed to take care of company administration at the cut-up plant.

Mr. FREAR. How much was deducted from the officers' pay?

Mr. FRENCH. I do not know of anything being deducted from the officers' pay.

Mr. FREAR. They were cared for at headquarters, were they; they had their dining room and kitchen supplies, etc.?

Mr. FRENCH. Yes; they had an officers' mess.

Mr. FREAR. You do not know whether any of this money taken from the soldiers, this 15 per cent, was used for the officers?

Mr. FRENCH. I could not say.

Mr. FREAR. Did you have any suspicions?

Mr. FRENCH. No; the only thing I questioned was the officers' extra pay.

Mr. FREAR. In what respect?

Mr. FRENCH. In endeavoring to get some pay-roll information I ran across the case of Broughton. His time card showed "loading expert," and if I recollect the report it was at a salary of \$125 a month.

Mr. FREAR. That is in addition to his pay as an officer?

Mr. FRENCH. He held a commission as captain in the Spruce Division.

Mr. FREAR. He had his captain's pay?

Mr. FRENCH. I would think so; yes, sir.

Mr. FREAR. Do you mean to say he had his captain's pay and was allowed \$125 extra pay?

Mr. FRENCH. That is, according to the time card. The pay rolls will show that.

Mr. FREAR. Capt. Broughton. What are his initials?

Mr. FRENCH. I have not the information right here. I can get that later on.

Mr. FREAR. You reported that?

Mr. FRENCH. I did not, because that came at a later time.

Mr. FREAR. When was that?

Mr. FRENCH. That was along about February.

Mr. FREAR. 1917?

Mr. FRENCH. Yes, sir. These were old pay cards I happened to run across, and I think it might be advisable to check that up.

Mr. FREAR. When the men got through with their civilian work, their civilian pay ceased; I mean when they got through with the work at the cut-up plant?

Mr. FRENCH. Yes; when they were discharged.

Mr. FREAR. When the work ceased they went back to the ordinary duties of soldiers?

Mr. FRENCH. The majority of those men were discharged and those that are there are on a civilian basis.

Mr. FREAR. Now they are all just receiving civilian wages?

Mr. FRENCH. There are not any enlisted men over there now.

Mr. FREAR. What are they receiving to-day?

Mr. FRENCH. I could not tell you.

Mr. FREAR. Why are they receiving civilian pay?

Mr. FRENCH. That I can not tell you.

Mr. FREAR. What is the difference between a soldier here and a soldier down at Camp Perry?

Mr. FRENCH. Of course there may be men over there that have not been ex-soldiers. None of those men may be ex-soldiers. At the time the armistice was signed the feeling was so intense that the average man said he wanted to get out. They realized that if the men were all discharged it would cripple the dismantling of the cut-up plant. So I, like a good many other men, signed a letter, a

form, on which we agreed to stay until March 1 if we were given our discharge here. That was the only basis those men would stay on.

Mr. FREAR. What is your work?

Mr. FRENCH. In the record and storage office.

Mr. FREAR. What is the work of the men there?

Mr. FRENCH. Disposing of stuff sold, and general clean-up.

Mr. FREAR. They are drawing civilian pay?

Mr. FRENCH. Yes, sir.

Mr. FREAR. But the soldiers at Fort Myer, Va., and other places are drawing only soldiers' pay?

Mr. FRENCH. Yes. There were a few soldiers, but the personnel of the corporation is civilian at the present time.

Mr. FREAR. Are these men in the service?

Mr. FRENCH. No, sir; they are civilians.

Mr. FREAR. What percentage are civilians and what percentage are in the service?

Mr. FRENCH. There are no enlisted men in the cut-up plant.

Mr. FREAR. What next?

Mr. FRENCH. The matter of fatigue. They worked three crews, and it was customary after a man put in eight hours to go on fatigue. That fatigue was without any recompense.

Mr. FREAR. What is "going on fatigue"?

Mr. FRENCH. It all depended; clean-up, general roustabout work. Those men might be on fatigue from two to three and four hours.

Mr. FREAR. In addition to the eight hours' service?

Mr. FRENCH. In addition to the eight hours without further compensation. I think there is a bulletin of the spruce division that says some men in the woods were paid time and a half for overtime. Our men were allowed nothing. The result was that the men in the graveyard shift, working from 11 to 7, when it came time to go back and do a man's work, were not there; they were not fit to handle their work.

Mr. FREAR. Because they had been engaged in this other work?

Mr. FRENCH. Because they were not given a chance to get sleep, and it was hard to get your sleep in the daytime, and a man needed all the rest he could get.

Mr. FREAR. Why did they call them the "graveyard shift"?

Mr. FRENCH. Because that just expresses the feeling of the men over there. I made a report on the fatigue. That report was not handed out until I personally was asked to check up the conditions and found on several different occasions car crews sound asleep in their cars, with trucks of stuff waiting on the platforms.

Mr. FREAR. During their eight-hour shift?

Mr. FRENCH. During their eight-hour shift. There might be a little let-up, but instead of being on the job they were half dead.

Mr. FREAR. Your theory was that it was because of this fatigue duty?

Mr. FRENCH. Absolutely. I turned in a report on that. Several officers, of course, deny it, but I noticed we got results.

Mr. FREAR. Did this fatigue work stop?

Mr. FRENCH. It did in part. Of course, there were one or two squadron commanders that insisted on dictating. Williams Edwards was one.

Mr. FREAR. Did you continue on fatigue duty?

Mr. FRENCH. I reported on some information I had that assistant foremen would send back in an evening 15 to 20 men to their bunks for sleep.

Mr. FREAR. What amount of time was taken up with this fatigue work?

Mr. FRENCH. It varied; it might be one, two, or three hours.

Mr. FREAR. What was the particular character of the fatigue duties?

Mr. FRENCH. Everything; it might be handling lumber; anything.

Mr. FREAR. There was no extra compensation for it?

Mr. FRENCH. Absolutely none.

Mr. FREAR. By what authority did they give you this work?

Mr. FRENCH. Those orders came in the form of fatigue roster, handed out by the office. There would be a roster saying that so many men from this squadron should report to so and so at such an hour for fatigue.

Mr. FREAR. You say that after a while it ceased largely?

Mr. FRENCH. Yes, sir.

Mr. FREAR. What have you next?

Mr. FRENCH. This report on the supervision of inspection in the Grays Harbor district. I would like to say that this is a very important report, but I am up against it because I do not have the names of the men and their addresses, but I can give you the basis of the report that came down from one of the supervisors, and can recall very closely the contracts made by Maj. Breece and some of the Grays Harbor mills.

Mr. FREAR. In what respect?

Mr. FRENCH. Meaning this, that while you could not blame the mill for taking the contract, there were a few things that I, of course, was unable to get relevant to the side cut that these mills got out of the stumpage. That referred in dollars and cents to that.

Mr. FREAR. Put in plain English, what was the substance of those contracts?

Mr. FRENCH. That I can not say, because Lieut. Carrigan is the man who examined that and took the data on that.

Mr. FREAR. Have you any record?

Mr. FRENCH. The only record I have of that, in general, is in my files.

Mr. FREAR. Can you not tell us in what respect, in what way this advantage on the side cut would go to the mill?

Mr. FRENCH. As near as I know, I understand it went in mill stumpage. I am not a logging man. I will be honest with you on that, but the only thing I can say is there were a few men who told me at the time they would be glad to go on record if they could be shown that the investigation was not a whitewash.

Mr. FREAR. This investigation?

Mr. FRENCH. No.

Mr. FREAR. The Ray investigation?

Mr. FRENCH. Yes. Shortly after that we were promised we would have another investigation. Those men said they would not go on unless they could be satisfied that it was no whitewash, the reason being they were closely affiliated with other mills.

Mr. FREAR. That does not help us to get a definite understanding of what the complaint was.

Mr. FRENCH. Lieut. Carrigan has the report.

Mr. FREAR. Where is he?

Mr. FRENCH. In San Francisco, and you will find in my files also a copy of the report, and the names of some of the men I spoke to about it.

Mr. FREAR. And your files, you believe, are in Washington?

Mr. FRENCH. The last I knew they were transferred to the Western Department, San Francisco.

Mr. FREAR. You mean by the side cut the part that is not used for airplane stuff?

Mr. FRENCH. Yes, sir.

Mr. FREAR. What were the things you had in mind? You say it is important, but there is nothing definite placed before us until we can get those reports.

Mr. FRENCH. I understand, but I can not intelligently testify on that.

Mr. FREAR. I am getting at what you want. You want us to get those report to corroborate your statement and ascertain what the facts are?

Mr. FRENCH. Yes, sir; and you can question the men that had something to do with that supervision. The point I bring up is trying to get those men to talk, showing the inspectors sent to those mills favored the mill men, and this can be corroborated by the supervisor's inspection.

Mr. FREAR. It would be an impossibility to bring back those reports now, and it is an impossibility unless we get those reports and bring them back here; I do not see any other way in which the committee could get any light. But it is all right for you to present it to the committee.

Mr. FRENCH. It is important because it relates to the style of contracts that Maj. Breece was making, which the supervisor told me at the time was not right.

Mr. FREAR. Maj. Breece was making contracts that were unjust to the Government?

Mr. FRENCH. Absolutely; giving the mill the big end of it.

Mr. FREAR. In what respect, can you tell us, did he give the mill the big end of it; that is, they were given the side cuts, you say?

Mr. FRENCH. It was a free proposition on the coast, as to the logs they were getting.

Mr. FREAR. You mean, after the Government took out the airplane stuff, then they made a present to the mills of the rest?

Mr. FRENCH. That is about the size of it. We never had opportunity to check it any further, and certain men, especially in this country, would not testify unless they could be satisfied it was not going to be a whitewash.

Mr. FREAR. Are there any other men that are ready to testify?

Mr. FRENCH. I have the name of one man, but I would much prefer you got it through my record, because I told him straight that I would never divulge his name.

Mr. MAGEE. Who were these supervisors?

Mr. FRENCH. They had charge of the mill inspectors.

Mr. MAGEE. Do you know where they are now?

Mr. FRENCH. We have one man in Portland.

Mr. MAGEE. What is his name and address?

Mr. FRENCH. He is the man I promised not to tell his name, because he is affiliated with a lumber company.

Mr. MAGEE. How do you expect we are going to examine him if we can not get his name?

Mr. FRENCH. I have got my records. I told him they could get it through the records.

Mr. MAGEE. Your record, you say, is in San Francisco?

Mr. FRENCH. That is my understanding.

Mr. MAGEE. You can hardly expect this committee to go down to San Francisco and examine it?

Mr. FRENCH. No; but I do not know of any other way.

Mr. MAGEE. Is there any supervisor around here who can give any light on this subject?

Mr. FRENCH. There is one man, W. J. Kuhl.

Mr. MAGEE. What is his address?

Mr. FRENCH. In Portland.

Mr. MAGEE. Will you furnish us with his address?

Mr. FRENCH. I will. I am supposed to leave here Sunday morning, but I will be glad to get it.

Mr. MAGEE. What is his name?

Mr. FRENCH. W. J. Kuhl. You can find out his address by calling the Saari-Lumber Co., in the Northwestern Building.

Mr. FREAR. Who was he?

Mr. FRENCH. He was one of the supervisors in the Gray's Harbor district.

Mr. FREAR. What would he know?

Mr. FRENCH. He would know about these contracts.

Mr. FREAR. He ought to have information as to them?

Mr. FRENCH. I would say he should.

Mr. LEA. Can you give us the name of any mills that you have reason to believe were taking unjust advantage of the Government in procuring this side cut?

Mr. FRENCH. Of course, in answering that question I would like to go to the record, because we had certain feelers that we were working on that were not fully established, which led into this.

Mr. LEA. If there is no specific information you could give us tending to show that any mill man was defrauding the Government in that way—

Mr. FRENCH. I will tell you offhand it was rumored—

Mr. LEA. Not from suspicion.

Mr. FRENCH. It was simply as it came to me. It is a matter of jeopardizing their interests; they may be absolutely right and above board, and, as a rule, my reports cover only definite facts.

Mr. LEA. I do not want the name of anybody, if it is a mere matter of suspicion. I believe that Mr. Kuhl, if you will ask him, may be able to give you valuable information.

Mr. FREAR. You mean, he can give direct information?

Mr. FRENCH. I believe so.

Mr. FREAR. Now go to your next proposition.

Mr. FRENCH. The next thing that caused considerable question was the matter of Sitka spruce shipped into Seattle.

Mr. FREAR. From where?

Mr. FRENCH. Supposed to have come from Alaska.

Mr. FREAR. It is grown down in Washington and in Oregon, but this supposed to come from Alaska?

Mr. FRENCH. That is what we were told.

Mr. FREAR. Well, what about it?

Mr. FRENCH. There was considerable question as to how we came by it and where it came from and what the reason was for putting it in at that late day.

Mr. FREAR. What time was it?

Mr. FRENCH. After the armistice was signed.

Mr. FREAR. What proportion; how much?

Mr. FRENCH. My reports will show the car numbers I checked.

Mr. FREAR. What was the character of it?

Mr. FRENCH. Some of it was all right and some of it was not. Now, we were told that was sent down for an experiment.

Mr. FREAR. For a while they were experimenting with Sitka spruce, were they not?

Mr. FRENCH. I understand so. The only question was why it was so late.

Mr. FREAR. What is next?

Mr. FRENCH. That, offhand, is the only thing I can think of in particular.

Mr. FREAR. Tell me what you know, if anything, about the records over there?

Mr. FRENCH. What do you mean by "records;" records the Government has?

Mr. FREAR. The Government records.

Mr. FRENCH. If you want my candid opinion, I think they have been handled very carefully. I do not know; it may be certain people have a right to go into those records. I know of one instance in connection with the Warren Construction Co. I will give you the information about that. It was about 11 o'clock on the morning of August 4.

Mr. FREAR. This month?

Mr. FRENCH. August 4, I think it was.

Mr. MAGEE. What year?

Mr. FRENCH. 1919. There were three men, as follows: Hutchinson, auditor for the Warren Spruce Co.—at least Capt. Sorensen identified him; Wallace, chief clerk for the Warren Spruce Co., at Newport, when they were active down there; and a man whose name I could not learn, but it was said he was connected with the Spruce Corporation. He was a short, stocky man, and wore a black suit and a dark fedora hat. These men called on Capt. Sorensen, who was in charge of the records at the record and storage office.

Mr. FREAR. Where?

Mr. FRENCH. At the upper cantonment, Vancouver Barracks; and Hutchinson told Sorensen that he had been sent for to get certain correspondence relative to a deal in which the Warren Spruce Co. was interested in connection with the Yaquina district.

Mr. FREAR. Sent over by whom?

Mr. FRENCH. That I could not say; he simply said he had been sent over.

Mr. FREAR. Where did you get this information?

Mr. FRENCH. I was right there and overheard the conversation. Capt. Sorensen advised Mr. Hutchinson that the records of the Warren Spruce Co., so far as he knew, were in storage at the steel warehouse at the cut-up plant.

Mr. FREAR. In the Government files?

Mr. FRENCH. In the warehouse, and that he did not have the authority to turn over any records that they might have, and that they would have to get the authority from the Portland office, and advised Hutchinson to do that and referred him to the Portland office—the town office. Hutchinson then told Capt. Sorensen that his company had already arranged for the delivery of such files in the possession of the spruce corporation as might be desired; that they had been furnished with a letter from Capt. Owen Massey, A. S. A. P., to Capt. C. W. Latimer, A. S. A. P., which he had handed to Capt. Latimer about two weeks before, for certain files desired at that time and had been delivered three files at that time. The unidentified man who said he represented the spruce corporation then advised Capt. Sorensen that it was all right to deliver any files that Mr. Hutchinson should want for the Warren Construction Co. In keeping with certain instructions I had, I was necessarily obliged to make report on another matter to Capt. Farr.

Mr. FREAR. Just what occurred?

Mr. FRENCH. I followed these men down to the cut-up plant. Then I went to the cut-up plant to inform Capt. Farr, he being the intelligence officer on duty over there, and I noticed those men were in the office of the headquarters and they were still after those files. I was on special work at the upper cantonment, so it was impossible for me to watch them any further, and I immediately reported to Capt. Farr and he said he would take it up. So I made no further reports on that.

Mr. FREAR. What was done, so far as you understand; did they get the letters?

Mr. FRENCH. I can not say as to that. I reported they got the three files and had this letter previous to this time.

Mr. FREAR. What was the size of the files?

Mr. FRENCH. That you will have to check up the inventories on.

Mr. FREAR. What was the number of letters in a file?

Mr. FRENCH. The files at the present time, especially files on record over there, are in boxes, possibly that wide and that long [indicating].

Mr. FRENCH. That is, 3 feet by 2 feet?

Mr. FRENCH. No; possibly 12 inches, or something like that; I have not got the exact size. They were ordinary packing boxes.

Mr. FREAR. Those boxes were turned over to the Warren Spruce Co.?

Mr. FRENCH. According to Hutchinson's talk with Capt. Sorensen, they were.

Mr. FREAR. Who had authority over there?

Mr. FRENCH. What do you mean by "over there"?

Mr. FREAR. Who had control?

Mr. FRENCH. As I say, Capt. Massey had furnished Hutchinson with a letter to Capt. Latimer authorizing the delivery of that stuff.

Mr. FREAR. From whom?

Mr. FRENCH. I can not say.

Mr. FREAR. He delivered it upon a letter he received?

Mr. FRENCH. Received from Capt. Owen Massey. Those are the words of Mr. Hutchinson.

Mr. FREAR. Are these in reference to some transactions at Yaquina Bay?

Mr. FRENCH. The records were in connection with a deal they were connected with in the Yaquina district.

Mr. FREAR. Did those files belong to the Government, or were they in the control of the Government?

Mr. FRENCH. Of course, that I would not know.

Mr. FREAR. The rest of the files are kept in custody there?

Mr. FRENCH. We have the cut-up plant, the Warren Spruce construction matters, miscellaneous other files, stored in the warehouse.

Mr. FREAR. Did those files belong to them?

Mr. FRENCH. They pertained to their operations. I do not know who has jurisdiction over those files, but I will say that Capt. Farr made mention of the fact at the time that "that was damned poor business." I took it up with him to be absolutely safe on the thing, because he was the man I was supposed to report to.

Mr. FREAR. And they took away three files?

Mr. FRENCH. Not at that time. They had taken three files out previous to that.

Mr. FREAR. Those were Warren Spruce Co. records, according to the talk that occurred there over at Vancouver Barracks, in the possession of Government officials?

Mr. FRENCH. I would suggest that you talk with Capt. E. P. Sorensen, who is over there.

Mr. FREAR. Those were taken out this month, August?

Mr. FRENCH. August 4 was the date they were over there, and they said two or three weeks before that, so that would be along in July.

Mr. FREAR. But it was since the time this investigating committee was appointed?

Mr. FRENCH. I would imagine so; yes, sir. I do not know the exact date.

Mr. FREAR. You do not know whether it had any relation?

Mr. FRENCH. I could not say. The only thing was that the records were asked for; why; I do not know, but I reported to my superior over there.

Mr. FREAR. What else if anything have you in mind in regard to the transactions there that ought to be brought to the attention of the committee?

Mr. FRENCH. On July 25, Mr. McGill, who was connected with the Spruce Corporation and who was at one time affiliated with Maj. Lanahan, called at the headquarters of the Air Service troops, and knowing McGill from previous experience I was interested when I found out he wanted to get a line on Capt. Manin's correspondence, correspondence which according to McGill he had with the Aberdeen Lumber & Machine Co.

Mr. FREAR. He was over at the cut-up plant?

Mr. FRENCH. No, he was at the Portland office.

Mr. FREAR. What were his initials?

Mr. FRENCH. I do not know them.

Mr. FREAR. What became of that?

Mr. FRENCH. That is a thing that I checked up, and I do not know.

Mr. FREAR. What was there in that which was significant to you?

Mr. FRENCH. That goes right back to the cost-plus contracts, Maj. Breece's contracts, because at that time we were working on the same work.

Mr. FREAR. Was that correspondence given to him?

Mr. FRENCH. That is what I could not find out, but it was intimated to me by Master Electrician Dunlap, who has charge of all the correspondence, that some of the correspondence out of headquarters files had been taken. He did not come out and say so himself, but he said as much as that.

Mr. FREAR. By whom did he say?

Mr. FRENCH. He would not give me that information.

Mr. FREAR. Dunlap is in the service?

Mr. FRENCH. He is a master electrician—has charge of all the correspondence at headquarters.

Mr. FREAR. To whom does he report?

Mr. FRENCH. Col. Van Way.

Mr. FREAR. Is he over there now?

Mr. FRENCH. Col. Van Way has charge of the Air Service troops. This is a matter of conversation between Sorensen and Hutchinson and a couple more men. The witnesses are myself and Master Electrician Ralph Staniford and an ex-soldier in the record and storage office by the name of Watts. This man Wallace and Hutchinson were unknown to me until I inquired. This man Wallace could be identified further by civilian Thompson.

Mr. FREAR. What about them?

Mr. FRENCH. They were the men who were up to get the records.

Mr. FREAR. Which records were they?

Mr. FRENCH. The Warren spruce records.

Mr. FREAR. What further?

Mr. FRENCH. I have nothing further in mind right now. I might say that my reports possibly would give some more, but I can not think of anything now. This was sprung on me in a hurry, and I had no time to prepare myself.

Mr. FREAR. I understand, and the committee has insisted that you shall present whatever facts you have gathered from the nature of your duties there. You had made application for discharge?

Mr. FRENCH. I made application for discharge here.

Mr. FREAR. Where? That is, Portland, Oreg.?

Mr. FRENCH. To get to that—I made my first application on the form that was sent out by the cut-up plant. That was away back in February. I was advised by my commanding officer that there would be many ahead, and to stay in the service at \$81 a month, which was all right. I later got a letter from Capt. —

Mr. FREAR. Eighty-one dollars, in addition to what?

Mr. FRENCH. Eighty-one dollars is my pay, and my clothing and everything found.

Mr. FREAR. Your commutation and rations?

Mr. FRENCH. Yes, sir; that is my regular pay, \$81.

Mr. FREAR. What is the total which you would get in money?

Mr. FRENCH. It would figure around \$150 altogether. I then got a letter at the time that I was relieved from special duty at the cut-up plant. If I had my correspondence, I could get that for you. I was given a letter to Capt. Pitney, who was in command of the service

troops at the upper cantonment, and it was suggested that I be given my immediate discharge so I could work as a civilian at the cut-up plant. Not more than possibly a week ago, on the strength of promises of men who were supposed to be here for discharge, I presented my letters and requested to my commanding officer through channels and was advised that Col. Van Way would not recognize the letters. They were too old, a certain circular, the date of which I can get if you need it, stating that they would discharge a man sending that man back to the assembling camps, back to their home point and travel pay from that point.

Mr. FREAR. Where is that, in your case?

Mr. FRENCH. Minneapolis. That is my home, but I have made arrangements, to be honest with you, to go to New York City. So I will have to be sent to Camp Dodge, to Minneapolis, and finally by the Government to New York. The affidavit says to collect additional mileage.

Mr. FREAR. That is granted to you under the rules or regulations?

Mr. FRENCH. Yes, sir; I signed an affidavit that that is my bona fide home.

Mr. FREAR. When did you get word that you were going to be discharged?

Mr. FRENCH. It was intimated about a week ago that the work would run along at the outside until the 15th of the month.

Mr. FREAR. Of September?

Mr. FRENCH. Yes; and then we were told we were to be discharged and transferred to-morrow.

Mr. FREAR. That is, Saturday?

Mr. FRENCH. Yes.

Mr. FREAR. When did you hear that?

Mr. FRENCH. That was the first part of this week.

Mr. FREAR. That was the first part of this week.

Mr. FREAR. So you are expecting this discharge tomorrow?

Mr. FRENCH. No. I expect to be transferred, and the thing I want to know, which is a trifle to a certain extent, but means considerable to the men who have stayed here and helped out on the promise that they would be taken care of—

Mr. FREAR. In what particular do you feel that there ought to be some other arrangement?

Mr. FRENCH. I feel that the men who have stuck to the job and put these records in shape should be given some different consideration.

Mr. FREAR. What consideration?

Mr. FRENCH. Should be given just a discharge here and additional pay if they want it.

Mr. FREAR. Have you asked for that?

Mr. FRENCH. Yes. I have also made request with the commanding officer to take up the matter to see if anything could be done. Nothing has been done.

Mr. FREAR. How many men are there in the same position?

Mr. FRENCH. Possibly eight men altogether.

Mr. FREAR. These men would have preferred to be discharged here?

Mr. FRENCH. We had one man that will be discharged here, who is accepting work at the officers' club, but the majority of those

men, having been promised discharge here, would rather be discharged here.

Mr. FREAR. Would you get mileage pay?

Mr. FRENCH. Yes, sir.

Mr. FREAR. To what point?

Mr. FRENCH. To our bona fide home.

Mr. FREAR. That would be Minneapolis, in your case?

Mr. FRENCH. Minneapolis, and later on to New York. But I want to say the files will show that at the cut-up plant men were released and being discharged and we were promised our travel pay back to New York City and other points. Of course, we are told that orders are orders. That is military, and that no special exception can be made in our cases. But every man over there is really entitled to it. The promise that was held out to them should be made good.

Mr. FREAR. Who held out the promise to you?

Mr. FRENCH. It was held out through the commanding officer and through the headquarters. I would not attribute it to Col. Van Way; it was the general atmosphere we were working under.

Mr. FREAR. Now, of course, this regulation is put forth?

Mr. FRENCH. Yes, sir.

Mr. FREAR. Is there anything else you can think of?

Mr. FRENCH. Nothing that I have in mind, sir.

Mr. LEA. What was the extent of those bad cants that were used at the Vancouver plant?

Mr. FRENCH. My report tells. I endeavored to report that.

Mr. LEA. Can you give any approximate idea?

Mr. FRENCH. No; I refer you to the lumber that the Willapa people bought. That will give you a fair idea, because it was suggested that they bought the commercial lumber.

Mr. LEA. Was it a material proportion?

Mr. FRENCH. Yes; it is very material.

Mr. LEA. Were those cants furnished by one of the Vancouver mills or shipped in from outside mills?

Mr. FRENCH. From outside mills. The logs were cut into 4½-inch cants. We had rives in there also. They were sawed and rived cants. (The witness was excused.)

Mr. MAGEE. Mr. Chairman, there is a clipping I have cut from this morning's Oregonian, with reference to a proposed resolution commending efforts to get out spruce at the cut-up plant at Vancouver, and this proposed resolution was of such a remarkable character that I would like to put it in the record.

Mr. FREAR. Do you desire to read it in?

Mr. MAGEE. I have no desire to read it in unless the committee wishes it, but I offer it as showing, apparently, the atmosphere that certain persons perhaps breathe here in the State of Oregon in reference to spruce production.

Mr. FREAR. You might read it for the benefit of the committee.

Mr. MAGEE. I will read it, and offer it in evidence as an exhibit.

(The clipping above referred to, marked "Exhibit No. 1, Aug. 29th, 1919," is copied in the record in full, as follows:)

"RAP IS TAKEN AT DISQUE—VANCOUVER COMMERCIAL CLUB REFUSES TO INDORSE WORK—RESOLUTION COMMENDING EFFORTS TO GET OUT SPRUCE AT CUT-UP PLANT OVERWHELMINGLY VOTED DOWN.

"VANCOUVER, WASH., August 28. (Special.)—A resolution indorsing Gen. Brice P. Disque in his management of the Spruce Production Division was

voted down at the meeting of the Commercial Club last night. The resolution which the club refused to underwrite is as follows:

- "Whereas under the good judgment and supervision of Gen. Brice P. Disque the spruce cut-up plant of the Federal military service was located in the most logical point for its successful operation at Vancouver, Wash.; and
 - "Whereas under the extremely adverse conditions and impediments of being obliged to construct said plant by and with the service and labor of inexperienced men and during weather in an inclement season of the year which made such construction almost impossible; and
 - "Whereas during said construction he was also hindered by and was obliged to overcome adverse and unpatriotic propaganda circulated among certain of his helpers; and
 - "Whereas in spite of the labor and weather conditions above set forth he was able in a term of about 45 working days during the winter season to construct and bring into operation the largest mill of its kind ever built, which was able to turn out 1,000,000 feet per day of airplane lumber, the largest output by one institution ever manufactured; and
 - "Whereas the said plant was the largest and most productive institution of its kind ever constructed by the hand of man in the given time; and
 - "Whereas by said most remarkable construction and efficiency the United States Government was able to make such production of airplanes that the control of the air was assumed and maintained by the Allies in the late war; and
 - "Whereas by said airplane production the turning point of the war was made and said war was won: Be it
- Resolved*, That we hereby indorse and commend the military administration of Gen. Brice P. Disque in his control and management of the Spruce Production Division of the United States military activities at Vancouver, Wash." [Laughter.]

Mr. FREAR. You say that was passed?

Mr. MAGEE. No; but the proposed resolution is of such a remarkable character that I think it ought to be put in the record, in order that our colleagues in the House may get some appreciation of the atmosphere here.

(Thereupon, at 5.30 o'clock p. m., an adjournment was taken until Tuesday, September 2, 1919, at 10 o'clock a. m.)

SUBCOMMITTEE No. 1 (AVIATION)
OF THE SELECT COMMITTEE ON
EXPENDITURES IN THE WAR DEPARTMENT,
HOUSE OF REPRESENTATIVES,
Tuesday, September 2, 1919.

The subcommittee met at 10 o'clock a. m. in the post office building, Portland, Oreg., Hon. James A. Frear (chairman), present. Also present, Hon. Walter W. Magee and Hon. Clarence F. Lea.

TESTIMONY OF MR. J. B. MILLER.

(The witness was sworn by Mr. Frear.)

Mr. FREAR. Where do you live?

Mr. MILLER. City of Portland.

Mr. FREAR. For how many years have you lived here?

Mr. MILLER. I have lived here about 18 years in Portland. I have been in this country about 30 years.

Mr. FREAR. What is your business?

Mr. MILLER. I am a logger.

Mr. FREAR. And have been for how many years?

Mr. MILLER. For about 25 years.

Mr. FREAR. Whereabouts?

Mr. MILLER. Ostrander and Cathlamet, Wash., and Toledo, Oreg.

Mr. FREAR. In this section of the country?

Mr. MILLER. Yes, sir.

Mr. FREAR. Logging what?

Mr. MILLER. Spruce and fir; mostly fir, and cedar, and spruce.

Mr. FREAR. You were conducting logging operations at Toledo, were you?

Mr. MILLER. Yes, sir.

Mr. FREAR. For what period?

Mr. MILLER. Six years.

Mr. FREAR. That is, from what dates?

Mr. MILLER. From 1913. I have just practically left there, about six months ago. In fact, I have not left there yet.

Mr. FREAR. You have interests there still?

Mr. MILLER. To a certain extent.

Mr. FREAR. You were doing work there in 1918?

Mr. MILLER. Yes, sir; I was there during all of 1918.

Mr. FREAR. So you are familiar with the surrounding conditions that are found at Toledo?

Mr. MILLER. Yes.

Mr. FREAR. Did you have any interests in the mill at Toledo?

Mr. MILLER. Yes, sir.

Mr. FREAR. Who was interested with you?

Mr. MILLER. Mr. Bade and Mr. Putnam.

Mr. FREAR. What was the capacity of that mill?

Mr. MILLER. Fifty thousand—sixty thousand—it has cut 85,000 a day.

Mr. FREAR. Where did you cut your timber from?

Mr. MILLER. North of Toledo, toward Siletz. I built a logging railroad in there in 1913.

Mr. FREAR. And the road has been extended from time to time?

Mr. MILLER. Yes.

Mr. FREAR. The road extended how far before you completed operations in that section?

Mr. MILLER. Into section 19. I built two lines, what was known as the Wessel spur. That goes into section 24.

Mr. FREAR. That is, your road runs north to the north half of section 30. Is that right?

Mr. MILLER. Yes, sir.

Mr. FREAR. In township 10, range 10?

Mr. MILLER. Yes; 10, 10.

Mr. FREAR. Then it divides in two branches, one leading over into the south half of section 24?

Mr. MILLER. Yes, sir.

Mr. FREAR. And the other leading up into the south half of section 17.

Mr. MILLER. Section 17.

Mr. FREAR. About how far from the junction of the road down to Toledo or down to where you were logging?

Mr. MILLER. About 6 miles.

Mr. FREAR. And how far down to where you put your logs into the slough?

Mr. MILLER. I first drop in the slough about 7,600 feet from Toledo, north from Toledo.

Mr. FREAR. So that would be about—from where you put your logs into Depot Slough would be about 2 or 3 miles to this junction?

Mr. MILLER. Farther than that.

Mr. FREAR. How much?

Mr. MILLER. About 4 miles.

Mr. FREAR. Four miles from where you put the logs into the slough to the junction?

Mr. MILLER. It would be farther than that at this time, but that is where I started in.

Mr. FREAR. How far beyond, approximately—just your best judgment—did the north line which ran into 17 extend from the junction?

Mr. MILLER. About $2\frac{1}{2}$ miles.

Mr. FREAR. And the road that ran over into section 24 and section 23—did it go to 23?

Mr. MILLER. I built up within a thousand feet of 23 when I logged a quarter section in 24.

Mr. FREAR. About how far did that extend from the junction?

Mr. MILLER. About a mile and a half, I guess. It would run diagonally across 18, making it farther than it appears on the map.

Mr. FREAR. Diagonally across?

Mr. MILLER. From 30.

Mr. FREAR. Across 19?

Mr. MILLER. Yes.

Mr. FREAR. What kind of timber grew around that section?

Mr. MILLER. Fir and spruce.

Mr. FREAR. You are familiar with that Siletz region?

Mr. MILLER. Very well.

Mr. FREAR. What kind of timber grows there?

Mr. MILLER. Fir and spruce.

Mr. FREAR. And I suppose other timber?

Mr. MILLER. A fairly good growth of spruce; not so much until you go farther down the river. We have some places where there is solid spruce and other places where there is no spruce at all.

Mr. FREAR. Down the Siletz River?

Mr. MILLER. Where we have been logging.

Mr. FREAR. And that would be running north?

Mr. MILLER. That is rather northwest.

Mr. FREAR. Practically north of section 17?

Mr. MILLER. Yes, sir.

Mr. FREAR. The timber grows how far above—how far north; the number of miles?

Mr. MILLER. I do not know. I never have been down the line; I can not say.

Mr. FREAR. Would you say several miles or more?

Mr. MILLER. I have been through there 10 or 12 miles, and there was plenty of timber there yet.

Mr. FREAR. What I am trying to ascertain is with reference to building a road north joining onto the road you had there for the purpose of getting out timber for Government airplane use? I explain that briefly, so that you will know what my questions lead to. What was the grade upon this road you had running up into section 17 and south into 24?

Mr. MILLER. There was no grade beyond 3 per cent.

Mr. FREAR. That was 3 per cent?

Mr. MILLER. With the empties.

Mr. FREAR. What was the grade coming down?

Mr. MILLER. We had about 1,500 feet of 1 per cent adverse with the loads.

Mr. FREAR. You are up near the summit elevation in section 17?

Mr. MILLER. One thousand two hundred feet from the summit.

Mr. FREAR. What would be the percentage in rise from that to the summit, can you say—greater or less?

Mr. MILLER. No; the same per cent. I built a 3 per cent grade.

Mr. FREAR. That is for coming down with empties?

Mr. MILLER. Yes, sir; or coming down with a load.

Mr. FREAR. When coming down with the load?

Mr. MILLER. One per cent adverse.

Mr. FREAR. Going up with empties?

Mr. MILLER. No; going up with loads. You pull the hill with 1 per cent.

Mr. FREAR. Oh, yes. Have you examined with regard to the topography of the country, regarding building a road up north to get into this Siletz timber?

Mr. MILLER. I have been down the river, all over that whole country.

Mr. FREAR. What have you to say regarding the advisability of the possibility of getting a railroad in there, to get out this timber from that section?

Mr. MILLER. You would find no trouble at all. You could go in and build it west and get spruce, or build roads all over that country. That was my idea when I built the road in there.

Mr. FREAR. You built the road originally?

Mr. MILLER. I built the road; yes.

Mr. LEA. By referring to down the river you mean north or south?

Mr. MILLER. Down the river is northwest; no, practically north.

Mr. LEA. You had reference to the river flow?

Mr. MILLER. Yes.

Mr. FREAR. Have you any idea of the amount of spruce up in that Siletz country?

Mr. MILLER. No, sir; I do not know.

Mr. FREAR. You do not know the cruise?

Mr. MILLER. I am not familiar with the county cruise, but I know there was all the spruce in the Siletz country necessary to supply the European countries if they had cut it. The spruce would have supplied practically all of the European countries if they wanted it.

Mr. FREAR. From the Siletz country alone?

Mr. MILLER. From the Siletz section alone.

Mr. FREAR. You are familiar with all the conditions in this Siletz country?

Mr. MILLER. Yes, sir; I have been practically all over it.

Mr. FREAR. What is your best judgment as to the most feasible means of getting in there and getting out the timber?

Mr. MILLER. From down the river and across into section 6 would be my idea—what is called Dewey Creek; there is a low pass. Pull up through section 6 and drop into Dewey Creek, and then you can go anywhere down into the Bull's Bag.

Mr. FREAR. In a northerly direction?

Mr. MILLER. Yes.

Mr. FREAR. Where would it be brought out?

Mr. MILLER. At Toledo.

Mr. FREAR. That is the most available place, according to your judgment?

Mr. MILLER. It is the only place; it is not the available place. It is the only place. You can cross the summit in section 23 and get over into a lot of rocky country.

Mr. FREAR. Into section 23. That is over near the coast?

Mr. MILLER. Yes; over in the same direction they built this Government line.

Mr. FREAR. What about that course?

Mr. MILLER. You could get through there, but you would have quite an adverse grade getting back up.

Mr. FREAR. What about the economy of time as well as money in getting a road in there?

Mr. MILLER. Well, the Government built about within three miles of their coast line when they abandoned this line. That is what we call the Wessel spur—that is, going in west.

Mr. FREAR. You are speaking of one that joins your line?

Mr. MILLER. Yes, sir. The Government built that line in there. They join onto the end of the line I built.

Mr. FREAR. How far did they build in?

Mr. MILLER. I think about a mile and a half. They built all kinds of spurs in there.

Mr. FREAR. I thought you referred when speaking about the Spruce Production line, to one that runs up west?

Mr. MILLER. They built within 3 miles of that on the Wessel spur.

Mr. FREAR. What about the convenience and economy of getting in around the ocean side, compared with your course?

Mr. MILLER. There is no comparison at all. In the first place, they could not get anywhere.

Mr. FREAR. On around on the coast line?

Mr. MILLER. They could not get anywhere on the coast line. They would go up against Otter Rock and then they have got to go through Otter Rock Mountain. That is an iron mountain.

Mr. FREAR. You are familiar with all that territory?

Mr. MILLER. I have walked all over it.

Mr. FREAR. You have seen that mill at Toledo that has been built by the Spruce Production Corporation and which was never completed?

Mr. MILLER. Yes, sir.

Mr. FREAR. What have you to say about the value of that mill for practical purposes?

Mr. MILLER. The value of that mill is just what the machinery is worth.

Mr. FREAR. Is it practicable to use it for any logging purpose by anyone in this section of the country?

Mr. MILLER. I would not consider so. Our people figured on buying it, and I said, "If you do, we are broke right now."

Mr. FREAR. Why?

Mr. MILLER. Because you could never make anything out of it.

Mr. FREAR. You mean you could not make any profit on the investment?

Mr. MILLER. You would have to rebuild it.

Mr. FREAR. In what respect?

Mr. MILLER. It is too short on one end and too long on the other. You can not get but about a 24-foot log into the mill, and then you would have to tear down all the northerly end of it. You would have to tear that down before you could get the timber out. You could not get more than a 24-foot log out, and if they were to run that mill to full capacity they would go half an hour and the whole thing would be blocked. Of course, they never built it for practical logging purposes; they cut the stuff all up in short pieces. There is as fine machinery in that as money can buy, but that is as far as it goes.

Mr. FREAR. Do you remember when you were working, logging upon your northerly line, that there were Government employees logging over on the westerly line?

Mr. MILLER. Yes, sir.

Mr. FREAR. I have not asked you anything about this before.

Mr. MILLER. Ask me anything you want to.

Mr. FREAR. I have not asked you in advance to ascertain your judgment about it. What was the comparative output of those two forces of loggers or men who were engaged in logging at these two branches?

Mr. MILLER. I logged on the north branch and they logged on the west branch. They had five sides and I had one, and put out the same number of logs or possibly more logs than they did.

Mr. FREAR. With one side you put out as many or more logs as they did working on the west line with five sides?

Mr. MILLER. Yes, sir.

Mr. FREAR. About how many feet of logs would that be a day?

Mr. MILLER. I put out 70,000 to 80,000 feet.

Mr. FREAR. How many men did you have?

Mr. MILLER. About 55 men.

Mr. FREAR. And about how many men would you say were over on this westerly branch, called the Wessel branch?

Mr. MILLER. Something like 500.

Mr. FREAR. Soldiers, or what?

Mr. MILLER. Mostly soldiers.

Mr. FREAR. That is to say, in general, they had about ten times the force you were employing, with five sides, and with one side you put out approximately the same amount of logs?

Mr. MILLER. I do not know how many men they had, but I would judge 500 men.

Mr. FREAR. A large number of men?

Mr. MILLER. I know several times they had 75 or 80 men on a section.

Mr. FREAR. Did you have any soldiers working for you?

Mr. MILLER. Yes, sir.

Mr. FREAR. How many?

Mr. MILLER. I had 12 on the section, and we had 20 to 25 men in the railway.

Mr. FREAR. How many in the logging?

Mr. MILLER. None in logging.

Mr. FREAR. What kind of men were working over this Alsea line?

Mr. MILLER. Mostly soldiers, practically all soldiers. There was a few civilians, what they figured to go ahead with.

Mr. FREAR. Those were men who had charge of the work?

Mr. MILLER. Yes, sir; mostly.

Mr. FREAR. Is there anything further that you think would be of help to the committee?

Mr. MILLER. I do not know. Of course those soldiers——

Mr. FREAR. I mean, in a general way, about all the work there.

Mr. MILLER. The soldiers were as good a set of boys as ever lived, but they were inexperienced in that work. We had doctors and lawyers and dentists and everything else on the section in the woods.

Mr. FREAR. What was the reason for putting doctors and lawyers and dentists over there in the woods, do you suppose?

Mr. MILLER. I could not answer that.

Mr. FREAR. You had nothing to do with determining the policy?

Mr. MILLER. I would never put them there if it had been me.

Mr. FREAR. What was the approximate cost of building your railroad?

Mr. MILLER. I built some of my line for \$8,000 a mile.

Mr. FREAR. And what was the most expensive?

Mr. MILLER. \$15,000.

Mr. FREAR. What would have been the cost of building a railway north from this point, so far as you can judge, throughout this country, based upon your experience throughout this section?

Mr. MILLER. I do not think it would cost more than \$12,000 a mile. Steel is worth about \$5,000 a mile.

Mr. FREAR. What weight?

Mr. MILLER. Fifty-six pounds.

Mr. FREAR. That is the general weight?

Mr. MILLER. That is good enough for logging.

Mr. FREAR. You have built other railways, have you?

Mr. MILLER. Yes, sir.

Mr. FREAR. And logged elsewhere, as you said?

Mr. MILLER. Yes, sir.

Mr. FREAR. So you have had experience?

Mr. MILLER. I built the Cathlamet line 18 miles, in Cathlamet, Wash.

Mr. FREAR. What did that cost?

Mr. MILLER. It was quite an expensive road there. I would judge that road probably cost \$12,000 a mile. I had quite a lot of rock work and several trestles to build.

Mr. FREAR. And that was 18 miles long?

Mr. MILLER. I built 18 miles. I built 6 miles to start with, and kept adding to it.

Mr. FREAR. In 1918 did you build any of that road?

Mr. MILLER. Yes, sir.

Mr. FREAR. About how much?

Mr. MILLER. About a mile.

Mr. FREAR. About what was the expense of that?

Mr. MILLER. I could not tell you.

Mr. FREAR. Approximately?

Mr. MILLER. Not to exceed \$12,000. I had some pretty heavy cuts and fills to make.

Mr. FREAR. That is up at the cut on the north side, where we went with a locomotive? Let me just state for the record that the committee within the past three days has gone to Yaquina, Oreg.; has examined the road mentioned by the witness, including both branches running north and west; has gone down the south line across Alsea Bay to the Blodgett tract and the 24-mile road, and has gone over the north line around toward Otter Rock, and has that information with which to aid them in coming to their conclusions.

Mr. LEA. Where is the mill that you are interested in?

Mr. MILLER. At Toledo, Oreg.

Mr. LEA. Is that the one that Mr. Story is connected with?

Mr. MILLER. Yes, sir; I sold it to Mr. Story.

Mr. LEA. You no longer have any interest in it?

Mr. MILLER. I do in a certain way; yes.

Mr. LEA. But not as an operator?

Mr. MILLER. No.

Mr. LEA. This logging that you did, was that for yourself or for the Government?

Mr. MILLER. I didn't log for the Government at no time. We logged, cut, and sold to the Government all the timber that we could cut.

Mr. LEA. Did you sell the finished lumber or the cants to the Government?

Mr. MILLER. No; we cut cants for the Government.

Mr. LEA. You did not sell any logs to the Government?

Mr. MILLER. We might have sold half a dozen logs for some purpose to the Government.

Mr. LEA. But none shipped down?

Mr. MILLER. No; not that I know of.

Mr. LEA. What market did you supply with your mill?

Mr. MILLER. Any market we could sell to.

Mr. LEA. You shipped it over the bar more or less, did you?

Mr. MILLER. I shipped two years over the bar.

Mr. LEA. Who was doing this logging for the Government? You spoke of their having five sides while you were operating one?

Mr. MILLER. Mr. Hall was the manager.

Mr. LEA. Who is Mr. Hall?

Mr. MILLER. I do not know anything about Mr. Hall, only that Mr. Hall was the manager.

Mr. LEA. Do you know where he lives?

Mr. MILLER. He lived in Alaska somewhere, or British Columbia. He was a miner.

Mr. LEA. You do not know where he is now?

Mr. MILLER. No. All I know is that he is a very nice gentleman, as far as I know.

Mr. LEA. Do you know if he had ever logged before?

Mr. MILLER. He said not. His experience in the way he operated showed he never logged before.

Mr. LEA. Was his crew doing any construction work?

Mr. MILLER. Oh, yes; they logged and built roads and did general work of all kinds all the time they were in there.

Mr. LEA. Were they doing big construction work at the time you referred to when you were getting out 85,000 a day?

Mr. MILLER. Oh, yes; they were building a track with a track building crew, but they had five sides in there.

Mr. LEA. About how much lumber per day did you ordinarily get out with one side?

Mr. MILLER. Just according to the chance you have.

Mr. LEA. I mean, the average.

Mr. MILLER. Some loggers get out 40,000 and some 125,000. That is owing to the chance they have.

Mr. LEA. Of course, the timber has a lot to do with that?

Mr. MILLER. The timber and the ground.

Mr. LEA. Were you doing selective logging or general logging?

Mr. MILLER. General logging.

Mr. LEA. And what was this other crew doing?

Mr. MILLER. They went over the ground about three times. I do not know what they were doing.

Mr. LEA. Were they supposed to be doing selective logging, or picking it clean?

Mr. MILLER. They first went over the ground and taken out a few trees, and went over again, and I think logged over the third time. They logged as clean as I did, eventually. I do not know what kind of logging they would call it.

Mr. LEA. You did not discuss that with Mr. Hall?

Mr. MILLER. Did I?

Mr. LEA. Yes.

Mr. MILLER. I had no information about that.

Mr. LEA. So, if they went over it one time and then went over it a second time, getting part of it each time, that would have been selective logging?

Mr. MILLER. I imagine so. We logged a second time over the ground.

Mr. LEA. I just wanted to get at the fact. There is not any doubt that they were doing selective logging?

Mr. MILLER. I imagine so. I was up there probably half a dozen times during the time they were in there.

Mr. LEA. Now, as I understand your testimony, you believe that the most favorable way to get into the Selitz would be to go in from the south above Toledo and then east, your idea being that they should follow down to Selitz to tidewater; or, what is your idea about that?

Mr. MILLER. My idea would be to build from the end of my line, the northern line there, across the summit, on the same survey that I have, and then go down the river into section 6 and across the hill into Dewey Creek or Jay Bird Creek.

Mr. LEA. How far north would that take you, do you know?

Mr. MILLER. That would take you clear on down beyond—get over Jay Bird Creek—it would take you down to the—

Mr. LEA. I am not familiar with those locations. Could you tell me about how many miles it would be?

Mr. MILLER. About 6 miles.

Mr. LEA. About 6 miles from Toledo?

Mr. MILLER. No; not from Toledo.

Mr. LEA. Six miles from the present railroad?

Mr. MILLER. From the point of the present railroad.

Mr. LEA. How far would that be from Toledo?

Mr. MILLER. Well, that would be about 13 or 14 miles.

Mr. LEA. Now, if the railroad was constructed over to the Selitz shed from this spruce-production railroad No. 11, how high would the elevation be?

Mr. MILLER. I do not know anything about No. 11. I never was over there.

Mr. LEA. You own timber in there, do you not?

Mr. MILLER. No, sir.

Mr. LEA. You owned timber in there in the past?

Mr. MILLER. Yes, sir.

Mr. LEA. Where was your timber located?

Mr. MILLER. Sections 17 and 24.

Mr. LEA. That is where the branches run north from Toledo?

Mr. MILLER. Well, it is where the Wessel branch turns off. The Wessel spur turns off and goes into 24. I logged one quarter section in 24.

Mr. LEA. Then your route, you think, would be the most practical one, would be the one that would run through your property?

Mr. MILLER. Well, for the northern line there, starting at the end of my line, going over the hill into the Siletz Basin, and then down the river.

Mr. LEA. There are other ways that they could get in, are there?

Mr. MILLER. There is nothing impossible; no. You could build any way, as far as that is concerned, but it is not practical at all.

Mr. LEA. Do you know about the elevation of that watershed between the Siletz and the ocean?

Mr. MILLER. Why, some points there are 700 feet high. My aneroid showed 700 feet. Of course, there might have been some points I never was on, but I have been practically all over that country.

Mr. LEA. Is that 700 feet the lowest point?

Mr. MILLER. No, no. I crossed at 260 feet. Some call it 400 feet, but my aneroid showed me 260 feet.

Mr. FREAR. That is in 17?

Mr. MILLER. Yes, sir. Well, that is in 17 and 18. It practically comes together right there.

Mr. LEA. You never had any occasion to go north on that watershed beyond your property, did you?

Mr. MILLER. Yes, sir. I had two men working there for two months trying to find a pass through there.

Mr. LEA. For what purpose did you want to go up there?

Mr. MILLER. I wanted to build in the Wessel way, you see, on the Wessel spur. There was the main line first, and after my cruisers went in there and worked two months they could not get out of there with any practical line, and I came back and went the north way.

Mr. LEA. That was where your men were working, was out near the ocean, was it?

Mr. MILLER. No, sir. From where I cross the summit on through there for a distance of 5 or 6 or 7 miles.

Mr. LEA. And that is north, is it?

Mr. MILLER. North; yes. I never tried to cross the summit down where they tried to cross it, down at Otter Rock.

Mr. LEA. Your idea was to reach Toledo, reach the Siletz Basin from Toledo?

Mr. MILLER. Yes, sir. That is the only practical way to do it.

Mr. LEA. Have you ever made any cruise of the timber on down the Siletz to the ocean?

Mr. MILLER. Some I have, not all; no.

Mr. LEA. Where is the main body of the spruce, or is it distributed throughout that basin?

Mr. MILLER. Well, there is quite a lot of spruce all over, but around the Bull's Bag is the heaviest spruce.

Mr. LEA. Will you tell me where that place is? I am not familiar with these locations.

Mr. MILLER. That is about 6 miles down the river from the end of my line.

Mr. LEA. Now, in reference to the mill, Mr. Miller, you said the mill was too short on one end and too long on the other. Is the mill any shorter than the ordinary operating mill?

Mr. MILLER. Well, I would say so, yes; the end at which the logs come in the mill.

Mr. LEA. It should extend farther out, is that the idea?

Mr. MILLER. Yes.

Mr. LEA. What is the idea, to give room to handle the logs?

Mr. MILLER. You understand the elevation. The chute comes up into the mill, and then it is about 24 feet from the end where they break over to the level, you see, where they roll onto the carriage to the saw.

Mr. LEA. You would want more level room on top?

Mr. MILLER. More level room on top.

Mr. LEA. And to supply that would require an extension of this mill, wouldn't it?

Mr. MILLER. An extension of that end; yes, sir; on the long end.

Mr. LEA. But it would not require tearing down any portion of the mill that is built, that is constructed?

Mr. MILLER. Oh, no; but if you was to put on sufficient there to saw a 100-foot stick in there, which you should do in a mill of that capacity, why then you would have to clear all the south end down to get the timber out.

Mr. LEA. That would be for ordinary sawmill work?

Mr. MILLER. No; not ordinary. Ordinary mills do not use 100-foot sticks; but in that country they should do it.

Mr. LEA. If you wanted to do a big milling business?

Mr. MILLER. A mill as big as that should be able to saw a 100-foot stick—a big stick.

Mr. LEA. But the mill is wide enough—too wide, you say?

Mr. MILLER. It is wide enough; yes.

Mr. LEA. Oh, no; oh, no; they could run it if it was a mile wide. I think the mill is well built. From all that I can see about the mill it is well built. What I mean to say is the construction—what timbers are put up—the mill is well constructed. It is not in proportion to what they want to do with it. It is constructed for a different purpose than to accommodate the needs of a commercial sawmill?

Mr. MILLER. Yes.

Mr. LEA. Now, these soldiers were practically all inexperienced men in the lumber business, were they not?

Mr. MILLER. I will say that 90 per cent of them were; yes.

Mr. LEA. And it is a difficult thing for any man—it is impossible, is it not, for the inexperienced man to perform the same amount of labor that the experienced man does; it takes time to qualify him?

Mr. MILLER. Yes. Some of them were only in the way.

Mr. LEA. Yes. Now, on the whole, you found the soldiers willing to try to do, though, did you?

Mr. MILLER. Well, yes; largely they were willing to do. That is, they were not willing to do as long as they were getting soldiers' pay, but I paid them civilian wages when I hired them. I would not have them unless I could pay them civilian wages.

Mr. LEA. You got better results, did you?

Mr. MILLER. They worked to the best of their ability then.

Mr. LEA. You thought that was the right course to pursue?

Mr. MILLER. No; I do not.

Mr. LEA. To pay them civilian wages?

Mr. MILLER. No; I did not.

Mr. LEA. You think they should have been paid soldiers' pay?

Mr. MILLER. I do not think any man in that service should have been paid any more than the man at the front.

Mr. LEA. How about a man working on a ship as a civilian? Do you think he should be paid civilian wages?

Mr. MILLER. No; he should not have any more pay than the men who fought in the trenches.

Mr. LEA. You believe in the conscription of labor during the war for war purposes; is that the idea?

Mr. MILLER. I do not believe any man who has his pleasure here should have any more pleasure and get any more pay than the man at the front.

Mr. LEA. Would you be willing that the mill owners and loggers proceed on the same theory?

Mr. MILLER. Well, yes, yes. I was not very anxious to get rich at the expense of the Government.

Mr. LEA. At what price did you figure steel rails in the estimate given a while ago?

Mr. MILLER. Well, I figured them about \$5,000 to the mile.

Mr. LEA. How many tons to a mile?

Mr. MILLER. Eighty-eight tons to the mile, in 56-pound steel.

Mr. LEA. What price would that be per ton?

Mr. MILLER. Well, I have not figured it up, but along about \$5,000 a mile for the steel, splices, etc.

Mr. MAGEE. I would like to ask you a question. You spoke about 1 per cent adverse?

Mr. MILLER. Yes, sir.

Mr. LEA. I think you stated your road was built on a 3 per cent grade?

Mr. MILLER. Yes, sir.

Mr. LEA. I did not just get in my mind what you meant by saying that going up it would be only 1 per cent.

Mr. MILLER. Well, you go up on 3 per cent, and go up on the other side on 1 per cent. You do not savvy that?

Mr. MAGEE. No.

Mr. MILLER. Now, you remember that Siletz is 100 feet higher than the ocean side, or the Toledo side, the Siletz Valley, the Siletz River?

Mr. MAGEE. Oh, I see. You circle around, is that the idea?

Mr. MILLER. No; you do not circle around; you just go right over it. But the Siletz side is 100 feet higher than the Toledo side. In other words, you could turn the Siletz River right into the Yaquina River.

Mr. MAGEE. So that coming down you have the 3 per cent grade?

Mr. MILLER. You have the 3 per cent grade with the loads, or going up with the empties.

Mr. MAGEE. Going up with the empties you get what per cent?

Mr. MILLER. Three per cent going up with the empties, or coming down with the loads. If you go up the hill you are bound to come down the same hill on the same track.

Mr. MAGEE. I wanted to understand just what you meant.

Mr. MILLER. Do you understand now?

Mr. MAGEE. Well, I have had things clearer in my mind than I have this.

Mr. MILLER. Now, if you go up the hill—I probably can show you.

Mr. MAGEE. I probably can ascertain what you mean from reading what you have explained.

Mr. MILLER. If you go up the hill on a 3 per cent grade—

Mr. MAGEE. Now, you go up on a 3 per cent grade.

Mr. MILLER. You go up there on 3 per cent.

Mr. MAGEE. Then you turn?

Mr. MILLER. No; you do not turn. You are on the summit, right here. [Illustrating.] You start down that side on 1 per cent, going down.

Mr. MAGEE. You mean the other side?

Mr. MILLER. On the Siletz side, going down. That is 1 per cent going down. Then when you bring your load up, that is 1 per cent going up and 3 per cent going down.

Mr. MAGEE. I see what you mean; you branch off at the summit?

Mr. MILLER. You simply go over the hill. I am going to explain that to you. Now, here you go up this side here on 3 per cent. That is a flat place on the summit, right there on the summit. Now, you go down this side here, and there it is 1 per cent. Now you get the load and start back up the hill, and at that point it is 1 per cent, and when you go down on this side it is 3 per cent.

Mr. MAGEE. Now, you said that on this coast line, or in the extension of the coast line, that is, the road built by the Government, that you never get anywhere? What do you mean by that expression?

Mr. MILLER. Well, with any reasonable amount of money you would never get anywhere. A logger would never get anywhere with it, because he would not have money enough to drive through that tunnel; he never could go through that tunnel.

Mr. MAGEE. You mean up near Otter Rock?

Mr. MILLER. Right at Otter Rock. Otter Rock Mountain there.

Mr. MAGEE. Now, this coast line which the Government built runs up along the coast, does it not?

Mr. MILLER. I have been up the coast, but I never walked over this line.

Mr. MAGEE. Well, we went over the line yesterday and it runs up along the coast, as far as we went. Now, how far is the timber, or the spruce timber in any quantity, from the coast?

Mr. MILLER. Well, there is quite a lot of spruce timber right around Otter Rock.

Mr. MAGEE. How far is Otter Rock from the coast?

Mr. MILLER. Well, Otter Rock is right on the coast.

Mr. MAGEE. Is that a good clear cut in the log?

Mr. MILLER. No; it is what we call pin-knot spruce.

Mr. MAGEE. I mean timber suitable for airplane construction?

Mr. MILLER. Well, I would imagine it would be 5 or 6 miles.

Mr. MAGEE. In from the coast?

Mr. MILLER. Probably from the end of their line there, farther on, east.

Mr. MAGEE. What I am getting at is whether spruce timber for airplane purposes was found near the coast or in some material distance?

Mr. MILLER. Several miles in.

Mr. MAGEE. That is what I was getting at.

Mr. MILLER. It is several miles in.

Mr. MAGEE. So that to get spruce from that line they would have to turn at some point from the coast and go into the Siletz Reservation several miles.

Mr. MILLER. They would have to go inland farther than they are now.

Mr. MAGEE. To get the suitable timber?

Mr. MILLER. There is some spruce suitable anywhere, right up to the coast line.

Mr. MAGEE. If I understand you, your point is this, that you extended your road, the line of your road, it would extend several miles inland from the coast?

Mr. MILLER. Yes, sir.

Mr. MAGEE. And go in where the spruce is?

Mr. MILLER. Yes, sir. It would be several miles from the coast.

Mr. MAGEE. Well, with the coast line, no matter how far that extended on, at some point it would have to turn and go inland?

Mr. MILLER. Yes; to get away from the coast, the pin-knot spruce.

Mr. MAGEE. So it necessarily followed that it would be much cheaper, more economical, to extend your road in a straight line, which is already several miles from the coast, than to build a line over to the coast and go up along the coast and then go inland several miles.

Mr. MILLER. If they had put the same money in the extension of my line that they put on the north from the Yaquina to the Otter Rock, they would have taken out all the spruce that they would have needed at any time. They could have been logging spruce from 1 mile from the end of my line, more spruce than they got on the line that they logged on.

Mr. MAGEE. Well, in your opinion was there any necessity to build that coast-line road at all?

Mr. MILLER. Not from a spruce standpoint, there was not.

Mr. MAGEE. In order to get out spruce?

Mr. MILLER. No, sir; none whatever.

Mr. MAGEE. From that standpoint would you say that it was an absolute waste of public funds?

Mr. MILLER. Well, that is the way I would look at it; yes.

Mr. MAGEE. There isn't any doubt about it, is there?

Mr. MILLER. Not in my mind, there is not.

Mr. MAGEE. Do you think there could be in the mind of any reasonable man who had gone over the ground?

Mr. MILLER. I have heard nobody talking about it, but what said it was.

Mr. MAGEE. It is not such a road as any business man would be expected to build with his own money, is it?

Mr. MILLER. No, sir; I would not think so. I would not build it.

Mr. MAGEE. You could not conceive of anybody building such a road unless on a cost-plus contract, where somebody else paid the money, would you?

Mr. MILLER. I do not think so. I would not build it then.

Mr. MAGEE. Well, if you were building under a cost-plus contract and you got a certain percentage on the cost, a commission on it, as far as you would be individually concerned it would only affect the taxpayer and not yourself?

Mr. MILLER. That is different; yes.

Mr. MAGEE. So if you were willing to mulct the taxpayers, if your conscience would permit you to do that, it would not make much difference to you whether they built it or not, you would get your profit?

Mr. MILLER. Yes; I would be getting mine; but I would never build it.

Mr. MAGEE. Well, you are a conscientious man. Now, I think we went over the road which you have described on Saturday, from Toledo; that is, over what is called the Storey & Fischer Road. I think they sometimes call it that, do they not?

Mr. MILLER. Well, since I sold out there it has been called the Fischer-Storey Lumber Co.

Mr. MAGEE. Now, they had a mill located near the Toledo mill, didn't they?

Mr. MILLER. Fischer-Storey?

Mr. MAGEE. Or you had one there.

Mr. MILLER. No; the only mill there—the mill had been burned down.

Mr. MAGEE. I understand it has been burned up, but it was there?

Mr. MILLER. Yes.

Mr. MAGEE. How far from the location of the Toledo mill?

Mr. MILLER. What do you mean by that; do you mean the Government mill?

Mr. MAGEE. Yes; the Government mill, in distance.

Mr. MILLER. The Government mill, I would say, was 1,000 to 1,200 feet, something like that.

Mr. MAGEE. What direction from the Government mill was your mill?

Mr. MILLER. Well, our mill was east of the Government mill.

Mr. MAGEE. And the Storey people are constructing, as I understand it, a new mill there now?

Mr. MILLER. A little further up the stream; yes.

Mr. MAGEE. Now, you brought your logs from this reservation directly to the mill?

Mr. MILLER. Yes, sir.

Mr. MAGEE. Over a line of road extending from the forest right down over certain water there—what do you call it?

Mr. MILLER. One thousand five hundred feet. It is called Depot Slough, or Depot Creek.

Mr. MAGEE. Depot Creek is within a short distance of your mill?

Mr. MILLER. One thousand five hundred feet of the mill.

Mr. MAGEE. Now, would you tell the committee in what manner logs could be got to the Government mill over this coast road?

Mr. MILLER. Well, they would have to put it in the Yaquina, and then tow it from Yaquina.

Mr. MAGEE. They must cross the Storey-Fisher road somewhere. Doesn't this coast road cross that road somewhere?

Mr. MILLER. No, sir.

Mr. MAGEE. Well, you come down to what—what do you call it—Yaquina Bay?

Mr. MILLER. Down to Yaquina. The north line of the Government line starts out at Yaquina.

Mr. MAGEE. I know. As it comes down the coast, then you go up around some body of water there a mile and a half?

Mr. MILLER. You go around the bay.

Mr. MAGEE. Around the bay?

Mr. FREAR. Yaquina Bay.

Mr. MAGEE. Yaquina Bay?

Mr. MILLER. Around Yaquina Bay.

Mr. MAGEE. And then I observed that there was a long trestle extending out for some considerable distance into the bay.

Mr. MILLER. Well, there is one on both ends of the line, so far as that is concerned.

Mr. MAGEE. Well, you get down on that side. Now, the mill is across that body of water, the Government mill?

Mr. FREAR. No.

Mr. MILLER. No; the Government mill is built at Toledo, and you are talking about Yaquina. That is a distance of 12 miles apart.

Mr. MAGEE. What I am getting at is this, they have got to raft somewhere?

Mr. MILLER. They have to raft at Yaquina and tow to Toledo, a distance of 12 or 15 miles.

Mr. MAGEE. While on your road, you go from the reservation right down to your mill?

Mr. MILLER. Yes, sir.

Mr. MAGEE. What would be the difference in distance, both in rail-roading and in rafting?

Mr. MILLER. Some distance.

Mr. MAGEE. To where you find the spruce in any quantity?

Mr. MILLER. What do you mean, on my line?

Mr. MAGEE. You have got a line there, you say, now, that is 7 miles long?

Mr. MILLER. Yes; about 8 miles long.

Mr. MAGEE. About 8 miles long, and there is considerable spruce at the termination of that line?

Mr. MILLER. Well, all the spruce would be at the end of that line, between there and the coast.

Mr. MAGEE. What distance would you transport logs now over your line?

Mr. MILLER. From the end of my line to the mill now?

Mr. MAGEE. Yes.

Mr. MILLER. That is a distance of about 8 miles.

Mr. MAGEE. Now, what distance would you have to transport logs, say, from where they have cut some on the coast road? Have you been up where they are logging now?

Mr. MILLER. No; I have not, but it is 14 miles from Otter Rock.

Mr. MAGEE. They have run a spur—within 2 or 3 miles south of Otter Rock they have run a spur—I should think, a mile or a mile and a half or two miles into the woods, and they are logging there?

Mr. MILLER. That might be Spencer Creek.

Mr. MAGEE. Now, take those logs; how far would they have to transport those logs by railroad and rafting to get them to the Government mill?

Mr. MILLER. Well, about 25 miles.

Mr. MAGEE. Well, the comparison is very great, is it not, so far as economy is concerned, as well as time?

Mr. MILLER. What do you mean, over my line and over theirs?

Mr. MAGEE. Yes; and over their line.

Mr. MILLER. Well, I would never consider the coast side of it at all, at no price, no way of looking at it. I would never consider that at all.

Mr. MAGEE. Suppose we take the element of time. Take the element of time, in taking a carload of logs at the end of your line, how long would it take you to get them down to your mill?

Mr. MILLER. About 20 minutes.

Mr. MAGEE. How long, if you know, would it take to get them from this creek which you have described down to the coast-line railroad and then raft them 12 miles to the Government mill?

Mr. MILLER. I have no knowledge of how long it would take.

Mr. MAGEE. Can you give us any approximate idea?

Mr. MILLER. Well, I imagine that time could be made down over that line, fairly good time, say 20 or 30 minutes, 40 minutes, something like that. I do not know how fast they run on that line. I never was over it.

Mr. MAGEE. And you think they could run 12 miles in 40 minutes?

Mr. MILLER. Well, I do not know. They might not be able to run it in an hour. I never was over the line. They tell me they have some very sharp curves.

Mr. MAGEE. And then there would be the rafting in addition to that?

Mr. MILLER. Well, I do not imagine a man could get the same logs that he put in to-day in short of a week.

Mr. MAGEE. You think it would take about a week?

Mr. MILLER. I imagine it would. I haven't any knowledge of how long it would take.

Mr. MAGEE. It would take about a week as against 20 minutes.

Mr. MILLER. If you would throw that carload of logs right into the water and hitch a boat to it, you might tow it up there in a couple of hours.

Mr. MAGEE. Would that be feasible?

Mr. MILLER. I would not think so.

Mr. MAGEE. Now, in 1918, were there a number of mills functioning in that locality, run by men experienced in logging and sawing them?

Mr. MILLER. There was only one mill there. There was only one mill at Toledo. There was two small mills there, one has been built since, but there was a little old mill down on the bay there that was out of business. Since that time they have built it up for a tie purpose. Our mill was running there and had been running since 1913.

Mr. MAGEE. I think that is all.

Mr. LEA. One question: I want to ask a little further about the amount of logs gotten out in a day. In making an estimate of the amount of production for a year, how much per day would you figure per side?

Mr. MILLER. Well, I would not figure it.

Mr. LEA. Here is what I want to get at, Mr. Miller. The other day a logger was testifying before us, and he said that a side produced from 25,000 to 35,000 feet a day. As I understand you, you say you got out 85,000 feet a day.

Mr. MILLER. As I was telling you a minute ago, there are some places you can get out 25,000, and that is about all you can do, and other places you can get out 125,000 feet, owing to the location of the ground and the timber.

Mr. LEA. Isn't there some standard as an average with the lumbermen in this region that they accept as the average product of a side?

Mr. MILLER. No, sir; I never heard of it. We always log whatever we can get. Sometimes we run into a piece of timber and can log 100,000 feet a day, and we get into another piece on this side, maybe half a mile away, and the best we can get is 25,000 or 30,000.

Mr. LEA. With the same outfit and same crew?

Mr. MILLER. With the same outfit and crew.

Mr. LEA. So the fact that one produces a good deal less than the other would not necessarily be a condemnation of the other crew, would it?

Mr. MILLER. No; a difference of ground.

Mr. LEA. Depending on the circumstances?

Mr. MILLER. Yes, sir.

Mr. LEA. How did you learn the quantity that was produced by these other loggers?

Mr. MILLER. Well, they hauled my logs, and they made a daily report. They hauled my logs from the junction to town.

Mr. LEA. I meant how did you learn the quantity that they produced?

Mr. MILLER. From what they have got in the water now.

Mr. LEA. That was the cruise that you referred to in your testimony?

Mr. MILLER. I put out more logs than they put out, and I put out more carloads right along. I rode back and forth with the train crew every day; going up in the morning and coming back at night with the train crew.

Mr. LEA. I think that is all.

Mr. MILLER. They have been known to lay there for three, four, or five hours; at the switch.

Mr. FREAR. What about the comparative logging facilities between the Wessel branch and the north branch, that is, between where this other crew was working and where you were working?

Mr. MILLER. It was just as good ground.

Mr. FREAR. What about the stand of timber?

Mr. MILLER. Well, it was not quite as good a stand of timber.

Mr. FREAR. Which was not?

Mr. MILLER. The timber was not quite as thick on the Wessel side.

Mr. FREAR. There was a little less?

Mr. MILLER. A little less; yes.

Mr. FREAR. What difference would that make in the amount of production—what proportion?

Mr. MILLER. Twenty-five thousand feet a day.

Mr. FREAR. Twenty-five thousand feet a day on the whole cruise, or what?

Mr. MILLER. Well, say on what I was putting out—seventy-five or eighty thousand feet.

Mr. FREAR. That is, it would make 25,000 feet less?

Mr. MILLER. If they had been good loggers they would get out 50,000 feet.

Mr. FREAR. On each side?

Mr. MILLER. Yes.

Mr. FREAR. They had five sidings?

Mr. MILLER. Yes.

Mr. FREAR. And you had one?

Mr. MILLER. Yes.

Mr. FREAR. And you got out more than they did?

Mr. MILLER. Yes. Well, I want to say to you right now, without any questions—

Mr. FREAR. We will be glad to have you.

Mr. MILLER. With all due respect to everybody, the soldier boys done the best they could do, no question about that, but what they could do was limited. Mr. Hall was taking some lieutenant or major or somebody else—I do not know who he was, but I met the gentleman on his return trip—that was my return trip, too—he had been up there for three or four hours waiting to see them put out one log, and he left at 5 o'clock and they had not put out the log yet.

Mr. FREAR. Do you know whether that log is out of there now?

Mr. MILLER. I think not. I think they got the log behind a tree and could not get it out.

Mr. FREAR. Could not get it out?

Mr. MILLER. I see several of them that is still there yet.

Mr. FREAR. Now, you say that those soldiers were composed of lawyers and doctors, and dentists, etc.

Mr. MILLER. Yes. I had them working at all milling departments.

Mr. FREAR. How did they come to be selected—men of that type for that kind of work—do you know?

Mr. MILLER. I could not say.

Mr. FREAR. Did they say to you that they were anxious to get that kind of work, that they wanted to get in there?

Mr. MILLER. Well, some said they had joined the spruce production and didn't know, they thought they were going out West to fly, or do something they did not know what. Some of them were swamping, and they wanted to know if they had to stay in the swamp all night.

Mr. FREAR. They were flying fast around that one log, were they?

Mr. MILLER. There was a lot of men sent down there that did not know a spruce tree from a rosebush, honestly, they were lost in the woods when they were out of sight of the man that was with them.

Mr. FREAR. There was a man named Pendleton who testified before us. Do you know Mr. Pendleton?

Mr. MILLER. Yes, sir.

Mr. FREAR. Is he a highly reputable man?

Mr. MILLER. As far as I know, he is.

Mr. FREAR. Pendleton testified the other day before this committee that he had charge of logging operations in British Columbia, and with one-tenth part of the facilities, logging and milling, he was able to get out practically the same amount of finished airplane spruce in nine months that was gotten out here, and he didn't have a soldier in his crew.

Mr. LEA. No.

Mr. FREAR. Isn't that right?

Mr. LEA. No.

Mr. FREAR. Isn't that the testimony?

Mr. LEA. The United States produced 143,000,000 feet of airplane lumber while Mr. Pendleton testified that he produced

26,500,000 feet. The United States produced over 20,000,000 feet in the month of October alone, while he only produced 26,000,000 feet in eight months.

Mr. MAGEE. He is speaking of finished aircraft lumber.

Mr. LEA. That is the evidence. What is the use of disputing the evidence?

Mr. FREAR. What I am going to do is get an answer from this witness.

Mr. MAGEE. That is only throwing dust into the record.

Mr. FREAR. He testified finished airplane lumber, and we all know this was not, and it is a mistake to put it in the record in that form.

Mr. LEA. We will put it in the record.

Mr. FREAR. It is a mistake to get it in the record in that form. Mr. Pendleton testified that his 26,500,000 feet of production was finished airplane lumber. The crude lumber brought out in this country, airplane timber, was 143,000,000 feet, which, brought down to the proportion, as he said, of crude lumber, would have made about the same amount of lumber, or less, as it was estimated that he produced.

Mr. LEA. One hundred and forty-three million was the shipped airplane lumber, and his was the shipped airplane lumber. In other words, there was six or seven times as much produced in this country as in Canada, and they did make a marvelous production, no doubt about that, but there is no use in trying to confuse the record. I think the evidence is straight already.

Mr. FREAR. The testimony is that the airplane lumber that he produced was equal to the airplane lumber that was produced here, the finished airplane product, and he testified that his equipment, logging and milling, was not more than one-tenth of that possessed here, and that he reached results because he used loggers in cooperation and that enabled him to get the results. As far as our observation has gone here such was not the case.

Mr. MAGEE. The evidence here is that in some cases as high as 60 per cent of the lumber shipped from here to consignees in the East was rejected as absolutely unfit for use at all.

Mr. LEA. In an isolated instance that is true, but the fact is that this was shipped lumber.

Mr. MAGEE. I do not think, Mr. Lea, that you are fair about this proposition at all. Now, I do not care anything about the partisanship of this investigation, but I do think as a protection in the future, so far as this Nation is concerned, that we should put partisanship in the background and get the facts here and give them to the House and to the public. The public wants the facts, whatever they may be. If there is any question about this proposition recall these witnesses and have it determined.

Mr. LEA. Of course, we ought to put that in the record, and the fact is that the records of the lumber produced during the month of October, 1918, shows that it practically equals the total Canadian production.

Mr. FREAR. That fact is not shown before this committee, and never has been.

Mr. LEA. It ought to be shown.

Mr. MAGEE. What Mr. Pendleton was talking about was finished aircraft product. What we have been talking about and taking

evidence about prior to that time was so many million feet of lumber, and I questioned Mr. Pendleton specifically as to what percentage of so many million feet of lumber the finished product would be, and the highest estimate was 33½ per cent, the minimum given being 10 per cent. You can take your choice anywhere between 10 and 33½ per cent. There is no question in my mind at all that Mr. Pendleton was a competent witness and that he gave the facts as they exist.

Mr. LEA. But he did not testify to the quantity produced in America. I have no doubt that Mr. Magee was trying to develop the facts as he understood them, but I am satisfied that you are under a misapprehension as to what the American production was, and that is a matter of evidence.

Mr. MAGEE. I was under no misapprehension.

Mr. FREAR. My understanding is precisely that of Mr. Magee, and I studied this question, I think, possibly as much as the other members of the committee. Mr. Pendleton was very fair.

Mr. MAGEE. I want to say here and now, not in a spirit of criticism, that I do not think the members of this committee should be counsel for anybody. I think we ought to be here as investigators, and put partisanship aside, and get the facts. If you know any man who is at hand that can show that we shipped out of here 143,000,000 feet of finished aircraft product, get the witnesses on here to clear that up. Let us not misstate these facts to the public. Let us put partisanship in the background and get the facts, and give them to the House and to the people. I want to say in addition to that that my position all the way through has been—and when I was drafted for work on this committee I made that clear—I shall do everything I can to get the facts to the country, not because of the tremendous waste that has occurred in this war—that is gone, and there is no use in crying over spilled milk, but we have the future to look to. While, perhaps, we may not participate in any future war, we may have future wars, and it is of very great importance to the country that we know exactly what was accomplished in aircraft production in this war, so that we may profit by the errors of the past and put ourselves in a position where we will not be a tailender in aviation but in the very first rank in aviation in the future, as we ought to be, in my judgment.

Mr. LEA. I want to call the committee's attention to this fact—

Mr. MILLER. Are you through with me?

Mr. FREAR. No, sir; I want to ask you some questions and let you go in a minute.

Mr. LEA. The testimony of American production is not in the record, but the other day, at Seattle, I requested that the figures be furnished. I haven't seen those figures that are to be furnished, but that was a part of the evidence that I requested to be put in here at Portland, and I hope we will get it accurately, whatever it is.

Mr. MAGEE. I understand it was put in, and I don't know whether Col. Stearns testified to it, or who did testify, but it is in evidence here.

Mr. FREAR. This testimony is in evidence, that 28,000 soldiers were in, with 1,000 officers, and they were largely engaged in spruce production, and that with all that number, and ten times the facilities in logging and lumbering here, that they produced practically the

same amount, in fact, of finished lumber as the standard up there, and I was going to ask—Pendleton stated he needed no soldiers, that they didn't have British soldiers up there, that no British soldiers were farmed out there for cost-plus contracts—would you employ soldiers or would you employ civilians in carrying on your operations?

Mr. MILLER. Civilians. I will say this: I put one soldier in the woods one day to help rustle rigging, and the evidence of one of my men is that he got hurt. That man never touched a choker in the whole day long. By the time he got there, the boys had the work done and were gone, and he went back with them, and many times he never got there. We worked him one day in the scraping job, and he never touched anything. He was coming and going all the time, and most of the time was running. Of course, I was sorry for the man, because he was in fear of being killed.

Mr. FREAR. He never had anything of that kind to do before?

Mr. MILLER. He would not come up in 20 feet of the line for fear it would jump onto him. He wasn't to blame for that, either.

Mr. FREAR. On this Wessel tract, what is the character of the timber, largely spruce?

Mr. MILLER. Largely spruce in that quarter section; yes.

Mr. FREAR. So that when they were logging the selective logging—and I speak of that because I have had such information—where they were logging it was practically taking the entire cut.

Mr. MILLER. They did take the entire cut, but not at the one time.

Mr. FREAR. They went over it just like you did up in that section?

Mr. MILLER. No; a little different. I logged mine straight, and they went over and cut a few trees and then came back and cut a few more.

Mr. FREAR. I thought you said you went over yours twice?

Mr. MILLER. I do, in some cases, where it is very thick. They cut Mr. Wessel's timber as close as I would cut it; in fact, have got logs in the bay down there now that won't even make box lumber.

Mr. FREAR. Do you know why they were cut?

Mr. MILLER. I don't.

Mr. FREAR. Does anyone know?

Mr. MILLER. I don't know, no, whether anyone knows.

Mr. FREAR. Was your mill employed in cutting timbers for this other mill?

Mr. MILLER. Yes.

Mr. FREAR. Instead of cutting spruce for airplanes you were engaged in cutting timber for this great mill?

Mr. MILLER. We had nothing to say about it at all.

Mr. FREAR. I am trying to get the situation. What amount of timber would you say went into that big mill?

Mr. MILLER. Oh, I couldn't say just how much went in it, because we cut all the time and it went over there into both the mill and railroad construction.

Mr. FREAR. And where did that lumber go, into the mill?

Mr. MILLER. It went into the mill, into the railroad construction at Waldport, everywhere they were a mind to send it; in fact, they just practically took charge of everything we had.

Mr. FREAR. Took charge of your output?

Mr. MILLER. Took charge of the output.

Mr. FREAR. This Waldport that you speak of, that is what is called the south line?

Mr. MILLER. The south line.

Mr. FREAR. Running to the Blodgett tract, this 25 miles run?

Mr. MILLER. Yes.

Mr. FREAR. Do you know anything about that line?

Mr. MILLER. I have been to Waldport, but I could not say as to just on what ground the road is constructed.

Mr. FREAR. You spoke about the mills around there. Is there a mill at Yaquina?

Mr. MILLER. No.

Mr. FREAR. On the opposite side of the bay?

Mr. MILLER. There is a mill on the opposite side of the bay over there, that was known as the Brewer mill.

Mr. FREAR. A small mill?

Mr. MILLER. A small mill that cut some timbers for the Warren Spruce, I believe.

Mr. FREAR. They were all employed around there, those mills employed cutting timbers for the mills and for the railroads, instead of cutting them for the spruce airplane stuff?

Mr. MILLER. Well, we cut airplane cants for a while, at night, with soldier help in the mill; but that was not profitable to us, so, for some reason, we quit.

Mr. FREAR. It was not profitable because of difficulty of working nights, or what?

Mr. MILLER. Well, I can't say. I think our manager said they were not making anything, or was going behind, or something.

Mr. FREAR. What do you say—was soldiers' help as good as ordinary help?

Mr. FREAR. Some of them were as good as gold, and some of them didn't know how.

Mr. FREAR. You could do selective logging, but you could not log without selective help; is that the size of it—with these men that were given to you?

Mr. MILLER. The men didn't know how, and they were afraid, you see. I put in half the night there; after I would work in the woods all day, I would come down at night and put in half of the night.

Mr. FREAR. You took the men that were given to you? Did you have the choice of selecting among the soldiers?

Mr. MILLER. Well, I can't say that I did. Lieut. Leman was very good. "Now," he says, "there is a good bunch of men there. I would like to have them come up and work in the camp." But I think, as far as the mill was concerned, we took them as they came.

Mr. FREAR. Those are the lawyers and dentists and doctors, of whom you spoke; they were not the loggers or men who had had experience in the woods?

Mr. MILLER. No.

Mr. FREAR. And those are the men that you took to run your mill to cut timbers to build this Government mill?

Mr. MILLER. Well, we had some at daytimes, too; we had some at daytimes, cutting timbers for this mill.

Mr. FREAR. In the daytime—

Mr. MILLER. Some we had in the daytime; yes.

Mr. FREAR. You had nothing to do with the policy of how your mill should be run or what you would cut?

Mr. MILLER. They would come over in the morning with their orders and "cut this" and "cut that," and that is all there was to it.

Mr. FREAR. You followed orders?

Mr. MILLER. Well, I guess we had to. I wasn't hardly allowed to ride on my own train.

Mr. FREAR. Who did ride on the train?

Mr. MILLER. Anybody that wanted to, I guess, but at times they selected their crews.

Mr. FREAR. That is, they practically commandeered the mill and the woods and the train and everything?

Mr. MILLER. Well, they gave us cutting orders, you see, in the morning, and they taken the road that—practically without any leave or license, and done as they pleased.

Mr. FREAR. The suggestion was made here, if I remember correctly, that this road ran over your property. Does that affect your judgment at all in this matter? That the easiest way to get out the logs was over your road, rather than around this 13 or 14 mile road from Yaquina Bay, with a 12-mile logging—

Mr. MILLER. There is no comparison. There is no other way to do it. That is the only way to do it.

Mr. FREAR. That is all.

Mr. MAGEE. Now, I would like to ask a question. I would like to ask you to state to the committee what would have been the practicable and feasible thing to do to get out a largely increased supply of spruce from this Siletz reservation, suitable for aircraft production? I understood you to say that in your opinion there was sufficient spruce in this district to supply the needs of all the Allies. By that I mean you had a small mill there, and, as I understood you to say, there were not a lot of other mills functioning in that locality?

Mr. MILLER. Well, my way of figuring, that it would have been to have turned it over to a bunch of loggers, taken the loggers from the service, put them back in the logging camps, and sent these soldier merchants, and the dentists, doctors, and lawyers, up to the front, to be trained to be sent over to France, because they can fight as good as anybody; but we could not train them in the time we had and make loggers out of them, and we could not get the production. Now, if they would have given us a bunch of loggers that we had, and had given us sufficient money to have gone ahead and have built these lines in at the proper places to have produced this spruce, we could have had a lot of spruce in France that never was there.

Mr. MAGEE. Were there plenty of loggers here on the coast to take care of this work, men of experience?

Mr. MILLER. We never had any shortage before the war.

Mr. MAGEE. As I understood, in the hearings up in Seattle it was testified to there that there are some 500 mills functioning on the coast. I don't know just exactly where those mills are located.

Mr. MILLER. I had a good crew of loggers. They took one of my loggers—one of my high-climbers, on a day that I was rigging a tree to produce timber to build the Government mill, to build the railroads—they took that high-climber out and demanded that he

be at a certain place at a certain time, and left me there half rigged, and I had to search around for a few days to find somebody else that could take that place to finish rigging that tree. That tree was probably 180 feet from the ground, where they were putting on this rigging. I did everything I could do to prevent that man from going, but it made no difference. I prevailed with Maj. Ebey to let me keep my loggers. Nothing doing. I had to get along with the very best I could—get along with anything and everything; but I had no soldiers to speak of.

Mr. MAGEE. Assuming that the loggers had been organized—and lumbermen—and they had been put in charge here, can you give the committee any idea how long it would have taken before they would have had an efficient organization and could have gotten out spruce lumber ready for shipment?

Mr. MILLER. I wrote Col. Disque a letter, asking him to advance me \$50,000; I would log the same spruce that he logged. I got no reply.

Mr. MAGEE. You mean the same amount?

Mr. MILLER. Yes; the same amount, and in one-fourth the time and at a tenth of the expense.

Mr. MAGEE. As I understand, no spruce lumber, at the time of the armistice, had been furnished from the Blodgett tract; while some trees had been cut there, no lumber had been gotten up to the mill, no logs hauled; in fact, this Toledo mill was not completed at the time of the armistice, never has been in operation.

Mr. MILLER. Never has been; no.

Mr. MAGEE. So that not a foot of lumber was actually sawed up?

Mr. MILLER. In that whole operation at Toledo and Waldport, Yequina; from the entire operation there has never been a board delivered to the Warren—

Mr. MAGEE. Not a foot of spruce?

Mr. MILLER. Not a foot of spruce delivered from the—

Mr. MAGEE. From the airplane production?

Mr. MILLER. Never has been a board, except a few big, overgrown logs that they shipped out on the train and a million feet that we cut nights.

Mr. MAGEE. Now, there is only one other question. That is, How did you get the lumber to market? How did you ship it out? What was the means of transportation?

Mr. MILLER. To the East?

Mr. MAGEE. Yes.

Mr. MILLER. We had cars.

Mr. MAGEE. I mean over what route? How did you ship it, what places, and over what line?

Mr. MILLER. Well, I don't know on what lines it went from our place. We shipped over the C. & E. Railroad to main line at Albany, and from there—

Mr. MAGEE. C. & D.?

Mr. MILLER. C. & E.

Mr. MAGEE. It is a branch of the Southern Pacific?

Mr. MILLER. It is called the C. & E.

Mr. MAGEE. That is, from your mill?

Mr. MILLER. That is, from the mill to the main line at Albany.

Mr. MAGEE. You had railroad transportation right in your mill?

Mr. MILLER. Yes.

Mr. MAGEE. Do you think there would have been any trouble if the loggers had been organized in getting the spruce lumber out of the Selitz Reservation in any reasonable quantities that the Government might require?

Mr. MILLER. I told Col. Disque if he would give me—that is, would loan me—\$50,000, I would be logging in 30 days on the same spruce that they logged on.

Mr. MAGEE. And getting spruce?

Mr. MILLER. And would cut every foot of that spruce and put it into airplane——

Mr. MAGEE. Get the spruce started toward the market?

Mr. MILLER. Yes; in 30 days.

Mr. MAGEE. Now, I don't know as it has been testified to here, but, if you know, when did the Government begin operations—that is, when was the beginning of the construction of these two railroads and of the Toledo mill?

Mr. MILLER. Well, I could not say as to that. It was along in the winter.

Mr. MAGEE. Winter of 1917 and 1918?

Mr. MILLER. I think it was. Wasn't it 1918, Frank, or 1917, when they commenced it? When Jim Monorey was there. Mr. Jim Monorey was there in charge first.

Mr. MAGEE. Who?

Mr. MILLER. Jim Monorey. He was a good logger.

Mr. MAGEE. It was in the early winter, wasn't it, of——

Mr. MILLER. Yes, it was in the early winter, because I know it was pretty bad weather when he was down there; considerable rain.

Mr. MAGEE. That is all.

Mr. LEA. Mr. Miller, you don't intend that we should infer that there was no difficulty in getting experienced men to do work here during the war, do you?

Mr. MILLER. Experienced men?

Mr. LEA. Yes.

Mr. MILLER. We had all kinds of trouble—we did.

Mr. LEA. What?

Mr. MILLER. We had all kinds of trouble, and you did, too; the Warren Spruce had all kinds of trouble. You had a lot of men down there that was—well, wasn't what you would call loggers.

Mr. LEA. I misunderstood what you said before. That is all right. That is all.

Mr. FREAR. What have you to say as to the operations of the Warren Spruce Co., that is, the method, so far as efficiency goes?

Mr. MILLER. I think they done the best they could.

Mr. FREAR. How did that efficiency compare with what others would do?

Mr. MILLER. I don't think they had done as well as loggers would have. They probably done as well as any other man of the same standing would do.

Mr. FREAR. They were not loggers?

Mr. MILLER. I don't think they claimed to be loggers.

Mr. FREAR. Not railroad men?

Mr. MILLER. Well, I understood they were pavers of streets and highways and so forth, and not railroad men.

Mr. FREAR. They were the ones who received the cost-plus contracts to build the railroads and log the spruce, were they, or do you know?

Mr. MILLER. I presume they were,

Mr. MAGEE. As I understand, the results of your observation and knowledge, so far as it goes, is that men who had no previous experience in the lumber business and no knowledge of the business, were attempting to get out spruce timber there, rather than placing it in the hands of loggers and lumbermen who had made the logging and lumbering business the work of their whole lives?

Mr. MILLER. Certainly. They sent men down there to saw those trees down, that never seen a crosscut saw, nor never seen a tree or a spring-board. They didn't know whether they stood in their heads or on their feet. I have seen saws snapped off right at the handle, where the men fell off the spring-boards. My filer went from my camp to file for them, to see if he couldn't help them out. I had two good filers, and one of them went over there to the spruce camp. He couldn't file for them. They drove wedges on top of the saws, and they couldn't pull them, and they would saw them in rainbow and they would saw them every way. There was nobody at fault, but they just didn't know. The boys were as good as gold.

Mr. MAGEE. They did all they could?

Mr. MILLER. Done the best they could, absolutely, and I am surprised at some of them ever getting out of there alive. They would go in and fell a tree whichever way some lieutenant told them to fell it, whether it was against the natural way to go, or not. The tree has three natural ways to go, and sometimes they won't go the other way at all, and they have been made to wedge up against those things. Bad management on somebody's part to send the soldiers in there.

Mr. FREAR. Let me just ask a question.

Mr. MAGEE. Well, now, if I may: It has been suggested here that there was not any other help available and it was necessary to get the soldiers in there or not work at all.

Mr. MILLER. It was at that time, possibly. They sent the loggers all away.

Mr. MAGEE. That is what I am getting at. Will you give us the facts; that is, I would like to know whether or not it was practicable and feasible to get this lumber out by men who knew their business?

Mr. MILLER. There would have been if they hadn't sent them to war. I had good crews—I could produce anything.

Mr. MAGEE. That is what I mean. In other words, the men who knew the logging business, because it was their business, were sent out of this locality to the front, while lawyers and doctors and dentists and clerks and so forth were sent on in here to do the logging and lumbering business; is that what you mean?

Mr. MILLER. That is it, exactly.

Mr. MAGEE. If they hadn't been sent out, do you say that there would have been sufficient material here, consisting of experienced men, to have met the needs and requirements of the Government?

Mr. MILLER. I had all the crew I needed until they started here taking them out.

Mr. MAGEE. What do you say as to that general proposition?

Mr. MILLER. As a general proposition, there was plenty, no complaints. Now, of course, there was a general shortage many times in some people's camps, but in the general camps they were pretty well filled up. In other words, we were getting along.

Mr. FREAR. Do you know of any reason, then, why 30,000 soldiers should have been brought here to do logging?

Mr. MILLER. I do not.

Mr. FREAR. You don't understand, do you, that it takes about 30,000 soldiers to make a division, to qualify a commanding officer for a particular rank?

Mr. MILLER. No; I don't know that. But then I know that there was a lot of men sent here that had no business being here.

Mr. FREAR. In order to get this plan and plat before the committee clearly and so as to make it a matter of record, how far is Toledo from Yaquina Bay, on the river?

Mr. MILLER. I think it is 12 or 14 miles. I am not sure as to that.

Mr. FREAR. And Yaquina Bay is about how far from the entrance to the jetties going out into the ocean?

Mr. MILLER. I think about 5 miles; maybe 4 miles.

Mr. FREAR. The Yaquina River runs up past Toledo and is a logging stream, or capable of logging, for how many miles with tidewater?

Mr. MILLER. Oh, there is tidewater above Elk City, which would be 27 or 28 miles from—

Mr. FREAR. Toledo?

Mr. MILLER (continuing) From Yaquina.

Mr. FREAR. So that the Yaquina River is a rather large stream, large boats can be brought up to Toledo?

Mr. MILLER. Well, the *Bandon* and *Fifield* were brought in there. They run to San Pedro and San Francisco.

Mr. FREAR. That is not in recent years?

Mr. MILLER. No; it was in 1914 and 1915.

Mr. FREAR. It was before the bar formed at the mouth of the harbor?

Mr. MILLER. Yes.

Mr. FREAR. Which is now being dredged. The Corvallis & Eastern branch of which you speak, which is a branch of the Southern Pacific, runs from Toledo out to Corvallis or Albany, and then down the main line?

Mr. MILLER. Yes; runs by Corvallis and Albany, both.

Mr. FREAR. It also runs down so far as Yaquina. That is about how many miles?

Mr. MILLER. Well, somewhere 12 or 14 miles. I am not sure as to the distance.

Mr. FREAR. From Yaquina this Government road of which you have spoken, running north, extends near the coast and up to the neighborhood of Otter Rock?

Mr. MILLER. Yes.

Mr. FREAR. Along a distance of about 13 miles?

Mr. MILLER. Well, somewhere 13 or 14, 15; I could not say the mileage.

Mr. FREAR. Twelve or thirteen miles. That was a route that was selected by the Spruce Production for getting into the Siletz?

Mr. MILLER. Well, I imagine the Spruce Production—now, I don't know who selected that road, but it was selected by the Government.

Mr. FREAR. That is the road that was built by the Warren Construction Co. or Warren Spruce Co.?

Mr. MILLER. Yes.

Mr. FREAR. That would make a distance down to Toledo—you testified, but I thought I could get it clear in the record—of 12 or 13 miles to Yaquina, and then 12 miles or more to Toledo, or 25 miles, as you have testified?

Mr. MILLER. Yes, sir.

Mr. FREAR. That would be the ordinary course under this road built by the Warren Spruce Co. Your road ran directly north of Toledo into the Siletz?

Mr. MILLER. Yes.

Mr. FREAR. And out a distance of six miles, or thereabouts, you would strike the spruce?

Mr. MILLER. Yes.

Mr. FREAR. And from that distance, you say, from six miles, you would be into the spruce?

Mr. MILLER. Solid body of spruce.

Mr. FREAR. That could be brought down to Toledo, to that mill. The big Government mill was placed at Toledo?

Mr. MILLER. Yes, sir.

Mr. FREAR. The road south, of 24 miles, or thereabouts, had its terminal on Yaquina Bay, opposite Yaquina?

Mr. MILLER. Yes.

Mr. FREAR. And then ran south about 24 miles to the Blodgett tract.

Mr. MILLER. That is my understanding. I never had been over the line. I have been to Waldport.

Mr. FREAR. That would make a distance of 12 miles from your terminal up to Toledo—

Mr. MILLER. Yes, sir.

Mr. FREAR. Or thereabouts.

Mr. MILLER. About 36 miles.

Mr. FREAR. Where the logs would have to be rafted, and 24 miles, or, as you say, a distance of 36 miles. So, in one way, in order to get to the Siletz under this Warren Spruce Co. railroad, they would go 25 miles to Toledo by railroad and rafting, and on the south line, to get down to the Blodgett tract they would go 36 miles, 12 miles of which were rafting, to get to the Toledo mill?

Mr. MILLER. Yes, sir.

Mr. FREAR. Whereas, with your line directly north, you could have reached it inside of 6 or 8 miles; is that right?

Mr. MILLER. Correct. Absolutely correct.

Mr. MAGEE. You would have to raft from the Blodgett tract?

Mr. MILLER. Yes, sir; they come in right together, one across the bay from the other.

Mr. MAGEE. About 12 miles.

Mr. FREAR. You don't know about the amount of spruce in this Siletz region?

Mr. MILLER. No; I don't.

Mr. FREAR. That is all. Thank you very much, Mr. Miller.

(Whereupon, at 11.45 o'clock a. m., the committee took a recess until 2 o'clock p. m.)

AFTER RECESS.

The subcommittee met, pursuant to the taking of recess, at 2.20 o'clock p. m.

TESTIMONY OF MR. A. W. MORGAN.

(The witness was sworn by Mr. Frear.)

Mr. FREAR. You live in Portland, Mr. Morgan?

Mr. MORGAN. Yes, sir.

Mr. FREAR. And have lived here how many years?

Mr. MORGAN. Five years.

Mr. FREAR. And you lived down at Toledo prior to that time?

Mr. MORGAN. Yes.

Mr. FREAR. And how many years down there in the Siletz country?

Mr. MORGAN. I moved in the Siletz country in 1905; I was in that territory until I moved here five years ago.

Mr. FREAR. Let me see. You have done cruising, have you?

Mr. MORGAN. Yes, sir.

Mr. FREAR. For how many years?

Mr. MORGAN. Oh, about 20 years.

Mr. FREAR. How long?

Mr. MORGAN. Twenty years, more or less.

Mr. FREAR. About 20 years; and cruising in other places besides the Siletz?

Mr. MORGAN. Yes, sir.

Mr. FREAR. And you were a homesteader down in the Siletz at one time?

Mr. MORGAN. Yes, sir.

Mr. FREAR. So that you had some little experience in cruising and are familiar with the lumber situation and the timber situation, I assume?

Mr. MORGAN. Yes, sir.

Mr. FREAR. You were with the committee who went down through there, went down to Toledo last Saturday, and were with the committee throughout our visit so as to help us in advice in regard to timber, were you?

Mr. MORGAN. Yes, sir.

Mr. FREAR. And you have gone over all the railroads with us?

Mr. MORGAN. Yes, sir.

Mr. FREAR. So that you have knowledge of the conditions?

Mr. MORGAN. Yes, sir.

Mr. FREAR. I will give you the map and wish you would please testify first, so as to get the matter in form on the record; do you know the railroad that is built from Toledo north, known, formerly known, as the Miller Railroad, known as the Storey & Fischer Railroad before?

Mr. MORGAN. Yes, sir.

Mr. FREAR. You have been over that road?

Mr. MORGAN. Yes; a good many times.

Mr. FREAR. A good many times. Do you know where the terminus of that road comes in section 17 on the north end, and then the other branch that goes over into section 24?

Mr. MORGAN. Yes, sir.

Mr. FREAR. On the west?

Mr. MORGAN. Yes.

Mr. FREAR. You are familiar with the timber in that section?

Mr. MORGAN. Yes, sir.

Mr. FREAR. Have you ever cruised it?

Mr. MORGAN. I cruised part of it. I cruised some of it; yes.

Mr. FREAR. You cruised different tracts, I understand, in the Siletz country?

Mr. MORGAN. Yes, sir.

Mr. FREAR. You have a general knowledge of the amount of spruce timber in the Siletz country?

Mr. MORGAN. I think so. I think I have a fairly accurate knowledge of it.

Mr. FREAR. About what amount of total spruce do you understand has been cruised there?

Mr. MORGAN. I estimate there has been about 700,000,000 in this Siletz country.

Mr. FREAR. Seven hundred million feet?

Mr. MORGAN. Yes, sir.

Mr. FREAR. Now, will you explain just where that timber is to be found with reference particularly to the ridge which separates the coast, or the tidewater, or whatever you may call it, timber from the timber that is over on the Siletz side?

Mr. MORGAN. Beginning in section 24, in 10-11, we run into a spruce belt there. It extends clear on down toward the mouth of the Siletz River north on both sides.

Mr. FREAR. By extending down you mean extending north?

Mr. MORGAN. Extending north; yes.

Mr. FREAR. North up the river?

Mr. MORGAN. Yes; on both sides; and there is some on the west slope.

Mr. FREAR. That is the west slope of that?

Mr. MORGAN. Of that divide, between the river and the ocean.

Mr. FREAR. Yes; of that divide. About what proportion of the timber is on the east slope of the divide in the Siletz Valley; that is, of this spruce timber?

Mr. MORGAN. As near as I could figure it out, it would be about 550,000,000 that would slope to the Siletz.

Mr. FREAR. On the east side?

Mr. MORGAN. On the east side; yes.

Mr. FREAR. Now, how much on the west side?

Mr. MORGAN. About one hundred and fifty or sixty million, approximately.

Mr. FREAR. That is, that could be reached from over on the——

Mr. MORGAN (interrupting). Ocean side.

Mr. FREAR. On the ocean side?

Mr. MORGAN. Yes.

Mr. FREAR. How does the spruce grow in the Siletz country?

Mr. MORGAN. Well, it grows in——

Mr. FREAR (interrupting). That is, I mean with reference to its growth in bunches; is it found in that condition in the Siletz?

Mr. MORGAN. Yes, yes; in places; and in places it is mixed with the fir, and in other places it is practically all spruce.

Mr. FREAR. Beginning at the north end of the road that has been described by Mr. Miller this morning—his road at that time—that reaches, does it, into the beginning of the timber, or reaches into this Siletz timber?

Mr. MORGAN. It is in to the Siletz timber now. They have been operating on the south side of the Siletz timber belt.

Mr. FREAR. They are in on the reservation, aren't they?

Mr. MORGAN. Yes.

Mr. FREAR. So called?

Mr. MORGAN. Yes.

Mr. FREAR. What is the condition of the timber that you approach as you move north along the prospective line that he proposed building there?

Mr. MORGAN. Well, after you get over the ridge you run into the main timber belt. It is very compact from there on.

Mr. FREAR. Yes; all kinds of timber?

Mr. MORGAN. Yes; fir and spruce and hemlock.

Mr. FREAR. That is, you mean to say that the timber is heavier in there?

Mr. MORGAN. Yes; the timber gets heavier as you get into the main body.

Mr. FREAR. Then describe what the general condition of the timber is as you go up from there to the Siletz.

Mr. MORGAN. Well, you run into some spruce on Mill and Dewey Creeks as you get over into Jaybird Creek.

Mr. FREAR. Jaybird Creek is about how far above the end of his line? Just point it out there on the map, if you will. I have looked at it, but point it out for the information of Mr. Lea or Mr. Magee.

Mr. MORGAN. His line is in this section here [indicating on map].

Mr. FREAR. Yes; that is the north end?

Mr. MORGAN. Yes.

Mr. MAGEE. Is this map in evidence?

Mr. FREAR. No; it has not been offered. You had better identify it. (The map above referred to was marked "Exhibit 2 for identification, September 2, 1919.")

Mr. MORGAN. This is Jaybird Creek here [indicating on Exhibit 2 for identification], and if you go on a straight line it would be 1, 2, 3—about 4 miles on a straight line across here.

Mr. FREAR. That is 4 miles from where?

Mr. MORGAN. It may be a little more.

Mr. FREAR. Four miles from where?

Mr. MORGAN. From the end of the road.

Mr. FREAR. From the end of the road as now built?

Mr. MORGAN. Yes; here in section 30.

Mr. FREAR. Now, what have you to say about the timber up there?

Mr. MORGAN. This is very heavily timbered in there.

Mr. FREAR. How far is that timber from the coast?

Mr. MORGAN. That would be about 4 miles from the coast, I think.

Mr. FREAR. About 4 miles from the coast?

Mr. MORGAN. Well, Jaybird would head up possibly a little closer than that; maybe within 3 miles of the coast.

Mr. FREAR. You mean the headwaters?

Mr. MORGAN. Yes, sir.

Mr. FREAR. That creek flows to the east?

Mr. MORGAN. Yes.

Mr. FREAR. And joins into the Siletz.

Mr. LEA. Get the record to show where it enters the Siletz River.

Mr. FREAR. Yes. Where does it enter the Siletz River?

Mr. MORGAN. In section—

Mr. FREAR. Tell us what town and range.

Mr. MORGAN. Nine south and 10 west.

Mr. FREAR. Have you examined the railroad beyond, where it has been built up to the top of the ridge, just a short distance beyond that?

Mr. MORGAN. Been over the survey?

Mr. FREAR. Yes, sir.

Mr. MORGAN. I haven't been over it all the way. I know where it crosses the county road.

Mr. FREAR. Where it crosses the ridge, I mean?

Mr. MORGAN. Yes; I know where it crosses the ridge.

Mr. FREAR. Whereabouts does it cross the Porter line?

Mr. MORGAN. They cross at the Summit, according to the map. I don't know. I guess it must cross there.

Mr. FREAR. Will you explain to the committee what is meant by that Porter survey?

Mr. MORGAN. That was made by Andrew Porter, I think it was last October—October and November. The port commissioners of Toledo hired Mr. Porter to make that survey to ascertain just what grade would be on that road coming out this way. It had been contended by some people that that was an impossible route to get out from the main body of the Siletz timber; that it would be too heavy a grade coming out there.

Mr. FREAR. What was the result of that?

Mr. MORGAN. I saw the survey and it was a little less than 2 per cent, as I remember it.

Mr. FREAR. A little less than 2 per cent coming south?

Mr. MORGAN. Yes.

Mr. FREAR. That would be the direction in which you would be bringing the loaded cars?

Mr. MORGAN. Yes, sir.

Mr. FREAR. Now, where did Porter's survey run after it crossed the railroad belonging to Miller, at the top of the ridge?

Mr. MORGAN. It swung off to the west from Miller's survey up into 18, 7 in 10-10, and back down on the other side of the creek, I think, the other side of Mill Creek from Miller's survey, and it hung around the base of the hill; it didn't go down into the bottom, where Miller's road went; it kept up on the side in order to get the grade.

Mr. FREAR. What I wanted to do for the benefit of the committee, so the committee will understand it, there is a Porter survey that runs from Toledo, or thereabouts up into the Siletz country; that is the fact, is it not?

Mr. MORGAN. Yes.

Mr. FREAR. Now that Porter survey crosses the road that has been described by Mr. Miller this morning, which runs north from Toledo at a distance of about 4 or 5, or something like $4\frac{1}{2}$ miles, on the top of this ridge?

Mr. MORGAN. Yes, sir.

Mr. FREAR. Then that continues up on the Siletz country?

Mr. MORGAN. Yes, sir.

Mr. FREAR. That is right, is it?

Mr. MORGAN. Yes, sir.

Mr. FREAR. You state that the Porter survey reaches a maximum of about 2 per cent grade coming up, coming with loaded cars south; does that go up into all this spruce country of the Siletz?

Mr. MORGAN. Yes; that taps practically all the spruce and all the timber that is on the Siletz divide. It can be worked in and be picked up down at an assembling point at the end of the line on the Siletz River, at tidewater; it can be picked up and brought out on that road.

Mr. FREAR. Now, what have you to say about that method of assembling logs—that is, from a logger's standpoint—in a stream like the Siletz, in preference to assembling them upon land?

Mr. MORGAN. Well, it is a great deal cheaper. It is the cheapest logging proposition there is, where you have a good stream to log into and have an assembling point to float to and take them out on cars to ship them or take them to a mill.

Mr. FREAR. That is, you mean it is assembled there before it is shipped out eventually?

Mr. MORGAN. Yes.

Mr. FREAR. Would that make a point for assembling a convenient point or not for assembling, for the logs there in that particular tract of the Siletz Valley?

Mr. MORGAN. Yes. They could be anywhere down there on tide-water at the end of the survey, or perhaps above or below; they could be assembled from above and below, both, for the tides would bring them up and the current and tides would take those that were above down.

Mr. FREAR. How far does the tide run up the Siletz?

Mr. MORGAN. It runs up into section 7, in 9-10.

Mr. FREAR. How far would that be, for instance, from the mouth of the Siletz River, generally speaking?

Mr. MORGAN. Well, I don't know as I could tell you, exactly.

Mr. FREAR. That is just to help the committee.

Mr. MORGAN. It is a very crooked river. It would be over 20 miles, I guess.

Mr. FREAR. This is the mouth of it over here. [Indicating on Exhibit 2 for identification.]

Mr. MORGAN. Yes, sir.

Mr. FREAR. Over 20 miles?

Mr. MORGAN. I think so.

Mr. FREAR. So that runs down right into the heart of the timber?

Mr. MORGAN. Yes. It comes winding around through the timber. There is a great deal of timber would work in from both above and below with one or two donkey engines into the river.

Mr. FREAR. Generally speaking, how many million feet of spruce timber have you estimated could have been reached by this road that was suggested by Mr. Miller this morning, running north to the Siletz, or over either the Porter survey or over any other survey they chose to put in there?

Mr. MORGAN. Well, I would think there would be eight or ten billion feet would come out over that road eventually, worked down to it. There would possibly have to be spurs built up from each side.

Mr. FREAR. Eight or ten million feet?

Mr. MORGAN. Billion.

Mr. FREAR. Oh, how many?

Mr. MORGAN. From eight to ten billion feet.

Mr. FREAR. Oh; billion feet?

Mr. MORGAN. Yes.

Mr. FREAR. Now, how many million feet of spruce would you say out of this 550,000,000 feet of spruce in there—

Mr. MORGAN (interrupting). Well, that would practically all come out.

Mr. FREAR. All could come out?

Mr. MORGAN. It could be assembled there eventually.

Mr. FREAR. Yes; and could be brought out from there?

Mr. MORGAN. Yes.

Mr. FREAR. In other words, assuming that 20 per cent of the spruce timber would make airplanes, finished airplane timber, and that is practically the estimates that we have, from these logs, that would make all the way—well, that, of course, you can not testify to; but 1,000 feet of airplane stock taken for each airplane, it would make from fifty to one hundred million airplanes—to a hundred thousand airplanes from that one tract of the Siletz Reservation, per 1,000 feet; and that is dividing it up by 20 per cent as the average.

Mr. MORGAN. Well, I don't know anything about that, though.

Mr. FREAR. You don't know that. But it would make an enormous amount of airplane timber, if you could log that 500,000,000 feet, or one-half of 500,000,000 feet?

Mr. MORGAN. Yes.

Mr. FREAR. And that comes down the main part. Now, could you reach any of the spruce that was over the ridge; and if so, how would you get to it?

Mr. MORGAN. On this road?

Mr. FREAR. Yes.

Mr. MORGAN. Why, I always figured that it was very easy to reach part of that over the ridge, say, half or two-thirds of it.

Mr. FREAR. You mean the ridge that runs north and south, parallel to the coast?

Mr. MORGAN. Yes. Of course, I am not an engineer, but I see a good many logging roads, and I see them built over worse country than that. In fact, there is only a 500-foot elevation there in section 28.

Mr. FREAR. Going over the ridge?

Mr. MORGAN. Yes. And by climbing over that and following the base of the mountain around in sections 22, 23, and 14—

Mr. FREAR (interrupting). That would be on the west side of the mountain?

Mr. MORGAN. That is on the west side of the mountain; yes.

Mr. FREAR. On the west side of the ridge?

Mr. MORGAN. Yes; part of it, part of those sections are. Fourteen—the west end of 14—there is a little over a 40 on the west side, and that runs heavy to spruce; and 15 and 16 and 10 run heavy to spruce. A little on the west end of 11 runs heavy to spruce. That is very fine.

Mr. FREAR. In what town and range?

Mr. MORGAN. In 10 south, 11 west.

Mr. FREAR. That would take what proportion of this 150,000,000 feet that you say would be on the west side of the ridge?

Mr. MORGAN. Well, I have always thought that they could get half or two-thirds of it very easily on that road.

Mr. FREAR. So that if that were the case, they would be able to get out 600,000,000 feet entire from the Siletz region through this road, with the extensions that could be put out, that now would be an extension of the Miller road?

Mr. MORGAN. I believe they could.

Mr. FREAR. Yes. You are familiar with the general conformation of the land, are you, in the Siletz country?

Mr. MORGAN. Fairly; yes.

Mr. FREAR. Is there more than one place that you can go over the Siletz; that is, that you can go over the ridge to get into the Siletz from the Miller road or from the Toledo side?

Mr. MORGAN. Going into the Siletz?

Mr. FREAR. Yes.

Mr. MORGAN. Well, yes; there is another divide on the Olalla Slough, just over, about practically the same elevation.

Mr. FREAR. About what is that elevation?

Mr. MORGAN. Mr. Miller testified that it was 242 feet. I don't know for sure, but, then, I think he is right. He has had it surveyed and taken the elevation of it.

Mr. FREAR. What is the elevation approximately over on the divide between the Siletz and the coast?

Mr. MORGAN. Well, I don't know. It runs from 700—well, I guess there is some pretty near a thousand feet—some of that ridge almost a thousand feet high—but Mr. DeCamp tells me that he found a pass in section 26, 9-11, that was 500 feet, according to his measurement.

Mr. FREAR. That is, that would be a place for the railroad to go across the divide that separates the timber and the coast from the Siletz?

Mr. MORGAN. Yes.

Mr. FREAR. Who is DeCamp?

Mr. MORGAN. He is with the Spruce Production.

Mr. FREAR. The Spruce Production people?

Mr. MORGAN. Yes.

Mr. FREAR. That is the man who was with us yesterday on the trip north?

Mr. MORGAN. Yes; he is assistant engineer, I believe. He claims that he found a pass in 26, 9-11, that is only a 500-foot elevation.

Mr. FREAR. Now, it was testified this morning by Mr. Miller that the Siletz country is higher than the coast?

Mr. MORGAN. Yes.

Mr. FREAR. That is true?

Mr. MORGAN. Yes.

Mr. FREAR. So that the elevation, in getting into the Siletz from the south is about one-half of that coming from the coast, is it?

Mr. MORGAN. Yes.

Mr. FREAR. According to the statement?

Mr. MORGAN. Well, after you get farther down there, coming up the Jaybird—you see the Jaybird empties in just above Tidewater—you see, you would have a further climb there by the Siletz agency,

where Mr. Miller's road hits the river. I think that is over a 50-foot elevation. It may be around a hundred feet there at the agency.

Mr. FREAR. That is, you mean higher than where it goes over the divide?

Mr. MORGAN. Yes—no; I mean higher than at Tidewater.

Mr. FREAR. Yes; but what is the great elevation that you go over in going from the Miller road north into the Siletz country?

Mr. MORGAN. Well, all I know is what Mr. Miller tells me. I have heard a good many times, too, and Mr. Storey said on their survey it showed 242 feet of elevation there. I had understood it was more, but that is what they say, and I think they must know.

Mr. FREAR. That is, just generally?

Mr. MORGAN. Yes.

Mr. FREAR. What you have talked with them?

Mr. MORGAN. Yes.

Mr. FREAR. You have been over this road leading up the coast?

Mr. MORGAN. Yes.

Mr. FREAR. The testimony is that that road is 12 or 13 miles in length from Yaquina Bay, and that then the logs are brought down on that road to the Yaquina Bay and rafted in to Toledo, which is, as testified, in the neighborhood of 12 miles; are those the facts as you know them?

Mr. MORGAN. That is practically correct; yes, sir.

Mr. FREAR. Yes. That would make it about 24 or 25 miles?

Mr. MORGAN. Yes.

Mr. FREAR. What would you say from you experience—have you had any experience in logging?

Mr. MORGAN. Yes.

Mr. FREAR. During these years?

Mr. MORGAN. In my early days here I logged for a number of years?

Mr. FREAR. Yes. What would you say, as a practical logger, of the advisability of running a road north from Toledo to get into this spruce part, with the idea of running it this 25-mile circuit around the coast?

Mr. MORGAN. You mean the spruce on the coast side?

Mr. FREAR. Well, to get into the Siletz?

Mr. MORGAN. All the spruce?

Mr. FREAR. Yes.

Mr. MORGAN. Oh, well, there is no question about which is the practical way. That is, from Toledo you want to go over the lowest pass, you know, to get the least resistance to your haul; and, according to all the evidence I can get in the matter, the one pass pretty near doubles the other.

Mr. FREAR. Yes. Well now, I am speaking about the distance. If you can get from 3 to 4 miles beyond the Miller road into the spruce, you have to go—that is about 6 or 8 miles from Toledo, isn't it?

Mr. MORGAN. Yes.

Mr. FREAR. Now the other road is 25 miles?

Mr. MORGAN. Yes.

Mr. FREAR. Now, I am speaking about the practicability of putting in a road. Where would you put it in, or where would any man

who has had lumbering experience down there and who is familiar with the Siletz River?

Mr. MORGAN. Well, I would think any practical man would put it in from Toledo.

Mr. FREAR. You would say any practical man would?

Mr. MORGAN. Yes. I don't think there is any question about that.

Mr. FREAR. Yes.

Mr. MORGAN. That is my opinion.

Mr. FREAR. The Government mill that was constructed was built where?

Mr. MORGAN. On the flat across the slough from Toledo.

Mr. FREAR. Right near Toledo?

Mr. MORGAN. Yes.

Mr. FREAR. And so that that would be near where these logs would be dumped into what you call—

Mr. MORGAN (interrupting). Depot Slough.

Mr. FREAR. Depot Slough; yes. What would be the character of the construction, so far as you can judge, of the railroad, compared to constructing the line that would go directly north over this 240 or 250 feet elevation, compared with that line that runs away around toward the coast in expense?

Mr. MORGAN. You mean this road from the coast which was built on over into the Siletz?

Mr. FREAR. Yes; which would be the cheaper and more speedily constructed for logging purposes?

Mr. MORGAN. I don't think there is any question but what the Toledo Road would be cheaper.

Mr. FREAR. Do you know anything about the cost of railroad construction?

Mr. MORGAN. Well, not a great deal, except in a general way in handling timber and logging propositions we have all those figures, you know, on the cost of logging roads.

Mr. FREAR. What do you estimate roads similar to the Miller Road?

Mr. MORGAN. Well, in normal times we would figure around from ten to fifteen thousand dollars a mile; perhaps an average of \$12,000 a mile.

Mr. FREAR. What would you say about the—well, I don't know that you would know the difference; he said that he built a mile there for something like \$12,000 or \$15,000 this morning, didn't he?

Mr. MORGAN. I think so.

Mr. FREAR. I understood that was his testimony. If that was the general cost of construction, would you say that was the average cost of construction up through that section or a section similar to that?

Mr. MORGAN. I would think so; yes, sir.

Mr. FREAR. This road that was built up there—do you know that it was built at the cost of \$90,000 a mile?

Mr. MORGAN. I have heard that.

Mr. FREAR. For the Government?

Mr. MORGAN. I have heard that; yes.

Mr. FREAR. Do you know the Blodgett tract?

Mr. MORGAN. Yes, sir.

Mr. FREAR. Have you had any business dealings in regard to the Blodgett tract?

Mr. MORGAN. Well, I have never had any business dealings. I have had correspondence at one time with the owners.

Mr. FREAR. In what connection?

Mr. MORGAN. In regard to—I had a prospective buyer at one time.

Mr. FREAR. That is, you were an agent for the sale of the Blodgett tract. How long ago was that?

Mr. MORGAN. Well, I don't know that I was an agent. They submitted it to me. That was about three years ago, I think.

Mr. FREAR. Yes.

Mr. MORGAN. They submitted me a price on it.

Mr. MAGEE. Gave you an option on it?

Mr. MORGAN. No; they didn't give me an option on it. They made me a price and submitted a cruise and told me what they wanted for it.

Mr. FREAR. Have you examined any of the Blodgett tract in the past?

Mr. MORGAN. Yes; I have been in the Blodgett tract. I have examined a few forties on the south side of it and was back into it fairly well from that side.

Mr. FREAR. What would you say as to the comparative difference, if any, between the Blodgett tract and the Siletz as to the growth of spruce; that is, spruce as you have understood here suitable for airplane stock, which is straight spruce?

Mr. MORGAN. In my opinion it is about the same.

Mr. FREAR. They run about the same, in your judgment?

Mr. MORGAN. Yes. They are a good bunch of timber, each one of them.

Mr. FREAR. You went down the railroad a day or so ago?

Mr. MORGAN. Yes, sir; Sunday.

Mr. FREAR. That is this 24-mile railroad?

Mr. MORGAN. Yes, sir.

Mr. FREAR. Did you notice slides on that road?

Mr. MORGAN. Yes, sir.

Mr. FREAR. What was—I am just trying to get this in the record; we all know, but I desire to have it placed there.

Mr. MORGAN. Yes; there was, and I noticed the slides; I noticed a great many slides, and some pretty bad ones.

Mr. FREAR. How deep were some of them where the rails were washed down?

Mr. MORGAN. Why, it seemed to me there was one place there where they had built the tramway over that the rails were down about 20 feet, covered up about 20 feet, and shoved possibly out of line that much.

Mr. FREAR. Covered with dirt.

Mr. MORGAN. Dirt and débris; yes, sir.

Mr. FREAR. The rails were down there, and we had a wooden tramway built over to carry us?

Mr. MORGAN. Yes.

Mr. FREAR. I made a misstatement—that the north road cost \$70,000 a mile; the south road cost \$90,000 a mile.

Mr. MORGAN. Yes, sir.

Mr. FREAR. That road would require some little attention, wouldn't it, to keep it up?

Mr. MORGAN. Yes.

Mr. FREAR. For logging purposes, or anything else?

Mr. MORGAN. Yes.

Mr. FREAR. That would make a haul of how far to get to Toledo from the Blodgett tract—that is, from the nearest timber in the Blodgett tract—as far as you could judge?

Mr. MORGAN. Well, they claim 24 miles of road to the tract, and then it is about 3 or 4 miles across the tract, east and west; and, of course, as there is no stream to log in, to assemble the logs at some given point, you know, at the end of the road, why, there would have to be two or three main lines through it and a lot of laterals each way. It would be rather an expensive tract to log.

Mr. FREAR. Then, after you get it up to the Yaquina Bay, the end of the road, then how far are you from Toledo?

Mr. MORGAN. About 12 miles, I should judge.

Mr. FREAR. Then, you have got to raft it 12 miles farther, to Toledo?

Mr. MORGAN. Yes.

Mr. FREAR. So, at the minimum figure, it makes it 36 miles?

Mr. MORGAN. Yes, sir.

Mr. FREAR. Would you, as a logging proposition, consider it advisable to go down there for 36 miles to get these logs when you could get them right at the side of the Miller road, from the north?

Mr. MORGAN. No, sir. I thought it was a very foolish move all the time.

Mr. FREAR. But you didn't have any cost-plus contract?

Mr. MORGAN. No.

Mr. FREAR. Have you had any discussion with any of the officers of the spruce division or corporation in the past?

Mr. MORGAN. Yes, sir; I have talked to some of them.

Mr. FREAR. Mr. Hitchcock and others?

Mr. MORGAN. Yes, sir.

Mr. FREAR. Will you briefly explain to the committee your experience in regard to that?

Mr. MORGAN. It was in the month of July; I don't remember just what time in the month; last year; possibly along about the middle of the month.

Mr. FREAR. July, 1918?

Mr. MORGAN. 1918; yes.

Mr. FREAR. Yes.

Mr. MORGAN. There was a delegation, three or four men, sent down here from Toledo. It seems that the people up there learned that they were going to build the road from Yaquina up the coast and from the South Beach down into the Blodgett tract instead of building into the timber the shortest way and getting results; so they held a mass meeting at Toledo and selected a committee to come down here and try—

Mr. MAGEE (interrupting). To come to Portland?

Mr. MORGAN. Yes; to Portland; to go before Col. Disque or his associates and try and present the facts to him and explain the situation. So they came to my office and asked me to go with them; thought I was a little more familiar.

Mr. FREAR. That is, you were living in Portland, were you?

Mr. MORGAN. Yes; I was living here in Portland. I went with them, and we met—we didn't see Col. Disque, but we met Hitchcock, Maj. Hitchcock, and we stated the facts to him. We had maps there,

showing practically where the main stand of the spruce was and the feasible routes to bring it out, and he claimed that they had had surveyors in there and found it impossible to come out that way, to get over this 240-foot divide, and that they were going to build around the other way. But we insisted and told them that they were making a mistake in going the other way, and he finally said that if there was a way through there, if we would go down and point it out, he would send Amos Benson along to examine it, and if it proved that that was the logical way, why, they would go that way. So the committee asked me to go along and go with Amos Benson and show him what I thought was the most feasible way out of there. I went down to Newport and waited there a few days, finally got Benson to go over with me, over into the Siletz, and we started in down on Jaybird. I showed him three passes coming out of Jaybird; I think they run around 324 to 345 feet elevation, and looked over the country and some of the timber, and he admitted that that would be very easy to get out of there. And of course he wanted as short a line as possible, and I told him I thought that from there on—

Mr. FREAR (interrupting). You say, of course he wanted as short a line as possible?

Mr. MORGAN. Yes; that is what he said.

Mr. FREAR. Yes; that is what he said.

Mr. MORGAN. Yes; that is what he said. Yes. I told him I thought by going straight south from the southeast corner of section 30 in 9-10, that was where the lowest pass was we showed him coming out of Jaybird. I told him if we could go straight south through 31 I remembered a low pass through there when I was cruising in 31 years ago, which I thought it was pretty easy to get over. I didn't believe it was much higher than this one. It was getting late. He said he didn't have time to go farther that day, but for me to go on the next day and find it; if I did find the low pass he would come and go over it with me and examine it and go clear through there. But, however, he knew at this time that there was a way to go up the river on a water grade, but he wanted a shorter cut; that is, by going through 31, down Dewey Creek, through 36 and 37, which would cut off a mile or two, maybe 2 miles.

Mr. FREAR. Going in which way?

Mr. MORGAN. Going around the river the way the Porter survey goes.

Mr. FREAR. That is, going up from Toledo north?

Mr. MORGAN. Yes; going from Toledo north. So the next day they found a surveyor, Jim Derrick, and Walter Hall, and myself went through there. Mr. Derrick ran a level, and I went through on the section line and we found the pass. According to Mr. Derrick's level it was 200—345 feet, only about just a little higher than the pass out of Jaybird, and a very narrow backbone. It could have been cut down to the Jaybird pass very easily with not more than a cut a hundred feet or so long. So we came on through down Dewey Creek, and Mr. Hall got his car and we went to Toledo and picked up that committee that had been down there and went down after Mr. Benson. He was supposed to be at the Abbey House at Newport, but he wasn't there and we could not find out where he was. So I had been up there several days already and neglecting my business,

and I told the boys there was no necessity of me staying any longer, so to get Mr. Derrick, the county surveyor, to go over it with him when he found him. So I came on home. But I understood they never did get him to go over it. In fact, he admitted here later that he didn't go.

Mr. FREAR. To you or in what way?

Mr. MORGAN. Yes; he admitted to me and in the presence of several timber owners here, in the presence of Mr. Hitchcock, that he had not been over it yet; said he never had had time to get over it.

Mr. FREAR. What did Hitchcock say? Did he say anything?

Mr. MORGAN. Well, Hitchcock had just before that—just prior to that he stated that Mr. Benson had been over it and reported that it was impossible. I told him that he hadn't been over it. I know positively that he never did go over it.

Mr. FREAR. Well, now, Hitchcock was a logger of some years experience, was he?

Mr. MORGAN. Well, I don't know about that.

Mr. FREAR. Did he ever speak of it in any way?

Mr. MORGAN. No, sir.

Mr. FREAR. Well, was he a railroad man with any great amount of experience?

Mr. MORGAN. I don't think so. I understood he was an attorney, although I don't know.

Mr. FREAR. Oh, he was a lawyer?

Mr. MORGAN. I understood that he was.

Mr. FREAR. And he was sent out here to take charge of these things. Was he put up as a buffer that you people had to see each time?

Mr. MORGAN. He was; yes. He was a good one, too. [Laughter.]

Mr. FREAR. What is your politics?

Mr. MORGAN. Democrat.

Mr. FREAR. There is no politics in this, so far as you are concerned?

Mr. MORGAN. So far as I am concerned there is not.

Mr. FREAR. Hitchcock was a Democrat, wasn't he?

Mr. MORGAN. I don't know.

Mr. FREAR. I understood so. Is there anything else you think of, Mr. Morgan, in regard to this general situation over there?

Mr. MORGAN. No.

Mr. FREAR. They went on and they built the road, didn't they, around the coast side?

Mr. MORGAN. Yes.

Mr. FREAR. Your people never heard anything more about it?

Mr. MORGAN. No.

Mr. FREAR. That is, they didn't consult with the people locally?

Mr. MORGAN. No.

Mr. FREAR. Have we got that explained fairly clearly?

Mr. MAGEE. I think you had better ask—

Mr. FREAR (interrupting). You go on.

Mr. MAGEE. Well, I don't want to suggest, but you said that Maj. Hitchcock stated that Mr. Benson did go over it. Did you ever have any later conversation with Maj. Hitchcock and Mr. Benson when that question came up?

Mr. MORGAN. I will explain to you how that was. I went in to Maj. Hitchcock's office with some of the timber owners—this was

later; I don't know just what time, but it was after this thing had all blown over, and went in to consult regarding the price of the spruce down there, and Mr. Hitchcock started in to tell us, you know, about the expensive roads that had been built to get it out, and according to that, why we were not entitled to a very big stumpage, but his road expense would be charged up against the stumpage. So, some of the owners told him it wasn't necessary to go to all that expense, and if he had opened it up the right way that it would not have been a very expensive logging proposition. And he says, "How would you open it up?" And they told him that they would have gone in from Toledo over this Miller road, over this pass that Porter later surveyed; that is, they would have gone that way; that would have been the general direction, and worked it up from there; that that was a logical way. In fact, I think all of the owners were agreed on that. And he bluffed up and said it was impossible; that he had a report from Amos Benson there; Amos examined it and he turned it down, said it was an impossibility to get a road in that way. And I told him that that was a mistake; that Mr. Benson didn't go over all of it; he went over part of it. And, of course, he started bluffing me. He said, "You was with him and you admitted it was impossible." I told him it wasn't true. And, of course, it stopped at that.

We did not come to blows over it, and in a few minutes Amos Benson came in and I introduced him to some of the owners there, and one of them spoke up and said, "We were just talking about you; Mr. Hitchcock says you went over this land and Mr. Morgan says you did not," I says; "Which one told the truth?" He stammered and said, "I have not had time to go over it yet; I have been too busy on this land."

Mr. MAGEE. That settled it?

Mr. MORGAN. That settled it; that was the last of it.

Mr. MAGEE. What is Mr. Derrick's given name?

Mr. MORGAN. They call him Jim; I do not know what his name is. His initial is Z.

Mr. MAGEE. Where does he reside?

Mr. MORGAN. At Toledo.

Mr. MAGEE. Is he there now?

Mr. MORGAN. Yes.

Mr. MAGEE. I think that is all.

Mr. LEA. Mr. Derrick is the county surveyor?

Mr. MORGAN. I think he is. He was at that time. I do not know whether he is now or not. He was county surveyor all the time I was down in that country.

Mr. LEA. Did he have practical experience in such matters as these?

Mr. MORGAN. Yes, sir.

Mr. LEA. Who is Amos Benson?

Mr. MORGAN. He is the son of Simon Benson.

Mr. LEA. Is he connected with the lumber business in any way; the logging business?

Mr. MORGAN. I think he has been; I do not know whether he is now or not.

Mr. LEA. Is his father in the logging business?

Mr. MORGAN. He was at one time, I think. I do not think he is now.

Mr. LEA. Where does he live?

Mr. MORGAN. He lives in Portland.

Mr. LEA. This survey that was made from Toledo—the Porter survey—was by what organization?

Mr. MORGAN. The board of Toledo paid for that.

Mr. LEA. That is an organization to develop the port there, is it not?

Mr. MORGAN. Yes.

Mr. LEA. And they made this survey in order to show the resources of that port?

Mr. MORGAN. I think so.

Mr. LEA. With the idea that this railroad should connect this Siletz country and be contributory to the port?

Mr. MORGAN. Yes; I think that was the idea.

Mr. LEA. I suppose logging was practically in every direction on this Siletz River after it reached tidewater, was it not, so far as tide-water was concerned?

Mr. MORGAN. You could log either above or below.

Mr. LEA. Either up or down?

Mr. MORGAN. Yes.

Mr. LEA. Do you know on whose advice, if anybody's, the spruce production corporation finally acted in selecting these routes?

Mr. MORGAN. I do not.

Mr. LEA. To a considerable extent, the selection of such routes is a matter of judgment, is it not, among practical men?

Mr. MORGAN. They should be; yes.

Mr. LEA. Sometimes practical men disagree?

Mr. MORGAN. I do not know. They may; yes.

Mr. LEA. You spoke of something being said about you should be paid—the amount you should be paid as stumpage. Did you have any stumpage in there?

Mr. MORGAN. I had some stumpage; yes.

Mr. LEA. Where was it?

Mr. MORGAN. I had some in sections 20 and 17, 9 and 10.

Mr. LEA. Just generally, where is that with reference to Siletz?

Mr. MORGAN. That is on the Siletz River; it borders on the Siletz River.

Mr. LEA. How far is that from Toledo?

Mr. MORGAN. That would be, I suppose, by the wagon road, within about 12 miles, 12 or 13 miles.

Mr. LEA. Have you been interested with anybody else who has timber holdings in the Siletz, in relation to this matter?

Mr. MORGAN. In what way?

Mr. LEA. As an agent, or negotiating for them.

Mr. MORGAN. No; I think not; not on the stumpage.

Mr. LEA. Did you have anything to do with the Weatherford tract, or the Pendleton property?

Mr. MORGAN. No, sir.

Mr. LEA. Did you ever act as agent for Mr. Pendleton?

Mr. MORGAN. No, sir.

Mr. LEA. Did you consult with Mr. Pendleton or Mr. Weatherford with reference to considering the buying of any Government property down there?

Mr. MORGAN. No, sir.

Mr. LEA. Did you go down there with them to see it?

Mr. MORGAN. Yes; I was down there with them to see it.

Mr. LEA. You went down from Portland, did you?

Mr. MORGAN. Yes, sir.

Mr. LEA. What was your interest in going down with Mr. Pendleton and Mr. Weatherford?

Mr. MORGAN. We wanted to see what was done. I wanted to look over the roads and mill.

Mr. LEA. You went down for the purpose of showing them around?

Mr. MORGAN. Not exactly. Mr. Pendleton is as familiar with that country as I am.

Mr. LEA. You all three went down together?

Mr. MORGAN. Yes; and there was another party or two with us.

Mr. LEA. You said that an offer was made you on the Blodgett tract. What was the offer that was made you?

Mr. MORGAN. I do not remember exactly what it was. As near as I can remember, it was a dollar a thousand for the spruce and 75 cents for the fir and 30 cents for the hemlock.

Mr. LEA. How long ago was that?

Mr. MORGAN. That has been three or four years ago.

Mr. LEA. And who made you that offer?

Mr. MORGAN. I do not remember who that was.

Mr. LEA. Whoever owned it?

Mr. MORGAN. The owner at that time or his agent.

Mr. LEA. Do you remember about what the total price would have amounted to at the figures they quoted you?

Mr. MORGAN. No; I do not.

Mr. LEA. Do you know what the estimate is of the amount of timber on the Blodgett tract, approximately?

Mr. MORGAN. I do not believe I could recall it offhand now.

Mr. LEA. You do not know exactly?

Mr. MORGAN. No.

Mr. LEA. All right. I think that is all.

Mr. FREAR. To show your qualifications as a cruiser, have you cruised for any officials down there through the different tracts—the Blodgett tract, for instance?

Mr. MORGAN. I have; yes. I checked up some forties for the county assessor, and also made a preliminary for the Seattle outfit, and I think I cruised a few forties for them prior to that.

Mr. FREAR. Your business now is the timber business?

Mr. MORGAN. The timber business; yes.

Mr. FREAR. So you have had considerable experience?

Mr. MORGAN. Oh, yes.

Mr. FREAR. The fact that you had a piece of land in there, or timber in there, if you did have it—I was occupied with something else at the time and did not hear you say—would that affect your judgment as to the location of this railroad and things of that kind in the slightest degree?

Mr. MORGAN. Not in the least.

Mr. MAGEE. What do you mean by checking?

Mr. MORGAN. In checking you get the cruise that is submitted by the owner and go in and cruise a forty here and there and compare it to the owner's cruise, or whoever submitted the cruise to you; that is, checking up the cruise that is submitted to you.

Mr. MAGEE. What do you mean by "forties"?

Mr. MORGAN. Forty acres. That is a subdivision.

Mr. LEA. How many years has it been since you were engaged in logging?

Mr. MORGAN. It has been 16 or 17 years.

Mr. LEA. That is, you have been engaged in it 16 or 17 years, or it has been 16 or 17 years since you were engaged in logging?

Mr. MORGAN. Since I logged any.

Mr. LEA. You have lived in this State for many years?

Mr. MORGAN. Yes, sir.

Mr. LEA. That is all.

Mr. FREAR. You have been living in this section where they are logging?

Mr. MORGAN. Oh, yes; I am in touch with logging all the time.

Mr. FREAR. That is part of your business, because you are dealing in timberlands?

Mr. MORGAN. And cruising. I cruised a great deal right ahead of the saws in the logging camps during the last 10 years, and have to watch it very carefully.

Mr. FREAR. So that you are familiar with all the different phases of logging?

Mr. MORGAN. Yes; in my business you have got to keep in touch with things.

Mr. FREAR. So you have kept up to date in logging operations?

Mr. MORGAN. I do not claim to be an up-to-date logger, but I have kept up with logging.

Mr. MAGEE. Do you think you know as much about it as a lawyer or a doctor or a dentist?

Mr. MORGAN. Yes.

Mr. LEA. Or a Congressman?

Mr. MORGAN. Yes.

Mr. LEA. There is one great thing about a Congressman; he knows everything about it without investigating. [Laughter.]

Mr. FREAR. There is another thing; they are willing to investigate and ascertain the facts generally.

(Thereupon, at 3.15 o'clock p. m., the committee adjourned until to-morrow, September 3, 1919, at 10 o'clock a. m.)

SUBCOMMITTEE No. 1 (AVIATION)
OF THE SELECT COMMITTEE ON EXPENDITURES
IN THE WAR DEPARTMENT,
HOUSE OF REPRESENTATIVES,
Wednesday, September 3, 1919.

The subcommittee met at 10 o'clock a. m., in the courthouse, Portland, Oreg., Hon. James A. Frear (chairman) presiding. Also present, Hon. Walter W. Magee and Hon. Clarence F. Lea.

TESTIMONY OF CAPT. THOMAS A. SWEENEY.

(The witness was sworn by Mr. Frear.)

Mr. MAGEE. Where do you reside, Captain?

Capt. SWEENEY. 731 Brooklyn Street, Portland, Oreg.

Mr. MAGEE. How long have you resided here?

Capt. SWEENEY. In Portland, Oreg., 15 years.

Mr. MAGEE. What is your business?

Capt. SWEENEY. General construction.

Mr. MAGEE. Of what character?

Capt. SWEENEY. Railroads and highways.

Mr. MAGEE. Were you here in 1907, or the early part of 1918?

Capt. SWEENEY. Yes, sir; I was here until February 8, 1918.

Mr. MAGEE. Are you familiar with the general situation in this locality as to spruce timber?

Capt. SWEENEY. Yes; I think I know as much about the spruce, the location of spruce in the Northwest, as any man.

Mr. MAGEE. Will you go on and state to the committee what information you have relative to spruce timber or the getting out of spruce timber for airplane production that you know about?

Capt. SWEENEY. In November, 1917, there was an arrangement made by the Government to pay from \$120 to \$160 a thousand for rived spruce. The No. 1 spruce at \$160 was supposed to be straight grained without spirals and without pitch knots and other specifications to make it first-class timber for wing-beam stock. The No. 2 was priced at \$120. They were asking for farmers and small loggers to get this out, and the publicity department of the spruce corporation was very anxious to get the farmers to get the spruce out; but when the farmers applied for an interview with the powers that were then, they were unable to see them, and were unable to get into touch with the financial arrangements that the Government would be willing to make. Therefore, the getting out of spruce under contract by the thousand was a practical failure.

I organized the Western Spruce Association, my plan being to furnish the tools, the groceries, and the tents for loggers—that is, I mean men who were able to do the work and were not able to get the equipment to do it with—and I was to furnish them horses, and they were to get out this spruce in small lots. Of course, spruce grows in little clusters and growths. It is not in a large body of timber. Fir, possibly, in the Siletz, and spruce in there amounted to maybe 15 per cent of the timber, and it grows in small clusters on little rises or hills. I went ahead and made arrangements to get options on certain properties, to get out spruce. I think they were paying \$7.50 a thousand, the Government price, and agreed to pay the Government price. You understand, I was not wealthy, but I thought I might be able to help the Government out by forming this association of small loggers to get this out. I had taken quite an active part in Red Cross work previous to this time, and I thought possibly I might donate my services to the Government in this particular work.

The point naturally arises, where I got off. My getting off was that I would agree to pay the men \$4 a day apiece who would work on this, and agreed to get the money from the Government for the carload shipments, and anything that was left over the \$4 a day that was paid to these men I would split up with the men. I understand Col. Disque had a difficult time finding out just exactly where I got off and could not understand my motives in organizing this association.

Mr. MAGEE. You say you understand. What I am trying to get is just what you know of your own knowledge and experience. Did you have any conversations with the colonel?

Capt. SWEENEY. Yes; I had several conversations. I am coming to that now. I went to Col. Disque on two or three different occasions, and he had agreed that this would be all right, but he asked me at that time where I would be getting off, and I told him I thought I would be able to take care of myself; if I did not make anything it would be all right and I would not be losing anything, and it would be doing something for the Government. I was at this about six weeks.

Mr. MAGEE. What time of the year was that?

Capt. SWEENEY. This was along in the first part of the year, the first week or so in January, 1918, and I was told that there was an organization being formed by large timber owners and large contractors to turn this over to one contractor, the getting out of all the spruce on a cost-plus contract. I went immediately to Col. Disque. You understand that although there are many times that you will hear a report you may not be able to definitely trace it.

Mr. MAGEE. Yes; and that is the reason I suggested that we do not care anything about rumors or hearsay.

Capt. SWEENEY. Well, this is absolutely true.

Mr. MAGEE. All the committee wants is the facts within the knowledge of the witness.

Capt. SWEENEY. I went to Mr. Disque and explained to him what was going on and he said—

Mr. MAGEE. What did you say to him?

Capt. SWEENEY. I told him that there was an organization being formed to trim the Government; they wanted the Government to

build railroads into their timber where their timber is on both sides of the railroad, and when the spruce is exhausted—there may be, possibly, 10 per cent of all the timber which is spruce—and when the spruce is exhausted they will, under the rule of the Government of selling to the highest bidder, of necessity have to sell to the people who own the timber on both sides of the railroad. He immediately became very excited and told me he would not have his character assassinated. I told him I was not trying to assassinate his character; that I was simply trying to give him a tip; that I was not personally interested in his welfare. I gave him the name of a man who would be able to give some more information to him, and this man went and saw him. I do not know what the outcome was, excepting what this man told me afterward, but it was about like my own experience. I told Mr. Disque at that time that he was either in on the frame-up or else he was being made a sucker of by the financial and timber interests of this country.

Mr. MAGEE. Where was this conversation?

Capt. SWEENEY. In the Yeon Building, in Mr. Disque's office, on Sunday afternoon.

Mr. MAGEE. This city?

Capt. SWEENEY. Yes, sir; the second Sunday in January, 1918. I stayed on until about two weeks longer, and in trying to close these options in going to the spruce department to get their assistance, I was referred to the Porter Bros.

Mr. MAGEE. You tried to make some arrangements with Col. Disque in reference to getting out spruce timber for airplane production?

Capt. SWEENEY. Yes, sir.

Mr. MAGEE. Did you receive any encouragement?

Capt. SWEENEY. I received no encouragement, and I sent several other small loggers to the colonel and they received the same treatment that I received. It seemed that a man must have his bond and Bradstreet's report in his hand with his card when he went into the office, showing at least he was worth from two million to ten million dollars, in order to do any business or talk to those people.

Mr. MAGEE. What leads you to that conclusion?

Capt. SWEENEY. Because the small loggers who went in there who were not able to do this were not given any consideration, and the big men could walk by them. After a small man had been waiting an hour to go in, these large contractors could walk in without any hesitation and go into the office.

Mr. MAGEE. Were there a good many loggers along the coast who were in a position, with equipment, etc., to get out spruce logs?

Capt. SWEENEY. You understand, many of the loggers had the equipment, but they were financially embarrassed; they could not move their equipment in for possibly an indefinite time. The war might be over in two months or a year and the men would not take a chance.

Mr. MAGEE. Assume that the Government had financed them and given them sufficient money to utilize their equipment, were there sufficient men here of experience in the logging business to get out the spruce required for the needs of the Government?

Capt. SWEENEY. That is just exactly the point. They were all prepared and equipped to do it if they could get a little assistance from the Government.

Mr. MAGEE. Go on and state what you know as to the number of loggers, their ability to get out spruce in quantities if encouraged and aided by the Government.

Capt. SWEENEY. Well, at that time there was considerable talk of the I. W. W., but in reality that talk was promoted more by people who were interested in getting soldiers in here and organizing a division, I think. The I. W. W., in my experience—and I went all over this section—was possibly 10 per cent of the men at work. I had considerable experience with the I. W. W's. and I never had any damage done by them. The small loggers who had small crews—from 20 to 50 men—working were getting out a great deal of timber, and down in Cusic County there were several small loggers that I was in touch with and they came up to Portland and tried to see Mr. Disque, and I tried to see Mr. Disque for them, and a Lieut. White, who was in the office, told me that it would be almost impossible to see Mr. Disque for the small loggers; that they were coming in at all times of the day and Mr. Disque did not have time to talk to them, there had been so many of them; and as to saying exactly how much the loggers on the coast could do I would not say that, but I know they have been doing this work for years, and there is no reason to believe they could not have done this work much cheaper.

Mr. MAGEE. Do you know of your own observation whether they were willing to do it?

Capt. SWEENEY. Absolutely, they were.

Mr. MAGEE. And whether they were reasonably able to do it?

Capt. SWEENEY. They would have done it if they had had a certain amount of assistance from the Government to move their equipment in and take it out again; but no one was going to move their equipment without having some assistance. Mr. Disque wanted them to give bonds, but he would not give bonds to pay them if they lost money.

Mr. MAGEE. What do you mean by that—that they could not get any cost-plus contracts?

Capt. SWEENEY. Oh, no; it was an impossibility to get cost-plus contracts.

Mr. MAGEE. What do you know of your own knowledge about the inability of the loggers to obtain any cost-plus contracts?

Capt. SWEENEY. There was a man by the name of—I forget his name—but there was a man down in Toledo that was up here for a week trying to get a contract out of the Siletz. Right above that hog back, out of Toledo, in the Siletz, there is a large body of spruce near that little divide just west of the extension of the Miller railroad.

Mr. MAGEE. That is a few miles north of the end of the railroad?

Capt. SWEENEY. I think Miller's railroad ran about 5 miles up from the end of his track. The end of the track was about a mile or a mile and a half from Toledo, and it ran 5 miles, and about 3 miles above that was a rise of possibly 500 feet, maybe a 2½ or a 3 per cent grade, and just over that was where this large body of spruce is—just over that to the west of that along the ridge; and this man came in here and was here a week trying to see Mr. Disque, and he saw everybody but Mr. Disque and received no encouragement. He offered to get this out on a per 1,000 basis of \$160 a 1,000 if the Government would advance him the money, or he offered

to get it out on a cost-plus contract, but he could not show the financial responsibility.

Mr. MAGEE. How did he need any financial responsibility if he got a cost-plus contract?

Capt. SWEENEY. Well, I do not see that you have any financial responsibility if you had all the backing of the Government behind you.

Mr. MAGEE. If a man had a cost-plus contract with the Government the Government would pay all the expenditures under the contract and a commission on those expenditures.

Capt. SWEENEY. But a small man could not do that; a small practical man could not do that. It takes a banker to get a cost-plus contract.

Mr. MAGEE. What I am getting at is why should a man's financial responsibility enter into the proposition?

Capt. SWEENEY. That is the question that has never been solved here.

Mr. MAGEE. You can not solve that?

Capt. SWEENEY. No; that is too deep for me and for everybody.

Mr. MAGEE. You said this man said he could not see the colonel. Was the colonel out of town?

Capt. SWEENEY. No; he could not get through the battery.

Mr. MAGEE. Of what?

Capt. SWEENEY. Of bank clerks and slackers from the East that were out here as sprucers in the office.

Mr. MAGEE. You mean he could not get an interview?

Capt. SWEENEY. That is what I mean.

Mr. MAGEE. Do you know anything further about this spruce situation that you have not stated?

Capt. SWEENEY. I know I saw that he was not going to do anything with the small fellow, was not going to permit them to do anything, and that he was letting contracts to the bankers and timber owners, and so I left here and went to Victoria.

Mr. MAGEE. British Columbia?

Capt. SWEENEY. Yes, sir. I heard in town that Mr. Pendleton was doing some work up there, and I was going up on that Charlotte group of islands. I foolishly had thought that I could be of some assistance, but they did not want assistance.

Mr. MAGEE. Who did not want assistance?

Capt. SWEENEY. These people here in this country.

Mr. MAGEE. You had gotten up to British Columbia, and are you now back in Portland?

Capt. SWEENEY. No; I am just going up now, crossing the line.

Mr. MAGEE. Whom do you mean by "they"?

Capt. SWEENEY. I mean the spruce outfit here.

Mr. MAGEE. In Portland?

Capt. SWEENEY. Yes, sir. I went up there to investigate, to see if I could do anything in Canada, and I was up there about a week at Victoria when I received a wire from Washington, D. C., that I was given a commission as lieutenant in the Army and asked to accept that immediately by wire acceptance, and I saw that I was not getting very far in helping the Government here, so I accepted the commission and went to Washington, D. C.

Mr. MAGEE. You did not join the soldiery here with civilian pay?

Capt. SWEENEY. No; I did not. Sometimes I am kind of sorry I did not, but in after years I guess I will feel better about it.

Mr. MAGEE. Then what?

Capt. SWEENEY. Then I went to France and was given a company and given a commission as captain, and we did a lot of work over there; we did what we were ordered to do, and we did not have any civilians in the work.

Mr. MAGEE. When did you reach France?

Capt. SWEENEY. On the 22d of May, 1918. We did railroad work, road work, railroad construction, and on the 19th of July I was sent to the Avergne Mountains and sent in there to put a siding in, to timber into the forest, a railroad siding. I built that, and when I had finished it I reported the work was completed, and they said to stay, that there was a sawmill on the way, and I was ordered to construct this mill and get out railroad ties and bridge timbers for construction at the front line, props, etc., and about a month afterwards I constructed another mill about 50 miles from there. This was about August 22, and I was in Claremont. Capt. Williams, who was a captain of infantry, was in charge of the aviation camp. This was about 100 miles southwest of the line. On the 22d of August there were 16 men lined up—

Mr. FREAR. What year?

Mr. MAGEE. 1918?

Capt. SWEENEY. 1918. On the 22d of August about 16 men were lined up that had been ordered to the front. I think there were about four or six De H. 4 machines in there, De Haviland machines, and the rest of them were French machines. They were grouped and I do not remember what kind they were. They may have been Spads, or something of that sort. But at least, they were second-grade machines. The French did not give the first-class machines to the Americans. Those young fellows who were going out were a sort of devil-may-care outfit, they did not seem to care, and they were laughing and kidding there and shaking hands with everybody.

Mr. FREAR. Americans?

Capt. SWEENEY. Americans. They shook hands with everybody, and said, "Well, this is not au revoir, this is good-bye." Capt. Williams and I were standing opposite and I asked him why all this gloom. The fellows who remained behind were very gloomy. He said, "Well, those boys will never come back, and they know it." I said, "Why," he said, "Well, those American machines have no protection. As soon as a bullet hits that gasoline tank it is curtains, it will take fire immediately and the men, the pilot and observer, have no chance to get away." He said the boys called those the flaming coffins.

Mr. MAGEE. Sure death?

Capt. SWEENEY. I presume so. I did not ride in any of them.

Mr. MAGEE. What did he say about that, the captain in charge?

Capt. SWEENEY. He said they would not come back, that when one of those machines was struck it was the finish. The other machines, the French machines, were old and were not up to date. They were not as fast as the German machines, and they were not as efficient as the German machines, and, therefore, they did not figure they had much of a chance in those machines either. I saw Capt. Wil-

liams about a month afterwards and asked him particularly if those fellows came back who went over. He said he had never heard of any of them, he said they had fallen inside the German lines and had been captured or killed.

At that time also he told me that he was going to Congress and have an investigation, and if an investigation was not started he would try to start one.

Mr. FREAR. For what?

Capt. SWEENEY. To learn why those machines were built without protection for the Americans.

Mr. MAGEE. Now, do you know where Capt. Williams is?

Capt. SWEENEY. Capt. Williams was at Claremont on the 15th of April. I went through there. I was sent back to the Bordeaux district on the 6th of January in charge of road work south of Bordeaux.

Mr. MAGEE. Do you know what his given name is?

Capt. SWEENEY. They call him Jack.

Mr. MAGEE. Capt. Jack Williams?

Capt. SWEENEY. He was a captain of Infantry.

Mr. MAGEE. Do you know his regiment, or company, or division?

Capt. SWEENEY. No; the only thing I remember is that he was a captain of Infantry, but he was in charge of the aviation camp, and was an aviator.

Mr. MAGEE. Do you know what division of Infantry?

Capt. SWEENEY. No. He was in charge of this aviation camp at Claremont. He is well known there, and practically ranked—

Mr. MAGEE. He had charge of the camp at this time?

Capt. SWEENEY. He was as important as a colonel there, because he was the ranking officer.

Mr. MAGEE. Can you give us any further fact to identify him?

Capt. SWEENEY. I think that would be sufficient, Capt. Williams, in charge of the aviation camp at Claremont.

Mr. MAGEE. Have you ever heard anything from him since you left; do you know whether he has returned?

Capt. SWEENEY. No. I saw him on the 15th of April.

Mr. MAGEE. 1919?

Capt. SWEENEY. 1919.

Mr. MAGEE. At this same place?

Capt. SWEENEY. He only had 28 ground men there and had nothing to do.

Mr. MAGEE. He was at this same place?

Capt. SWEENEY. He was waiting for orders to go home.

Mr. MAGEE. What time did you leave France, Captain?

Capt. SWEENEY. I left France on the 7th day of June, 1919.

Mr. MAGEE. Have you been discharged from the service?

Capt. SWEENEY. Yes, sir.

Mr. MAGEE. When were you released from the service?

Capt. SWEENEY. I was discharged from the service on the 5th of July, 1919.

Mr. MAGEE. Where?

Capt. SWEENEY. Camp Lewis.

Mr. MAGEE. And then you came to Portland?

Capt. SWEENEY. Yes.

Mr. MAGEE. I think that is all.

Mr. LEA. Was this a corporation that you organized for the purpose of getting out spruce?

Capt. SWEENEY. An association.

Mr. LEA. It was not incorporated?

Capt. SWEENEY. No; it was not incorporated; it was an association.

Mr. LEA. Did you have any capital stock?

Capt. SWEENEY. No; it was just an association formed under the laws of Oregon.

Mr. LEA. What equipment did you have?

Capt. SWEENEY. I had splitting wedges, saws, axes, and chains, teams, and double trees and wagons.

Mr. LEA. Did you have any donkey engines?

Capt. SWEENEY. I presumed I did not need any donkey engines under the system they were getting out the spruce at that time.

Mr. LEA. You did not have any equipment of that kind?

Capt. SWEENEY. I did not have any donkey engines.

Mr. LEA. Did you own any timber?

Capt. SWEENEY. I did not own any timber.

Mr. LEA. Did you have contracts for any timber?

Capt. SWEENEY. I had options on some spruce timber.

Mr. LEA. What had you been doing prior to that time—when the war began?

Capt. SWEENEY. Highway construction.

Mr. LEA. That was State highway construction?

Capt. SWEENEY. State and county highway construction.

Mr. LEA. Did you have any contracts?

Capt. SWEENEY. At that time?

Mr. LEA. Yes.

Capt. SWEENEY. If I had any contracts I would not have monkeyed with this spruce.

Mr. LEA. How long since you had had any contracts before that time?

Capt. SWEENEY. The 1st of September.

Mr. LEA. You were doing what then?

Capt. SWEENEY. Building a highway down toward Astoria.

Mr. LEA. What distance, what kind of highway was it?

Capt. SWEENEY. About seven miles of construction work, excavation, and grading.

Mr. LEA. Was that a concrete road?

Capt. SWEENEY. No; it was just the grading of it. It was a big fill put in there and they do not lay the pavement until after it has settled, out there.

Mr. LEA. You were never able to make a contract for getting out spruce for the Government?

Capt. SWEENEY. The ability of a man—

Mr. LEA. No, I do not refer to your ability. What I meant is that you did not get any contract; you were not able to get any arrangement that was satisfactory for you to get logs.

Capt. SWEENEY. I never asked for a private contract, because it was a proposition that they would pay \$120 to \$160 a thousand for spruce.

Mr. LEA. If you had produced the logs you could have got that price?

Capt. SWEENEY. Yes, sir; rived stock.

Mr. LEA. Did you deliver any spruce to the Government during the war?

Capt. SWEENEY. No, sir.

Mr. LEA. Now, about these gasoline tanks connected with the airplanes in England—what service were you in over there—what branch of the service?

Capt. SWEENEY. Engineers.

Mr. LEA. Now, the fact was that all the Allies were without protected tanks to begin with, were they not?

Capt. SWEENEY. Not that I know of. In England they might have been, but in France the Germans had their tanks protected with cork and steel, and the French had half-inch steel protection.

Mr. LEA. Now, did these machines that the French turned over to the Americans have protection on the tanks?

Capt. SWEENEY. Yes; I presume they had.

Mr. LEA. But originally they did not, did they?

Capt. SWEENEY. I do not know; I do not know as to that. I did not say anything about the French protection. I said the French machines were out of date.

Mr. LEA. And the Allies, both England and France, helped protect the front, as far as aviation was concerned, didn't they, or do you know about that?

Capt. SWEENEY. Yes; it was a charitable proposition on their part. They had to protect us.

Mr. LEA. It was a joint effort; the Americans furnished them materials, and they constructed a great many planes, and furnished some planes to the Americans, and their aviators sometimes protected the American lines.

Capt. SWEENEY. Yes; they did; I am sorry that they had to.

Mr. LEA. Now, do you know about the death rate of the American aviators as compared with the others?

Capt. SWEENEY. I do not know.

Mr. LEA. You know that the record is established, don't you?

Capt. SWEENEY. I do not know. I do not know what the record is.

Mr. LEA. I believe that is all.

Mr. FREAR. What date did you say those boys were lined up?

Capt. SWEENEY. About the 22d of August, 1918; somewhere in the latter part.

Mr. FREAR. By a singular coincidence on August 22 the Thomas committee filed its report, in which it announced that not a single fighting plane or bombing plane of American manufacture had reached the fighting front. That committee was composed of Senator Thomas, Senator Reed, and Senator Hoke Smith, all Democrats, who were in the majority. It happened to be the same day. You say you do not know about the various machines—how they were constructed. The complaint made by Rickenbacher and the others, as I understand it—and I am asking you if you know—is that the battery was placed at one end and the oil tank at the other, and the aviator sat between, and that made it practically impossible, to use their language, as has been testified before us, to get out in case of an accident.

Capt. SWEENEY. Well, Mr. Frear, as far as the technical construction of an airplane is concerned, I was in the Engineers, and I was

simply giving my conversation with Capt. Williams, who was in charge of the aviation camp.

Mr. FREAR. That is one reason; that is what was alleged to make it so extremely dangerous, because they were between those two places; the pilot was between the battery and the oil tank?

Capt. SWEENEY. Yes.

Mr. FREAR. And, of course, if there was a bullet came, it was liable to perforate the oil tank, and that was the end?

Capt. SWEENEY. Yes.

Mr. FREAR. An aviator named Archibald testified before our committee in Seattle several days ago to the effect that only one American airplane was seen at the Argonne; was that it?

Mr. MAGEE. Connected with his division.

Mr. FREAR. Yes; connected with his division, and that no English or French machines, if I quote correctly, were around there at that time. He testified that the Germans came down within a few hundred feet and raked the American who were there at that time. I speak of that because you say that the other countries were able to help. It seems that in all cases they could not.

Capt. SWEENEY. That was Mr. Lea's statement.

Mr. FREAR. I understand, but I am giving you this illustration from testimony placed before the committee. A letter to the Secretary of War was read by the chairman of this committee in which it was urged to send airplanes. It was repeated three times, about the absolute necessity of having airplanes, which were lacking at the front, American airplanes. The Secretary of War said it was a beautiful letter. That letter came very close to my home. That is all.

(Witness excused.)

TESTIMONY OF MR. BRICE P. DISQUE.

The witness was sworn by Mr. Frear.

Mr. FREAR. What is your full name?

Mr. DISQUE. Brice P. Disque.

Mr. FREAR. How old are you, Mr. Disque?

Mr. DISQUE. Forty years.

Mr. FREAR. Where is your home?

Mr. DISQUE. New York City.

Mr. FREAR. You were in the Regular Army?

Mr. DISQUE. For about 18 years.

Mr. FREAR. You served in the Philippines?

Mr. DISQUE. On three different tours; yes, sir.

Mr. FREAR. And until what time?

Mr. DISQUE. Up to the time of my discharge,

Mr. FREAR. And what rank did you hold at that time?

Mr. DISQUE. I resigned from the Regular Army in January, 1917, as a captain of cavalry.

Mr. FREAR. 1917, in January. You were then a captain of infantry? What did you do then?

Mr. DISQUE. I became warden of the Michigan State Prison, at Jackson.

Mr. FREAR. At what time?

Mr. DISQUE. I had entered upon the duties about a month prior to my resignation. I was on leave of absence until the resignation took effect.

Mr. FREAR. Then you were on duty there in Jackson in December?

Mr. DISQUE. December 23, I think.

Mr. FREAR. 1917?

Mr. DISQUE. 1916.

Mr. FREAR. And up to what time did you remain in the prison as the warden?

Mr. DISQUE. About the middle of September I left Jackson.

Mr. FREAR. September, 1917?

Mr. DISQUE. 1917.

Mr. FREAR. That was about six months after war had been declared?

Mr. DISQUE. Approximately.

Mr. FREAR. How did you become appointed warden of the penitentiary, by what influence, I mean, or how did it come about? The reason I am asking this, let me state briefly, is this: That statements have come to the committee, and you are entitled to go into all these matters and give your own explanation, your own answers, and I think the committee wants you to do that.

Mr. DISQUE. I do not know what influences came to bear to arrange for my appointment. I received a cablegram from the members of the board while I was in Manila offering the position, and I had a short cable correspondence with them to determine that the position was in no wise a political one. They gave me their word that it was not, and all of them seeming to be business men of good reputation. I went to the States on leave, and found, as I thought, that the situation was what they had represented it to be, nonpolitical, and I accepted it.

Mr. FREAR. What are your politics?

Mr. DISQUE. I never voted in my life, never had any interest in politics, and never had a political friend as such, and do not know any now.

Mr. FREAR. The reason I have asked that question is that the suggestion has gone forth that this committee is actuated, either directly or indirectly, by political prejudices, and I desire to say this and have it entered in the record at this time, that this committee—the members, I believe, generally, received their appointments without solicitation, and in one case, I know distinctly, against the vigorous protest of one who is serving. I am now referring to the chairman of the committee. There was a distinct understanding that this committee could not be used, directly or indirectly, as a political adjunct at that time, and that is the disposition at this time. This committee was elected by the unanimous vote of the House of Representatives, Republicans and Democrats alike, and I am now referring to the joint committee. This committee of three was asked to make an investigation of spruce activities on the western coast and sent here by the unanimous vote of the 15 members, including the three Democratic leaders of the House. This committee comes here asked to make the investigation at the request of Gov. Hughes, personally, and at his recommendation as contained in his report. That is the attitude of this committee, without political preference or partiality in any way

it desires to get at the facts so far as able to, and it proposes to do so. I say that in justification because of some statements that have been given to the press. The only effort to link politics with this committee has come from the chairman of the Democratic national committee, who acknowledged the authorship, or stood for the authorship of an article charging this committee with having other motives than an honest purpose to carry on an investigation. He continues in that view, as chairman of that committee, and stated that he proposed to continue in that view. That is all I have to say on that subject, and the question with regard to your political affiliations was simply brought forth because of the peculiar situation which has been brought about in an effort to discredit the work of this committee.

Mr. DISQUE. May I say, Mr. Chairman, in view of the fact that you have so completely assured us that you are going to get the facts of this operation, I am prepared to give them to you, backed up by documentary evidence in every instance. Your record, as I have read it to date, is largely opinion evidence, from people who have never known the conditions surrounding the spruce-production operations. That part of it which is facts and of a severely critical nature of our operations is, in mild language, falsehoods which I can disprove. I have named to you a list of witnesses and asked you to call them here, because the records of this operation are in this city. They are complete. It was a large operation, too big for any one brain to carry and be able to give a detailed explanation of every phase, and it is necessary, to get the truth of this thing, that every man that I named, and some more whom I will name, should be called before your committee and be given an opportunity to refute what I know positively to be one of the grossest misrepresentations that has ever appeared in a public record.

Mr. FREAR. In reply to that let me say that this committee, in its direction for an investigation, is required to pass upon expenditures reaching \$1,055,000,000, extending from the Atlantic to the Pacific coast, in Dayton, Ohio, in Buffalo, N. Y., in Detroit, Mich., and that only an incident of that is the money which has been spent out here in this spruce production. The committee has been furnished with a list of approximately 150 witnesses, many of whom I do not believe can throw any light, excepting personal desires and enmities. You have furnished the committee a list of possibly 20 people. Unless the committee neglects all of its other duties and remains here on the coast for a month or so in order to carry on these investigations, it will be unable to call all the witnesses you have mentioned.

In order to be perfectly fair and clear as to the facts, the committee, at the request of Secretary Baker, called as one of its first witnesses, in the city of Chicago, Col. Morley, to get his understanding. The first witness the committee called upon the coast was Col. Stearns, who was then and is now president of the corporation, to get his understanding of the situation, and for a day and a half he was before the committee. Another witness who was called was Mr. Donovan, a member of your board, a man who certainly had full knowledge of all the conditions during his connection with it. Another man whom we called was Maj. Grammer. So that we have been endeavoring to get a fair understanding of this matter from both sides of the controversy, if it may be denominated as such. We desire

the facts. There is no matter of trail here. All that we are doing is investigating.

And let me suggest this: I was asked to do this yesterday and I omitted it—you asked, as I understand, that every witness before this committee be sworn. That is right, is it?

Mr. DISQUE. Yes, sir.

Mr. FREAR. We have invariably, from the Secretary of War down to the present time, sworn every witness, and we have always done that in every investigation that has been held. A suggestion was made by one of the witnesses in the city of Seattle that he had grievances which he thought warranted a criminal procedure. It was called to my attention yesterday by a newspaper correspondent, and he asked if there was any question about the testimony of any witness before this committee which would entitle the witness to immunity. I know nothing about it, but I understand the Shipping Board has taken the position that any witness testifying before that board is entitled to immunity under the Federal statute. I have talked to Mr. Magee—I have not talked with Mr. Lea—as to his knowledge of the law, but I simply wish to ask you if, under the circumstances, you waive any immunity, which I assume you do.

Mr. DISQUE. Absolutely.

Mr. FREAR. As to your testimony?

Mr. DISQUE. Yes. But no other witness does waive immunity in his testimony before a congressional committee unless he agrees to it. I do not know if previous witnesses had this matter put to them in this way or not, but every lawyer I have talked to has assured me that testimony given to a congressional committee is privileged. If it had not been, there is more than one man who would be facing a suit to-day.

Mr. FREAR. That is the privilege that you have. This was the first case that was called to my attention—yesterday—about the matter of immunity.

Mr. DISQUE. I might say, Mr. Chairman, assuming that we are after the facts—

Mr. FREAR. That is what we desire.

Mr. DISQUE. As I understand it. The committee has not called Col. Stearns, Mr. Donovan, or Maj. Grammer, but those gentlemen asked to come before the committee, as I understand it, and the only people that the committee has called are men who have a personal grouch or a grudge. Therefore you have not, up to date, invited the facts from those who know them. That is why I mentioned the list of witnesses, to help you get at the real truth of this thing from those who are best equipped to give it to you.

Mr. FREAR. Let me state that you are entirely mistaken in your position as to the attitude of this committee on witnesses. At least 50 witnesses out of the 100 have asked to be called.

Mr. DISQUE. That is natural.

Mr. FREAR. And those are people who desire to testify as to conditions in regard to the Spruce Corporation. I understood that Col. Stearns desired to be called, and that is the reason he was called as our first witness.

Mr. DISQUE. Didn't he request it?

Mr. FREAR. What is that?

Mr. DISQUE. Didn't he request to be called?

Mr. FREAR. No; I sent for him.

Mr. DISQUE. He told me that he requested it.

Mr. FREAR. Well, we will find out about that.

Col. STEARNS. The wires crossed.

Mr. FREAR. The wires crossed, all right. I knew nothing about his request, because I sent for him at once as the one who could throw the most light upon the matter. There will be probably more crossing of wires and correspondence before we get through, but we will try to straighten that out.

Mr. Donovan wrote me in the State of Washington, saying that our committee would not be welcomed in the West unless we came in a particular frame of mind, and I wrote back to him that it was immaterial to the committee whether we were welcomed or not; that we desired to get the facts, and that we proposed to do it, so far as possible. Mr. Grammer—I do not know that he asked to be sworn, but we were very glad to have the benefit of his testimony. Secretary Baker himself desired that Morley should be sworn in Chicago, and I sent for him for that purpose. So let me say that the request did not come from the individuals, so far as we know. We have had requests from the other side, but that is immaterial. What we desire are the facts, and so far as we can get them in the brief time we can afford to spend in this investigation on the coast. We will employ that time to get those facts. Now, it is an absurdity to think that all these officers, all these majors, can be called by this committee to the exclusion of all the other witnesses. In every case that is tried—and this is not a case, but it is an investigation to get the facts—you do not inquire whether people are ready to bolster up a case until you know what case is made against them.

Mr. DISQUE. Certainly.

Mr. FREAR. That is the situation in which this committee is placed. I think we come to it with open minds, so far as possible.

Mr. DISQUE. May I ask you—you said Mr. Donovan wanted you to come in a particular frame of mind; do you mean to say that he tried to prejudice the committee, and wanted it to come here favorable to our operations?

Mr. FREAR. I say this, that Mr. Donovan wrote me and gave his letter to the press at the same time, quoting what purported to be an interview from me, which was not true, and stating to Congressman Hadley—and it has been read into the record—that he did not expect—that we would not be welcomed as a committee unless we came in a fair frame of mind, prepared to get at the facts, or words to that effect.

Mr. DISQUE. He was not trying to influence you adversely?

Mr. FREAR. Not in the slightest degree; no.

Mr. FREAR. How did they come to send for you away out in Manila, to take charge of the Michigan Penitentiary?

Mr. DISQUE. Well, I will have a witness here to-morrow, who can best explain that.

Mr. FREAR. All right; then we will pass over that.

Mr. DISQUE. Mr. Frank Eaman, who is a member of the board, a man whom I had never met in my life until I went to Jackson, can best tell the committee. He will be here to-morrow night. I do not know, as a matter of personal knowledge, at all.

Mr. FREAR. You were down in Manila, 6,000 miles—yes, 9,000 miles away from Michigan, and Mr. Eaman sent for you to come there to handle the affairs in the penitentiary: is that it?

Mr. DISQUE. The board, as a whole, did.

Mr. FREAR. Who were the other members of the board?

Mr. DISQUE. There were three members of that board.

Mr. FREAR. Who were the members?

Mr. DISQUE. Mr. Wernicke, of Grank Rapids; and Eaman, and a man by the name of Edward Frensdorf, who lives at Hudson, Mich.

Mr. FREAR. Was there anything in your past experience that had led them to feel that you were especially fitted for running the Jackson prison, so far as you know?

Mr. DISQUE. Well, I had had charge of one of the military prisons in the Philippines, and my record in the War Department was at their service, and I think, from the whole thing, they made their selection, in an endeavor to get away from local men who took politics into the institution.

Mr. FREAR. But we will have to concede that it was a very remarkable situation that caused the authorities of the State of Michigan to send to the Philippines, to Manila, 9,000 miles away, to get some one whose experience rested with having been in charge of a military prison; that is true, isn't it? Mr. Eaman can possibly explain it.

Mr. DISQUE. He can tell you all about it.

Mr. FREAR. The war was declared April 6, and September, what date was it, that you resigned your position?

Mr. DISQUE. I don't remember the exact date. It was about the middle of the month.

Mr. FREAR. And then what?

Mr. DISQUE. Well, before we leave that, since you have brought out that it took six months for me to get into the Army.

Mr. FREAR. I simply let the dates speak for themselves.

Mr. DISQUE. Let me say, Mr. Chairman, that in February, about the middle of February, 1917, my resignation had hardly been dry, it looked to me, then as though the war was coming in the near future: I immediately wrote Gen. Scott, Chief of Staff, and asked him to withdraw my resignation, and also endeavored to have myself reinstated in the exact rank that I had resigned from. In fact, I wrote him two letters. I wrote two or three others to friends in the War Department. I then asked to have a bill introduced in the Senate, and it was introduced, to reinstate me as captain of Cavalry. And during that period nothing was done that resulted in my reinstatement, until the War Department wired me and offered me a lieutenant colonelcy in the Signal Corps.

Mr. FREAR. In September?

Mr. DISQUE. The wire came in September.

Mr. FREAR. What is the explanation of over six months that the department took no action, or have you any understanding of it?

Mr. DISQUE. Nothing, except the tremendous volume of business falling upon a very small War Department at the opening of the war.

Mr. FREAR. Then you were appointed as lieutenant colonel, were you?

Mr. DISQUE. Lieutenant colonel.

Mr. FREAR. And I am speaking of this because criticism has come and you are entitled to make your own statement, and we are very glad to have it, as a committee. What did you do then?

Mr. DISQUE. My order reached me at Jackson to report to Washington prepared for duty overseas. I arranged my family affairs, completely closed everything of a personal nature, and bid my family farewell—my children, at least—went to Washington with my field kit, and reported for duty; was assigned to the staff of Gen. Foulois, who was then under orders to go to France. I was to have gone with him, had my duties outlined, and spent the next week or so arranging my affairs so that I would be ready to start activities over there as soon as we arrived. The boat on which we were to sail had been designated for October 24.

Within a week or 10 days after I arrived in Washington, not one but several officers, friends and superiors, came to me and urged me to take this position in the spruce development, and for a week, as all of them will testify, I would not even talk to them about it. Eventually it was brought to me by people whom I respected, who made it a matter of cold-blooded duty for me to accept it, and finally I agreed to come to the Northwest, and instead of going with Gen. Foulois I was ordered here.

Mr. FREAR. Let me say, incidentally, Gen. Foulois has been before this committee. He is now a major, if I remember correctly.

Mr. DISQUE. Yes, sir.

Mr. FREAR. And the reason I speak of that is because titles are—

Mr. DISQUE. Changing all the time.

Mr. FREAR (continuing). Are very numerous; in fact, I have held some of them myself, and we use the address with no sense of disrespect for titles when we speak of people without the use of them in this committee. You had had no previous experience in logging, in timber work—

Mr. DISQUE. No; not—

Mr. FREAR. I am asking just—

Mr. DISQUE. Not the slightest.

Mr. FREAR. Was any explanation given you why you had been selected for this position, to take charge of all these activities out here?

Mr. DISQUE. Well, I imagine that was probably due to the feeling that the officers who were endeavoring to have me come out here had about my military record, and what they knew of me. I had had similar industrial—not similar, but various industrial jobs in the Army, involving construction, development, handling of considerable numbers of men, putting jobs over on time so that they would be ready and done when the time came. I think it was a general—

Mr. FREAR. That was in Manila, or where?

Mr. DISQUE. All over the United States and the Philippines, at different times from 1899 to 1916.

Mr. FREAR. That is, as a captain—you were a captain in the service?

Mr. DISQUE. A captain, lieutenant, private, sergeant.

Mr. FREAR. You then came out here about what time?

Mr. DISQUE. My first trip here was in October. I think I arrived here about the 15th.

Mr. FREAR. That is, 1917?

Mr. DISQUE. 1917. I looked over this ground and met a committee of some 12 or 15 prominent lumbermen who had been brought together. We spent the entire day one day talking over the situation. Then I spent about a week moving about to get a picture of it. Then I returned to Washington and made a recommendation, which was accepted by the Aircraft Board, and immediately returned here and took charge of these operations.

Mr. FREAR. Who was at the head of the Aircraft Board at the time?

Mr. DISQUE. Mr. Howard Coffin.

Mr. FREAR. You talked with him before you came out?

Mr. DISQUE. Several times.

Mr. FREAR. And also after you returned?

Mr. DISQUE. Yes, sir.

Mr. FREAR. Who was in charge here at that time, or was anyone in direct charge?

Mr. DISQUE. The spruce office here at that time consisted of two or three inspectors and clerks, who were merely verifying bills of lading and receiving inspection certificates to forward to Washington for payment, and between October and the date I finally returned a disbursing officer had been sent out here so that they might make the payments to the mills more readily, and Mr. Russell Hawkins had been selected while I was in Washington, during the early part of October, to come here as a lumberman or a logger, to assist in driving the thing forward.

Mr. FREAR. Was he the first man who took charge here?

Mr. DISQUE. I understand not. I don't know the previous history of it very much. I understand there was another, a Mr. Allen, in charge here. Well, I think the spruce producers had a girl that was quite active.

Mr. FREAR. Working in conjunction with that organization?

Mr. DISQUE. Working—

Mr. FREAR. What was the organization at Washington prior to your undertaking this? They had some kind of a spruce production organization there, didn't they, or what was it, so far as you know?

Mr. DISQUE. There was nothing in Washington, that I know of, prior to the time I was selected to come out here, except one officer, who was what you might call the lumber agent or section of the Equipment Division of the Signal Corps. I recall he had a desk there, and it rested upon him to excite the interest of the lumbermen to produce this material and also a greater production following specifications, and cooperate with the lumbermen with a view to getting the kind of material that the Government required.

Mr. FREAR. Who was that?

Mr. DISQUE. The man who had charge of that, when I was in Washington, was Sligh.

Mr. FREAR. Maj. Sligh?

Mr. DISQUE. Yes; a Grand Rapids man.

Mr. FREAR. Was Maj. Leadbetter connected with the service at that time?

Mr. DISQUE. I don't know when Leadbetter became connected with the service. He was in it when I went to Washington.

Mr. FREAR. That is, I understood—

Mr. DISQUE. And came to me and introduced himself—I had never met him—and I think was in the Finance Department at the time. I think he got to me because it was known that he came from the Northwest and knew something about this lumber situation.

Mr. FREAR. Was the Finance Department separate from the Production Department, or was it a branch of it?

Mr. DISQUE. I don't know. I never was very familiar with the Washington office.

Mr. FREAR. Do you know what the nature of his duties were in the Finance Department?

Mr. DISQUE. I don't know.

Mr. FREAR. He was there when you went there?

Mr. DISQUE. He was there when I arrived.

Mr. FREAR. Then, that was November, 1917, when you returned?

Mr. DISQUE. That was in October when I went to Washington, September.

Mr. FREAR. That is when you went down there; I see. Then when you returned, what was done, and whom did you meet?

Mr. DISQUE. Do you mean from the first trip here?

Mr. FREAR. After the first trip that you speak of?

Mr. DISQUE. I went right to the Aircraft Board then.

Mr. FREAR. That is, to Coffin?

Mr. DISQUE. Coffin, and Admiral Taylor. I don't recall all the members. The general board met and I explained the situation.

Mr. FREAR. That board consisted of Coffin and Taylor, Taylor representing the Navy?

Mr. DISQUE. The Navy.

Mr. FREAR. There was a board there at that time?

Mr. DISQUE. Oh, yes.

Mr. FREAR. That were engaged in looking after aircraft; and it was a mutual duty of the Army and Navy together.

Mr. DISQUE. This was a board created by act of Congress.

Mr. FREAR. Yes; I remember now.

Mr. DISQUE. To advise the Secretaries of War and Navy.

Mr. FREAR. What occurred then?

Mr. DISQUE. You see, at that time I had agreed to undertake the work. My duty then remained to make my recommendation—

Mr. FREAR. Yes.

Mr. DISQUE (continuing). To the Aircraft Board, and they accepted that recommendation, and I proceeded to move out here and take charge.

Mr. FREAR. What was the nature of your recommendation there in general?

Mr. DISQUE. I wish I had it.

Mr. FREAR. Just generally.

Mr. DISQUE. It is easily obtained. It is printed and available.

In general, it was that the lumbermen here felt that one of the most urgent necessities was supplementing the existing labor supply, which had been interfered with by the draft originally—or not originally but by strikes and other troubles, labor troubles; and also by the draft, and also by volunteer enlistment. The best fellows for either the Army or logging were the chaps who volunteered first. That cleaned out quite a bit of this industry of the skilled-labor men

that were worth their salt, and the impression I had was that they needed additional labor, and needed it right away.

My recommendation, therefore, provided that we go to Camp Lewis, up here in Washington, where lumbermen would naturally have been concentrated, mobilized, and at Camp Custer, in Michigan, and at Camp Kearney, in California, and endeavor to get the lumbermen who had gone into the Army to see their duty to volunteer to go back into the logging business. Unfortunately, at that time a couple of engineer regiments had been made up to go to France. They had appealed to the lumbermen, and again some of the best of them jumped into those regiments and were gone. They were men from this area, where you cut 6 and 8 foot trees, and it is a special job, sent over to France to cut small trees, and unfortunately Michigan lumbermen, instead of going to France, had come out here, in some instances. That is one of the things that followed lack of preparation. The War Department didn't have the eyes of the Almighty, but I happened to see this thing, and we tried to stop it immediately, and I think a sincere effort was made to do so. I recommended that we organize a force, first of a regiment of soldiers, with rifles, prepared for any emergency, to protect these properties, to stay in Vancouver Barracks, and be at our call.

Mr. FREAR. That is, you mean by these properties the properties out here on the coast?

Mr. DISQUE. Private mills and logging camps.

Mr. FREAR. When was that report made?

Mr. DISQUE. That was made, I think, about November 7.

Mr. FREAR. 1917?

Mr. DISQUE. It is printed and is of record.

Mr. FREAR. I just want the general data, to know about the time this action was taken.

Mr. DISQUE. At that same time I made a report—or in that same report I recommended that we build here, somewhere in the northwest, we hadn't determined just where, a cut-up plant to refine the product. I didn't know anything about logging or lumbering, but I had been through two or three mills, and I had seen great big wonderful spruce logs butchered, so far as aircraft material was concerned; a thing so apparent to me, I certainly felt that it was apparent to lumbermen; and I therefore invited a conference with several lumbermen, and they agreed with me that we would never get our fair percentage of aircraft material out of these spruce logs until we prepared machinery specially designed to do it.

Mr. FREAR. Those spruce logs of which you speak, were they being cut up for airplane stuff, at that time?

Mr. DISQUE. Ostensibly. But the fact was that brokers and foreign governments, in their ambition and competition to get this stuff, were offering fancy prices for what was known as the "G" list, and our price for the higher specification material apparently was not enough to make the sawmill man interested in producing it.

Mr. FREAR. What was it at that time?

Mr. DISQUE. At that time it was \$105.

Mr. FREAR. That is, \$105 a thousand?

Mr. DISQUE. A thousand board feet.

Mr. FREAR. That is the sawn lumber?

Mr. DISQUE. And the sawmill men, in some cases, were getting as high as \$90 for what was known as the "G" list material, and I think I can give you a relative idea of "G" list and No. 1 specification by saying that it is our general opinion, after a year and a half operation, that of No. 1 specification not more than 25 per cent was fit for airplane construction, and of "G" list not 5 per cent of it.

Mr. FREAR. "G" list then was a good deal poorer than No. 1?

Mr. DISQUE. Very much poorer; it was not a half or a third as good.

Mr. FREAR. Did you have No. 2 list?

Mr. DISQUE. Later, we had a great many specifications.

Mr. FREAR. I was wondering what the comparison was between "G" and No. 2.

Mr. DISQUE. There was no No. 2 at that time. We had specification No. 1, that included three grades, long lengths, medium lengths and short lengths, but they were all supposed to be straight grained.

Mr. FREAR. And all the rest of "G"—

Mr. DISQUE. "G" list is anything that is clear. The grain can run across the board, and, of course, if it does, you can't use it for an airplane.

Mr. FREAR. No. 1 list, what was the price for that, was that included in the "G" list?

Mr. DISQUE. No; that was \$105.

Mr. FREAR. For No. 1?

Mr. DISQUE. And they had to take their fair proportion of the long, medium, and short lengths. That is the way that was regulated.

Mr. FREAR. That is, those who bought it?

Mr. DISQUE. Well, everybody bought it through the Government.

Mr. FREAR. That was the price, when you say they had to take it with those.

Mr. DISQUE. Had to pay \$105.

Mr. FREAR. The "G" list, what was the price for that?

Mr. DISQUE. They got as high as \$90 for it—\$85, \$80; but it just depended upon who the broker was and how bad he wanted it and—

Mr. FREAR. That is the condition that you found when you came out here?

Mr. DISQUE. I was telling you why I recommended that cut-up plant. And that recommendation, I might say to the committee, was not my own recommendation, except as it was the recommendation of what I thought to be the best lumbermen in the Northwest; and that that recommendation and that that decision and every other decision of importance, that was made by me or my officers during this operation, was based upon conferences, discussions, and final recommendations from groups and committees of the best lumbermen in this country.

Mr. FREAR. That is your judgement of those with whom you conferred?

Mr. DISQUE. They advised me and I acted on their advice. I could not have done this thing without it; it was a tremendous problem; it called for sincere men, capable men, and I was able. in each instance—and you will realize the importance of this—

to pick those men to advise me on a project, who were not personally interested, and I don't think in a single instance that I had advisors on any project who were interested in that project. It is perfectly natural——

Mr. FREAR. You are referring to milling and logging?

Mr. DISQUE. I am referring to every decision we made that affected the industry and our production.

Mr. FREAR. That is, everything relating to spruce production you felt that you were conferring with the very best people to advise?

Mr. DISQUE. Yes, sir.

Mr. FREAR. Now, what was done next?

Mr. DISQUE. Well, then, as I say, I recommended that mill at Vancouver Barracks.

Mr. FREAR. That was the first recommendation made?

Mr. DISQUE. That was the first one that was made.

Mr. FREAR. Did you begin assembling troops here at that time, according to the original agreement, or what?

Mr. DISQUE. The War Department authorized these troops. I recommended 10,000 troops. A survey of the entire industry indicated that there was a shortage of 7,000 men in the industry to meet normal requirements. I was coming here with an additional requirement over their normal, but I did not provide any extra men for that except in the way of this military regiment, which would be available for most anything.

Mr. FREAR. Now, what was done there first?

Mr. DISQUE. In Washington?

Mr. FREAR. No, here; that is, I mean about the assembling of troops and how that matter progressed?

Mr. DISQUE. It took us some time to get those troops in. I think it was pretty well along in December before the first of them arrived. The War Department canvassed the camps and selected a number of officers and sent them here. Those troops were brought into units as rapidly as possible, individual record cards made, so as to get the best evidence we could as to their training and skill, the jobs they were best fitted for, and requests began to come in from the different operations for men.

In the meantime I met the Lumbermen's Association in Seattle and took a canvass of each operation and its requirements. We came down here and did our best to meet them, and I think we did meet them. I haven't heard anybody complain.

From that time on, the operation developed——

Mr. FREAR. You proceeded to build the cut-up plant at the outset, did you?

Mr. DISQUE. We immediately started on the cup-up plant as soon as we could get the money it was built——

Mr. FREAR. What was the situation regarding finance at that time?

Mr. DISQUE. Well, all preparation of that nature had to be made by the War Department through the Chief Signal Officer.

Mr. FREAR. At the outset?

Mr. DISQUE. That is, entirely through our operations, until we became a corporation and——

Mr. FREAR. You didn't become a corporation until what time?

Mr. DISQUE. It was really—I guess the armistice was over before we really began to operate as a corporation.

Mr. FREAR. So that practically during all that time your finances had to come from the finance division of the production?

Mr. DISQUE. Yes; at no time during our operation did I control the finance department of this office. It was a distinct and separate office—

Mr. FREAR. Who was in charge?

Mr. DISQUE. Well, there was a Capt. Crist in charge at first; later on a Mr. Moore; later on Maj. Campbell, who later became the treasurer of the corporation; and then they relieved the finance department from the War Department end of it and left it entirely with the corporation.

Mr. FREAR. Wasn't Leadbetter connected with this finance—

Mr. DISQUE. Not in any way whatever.

Mr. FREAR. What was his position?

Mr. DISQUE. Well, Leadbetter became what we call liaison officer, in Washington, for this organization.

Mr. FREAR. He was there before your organization was perfected, then?

Mr. DISQUE. He was relieved from the finance department at my request and put in what we call the liaison office of the Spruce Division, in Washington.

Mr. FREAR. He remained there?

Mr. DISQUE. He remained there throughout the war, except he came to the Northwest once or twice, and he was selected for that because he was the only man that I had seen in Washington that knew anything about this Northwest.

Mr. FREAR. What was the nature of his duties?

Mr. DISQUE. He was to receive my messages and attend to their execution in Washington. The mass of communications going into Washington at that time was such that unless some one took a telegram personally to Gen. Squier, to Howard Coffin, or to somebody else the chances were that you didn't get action on it for some weeks; and that was Leadbetter's particular job, to see that we got action on our recommendations; also to follow the shipments as they came through and in conference with the allied representatives allocate these shipments to them in accordance with the supreme war council's regulations. That was his entire job.

Mr. FREAR. Well, he remained there up to what time?

Mr. DISQUE. I think he left in a week or two after the armistice was over.

Mr. FREAR. Up to the close of the war? What followed after you got 10,000 men here, and about what time were they all assembled?

Mr. DISQUE. Well, I will have to give you that very roughly, but it was—

Mr. FREAR. Just generally.

Mr. DISQUE. It was probably the end of January or into February before we got all those men; maybe later.

Mr. FREAR. That is, 1918?

Mr. DISQUE. 1918; and as rapidly as we received them, put them through their medical tests and typhoid prophylactic treatment to prepare them, we sent them into the woods.

Mr. FREAR. They were brought in, concentrated here at Vancouver, and then they were sent out?

Mr. DISQUE. At Vancouver.

Mr. FREAR. And what next operations did you undertake in this work of producing spruce?

Mr. DISQUE. I will have to go back now——

Mr. FREAR. That is all right.

Mr. DISQUE (continuing). To December. It was the 15th of November when I arrived here. Within a few days after that it seemed apparent to us, and it was apparent to everybody, that the production of logs was going to fall off in December and January, probably in February. The high price that had been set on spruce had milked the country of all logs that were in the water; the strikes and other things had prevented the extension of logging routes, had slowed down operations; and the miserable amount we did get in September, October, and November, which ran around from two to four million feet, was low-grade stuff, but it had been rushed out of those logs because the logs were available and there were not any more logs laying around to cut up.

The Council of National Defense and the Aircraft Board had presented the thing to me in such a manner that it looked like a national necessity to have spruce during this winter period, so that the material could go into airplanes and be on the west front by the time of the spring drive.

Mr. FREAR. That is, the spring drive of 1918?

Mr. DISQUE. 1918. It looked to me like one of the critical times of a man's life and of an operation when anything was justified that would produce it. A great many people—that is, I say a great many—a number of people suggested this splitting of these trees.

Mr. FREAR. That is the riving operation?

Mr. DISQUE. An ordinary spruce log, wing-beam length, probably will weigh around 6 tons. All of them that had been within reach had been dragged out at the prices that the Government had been paying.

Mr. FREAR. What do you mean by "that had been within reach"?

Mr. DISQUE. All that were within reach of existing operations.

Mr. FREAR. All the logs that had been cut, you mean?

Mr. DISQUE. Well, all that they could reach within their——

Mr. FREAR. Do you mean the timber?

Mr. DISQUE. In the timber.

Mr. FREAR. You mean all the timber that could be reached had been dragged out?

Mr. DISQUE. All of it.

Mr. FREAR. Spruce timber?

Mr. DISQUE. All the spruce trees that were within operating range of spurs of loggers' logging railways that were possible to be brought out were brought out, because the price was higher than they had ever known for spruce logs. And it required additional railways in every logging camp to get more of them. It meant for one fellow to take up his spur, that was over in fir here or hemlock or cedar—take it up bodily and put it over here, maybe, where there was a clump of spruce standing somewhere. Spruce don't grow like hay. If you get a 15 or 20 percentage of the timber in spruce, you are lucky.

Mr. FREAR. Were you familiar with the woods—with the growth of spruce?

Mr. DISQUE. I am now very familiar with it.

Mr. FREAR. I see.

Mr. DISQUE. I was not at that time. Well, the fact, as I was saying, is this, that there were no logs available; there wasn't any possibility of any more coming in except just dribblings. The lumbermen, the loggers, said: "No; there is no use your talking about building railroads in winter; it can not be done; we can not afford to do it; we would not try to do it; if we had all the money in the world, we could not do it." It was statements like that, coming to me, that convinced me that you could not build logging roads in this country in the winter, and I agree with them now; I have seen it tried.

Mr. FREAR. Well, you mean because of moisture, or what?

Mr. DISQUE. The rainfall is heavy, and the surface soil is very deep in places, and you simply can't move anything. It becomes moist and slides occur; they don't attempt to do it in most places.

So this riving suggestion meant to split these trees into any size pieces that was easily transported. It eliminated the heart of the tree and left it in the woods and left us the clear part that we wanted for airplane and could be dragged out by horses and carried on auto truck. Well, we were getting at that time, according to our records, something like 1,400 letters a day—something like 250 telegrams a day. Everybody in the Northwest was telling us how to do it. Now—

Mr. FREAR. That is, how to do what?

Mr. DISQUE. How to get spruce.

Mr. FREAR. Riving?

Mr. DISQUE. No; how to increase the program. Everybody had his idea. A great many of them were good, but it must be apparent that it was impossible for me to read all those letters. But they continued—

Mr. FREAR. One thousand four hundred letters a day would pretty nearly take all the people around here that knew anything about spruce, and several times, wouldn't it?

Mr. DISQUE. Yes. They had plenty of paper and lots of pencils.

Mr. FREAR. And they kept writing you every day?

Mr. DISQUE. That many letters came into our files. I don't say that they were all recommendations about spruce, but a great volume of them were—so many that no 10 men could have digested all of it and acted. But a great many of them believed in riving. Some of them wanted us to start campaigns in the two States, and they all had three or four jobs lined up for somebody.

We decided that riving would be a good thing and published broadcast our offer to get the farmers throughout the two States to rive this odd tree here and there and get other small contractors to go in, feeling that the aggregate production would materially assist. Also—

Mr. FREAR (interrupting). Well now, let me ask right there, they do logging here in the winter?

Mr. DISQUE. Oh, yes; they log here in the winter in some places sometimes. But logging in the winter here, I would say, if you could get an accurate estimate on it, you would find it was somewhere around 40 per cent in volume as compared with that done in the summer.

Mr. FREAR. Only 40 per cent?

Mr. DISQUE. I imagine that would be about what a truthful and experienced logger would say. I have had a great many of them tell me that. And our production from the normal industry would indicate that was about right. Well, we got this rived program under way after that, and immediately we started to rive ourselves through an operator. We asked him to make a test. This operator gave us a report that indicated that it would cost about \$63 a thousand to produce this rived material.

Mr. FREAR. That is just in the pièces, the logs?

Mr. DISQUE. That is in the rough piece; and that includes stumpage, labor, and hauling it to the railway. Well, I felt that the—

Mr. FREAR (interrupting). Well, what would the stumpage be down there?

Mr. DISQUE. I think he figured his stumpage at \$5 a thousand.

Mr. FREAR. So that would leave \$58, or thereabouts?

Mr. DISQUE. For the labor of producing.

Mr. FREAR. For the labor of producing?

Mr. DISQUE. That report we had in our hands when we made an offer to the industry, or to the people as a whole, advertised it everywhere that we would give \$90 a thousand if they would produce rived material. Well, they didn't take that; hardly anybody got under way, because they had been selling rived spruce in some sections here, shipping it to the East on cars, and charging \$250 a thousand for it.

Mr. FREAR. Who was doing that, to be specific?

Mr. DISQUE. Well, there is one name I can give you offhand; a man in Aberdeen by the name of Nels Est. He was one. There were others.

Mr. FREAR. Whom were they selling to?

Mr. DISQUE. To the British representatives; to American airplane factories.

Mr. FREAR. Would they forward these rived pieces, or were they manufactured here into lumber?

Mr. DISQUE. No; they just sent the split tree right on the train.

Mr. FREAR. Where? To London?

Mr. DISQUE. To the East; to London.

Mr. FREAR. They were shipped by vessel?

Mr. DISQUE. Oh, yes; I suppose so.

Mr. FREAR. In the rived pieces?

Mr. DISQUE. Now, there wasn't a great deal of that. I want to be clear about that. But there was enough of it—it had happened; I suppose, in the case of not more than five or six cars, because they had just got started. When I announced this price of \$90 it didn't appeal, but I felt it was a fair profit.

Mr. FREAR. When was that announcement made, about?

Mr. DISQUE. That was announced in December, I think.

Mr. FREAR. 1917?

Mr. DISQUE. The middle of the month, 1917.

Mr. FREAR. Yes.

Mr. DISQUE. We got no response that was satisfactory, and we issued a new memorandum announcing a bonus until the end of February, 1918, I think, for all who would produce. That would put a \$40 bonus on the previous price.

Mr. FREAR. That is, that would be in addition to the 65?

Mr. DISQUE. In addition to the 90.

Mr. FREAR. In addition to the 90. That would be 130.

Mr. DISQUE. Each one of these steps, I would like to say, were taken after very long conferences with men who knew their business. They recommended them. Some of them wanted me to put a price of \$250 on it; said we could not get it without that. I remember Senator Poulsen over here one evening in a talk he announced—and he was considered to be one of the most experienced men in that part of the country.

Mr. FREAR. One of the large operators?

Mr. DISQUE. He said. "You can't get it under 250."

Mr. FREAR. Was he furnishing any material to the allied governments at that time, or the United States?

Mr. DISQUE. Why, he was logging. He does not run a mill.

Mr. FREAR. But he was not riving?

Mr. DISQUE. He does not rive, and he does not run a mill. So that his logs merely went to the—

Mr. FREAR (interrupting). To the rivers?

Mr. DISQUE. To the mills. His logs went to the sawmills.

Mr. FREAR. Oh, yes. You say they did not rive from his logs?

Mr. DISQUE. Not up to that time.

Mr. FREAR. How did he know anything about what they would be worth, if that is the case?

Mr. DISQUE. Well, nobody knew; nobody knew.

Mr. FREAR. He was just stabbing at it when he said \$250.

Mr. DISQUE. That is what they were doing; and it was the stab of the men who ought to know the most about it that we took. And this bonus brought an increased production, but it wasn't enough. It wasn't going to do anything like what we wanted. It was then—and I have my diary here; I will give you the exact date. It was some time, though, in the middle of December that we were getting activity from this end; were not getting production. I called a meeting in my office one night of what I had learned at that time to be a number of the most representative men in Portland—lumbermen, business men, and others.

Mr. FREAR. Now, let me ask at that point when you were riving were the 10,000 men that you had brought here—were they out in the woods riving, or what was done with that force of men?

Mr. DISQUE. At that time there were not any men here yet.

Mr. FREAR. Oh, that is before the men came?

Mr. DISQUE. We had not received any men, hardly.

Mr. FREAR. Yes. You were just working with the loggers in the woods and the men you could get?

Mr. DISQUE. Entirely. Our men did not become effective for us under Government operations until, I would say, in the latter part of February, March, or April, maybe.

Mr. FREAR. Yes.

Mr. DISQUE. At any rate, this meeting that I called was for the purpose of asking those folks to see if we could not find some additional method by which we could arouse interest to get this production. It lasted a long time one night. Then we met again the next day, several of us. It resulted in this condition: That we had to form a company; that some of them had to put their equipments,

their horses, their wagons in—this was a riving operation, understand. At that time there was no other thought than to take care of this emergency and get the rived trees out. So that any contractor who had horses in large number, with an organization, that had been in the habit of driving around in the hills and doing construction work, would lay out a little hill or road so the trucks could run in and get it, we naturally drifted toward organizations of that type.

Mr. FREAR. Was there any logging done at that time of spruce for airplane purposes?

Mr. DISQUE. Was it being done?

Mr. FREAR. Yes. Was Poulsen and these others doing any?

Mr. DISQUE. It was being done as it is done ordinarily in the winter, and enough logs were coming out at that time possibly to take care of one-fifth of our requirements. Railroads could not be built then, according to their own recommendations. And under the laws of Congress at that time we could not buy logs.

Mr. FREAR. Why was that?

Mr. DISQUE. We could not spend money for railroads. We could not say to a logger, "Extend your railroad and we will pay you for it." It was simply the law; that is all; and we could not do it.

Mr. FREAR. That is, Congress wasn't turning it over broadcast into the hands of the people to invest in that way?

Mr. DISQUE. No. It was the old standing regulations of the War Department, which are proper, and which I thoroughly approve of; and the auditor has interpreted them, and the Army is kept right between a little narrow lane in spending money.

Mr. FREAR. The same as every other department of the Government?

Mr. DISQUE. Exactly the same. And I don't disapprove of it at all. But we were unable to do it.

Mr. FREAR. All you could do was to fix the price and make it attractive to the people that you wanted to have do the work?

Mr. DISQUE. Yes.

Mr. FREAR. Well, now, what occurred there?

Mr. DISQUE. Well, the meeting concluded that there was nothing left to do but to call on some big contractors and get them to undertake to go into where there were some heavy stands of this spruce. None of the heavy stands ever had been attacked, you understand, because spruce wasn't a desirable commercial lumber. The loggers had never driven toward it; they had gone after fir. They had not sought out the four big stands of spruce that were known at that time. They were not even very well known. We learned about them after getting recommendations from the Forestry Departments and getting county cruises and owners' cruises. We spotted four or five big areas where the spruce ran a much heavier percentage to the total stand of timber than ordinarily. It was those operations we were going to direct these big contracting operators into.

Mr. FREAR. That is for riving?

Mr. DISQUE. For riving. That is the only thought we had in mind at that time. The contract firms—well, there were not any at that time, but these business men who were in my office then tried to get together. It was a cold-blooded patriotic duty I was

putting up to them. The loggers were doing all they could. We were tiding over an emergency, in my mind, at that time, and I wanted something to supplement the logging operations. So we got what was reported to be one of the best capable contracting firms in the United States to put their equipment, their brains, and their services in organization at our disposal to go and get this stuff.

Mr. FREAR. What company was that?

Mr. DISQUE. That was the Grant Smith-Porter Bros. Then the price came up. What were we going to pay them for it? As I say, we had recommendations all the way from \$63 up to \$250. I could have made a fixed price contract with Grant Smith-Porter Bros. at \$250 and probably never would have heard of it again.

Mr. FREAR. That was left entirely in your discretion?

Mr. DISQUE. Not entirely at all. Every contract I made went to Washington for approval.

Mr. FREAR. Well, that is what I was inquiring.

Mr. DISQUE. But that was my recommendation.

Mr. FREAR. Well, you said that you could have made the price at \$250 and there probably never would have any question come up.

Mr. DISQUE. There would have been no criticism.

Mr. FREAR. That is, you mean the officers at Washington would have agreed to it?

Mr. DISQUE. Why, they would have accepted it. But I refer now to all this talk now about cost-plus contracts. No one regrets the necessity of them more than I have. I think they are an abomination.

Mr. FREAR. Of course, we haven't come to that yet. We are now talking about the riving.

Mr. DISQUE. Yes; but I was telling you about why we put this price up.

Mr. FREAR. I was trying to get to the range of jurisdiction of your activities at that time, how far you could fix prices, and so on. Now, your prices had to go back to Washington for approval. Who approved them there?

Mr. DISQUE. The Chief Signal Officer.

Mr. FREAR. That is Squires?

Mr. DISQUE. Yes.

Mr. FREAR. I see.

Mr. DISQUE. Well, that is why I had to make a cost-plus contract. It was anywhere from \$63 to \$250. Now, if we had said \$250, they would have had a handsome profit, because our actual costs, including amortization, liquidation charges, and every nickel that ever went into it from any sources was \$144. They would have been in pocket \$110. I think the cost-plus contract was the economic thing for the Government. I know it was.

Mr. FREAR. You entered into a cost-plus contract with this—

Mr. DISQUE (interrupting). Grant Smith-Porter Bros.

Mr. FREAR (continuing). Firm of Grant Smith-Porter Bros. for the riving?

Mr. DISQUE. For the riving. We picked out an area, got them to bring their organization together hurriedly and said, "Get in there now and split that stuff and get it out for us."

Mr. FREAR. Where did they start, and what was the result of the operation?

Mr. DISQUE. Well, they started in two or three places. They started, I think, in Willapa Harbor or Bay; down here at the end of the river here; I think down in the Tillamook district; I am not sure about that. This operation was—

Mr. FREAR (interrupting). Well, just generally.

Mr. DISQUE (continuing). Divided out under other officers. And a little later—

Mr. FREAR (interrupting). Now just to inquire there, did they have any options on this timber? Were they using their own timber?

Mr. DISQUE. They were not.

Mr. FREAR. Or did they buy timber as they went along?

Mr. DISQUE. They went out and bought timber. I don't think they owned any timber. And the price fixed on that was fixed after a long consultation with the biggest timber owners and, again, conversation with fellows who were going to buy it independently, not through cost-plus, and it was agreed by everybody nearly that it was a fair price all around.

Mr. FREAR. Now, the price then fixed was what?

Mr. DISQUE. For selective logging, I mean for rived stock?

Mr. FREAR. Yes; for the riving.

Mr. DISQUE. My recollection is that that was \$5 a thousand. I think later on we had some at \$7.50.

Mr. FREAR. \$5 a thousand?

Mr. DISQUE. For the stumpage.

Mr. FREAR. Yes; and what was the riving figure; that is, what was granted to them under this cost-plus contract? What was the figure fixed for rived stock?

Mr. DISQUE. You mean the ultimate cost?

Mr. FREAR. Yes.

Mr. DISQUE. \$144.

Mr. FREAR. \$144?

Mr. DISQUE. That included stumpage.

Mr. FREAR. Included stumpage and all?

Mr. DISQUE. Hauling it out of the woods, their overhead, our overhead, the roads we had to build, the trucks we had to put in there.

Mr. FREAR. Did you agree to put in the roads and make a contract to—

Mr. DISQUE (interrupting). We had to get the spruce.

Mr. FREAR. I am just inquiring as to the fact.

Mr. DISQUE. They did that; the Grant Smith-Porter Bros. That is part of their cost.

Mr. FREAR. Well, that covered all of this. What did you do—furnish the money? Or what was the method of procedure there? Did they do all this themselves, and then—

Mr. DISQUE (interrupting). Well, we supervised the operation with the best experts we could find, who were assisted by accountants who checked all their bills and approved of expenditures before they were made as necessary in the operations. That is the way they operated. And the entire cost went through their hands. That included the pay of any men whom they employed, and the percentage of overhead of their office in town which was properly chargeable to it, and even the liquidation charges to date that have been charged to it.

Mr. FREAR. Just explain to the committee. You fixed a certain price for this rived stock, which was to cover the stumpage and other things, and you allowed them \$144 per thousand?

Mr. DISQUE. No, indeed. The \$144 is the ultimate cost to the Government that resulted from this thing.

Mr. FREAR. Oh, I see. Yes, yes.

Mr. DISQUE. As it shows to-day on the final statement.

Mr. FREAR. Then the price was purely a cost-plus contract?

Mr. DISQUE. Yes, a straight cost-plus contract.

Mr. FREAR. I see; yes, yes. I understand. And the total reached \$144 a thousand?

Mr. DISQUE. One hundred forty-four dollars; and they were selling that same lumber at \$250 when we began the operation.

Mr. FREAR. Now, how long did that contract last, and what was the amount of production?

Mr. DISQUE. We obtained a total of about 18,000,000 feet of rived stock, which became undoubtedly 10,000,000 to 11,000,000 feet of the highest grade airplane lumber that has ever been produced.

Mr. FREAR. Now, how do you make that estimate?

Mr. DISQUE. From—do you care to get the exact figures?

Mr. FREAR. No. Well, yes; if you have got the exact figures.

Mr. DISQUE. I have them right here.

Mr. FREAR. It would be well to put them right in the record.

Mr. DISQUE (producing a blue-print tabulation). This is a production sheet, showing the production report on the Vancouver cut-up plant from the beginning of operations to the armistice.

Mr. FREAR. Oh; was this cut up at the cut-up plant here?

Mr. DISQUE. Brought into the cut-up plant, and there it became aircraft lumber.

Mr. FREAR. At what time was there that this cost-plus contract was on with the Grant Smith-Porter Bros? What time was this—what time of the year?

Mr. DISQUE. This report here starts in March.

Mr. FREAR. March, 1918?

Mr. DISQUE. Yes. Now we started the cut-up plant in the early part of February, but I suppose the accountant didn't feel that the production that month was fair to be put in here.

Mr. FREAR. Now, what were they cutting at the Vancouver plant at this time—just the rived stock?

Mr. DISQUE. Just the rived stock that was brought in.

Mr. FREAR. That was brought in. Other people were furnishing it in addition to the Grant Smith-Porter Bros.?

Mr. DISQUE. Oh, yes.

Mr. FREAR. And they all brought it in and you were cutting it up as it came in?

Mr. DISQUE. A great many operators were producing it; I suppose over a hundred of them.

Mr. FREAR. What have you there—what statement?

Mr. DISQUE. This is the report of operations compiled monthly from daily statistical reports. It shows the material received, sawn, and lumber shipped, lumber produced, and the resulting figures show that the airplane lumber obtained from the material entering the plant averaged for the entire period 55 per cent of the total lumber that came in.

Mr. FREAR. Now, what kind of lumber was that; airplane lumber?

Mr. DISQUE. That came in?

Mr. FREAR. No; what came in was the rived stock.

Mr. DISQUE. With the cants, and later on sawn cants.

Mr. FREAR. Well, were there sawn cants that were used at this time?

Mr. DISQUE. They are all included in this statement, this final balance.

Mr. FREAR. So that this don't determine the amount of rived stock that was brought in to finished lumber, finished airplane lumber, if all these matters were included?

Mr. DISQUE. No; that does not. But the test made in the mill on Willapa Bay owned by—well, Mr. Burnside and Mr. Howard Jayne are the principals in that mill. They tested out some of these cants and their reports were approximately the same as these figures. About 55 per cent of the cants became airplane lumber, which we shipped East, and which was reported by American and British and other factories as being the finest they had ever seen, and which according to our statistical data was acceptable from 85 to 99 per cent.

Mr. FREAR. Where was it sent? Can you give me any specific places and at what time? It was along that time—

Mr. DISQUE. You mean the finished product?

Mr. FREAR. Yes; the finished product. That is, the reason I ask that is this: That there were rejections which occurred both by Great Britain and by many of our or by several of our different concerns, like Curtiss and many others.

Mr. DISQUE. Yes.

Mr. FREAR. And what I am endeavoring to arrive at is whether these shipments were included in those rejections?

Mr. DISQUE. We were shipping, of course, to every American factory. We were shipping to Great Britain, Italy, and France. Under the Supreme War Council's regulations they restricted us and would not allow us to ship hardly any high-grade spruce to American factories.

Mr. FREAR. Why was that? Giving the benefit, you mean, to the Allies?

Mr. DISQUE. The Allies had their machinery, their men, all trained; they knew what kinds of machines they wanted, and it was felt, I suppose, that they wanted to keep their fleets right up to the minute and increased; and the only material we were sending to American factories at this time and for a long while afterward was the fir airplane lumber, which was a little heavier; otherwise just about as good, but used largely in the training planes.

Mr. FREAR. That was entirely used in the training planes, wasn't it?

Mr. DISQUE. No. Later on they used it in all kinds of planes.

Mr. FREAR. Is that so? What kind of planes was fir used in?

Mr. DISQUE. Everything.

Mr. FREAR. Was it used in the Haviland fours?

Mr. DISQUE. It was used in British machines, in the French machines and American machines.

Mr. FREAR. Oh, you mean foreign countries?

Mr. DISQUE. In all of them.

Mr. FREAR. Was it used in Spads?

Mr. DISQUE. So I understand. I have this only from their own officers. I have never seen it. But I have seen the American factories using this material that was shipped east. I was in the Curtiss factory and the superintendent pointed a room out that he said, "Before you began shipping that stuff from Vancouver that room would not hold the rejects. Look in there now." And there was one wing beam piece in it. That was typical of the reports we got from all sources, of the lumber that left the Vancouver plant.

Mr. FREAR. Now what was this board that was picking out the selects and sending them abroad, and whom did it consist of?

Mr. DISQUE. Well, that was general—in the American Army, Gen. Bliss was on it. Well, I guess Gen. Foch was on it, I suppose, over there. I don't know who all was on it.

Mr. FREAR. Gen. Foch, of France. Did they decide over there that the poor material was to be sent to our factories?

Mr. DISQUE. No. They decided that the British and the French and the Italians should get the spruce to their requirements before we did; in other words, until our production was sufficient—

Mr. FREAR (interrupting). Well, was there any difference in the character of the material that was sent to the different ones? I understood you at first to say that the better class of material went to the foreign Governments, and that that was accounted for, or that that accounted for the large proportion of rejects that came to our own plants, the Curtiss plant and elsewhere?

Mr. DISQUE. Well, our own people didn't have so many rejects, except from the G list stock that had been shipped before we came here, and some of it was shipped after we came here because they would rather have that than nothing.

Mr. FREAR. Well, about what time, what year, would that be?

Mr. DISQUE. Well, some cars were six months getting across the continent, but the average car, after we got our railway scheme working, the average car went across in about 12 to 14 days.

Mr. FREAR. You had all the priorities given for this shipment?

Mr. DISQUE. Yes, sir. Before that the average car was about 60 days getting across. And we didn't ship rejects; we shipped just exactly what those factories thought they were getting. But when they called for G lists to some factory around here, the mill had a lot of it and it was shipped; of course a lot of that was rejected; it wasn't fit to send. I always opposed shipping any of it, because it used up car space and simply became kindling wood.

Mr. FREAR. Now, I think the testimony is before the committee that in one shipment that went to Great Britain there was 60 per cent—are those figures right?—that is my recollection; 60 per cent rejects that were rejected of that shipment. I was wondering why.

Mr. DISQUE. I would not be a bit surprised.

Mr. FREAR. I was wondering if that accounts for it.

Mr. DISQUE. I will tell you how that happens.

Mr. FREAR. Yes.

Mr. DISQUE. We shipped to British orders at St. Johns, New York, Philadelphia, and Galveston. I found one case where the British had promised a boat, said they had her ready, and the stuff laid out on the sun dock there, with it raining and everything, for three months before they put it on the ship. It would be a surprise to me if any of that would be accepted. That is how it happened.

Mr. FREAR. So that wasn't the fault of the selection here, or the inspection here, according to your statement?

Mr. DISQUE. I don't know about this case. I don't know what the car is. If I had the car number, if I had the order number, I could tell you where it came from and how it arrived.

Mr. FREAR. All you could tell was it passed inspection here, and you could not tell what the character of the lumber in the car was, except it met the inspection test as imposed here?

Mr. DISQUE. Exactly.

Mr. FREAR. You used inspectors, did you?

Mr. DISQUE. We used the Pacific Coast Lumbermen's Inspection Bureau in all of our outside inspection.

Mr. FREAR. Whom were they employees of?

Mr. DISQUE. They were their employees that they had in their bureau. They are supposed to have quite an esprit in that organization. It is the bureau that inspects the lumber to-day and did before the war.

Mr. FREAR. Now, that was the case in inspecting the Grant Smith-Porter Bros. output?

Mr. DISQUE. No.

Mr. FREAR. Well, I am just inquiring.

Mr. DISQUE. No, sir; the Grant Smith-Porter Bros. output came to the cut-up plant at Vancouver in the form of cants.

Mr. FREAR. Oh, yes; that is right. You are right.

Mr. DISQUE. It was there inspected, after being remanufactured, by our own inspection crew, which was trained there under lumbermen.

Mr. FREAR. Yes. So inspection had nothing to do with their cost-plus contracts, with the cants?

Mr. DISQUE. Except that the cants were inspected, and the inspection did not affect them very much, except that we constantly followed it to see that they were not cutting trees that had no aircraft material in them. Some mistakes were made.

Mr. FREAR. Now, what was your procedure in that respect? There are certain limitations as to the kind of lumber and kind of cants that can be used in spruce trees; that is, it would depend upon whether it was selected material or not—material that was suitable for aircraft lumber?

Mr. DISQUE. Yes, sir. We had what we call tree spotters, not in the employ of the Grant Smith-Porter Bros., but in the employ of our division.

Mr. FREAR. Who were they?

Mr. DISQUE. They were men who knew trees, knew spruce, had seen the tree felled, had seen it bucked, had seen it split, had seen it go through the factory, and by that experience learned, as much as humans can, to look at the outside of a tree and form a fair estimate of what was in it.

Mr. FREAR. What was their experience prior to that?

Mr. DISQUE. They had been engaged in one way or another in the lumber business.

Mr. FREAR. That is, they were not soldiers here; they were men engaged in this division?

Mr. DISQUE. They were soldiers in this division, but had come from lumber operations.

Mr. FREAR. Where from?

Mr. DISQUE. Well, all over. They were, I think several of them were from right here on the coast, had been drafted, or in one way or another got into our organization.

Mr. FREAR. How many did you have?

Mr. DISQUE. I don't know.

Mr. FREAR. Hundreds?

Mr. DISQUE. Oh, I suppose—well, the best witness on that would be our inspection officer. I don't know how many were out. I would say about 30 or 40.

Mr. FREAR. Oh, I see. I was just trying to get at the general number.

Mr. DISQUE. I don't know. But those men would go around and pick the tree, mark it, and that was the only tree that the contractor was allowed to fall. And I saw a statement sometime last spring showing the percentage of trees marked which developed that they were not good airplane trees, and it was remarkably low. I have forgotten the details of that statement, but it was prepared and passed over my desk. It is available somewhere in the organization's records.

Mr. FREAR. Now that operation of riving extended to about what time; the spring of the year?

Mr. DISQUE. It went on—you see, we made contracts with several small riving companies.

Mr. FREAR. Outside of the Grant Smith-Porter Bros.?

Mr. DISQUE. Yes. We agreed to buy their stuff at \$180, and there would be three or four men get together and devote their entire labor to it, and all their profit was their own labor to pay and they were able to make money I think at that price.

Mr. FREAR. That is, they undertook all those operations themselves without assistance from the Government?

Mr. DISQUE. Yes.

Mr. FREAR. And brought in the prepared cants, and selected, as you have said, by your officers, who spotted the trees?

Mr. DISQUE. Well, they selected their own trees, these independent contractors. We were not interested in the kind of trees they picked, because—

Mr. FREAR (interrupting). You determined it upon the receipt of the cants?

Mr. DISQUE. Receipt of the cants at the car shipping point.

Mr. FREAR. I see. Well now, that is up to what time was this riving operation?

Mr. DISQUE. Well, I was going to say these contractors had contracts for a certain amount of cants. In order to justify their operation we had to let it be a considerable number. The result was that some of them were still splitting I think up to the end of the war. It was a case in a good many instances of them promising lots of things and then not making good. They would say, "We will get them out in the next four months." Well, they would have a contract for a certain amount, and we felt that it was, and it was always useful. We were always glad to get them, and we just allowed those fellows to go ahead and deliver until their contracts were finished. I think—I don't remember when it was; sometime in the

spring, though, when I directed that no more riving contracts be let, because our other operations had developed at that time so that we knew what was in front of us.

Mr. FREAR. What occurred after your riving operations, after you ceased making contracts on that, what was the next step in preparing the spruce?

Mr. DISQUE. In between the time we began riving and the time we took any other radical measures to increase or expand production, a good many things happened. May I refer to this paper here?

Mr. FREAR. Surely.

Mr. DISQUE. I will give you a little picture.

Mr. FREAR. I would rather you would testify from what you have got there than read it.

Mr. DISQUE. I won't read it.

Mr. FREAR. All right. Just give your own statement from any memoranda you care to.

Mr. DISQUE. This will give you a general picture of that that occurred in between. First, we were called on for 10,000,000 feet.

Mr. FREAR. That was when?

Mr. DISQUE. That was when I came out here. That was to have been 10,000,000 feet of what everybody felt was the finest straight grain material that could be produced.

Mr. FREAR. Who was calling on you for that? That is, the board in Washington?

Mr. DISQUE. The Aircraft Board.

Mr. FREAR. Yes.

Mr. DISQUE. Next, we got a call for 30,000,000 feet. That came in the spring.

Mr. FREAR. Thirty million feet in how long; a month?

Mr. DISQUE. A month. And that was supposed to be perfect stock. When we got this call for 30,000,000 feet, we had then been producing for a month or two from the cut-up plant what we thought was the finest stuff that could be made and what lumbermen conceded was.

Mr. FREAR. That is, you say, not over 50 per cent aircraft timber?

Mr. DISQUE. No, sir. The material we sent East from the cut-up plant went between 85 and 100 per cent aircraft material.

Mr. FREAR. That is right. I am referring to the cants. It went in between 85 and 100 per cent aircraft material.

Mr. DISQUE. That is according to the statements which I have here from the factories who used it.

Mr. FREAR. Yes.

Mr. DISQUE. And also from my own observation in having visited those factories while they were using the old stock that had been shipped when we came, and also later on in the year when they were using stuff that came from the cut-up plant.

Mr. FREAR. You said that they reached 85 per cent on those that came in from the cut-up plant?

Mr. DISQUE. As soon as the cars on hand left the cut-up plant reached any given factory—

Mr. FREAR. When did you begin shipping from the cut-up plant?

Mr. DISQUE. In February.

Mr. FREAR. And continued shipping from the cut-up plant; did all the products that went from here go from the cut-up plant after that?

Mr. DISQUE. No, sir.

Mr. FREAR. By what means was it sent out?

Mr. DISQUE. Every lumber mill continued sending.

Mr. FREAR. Here?

Mr. DISQUE. No; to the factories.

Mr. FREAR. Direct?

Mr. DISQUE. Yes, sir. They charged it to us, but it was shipped by them on bills of lading forwarded over to our office.

Mr. FREAR. So there would be no method of determining the comparative character of the material that went from the cut-up plant?

Mr. DISQUE. Exactly. We have that very definitely in detail.

Mr. FREAR. Where did you ship this material from the cut-up plant?

Mr. DISQUE. The cut-up plant material went to the same destinations that the material from the mills went to, but our records contain utilization sheets made out by the factories using this material, which show the car number and its source and the percentage that was accepted and the percentage that was rejected.

Mr. FREAR. The reason I ask that is because the statement has come to us—and you are entitled to the same information that comes to us—that many cars were rejected and were of no value. Now, what method have we of determining whether they came from the cut-up plant or from the mills?

Mr. DISQUE. The very papers that we can furnish to the committee will show over the signatures of outside officers where the car came from; it will show if it came from a private mill from Mr. So-and-so, and the date, and car number so-and-so, Vancouver cut-up plant.

Mr. FREAR. That went to the purchaser at the point of delivery and there kept a record of it?

Mr. DISQUE. Yes, indeed; that car was inspected upon arrival by their own inspector and by a representative of the utilization department of the Bureau of Aircraft, who, by the way, was not my man, but was always a little bit hostile to us; but he acknowledged himself, after this cut-up plant began, that he had never seen lumber like that. Mr. Patrick said that. I think you will find him in this city.

Mr. FREAR. That went to the various factories, and they had a check there from the car number to determine where the lumber came from? You say that the average there was 85 per cent. Did you send to the Curtiss Airplane Co.?

Mr. DISQUE. Yes, sir.

Mr. FREAR. They had a good many rejects. Do you know whether or not they came from your plant, or whether they came from the mill owners generally?

Mr. DISQUE. Would you like for me to go over a few statements?

Mr. FREAR. No. I do not know where they came from, but our information will show definitely where it did come from. It is right here in my case. If we had the car numbers from the Curtiss people, from those who received it, that would be the method of checking.

Mr. DISQUE. If you can give the car number of the stuff received.

Mr. FREAR. I do not believe the car numbers were furnished the committee, so I was trying to ascertain the comparative character

of the lumber furnished by the cut-up plant, compared with that of the private mills.

Mr. DISQUE. I would say, Mr. Chairman, that our records indicated practically—well, I will not attempt to give the percentage, but an overwhelming percentage of the cars from outside mills found difficulty in getting past the inspectors. The rejections were considerable; they ran sometimes to 80 per cent.

Mr. FREAR. Eighty per cent of rejections?

Mr. DISQUE. That just stands out as one case or so.

Mr. FREAR. What would that be due to?

Mr. DISQUE. It is due to the fact that the man that owns a saw-mill can get \$105 for his stuff, and his employees are always inclined to keep slapping a little bit more on. It is simply human nature to load that car as low grade as you can.

Mr. FREAR. That would be rejected when it got to the Curtiss Co., or any other company of that kind?

Mr. DISQUE. Yes.

Mr. FREAR. But it passed inspection when it was put on the cars at the mills, and those inspectors were the men selected by you.

Mr. DISQUE. I did not select them. I selected the Pacific Lumber Inspection Bureau.

Mr. FREAR. I thought you said they were soldiers.

Mr. DISQUE. They were not soldiers; I do not think I said they were soldiers; they were civilians. They were employed by the Pacific Lumber Inspection employees, their own employees. We did later on get in there and endeavor to check that thing closely ourselves, because of the quality of the stuff going out from the mills resulted in so many rejections; and I am sure that the record will show that after we took more interest in that inspection there were less rejections. There are lots of figures that can be extracted and presented.

Mr. FREAR. Of course, the matter of cold figures would hardly affect an 80 per cent rejection that was passed upon by the Government inspectors. I was trying to find out where the responsibility rested for that system of inspection that permitted such rejections, unless it was an unusual case.

Mr. DISQUE. It was an unusual case. I said at the time it was unusual. I cited it as one of the unusual cases, and as to those rejections you must get this point—it is hard for a great many people to understand it—when you are presenting the material to one of these aircraft factories who make it into airplanes, the men down there who inspect it have an entirely different thought in mind from the men who are loading it. The man who loads it has a written specification which he has been studying, and he may be most conscientiously trying to comply with it. The man who inspects it at the airplane factory has in mind not only that written specification but the daily observation showing the stuff that is going through the factory, knowing what is going to be rejected when it gets into a certain part. He is an expert, 100 per cent better than the man who loads it.

Mr. FREAR. Than the inspector down here?

Mr. DISQUE. We endeavored to get some of those fellows over here, and we did get some of them, and improved our inspection constantly.

Mr. FREAR. The question would suggest itself if there was collusion between inspectors.

Mr. DISQUE. I do not think there was the slightest collusion.

Mr. FREAR. You did not discover any?

Mr. DISQUE. I did not see any.

(Thereupon, at 12.25 o'clock p. m., the committee took a recess until 2 o'clock p. m.)

AFTER RECESS.

The committee met, pursuant to the taking of recess, at 2 o'clock p. m.

TESTIMONY OF MR. BRICE P. DISQUE—Continued.

Mr. FREAR. I believe you were referring to a memorandum at the time we adjourned. You can go ahead, please, and give any statement in addition with regard to the method of organization.

Mr. DISQUE. I was referring to the reason and necessity for expansion of our operations, which, summarized, were that we started to rive to tide over an emergency period, and later on the requirements being raised to 30,000,000 feet it rendered necessary some very radical and large expansion of the production of logs. At that time we had learned to get the most out of the log, and the problem was to get more logs into the water. Prior to that time we had sent circulars and inclosed forms to all the loggers of the Northwest, asking them to give us their estimates for production for the next 12 months.

Mr. FREAR. That is, of their mills, or their logging camps?

Mr. DISQUE. Their logging camps. Those circulars were replied to by 99 logging companies, and their total estimated production led us to believe that we might expect 675,000,000 feet of logs in the next 12 months from them.

Mr. FREAR. What kind of logs?

Mr. DISQUE. Spruce logs. These were the general run of logs, including all grades. Subsequently we found that 23 companies produced logs in addition to the 99 who had reported, and the total resulting production was only 74.9 per cent of what the loggers had anticipated.

Mr. FREAR. Let us see. When was this statement made; at what time did the 99 loggers make their report; when was that?

Mr. DISQUE. This report was made some time prior to June.

Mr. FREAR. 1918?

Mr. DISQUE. This report covered the period from June 1, 1918, to May 31, 1919.

Mr. FREAR. What was their report as to what they could produce?

Mr. DISQUE. The 99 reported that they could produce 675,540,000 feet.

Mr. FREAR. Yes. That was 99 loggers, and that was up to May 31, 1918?

Mr. DISQUE. 1919.

Mr. FREAR. Oh, for the following year?

Mr. DISQUE. Yes. On the basis of records that we had made on production, that meant that the resulting aircraft lumber would

amount to approximately 101,000,000 feet. That is 8,500,000 feet per month. Fifteen per cent of the logs is all we could expect from the general run of logs.

Mr. FREAR. Yes.

Mr. DISQUE. But, I say, subsequently 23 camps produced logs who had not reported, and they produced what amounted to an average of 3,317,000 feet per month, up until the armistice.

Mr. FREAR. Those 23 additional camps?

Mr. DISQUE. Twenty-three additional camps. That would have meant if they had continued throughout the year on that average that those 23 camps would have produced 39,804,000 feet.

Mr. FREAR. Of aircraft material?

Mr. DISQUE. Of logs. This, added to the amount that the 99 reported, would have given us probably an actual production of 540,000,000 feet for the year.

Mr. FREAR. I do not quite understand you. You said they could produce 675,000,000.

Mr. DISQUE. That is what they promised, but they actually produced 74 per cent.

Mr. FREAR. You could not tell that beforehand?

Mr. DISQUE. But that was afterwards

Mr. FREAR. Their promise was in addition to that from these 23 additional loggers who expected to produce 39,090,000?

Mr. DISQUE. No; they did not promise that; what they actually produced. So that the total we had in sight for that 12 months was 540,000,000 feet of logs.

Mr. FREAR. You are speaking about May 30, 1919. Of course you could not estimate way back in 1918 what you were going to get out of that?

Mr. DISQUE. No. But assuming they would produce 675,000,000 plus what was actually produced, which we neither knew about at that time, we would eliminate that properly from our estimate, because it was not reported to us; but adding it in we had 675 plus 39.

Mr. FREAR. About 700,000,00?

Mr. DISQUE. About 700,000,000 feet, 15 per cent of which would be 105,000,000 feet of aircraft lumber for the 12 months, or around eight and a half to nine million feet per month, which was one-third of what the Government was requiring.

Mr. FREAR. You say 85 per cent of the log could not be used for aircraft?

Mr. DISQUE. That was our experience and is covered by most accurate and detailed records.

Mr. FREAR. That estimate differs.

Mr. DISQUE. That is, a large per cent did, and it only resulted after a great many mills in the Northwest changed their methods of manufacture and after we built the cut-up plant. This committee can call before it a number of spruce manufacturers whom I could name who have stated that they did not know how to saw aircraft lumber until certain things had happened.

Mr. FREAR. That was true of yourself; you had to learn like all the others; we assume that is true. What about fir?

Mr. DISQUE. May I continue that thought?

Mr. FREAR. Yes.

Mr. DISQUE. The thought that I wanted to present is that when we were expanding we had before us the promises of all the known loggers, which only netted us one-third of what the Government and our allies were demanding. Prior to that time we had met associations of loggers, committees from districts, individuals, in our office and in theirs; we had written letters; we had issued circulars offering to contract with loggers over an 18-month period to buy their logs; we had made it known in the press; we had done everything that humans could to encourage them and assure them that we would take their product and we would prevent their loss. Our prices were such that they could have made money, and yet in the face of that their combined offer was one-third of what was demanded.

Mr. FREAR. Did you at that time in your offers tell them they could have cost plus contracts, or that you would advance them Government money so they would be protected?

Mr. DISQUE. Yes, sir; not that they could have cost plus contracts, because I do not like them; I did not want to make any. When we did make them it was a last resort and a necessity, and we tried to keep them to the minimum, because of the tremendous supervision required.

Mr. FREAR. What about the question of advanced moneys?

Mr. DISQUE. We agreed to advance moneys.

Mr. FREAR. Where are your statements to that effect; you have the correspondence to that effect, have you?

Mr. DISQUE. I have it here. We offered to these loggers to take up a spur here and put it down over there and we said, "We will contract with you to cover the cost of that." Each case is a different problem; we could not make any broad contract for the entire industry, because each logger had a different problem. In the case of Merrill & Ring, they had a spur over in some fir. We urged them to put it into spruce. We agreed to furnish the labor, and they agreed to do that.

Mr. FREAR. That was a 2-mile railroad?

Mr. DISQUE. Seven miles.

Mr. FREAR. In which direction did that road run?

Mr. DISQUE. That road, I think, ran west.

Mr. FREAR. West from Pysht Creek?

Mr. DISQUE. From their operation at Pysht west, out into a stand of spruce which was waiting there, and they agreed to do it.

Mr. FREAR. You say it was 7 miles?

Mr. DISQUE. I think it was 7 miles; I am not positive, around 5 to 7 miles. That is one of a great many instances where we endeavored along in January and February to show the loggers that we would take care of any additional costs that they underwent to to expand their operations.

Mr. FREAR. I am getting down to the time that you made the suggestion and 675,000,000 logs could be furnished.

Mr. DISQUE. That came in May.

Mr. FREAR. After you had got the statement from the loggers this Merrill & Ring contract was made in February.

Mr. DISQUE. I am reciting what efforts we had made prior to this to get production.

Mr. FREAR. When you were making efforts to get loggers to undertake this work, you say advancements of money or reimbursements

or other means were offered to get them to enlarge their output. Did you offer them labor?

Mr. DISQUE. We did.

Mr. FREAR. What was the result of that?

Mr. DISQUE. The result of that was just what I am leading to here.

Mr. FREAR. All right; go on.

Mr. DISQUE. That we had an offer accumulated from the entire industry that only amounted to one-third of what we had to produce. In 1917 there were 319,000,000 feet of spruce produced and 6,700,000,000 of all kinds of lumber. That is from the Forestry Department report. In 1918 there were 492,000,000 feet of spruce produced and only 7,313,000,000 feet of all species. In other words, the industry had increased its spruce production approximately 54 per cent.

Mr. FREAR. That is in 1918; at the last of the year you were striking the gait.

Mr. DISQUE. The entire industry produced 54 per cent more spruce in 1918 than in 1917, and they only increased their general production 7.7 per cent.

Mr. FREAR. You had the control of that, so that unless they agreed to produce spruce you could shut down their mills?

Mr. DISQUE. Well, that might have been done.

Mr. FREAR. I think it was done, was it not?

Mr. DISQUE. I do not know of any case.

Mr. FREAR. It might be cited later.

Mr. DISQUE. Where a spruce mill was shut down except through shortage of cars and the accumulation of the side cut on their dock. So that we had reason to feel that the industry, having increased 54 per cent and having only promised a third of what we required, that it was necessary for somebody to become active and increase in some other direction. That led to the distinct feeling, and I would say it is backed up by 90 per cent of the lumbermen out here, because I know them and have been in conferences with them hundreds of times; they felt we had to do something to supplement it again. That something had to be in a line which would not interfere with what was going on already. Everybody was doing their best, and they were only getting one-third of what we required. That is why these riving contracts which we had made in December and had gone over this period, for the purpose of helping us tide over and had produced 11,000,000 feet by the cost-plus operation and 7,000,000 feet by the individual, showing that we were not getting from those individuals as much as we had hoped were then converted—

Mr. FREAR. What percentage of the riving material went into airplane lumber, the higher per cent?

Mr. DISQUE. About 52 to 55 per cent. That was in the spring, and that is the time when we felt we had not anything in sight, that we converted our riving contracts into selective logging contracts. At the time we made contracts with Grant Smith, Porter Bros., the Airplane Spruce in Grays Harbor, and the Warren Spruce there was no thought of doing anything other than tide over an emergency period.

Mr. FREAR. Did you have contracts with the Warren Spruce Co. for riving?

Mr. DISQUE. Yes, sir.

Mr. FREAR. What did they produce?

Mr. DISQUE. Well, I probably can give you that.

No; I have not got that. Our accountant can give that exact figure.

Mr. FREAR. You can put it in later if necessary. What did the aircraft—this was the air—

Mr. DISQUE. The Airplane Lumber Co.

Mr. FREAR. Yes; the Airplane Lumber Co.

Mr. DISQUE. I think that is what they called it. I do not remember what any of them produced. The total was 11,000,000 feet of rived stock.

Mr. FREAR. You had not testified regarding those contracts before, so I did not know.

Mr. DISQUE. That was in Grays Harbor—the airplane company.

Mr. FREAR. That is the Polson Co.?

Mr. DISQUE. Polson's organization. We took on those contractors at a time when they were only to rive, because they only had teams and road organizations. They had reputations that came to us at least as capable and competent contractors, and as the spring developed we converted those contracts—something that had not been anticipated—into selective logging contracts for them.

Mr. FREAR. What did you do with those who were not in a position to carry on selective logging but who could do riving?

Mr. DISQUE. All those who had had contracts continued to rive until they supplied the total amount of their contracts or until the armistice was signed.

Mr. FREAR. You said the contracts were canceled afterwards. Why didn't you continue the riving, if it was a practical proposition, with those others who could not do logging?

Mr. DISQUE. Well, riving is practicable all right, but, as I said, it was an emergency measure and we did not want to continue it a day longer than was necessary. They were put in there to tide us over until we could get logs. There is no question that you get more lumber out of a log than you do out of a split tree.

Mr. FREAR. That is certain.

Mr. DISQUE. And there is no question but that riving is more expensive, more extravagant, more wasteful than logging.

Mr. FREAR. That would be true; but if riving brings 55 per cent, or from 52 to 55 per cent, and regular logging only brings 15 per cent and we were in great need of this airplane lumber, as we were, why did you cease the riving?

Mr. DISQUE. Because with a given number of men we could largely increase the amount of the final product by selective logging. Not by general logging, but by selective logging.

Mr. FREAR. I understand.

Mr. DISQUE. We got more out of the trees that we felled by the selective-logging process.

Mr. FREAR. But this cancellation of contracts, didn't that affect a good many small operators who were not able to take up logging?

Mr. DISQUE. They were not canceled until the armistice was signed.

Mr. FREAR. I understood you to say—

Mr. DISQUE. They were allowed to continue production until they supplied the amount of their contract.

Mr. FREAR. And those contracts, providing the contracts had ended, were they continued, or what was done?

Mr. DISQUE. No.

Mr. FREAR. I understood you to say you canceled them.

Mr. DISQUE. We quit when they had supplied their contract. We did not do riving any more.

Mr. FREAR. Why not?

Mr. DISQUE. Because we would do better with the selective-logging process.

Mr. FREAR. You were getting it from certain loggers, you were getting the supply from them, so you did not feel that you needed any more riving?

Mr. DISQUE. We were getting it from our own operations and from the logging industry, and in the meantime—

Mr. FREAR. What were you getting from your own operations?

Mr. DISQUE. Well, we got a total—our own operations produced a total—

Mr. FREAR. I know; I am not referring to after the armistice. I am referring to the period as this matter goes along. I am trying to get what your estimates were, and what was the basis of your judgment. It may be all right; I am trying to find out.

Mr. DISQUE. I can give you that very readily. Here is what we got from our own operations, and it is set up in comparison to the total industry. The record started August 3, when the industry produced 13,000,000 feet and our own operations 2,000,000 feet. That was for the week ending August 3. The next week the industry was 13,000,000 and our own was 2,800,000.

Mr. FREAR. That is, logging?

Mr. DISQUE. Logging. The next week the industry was 12,000,000 and ours was 2,200,000.

Mr. MAGEE. Was this 1918?

Mr. FREAR. What year was this?

Mr. DISQUE. 1918.

Mr. FREAR. This was in August.

Mr. DISQUE. August 3. The private loggers produced 86 per cent of the total and we produced 13.94 per cent. Ours continued to increase and the other to decrease up to October 26, when the logging industry produced 66.98 per cent of the total spruce logs and our operations produced 33.02 per cent.

Mr. FREAR. What proportion at that time of the troops—how many troops did you have here at that time?

Mr. DISQUE. In October?

Mr. FREAR. In October.

Mr. DISQUE. There was approximately 28,000.

Mr. FREAR. What proportion of those were engaged under your contract, what you call "we" produced?

Mr. DISQUE. I would have to ask the adjutant about that. I do not recall.

Col. STEARNS. You can get an exact statement of it right away.

Mr. FREAR. Who do you mean by "we"?

Mr. DISQUE. I mean the Spruce Production Division.

Mr. FREAR. I know, but the Spruce Production Division was not doing it, they were doing it under contract.

Mr. DISQUE. With the contractors whom we were supervising, as cost-plus operations.

Mr. FREAR. What contractors were those?

Mr. DISQUE. They were the Warren Spruce Co., the Grant Smith-Porter Bros., and the Airplane Spruce, over in Grays Harbor.

Mr. FREAR. Those three contractors were producing, then, thirty-odd per cent.

Mr. DISQUE. Thirty-three per cent of the total spruce-log production.

Mr. FREAR. Thirty-three per cent in October?

Mr. DISQUE. Yes, sir.

Mr. FREAR. They were producing it with what help?

Mr. DISQUE. With all the help that we could give them.

Mr. FREAR. Now, as I understood it, there were 99 loggers, and then you had 23 extra logging companies. How many logging companies or logging organizations were there here in the Northwest—now, Merrill & Ring were not included in these people?

Mr. DISQUE. They were not included in the 33 per cent production.

Mr. FREAR. No?

Mr. DISQUE. They were included in the 66 per cent.

Mr. FREAR. Now, Merrill & Ring are among the largest loggers in the Northwest, are they not?

Mr. DISQUE. I expect they are. Their production would be pretty well up in the list.

Mr. FREAR. And the Goodyear Co.?

Mr. DISQUE. I do not know how about their production.

Mr. FREAR. What I mean to say is, that there were many loggers in the business, doing a large business. You spoke of 122.

Mr. DISQUE. There were 122 companies that we had records of, that reported.

Mr. FREAR. They reported?

Mr. DISQUE. Yes.

Mr. FREAR. Now, three companies, or three firms, one of which, the Warren Spruce Co.—was that a logging concern?

Mr. DISQUE. It became one.

Mr. FREAR. Was it before?

Mr. DISQUE. Never.

Mr. FREAR. It never had done any logging before?

Mr. DISQUE. Oh, I expect they had done some in their road work.

Mr. FREAR. Whereabouts?

Mr. DISQUE. In their road work.

Mr. FREAR. Explain to the committee where they had done this road work?

Mr. DISQUE. I do not know where.

Mr. FREAR. Do you know that they did?

Mr. DISQUE. No.

Mr. FREAR. You do not know anything about it. Now, they came here just like the Siems-Carey-Kerbaugh Co., didn't they, without any previous logging experience? Isn't that true?

Mr. DISQUE. I expect it is.

Mr. FREAR. Now, you took three companies, and the only company which had ever done logging before was the Airplane Co., which was the Polson Co., that is right, isn't it?

Mr. DISQUE. Yes.

Mr. FREAR. Now, you took two other companies, cost-plus contracts, the Siems-Carey-Kerbaugh Co. and the Warren Spruce Co.,

and you threw your force of men, the soldiers that you had, which were able to produce, and you enabled those two companies that had never done any work before to bring the total up to 33 per cent, that is right; do we understand it right?

Mr. DISQUE. Well, it is understood right, except that we did not favor them with men any more than we favored all the private operations.

Mr. FREAR. Oh, yes; I am just trying to get a basis.

Mr. DISQUE. And with materials, I might add, with cars, with priorities, with everything on earth. There was absolutely no preference given to any of them.

Mr. FREAR. No; but I was trying to see if I understood you correctly, your statement.

Mr. DISQUE. I would like to refer back to that matter of utilization that we were touching on before dinner.

Mr. FREAR. I have here a statement that was just handed to you in regard to the production of one of the companies.

Mr. DISQUE. Oh, the riving production?

Mr. FREAR. Yes. I thought maybe you could put that in the record here.

Mr. DISQUE. Here it is. The best witness on this, of course, would be our comptroller. He hands me this statement, however.

Mr. FREAR. The committee will accept your statement.

Mr. DISQUE. Production, Grant Smith-Porter Bros., 6,391,323 feet of split cants. The Warren Spruce Co., 3,839,606.

Mr. FREAR. Where and when was that, were those supplies furnished, those split cants?

Mr. DISQUE. Well, that covered a period from, I would say—I do not know, January on until we stopped riving. The Airplane Spruce & Lumber Co. produced 1,272,342 feet.

Mr. FREAR. That is, in cants?

Mr. DISQUE. Those are cants.

Mr. FREAR. That is the riving?

Mr. DISQUE. That is the riving.

Mr. FREAR. Yes, I see. All right.

Mr. DISQUE. Now, they did not all get started at the same time, and it is not fair to compare them as to quantity; and, another thing, some of them had better shows than others.

Mr. FREAR. Where was the Warren Spruce Co. doing their riving?

Mr. DISQUE. They were riving, I think, in the Willapa Harbor district some and also in the mouth of the Columbia here, in the Clatsop district—no, they were not in Clatsop; they were in the Siletz district.

On that matter of utilization I think the committee would like to get this clear. We have records here covering 117 cars of fir airplane lumber that went to the factories in the East. They show that the rejections were less than seven-tenths of 1 per cent.

Mr. FREAR. The rejections of lumber?

Mr. DISQUE. Yes, sir.

Mr. FREAR. That is of fir.

Mr. DISQUE. Fir airplane. We have lumber utilization reports—

Mr. FREAR. How many cars was that?

Mr. DISQUE. Eighty one cars.

Mr. FREAR. Eighty-one cars of fir?

Mr. DISQUE. Yes; we have here attached to this, on the Vancouver shipments from the cut-up plant, spruce to American factories, 21 cars, showing the low grade three-tenths of 1 per cent; on grade, 99.7 per cent. We have here three cars on specification 15038, which is laminated stock, 100 per cent acceptance.

Mr. FREAR. How long were you engaged in laminating?

Mr. DISQUE. While we only sent that one especial order that came for it, we were sending it quite a bit from time to time throughout our operations. We never sought laminated stock. It was a fall-down stock, really, from the other.

Mr. FREAR. Did it increase at all while you were engaged over there?

Mr. DISQUE. My recollection is that the factory in Grand Rapids, I think, agreed to use laminated stock very largely, and they were shipped a considerable quantity of it. Of course I did not place these orders, they came to me to ship out.

Mr. FREAR. I understand.

Mr. DISQUE. I think the greater part of the laminated stock that went out from here went to that factory, and I have been told that at was inspected on the specification of straight airplane stock, and if that was so, of course, there was a tremendous rejection, because it never was intended for that. It was not charged as that, and if it had been inspected on the quality that had been ordered, why, I do not have any doubt that the result would have been just like I have read.

Mr. FREAR. You do not know anything about that, excepting—

Mr. DISQUE. Only reports from officers who had been there.

Mr. FREAR. You do know that there were quite a large number of cars that were rejected at Grand Rapids?

Mr. DISQUE. Yes.

Mr. FREAR. Have you any correspondence to show why, whether it was laminated material or whether it was simply rejections because of failure to meet the inspection?

Mr. DISQUE. I would rather you would call our inspection officers on that.

Mr. FREAR. You can inquire of them, because we can not call the various officers. You can inquire and see, and if you can testify we will be glad to have you do so.

Mr. DISQUE. Yes, sir. I want to say further about this utilization that we heard that the British had a shipment at Galveston that was below grade. We immediately wired and asked them to send a representative there of their own to check up. We had a letter from them in a few days stating that they had found it perfectly satisfactory. We have that letter in our files. Later on, after the armistice, Gen. Carmack, who was in charge of the British purchases in Washington, made a statement that it was due to the improved quality of lumber that we had shipped from our cut-up plant that permitted England to reduce her requirements, and England did reduce her requirements about 33 per cent in October.

Mr. FREAR. But she was getting a large additional supply, and new supplies from British Columbia at that time, which she was not receiving before; isn't that true?

Mr. DISQUE. They did not say so.

Mr. FREAR. That may be true, but wasn't that a fact?

Mr. DISQUE. I do not think so. I talked——

Mr. FREAR. That is the testimony before the committee.

Mr. DISQUE. I understood it was, Mr. Chairman, I talked with the British officers at frequent intervals during the war. They would come out here and look over our operations and consult with us, and assist us in drawing the specifications to suit because there is a considerable loss between New York and London on any ocean transportation. You lose in quality. We were endeavoring to get the sizes of these pieces to send up, and get those sizes which would ship to the best advantage. In Washington I met their representatives on a number of occasions, and every time we asked them about their Canadian spruce—they had been in the war then four years—they would tell me that they were getting practically nothing out of Canada. They would tell me that they had to depend upon us. I had frequent conferences with Canadian officers who came down here from Vancouver. They were endeavoring to get spruce out of those islands up there, and my impression was that they got under way in the spring of 1918 for the first time, and they had been in the war four years.

Mr. FREAR. That was the same situation with the United States, wasn't it?

Mr. DISQUE. We had been in the war about six months when I came out here.

Mr. FREAR. But we knew that the war was on in other countries, and appreciated the possibility of our getting in; that was apparent to us at that time, wasn't it?

Mr. DISQUE. I do not know about that. But I wanted to say this, that the production from Canada, we felt, was going to be improved, but up to the end of the war the British Government gave us no indication that they were getting what they wanted from Canada.

Mr. FREAR. You said you reduced the supply to them.

Mr. DISQUE. That was right at the end of the war. A telegram came, and it was perfectly natural, because it takes time for this stuff to get into the factories in Europe. They had learned that this quality was improved and they began to lower their requirements. There is a telegram in our files stating that owing to the improved quality of the material being shipped the Allies have reduced their requirements for the next 12 months, as follows: And I want to correct the record, if I may, in that from what I have understood it has been reported that Canada sent 26,500,000 feet of high-grade airplane stock. I do not know, I assume that they did—it has been stated—but I will say that we sent 23,500,000 feet of similar material in October, 1918, of absolutely the same quality of material in one month that they sent in the entire five years of the war.

Mr. FREAR. Where was that sent from?

Mr. DISQUE. Ours?

Mr. FREAR. Yes.

Mr. DISQUE. Right from this Vancouver cut-up plant and the mills in the Northwest.

Mr. FREAR. Did those mills pass this inspection—were they passing the inspection the same as the Vancouver plant at that time, or what kind of lumber was it?

Mr. DISQUE. At that time we were inspecting in the mills, I think, about as carefully as we were at the cut-up plant. We had by that time built up a pretty good inspection crew.

Mr. FREAR. What was the total production of lumber, airplane lumber, up to the end of the war?

Mr. DISQUE. From here?

Mr. FREAR. From where? This Government?

Mr. DISQUE. This report only covers the period after the Bureau of Aircraft Production became interested.

Mr. FREAR. When was that?

Mr. DISQUE. Starts with September, 1917. The footage, September, 1917—

Mr. FREAR. Just give us the totals, unless it is something important.

Mr. DISQUE. I think it is important to show what our country did here in increasing this, and it will show it clearly if I read the first four or five months.

Mr. FREAR. My understanding was that they practically began at that time, but go on.

Mr. DISQUE. The Allies were buying throughout the war from brokers who bought in turn from these mill merchants out here.

Mr. FREAR. Is that shown in the production here?

Mr. DISQUE. No, sir.

Mr. FREAR. That is not shown, that they were selling direct, so that would not appear here at all?

Mr. DISQUE. That does not appear here.

Mr. FREAR. So you could not tell what the production was here, except in so far as it went into our Government accounts.

Mr. DISQUE. Except that this, all of it, had happened after September.

Mr. FREAR. It includes all at that time, at the beginning of your allotting—

Mr. DISQUE. In September there was 952,663.

Mr. FREAR. This is 1917?

Mr. DISQUE. September, 1917. October, 726,000.

Mr. FREAR. Would you mind giving two or three months, showing the increase, without going through it?

Mr. DISQUE. I will say that that is not correct—

Mr. FREAR. Change it.

Mr. DISQUE. That is what we actually paid for. It was in that period when it dovetailed.

Mr. FREAR. Just change the record, if you choose.

Mr. DISQUE. There was other G-list stuff sent down during those months. Practically 2,000,000 feet a month, it says, additional to that, but that is a guess. November, 2,887,000; December, 3,206,000; January, 4,595,000 feet.

Mr. FREAR. Are these the correct figures, or was there additional?

Mr. DISQUE. There was nothing additional to this.

Mr. FREAR. Nothing additional sent in?

Mr. DISQUE. February, 7,320,000 feet; March, 9,977,000 feet; April, 13,583,000 feet; May, 11,864,000 feet.

Mr. FREAR. Why did that fall down in May?

Mr. DISQUE. The logs did not come in, just simply that we did not have the logs.

Mr. FREAR. In the winter the logs increased rapidly, and now in the spring there was a falling off. What is the explanation?

Mr. DISQUE. We simply did not have the logs, and we were not under way producing yet. July, 13,776,000 feet; August, 18,861,000 feet; September, 16,682,000 feet; and October, 22,145,000 feet. That was the way the production progressed.

Mr. FREAR. What was the total there, have you got it?

Mr. DISQUE. One hundred and forty-three million, eight thousand nine hundred and sixty-one feet.

Mr. FREAR. That is, of lumber?

Mr. DISQUE. That is of the highest grade aircraft lumber that was ever produced.

Mr. FREAR. A lot of that lumber was rejected, wasn't it, by Great Britain?

Mr. DISQUE. I do not agree with that; no, sir.

Mr. FREAR. I am just inquiring.

Mr. DISQUE. There was an occasional—

Mr. FREAR. Doesn't that include the cars that were rejected at Grand Rapids and various other places, Curtiss and others?

Mr. DISQUE. That includes the cars that were rejected.

Mr. FREAR. How many cars were rejected, all told, do you know?

Col. STEARNS. There is no complete record.

Mr. DISQUE. We have no complete record of that.

Mr. FREAR. All right.

Mr. DISQUE. But our records have never indicated that there was any considerable quantity rejected.

Mr. FREAR. I understood you in one case—maybe I have made a mistake—that in one case there was 80 per cent.

Mr. DISQUE. I said I had a recollection that that stood out. That was early in this program. After spring got under way the rejections were almost negligible.

Mr. FREAR. Now, that ends up your statement as to the production. Let me see your report, please.

Mr. DISQUE. I want to add to that statement of production that the day the armistice was signed we had laying in the water—

Col. STEARNS. And in the woods.

Mr. DISQUE. Waiting to go to the mills about 40,000,000 feet of high-grade spruce logs.

Mr. FREAR. Are those like the logs that are down there in the bay, at Siletz Harbor now?

Mr. DISQUE. They included those.

Mr. FREAR. Do you call those—

Mr. DISQUE. It was a better grade, by far.

Mr. FREAR. Do you call those high-grade logs?

Mr. DISQUE. I do not.

Mr. FREAR. Those are not for airplane purposes.

Mr. DISQUE. Well, they were fir logs. They were much better than the average run of logs that you will see in a raft.

Mr. FREAR. Would any considerable percentage of those logs be suitable for airplane purposes, in your judgment?

Mr. DISQUE. I think we would have obtained from those logs at Toledo, had we manufactured them, probably 20 per cent aircraft.

Mr. FREAR. Twenty per cent aircraft from those logs, when you only got 15 per cent on the average?

Mr. DISQUE. All right.

Mr. FREAR. All right.

Mr. DISQUE. We would get nearer 30 per cent on our selected logs after the operations got under way.

Mr. FREAR. If you were engaged in sending this fir—81 cars of fir were sent to Great Britain, was it?—less than 1 per cent was rejected.

Mr. DISQUE. Those did not go to Great Britain.

Mr. FREAR. Where?

Mr. DISQUE. They went everywhere.

Mr. FREAR. It is immaterial, I suppose, that they were sent there. Eighty-one cars of fir, then, were sent out, less than 1 per cent of which was rejected.

Mr. DISQUE. Seven-tenths of 1 per cent rejected.

Mr. FREAR. Seven-tenths of 1 per cent rejected?

Mr. DISQUE. Yes.

Mr. FREAR. Up to what date was that?

Mr. DISQUE. I take it this report covered up to the end of our operations. I might explain here, Mr. Chairman, that it was a difficult thing for us to get accurate information from the manufacturers regarding the quality and utilization qualities of that lumber. We continuously endeavored to have reports sent the moment a car was inspected, and it was almost impossible to get them.

Mr. FREAR. Well, I find an interesting statement here in this report that you have handed me, that while the spruce reached 79,000,000 feet for the year, the fir reached 59,906,000, practically 60,000,000, or almost as much as the spruce. That is to say, the cedar was nominal, 3,000,000 feet. That is to say, that the fir was at least 40 or 45 per cent, between 40 and 45 per cent of the total output, which makes up 143,000,000 feet.

Mr. DISQUE. Exactly.

Mr. FREAR. We supposed it was spruce heretofore. Was that true of the Canadian cut?

Mr. DISQUE. I do not know about the Canadian cut.

Mr. FREAR. The reason I ask that question is because in October your cut here was 9,000,000 feet, and the Canadian cut was 8,000,000 feet of finished spruce lumber, as this was, and you gradually reach about the same, with facilities that were ten times as great, according to the statement there, as could be found up in their country. Would you say that that was a fair percentage, that you had ten times the milling and logging capacity here? I want to arrive at some basis of comparison.

Mr. DISQUE. I want to say that I haven't any confidence in the statement made about the British production.

Mr. FREAR. As to the amount, you mean?

Mr. DISQUE. As to anything about it. We had the impression here, and we are well grounded in it, that there wasn't anything of importance going on out of there.

Mr. FREAR. They had the same impression, according to the statements, as to conditions here, but that does not bring us any results, what we are trying to ascertain. We have the specific statement that

26,500,000 feet of finished airplane lumber was sent out, and, as we understood, all spruce. Now, you had 79,000,000—and that was in nine months—you had 79,000,000 feet here. The other is 60,000,000 feet, approximately, so far.

Mr. DISQUE. I have wired to those in authority to get a definite statement of the Canadian production.

Mr. FREAR. We will be very glad to have it, if you receive it, to see if it materially varies. If you find it does, will you notify us?

Mr. DISQUE. I will be glad to give it to you.

Mr. FREAR. Now, the question comes up at this point, if fir was used to that extent, why couldn't it have been used throughout?

The spruce production reached 317,000,000 feet in 1916, and you say 319,000,000 feet—approximately the same amount—in 1917. Now, why couldn't they have increased the fir, if they were using it in the airplanes in Europe that were in the real fighting; why were they holding you down, apparently, to the spruce production here?

Mr. DISQUE. They were not. In January or December the lumber experts around the Bureau of Aircraft Production decided that fir was a good substitute for spruce.

Mr. FREAR. That was in the early part of 1918?

Mr. DISQUE. The early part of 1918, and possibly a little before that. And they started in to use it only for wing beams on the training planes. Later the Italians said they were willing to take it. They simply could not get the spruce; that was all; and they took the next best thing.

Mr. FREAR. Now, we had 317,000,000 feet of spruce sawn in the two years of 1916 and 1917?

Mr. DISQUE. That is, logs.

Mr. FREAR. What?

Mr. DISQUE. That is, logs.

Mr. FREAR. That is, logs; yes. Now, what amount of fir did they have in those years? What I am trying to ascertain is this—

Mr. DISQUE. Oh, it was several billion feet.

Mr. FREAR. Several billion feet cut?

Mr. DISQUE. Yes, sir.

Mr. FREAR. So that if they had begun using fir instead of finding out the spruce, you would have had no difficulty in completing it with the force that was operating at that time?

Mr. DISQUE. The Allies would not have fir; they would not take it at all for a long while. No one wanted fir if they could get spruce.

Mr. FREAR. You were beginning operating here way back in November, 1917, and you were getting out fir at that time for the Allies and all others, were you not?

Mr. DISQUE. No; that fir in those days I am positive only went to American factories making training planes.

Mr. FREAR. What time did the Allies agree that they wanted to use it for Spads and for other kinds of planes?

Mr. DISQUE. Well, it came in the spring. I think the Italians agreed to take it for wing-beam stock.

Mr. FREAR. The spring of 1918?

Mr. DISQUE. The spring of 1918.

Mr. FREAR. If they would take it for wing beams, they would take it for struts, wouldn't they?

Mr. DISQUE. No.

Mr. FREAR. Why?

Mr. DISQUE. Because it is heavy; and you get plenty of short lengths of spruce to make up all the shorter parts.

Mr. FREAR. So there was no difficulty on that part?

Mr. DISQUE. There never was a time when they were keen about it. They took it as the next best thing that they could get.

Mr. FREAR. You are testifying as an expert. Upon what do you base your judgment as to what these combined countries were keen about; what is your evidence of it? They were anxious to get aircraft, apparently more anxious than we were, so far as results show now. You say they were not keen about it; they would take anything they could get.

Mr. DISQUE. About the fir.

Mr. FREAR. About the fir.

Mr. DISQUE. My opinion on that is based on numerous conferences with the very men who represented those Allies in the use of this lumber.

Mr. FREAR. Is that put in the form of correspondence?

Mr. DISQUE. I do not know directly, but it is in the form of interviews, and appears in my diary.

Mr. FREAR. What does your diary show?

Mr. DISQUE. It shows numerous conferences with different allied representatives.

Mr. FREAR. I mean, as to this question of the fir?

Mr. DISQUE. I think the best evidence of that would probably be found in correspondence, where they agreed to take fir, and it took a long while to get them to do it.

Mr. FREAR. Will you get the letters, or have some one get the letters?

Mr. DISQUE. You will have to get those in Washington. Mine was just a telegram—they will take so much fir. These orders were placed in Washington.

Mr. FREAR. Where will we find them in Washington? We were directed in Washington to come out here to get all the records.

Mr. DISQUE. Well, we will try to find them in our own. We have telegrams from Washington ordering the fir.

Mr. FREAR. What we were interested in, as a committee, was the gradual growth of the demand for fir, and the reason for that is not alone what has occurred in the past but what may occur in the future; that is, we want to see how it developed and what the possibilities were, and why.

Mr. DISQUE. I think, if I tell you that fir is heavier, it hasn't the resiliency of spruce, it fractures much more readily than spruce, but when a nation is trying to increase its air fleet they will use anything that will do.

Mr. FREAR. That is—

Mr. DISQUE. They prefer the spruce and always tried to get it; and, I might add—

Mr. FREAR. Our airplane stuff practically all went into training places, didn't it; that is, our fir—

Mr. DISQUE. I don't know anything about what was done in the construction. I was told something, but I don't know; but this is

true, that as a result of the interallied council in Paris, or in Versailles, wherever it was—the supreme war council—most of the spruce we produced, in fact practically all of it, was directed to France and England and Italy.

Mr. FREAR. What percentage did Italy get?

Mr. DISQUE. Offhand, I would say about one-seventh of it; may be an eighth?

Mr. FREAR. That is, one-eighth of all, including the United States?

Mr. DISQUE. All, including the United States.

Mr. Chairman, may I refer to—

Mr. FREAR. Yes.

Mr. DISQUE. This morning you spoke about making—our arrangement in Washington. I think it would be well to pillar up in the minds of the committee the reference that has been made to my supposed agreement with Mr. Gompers in connection with bringing labor out here. That sort of thing occurred in the beginning of this thing, and it would probably be well to get it cleared up now.

Mr. FREAR. You don't mean the hearing now?

Mr. DISQUE. No; in the beginning of my operations.

Mr. FREAR. Oh.

Mr. DISQUE. That was one of the early—

Mr. FREAR. Something you want to discuss or disclose to the committee?

Mr. DISQUE. I want to make the record in that respect.

Mr. FREAR. What is the record? You mean our record?

Mr. DISQUE. Yes. The record says, as I have read it, that I had a secret agreement or a conference or an understanding with Mr. Gompers to put in an eight-hour day out here. I think that direct statement was made, and I want to deny it, absolutely.

Mr. FREAR. That is, there was nothing at all to that?

Mr. DISQUE. Absolutely nothing.

Mr. FREAR. You had nothing to do with any eight-hour proposition?

Mr. DISQUE. I did, after I came out here. The one reference that Mr. Gompers made to me, in my conversation with him about an eight-hour day, was something to this effect. He mentioned it once, I think, only. He says: "I believe if those folks would go on an eight-hour day out there that their troubles would be over." I didn't agree with Mr. Gompers to do anything.

Mr. FREAR. When was this?

Mr. DISQUE. That was before I came out. And it came up—I want to say why I saw Mr. Gompers.

Mr. FREAR. That was before you came out; what month—October, November, 1917?

Mr. DISQUE. That was the latter part of October, 1917, after I had been here the first time, believed that we needed men in this operation. I went back to Washington and recommended it.

Mr. FREAR. Recommended what?

Mr. DISQUE. That they provide men.

Mr. FREAR. Yes.

Mr. DISQUE. We had never had soldiers supplied to private operations to work. There didn't seem to be any other way of doing it, and in order to do this without bringing down the antagonism of a

great element in this country, I presented the thing to Mr. Gompers, who, as you know, is the head of a big organization in the country. interested in labor, got him to see the necessity for it——

Mr. FREAR. How did you get him to see the necessity?

Mr. DISQUE. Explained to him just what I had learned of the conditions.

Mr. FREAR. Where and when and how was that done?

Mr. DISQUE. That was explained to him in his office at Washington.

Mr. FREAR. That is, you did that?

Mr. DISQUE. I did that, and he told the Secretary of War, so far as he was concerned they would not disapprove of it. He realized the necessity of it.

Mr. FREAR. Not disapprove of what?

Mr. DISQUE. Putting soldiers into private operations out here to work in the production of this lumber and that was——

Mr. FREAR. You mean he would permit the Government to employ those soldiers in that work?

Mr. DISQUE. No; I don't mean that at all.

Mr. FREAR. What is the meaning that he would approve of it?

Mr. DISQUE. If I said that he would approve of it, it is not the correct expression. I mean to say that he told the Secretary of War that they would not oppose it or cause any trouble about it, that he believed that it was the necessary thing to do, and, as an American, was willing to see any precedent broke to supply what seemed to be a necessary vacuum in the labor situation. That was all there was to that conference.

Mr. FREAR. That is, if he was not opposing it, he was putting himself on a higher plane than the opposition which came out here in the laboring conditions——

Mr. DISQUE. I think so.

Mr. FREAR. Well, how many interviews did you have with him, and what was the nature of them?

Mr. DISQUE. I just had those two, and that is all there was to it.

Mr. FREAR. Did you have any interviews with him later?

Mr. DISQUE. No. I have never seen him since, and——

Mr. FREAR. Did you discuss, with anyone else, this question?

Mr. DISQUE. About this question? Discussed it with the Assistant Secretary of Labor.

Mr. FREAR. That is, Post?

Mr. DISQUE. Mr. Post.

Mr. FREAR. What was the character of that discussion?

Mr. DISQUE. Simply the same discussion, and I think he wrote a letter or a memorandum to the Secretary of War, stating the result of that discussion, and stating that there would be no objection from the standpoint of the Labor Department of the Government.

Now, later on—I have been accused in here of playing some kind of a game with Mr. Gompers. That is absolutely untrue.

Mr. FREAR. You didn't mean this committee has made such a charge?

Mr. DISQUE. No, sir; I mean the evidence that I have read. Later on, some of the labor folks out here tried to take advantage of a Loyal Legion organization that we built up to stabilize this condition, and I wrote to Mr. Gompers, in no uncertain terms, explaining to him what was trying to be done and that it had to

stop. Those letters would satisfy anybody that there was nothing between Mr. Gompers and myself. I want this set right here in this testimony to-day.

Mr. FREAR. Did Gompers have the determination of the 8-hour day, or how did that grow out?

Mr. DISQUE. He never knew anything about it, so far as I know.

Mr. FREAR. Did you determine it?

Mr. DISQUE. I was forced to determine it, not of my own will. Do you want that story?

Mr. FREAR. Yes; glad to have it.

Mr. DISQUE. I would be glad to give it to you.

Mr. FREAR. I think the committee would appreciate it.

Mr. DISQUE. It seems as though there had been quite a discussion among lumbermen here for about a year, about the 8-hour day. Some of them were willing to adopt it, others didn't. They had formed an organization to prevent the adoption of it. Practically all the members of that organization I think I can count as my friends now, and I could then. They had strikes and troubles, and the impression they gave me was that the industry was practically paralyzed during the summer of 1917, because of the labor conditions, and it seems as though the 8-hour day was the big problem. Several of them came to me at different times, talked with me privately about it. Some of them wanted me to declare for it, some of them wanted me to oppose it. Personally, I did not believe that any man ought to want to work only 8 hours during war. I have worked 24 hours during war, for two years, day and night, hiked over hills and mountains, and been in engagements. I can't understand any man who would want to cut his work off on 8 hours during the war period, but we had a practical problem here; it was no theory.

Mr. FREAR. That same problem was all over the world, wasn't it?

Mr. DISQUE. The Inland Empire adopted an eight-hour day along about the winter of 1917.

Mr. FREAR. The Inland Empire is what?

Mr. DISQUE. That is the eastern part of Oregon and Washington, and Idaho; and then they repudiated it, as I understand it; at any rate, they got the thing worked up again. There was a mediation commission out here that probably got the laboring men to think about it again, and those operators who favored it; and I was in Washington in February, during which time the lumbermen were holding meetings, trying to make up their minds what they wanted to do, and if there is one of them who will say that I influenced them in any way during those meetings, I haven't heard of him; I don't believe there is. They met, and they didn't come to an agreement. They were in closed session, finally, here in Portland, the day I returned from Washington, and I might say that while I was in Washington on that trip, or any other trip, I never discussed the eight-hour day with Mr. Gompers, Mr. Baker, Mr. Post, or any other man in an official position, or unofficial, in Washington—the subject never came up. Letters were sent out here to Dr. Suzzallo, and telegrams, but never one to me.

Mr. FREAR. Those were introduced in the record.

Mr. DISQUE. I think all I have ever seen are in the record.

Mr. FREAR. Those came from Secretary Baker and from the Assistant Secretary, Wilson?

Mr. DISQUE. Yes, sir.

Mr. FREAR. In which they were urging the adoption of that; but that the people here were to try and arrange that themselves?

Mr. DISQUE. Among themselves.

Mr. FREAR. Without the insistence of the department?

Mr. DISQUE. Well, now, I got back here and was met at the train, on my return from the trip to Washington, and asked to come to the Portland Hotel.

Mr. FREAR. When was this?

Mr. DISQUE. About the end of February, 1918. I found probably 150 to 200 lumbermen there. I understood they had been in conference off and on for some time, maybe a week or so, I don't know exactly. They had a committee of about 25 appointed that wanted me to sit in with them, and, I think, all day we sat in a discussion of this problem. We found that a number of operators had posted notices that they were going on the eight-hour day on March 1. We found that a number of others were very hostile to the idea. They were not able to get together on it. It was apparent, and apparently accepted by all of them, that we had to do one thing or the other uniformly throughout the industry. Well, that went on, as I say, all day, and along toward evening that meeting of some 150 or 200 lumbermen unanimously stood up and voted to turn the thing over to me to decide. I had heard the thing, and my opinion was that the industry would probably be wrecked for months to come if we didn't announce for the eight-hour day. That is why, having passed it on to me, I said "That is my recommendation."

Mr. FREAR. Do you know of any other case in the Northwest, or in the country, where one man was empowered to decide for the whole western part of the United States an eight-hour day should go into effect?

Mr. DISQUE. That was unusual; but it was passed to me by the lumbermen.

Mr. FREAR. And you determined that the eight-hour day should go into force for soldiers and for all others? Did you determine the question of the pay that was to go to soldiers?

Mr. DISQUE. Only as providing that it would be the same that civilians got. The pay schedule was the result of averaging, I suppose, 100 or so operations, all done by the lumbermen themselves. That was written into our record—

Mr. FREAR. You determined that the soldiers should get the same pay as the civilians, that was your action?

Mr. DISQUE. Well, that was approved properly by the Secretary of War.

Mr. FREAR. Yes, I know; but do you know of any other branch of the service where that was the case?

Mr. DISQUE. Well, all during my Army career I have seen soldiers receive extra-duty pay.

Mr. FREAR. But that is a different proposition. I have received it as a soldier myself.

Mr. DISQUE. All through the Army I have seen soldiers work for the post exchange and other extra work, the salary of which is not provided by law, and paid extra.

Mr. FREAR. Yes, that is true; officers, soldiers.

Mr. DISQUE. I have never seen officers get anything extra.

Mr. FREAR. Well, they get it, and you will find it in the law; that is, they get it at this time for extra quarters; that was added by Congress, and we gave them additional, but I am asking you if you know of any other case in your career, or in the history of this Government, where soldiers were placed upon the same basis—that is, these soldiers here, I mean—were placed upon the same basis as civilians and given from \$3 to \$4 and \$5 a day working in the woods and on the railroads, and if so, why? You determined it, you say?

Mr. DISQUE. What is the question, now?

Mr. FREAR. Do you know of any other case?

Mr. DISQUE. I do not.

Mr. FREAR. Your boys are coming back to Oregon, some of them, now; they will not all come back.

Mr. DISQUE. What boys?

Mr. FREAR. The boys, the soldiers that went out from this town; they are not all coming back, by far. The company I organized, only about half of them. They had casualties of nearly 50 per cent in the Battle of Chateau Thierry, and they were getting \$30 a month. My own son was over there; and you say that you gave these boys—you determined the amount.

Mr. DISQUE. Now, listen——

Mr. FREAR. Just a moment, I want to get the question.

Mr. DISQUE. If you will talk calmly to me——

Mr. FREAR. Yes.

Mr. DISQUE. Don't waive your fingers at me.

Mr. FREAR. I will discuss this question with you.

Mr. DISQUE. I want the record to clearly indicate the attitude of the chairman.

Mr. FREAR. Have it indicate the attitude of the chairman?

Mr. DISQUE. He is pointing his finger at the witness.

Mr. FREAR. And the witness is telling him how he has got to interrogate himself. Go on, put that down.

Mr. DISQUE. The chairman apparently is making this a personal matter.

Mr. FREAR. Not at all.

Mr. DISQUE. You referred to your son.

Mr. FREAR. That was just one incident.

Mr. DISQUE. I have been through a war.

Mr. FREAR. Yes. And you determined, for the people of this country, that the boys who are home here, the boys who are out in the woods, should receive several times the amount of the pay that the boys who were over there giving their lives in France; is that right?

Mr. DISQUE. That was done as a measure considered by those responsible as the only possible way of accomplishing what had been set before them as an absolutely necessary war measure, and, if you will permit, I would like to outline a few of the reasons why it was found necessary.

Mr. FREAR. Let's fix it whether or not your answer stands as before. Before, your answer was that you decided it. Now you say it was decided by others; is that right?

Mr. DISQUE. I did it.

Mr. FREAR. Then you say you decided it. All right. Now, give the reasons.

Mr. DISQUE. It was decided by me after consultation with a number of people—

Mr. FREAR. Oh, yes

Mr. DISQUE. That in the situation, and approved by the Secretary of War and the Aircraft Production, all of whom were then facing a national crisis—

Mr. FREAR. Yes.

Mr. DISQUE. All of whom were interested—conscientiously interested, patriotically interested—in accomplishing this thing.

Mr. FREAR. Give us the reasons. Don't make any attempt to philosophize over the frame of mind of the Secretary of War and others, because the people who were over in France were engaged just in the same way, patriotically, and giving up their lives. Tell us why you decided to give those men the extra pay over and above what the women, the mothers and fathers, were giving their boys over there?

Mr. DISQUE. The first reason was that when these men were brought, they were intended, primarily, to work for private operators, and no—

Mr. FREAR. You mean when they were enlisted?

Mr. DISQUE. When they were brought here to supplement this labor. And if we had put soldiers in their camps to work on soldiers' pay, which the Government was giving soldiers, you would be giving the operator the advantage of free labor. If you had had him pay the soldier what the Government was paying him he would have had labor for a third or a fourth of what his competitors were paying. Another reason—

Mr. FREAR. Just a moment on the question of free labor. Let's see if we understand that. It would give him the advantage of free labor, you say. He was working for the Government.

Mr. DISQUE. He was producing everything from ship timbers to aircraft and commercial lumber, necessarily. There is no operator here who had perfect aircraft trees, and, then, working for—

Mr. FREAR. Your rule was that unless he was producing over 50 per cent aircraft lumber that you would have the right to close his mill; wasn't that it?

Mr. DISQUE. I had no such rule that I know of.

Mr. FREAR. Wasn't that a rule that was applied?

Mr. DISQUE. That was not.

Mr. FREAR. All right. The labor, however, was labor for the Government, they were getting out supplies for the Government, getting out airplane stuff for the Government, weren't they—these soldiers who were put in there at the work; otherwise, there could be no contention that you had a right to employ them. You were not putting them at any commercial operations, were you?

Mr. DISQUE. We certainly did not intend to.

Mr. FREAR. Of course, there has been testimony that they were put at it, but I mean you didn't intend to do it?

Mr. DISQUE. I understood that there was a case reported.

Mr. FREAR. You didn't intend to do that?

Mr. DISQUE. No; we had no such intention.

Mr. FREAR. So that, as a matter of fact, they were working for the Government, or you believed they were and intended that they should?

Mr. DISQUE. Well, they were working indirectly for the Government, because there was hardly an operation here that was provided—roughly, I would say—I don't suppose any of them put 50 per cent of their product into the Government's hands. They necessarily produced several kinds of material that the Government didn't want, and they sold it commercially, they got a profit on it, and the men who assisted in aircraft production were necessarily handling commercial operations also.

Mr. FREAR. Are you aware of the fact, as stated in Seattle by Capt. Turner, that he had a force of men—one hundred and thirty-odd men—who were engaged in employment there—commercial employment—and never got out anything for the Government? Is that so?

Mr. DISQUE. I read that.

Mr. FREAR. Well, is that true?

Mr. DISQUE. I have here several requests from Capt. Turner, written in the form of letters and telegrams, asking us to send men to that camp. He was advised repeatedly that unless the production from a given camp amounted to 100 feet of aircraft lumber per man per day that the men should be withdrawn.

Mr. FREAR. When was that letter sent?

Mr. DISQUE. That was our general regulation. Capt. Turner knew about that. I noted Capt. Turner said they produced no aircraft lumber.

Mr. FREAR. I think that ought to go right in the record here.

Mr. DISQUE. Yes.

Col. STEARNS. We have all the correspondence here.

Mr. FREAR. Take your time.

Mr. DISQUE. Let us cite these requests from Capt. Turner for additional men.

Mr. FREAR. Of course, that may lead to the assumption that he had that they were going on to manufacture for the Government. Of course, he may not have known just what was to be done there—that is, what the purpose was—until, as he said, he later discovered it.

Col. STEARNS. He was up there in charge of that thing; he was responsible.

Mr. DISQUE. He knew, absolutely, that we didn't propose to leave men out where they were not producing aircraft lumber.

Mr. FREAR. All right. Anything along that line.

Mr. DISQUE. On July 17, as late as that, Capt. Turner wired us:

Cherry Valley Co. needs 10 boom men, Everett. Necessary distribute log production.

On June 8 Col. Stearns, returning an application for more men, said:

It is the policy of this office from now on to send troops to those camps and mills that are producing only the highest grade of airplane spruce.

Mr. FREAR. That is from him?

Mr. DISQUE. This is from Col. Stearns, refusing to send more men.

Mr. FREAR. When was that?

Mr. DISQUE. June 8. (Reading:)

It is probable that in the not far future the troops who are now in fir camps, and especially fir camps that are not getting out an excellent quality of airplane fir, will be withdrawn.

Mr. FREAR. What was the occasion for the writing of that letter?

Mr. DISQUE. They were asking for more men.

Mr. FREAR. Were you getting reports as to what was being produced in that camp at that time?

Col. STEARNS. Yes, sir; we got a report, and here are our efforts. This letter should be read.

Mr. DISQUE. Well, that only confirms what I have stated before, that they required a hundred feet per man per day in order to retain men. That had to be aircraft material.

Mr. FREAR. Well, now, would that mean 50 per cent? I have used the term 50 per cent——

Mr. DISQUE. No; it had to be logs that would eventually produce a hundred feet of the best material that we shipped.

Mr. FREAR. That would be over 50 per cent, wouldn't it, because the average man, his capacity is what, 700 feet a day, that is the estimate, and, according to your estimate of 15 per cent, that would be that he would have to produce considerably over 50 per cent.

Mr. DISQUE. There were civilians in those camps, in addition to the soldiers, so that the production was not reflected by the number of soldiers in the camp, entirely.

Mr. FREAR. No; but the individual, I take it, it would have to average up to that.

Mr. DISQUE. I don't believe I quite get that.

Mr. FREAR. All right.

Mr. DISQUE. I will just state that in connection with the Cherry Valley Timber Co., on July 18, we addressed a letter to them, containing this paragraph:

This means 100 feet of aircraft lumber or flitches that will produce 100 feet of aircraft lumber. One hundred feet of flitches is not sufficient.

That means, then, that it must be the finished article. A copy of that, of course, was given to Capt. Turner.

Then he recommended that if we could not supply men to another camp from Vancouver, that we move them from the Cherry Valley Co. over there.

We wrote him August 28 that we were going to take those men from fir camps that seemed to be producing less than others——

Mr. FREAR. That is, you mean less Government material?

Mr. DISQUE. Less Government material—and put them into more productive camps. The selective logging operations were expanding and we adopted the plan of moving those trained men then into them.

Mr. FREAR. Was he making complaint at that time?

Mr. DISQUE. No; he never made any complaint that I know of.

Col. STEARNS. He made one report, and that resulted in this——

Mr. DISQUE. September 13 he wired us in reply to a telegram in which we asked him the production up there and said that for August they had produced 254,000 feet total log scale; same period, 10,500,000 feet all species. That, reduced down, meant that they were producing their hundred feet per man per day.

Mr. FREAR. But it does not indicate whether it is for Government purposes.

Mr. DISQUE. Oh, yes. Well, his reply was a message to a message we had sent him.

Col. STEARNS. That came up in telling exactly how—

Mr. LEA. Could I look at that a minute [examining paper]?

Mr. DISQUE. It is proper to say here that in these fir operations when a log is thrown into the water, goes into a raft, it is sold then and goes to a variety of mills. The only way we could judge of that was by Capt. Turner himself watching that production up there and knowing whether it was the type of fir tree that would produce aircraft lumber, then giving us the total production from the camp, and from that taking our average that we had learned to believe in—the average that would become aircraft material from certain types of logs.

Mr. FREAR. What kind of a contract did you have with this—what is the name of the company?

Mr. DISQUE. The Cherry Valley Lumber Co.

Mr. LEA. In that connection may we have your telegram to Capt. Turner?

Mr. FREAR. I think he read that.

Mr. LEA. I think we want that in the record.

Mr. DISQUE. Well, I don't believe I heard of it. I haven't seen that.

Col. STEARNS. I don't think that is there; I think just the answer.

Mr. DISQUE. We ought to have had it. I don't think we had a contract with those folks, for we had no contracts with a great many loggers who were using soldiers in their camps. They were producing the logs. We followed it through to know that they were doing that.

Mr. FREAR. What evidence have you that they were providing airplane lumber?

Mr. DISQUE. Only Capt. Turner's statements.

Mr. FREAR. Capt. Turner's statement is to the effect that they were not.

Mr. DISQUE. Well, here is a letter. Of course, we—

Mr. FREAR (interrupting). That is, that is his sworn statement before the committee, that they were doing commercial logging.

Mr. DISQUE. Well, here is a letter from that company.

Col. STEARNS. We wrote to know whether logs were going into airplane lumber or not.

Mr. DISQUE. Yes. That is a reply to ours of September 11 at hand, in which he requests certain information in regard to airplane cants which could be secured from the rafts of the Cherry Valley Timber Co.

Col. STEARNS. Read the whole thing.

Mr. DISQUE. All right. We regret we are unable to give you the exact information you require, for the reason—

Mr. LEA (interrupting). If you will just permit the suggestion, suppose we put in the whole letter, the date, and to whom addressed.

Mr. FREAR. Well, you can do that, but just read it now so the committee will have it.

Mr. DISQUE. All right.

The reason that our mills saw various brands of logs which will be going through at the same time and no scale by brands is kept in the mill, although all rafts are carefully checked and inspected before being sawn.

Futhermore, we have sawn very few of the Cherry Valley logs in the last few months, say, since the month of July, as they have been going to other mills. However, we would say, from considerable experience with them in the past, that they would yield a very fair proportion of airplane stock if purchased in camp run—that is, without any logs sorted out, except hemlock and cedar—and the camp run of fir would yield us in the past about 65 per cent of all the airplane stock that we produced.

We are now about to start their raft No. 160 at mill A, and, judging from its appearances, it will yield us a very satisfactory volume of airplane stock. We still have two rafts of theirs in storage, which will yield a smaller amount of airplane stock than No. 160, and since these rafts were purchased early in August we have been able to secure no more of their logs.

This was the mill that was getting the production from that camp. We had to go to that source to get a real unbiased opinion of the quality.

Mr. FREAR. Well, that bears out your contention, does it, that they were cutting some airplane stock?

Mr. DISQUE. There is no doubt that they were cutting airplane stock.

Mr. FREAR. You simply don't know the amount, which, of course, is—

Mr. DISQUE (interrupting). It could be obtained, I am sure, from the mills who bought their rafts.

Mr. FREAR. Well, the purpose here, as I understand, is that you were attempting anyhow to keep a hand on the airplane stock?

Mr. DISQUE. Absolutely. We required reports, Mr. Chairman, from every officer in those camps to keep us advised.

Mr. FREAR. In other words, you were not intentionally or not purposely letting those soldiers out for commercial purposes?

Mr. DISQUE. Certainly not.

Mr. FREAR. Yes. Well we want it put in the record, then.

Mr. DISQUE. A point brought up is, we have several orders here issued by the adjutant gradually withdrawing men from time to time from different places that we found were not producing the fair percentage that we had a right to expect. There is a number of them here, and I suppose we could bring a hundred or more.

Mr. FREAR. I have here a letter, a copy of letter, signed by Mr. Leadbetter to Mr. Howe. You have seen that, have you, of June 4, 1918, in reference to this conference incident which you brought up.

Mr. DISQUE. I don't believe I ever saw it.

Mr. FREAR. Here is a memorandum from Mr. Howe, and you can state whether it covers the facts, and I will only read that part which relates to labor trouble.

Mr. DISQUE. What Howe is this?

Mr. FREAR. Maj. Howe, of the Munsey Building, Washington, D. C.

Mr. DISQUE. June 4?

Mr. FREAR. June 4, 1918. It is headed "Equipment Spruce Production Section," and it is signed by F. W. Leadbetter, major, Signal Corps, purports to be a copy of his letter. He says:

First, the activities of Col. Disque, of the Spruce Production Department, began through a recommendation by the Secretary of War that if such an arrangement as Col. Disque suggested could be made satisfactory to labor it looked as though the matter could be handled from a military standpoint.

Leadbetter at this time was in Washington, as I take it, as you said, acting in conjunction with your work here?

Mr. DISQUE. Yes.

Mr. FREAR (reading) :

Second. Col. Disque was instructed to take the matter up from a labor standpoint with Mr. Gompers. This was done, and in a final interview the matter was settled in a way satisfactory to Mr. Gompers and his assistants. Mr. Gompers then requested that Col. Disque and the writer—

That would be Leadbetter—

accompany him to the Secretary of War's office, where the Secretary of War approved of the general understanding and told Col. Disque to report to Gen. Bliss, Chief of Staff, in order to get the matter put in military shape. Gen. Bliss gave the attached instructions to the writer. They appear very simple and apparently were to be carried out immediately. Col. Disque went west with this view of the situation. Gen. Bliss went abroad, and evidently these instructions have been variously interpreted by the different people who had in their hands the matter of carrying them out.

You need not take this down. The next refers to some matters here; unless some one wants to put them in the record. Referring to paragraph 8:

As regards the labor situation, I feel that it must be handled with the utmost caution. You know that Mr. Gompers's people were thoroughly in touch with Col. Disque, and at a subsequent conference with Assistant Secretary of Labor Post, the matter of the help of the Secretary of Labor was assured, which situation the attached papers will place clearly before you.

Col. Disque's broad experience in handling labor, his breadth of view of the labor situation, and the fact that he was in close touch with Mr. Gompers, Mr. Morrison, Mr. Hamilton, and Mr. Gompers's other assistants, and Secretary of Labor Post; that he has met on the coast and been in close personal touch with Secretary of Labor Wilson and Mr. Felix Frankfurter and other members of the President's Mediation Committee, goes to prove that no other man could have the confidence of these people and the knowledge of the situation that he has, and his views on that particular subject are, therefore, in my judgment, better than that of any other person.

Major Leadbetter, as I said, was at this time serving with you, but he was appointed before you were?

Mr. DISQUE. He was appointed before I was.

Mr. FREAR (reading) :

9. The method by which these soldiers who are going into the woods should be paid must, of course, be carried out in accordance with the original understanding.

What did he mean by "must be carried out"?

Mr. DISQUE. I am sure I don't know.

Mr. FREAR (reading) :

The lumbermen agreed, through their representatives here, that they would pay the prevailing loggers' wages to the soldiers, from which would be deducted the \$30 a month allowed by the Government. This arrangement should, if possible, be extended to the soldiers working in the cut-up plant established at Vancouver, if such a scheme is considered feasible by the proper military officers. By direction of the chief signal officer.

(Signed)

F. W. LEADBETTER.

I don't know that you care about the rest of the letter, but you may look it over. [Mr. Frear passing letter to Mr. Lea.] In other words, the danger existing over in the cut-up plant; which was practically handled entirely by soldiers, was it not—the labor?

Mr. DISQUE. Practically; yes.

Mr. FREAR. Yes. That serious danger that occurred over there brought to the mind of Col. Leadbetter the necessity, or Maj. Leadbetter, the necessity of having those soldiers paid the same as civilians. Was that done?

Mr. DISQUE. I am sure I don't know why, or what Maj. Leadbetter had in mind in writing that letter. I don't know why he wrote it. He was thoroughly familiar with all of our operations. But he is mistaken in saying that I was in close touch with Mr. Gompers or Mr. Secretary Wilson. I met Mr. Wilson once on the west coast.

Mr. FREAR. He mentions Morrison and several others there that you were in close touch with.

Mr. DISQUE. I never heard of them after I left Washington. I met them once, or it may be twice, in Washington; had no communication with them, except Mr. Gompers on two occasions, when I protested against the activities that were leading up to what I felt would be a disruption of the Loyal Legion here. And that first reference in there to—may I see that just a minute? [Mr. Lea here passed said letter to Mr. Disque.]

Mr. FREAR. That contains other matter I didn't care to have go in, unless you want it in. It relates to you personally. [Mr. Disque here peruses said letter.]

Mr. DISQUE. No; I don't think that is important. You asked me if the men at the cut-up plant—

Mr. FREAR (interrupting). At Vancouver.

Mr. DISQUE (continuing). Received a civilian's wages. The mill was built by soldiers entirely, practically entirely, without any extra pay whatever; completed by them. After it got under operation we were confronted with the question of discrimination in the organization here, and they were allowed extra wages. It was exactly similar in its net result to the extra-duty pay that was paid to hundreds of soldiers in the Army working as tradesmen. I had charge of the Government factory at Manila, which is the largest manufacturing plant that the Army controlled up to the time of the war, some 1,200 men employed there, and every soldier was paid extra pay.

Mr. FREAR. Was there a provision of law, or of any act passed by Congress that authorized it?

Mr. DISQUE. Yes, sir.

Mr. FREAR. Was there any provision of law that authorized this?

Mr. DISQUE. There was not.

Mr. FREAR. That is, you were a law unto yourself in that respect?

Mr. DISQUE. No, sir. I didn't do this of my own—I had the approval of all the superiors in the War Department.

Mr. FREAR. Well, were the officers of the War Department, after you had decided it and they approved it, did they have any authority to do this?

Mr. DISQUE. Well, sir—

Mr. FREAR. That is, any authority of law, so far as you know?

Mr. DISQUE. If we had all limited ourselves to the strict niceties of the law, we would have been whipped in this war long ago.

Mr. FREAR. Well, your department here—this corporation and the division—was the only one, so far as can be found, was it not, that failed to observe the law in these respects: They passed an eight-hour day for the soldiers and paid them the same wages as civilians. Was there any other branch of the Government where that was done?

Mr. DISQUE. I am not familiar with the other activities. We were working out here 12 and 15 hours a day. We didn't know what was going on anywhere else.

Mr. FREAR. Well, you had 30,000 men here.

Mr. DISQUE. I said 28,000 men.

Mr. FREAR. Well, you had some officers, too. Does that include officers?

Mr. DISQUE. No.

Mr. FREAR. How many officers did you have?

Mr. DISQUE. I think there were approximately a thousand officers.

Mr. FREAR. That is—that is, 29,000. I am trying to get the authority, because it is an important question—to determine just on what authority you were determining an eight-hour law, which is done by an act of Congress, and by what authority you were determining what amount of money should be paid to these soldiers over in the Vancouver plant and out through the woods, which is only ordinarily done by an act of Congress.

Mr. DISQUE. Well, the determination of that eight-hour law, Mr. Chairman, was pretty much the same as if a man had come along in an automobile and had said, "Here, you can take this car and drive it around the square." I did it because the lumbermen asked me to. I had no authority other than the authority of the unanimous request of this industry to do it. It was not a law. It was a decision rendered by a man that they had asked to arbitrate or mediate that question.

Mr. FREAR. Now, did they pay extra pay for time over the eight hours?

Mr. DISQUE. Yes, sir.

Mr. FREAR. Did you do that for the soldiers?

Mr. DISQUE. I don't know.

Mr. FREAR. Did the soldiers stand on the same basis as the civilians?

Mr. DISQUE. He was supposed to.

Mr. FREAR. Then he would be supposed to receive the extra pay for the extra time, would he not?

Mr. DISQUE. I would have to check up to see what they did on that. This point, however, should be considered, even in the lumber industry men receive a variety of wages. The schedule runs from low up to high, due to the skill of the individual and the work that he performs. And we endeavored in the operations where the cost-plus contractors were involved to pay the soldiers working there in accordance with their skill and services rendered, and as they became more efficient they were advanced. The point was to—the purpose was to give them a minimum that would permit them to live. A man can't live in these camps on soldier pay. It cost a dollar and five cents to feed the men out here, and the Government paid them a dollar total. These men had to have clothing, that cost a great deal more than soldier clothing, and they wore it out much more rapidly. All those things were taken into consideration.

Mr. FREAR. In view of the fact that you took this into consideration it is an interesting disclosure that the principal of a high school over at some little city testified the other day in Seattle that his pay after deducting his board, I think, was 7 cents for 20 days, and he was engaged in shoveling, and he said that he did not know of any

cases where the men had been taken from the shovelers' ranks and raised in their wages or in their position. Now, he was a principal of a high school, he is to-day, and he was a graduate of a high school.

Mr. DISQUE. Well, I imagine the soldiers in France netted even more than that from their dollar a day.

Mr. FREAR. Well, I know; but I am giving you the situation to make it clear for the committee.

Mr. DISQUE. That explains for the necessity, Mr. Chairman, why we had to pay these men, very clearly. It is probably true, what he said; but a school-teacher is not a very good shoveler, and the probabilities are that he didn't earn any more. [Laughter.]

Mr. FREAR. Well, the school-teachers and the lawyers and the doctors and the dentists were brought in here to do lumbering, weren't they? That was the testimony of a gentleman who testified before the committee yesterday.

Mr. DISQUE. Well, we had to do a good many things. We had a military regiment here which was soldiering. We had to have clerks look after our operations. The accounting was a tremendous problem. We had to have men who were capable of operating telephones, telegraphs, trucks; men who—in fact, all the men in the cut-up plant were trained to do a special kind of manufacturing, and I have had a number of lumbermen tell me that any man would have had to have been trained to do that work, and the longer a man had been in the lumber business the more difficult it would have been to have trained him in that mill. The superintendent of that plant made that remark to me yesterday, and he has been a lumberman for 25 years.

Mr. FREAR. Mr. Miller's testimony yesterday in this same building was to the effect that these lawyers and doctors and dentists were engaged in the woods at lumbering and cutting down trees, or trying to, and of course his testimony is to the effect that it took about three or four of those men to do as much as an ordinary lumberman, due to their inexperience, not to their lack of knowledge.

Mr. DISQUE. Well, of course, that testimony—we heard volumes of that same kind of talk when we were out here, but we were doing the best we could. We could not get lumbermen. There were just so many of them left out here. And as long as we could not get a hook tender that had been in the business all of his life the next best thing was to get what we could. And incidentally I think it is interesting to state here that after we got hold of this first draft of men to supplement in the industry, from that time on, at our request, we got only men who were not subject to the draft, men who maybe had poor eyesight, men who might be flat footed, men who were of an age eligible to go to war, except for some physical defect that still permitted them to work, and our whole effort was to make this organization up out of men who were keen to do something, but who were not permitted, through their physical disqualifications, to go to France. We had—I suppose 60 per cent of our men were of that type: and gradually it was the purpose, and it was being carried out, to replace the fellows who were men of the type that would pass the draft and allow them to go on into competent units and go across, replacing them with the limited-service men.

Mr. FREAR. How many men did you transfer from your camp here to other camps for the purpose stated?

Mr. DISQUE. Not a single one.

Mr. FREAR. Consequently you were gathering them in here as fast as you could, were you not?

Mr. DISQUE. The limited-service men for the purpose of replacing the others.

Mr. FREAR. But there were none that were replaced?

Mr. DISQUE. And if this war had continued two months more the first 3,000 would have gone. The plans were laid; the order had been issued.

Mr. FREAR. Were you given power to exempt men yourself?

Mr. DISQUE. Not at all.

Mr. FREAR. Or did you exempt them?

Mr. DISQUE. I didn't.

Mr. FREAR. That was urged, as I now recollect, by a very prominent citizen of the Pacific coast, that you be given the power to exempt men. I don't know whether you were ever made aware of that or not.

Mr. DISQUE. I had no power like that.

Mr. FREAR. You never attempted to exercise it anyhow?

Mr. DISQUE. No. I had no power to exercise it. I recommended—

Mr. FREAR (interrupting). Well, you had no power to grant the eight hours and to grant the extra-duty pay, as has been suggested, or grant the pay to soldiers the same as civilians, as far as that is concerned, unless there is some law that we are not acquainted with; and that is the reason I was asking this other question. The Vancouver plant—you had these soldiers over there on what? They were doing practically all the work, weren't they—just soldiers?

Mr. DISQUE. Practically all of them.

Mr. FREAR. What was the reason that they got extra pay? The high cost of living? Or what was the justification of paying them this amount? They were not competing with civilian labor. They were there at the cut-up plant.

Mr. DISQUE. Well, as I stated before, it was done very much in the nature that it is done everywhere in the Army where men are engaged in the performing of work of tradesmen, and also that it would have given a distinction here within this organization that would have injured its morale to have selected certain men and forced them to live on the Government ration.

Mr. FREAR. That was the basis of it, then—that it would interfere with the morale of these men that were patriotically trying to serve their country, in wages, out of the range of actual danger; is that it?

Mr. DISQUE. That was one of the reasons.

Mr. FREAR. Yes. Well, it is an unusual reason to give for a man who is subject to service at the front, and where other men were being killed who were sent there; it is an unusual condition, isn't it? You will have to concede that. That a man here who is out of the danger zone should be willing or should be permitted to have civilian pay up to what price? What did you pay? What were the wages paid these men?

Mr. DISQUE. Well, I can get our bulletin that covered that.

Mr. FREAR. Oh, just generally. I don't care about it exactly.

Mr. DISQUE. Just the average wage. I suppose they would average three and a half, three seventy-five, maybe less.

Mr. FREAR. Up to what?

Mr. DISQUE. Well, that is the average. I don't know what the highest was. I doubt—I think the highest paid man in the logging industry, if I recall the schedule, was a hook tender or high climber, who got a dollar an hour. I don't know whether we had any soldier high climber or not.

Mr. FREAR. They were paid throughout; no matter what position they occupied, they received the same pay?

Mr. DISQUE. Supposed to be the same. Mr. Chairman, I want to say to you this, that you don't regret the necessity of paying soldiers any more than I do. I have been a soldier all my life, and in 1915 I recommended to Gen. Wood, and he considered it favorably, that when this country ever got into war every mother's son in it go on a cost basis. I thoroughly believe in that. I wish it could be done. I think everybody—

Mr. FREAR (interrupting). On a cost basis; what do you mean by that.

Mr. DISQUE. To live without any profit at all; to live without making anything in addition to what it is necessary to live on. I am in thorough accord with that. But I was facing a practical problem here. I advised with honest men, and we did what we thought was right.

Mr. FREAR. Well, your problem was to simply pay these men civilian wages. What was the problem over there in Vancouver, where they were working without competition with the civilians, and yet they were being paid far more than the boys over in the trenches who were standing up against the enemy, who were fighting our battles?

Mr. DISQUE. I doubt if the men at Vancouver had any more left at the end of the month than any other soldier.

Mr. FREAR. Oh, well, that does not explain it.

Mr. DISQUE. After paying for the necessities.

Mr. FREAR. The man with the hundred dollars a week may spend all of his money.

Mr. DISQUE. No; I mean from taking care of their necessities.

Mr. FREAR. But were the men here at Vancouver in any different position than the men at San Antonio, or the men at Camp Lewis, or the men in any other place, excepting that they happened to be adjacent to a city where they could spend their money?

Mr. DISQUE. The men at San Antonio were adjacent to a city.

Mr. FREAR. It all depends on how close?

Mr. DISQUE. Well, as I say, that was a case where we used our best judgment in our sincere desire to serve to the best of our ability.

Mr. FREAR. I am not questioning the judgment, but the judgment is based upon an act without authority of law, unless there be some law, and that was the reason I was asking. There is no law that you know of as to that, I believe you said?

Mr. DISQUE. The approval of the Secretary of War is the law that I am interested in, of course, as a subordinate. Any order of a superior becomes law to any junior.

Mr. FREAR. Did the Secretary of War tell you to do this?

Mr. DISQUE. He approved of this plan.

Mr. FREAR. After you had done it, he approved?

Mr. DISQUE. No; he approved of it before we did it.

Mr. FREAR. Did the Secretary of War advise that this be done in a case of this kind? Did he issue any order? Was there anything official?

Mr. DISQUE. The only official thing I recall is an opinion by Gen. Ansell, the Judge Advocate General.

Mr. FREAR. To what effect?

Mr. DISQUE. Approving of this method. That is on file in the War Department.

Mr. FREAR. That is, after this order had been put into force?

Mr. DISQUE. I would say it was after he rendered an opinion.

Mr. FREAR. You have not the opinion there, have you?

Mr. DISQUE. No; I have not. But it approved of this policy and definitely approved of this program of paying the soldiers the civilian wages, and he was the Judge Advocate General of the Army.

Mr. FREAR. No; the Assistant Judge Advocate General.

Mr. DISQUE. He was Acting Judge Advocate General of the Army at that time.

Mr. FREAR. Have you that order?

Mr. DISQUE. I think it is in our file. I know the Secretary of War has got it; I think we have a copy of it.

Mr. FREAR. What does he base it upon; he is a legal officer; on what does he base the right to say what the wages should be of any soldiers, when the Congress is the only body, so far as we know, that has that authority?

Mr. DISQUE. Well, of course, the Judge Advocate General interprets laws for the Army, and just what his decision contained I am sure I do not recall. I was only interested in results, and that result was satisfactory to us, and we got the decision and found out what his reasons were.

Mr. FREAR. Found out what his decision might be, not his reasons?

Mr. DISQUE. It may not give his reasons; I do not know.

Mr. FREAR. Were these men in Vancouver Barracks anxious to go over to the front, or what was their attitude?

Mr. DISQUE. I suppose if any man had said to any of them that they wanted to stay here there would have been an ambulance necessary in a hurry, and I think I know that is the case with every man I knew in this organization.

Mr. FREAR. The reason I asked that is that the statement comes to us largely to the contrary; but I realize that that is not anything to base judgment on, and so I am asking you for your opinion on it.

Mr. DISQUE. The most outrageous libel that has ever been uttered against this division was to the effect that some of these men wanted to stay here. I can give you a number of instances where men wanted to get their boys out here, and where we told them we were not looking for men who wanted to come here. Mr. Pendleton could tell a very interesting story about a son of his that was due to be drafted, and it is reported to me we told him we did not want him when he came.

Mr. FREAR. Have you the letter?

Mr. DISQUE. I think our adjutant has it.

Mr. FREAR. Was that any different from many other letters that you received and where you granted the authority?

Mr. DISQUE. We never granted authority for any man to come here unless we wanted him for some specific job.

Mr. FREAR. Here is the case of a son of a logger, who would have been of some use, and you would not take him; but you brought men from New York and elsewhere.

Mr. DISQUE. We did not ask for those men.

Mr. FREAR. They were sent to you?

Mr. DISQUE. That was because the draft boards all over the country furnished their quota.

Mr. FREAR. They were furnishing men that were of no use, who had no training, and it takes a long time to train men to be of service in logging, does it not?

Mr. DISQUE. In some jobs.

Mr. FREAR. I have the letter here that you wrote to Mr. Gompers, and I will insert it in the record because I think it is along the line you stated there. It is dated June 10, 1918, addressed to Hon. Samuel Gompers, president American Federation of Labor, Washington, D. C. This was in the Ray report. It reads:

MY DEAR MR. GOMPERS: Photographic copies of your letter of May 21 to Mr. W. D. Clark, secretary local union, International Union of Timberworkers, at Coeur d'Alene, Idaho, seem to be spreading broadcast in this section of the country, and the activities of Mr. Call and other organizers of the timberworkers' union are such that I can only view with alarm the future relations of labor and capital in this section.

This was date June 10. [Reading.]

I endeavored to set forth, in my letter to you of April 20, the conditions as I saw them and it was my hope that the excessive activities of the International Union of Timberworkers would be discontinued. I felt also that you thoroughly appreciated my position and sympathies in the matter and that that, if nothing else, would satisfy you that the view I had taken was the patriotic and correct one for this period. Conditions are rapidly reaching the point where I shall find it necessary to disband the Loyal Legion of Loggers and Lumbermen and in doing so to state frankly that they have been exploited by the timberworkers' union in what I feel to be a most unpatriotic manner.

Did you have authority to disband them?

Mr. DISQUE. I organized them and I certainly would have disbanded them.

Mr. FREAR. How would you have disbanded them?

Mr. DISQUE. I would have ceased to have anything to do with them.

Mr. FREAR. You would have passed out an order that they should cease to exist?

Mr. DISQUE. No; I would have withdrawn my support. I have no doubt that would have resulted in their disbanding.

Mr. FREAR (reading):

It is not possible that two organizations can exist in this industry during the war period, both of them ostensibly for the purpose of insuring continued production and fair treatment of labor and capital.

We have gone through a very critical period in the lumber industry and for the past few months conditions have been better than anyone had a right to expect and I feel that if the International Union of Timberworkers will permit their organization to ride along as it was before the war and particularly as it was when I came to this section of the country, we can depend upon a stable condition among the laboring men during the balance of the war in the lumber industry, but I am confident that if they continue to exploit the Loyal Legion of Loggers and Lumbermen, as they are doing, to increase and expand their organization, we can look forward to a period of chaos which is rapidly approaching.

In the photographic copy of your letter to Mr. Clark there is the statement, "Quite recently the basic eight-hour day has been established in the lumber

and timber industry of the great Northwest. That was the achievement of the American Federation of Labor, and no little credit is due to the International Union of Timberworkers." I certainly am very much surprised to find such a statement over your signature and, feeling as I do that I have a complete knowledge of this situation. I wish to state unqualifiedly that the International Union of Timberworkers or the American Federation of Labor could never have brought about the basic eight-hour day in this industry during the period of the war.

I came here with the feeling of great confidence in the patriotic support I would receive from your office in undertaking a most difficult problem and up until recently I have had that support, but I feel that there must be some misunderstanding of the situation in your office to render it possible that such a communication could be sent broadcast or that such an impression and view of conditions could be possible in the headquarters of the American Federation of Labor.

I sincerely hope that you will consider this letter in the spirit in which it is written and realize that it is not possible for the Loyal Legion of Loggers and Lumberman to continue in existence and serve its purpose if the activities of the Timberworkers' Union are to continue.

That is a letter that you wrote Mr. Gompers. In that letter you threatened to disband this organization which you say you organized.

Mr. DISQUE. Yes.

Mr. FREAR. Had they been doing good service?

Mr. DISQUE. Very good.

Mr. FREAR. Paid for by the Government?

Mr. DISQUE. The Government—well, the Government covered the expenses of it, yes.

Mr. FREAR. How much?

Mr. DISQUE. I do not know what it amounted to.

Mr. FREAR. It ran into a good many thousand dollars, did it not?

Mr. DISQUE. Yes.

Mr. FREAR. And you complained because the American Federation of Labor or the International Union of Timberworkers claimed that they were to be credited with the eight-hour day, and you apparently did not approve of that statement. That was not the reason that you were going to disband the Loyal Legion, was it?

Mr. DISQUE. Not at all.

Mr. FREAR. Just what was the reason, so far as it appears?

Mr. DISQUE. I think it will be necessary to read the letter again to get the reason.

Mr. FREAR. I attempted to get it, and that was the nub of the situation that I got over on the other side.

Mr. DISQUE. If the letter does not explain it I do not think I can.

Mr. FREAR. What was the reason that you were going to disband this Loyal Legion?

Mr. DISQUE. Well, as I say, the purpose is clear from the letter. It would take just as many words for me to explain why as there are in that letter.

Mr. FREAR. Here is an organization of supposedly loyal men, employees and employers, who had agreed, as I understand, to act in this organization, and the Government had spent considerable money in this organization, and it existed until June 4, 1918, when you write a letter to Mr. Gompers and say to him that statements made by his organization regarding the eight-hour proposition are not true, and then state that you will disband this organization of yours unless certain conditions are complied with. I was wondering what those conditions were.

Mr. DISQUE. Well, now, let's see. Does not that say that the unions were trying to disrupt the organization?

Mr. FREAR. I did not get that they were trying to disrupt the organization from the letter.

Mr. DISQUE. That is what I endeavored to convey in that letter.

Mr. FREAR. You said:

If they continue to exploit the Loyal Legion of Loggers and Lumbermen, as they are doing, to increase and expand their organization, we can look forward to a period of chaos, which is rapidly approaching.

Then you speak of the photographic copy of the letter to Mr. Clark.

Mr. DISQUE. There was just a lot of activity started around here, particularly in Washington, trying to take advantage of this organization and turn it into a labor union. In organizing the Loyal Legion I felt that we had an obligation to both the men and the employers not to permit it to be used to become an advantage to any other organization that might come along. As I say, I would have withdrawn any interest in it if I had felt at any time that it was going to become any kind of a labor union, I. W. W., American Federation of Labor, or anything else, because this was a war organization built for one purpose, and if the other element was going to be strong enough to outdo that and take advantage of a war situation to bolster up its own organization I would not be a party to it. That is the idea I tried to convey in that letter.

Mr. FREAR. What was the purpose of referring to the eight-hour proposition; that is, that Gompers claimed the credit, and you objected to that?

Mr. DISQUE. I objected to that because the unions were telling the laboring men that they got them the eight-hour day, and they were trying to get the men of the Loyal Legion to form unions with the American Federation of Labor. I felt it was improper.

Mr. FREAR. You felt that the credit did not belong to them?

Mr. DISQUE. It belonged to the men and the employers in this industry.

Mr. FREAR. That is, on June 4, that it threatened a disruption of the whole organization; it threatened chaos, as you say. This matter had been running along for about six months at that time. You had given the eight hours; you were giving 30,000 soldiers the same pay as was given to civilians, and had conceded practically everything that could be asked for, and yet here was threatened chaos out here in this organization. Apparently all these concessions that were given had not brought about the result you hoped for, had they?

Mr. DISQUE. Yes, sir; they had. This was an attempt to interfere, which we nipped in the bud and prevented. There was constantly something coming up attempting to interfere, and it was simply ordinary vigilance being exercised when that letter was written.

Mr. FREAR. Did Gompers reply to it?

Mr. DISQUE. I do not recall.

Mr. FREAR. Was it necessary to keep 30,000 soldiers out here to regulate the business, and, if so, for what purpose—or the 29,000 soldiers, including officers and men?

Mr. DISQUE. We certainly felt that it was, or we would not have had them for the purpose of working wherever our operations called

for labor and wherever the independent operators required labor, and they were assisting the Government program.

Mr. FREAR. The suggestion comes, why was 30,000 fixed upon as the required number, or 29,000?

Mr. DISQUE. The strength of that organization grew up gradually from 10,000, 12,000, 16,000, 22,000, 28,000. I really think the last authorized was something like 27,000. They may have oversupplied. It was changed from time to time by the Chief of Staff to meet the increasing demand for this material. There is no doubt that 10,000 to 12,000 men would have been released and formed into an organization in December to go overseas. They would have negotiated by that time the fundamental work, which required an extra number of men.

Mr. FREAR. Is there anything to the suggestion that it takes a certain number of men to bring an organization up to a position where it must have a commanding officer with a certain rank? That has been presented.

Mr. DISQUE. That is just a pipe dream. I will tell you, Mr. Chairman, about that.

Mr. FREAR. I think it ought to be told.

Mr. DISQUE. I commanded here for a year. I know what you refer to; you allude to the fact that I became a general because there were 30,000 men.

Mr. FREAR. I am inquiring if that is true.

Mr. DISQUE. Friends of mine went to Europe, much more favored than I, and they became generals, men who were classmates of mine. I commanded here a general's command for a year as a colonel. Had they given me the rank commensurate with my job I would have been a major general. No one that I know of ever mentioned rank in connection with me until I was recommended here by Mr. Ryan.

Mr. FREAR. Were there not a number of letters sent from your subordinates here urging your promotion?

Mr. DISQUE. I never saw one or heard of one.

Mr. FREAR. Will you say there were not?

Mr. DISQUE. I will say I never saw or heard of one.

Mr. FREAR. Are there not letters on file in Washington to that effect?

Mr. DISQUE. If there are, that is absolutely news to me.

Mr. FREAR. You were speaking about the fact that you were entitled to the position of a major general, measuring up with others. Let me state a case. I know of a young man who was a graduate of St. Johns Military Academy and spent three years more in military training, having had five years training. He was put out immediately in charge of troops by Gen. Charles Magee, whom you know and who is certainly an authority on drilling soldiers. This young man entered the Army as a first lieutenant; he went through all the fighting at Chateau-Thierry, and he came back as a first lieutenant. To-day, on his own resources entirely he has got a position of control, a very large position, in the State of Wisconsin, for himself. He came back as a first lieutenant and he went through all the fighting and was perfectly satisfied and never raised any objection to staying a lieutenant.

Mr. DISQUE. I would like to say that lots of men go through without promotion. I went through the Philippine insurrection as a

second lieutenant and came out as one. So, too, I can understand it is sometimes hard for a fellow to go through those things and never get promoted.

Mr. FREAR. Here you came in practically as a captain. Here you had been a captain in 1917, and in 1918 you were a general?

Mr. DISQUE. That is right.

Mr. FREAR. That is a pretty lively promotion?

Mr. DISQUE. There were several of us that went up that way. A good many of my friends are generals on the same basis.

Mr. FREAR. They are not now, unfortunately; and I say that sincerely, because some of them are very able men.

Mr. DISQUE. I did not know they were reduced.

Mr. FREAR. Fulois is one, a very able man, and there are others that I know of. You have brought up this matter of Gompers. Is there anything else that you care to suggest? I was going to take up a few suggestions myself, but I thought that if you had anything in mind you could state it. I suggested that matter in regard to some one else who had gone through the service and came out with the same position and on his own efforts received a high position and occupies a position of large responsibility now.

Mr. FREAR. What is your position now?

Mr. DISQUE. I am president of T. Amsinck & Co. (Inc.), an importing and exporting concern, in New York City.

Mr. FREAR. That is whereabouts, on Broadway?

Mr. DISQUE. No. 96 Wall Street.

Mr. FREAR. Who introduced you to the parties that gave you the appointment? Let me make it definite; did John D. Ryan introduce you?

Mr. DISQUE. He introduced me; he was one of the persons who introduced me.

Mr. FREAR. And recommended you for the position?

Mr. DISQUE. And recommended me for it, and in all probability, his recommendation had very much to do with my getting the position. Since that subject has come up in the record, if you will permit me, I will give you all the facts.

Mr. FREAR. All right.

Mr. DISQUE. When I resigned from the Army in 1917, of course I cut loose from all sure things in the way of a job. When I resigned in Michigan to come back into the Army I lowered my income very materially, and also abandoned the only chance in civil life that I knew about. To an Army officer resigning, it is quite a change in his life; he is rather uncertain as to what is going to happen, and when this war came to an end and I was in Washington, for the first time I told Mr. Ryan my situation and asked him to look around and if he could find some place for me I would be glad of it; and the result was that Mr. Ryan heard of this vacancy in New York, and he had been out here and been over our operations and he was familiar with everything we had been doing, as far as he could be in that position, and he recommended me, and his recommendation apparently had enough weight to get me assigned where I am to-day.

Mr. FREAR. Would you say what your income was there at the prison, as warden, in Michigan, which you spoke of?

Mr. DISQUE. Is it important for me to answer these personal questions?

Mr. FREAR. I do not know that it is; you spoke of it.

Mr. DISQUE. I rather think, Mr. Chairman, that that is a personal matter, unless the committee insists.

Mr. FREAR. I will ask you this, as to your present income in this position that you now hold as president?

Mr. DISQUE. Is it necessary for me to answer that question?

Mr. FREAR. I am asking you.

Mr. DISQUE. I certainly think that is a personal matter. I will say my present income is approximately twice what was offered me to return to the Michigan State Prison. No; it is not quite twice what they offered me to return to the Michigan State Prison, including the allowances that a man receives as warden of the institution; and I would say further that any man in New York needs twice as much as he can get anywhere else on earth to live in pretty nearly the same way.

Mr. FREAR. I am not criticizing that phase of it, but what I will ask is this: The statement has been made, and I think you ought to know that it has been made, that you are receiving \$30,000 in your present position; and if that is not so the committee ought to be informed.

Mr. DISQUE. I will say that I was offered a better salary than I am getting to-day, in another place; and I was offered salaries practically as good in two other places out in this country that Mr. Ryan and none of his friends had anything to do with. Usually business concerns do not pay men unless they are worth it; the statements at the end of the month and at the end of the year have everything to do with my income.

Mr. FREAR. You were appointed originally on the organization of this company?

Mr. DISQUE. What company?

Mr. FREAR. The Amsinck Co.

Mr. DISQUE. That company is 60 years old.

Mr. FREAR. You were given the presidency of it, and you do not care to answer as to whether your salary is \$30,000 a year or not?

Mr. DISQUE. I consider that a private matter. I will say definitely that it has not to my knowledge the slightest connection with spruce production, any more than the salary that the Kaiser is getting to-day.

Mr. FREAR. We will see if we can get a closer connection, then. The Siems-Carey-Kerbaugh Co. had a large cost plus contract, and I will refer to that later, in the peninsula, did they not?

Mr. DISQUE. They had a railroad contract.

Mr. FREAR. A railroad contract.

Mr. DISQUE. And a spruce contract.

Mr. FREAR. They had a \$20,000,000 spruce contract.

Mr. DISQUE. No; I do not know about that.

Mr. FREAR. Twenty-five million dollars for 250,000,000 feet of fitches?

Mr. DISQUE. They were to get 60 and 100. That would average about 70, the way the things came out of the average about 70, the way the things came out of the logs. That is about seventeen and a half million that that contract would have totaled had they completed it.

Mr. FREAR. Seventeen and a half millions. That is the Siems-Carey Co.

Does the Siems-Carey Co. own any stock in the Amsinck Co.?

Mr. DISQUE. Not one dollar.

Mr. FREAR. You are sure of that?

Mr. DISQUE. Absolutely.

Mr. FREAR. You are sure of that in making that statement?

Mr. DISQUE. They have absolutely nothing to do with it.

Mr. FREAR. They have no control over it whatsoever?

Mr. DISQUE. Absolutely none; and never did have.

Mr. FREAR. I am glad you have made that statement, because unless there is something to counteract it I will believe you.

Mr. DISQUE. Absolutely. I know who owns the stock, and I know that Siems-Carey haven't a nickel's worth of it, and have never been interested in any way in that corporation.

Mr. FREAR. Who were the officers of this company that you are connected with? This is a subsidiary company of the international company; who would know in the international company as to this fact, as to this question?

Mr. DISQUE. As to whether they own stock?

Mr. FREAR. As to whether they own stock.

Mr. DISQUE. The treasurer of it can tell you.

Mr. FREAR. What is his name?

Mr. DISQUE. Well, I can tell you—Mr. George W. Baldwin, the vice president, can give you the information.

Mr. FREAR. I was trying to think of the name of the treasurer. I can not think of the name myself.

Mr. DISQUE. I have only seen him once or twice. We are not in that building, and I do not see those folks very much. I am down at the end of Wall Street, and the American International is on Broadway.

Mr. FREAR. Do you know anything about who the stockholders are in this corporation?

Mr. DISQUE. The Amsinck Co.?

Mr. FREAR. Yes.

Mr. DISQUE. The American International owns every dollar's worth of its stock. Now, I will say that the corporation——

Mr. FREAR. Doesn't the American International—don't they own the stock, or a majority of the stock, in the Siems-Carey Co.?

Mr. DISQUE. This Siems-Carey-Kerbaugh Co. that was up here?

Mr. FREAR. No; the Siems-Carey Co.—that was the Siems-Carey-Kerbaugh Co., but the Siems-Carey Co. was the one that joined with Kerbaugh in taking the contract.

Mr. DISQUE. The Siems-Carey Co. are large contractors.

Mr. FREAR. Yes.

Mr. DISQUE. Who—I have learned this since I was in New York, for the first time—who entered into a contract with the American International Corporation in 1915 to build some railways in China. They are merely contractors, or cocontractors, for this railway project in China, which has been dormant, so far as I understand, since the war started. That does not mean that they have a nickel's worth of property or stock in the American International Corporation.

Mr. FREAR. The stock in their corporation—is any part of it owned by this American International Co., or do you know?

Mr. DISQUE. In the Siems-Carey railway concern the American International has an interest, I have been told—not by anybody in the American International. It is simply common gossip.

Mr. FREAR. I have understood so.

Mr. DISQUE. I do not know what it is or what the connection is. I only heard of that the last month or so. I would like to clear up a point here, Mr. Chairman.

Mr. FREAR. Certainly.

Mr. DISQUE. This Amsinck Co., and the reason I happened to drop in there, it was a German house for the past 60 years. During the war the Alien Property Custodian found that they were misusing their organization, at least he thought so, to assist the Germans—that was in 1917—and the president of the corporation was sentenced to one of the Federal prisons, down at Atlanta, Ga., as I understand. In order to save it to American commerce, the American International bought it in. It was rather dormant during the war, and at its close it happened that there was no president there, and that is how I happened to be selected for that job. It being an old organization like that, it would seem that there ought to have been plenty of men available to step on up, but it just so happened that practically all of the principals in the company were either German citizens or naturalized Americans, born in Germany, and the stockholders did not want any more of them in control of it.

Mr. FREAR. Do you know whether Mr. Ryan is one of the directors of that company or not?

Mr. DISQUE. He is a director of the American International.

Mr. FREAR. That is what I meant, the American International that owns the stock of the Siems-Carey Co. and of this company that you are connected with?

Mr. DISQUE. Yes; he is a director in that corporation.

Mr. FREAR. Of course, he is a stockholder, in order to be a director.

Mr. DISQUE. I do not know about that. I doubt if Mr. Ryan is much of a stockholder. I think he is a director by courtesy, as is done in New York. Men of business ability are invited around on directorships. I do not know, but I do not think Mr. Ryan has much stock in it.

Mr. FREAR. You do not know anything about that, I suppose, except gossip.

Mr. DISQUE. That is all.

Mr. FREAR. If it is agreeable, we will adjourn until 10 o'clock to-morrow morning.

(Thereupon, at 4.30 o'clock p. m., an adjournment was taken until to-morrow, Thursday, September 4, 1919, at the hour of 10 o'clock a. m.)

SUBCOMMITTEE No. 1 (AVIATION) OF THE
SELECT COMMITTEE ON EXPENDITURES
IN THE WAR DEPARTMENT,
HOUSE OF REPRESENTATIVES,
Thursday, September 4, 1919.

The subcommittee, met at 10 o'clock a. m., pursuant to adjournment, at the courthouse, Portland, Oreg., Hon James A. Frear (chairman) presiding.

Also present: Hon. Walter W. Magee and Hon. Clarence F. Lea.

TESTIMONY OF GUY GEORGE GABRIELSON.

(The witness was sworn by Mr. Frear.)

Mr. FREAR. Where do you live?

Mr. GABRIELSON. New York City.

Mr. FREAR. What is your business?

Mr. GABRIELSON. Law and accounting.

Mr. FREAR. With what firm?

Mr. GABRIELSON. M. & L. W. Scudder, 177 Broadway.

Mr. FREAR. That is the firm that was with Judge Hughes in his investigation of aircraft?

Mr. GABRIELSON. It was.

Mr. FREAR. And you are an employee of that firm?

Mr. GABRIELSON. Yes, sir.

Mr. FREAR. Under the direction of this committee, did you make any investigation of certain matters in the city of New York at the request of the chairman?

Mr. GABRIELSON. I did.

Mr. FREAR. In that investigation did you ascertain the character of the American International Corporation?

Mr. GABRIELSON. I did.

Mr. FREAR. Just tell briefly whom you saw and what the facts are.

Mr. GABRIELSON. July 29, 1919, I called at the office of the American International Corporation and interviewed Mr. Mayer, the assistant treasurer of the American International Corporation, who informed me that the American International Corporation owned 100 per cent of the stock of G. Amsinck & Co. (Inc.), 96 Wall Street; that the American International Corporation owned 50 per cent of the stock of the Siems-Carey Railway & Canal Co., which, by the way, is the Siems-Carey in the Siems-Carey, H. S. Kerbaugh Corporation. He also informed me that Mr. John D. Ryan was a director of the American International Corporation and this was verified through Moody's Manual.

Mr. FREAR. And he stated that the American International Corporation owns all the stock of the Amsinck Co.?

Mr. GABRIELSON. Yes, sir.

Mr. FREAR. Of which Mr. Disque is president?

Mr. GABRIELSON. Yes, sir.

Mr. FREAR. What was stated to you about Mr. Disque's salary?

Mr. GABRIELSON. Mr. Mayer stated that Mr. Disque's salary was \$30,000 a year.

Mr. FREAR. That is all.

Mr. LEA. That is all.

(Witness excused.)

TESTIMONY OF MR. BRICE P. DISQUE—Continued.

Mr. FREAR. I find here in this morning's paper a brief statement which I wish to read with an explanation. It reads:

DISQUE CONDUCT DEFENDED.—WEYERHAEUSER MAN COMES TO SUPPORT OF ACCUSED OFFICIAL.

TACOMA, WASH., September 3.

George S. Long, secretary of the Weyerhaeuser Lumber Co., of Tacoma, to-day came to the support of Brice P. Disque, whose actions as chief of the spruce division are being investigated by a congressional committee.

In a telegram to Mr. Disque Mr. Long declared that Mr. Disque had handled the labor problem in the Northwest in a most able manner; that without his efforts the entire problem of getting out lumber would not have been solved, and declares his belief in the former chief's ability and integrity.

Let me say the committee has not thus far challenged that matter. We are simply investigating the facts, but I will say that Gov. West has been subpoenaed to testify in regard to Mr. Long, who is secretary of the Weyerhaeuser Corporation, and he will be asked to repeat part of the testimony he submitted in Washington before the Military Committee in regard to Mr. Long.

Mr. LEA. What is Mr. Long's connection with this investigation?

Mr. FREAR. Very intimate, according to Mr. West. While we are indulging in newspaper clippings which are brief, I have one here which was read into the record several days ago, and I simply wish to refer to it to ask a question of Mr. Disque. It is headed, "Vancouver chamber will not indorse régime of general."

Mr. LEA. Why not cut out this political flapdoodle and get at the facts in the case?

Mr. FREAR. We will get all the political flapdoodle you wish; we are going to call Gov. West, a Democratic leader, to testify and show whether it is political flapdoodle or not.

Mr. LEA. That is all right; but making campaign literature at the expense of the Government ought to be cut out, and we ought to get at the facts.

Mr. FREAR. We are going to show more political flapdoodle before we get through, and we are going to get at the facts, regardless of politics.

Mr. LEA. That stuff has no place in the record.

Mr. FREAR. This stuff has a place in the record, and I will say that the only effort to cover up has come from the Democratic member of the committee, who is acting, apparently, under the direction of Mr. Homer Cummings.

Mr. LEA. I have not intended to cover up a single fact, and have no relations with Mr. Cummings at all. I think our committee ought to be above the reproach that attaches to it.

Mr. FREAR. The only reproach that attaches comes from the attempt of the Democratic member to cover up the facts.

Mr. LEA. If you will read *The Voter*, a Republican paper, you will see.

Mr. FREAR. We know the character of *The Voter* and what is said as to its control by the Spruce Corporation. Look at the nods going around the room now.

Mr. LEA. That is all right, and we want to get at the facts, and we will get near them if we cut out of these political matters and judge things on their own merits.

Mr. FREAR. We are going to judge of things on their merits, and I will say that the Democratic member has been permitted to cross-examine witnesses from the beginning until now, a thing which was never permitted before in any investigating committee; and he is going to be permitted to do so without hindrance, to see whether we get the facts or not.

Now, after this slight interruption which is indulged in with good nature, I will continue. The resolution reads:

Whereas, under the good judgment and supervision of Gen. Brice P. Disque the spruce cut-up-plant of the Federal Military Service was located in the most logical point for its successful operation, at Vancouver, Wash.;

And further down:

Whereas by the most remarkable construction and efficiency the United States Government was able to make such production of airplanes that the control of the air was assumed and maintained by the Allies in the late war; and,

Whereas, by said airplane production the turning point of the war was made and said war was won: Be it

Resolved, That we hereby indorse and commend the military administration of Gen. Brice P. Disque in his control and management of the spruce production division for the United States military activities at Vancouver, Wash.

That failed of passage; there was only one vote for it. What I want to ask in that connection is this, about the time of your letter written to this committee upon your arrival here and, by the way, you saw the Democratic member of the committee before you saw any other member, at time the communication came out. It was published and your statement to the committee was published in the papers before it was opened by members of the committee. I wish to ask if there is any publicity organization seeking to influence public sentiment at this time in regard to the activities of the Spruce Production Corporation, so far as you know?

Mr. DISQUE. Absolutely none. I do not know the man who introduced that resolution and never heard of him, and do not know why they are taking up my end of the situation.

Mr. FREAR. I accept your word as being an accurate and full statement on that matter, but it is a suggestion to those who are engaged in this work that they ought not to do anything more than when a court is in session they should seek to influence public opinion. Of course it failed; but according to your statement you had nothing to do with it, and we will assume that is absolutely true.

What purports to be a telegram from you, Mr. Disque, dated November 23, 1918, I wish to read into the record at this time. It says:

Telegram. Extract from letter to the aircraft executive, Ryan, Washington.

Local papers are continuing to refer to the threatened investigation of spruce activities. The subject is already nauseating to the officers of this division, and we urge that any contemplated investigation be started at once. Myself and officers feel that we have sacrificed enough and we do not propose to remain here indefinitely merely for the purpose of submitting ourselves to the mud-slinging tactics of petty politicians. We will welcome early, honest, and thorough investigation, but since reading the Hughes investigation we don't believe it possible.

DISQUE.

Judge Hughes, who was a Republican candidate for President of the United States last time, who has been a judge of the Supreme Court of the United States and who is generally considered a very high-class man, was called by the President of the United States to conduct an investigation into the subject of aircraft activities because of the miserable failure of the aircraft production program, and he, with the Attorney General, sat throughout hearings covering a period of about five months. He never charged one cent for his services but donated everything to the Government, as did Meyer Steinbrink, who was the counsel, who sat with him throughout all those hearings. With the Attorney General present, and he practically indorses very part of Judge Hughes' investigation and report, I call attention to the telegram which you sent to Director Ryan, in which the criticism is made of Mr. Hughes and the investigation. Naturally no investigation, however thorough, if Mr. Hughes is thus criticized, would meet with approval, if we can judge aright, and of course we are here to make an investigation in all fairness to everyone who is concerned; but that is a statement that the chairman wishes to make at this time in regard to a telegram taken from the official records of your department. Did you send the telegram?

Mr. DISQUE. I sent the telegram, and would it be proper to state why?

Mr. FREAR. Certainly.

Mr. DISQUE. I did not know it was coming up this morning. I have in our office a copy of the Hughes report. Before that report was made I happened to be in Washington, and volunteered to give a sworn statement to one of Mr. Hughes' associates. The statement was full and complete, accurate, truthful, and correct. The first two paragraphs of that report—I should have the report here, but I can give the general sense of it—either in the second or third paragraph, a definite statement is made regarding the Spruce Production Division that is absolutely false.

Mr. FREAR. That is regarding the Vancouver plant?

Mr. DISQUE. Regarding the cost of the Vancouver plant. That is one. The second is made that it cost at that time, which was June, 1918, that this report was made, that it cost \$1,400,000, whereas in November, 1918, when the report came to our attention, and more than half of the expenditures had been made between June and November, the total cost as reported to me by our comptroller was \$700,000, half the amount that Mr. Hughes had stated definitely had been expended in June. Another reason why I sent that telegram was that in the second or third paragraph of his report Mr. Hughes,

who had not come to this coast and had not sent a man here, had only taken my statement and had not taken the statement of any other member of this organization that I know of, and I do not believe now that he did, stated a fact which insinuated that we had spent in the neighborhood of \$15,000,000 or \$16,000,000 for spruce and had only received \$3,000,000, or something like that, in return, and the intimation was clear that we had wasted the balance. Then, in the last paragraph, or next to the last, there was an insinuation that there was something wrong about the Spruce Division, and that hurt; it cut pretty deep the men who had worked as we had. He had not been out here, nor had he sent a man. We had been investigated several times by the War Department and, so far as we knew, we were as clean as any organization or agency of the Government, and yet here was that nasty insinuation in a finding in that report of Mr. Hughes, and my confidence was blasted.

Mr. FREAR. You say his statement was that the Vancouver plant had cost \$1,400,000 up to that time?

Mr. DISQUE. In June; yes.

Mr. FREAR. According to the statement made June 30, 1919, which I have before me, the Vancouver cut-up plant cost \$1,975,534.04. Is that right?

Mr. DISQUE. May I see that? That was several months after I left the division. [Examining papers.]

Mr. MAGEE. Was the plant completed when you left?

Mr. DISQUE. Yes. I do not know whether this is a statement of the cost of the cut-up plant, or a statement of all the money spent there for operation. The comptroller tells me that includes the labor cost of operation at the cut-up plant.

Mr. FREAR. That includes, does it, the pay of soldiers?

Mr. DISQUE. The pay of everything.

Mr. FREAR. At civilian wages?

Mr. DISQUE. That includes oils, electricity, machinery—

Mr. FREAR. Does it include the pay of soldiers at civilian wages?

Mr. DISQUE. Yes, sir; the entire operation of the plant over a period of practically a year and its liquidation expenses, as I understand it. The machinery was taken out and stored and catalogued and advertised.

Mr. FREAR. You are sure of that; you make that statement positively?

Mr. DISQUE. The comptroller tells me that contains all the operating expenses up to that date.

Mr. MAGEE. Is it not possible to get the exact cost of this plant?

Mr. DISQUE. Exactly. I have that attached to the Hughes report, which I will have here later.

Mr. FREAR. You do not imagine Judge Hughes ever purposely made a statement that was false?

Mr. DISQUE. I do not know Judge Hughes, but I know this, that the effect of his report was a most serious thing to me and my associates, and whether it was intentional or not the resulting damage was the same.

Mr. FREAR. The request of Judge Hughes was that this committee come out here and make this investigation, and the personal request which he made of the chairman of this committee that he come out

here and make the investigation, indicates that Judge Hughes wished to have the matter cleared up so far as it could be cleared up, and that is what the committee is here for at this time. It was impossible for Judge Hughes, after five months of hearing, to cover every phase of the question, just as it is impossible for this committee at at least a dozen different places where they must stop before they get back to Washington on October 1, having hearings at the various places—because this is only an incident of the expenses of aircraft production which have reached over a billion dollars, the expenditures and the commitments. The complaint is made that the report which you desired to submit to Judge Hughes was not accepted? That is the understanding?

Mr. DISQUE. Who made that statement?

Mr. FREAR. I understood you to say that.

Mr. DISQUE. Not at all. I made this statement to one of his associates, and that is the only evidence, so far as I know, that he had about our operations.

Mr. FREAR. Was it a written statement?

Mr. DISQUE. It was a statement given to them which was written by a stenographer and signed by me afterwards.

Mr. FREAR. The difficulty, let me say, with an investigating committee or any judge on the bench, where such statements are made, is that there is no opportunity to cross-examine and inquire as to the facts. For instance, one of the most important matters in this investigation in Portland, so far as we can judge, is the very fact that was brought out that you received \$30,000 a year, and yet yesterday you refused to testify as to that. So, the purpose of this investigation is to bring out the facts.

Mr. DISQUE. Mr. Chairman, I am trying to give you all the facts I know of, and I am going to give them as long as you will listen to them, and they will be backed up by real evidence; but the point that has appealed to me is this: That without ground for it, without any evidence that I have heard of that has any weight in a court, this committee has left Washington with the assumption that I am crooked; that I have been influenced by Mr. Ryan; that there has been some shenanigan going on up here; and with that back in their minds I am afraid that the words read into the record by yourselves and the questions asked witnesses who do not know anything about it, and the headlines in the papers, and all those things that tend to mold public opinion, have gradually built up a fictitious rainbow and pipe dream about my connection that is absolutely without foundation.

Mr. FREAR. That is what we are here to ascertain.

Mr. MAGEE. So far as I am concerned, I wish to take exception to the remarks of the witness. As a member of this committee I left Washington with no assumption that anybody was crooked, or with any assumption in my mind whatever.

Mr. DISQUE. I only have the hearings of the committee in Washington; I only saw them the day before I left New York.

Mr. MAGEE. I think your remarks, at least so far as I am concerned, are entirely unjustified, and I wish to take particular exception to them upon the record. I am here to get the facts, and I want you to understand that I do not ask any favor from any Republican

or Democrat or from any other man, and that I am not afraid of any living man that I know, and that, as far as I am concerned, regardless of whom it may hit, I am going to do what I can to get all the facts without fear or favor, without regard to being criticized for it, and simply in the performance of my public duty. I have no personal feeling in the matter, and I am here to do my duty as directed by the House, to get the facts and report the facts to the House, and I am going to find the facts and make every effort to get all the facts. That is my position as a member of this committee, and has been my position since I left Washington, and will be my position all through this investigation.

Mr. FREAR. Now, if we have gotten over that part of it, we will go on with our testimony. In our Chicago hearings, and I suppose that may have had some influence upon what you have just said, Mr. Disque, Maj. Sligh appeared before the committee and he made some statements that I think ought to be brought to your attention, and that you may have the privilege of disputing or correcting or explaining if there is anything in them, I desire to read them. On page 597, reading the printed report, and let me say that I do not believe the committee's judgment is affected or determined by anything that appears from the testimony of any one witness individually, although it may have a bearing upon the case for final determination in presenting the report. This is the first place in the record where he refers to you, and he says:

As far as Col. Disque is concerned, his story of what he had done at Jackson prison was a pure fabrication, and I don't like to use that short and ugly word, but it is the only word that is fit to characterize his character; he not only lied repeatedly, but is a fakir of the first water.

I realize that that is a very hard statement, and I do not think it ought to stand if you have any explanation to make, or any statement to make in reply to it.

Mr. DISQUE. Mr. Chairman, of course, my verbal reply to this would not be any better than Maj. Sligh's statement, so far as the evidence is concerned. I did not know this was coming up. Could you defer this until a little later in the afternoon?

Mr. FREAR. Willingly so.

Mr. DISQUE. If you will, I will be prepared to discuss it.

Mr. FREAR. If you prefer not to have me do so——

Mr. DISQUE. I want it discussed; I think it would be unfair to me not to go into it.

Mr. FREAR. That is the point that occurs to the committee. If a statement has been made that is unfair about you, you should have an opportunity to give your testimony on that, and you are entitled to correct such statements in order that the record may be correct.

Mr. DISQUE. I have in my trunk every newspaper clipping that has been printed about the Jackson prison from the time I went there until I left. That is all the evidence I have with me, except a few statements of the accounts of the institution, and I would like to refer to those, if the committee will take it, as a reply to this, and also, I think, it would be better to wait until to-morrow.

Mr. FREAR. Willingly.

Mr. DISQUE. Mr. Eaman will be here to-morrow, and he knows more about that than I do.

Mr. MAGEE. The committee is here to get any statements it can and all the facts. I want every witness to understand that. Any particular witness you desire to call will be called.

Mr. DISQUE. I have named a lot of witnesses and you can not get them.

Mr. MAGEE. We can not call everybody and can not get them all over the country, you appreciate that. If there are three or four witnesses you desire to have called the committee will be very glad to hear them. We can not stay here forever, but we will be glad to stay here a reasonable length of time.

Mr. DISQUE. Well, have you called any of the witnesses I have requested?

Mr. FREAR. You are the first one that has been called.

Mr. MAGEE. Yes; we have called several of those you have named.

Mr. FREAR. Oh, yes; we called some of them in Chicago and elsewhere. We called Morley in Chicago, as I have stated, and we called Col. Stearns in Seattle.

Mr. DISQUE. You called Morley when he didn't know what you wanted, as he stated in his testimony. He did not know what was going to be testified to.

Mr. FREAR. We did not know what you were going to testify to. The Secretary of War, who is the man most interested in this investigation, was the man who asked us to call Morley.

Mr. DISQUE. But, Mr. Frear, since you got out here you have accumulated a lot of damaging testimony.

Mr. FREAR. Of which Morley has no knowledge, because he stated he came in in August.

Mr. DISQUE. I do not remember when he came in, but if you will call him back now, in the light of what you have received, you will get a different story.

Mr. MAGEE. There is nothing in this question of Col. Morley, because the Secretary of War directed us to call him. He said Col. Morley lived in Cleveland and arranged to have him in Chicago to testify, and stated that he could tell us the whole story. We did just exactly as the Secretary of War requested and called Col. Morley, and told him the request of the Secretary of War and asked him to make a complete statement of everything he knew, which I assume he did. If he did not state everything he knew it was not the fault of the committee.

Mr. DISQUE. That is like asking a man to come out and prove himself innocent before he knows what he is charged with.

Mr. MAGEE. We did not know what Col. Morley knew. We simply did as the Secretary of War requested.

Mr. DISQUE. Now, Mr. Magee, you know that is not anything at all that would appeal to anyone, to call a man in and say "Now, prove yourself innocent." That is what you did with Morley.

Mr. FREAR. Morley was not charged with anything.

Mr. MAGEE. He was just part of this organization.

Mr. FREAR. You have the wrong idea, entirely. As a witness, you can not determine the attitude or the scope of the investigation of this committee. We have, as I said to you yesterday, one hundred and more witnesses who asked to testify. We can not bring one-quarter of those and hold hearings. All we are endeavoring to do is

get a general understanding of this situation. We are not trying to convict anyone, that is not our business. We would not have any jurisdiction if we did. We want to get the facts here. You, as ex-president of this organization, are an incident, just the same as Col. Stearns, and just the same as Morley. Every man is simply a man. If he can throw any light upon it and help the committee in coming to its decision in making their report, that is what we want. We are not going to try the character of anyone, but you are entitled to know anyone who has specifically attacked you, and that is the reason of presenting this Sligh report, because I understood that you want to reply to it, and I am very glad to have you make any statement you desire, to-morrow, if you prefer.

The cost-plus contract—

Mr. DISQUE. Mr. Chairman, before you go on I would like to introduce this authority of the Judge Advocate General that we ended up with last night.

Mr. FREAR. Yes; I would be glad to have that.

Mr. DISQUE. That ought to go into the record as approving the paying of the soldiers. That is the legal authority of the War Department.

Mr. MAGEE. Why wouldn't it be a good plan, Mr. Chairman, to have this read into the record?

Mr. FREAR. I am going to do it now. I am trying to get the point.

Mr. LEA. I think you will get the gist if you read the last of it.

Mr. FREAR. Well, I will read the whole thing. It is not very long and it will give us some light, because the committee has no information with regard to it:

WAR DEPARTMENT,
OFFICE OF THE ASSISTANT SECRETARY,
Washington, D. C., September 11, 1918.

Memorandum for the Director of Aircraft Production.

1. You have requested me to secure the opinion of the legal adviser of the department as to the propriety of continuing payments to contractors for spruce production where certain elements of cost are based on payments made by contractors to soldiers for their labor in spruce production pursuant to an arrangement heretofore approved by the Secretary of War.

2. I am advised by the legal adviser of the department that such disbursements can be continued with propriety. You are directed to issue the necessary instructions to disbursing officers so that there may be no interruption in the vitally important production of spruce.

3. A copy of the opinion of the Judge Advocate General is attached hereto.

B. CROWELL,
Acting Secretary of War.

[First Indorsement.]

Contracts. Lemmond Bg.

War Department, J. A. G. O., September 11, 1918.

To: First Assistant Secretary of War.

1. You request the opinion of this office concerning the application of section 1765 Revised Statutes to the employment of troops by contractors in getting out spruce and fir for airplane construction. It is stated that in November, 1917, the Secretary of War approved a plan whereby troops were asked to volunteer for work as lumbermen for the purpose stated, owing to the fact that there was a great shortage of labor, and that under such plan "these troops were put in the forests and became employees of the various contractors who paid them the prevailing wages less the \$30 a month they received as soldiers from the United States Government." Three specific questions are presented, as follows:

"a. Does the statute prohibit such enlisted men employed by persons having contracts with the Government from receiving pay from such contractors?"

"b. Would payment by the contractor employing such enlisted men be in violation of the statute where the contract with the Government is a cost-plus contract, but where such contractor in employing the enlisted men is acting as an independent contractor and not as an agent of the Government?"

"c. Where the price to be paid to the contractor is measured by his cost and the appropriation is available for the purchase of the article proposed, is not the appropriation available for the payment of the price stipulated in the contract as cost to the extent that it includes all actual cost to the contractor?"

2. In the opinion of this office, section 1765 Revised Statutes has no application to the situation described. The employment of the soldiers was not by an agent of the Government using Government funds but by an independent contractor who paid them from his own funds, according to agreement and authority of the Secretary of War, and as they were paid no more than the prevailing rates of wages less the amount of their pay as soldiers, the execution of the contract was no more expensive to the Government than it would have been had soldiers not been so employed. Furthermore, if there be any doubt on the question because the contractor operated under a so-called cost-plus contract—and I do not think this is at all material—the legality of allowing the soldiers pay by the contractor in addition to their pay as enlisted men can not be questioned in view of the settled construction of paragraph 1765 Revised Statutes, which is that it does not prohibit a person from receiving compensation for services of two distinct employments. (*United States v. Saunders*, 120 U. S. 126.)

3. In the light of the facts stated in this case, questions (a) and (b) are answered in the negative and question (c) in the affirmative.

S. T. ANSELL,

Acting Judge Advocate General.

Mr. FREAR. I will not make any statement in the record at this time, but it does not give, so far as I can understand, any authority for this organization, of which you were the head, to give soldiers over in this cut-up plant at Vancouver the same pay that civilians were receiving outside.

Mr. DISQUE. Why not, Mr. Chairman?

Mr. FREAR. As a lawyer, that would be my judgment; but I will make a further investigation and see whether I am right or not. It speaks of contractors to whom these soldiers were let out; but those—

Mr. DISQUE. The cut-up plant was operated under a contract.

Mr. FREAR. With whom?

Mr. DISQUE. Mr. Mitchell, covering this entire—

Mr. FREAR. Have you got his contract?

Mr. DISQUE. It is in our files.

Mr. FREAR. Will you produce the contract? What was Mr. Mitchell's salary?

Mr. DISQUE. I do not recall what it was. I think he was limited—well, I will not say, the contract is available.

Mr. FREAR. I would just ask you if it was \$25,000 a year, or do you know?

Mr. DISQUE. I do not think it was that much.

Mr. FREAR. Will you produce the contract, please, this afternoon so that we can examine it?

Mr. DISQUE. Yes.

Mr. MAGEE. I want to state here in the record my legal opinion. The case cited by the learned Acting Judge Advocate General, in my opinion, has no application to the case in question, and that, in my opinion, no authority exists for any payment to soldiers in the service of the United States except such payment as may be clearly fixed by an act of Congress; that the case cited by the Judge Advocate General would appear to be a case where a person in the service

of the Government of the United States was acting in two different capacities, and his salary is divided between the two classes of work, as may be instanced by the payment, as I recall, to the superintendent of the Federal Board of Vocational Training, where, I think, the salary was appropriately divided. But an instance of that kind, in my opinion, can not be applied to the pay of soldiers, whose payment is fixed by act of Congress. In my opinion, the sole authority rests in Congress to fix compensation.

Mr. DISQUE. Mr. Magee, may I say there that this opinion was rendered by the Judge Advocate General?

Mr. MAGEE. I am not criticizing you, General.

Mr. DISQUE. He based it on this very operation. That is why he rendered the opinion. You said you did not think that opinion referred to our operation, or applied to it. That is what he was doing; he was rendering an opinion on our work.

Mr. MAGEE. I am not criticizing you, General, but I am putting on the record that I do not agree with the opinion of the Acting Judge Advocate General. I do not think that his opinion is the law. That is my judgment. In other words, I am clearly of the opinion myself that the authority to fix the compensation of officers and soldiers and sailors and marines of the United States is in Congress itself, and has always been fixed by congressional enactment.

Mr. FREAR. This letter will be inserted in the record in entire. You have testified, I believe, what cost-plus contracts were made. Will you just repeat, so that I can make an examination?

Mr. DISQUE. There was Grant-Smith-Porter Bros., the Warren Spruce Co., the Airplane Lumber Co., I think was the name of it, and Siems-Carey, and, possibly, some more that I do not have in mind.

Mr. FREAR. Those four were the large contracts?

Mr. DISQUE. Those were the four large ones.

Mr. FREAR. Referring to the Siems-Carey-Kerbaugh contract, which is the one we have been considering prior to our taking up hearings in Portland, that appears to have been a contract, one contract for the construction of a railroad from a point on the Milwaukee Road near Joyce, as I recollect, to Lake Pleasant, of about 36 miles—well, the length was not stated in the contract; in fact, the location of the road was not stated in the contract.

Mr. DISQUE. It was not stated in the contract.

Mr. FREAR. This railroad was under the cost-plus contract given to Siems-Carey-Kerbaugh Co., and was to aid in the logging provided in another contract given to the Siems-Carey-Kerbaugh Co. under date of May 12, 1918. The railroad contract is dated May 18, 1918. Under date of May 12, 1918, in article 1 it says that the seller, which was the Siems-Carey-Kerbaugh Corporation, agreed to sell to the Government, and the Government agreed to purchase from the seller, 250,000,000 feet of spruce lumber flitches within the period of 18 months, as is provided; and in article 5 it appears that the price to be paid for such flitches to the seller by the Government shall be \$100 per thousand for No. 1 grade and \$60 per thousand for No. 2 grade, based on the measurements, etc. That is, if all of this lumber was \$100 per thousand that would mean a \$25,000,000 contract.

Mr. DISQUE. That was not possible, of course.

Mr. FREAR. If all of it was No. 2 grade it would be on the basis of \$60 per thousand, which would make it a \$15,000,000 contract; that is right?

Mr. DISQUE. Yes.

Mr. FREAR. So that it ranges between \$25,000,000 and \$15,000,000 as to the amount of the contract, depending upon the respective grades of lumber or flitches that were gotten out by this company. That is right, is it not?

Mr. DISQUE. According to our production records it probably would have run in the neighborhood of \$18,000,000 had they completed the entire contract.

Mr. FREAR. You can not tell anything about it, they just started, they had not even organized their mills.

Mr. DISQUE. I am basing this estimate on what we obtained in the way of one and two logs at other places.

Mr. FREAR. That has no reference at all in determining a difference of \$10,000,000. You stated yesterday that it would be \$17,500,000. You haven't anything at all to base that upon, so far as the committee can understand, speaking for one member of the committee.

Mr. DISQUE. That is right, but there is nothing to show that it is \$25,000,000.

Mr. FREAR. It will rest between \$25,000,000 and \$15,000,000.

Mr. DISQUE. Somewhere.

Mr. FREAR. Now, these two contracts were entered into between the Aircraft Production Board and the Siems-Carey-Kerbaugh Corporation. The contract of May 12, 1918, for the \$15,000,000 to \$25,000,000 was signed Siems and Kerbaugh on behalf of their corporation, and by J. Van de Crisp as captain, Signal Corps, United States Army, and approved May 28, 1918, by the Director of Aircraft Production, John D. Ryan, director. Who was Capt. Crisp?

Mr. DISQUE. He was our disbursing and contract officer.

Mr. FREAR. With directions to sign contracts that were approved or agreed upon, I take it?

Mr. DISQUE. Yes; he was.

Mr. FREAR. That was a necessary function, I understand?

Mr. DISQUE. He was disbursing officer, and simply checked up the legal phases and requirements to see that they were carried out in the contracts.

Mr. FREAR. That was done by all the various branches of the War Department; it was necessary.

Mr. DISQUE. It was a routine duty.

Mr. FREAR. This contract, as I stated, was on May 12, 1918. The contract of May 18, 1918, which was to build a railroad to get out these logs, was signed by Siems and Carey on behalf of the Siems-Carey-Kerbaugh Corporation, and also by Capt. Crisp, and "approved May 18, 1918," is left blank by the Secretary of War. A statement has been made, and there is no question as to that, I take it, that Mr. Ryan stated to the Secretary of War that he would not sign this, he did not care to sign it for reasons given, and Mr. Stettinius was called in to sign that railroad contract, which is dated, as I said, 12 days after the other.

Mr. DISQUE. Not to sign it, Mr. Chairman?

Mr. FREAR. Not to approve it.

Mr. DISQUE. He was called in to make the contract, to do all the negotiating in connection with it, and did so. Mr. Ryan, to my own knowledge, had absolutely nothing to do with, no participation in, the making of that contract.

Mr. FREAR. Where were you at that time?

Mr. DISQUE. In Washington.

Mr. FREAR. You were there at that time, in Washington?

Mr. DISQUE. Yes, sir.

Mr. FREAR. That was in May, 1918?

Mr. DISQUE. Yes, sir.

Mr. FREAR. When did you go to Washington?

Mr. DISQUE. I arrived there. I would say, about the 15th or 20th of May, somewhere the first half of the month. The exact date I do not recall.

Mr. FREAR. And you left when?

Mr. DISQUE. I left about the 20th or 21st. I was there about a week.

Mr. FREAR. You were there, then, during these negotiations?

Mr. DISQUE. Entirely.

Mr. FREAR. Some question has arisen regarding the location of the road, and may have an important relation. It becomes rather important in one connection in this investigation, and I wish to ask did you go up into the Olympia Peninsula and go over the various routes that have been proposed?

Mr. DISQUE. I did not prior to the building of the railway. I have been over them two or three times since.

Mr. FREAR. But not prior. I was just wondering.

Mr. DISQUE. Now, just a minute. I do not think I did.

Mr. FREAR. There is nothing in the record, and that is the reason. It was purely an inquiry.

Mr. DISQUE. I do not think I did.

Mr. FREAR. There were two or three routes that have been suggested to the committee, one to Clallam Bay of 15 miles to touch the same spruce that was testified by Mr. Lightner could have been built at this time for \$500,000, ordinarily from \$300,000 to \$500,000. Another, as you are familiar, of course—the Pysht River route—which presumably would have been a continuation of the Milwaukee line from Deep Creek up either by way of Clallam Bay or cutting out Clallam Bay to Pleasant Lake, a distance—

Mr. DISQUE. I do not think they ever contemplated going to Clallam Bay. Their surveys were all up the Pysht River.

Mr. FREAR. Well, it occurred to the committee that might have been an important place, and where their surveys had been eventually determined upon, of course, was a matter of conjecture beyond that. They were after business, of course, and if they could have gotten a large amount of business there they might have gone, but the Pysht Creek route was—I have forgotten—something like 17 miles up to the road and then 2 or 3 miles into Pleasant Lake.

Mr. DISQUE. I think it was 25 miles to reach the same point that the other route that we built reached. We had to add 25 miles on top of the Milwaukee to get to the same point.

Mr. FREAR. That was not the testimony of Mr. Frost, who made the surveys, and others who were there, but let it stand at that.

Mr. DISQUE. Mr. Who?

Mr. FREAR. Mr. Frost.

Mr. DISQUE. Well, that is the evidence of the Milwaukee officials, of their own line, 25 miles.

Mr. FREAR. Frost made the investigation independently to build a road, not for Milwaukee, but he was to build a road up through there. Possibly there is some question as to whether that connected up with the Milwaukee. I am not sure as to that. I mean that is to be referred to. There was the third proposition of building a road either from Port Angeles around Lake Crescent, out to Lake Pleasant, which would be a distance of something like 56 or 60 miles.

Mr. DISQUE. Thirty-six miles, to be accurate.

Mr. FREAR. No; not at all. It would have been about 56 to 60 miles, and that was proposed—

Mr. DISQUE. Where from, Mr. Chairman?

Mr. FREAR. I said from Port Angeles.

Mr. DISQUE. There was no proposition that I heard of.

Mr. FREAR. I am explaining to you what is in the record before the committee.

Mr. DISQUE. Oh, I see.

Mr. FREAR. From 56 to 60 miles, or thereabouts, on the south side of Lake Crescent to Lake Pleasant, by John Cain and an organization that claimed to have a survey which extended along that line, and from the west end of Lake Crescent along the Sol Duc River down to Lake Pleasant. The road as built joined at what is called Disque Junction, a mile or so from Joyce on the Milwaukee road, and then went south through Lyre Canyon, until it reached the easterly end of Lake Crescent, and then took the northerly side of Lake Crescent, through two tunnels and along the side of the mountain to the westerly end of Lake Crescent, and then down the Sol Duc River over the same line that had been surveyed by this independent corporation. I am trying to get the situation, as this committee has been over all these lands; I am trying to place it in the record so as to have the arrangement understood at this time.

Mr. DISQUE. Well, may I ask, are you stating that it went along the same line as that other survey, as a matter of fact, or just what has been said?

Mr. FREAR. No; we do not know just the identical lines of survey.

Mr. DISQUE. It is not like a table; you can not run a railroad anywhere in there.

Mr. FREAR. We will assume so, but it crossed the other survey a number of times and ran along, but I was trying to indicate, or desired to indicate the line, that was all.

Mr. DISQUE. Yes.

Mr. FREAR. On March 20, 1918, did you send this telegram to the Secretary of War?

Distance necessary to open this line, Lake Crescent route, to reach large spruce tracts double that necessary by the Milwaukee Deep Creek route. Will not go through railway facilities beyond Port Angeles. This line seems an unnecessary expenditure, and everybody interested in it wishes Government to bear proportion of expense considerably greater than Government would have to bear in extending Milwaukee. Milwaukee has been driving their road west slowly to meet development of country and are now within 30 miles west of Port Angeles. Milwaukee being common carrier equipped

to advance their own line over their surveyed road unquestionably best means of entering Clallam spruce. In this opinion I have support of most experienced operators in this section.

Did you send that telegram?

Mr. DISQUE. What is that?

Mr. FREAR. That is under date of March 20, 1918.

Mr. DISQUE. Who to?

Mr. FREAR. To the Secretary of War, I assume.

Mr. DISQUE. Yes, sir; I do not deny that. This is the first time I have had it called to my attention, but I did send such a message.

Mr. FREAR. On the 8th day of April, 1918, did you send this further letter to the Secretary of War, containing this statement:

It will be noted that the Milwaukee extension Deep Creek route will immediately tap large stands of spruce timber between Deep Creek and Pysht River, whereas the proposed Crescent Lake Railroad must be extended its full length before any spruce will be available. Furthermore, it is regarded by many excellent engineers as a very difficult problem to lay rail along either the north or south bank of Crescent Lake, and those best equipped to discuss the problem state that the only practicable means of using this line would be to ferry cars or product across Lake Crescent and connect with the Milwaukee near Port Angeles.

Did you send that letter to the Secretary of War?

Mr. DISQUE. What was the date of that?

Mr. FREAR. That was under date of April 8, 1918.

Mr. DISQUE. Yes.

Mr. FREAR. I desire to place all these matters before us so that we can then have any explanation that may be offered.

Mr. FREAR. It then appears that the Secretary of War on April 24, 1918, wrote a letter to the Director General of Railways, Mr. McAdoo, which stated in part as follows:

A virgin stand has been located in the northwestern part of the State of Washington, sufficient to meet the necessities of the next two or three years. The nearest railroad is the branch of the Chicago, Milwaukee & St. Paul running west from Port Angeles. This branch now terminates at Deep Creek. The question of a railroad to reach this timber has been carefully considered, and it is the unanimous opinion of the Pacific coast committee of the Aircraft Board that the best solution of the question is the extension of the Chicago, Milwaukee & St. Paul Railway from Deep Creek to Forks. This extension is included in the plans for the future development of the Milwaukee, and the route has all been surveyed. It is the opinion of the War Department that this railroad should be built.

Now, this was sent by the Secretary of War, under date of April 24, as appears from a report by Frank McIntyre, major general, General Staff, executive assistant to the Chief of Staff, which has been filed with the Ray investigation.

The Siems-Carey Railroad as built, according to the statement of June 3, 1919, has cost the Government, or cost this corporation, or whatever you choose to call it, \$3,988,511.93, and I understand that there are other items to be added to that, some small items. That is exclusive of equipment.

Mr. DISQUE. Of course, that includes ballast and some ordinary expenses that go into maintenance frequently in railway construction, but not much.

Mr. FREAR. What would it include?

Mr. DISQUE. Additional ballast and other operating expenses that sometimes are included. It is a mooted question; some railroads include it and some do not. But we will accept that as the cost.

Mr. FREAR. That is the statement given out by your—

Mr. DISQUE. I do not think it is an important point.

Mr. FREAR. But, of course, we do. That is the difference. It says, as we understand it, that this railroad cost about \$115,000 a mile, exclusive of equipment, for the 36 miles, or thereabouts. I do not know that you are familiar with this testimony, but it was taken by the committee, and it has such an important bearing at this moment, before any explanation is made, that I think it ought to be read into the record so that we will know the situation.

Let me say that the road, as constructed, was constructed by an engineer of the Milwaukee road, under his management, I understand—Mr. Sawyer.

Mr. DISQUE. Maj. Sawyer.

Mr. FREAR. He was named a major—taken out of the Milwaukee organization, made a major, and now he is back with the Milwaukee organization, as I understand.

Mr. DISQUE. That is right.

Mr. FREAR. Assistant to the president or something of the kind.

Mr. DISQUE. He is assistant to some superintendent up there.

Mr. FREAR. Make the correction. The committee is glad—

Mr. DISQUE. And he was not managing the building of this road. He was representing me up there, to see that the contractor complied with regulations.

Mr. FREAR. He was the man who had the handling of it, there was no man over Sawyer—between Sawyer and you?

Mr. DISQUE. That is right.

Mr. FREAR. And there was no man over you excepting John D. Ryan, director of aircraft.

Mr. DISQUE. He was the next.

Mr. FREAR. Yes; he was the next. I am reading now from the reporter's record, page 2494, from the testimony of a Mr. Carrigan, who testified at Seattle, and, let me say, whom I had never seen 10 minutes before he was placed on the stand, but was a man who was a reputable citizen, had been a tax officer of the county, and made his statement briefly as to his qualifications; and here is a part of his testimony. He said: "I have seen all these telegrams you refer to." The committee introduced a number of telegrams from John Cain and others, in reference to this road that ran around the south side of Lake Crescent, you remember, and those were referred to in a general way. He says, "I have seen all these telegrams you refer to. I think I have seen every telegram Mr. Cain received from his eastern associates. The Milwaukee"—that means the Milwaukee Railroad—"at the same time, while I was trying to get Col. Disque to adopt this hard surface road"—he had some proposition up there, I think, that he was trying to get through—

Mr. DISQUE. He wanted a concrete road built across the county.

Mr. FREAR. Yes; he had something else. I am merely speaking just of the railroad as built.

Mr. DISQUE. Yes.

Mr. FREAR. He says, "I was trying to get Col. Disque to adopt this hard-surface road. Mr. Cain and his associates were trying to get

them to adopt their railroad and logging proposal; the Milwaukee was also trying to get the Government to advance them \$2,500,000 for 10 years without interest, or to take their bonds at 85 cents on the dollar, to extend their line from a point between Twin and Deep Creek by way of Pysht Pass to Lake Pleasant and the Hoh." That is referring to the Hoh River, and the timber was north and west of Lake Pleasant—this big timber tract they were trying to enter.

Mr. DISQUE. Most of it west and south.

Mr. FREAR. Most of it west and north is the testimony before the committee.

Mr. DISQUE. Well, that is all right.

Mr. FREAR. I am giving the testimony before the committee. Unless you have a better knowledge from your own experience, of course—

Mr. DISQUE. I will give you the district forester's report in a moment.

Mr. FREAR. We had the cruises that were given there; that is, the men who were familiar with it, and they made that statement. [Reading:]

The Milwaukee was pretty certain that they were going to get that contract, because they kept announcements going through the newspapers, every week or two, that they expected to start construction immediately, on the strength of a railroad contract being awarded to them by the Government. They were absolutely cocksure of that. Col. Disque had recommended that the Milwaukee be loaned this money, without interest, and the skids seemed all greased for a Milwaukee killing. Mr. Cain was very much discouraged, feeling that the Milwaukee had finally botten the upper hand, but his associate, Franklin Helm, who was the chief promoter of the Port Angeles & Grays Harbor Railroad—

that is the road that they had named—

was in New York and hooked up with Pliny Fisk, of the banking house of Harvey, Fisk & Sons, of New York, and were working very hard to secure the contract, but things were not going well. And, finally, out of a clear sky, came the announcement that the award had been made—in the first place they were working with Rogers, Brown & Bro., railroad contractors. The Milwaukee had sufficient strength to see to it that Rogers & Brown were not accessible to the Government as railroad contractors, which was one of the biggest firms in the country and very successful.

Telegrams were introduced as affecting that, up in Seattle. [Continuing reading:]

So, in all the negotiations with Helm and the Cain and Lindsay and Aston crowd, Rogers & Brown, up to a certain point, had been their railroad contractors; they were going to be put in charge of this work. I saw the original telegram that came to Mr. Cain, ordering him to substitute the Siems-Carey first, and, later, to add H. S. Kerbaugh to the contract, just then being formed at Portland, in connection with an attorney named Edwards, who was, he said to Col. Disque, in a logging contract which Col. Disque made Mr. Cain believe he was on the point of signing. So Siems-Carey-Kerbaugh were substituted for Brown. Neither Cain nor I understood why that was done at that time, but later, after the contract had been awarded and Siems-Carey had \$6,000,000 placed to their credit by the Government on a blanket mortgage that covered nothing, because they didn't have anything, the whole story came out to me, through Mr. Cain, which he obtained through his associate, Franklin Helm, as to how the miracle had been worked.

Now, the Milwaukee had absolutely the call on this contract up to a given point. It seemed that in earlier days the banking house of Harvey, Fisk & Sons, of New York, had financed Secretary William McAdoo, of the Treasury, in building the tunnels under the Hudson River—a very disastrous venture for Mr. McAdoo; it broke him, and almost broke the house of Harvey, Fisk

& Sons; they got through by the skin of their teeth—but that established a friendship between Fisks, and particularly Pliny Fisk, who was an active member at that time, and McAdoo, that was never ended and is not ended to this day.

When the life of the Port Angeles & Grays Harbor Railroad proposition, both railroad and logging, was in the balance, and Fisk had made up his mind they were licked, he went to Secretary of the Treasury McAdoo, who was Director General of the Railroad Administration, and said to him, "Bill, I am vitally interested in securing a railroad contract in the Northwest for getting out airplane spruce for the Government. We have got the spruce, we have got the surveys, we are ready to build this road if we can get the Government's approval and get this logging contract. Now, I have simply got to have it. The skids were greased for the Milwaukee to get this contract, and I can't get a look-in without your intervention. You and I have fought and played and died together, been resurrected together, gone through hell's fire together, and you have got to come to the front and help me get this contract for my company."

Mr. FREAR. That is, Fisk said this to—

Mr. CARRIGAN. Pliny Fisk said this to Secretary of the Treasury McAdoo, who was also Director General of the Railroad Administration. And he made this last appeal, which is the only prop he had to lean upon, because up to that moment the Milwaukee had triumphed in all their negotiations, and they were relying upon John D. Ryan to turn the tide in their favor; Ryan, I think, being a director of the road and the man who electrified the Milwaukee road through the State of Montana for the Milwaukee, and that was the big influence which they were counting upon, which I gathered from various intimate and Milwaukee sources, to secure them this contract. Then Fisk played his trump card, went to McAdoo and got McAdoo's active intervention, and it was on McAdoo's orders, or suggestion, however you choose to put it, that the contract was given to Siems-Carey-Kerbaugh for this logging operation on the Olympic Peninsula.

Mr. FREAR. Now, McAdoo had determined that the Milwaukee should not extend their line; he had done that by an order. I don't know whether you know that or not.

Mr. CARRIGAN. Yes. That was all a part of this negotiation; it didn't happen in a minute.

Mr. FREAR. No.

Mr. CARRIGAN. But, Mr. Chairman, the Milwaukee had a great deal of influence in this deal.

Mr. FREAR. Yes.

Mr. CARRIGAN. They felt that that was their territory, and they have resented, at all times, anybody else going in and opening up that splendid territory of the finest timber standing in America to-day. They have fought every effort to get in there, and so have the loggers of this State, generally speaking. The Northwestern Lumbermen's Association, they have all been opposed to opening up that territory; they have kept it on the reserve list; they have opposed anybody getting in there to make that timber available to the market; they have opposed the building of mills. That is why they were all unanimous in condemning the building of the mill at Port Angeles.

Now, it comes back to this: The Milwaukee was working hand in hand with the Northwest lumbermen, as far as killing the mill at Angeles was concerned. But they had a strong drag with the administration; they had a strong drag with Col. Disque; they had his approval of their scheme, but when the final solution came—the proposition of Mr. Aston, Mr. Helm, and Mr. Cain was to build from Port Angeles by way of the Elwah River, Lake Sutherland, and the south shore of Lake Crescent to Fairholm and thence down the Sol Duc River to Lake Pleasant and thence on to the Hoh River, with spurs up to the headwaters of the Hoh, and dragging in through all the valleys the stuff to the main line.

Mr. FREAR. And, as he says, that was for the continuation of the line down to Gray's Harbor?

Mr. CARRIGAN. Yes. They later expected to sell this road to the Northern Pacific, which ran to Moelips, so that it would give two lines, competing lines, through the Olympic Peninsula, and open up that vast territory. That was our plan.

Now, the Milwaukee having the strength it had, when McAdoo got into the game he thought it advisable to make a compromise, not permitting the Mil-

waukee to build westward, not permitting the new line to go into Port Angeles and compete with the Milwaukee, but to make a compromise by swinging the road around the north shore of Lake Crescent to Joyce, which is about 3 miles from the lake, and tie in the Government railroad No. 1—

That is No. 1, I think, in your list here?

Mr. DISQUE. Yes.

Mr. FREAR (continuing reading):

to the Milwaukee system at Joyce, the idea being that when the war was over and this emergency had ended, the Milwaukee would have not only a line with a physical connection with the Government railroad, and presumably the only line, too, but that road would be valuable. That was done on this theory: It is 20 miles from Port Angeles to Joyce, so, in round numbers, it will be 20 miles from Port Angeles to a common point on the lake equivalent to the point at Joyce. With railroad building material being scarce, labor being scarce, what was the sense in building an independent 20 miles of road when there is 20 miles of existing road to which this Government road could be tied in at Joyce? And on that theory the independent line to Port Angeles was eliminated and the physical tie made with the Milwaukee at Joyce.

On the further theory that half a loaf was better than no bread: If the Milwaukee could not get the Government money and could not get its line extended with Government aid, and the other fellows having to take the contract, needing the money possibly, the Milwaukee would be the final winner in having the Sol Duc territory opened up at Government expense, tied into their line to the westward at Joyce. So that the line was useless to anybody else, and that is the compromise that was made, and that is exactly how it was made, Mr. Chairman, from the intimate narration of all the inside facts obtained direct from Mr. Cain, and I have seen the correspondence; I have read the original telegrams; I have read their contracts, and I know the facts around about all these different negotiations that you haven't time to listen to now.

This statement was accompanied by the situation presented to the committee, that a logging road was built from Joyce to Lake Pleasant, around the north side of Lake Crescent, 36 miles in length, as you have stated, making approximately a 56-mile haul for logs from the Lake Crescent district to Port Angeles, the only means of reaching the water—

Mr. DISQUE. From Lake Pleasant, you mean.

Mr. FREAR. From Lake Pleasant to Port Angeles; yes. Whereas testimony has occurred that it could have been dumped into the water by a 14 or 15 mile railroad, built at one-eighth the cost, from Clallam Bay; and had they followed the Milwaukee extension that was proposed here, from Pysht Creek, or through Pysht Creek, there would have been all the road that had been constructed from Joyce up to Twin that could have been utilized at that time.

Here is a haul of about 3 or 4 times the length that would have been required—over 3 times that would have been required from Clallam Bay, without any logs, practically, being reached, and timber being reached, from Port Angeles to Lake Pleasant, because the large body of timber, you say, was a little south of Lake Pleasant; the people that we have had before us say a little north of Lake Pleasant, but all agree that it was west.

Mr. DISQUE. No; I said west and south.

Mr. FREAR. Yes; west and south.

Mr. DISQUE. There is some north.

Mr. FREAR. You all agree it was west.

Mr. DISQUE. I don't deny that there is timber north of Lake Pleasant at all.

Mr. FREAR. And there was timber on the road along the Deep Creek line, as you have stated in your telegram, as you have stated

in your letter to the Secretary of War, and as he states in his letter to the superintendent of Aircraft Production, as late as April 24.

Mr. DISQUE. Yes.

Mr. FREAR. That was the situation, and the road was built around the other way, at a cost of approximately \$115,000 a mile. Let me say that there was a slide taken out near Lake Crescent, just ahead of us, I think about a week or so, and there are two tunnels on that road, and I believe large cuts—must have been to have had that enormous cost for construction.

Now, what is your explanation of that?

Mr. DISQUE. Well, may I ask you, Mr. Chairman, is that all the evidence there is in the record of an intimated collusion with undue influence?

Mr. FREAR. That has nothing to do with the situation of this investigating committee. You are said to have decided where the road should go.

Mr. DISQUE. Yes, sir.

Mr. FREAR. We ask you, as a committee, what was your reason, what did you do?

Mr. DISQUE. I made that decision, and I am going to, I think, satisfy you that I had good reasons to do it.

Mr. FREAR. That is what we want.

Mr. DISQUE. But the great big thing back of all this is that that fellow talked for 15 minutes there, in a way that we would not have been allowed to say one word in court, and he created an impression that there was undue influence exerted to favor the Milwaukee Railroad. That is what his whole testimony leads up to.

Mr. FREAR. We are asking you what your explanation is, not what your judgment of this investigation is.

Mr. DISQUE. I want to make it clear to the committee—

Mr. FREAR. We can form our own judgment of the value of his testimony.

Mr. DISQUE. I want to know how to go at it.

Mr. FREAR. Explain why you determined upon this after you had wired and written the Secretary of War, inside of 30 days before this contract was let; advise the committee why, notwithstanding the Secretary of War had approved this route along the Strait—why you overruled that, why you changed the route?

Mr. DISQUE. Of course, the Secretary of War approved that route because I had recommended it, but when this contract was made—

Mr. MAGEE. The Secretary of War approved which route?

Mr. DISQUE. From Deep Creek up the Pysht River; he merely approved that as a matter of routine, because that is the route we suggested; but in the contract that was made to build the railroad, which he approved, it is definitely provided, I think, that the route shall be designated after we came back here. I know that is in a memorandum drawn at the time that that contract was made.

Mr. MAGEE. It did not define any particular route.

Mr. DISQUE. I don't think so.

Mr. MAGEE. Not as I understand it.

Mr. DISQUE. I have a memorandum drawn when that contract was made, which says—

Mr. FREAR. Here it is. I can read from article 1. It says:

The contractor, if requested in writing within 20 days from the date hereof by the officer in charge of the Spruce Production Division of the Signal Corps of the Army, hereinafter referred to as the officer in charge, shall survey and construct or cause to be surveyed and constructed for the Government, within six months after receipt of such request, a standard gauge railroad from a point on the line of the Chicago, Milwaukee & St. Paul Railroad Co.'s railroad in the State of Washington, to be determined by agreement between the parties, to the contractor's mill site to be constructed at or near Lake Pleasant in said State, together with all telegraph lines, sidetracks, terminals, and other facilities, exclusive of rolling stock, of whatever nature shall prove to be necessary or desirable. Said railroad shall be constructed according to a survey and according to plans and specifications submitted to and approved by the officer in charge.

Who was the officer in charge?

Mr. DISQUE. Well, that would be me, I expect, in this case. Probably intended that way.

Now, in order to give you this clearly I want to go back a little ways and bring this Clallam situation right through the various stages that we passed through, because we did change our mind, and were rather proud that we did; and we feel that any man, in war times or in business or in any other place, has got to change his mind to meet changing conditions.

It was almost immediately upon the opening of our office that we began to get recommendations about this Clallam spruce. We didn't know where spruce was at that time. We immediately began to get in touch and make our surveys, and we had a large number of recommendations, telling us how to develop that timber in Clallam County. There were any number of people who wanted contracts to go in there. Most of them wanted the Government to do everything connected with it, just guarantee them a profit. We had though presented among all these routes three possible ways that you have described, and we were not interested vitally at that time, because as time went on we thought that there was no doubt that we could get our 1918 requirements without tapping that timber, but it was felt that we needed the timber for 1919. It was these three routes that were—or three means of opening that timber suggested, were, as you say, up the Hoko and into Clallam Bay, through the Goodyear Logging Co.'s properties; the other one extending the Milwaukee to Lake Pleasant; and the other suggested around the south shore of Lake Crescent.

Now, I went through a process of elimination there that any business man would go through, I think, and I, by consulting with honest and able men here, formed my conclusions as our minds met, on these different points, and it appeared to us that the Clallam Bay and Hoko River proposition was not the one to take. Now, this method involved towing rafts from Clallam Bay through the Straits to the Sound, to the various mills, also called for a railway operation that did not seem to be a practical one, in light of the volume that we contemplated bringing over it. We interviewed steamboat captains, tug captains, sawmill men, of years experience on the Sound, made a thorough investigation regarding the towing possibilities and the booming grounds at Clallam Bay, which are very very small. We came to the conclusion that that would not

be a regular operation, it would be interrupted at times for two and three weeks possibly, and we based that on good information. And I would like to—I have read this report, and this witness that you had on the stand, he seems to have created an impression regarding the reasons for changing routes—I want to read what he had to say to the committee regarding towing from Clallam Bay.

Mr. FREAR. That is, you mean Carrigan?

Mr. DISQUE. Yes, sir. (Reading:)

Mr. FREAR. And they never lost a raft in the history of their business; that is Mr. Lightner's sworn statement.

Mr. CARRIGAN. I have seen the beach from Clallam Bay to Port Angeles absolutely strewn with logs.

Mr. FREAR. Whose logs were they?

Mr. CARRIGAN. I would not say from what company.

Mr. FREAR. That is his company, and only three rafts were ever broken in the Merrill & Ring Co., that is from Pysht; that is all the testimony before us.

Mr. CARRIGAN. Then I will say that God was good to Merrill & Ring and Mr. Lightner. I have known those Straits for 30 years, and I have seen, I was going to say, hundreds of tows, and I have seen lots of tows go to pieces.

* * * * *

Mr. CARRIGAN. That is not fair. You would never, as a sensible man, put your reliance on bringing that timber from Clallam Bay and running the risk of the sea.

Later on Mr. Lee asked:

Mr. LEA. About Clallam Bay, what shipping facilities are there now?

Mr. CARRIGAN. Not a damn thing.

Mr. LEA. There is no way of shipping in there for railroad construction?

Mr. CARRIGAN. The dock is here [indicating on map], and I have been there when we could not land at all; we had to throw the mail sack off and take a chance of its landing in the sea, which it frequently did, and time after time I have not been able to land from the steamer at Clallam Bay. There is a westerly swell that comes in from the Pacific that bangs in there to beat the band. There is nothing there but a little jerk-water town. There is a chance for some protection over on the west side, but very small. It is not a fine commercial harbor like that at Port Angeles.

Mr. LEA. On the question of towing, you have seen a good deal of those conditions there?

Mr. CARRIGAN. I have seen them doing the skirt dance when ot a thing but a float would live, and they do not go out in that kind of weather. If they tell you they have gone out there they have done it because they have picked their weather. There are weather stations all along the way, and they go over the chart when the weather is threatening, and they can tell 48 hours ahead about the weather, and they do not start out with a tow; they stay ashore, and they pick the weather and get through. Michael Earles told me himself he had lost enough timber logs towing between Port Crescent, which is a very much shorter and simpler tow, only about 14 miles. He had a big logging camp at Port Crescent; the Puget Sound Mills Co. had a big lumber camp at Port Crescent; that was before the Milwaukee got through, and then they abandoned towing from Port Crescent, 14 miles away. They had their big mill at the head of the bay, but it was so risky and the loss so great that the Puget Sound Mills, which is the Charles Nelson Co. now., absolutely abandoned logging from all this country by tow and are putting the logs on the railroad to-day and have been doing so ever since the road got through.

Later another witness of the committee's, Mr. Chisholm, whose testimony summarizes as follows:

We do not operate steadily. We have to wait a good deal. You might lay up two weeks. It takes a raft from three to four days to two weeks to reach the mills.

Furthermore, on December 29—

Mr. FREAR (interrupting). Now, he is testifying? Is he testifying?

Mr. DISQUE. No, sir; I am.

Mr. FREAR. Now, let me just suggest something right here: Is it agreed that the Goodyear Lumber Co. has been rafting there, has been rafting at Clallam Bay for several years, I don't know how long, carrying in the neighborhood of—I have forgotten—a large number, a great many millions of logs, several years, and that they never lost a raft? Is there any question about that, so far as you know?

Mr. DISQUE. I don't know a thing about that.

Mr. FREAR. No. Is there any question about the fact that Ring, Merrill & Ring, some of the largest operators on the Pacific coast, were engaged in working at—let's see—Pysht Creek; the mouth of Pysht Creek?

Mr. DISQUE. Yes.

Mr. FREAR. They rafted there for all of their cut for a number of years, reaching 100,000,000 feet, I think, a year, and that in all that time they have only had three tows broken and one of those was a large loss; the other two—that is, they were largely scattered, and the other two only slightly? Is there any question about that? That is the testimony of Mr. Lightner.

Mr. DISQUE. I don't know the facts about that at all.

Mr. FREAR. Now those are the cases that were presented to the committee, and of course the tide, low and high tide, would have some effect, unless there was dredging, at any harbor of that kind, like Yaquina Bay, or any other place you choose to find, would it not? I just ask if that would not be necessary? You would have to dredge at Yaquina Bay, wouldn't you, if you were going to tow there?

Mr. DISQUE. I don't think we contemplated any dredging there.

Mr. FREAR. You don't. Well, would you contemplate towing there from 10 to 14 miles?

Mr. DISQUE. In a land-locked harbor.

Mr. FREAR. Oh, yes; a land-locked harbor, but the question of towing as a method of bringing the logs up was one of the considerations.

Mr. DISQUE. The point I am making is this: They may have taken rafts from Merrill & Ring's and Goodyear's for a century.

Mr. FREAR. Yes.

Mr. DISQUE. If they quit working whenever the sea got rough, which it does, according to our information, at very frequent periods and for long periods of time.

Mr. FREAR. Mr. Lightner's testimony was contrary to that.

Mr. DISQUE. Yes. I have been reading here—

Mr. FREAR (interrupting). Yes; you just read one case in which Chisholm said it was rough at times. We remember the testimony as it came before us. Now, if you were going to ship in a large consignment of logs, as you proposed over this railroad as built to Port Angeles, there would have been a necessity of other mills being called upon to cut some of those logs, wouldn't there?

Mr. DISQUE. There was no necessity, but it was agreed—

Mr. FREAR (interrupting). If you were going to get a quick cut, it was?

Mr. DISQUE. It was agreed we were going to do that.

Mr. FREAR. Then you would have had to have rafted from Port Angeles?

Mr. DISQUE. That is an entirely different problem. You can get from Port Angeles around the dangerous point at one tide, and on one tide there is very little probability of a sea coming up sufficiently dangerous to break up a raft, which is a different proposition.

Mr. FREAR. The statement as an expert made by you does not agree with that of a number of these people who towed, who said the great trouble of all the towage and the only point which was serious was near Port Townsend. That was way beyond Port Angeles.

Mr. DISQUE. Did they say they could not go around there?

Mr. FREAR. Oh no. They always did go around without losing a raft.

Mr. DISQUE. Well, I would——

Mr. FREAR (interrupting). That is all. I just wanted to find out about that.

Mr. DISQUE. I would like to have the committee call the following men, who knew about this thing; that is, E. S. Geirin——

Mr. FREAR (interrupting). Well, these men were shipping. They owned all the timber, they owned the logs; they were shipping over there constantly. They know as much about it as anyone else there was.

Mr. DISQUE. Mr. Chairman, you are talking about men who had an ax to grind, and I am going to show the ax before I get through.

Mr. FREAR. Is there any questioning that they towed without losing a raft? Do you agree to that?

Mr. DISQUE. I will accept that; but I say if they did, they didn't tow when the weather was rough.

Mr. FREAR. They said it was with practically very little interruption. That was Lightner's testimony.

Mr. DISQUE. Then, let's take the Federal Weather Bureau's reports. that is available.

Mr. FREAR. Yes; let's take it at the same time we take the slides on the railroad you built that interrupted all traffic.

Mr. DISQUE. That slide, according to engineers who have seen it, would have interrupted traffic probably 24 hours, and it is the only slide that occurred on the railroad; that is, of any importance.

Mr. FREAR. Then, let's take the bridges that washed out on your construction.

Mr. DISQUE. There were no bridges washed out. There was a false structure washed out. There wasn't a bridge washed out. It is perfectly reasonable to expect a freshet would come along and take out a false bridge, but after the bridge was constructed it was never interrupted.

Mr. FREAR. It may not have been, but we saw the slides down below Yaquina, where the road slid down 20 feet. There were very serious chances on the railroad as well as any other system. What I mean to say is, and I am not questioning but what possibilities may occur of weather, and all other interruptions, but all those means

of communication, of logging, are subject to conditions that may occur.

Mr. MAGEE. Why, the evidence shows it has been a feasible means of transportation from time immemorial.

Mr. DISQUE. Been a what?

Mr. MAGEE. A feasible means of transportation from time immemorial.

Mr. DISQUE. Well, time immemorial. We need something more than that. We need an absolute regular means that can not be interfered with; and that Sound up there and straits is interfered with frequently, and nobody has said that it was not; and every man who has told you about the logs he has towed has dodged the question of how many days and weeks he has failed to send a tow out.

Mr. FREAR. Oh, no; not dodged them. They answered squarely.

Mr. DISQUE. No.

Mr. FREAR. They were very honest witnesses; men like Lightner, never questioned, and he is a highly reputable man.

Mr. DISQUE. Well, it won't expedite it to bring that out, but I have read the testimony.

Mr. FREAR. But when you say witnesses were dodging questions, you see, that is rather serious.

Mr. DISQUE. Well, the point came up once or twice, and they said, "Well, we"—

Mr. FREAR (interrupting). Oh, you mean in your conferences?

Mr. DISQUE. No; I mean in your evidence.

Mr. FREAR. Oh, in our evidence.

Mr. DISQUE. And he said, "Well, we didn't operate occasionally," or something like that. They know darned well they didn't send tows out whenever that weather was rough. Let's bring them back and ask them the question. He said—

Mr. FREAR (interrupting). That would be true, if the weather was rough.

Mr. DISQUE. Let's ask them how many days it was rough.

Mr. FREAR. If that is material I am willing to send for them.

Mr. LEA. Why not let us go ahead with the facts.

Mr. FREAR. I think it is rather serious, questioning the accuracy of witnesses.

Mr. DISQUE. I didn't have any idea of building the road at that time. This was back in a period in December the 29th. Mr. Earles, who is a man I think recognized up there as a wide experienced man in logging and mill. He was in my office—

Mr. FREAR (interrupting). Who is Earles?

Mr. DISQUE. Michael Earles. He was the man who ran that Puget Sound Mills and Logging Co. He was in my office and my diary shows—

Mr. FREAR (interrupting). That is, he is from Port Angeles?

Mr. DISQUE (continuing). On December 29, that he said, "You could not count on a continuous operation at all there, and you could not consider moving rafts from that Clallam Bay in any big or continuous operation." Now in addition to that I had filed with me the report of the District Forester—

Mr. FREAR (interrupting). Just let me ask you as you pass by, Mr. Earles was from Port Angeles, and they wanted to get the haul;

they wanted to get the cut there; they wanted to get the mill established; everything led them to desire to have it placed there.

Mr. DISQUE. Exactly.

Mr. FREAR. When you speak of influences on men.

Mr. DISQUE. There are influences all around. You can hardly get anybody who is not.

Mr. FREAR. Of course your recognized that and accepted that as one of the conditions.

Mr. DISQUE. Then the officials of the Federal Forestry Service had advised me that we would have to develop the timber by a railway, if we established a large production. Even though we should decide to develop the Hoko as a temporary measure to provide an immediate increase in production. And I have here the report of Mr. George H. Cecil, district forester.

Mr. FREAR. The Committee has read it, yes.

Mr. DISQUE. And Mr. Nelson's report on the Clallam Bay, in which it says, page 4, "Rough weather at times makes it impossible to make up rafts or tow them to the mills." Now another thing that was in my mind then, I think a reasonable question, that by developing up the Hoko you are concentrating our development largely on the property of the Goodyear Logging Co. A lot of other people owned timber there.

Mr. FREAR. Well, through the Milwaukee lands as well—through the Weyerhaeuser's land as well?

Mr. DISQUE. Well, the outlet was Goodyear, and these other fellows would be at the mercy of the Goodyear Logging Co.

Mr. FREAR. Oh, no; you could commandeer.

Mr. DISQUE. Well, we didn't commandeer.

Mr. FREAR. You could have done so just as well as you did the Blodgett tract.

Mr. DISQUE. Well, after the war was over, I am thinking now, it would have been a very unfortunate, unfair advantage for anybody.

Mr. MAGEE. Now there is the point. Were you building for the future, General, or were you constructing for the emergency of war?

Mr. DISQUE. We were building for that emergency, but always trying, and sensibly so, to do it in the best way, considering everything.

Mr. MAGEE. Well, you were meeting the emergency of war?

Mr. DISQUE. Yes.

Mr. MAGEE. Now, in my own mind, I would like to know whether you were acting to meet that emergency of war?

Mr. DISQUE. Why, exactly.

Mr. MAGEE. Whether that was the sole consideration, as the basis of your action?

Mr. DISQUE. That is the thing that inspired every move we made.

Mr. MAGEE. Well, do you say that is the sole consideration of the basis of your action?

Mr. DISQUE. That is not a fair question.

Mr. MAGEE. Well, do you refuse to answer it?

Mr. DISQUE. Any man at any time never has only one sole consideration for any act.

Mr. MAGEE. No; I have asked a proper question. You can answer that question yes or no, General.

Mr. DISQUE. Why, I considered everything. I properly did.

Mr. MAGEE. No; just answer the question yes or no. I don't care how you may answer it.

Mr. DISQUE. I won't answer it yes or no.

Mr. MAGEE. Well, then, you refuse, as we understand it?

Mr. DISQUE. Yes, sir; it is not a fair question. It does not bring out the fact.

Mr. MAGEE. Well, now, I accept to the general's statement that that is not a fair question, and we are here as an investigating committee, and I think that when I ask you, as an emergency of war, whether or not your decision was based upon the sole consideration of the best interests of your country in the emergency of war, that is a fair question, and I am entitled to a fair answer.

Mr. DISQUE. I will say that the requirements of the country at that time—

Mr. MAGEE (interrupting). No; if you can't answer it yes or no—

Mr. DISQUE (continuing). Were the only thing that moved me.

Mr. MAGEE. I ask that this be stricken out. If you don't want to answer that question, you don't have to.

Mr. DISQUE. Well.

Mr. MAGEE. That ends it, if you don't want to answer it.

Mr. DISQUE. Well, the answer is that nothing but the war emergency did stand as my motive.

Mr. MAGEE. Well, then, you answer the question, but you answer it differently from what you answered it before.

Mr. DISQUE. But I still say that I considered many things in doing that.

Mr. MAGEE. Well, I say you have answered the question; that ends that.

Mr. DISQUE. Now, you folks want to know why I didn't build up the Hoko.

Mr. FREAR. We want to know why you selected, rather, the route you did.

Mr. DISQUE. The route we did select?

Mr. FREAR. Yes.

Mr. DISQUE. But I have got to eliminate in order to cover that.

Mr. FREAR. That is all right.

Mr. DISQUE. Here was a logging company with a large capital, as I understood, logging in their own territory, had an operation under way.

Mr. FREAR. That is, you are referring to Goodyears?

Mr. DISQUE. Goodyear Co. The indications were that they would have liked to have had control of that situation over there by the Government building a railroad through their property; but they were operating—they were in spruce. The Government had contracts at that time with practically 100 mills to take all the spruce aircraft lumber that they would produce. These contracts were made separately, so that the mills could in turn contract and guarantee loggers the best price that had ever been paid for spruce logs. There is no reason on earth why the Goodyear people could not have developed all their own property to its fullest limit. There was a good financial proposition for them. There was a good

patriotic thing for them to do, and, as an officer of the Government, I had a right to expect they would do the best they could to develop their own property. And in view of the entirely adverse recommendation from everybody that talked to me about it, against the possibility of moving towns out of Clallam Bay, I gave that route up in my mind as one that we would be interested in for developing the great, big stand west and south and north of Lake Pleasant.

Mr. FREAR. Well, let's see if we understand each other. The Pleasant Lake stand of timber, which was the great timber that you were trying to reach, was within about 15 miles of Clallam Bay—14 to 15 is the testimony?

Mr. DISQUE. That was the edge of it.

Mr. FREAR. Yes.

Mr. DISQUE. You could go on 25 miles to get through it.

Mr. FREAR. Oh, that is true of Pleasant Lake. You were not at the edge of it when you reached Pleasant Lake?

Mr. DISQUE. No.

Mr. FREAR. You had to go on to get to the timber; that was the edge, but you were reaching timber all the way along.

Mr. DISQUE. No; not the kind that we wanted exactly.

Mr. FREAR. Well, you had never seen the timber, had you?

Mr. DISQUE. Well, I have very complete reports from my—

Mr. FREAR (interrupting). Oh, yes. They were getting spruce there, as you say, that they could have cut on their lands then for the benefit of the Government.

Mr. DISQUE. Exactly.

Mr. FREAR. Then it was spruce you could reach?

Mr. DISQUE. Exactly.

Mr. FREAR. Now, they only had a limited capital. They had gone about 5 or 6 miles. This was a proposition that would cost from \$300,000 to \$500,000 to build in time of war, as they have stated, or about one-eighth of the cost of the road as built. Now, you didn't offer them any cost-plus contract, did you? You didn't give them any conditions like were given Siems-Carey Kerbaugh Co.? I ask that. They were reputable loggers; they were people that were able to handle the matter. Now you are questioning their patriotism, as I understand.

Mr. MAGEE. Let him answer.

Mr. FREAR. I ask whether you offered them a cost-plus contract.

Mr. DISQUE. I did not. Neither did I offer Siems-Carey a cost-plus contract to produce fitches or spruce lumber.

Mr. FREAR. Or railway?

Mr. DISQUE. The railway was a cost-plus contract.

Mr. FREAR. Of course it was. Well, that is the point. They could have gotten in there just as well as Siems-Carey-Kerbaugh, if you had given them a cost-plus contract. All they needed was \$300,000 to \$500,000, where you gave Siems-Carey-Kerbaugh about \$4,000,000.

Mr. DISQUE. But, Mr. Chairman, I say I eliminated that as a proper way to develop that spruce.

Mr. FREAR. Yes; but the reason you gave was questioning the patriotism, and so on, as I understand.

Mr. DISQUE. No. One of the reasons for eliminating it was I had a right to think and believe that they would do all that could be done in their own timber.

Mr. FREAR. But they could not reach on to the Pleasant Lake. They didn't have the funds.

Mr. DISQUE. They were not interested in that. There was no reason why I should give them a contract to log something they didn't own.

Mr. FREAR. That is what you did with Siems-Carey-Kerbaugh.

Mr. DISQUE. Siems-Carey-Kerbaugh came to me. I didn't come to them.

Mr. FREAR. Well, that is all right. Go on.

Mr. DISQUE. I didn't offer Siems-Carey anything. I want that clearly stated in the record.

Mr. FREAR. All right.

Mr. DISQUE. I never made an offer to Siems-Carey.

Mr. FREAR. I don't know that you ever did. Let me say we are just trying to find out what the facts are.

Mr. DISQUE. Well, that is the truth, and that is the fact.

Mr. FREAR. Now, we will go on. We have passed over the Clallam Bay proposition.

Mr. DISQUE. Now, I just have some notes here to refresh my mind. It has been six months since I left this operation.

Mr. FREAR. That is all right. You may refer to them. That is, don't read the notes.

Mr. DISQUE. No.

Mr. FREAR. But use them for reference purposes, if you desire.

Mr. DISQUE. No; I won't read them. Now, of course, as you said, the citizens up there wanted a concrete road built across the country, which was a very laudable proposition from the standpoint of the local community, but we didn't consider it the way to get spruce out. Then, there was this company wanted us to go around the south side of the lake. At that time—

Mr. FREAR (interrupting). That is, that Port Angeles company?

Mr. DISQUE. The Port Angeles and Grays Harbor, I think is the name of it. The point I would like for you to see right there is this: I looked over this map and talked with lots of people. Then I went and saw Mr. Earling, the vice president of the Milwaukee, in charge of this end of their road, and discussed with him the—

Mr. FREAR (interrupting). When was this?

Mr. DISQUE. Oh, it started in December.

Mr. FREAR. Oh, December, 1917?

Mr. DISQUE. Yes, sir.

Mr. FREAR. Yes.

Mr. DISQUE. And it culminated with his letter to me of February 26.

Mr. FREAR. 1918?

Mr. DISQUE. 1918. At least this was one of the critical points in our negotiations. He says, "Since receiving your"—this is a letter from Mr. H. B. Earling, vice president of the Chicago, Milwaukee & St. Paul Railway, dated en route, Seattle, February 26, 1918, addressed to Col. Brice P. Disque, Portland:

Since receiving your letter of January 28 I have conferred with our people in Chicago regarding the question of extension of the line on the Olympic Peninsula. Now, that the Government has taken charge of the operation of railroads, which includes also the financing, we are of the opinion that the matter should

be brought to the attention of Director General McAdoo by your department, and particularly as we understand the Director General has in mind a plan contemplating just such situation as the one which exists on the peninsula.

The rest refers to a map that he sent me, which is not important. Now, I might say there that this was the last communication that I had from Mr. Earling, when it seemed possible for the Milwaukee to extend their line from Deep Creek on up the Pysht.

Mr. FREAR. Of course, you know they were refused permission by the railroad administrator?

Mr. DISQUE. Yes, sir.

Mr. FREAR. I guess that was subsequent, wasn't it? Or do you know?

Mr. DISQUE. That was subsequent to this.

Mr. FREAR. Yes.

Mr. DISQUE. I will come to that and show you why.

Mr. FREAR. All right.

Mr. DISQUE. I had been trying to get the Milwaukee to extend their own line from Pysht up to Lake Pleasant. It never occurred to me that we would be responsible or would have to take the responsibility of getting the rail facilities in there. Here was a trans-continental line bang up against the thing almost, only 25 miles, and they were going up there anyway some day, and I tried for two, about three months, it appears here, to get them to do it.

Mr. FREAR. Have you got your correspondence there that shows where you were trying to do it?

Mr. DISQUE. It is not all here. It is in my file, available.

Mr. FREAR. That is, you mean the files here?

Mr. DISQUE. Right here in Portland.

Mr. FREAR. Yes.

Mr. DISQUE. And I went to Seattle, had conferences there with Mr. Earling. He came down here. We were trying to get together on some kind of a basis that the Milwaukee would be justified in doing in a year what had been planned out for the next ten years.

Mr. FREAR. That is, you mean to say ten years in advance of when they went down?

Mr. DISQUE. They were going ahead about three miles a year. They expected to get to Lake Pleasant, I don't know when, but maybe eight or ten years from that date.

Mr. FREAR. They had a line surveyed way down to Forks, or way down—

Mr. DISQUE (interrupting). Why, they had it surveyed clear down in Grays Harbor.

Mr. FREAR. Yes; they had it surveyed down to Grays Harbor; then they desired to get down to Grays Harbor?

Mr. DISQUE. Yes; I suppose they did.

Mr. FREAR. Just as the Northern Pacific were trying to get out.

Mr. DISQUE. Just as they were trying to get out.

Mr. FREAR. Yes.

Mr. DISQUE. Now, this talk with Mr. Earling finally resulted in him going East, and this letter was written on his return. He went back to see if his director could not agree with him, or his president, or the executive committee, or whoever he may be, I don't know who he met in Chicago, but his letter says he consulted with his officers, and the proposition that I had finally made to him, which was not

accepted by him but which I thought was a fair one to the railroad and the Government, and which I felt would be acceptable finally to the railroad, was put up to him just before he went East, and that proposition was this, in a few words.

Mr. FREAR. That is in correspondence, is it?

Mr. DISQUE. Oh, yes.

Mr. FREAR. I just asked to have the letters brought, but you go right ahead and testify.

Mr. DISQUE. I will read a telegram here containing it, in a moment.

Mr. FREAR. Oh, yes; go ahead.

Mr. DISQUE. It was to the effect, and this was in January or February, 1918, that I felt that it would be fair, since the railroad could not finance this thing and I had learned that they would not do it, that the War Department should finance it and build it with a contract with the railway that it would be taken over by them at the conclusion of the war and they were to pay back to the Government its cost price less 10 per cent at the end of 10 years' time.

Mr. FREAR. That is, the Milwaukee would take it over at the close of the war?

Mr. DISQUE. They would take it over and pay the cost of it less 10 per cent at the end of 10 years' time; and that was done to amortize what we thought was the excessive cost. I don't know whether they would have accepted that finally or not, but before they got a chance the director general took more active control and the negotiations drifted from Earling and our office to Washington. The Milwaukee refused to go to the director general or participate. They were not keen about it, but they were willing to have it done if the director general should so instruct. Then our telegrams were taken up with Washington, and that is best evidenced by one sent to Mr. Howard Coffin, Director of Aircraft Production, on March 6. The first part of this telegram refers to this Walston H. Brown Co. that has been mentioned in the record. I don't know who they are. I don't know who Pliny Fisk is, or any of those folks. I have never seen them in my life. And this fellow here—here is the date, sent from my office March 6, 1918 [reading]:

HOWARD COFFIN,

Munsey Building, Washington, D. C.:

Walston H. Brown & Bros., of New York City, proposed to this office in January a contract to secure Clallam County spruce, offering to furnish not less than 50,000,000 feet airplane spruce within 18 months. Offered to furnish bond and start operations within 30 days. Wished advance 30 per cent contract provided that Government commandeer all docks, wharves, rail and water transportation and facilities as well as sawmills necessary to operation and turn same over to contractor. Also that the Government commandeer stumpage and rights of way as well as steel rails and logging equipment. Contractors also provided that Government guarantee full supply labor and no strikes, and agree to guard operations and prevent unreasonable demands for wages.

I told representatives of Brown Bros. that we could not consider such a contract. They retired with understanding that they would try to arrange conditions with which I told them Government could agree. Approximately 2,000,000,000 feet good spruce in Clallam and Jefferson Counties owned by several different companies. Have always considered this great virgin stand unnecessary for 1918 production, but vital for 1919. Have felt it indispensable that common carrier tap this territory with railroad in order that a large number of operators may get to work next year and have uniform opportunities to

place their production on a through-line railroad. Milwaukee Railroad officials agree to extension their line into this territory some 50 miles, cost approximately \$2,225,000. Will have road operating by January 1, already surveyed and contemplated, but except for spruce situation would not construct inside next 10 years. Government should authorize through director general this extension Milwaukee road with understanding that cost less 10 per cent should be returned to Government by railroad at end of 10 years without interest. Reduction 10 per cent for purpose of equalizing present excessive cost construction materials. Brown Bros. but one of many who wished to open this tract and have monopoly where it is absolutely essential that a large number of operators be admitted. Practically every proposal has been one in which the Government should do everything except take the profit. Brown Bros. met me in Washington and said they were ready to start operations in accordance with my conditions, except that they wanted a bonus on the current price of spruce lumber. This was but a few minutes before my train left and they agreed to take the matter up here in Portland. To date they have offered no reasonable proposition. I do not feel that the Government is justified in paying a bonus and would never consent to it. We can get that spruce when we need it without increasing cost to the Government.

That telegram——

Mr. MAGEE (interrupting). What is the date of that, General?

Mr. DISQUE. March 6. I sent down there about the time we began to try to get action from the director general. We wanted to get construction started before or as soon as the dry weather came on.

Mr. FREAR. That was two days before the telegram you sent to the Secretary of War, March 8, which I have read into the record.

Mr. DISQUE. March 8. Well, then, if that is March 8. We continued to touch this subject over the wires from time to time and got no headway. We were using the cream of the year, time when we had to start construction; it begins in the middle of May, I suppose, up there. We took time to get an organization out on the road; so that it was in May that I decided to go to Washington for the—well, really, the only purpose that I had in mind was to bring this thing to a head. In the meantime Mr. Ryan had become Director of Aircraft Production. I think the minutes say he assumed his duties on the 20th, but he was there when I left here to go East, and one of the reasons I went was that I wanted to find out whether he was a man that proposed to put this thing over and hit the ball, and if he wasn't I was ready to ask to be relieved.

Mr. FREAR. When did you go East, did you say?

Mr. DISQUE. About the 10th of May, I think.

Mr. FREAR. Yes.

Mr. DISQUE. It was some time along the first half of May.

Mr. FREAR. He was there then, you say?

Mr. DISQUE. He was there when I arrived. That is the first time in my life I ever saw him.

Mr. MAGEE. Well, he wasn't director then, was he?

Mr. DISQUE. I think so. He was when I arrived.

Mr. MAGEE. Well, I understood he didn't become director until May 4.

Mr. FREAR. Well, Potter was his predecessor, and he came in some time in May.

Mr. DISQUE. He was certainly acting as director when I got there, and I arrived there, as I say, about the 10th or 12th of May. All of these negotiations up to that time had been carried on first with the Milwaukee officials, then with the Director of Aircraft, Mr. Howard Coffin, and with his retirement, being unable to get action, I went to Washington to bring a settlement about if possible.

Mr. FREAR. A settlement in what way?

Mr. DISQUE. Of this question as to who was going to build that railway.

Mr. FREAR. Oh, yes.

Mr. DISQUE. And to have it done and started. We were losing time that could not possibly be added to the end of the construction period. About this time, when I arrived in Washington, one of the first things I had in mind was the railway, and I went to Mr. Ryan direct and said, "Here is this situation. There has got to be a railroad constructed there right away if we are going to get anything next year," and I started to tell him our plan. That is when he told me that he was a director and a member of the executive committee of the Milwaukee Railroad and that he preferred not to discuss any problem that involved that railroad in any way.

Mr. FREAR. What was the status of the Siems-Carey-Kerbaugh contract for the production of flitches before you left Portland?

Mr. DISQUE. Yes; that is important to bring in right here.

Mr. FREAR. Yes; it follows up.

Mr. DISQUE. Before I left Portland, some time in April—I think April 12, if my memory is correct—I had drawn a contract. Do you want to go into that now?

Mr. FREAR. Yes; as to the negotiations that led up to the Siems-Carey-Kerbaugh contract.

Mr. DISQUE. You mean, their spruce contract?

Mr. FREAR. Their spruce contract; yes. If you want to take time to look that up we will adjourn now until 2 o'clock.

(Thereupon, at 12.03 o'clock p. m., the committee took a recess until 2 o'clock p. m.)

AFTER RECESS.

The committee met, pursuant to the taking of recess, at 2 o'clock p. m.

TESTIMONY OF MR. BRICE P. DISQUE—Continued.

Mr. FREAR. Before the adjournment we were talking over the question of continuing this statement as to the Siems-Carey-Kerbaugh contract; that is, the spruce contract. You can go on with that now, if you will.

Mr. DISQUE. I think I could make it clearer to carry through the railroad idea, and then follow it up. At this time in Washington we had signed a contract, on April 12, as I recall, with the Siems-Carey-H. S. Kerbaugh Corporation for 250,000,000 feet of flitches; I had declined to sign that contract in Portland, where it was made, because at that time we had not made provision for transporting the spruce flitches from Lake Pleasant to a transcontinental line, and I did not want to obligate the Government to buy flitches from them until we had a definite means of getting them away from Lake Pleasant. They came to Washington while I was there for the purpose of having that contract negotiated—completed.

Mr. FREAR. Was it signed on May 12?

Mr. DISQUE. It was signed by them in Portland, before they left.

Mr. FREAR. By "them" you mean whom?

Mr. DISQUE. Siems-Carey, in my office in Portland.

Mr. FREAR. Was it closed by the Portland office for the Government?

Mr. DISQUE. I did not sign it.

Mr. FREAR. Did anyone sign it, Crisp or anyone else? I was trying to get in my mind what was the fact. As I remember, it was signed by Crisp.

Mr. DISQUE. I think you are correct in that.

Mr. LEA. That is my recollection of it.

Mr. MAGEE. What you had in mind was that the railroad contract and the spruce contract were interdependent, or twin contracts; one could not be carried on without the other?

Mr. DISQUE. What I had in mind was that I would not execute a contract for delivery of spruce at Lake Pleasant until there was a means of getting it away from there. At that time I had not discussed any phase of the railroad question with Siems-Carey.

Mr. MAGEE. One contract could not be carried out without the other?

Mr. DISQUE. There was no other contract in our mind at that time.

Mr. MAGEE. But you had a railroad contract and you had a spruce contract. Your spruce contract could not have been made available without a railroad being constructed; in other words, one contract was dependent upon the other. It would not be any use to build a railroad unless you had an opportunity to get spruce out over it. Is not that right? They were really twin contracts, you might call them.

Mr. DISQUE. They became that, but at the time I am talking about there had never been any discussion of a railroad contract.

Mr. MAGEE. That was merely suggested when you said you would not sign the spruce contract until some means had been provided to get the spruce out?

Mr. DISQUE. That is it; and when Siems-Carey first proposed to us to get fitches, their original proposition included providing transportation to the point called Port Crescent, just west of Port Angeles.

Mr. FREAR. By what road?

Mr. DISQUE. They were going to put in their own. I never discussed it with them. I told them we were not interested in that, that we were going to have a road put in by the Milwaukee or some other way under the Railroad Administration, and I did not discuss it with them. Yet their original proposition did provide for them delivering fitches to Port Crescent.

Mr. FREAR. That was also a proposition that you folks had been discussing, even up to the time of the signing of the armistice, was it not Port Crescent; and the reason for that was so that the Milwaukee could not hold you up on freight rates?

Mr. DISQUE. We did discuss that quite at length until the armistice came. We were prepared to extend our line down there.

Mr. FREAR. From the Joyce Junction, or Disque Junction?

Mr. DISQUE. If the Railway Administration had not come to reasonable terms. And since you mention Disque Junction, I understand that has been mentioned before and I want to say that name was given to a switch up there without my knowledge or permission, and it was some two or three months afterwards that I heard

about it and I ordered it changed, and I found that they had included it in certain legal papers and it could not well be changed. I had no ambitions in that line.

Mr. FREAR. That did no harm.

Mr. MAGEE. They have got your name up there, have they?

Mr. LEA. When he saw the building up there we concluded it was not any particular honor.

Mr. DISQUE. Now, we were in Washington, as I say. We had found that the railroad would not be built by the Railway Administration, nor would they assist in any manner. I then went over to the Aircraft Board. They were having their regular meeting, and I told them that I wanted to discuss the means of getting this spruce out from Lake Pleasant and that involved a railway line. Mr. Ryan called Admiral Taylor to the chair, turning the meeting over to him, and left the room.

Mr. FREAR. What date was that?

Mr. DISQUE. About the middle of May, approximately the 15th. The exact date will be shown in the Aircraft Board's records. I then outlined the situation to the Aircraft Board. Most of them, I think, were familiar with it at that time, and they decided unanimously that the Government or the War Department would have to build that road with their own funds and to proceed to do it immediately.

Mr. FREAR. That is because the Railroad Administration had refused to permit it?

Mr. DISQUE. Had refused to participate, or to permit the Milwaukee to. Then was when Siems-Carey came into the railway project for the first time. They had been recommended as high-grade contractors.

Mr. FREAR. That is, so far as you knew?

Mr. DISQUE. Yes, sir.

Mr. FREAR. Because the record shows they were in long before that.

Mr. DISQUE. In what?

Mr. FREAR. In this deal.

Mr. DISQUE. The railway?

Mr. FREAR. No; that the Siems-Carey-Kerbaugh Co. were in this deal long before.

Mr. DISQUE. Well, they were not in it so far as the railroad was concerned, at least; not to my knowledge.

Mr. FREAR. All right.

Mr. DISQUE. They were recommended by the chairman of the Great Northern, by the chief engineer of the Great Northern, by the president of the Northern Pacific, the vice president and chief engineer of the Minneapolis, St. Paul, Sault Ste. Marie, and several other prominent railway men in the country who ought to be judges of the ability of contractors. I told them that the Aircraft Board had authorized the road. They were railroad contractors and told me then that they had their organization ready. Its activities had been largely suspended because the war was on, and they were more interested in getting that road completed and built than anybody else, because they had nothing in the way of deliveries coming until after the road was up to Lake Pleasant. We had lost up to that time, I felt, a month and a half of construction weather, and of all the people

whom I had met in the way of contractors I was impressed with them as the people who would probably put a thing over; put punch into a job better than any others. They were new to me, but I did have the feeling that they were people who would go through with a job that they started. So I proposed to them a contract to build this line, not any particular place, but to connect up the Milwaukee with Lake Pleasant, and it was then that Mr. Carey, who had been out here looking over the spruce and looking over the routes, said to me that he was sure he could not build that extension from Deep Creek up to Lake Pleasant before the winter rains started, and he was confident as a contractor—

Mr. FREAR. Before the winter rains set in?

Mr. DISQUE. That was only six months away then, and he was confident as a contractor that if it could be finished, the supporting grades that would have to be prepared going around the Pysht River were in such soil that they would not stand up during the coming winter season and the railroad would be out of commission most of the time. Well, as you have gathered from my telegrams and from letters and other things at that time, there was not any doubt in my mind but that Deep Creek was the place to start to carry on this line. Mr. Earling had never felt that the Lake Crescent route was a feasible one. They seemed to have the impression that grade was almost impossible from Joyce up to Lake Crescent, and I had never seriously thought of the Lake Crescent route. I told Carey that I could not understand his saying that the Lake Crescent route, which was some 11 miles longer than the extension from Deep Creek, could be done in less time; but he was insistent upon it and told me he would not guarantee to finish the line if we went by way of Deep Creek. That led to my talking with Mr. Byram that day before he left Washington. Mr. Byram is the president of the Milwaukee, and he had come to Washington to talk with Judge Lovett and myself to find out if the Milwaukee was to participate, or the Railway Administration, and having found they were not he left town; but before leaving I asked him what he thought about the two routes and he told me their local engineers out here had always favored the route near the Pysht River, but he personally did not think there was a great deal of difference. That is the first time that any Milwaukee official had led me to think that it was even possible to go up. I may have misunderstood them, but that was the impression I had all along.

Mr. FREAR. That is, go up which way?

Mr. DISQUE. The Lake Crescent way. Mr. Byram, being president of that line, and feeling that it was possible to go by the Lake Crescent route, and Carey, the man who was going to build it, stating definitely and positively that he was sure it could be built in the time required up to Pysht River. I told Carey that I would arrange that the contract would not describe the route until I had another opportunity to check up the information that he had given me. The contract therefore left the route open until I could have further opportunity to look into it. I came west, immediately got in touch with Mr. Roberts, locating engineer of the Union Pacific, being a man whom I had every reason to believe was disinterested from every standpoint, and he went into the country and spent three days mak-

ing a reconnoissance of both routes. I don't think that anyone knew he was making this reconnoissance. He was supposed to go in there without advertising himself, and I wanted his honest opinion and he gave it to me about the 5th or 6th of June, as I recall, and he concurred in Carey's recommendation. He showed me the difference in cubic yards that had to be removed, the difference in the character of the soil through which the cuts were to be made, the compensating grades that would exist, the total rise that would occur in the road in both ways, and ended up by recommending without qualification that if the road had to be built in record time and finished before the winter rains, the only possible way would be by Lake Crescent.

Mr. FREAR. Did he give you any figures, any estimates?

Mr. DISQUE. Not any exact figures. There was not time to make those. We were losing good weather every day. And then at that time I had also in my possession a report from the district forester here in Portland who had sent his lumber engineer up there, a man supposed to be an expert in those questions.

Mr. LEA. While we are on that Roberts report, had we not better put than in now?

Mr. FREAR. We might just as well. Was it in writing?

Mr. DISQUE. In writing. I have it here.

Mr. FREAR. You can read it if you choose.

Mr. DISQUE. I would like to read a portion of it and then I can insert the entire report. I think it would be well first to put in the reasons Carey gave why he felt it ought to be built by Lake Crescent. The first reason was that going up the Pysht River the grade would be largely along the slope of steep hills in soil which was subject to frequent slides, and therefore probably would not stand up during the first year of operation after the rain started. The second reason was that the Pysht River route involved a very heavy grading operation involving the removal of large quantities of earth at several points, to which it would not be possible to move steam shovels until after the route was completed; therefore all excavation would have to be done by hand, and that would be slower and more expensive work.

Then the third reason was that the route via Lake Crescent could be built with a maximum grade of 2½ per cent, would be practically level most of the way, and where cuts were necessary they would be largely in rocky formations which would eliminate the possibility of serious interference to the operation of the road.

The fourth reason was that the entire route via Lake Crescent was parallel by a good metalled county road, and this would render possible the moving of crews, tools, and equipment to any number of points along the line, thus permitting operations to start everywhere simultaneously and to keep them supplied.

Another reason was that after the job was done the haul to make connection at Port Angeles was some 6 miles shorter. Of course that was not an important reason at that time.

Mr. FREAR. Let us see if we understand. The route to Port Angeles would be 6 miles shorter in what way?

Mr. DISQUE. Via Lake Crescent than if we had extended from Deep Creek.

Mr. FREAR. That is, he claimed it would be shorter from Joyce?

Mr. DISQUE. From Lake Pleasant to Port Angeles, it would be 6 miles shorter via Lake Crescent than by way of the Pysht River.

Mr. FREAR. Oh, yes; that is right. But did he take into consideration the fact that the Pysht River line was run out as far as Deep Creek? Did he mean to say that from the end of Deep Creek—

Mr. DISQUE. No. If both roads were completed you could get to Port Angeles from Lake Pleasant 6 miles shorter by way of Lake Crescent.

Mr. FREAR. But there were about 30 or 40 miles of the road that had been completed from Port Angeles on the Milwaukee; that is, the road through Twin.

Mr. DISQUE. I do not know the distance, but the Lake Crescent route was approximately 11 miles longer than to have extended from Deep Creek up to Lake Pleasant. That was all taken into consideration. We knew of no way we could have gotten there in a shorter time.

Mr. LEA. You mean, for construction?

Mr. DISQUE. The number of miles was greater, but the construction time would have been shorter.

Mr. MAGEE. How many miles did the St. Paul need to reach this timber tract?

Mr. DISQUE. Twenty-five, I understand from them. I may be a mile or two off on that; but that is my recollection. Then I had in my possession at that time, and it had come to me in April, the report of the district forester here and his letter of April 4, where he says on page 2:

Referring to the route via Pysht River—that it was a more difficult route in many respects, and further it has not the advantage of the latter in opening up considerable areas of timber prior to reaching the region around Lake Pleasant.

Mr. FREAR. "By the latter"; what did he mean?

Mr. DISQUE. The Lake Crescent route. [Reading:]

It will undoubtedly be necessary to build the latter route some time in order to develop the timber along the line, and I do not believe that the two roads so close together in the same territory will be justified. Such a line would pass through the heart of the finest spruce region of Washington, and with the necessary spurs would make this material accessible.

Mr. FREAR. That is quoted from Cecil?

Mr. DISQUE. Cecil's letter of April 4. And on page 6 of Mr. Nelson's report accompanying Mr. Cecil's letter he says:

I am advised the construction of the mountain portion of the route is very heavy and is bad soil for slides. The road crosses several divides, and consequently has a considerable amount of grade against the traffic coming in and loads going out. The traffic going out will all be loads and lifting it over these divides makes a high cost of operation.

Further, on page 8 of his report, he says:

The construction from Joyce to Lake Crescent is light, with the exception of about 1½ miles. The construction along the lake is in rock for about one-half its length, with one short tunnel, the remaining distance is not difficult.
* * * The maximum gradient against the loads coming out is 1.2 per cent.

That is what was in my mind in Seattle when I asked Mr. Carey, Mr. Roberts, Mr. Carey's engineer, Mr. Kelleher, a man who had engineered the extension of the Canadian Pacific; Mr. Earling, and an engineer of the Milwaukee; my own division engineer and myself

met to discuss what we should do. We met at the Washington Hotel immediately after Mr. Roberts gave me his report, and everybody discussed the two routes.

Mr. FREAR. Who were present?

Mr. DISQUE. There were Mr. Carey and an engineer of his company. I have forgotten his name. There was Mr. Kelleher.

Mr. FREAR. Who is he?

Mr. DISQUE. He is the engineer who extended the Canadian Pacific, so I have been told. Then there was Mr. Earling, vice president of the Milwaukee, and an engineer from the Milwaukee line.

Mr. FREAR. What was his name?

Mr. DISQUE. I do not recall. I do not know who else was there. We discussed this matter for some three or four hours. Nobody in the room, I do not think even myself, when we went into that meeting knew which route we would decide on. I wanted to hear every side of it, because we were interested in only one thing, and that was to get a road up before the rain came and rendered construction impossible. When the meeting ended we had decided to build by way of Lake Crescent, based on this information that I have already given.

Mr. FREAR. What date was that?

Mr. DISQUE. On June 3, from Mr. Roberts's letter.

Mr. FREAR. That is 1918. Maybe at this point it would be just as well to discuss some of these objections that were raised to see whether they were seriously raised or to see what the purpose was of the suggestions, and if you will let me take Mr. Roberts's report I would like to ask about that.

Mr. LEA. I would suggest that we put this Roberts report in.

Mr. MAGEE. I would like to ask the general who was there outside of the Milwaukee railroad officials and those affiliated with them.

Mr. FREAR. He gave the name of Mr. Earling, and he said the engineer of the Milwaukee line.

Mr. DISQUE. Mr. Roberts was there.

Mr. FREAR. Mr. Roberts was there at that time?

Mr. DISQUE. Oh, yes. The only Milwaukee officials or people in any way associated with them were Mr. Earling and his engineer. Nobody else from the Milwaukee was there so far as I know.

Mr. FREAR. Mr. Carey and his engineer.

Mr. DISQUE. So far as I know of, they had no relations with the Milwaukee.

Mr. LEA. Did you give the name of your engineer?

Mr. DISQUE. I do not know which one it was, now, whether it was Mr. Welch or—I may be able to find it in my diary [referring to book]. This diary was not kept while I was away from Portland. Ordinarily it was kept by an aide in the office, and when I was away he usually showed my absence.

Mr. MAGEE. There was nobody there representing the Northern Pacific, was there?

Mr. DISQUE. No, there was nobody there that I know of that had anything to do with the Northern Pacific. Have you got the report of Mr. Cecil and his forester in the record?

Mr. FREAR. No, not in the record. It is quite a long report, so we did not put it in the record.

Mr. DISQUE. Do you want to attach it?

Mr. FREAR. We might as an exhibit. It would not be advisable to put it in the record, because it is so long, and only some parts of it relate to this.

Mr. DISQUE. That entire report relates to Clallam County spruce and the railway.

Mr. FREAR. I understand it does. He got this from loggers and different people, he did not get it individually. He never was over the land himself, Mr. Cecil. That is his testimony.

Mr. DISQUE. His man Nelson was over it.

Mr. FREAR. No, Nelson did not go over it. Have you any evidence that Nelson went over it? Nelson gets his information from Cecil.

Mr. DISQUE. My understanding is that Mr. Nelson spent about two weeks up there.

Mr. FREAR. Have you anything to show along that line?

Mr. DISQUE. And that he went over that proposition.

Mr. FREAR. Do you know Roberts's initials?

Mr. DISQUE. It is in that letter. There it is, right—right [indicating].

Mr. FREAR. Yes; H. J. Roberts.

Mr. DISQUE. "This report is based upon a rather hasty examination of the timber on the Hoko River. The purpose of the examination was to determine the quality of spruce and the best route or routes for developing transportation to log the timber." My definite understanding is that Mr. Nelson spent two or three weeks up there before he made that report.

Mr. FREAR. That is entirely apart from anything that appears in the report, then.

Mr. DISQUE. I just read where he said that.

Mr. FREAR. But you do not know how much time he was engaged in looking after the spruce. He attempts to give some report that he has heard about the slides, as I understand it, but he knew nothing about that, unless he has given some—

Mr. DISQUE. He went over the route, according to his report.

Mr. FREAR. Where is that?

Mr. DISQUE. It says it is based upon an examination of it.

Mr. FREAR. Of the route?

Mr. DISQUE. Yes, sir. I will read it again. I am only taking this on what is said here. My impression has always been that he did spend a couple of weeks up there. He says: "This report is based upon a rather hasty examination of the timber on the Hoko River. The purpose of the examination was to determine the quality of the spruce and the best route or routes for developing transportation to log the timber." That is his first paragraph.

Mr. FREAR. That is the purpose, but he does not say he was up there over the route.

Mr. DISQUE. He says it was based upon an examination.

Mr. FREAR. Of what?

Mr. DISQUE. Of the timber.

Mr. FREAR. Of the timber, but he did not say he examined the railroad or spruce.

Mr. DISQUE. You can call him in and I am sure he will say that.

Mr. FREAR. Surely, if he is to be had here we will do that, if there is any question about it. That is the way I understood it as it was read.

Mr. DISQUE. There was one other person there, apparently, named MacAndrew, Alexander MacAndrew. He went up there.

Mr. FREAR. From your office here or what?

Mr. DISQUE. He was from my office.

Mr. FREAR. He was not an engineer or anything like that?

Mr. DISQUE. He is not an engineer. That was the only other person present than those I named.

Mr. MAGEE. That is a total of how many, General?

Mr. DISQUE. I should say 8.

Mr. FREAR. Let me enter in the record here a part of the statement which he makes. This is a report taken from his report on the Pysht River route. He says: "The total cost of 25 miles would probably be \$1,690,000." He says there would be one tunnel about 210 feet in length, and two of the largest trestles have a maximum height of 145 feet and 160 feet, respectively.

In the testimony that was presented before the committee there was no suggestion that any tunnels would be required. Of course, these were not, we will agree, transcontinental engineers, but they were men who were familiar with building big logging railways—had built them—had been over this route, and this route had been examined by the engineers, Thomson, Frost, and others, and as I recollect the testimony, it would cost all the way from fifteen to twenty thousand dollars a mile. That was Frost's testimony, as I now remember it, for this Pysht Creek route. Of course, if you were going to build a transcontinental railway along the line that we have there, on the road that has been put in, six or seven hundred-foot tunnels, as I recollect, is it not, on that Lake Crescent line?

Mr. DISQUE. There is one tunnel—the longest tunnel there is 500 feet, a few feet less.

Mr. FREAR. A few feet less; that is the way I have it in mind. Here is a two hundred and some odd feet tunnel, about half the length, and the total is about one-third—no; a little over one-half.

Mr. DISQUE. The total what?

Mr. FREAR. The total approximate, here, cost on the Pysht Creek.

Mr. DISQUE. Oh, well, if you will read the last paragraph of Mr. Roberts's letter there, in connection with that, you will get his comparative view on that question, and I think it is really proper to read that. I think you would agree with me right now. It is his last paragraph, where he refers to the estimate of the cost in his survey.

Mr. FREAR. Where it says "Inasmuch as"?

Mr. DISQUE. Yes.

Mr. FREAR. "Inasmuch as surveys have not been completed by both routes and the cost of labor and material is very uncertain, the estimates given herein should be considered as approximate figures and are given principally to show there is no great difference in cost between the two routes under consideration." Now, all the testimony that we have had before us is to the effect—unless you are going to build a transcontinental railway—that none of the grades were over 2 per cent, as I remember, that is, on either route; that is, that the grades were approximately the same. I mean with

loads, and that is what you were figuring on with logging. He was up in that district three days, he says. This committee spent three days there, and we were on the go all the time. It was all we could do to make it with the aid of speeders.

Mr. LEA. Mr. Chairman, I believe it would be a good idea to have that whole report in the record.

Mr. FREAR. Yes, put that in the record. That is the agreement? (Whereupon the report above referred to is copied into the record as follows:)

CLALLAM COUNTY,
UNION PACIFIC SYSTEM,
Portland, Oreg., June 8, 1918.

Personal.

Col. BRICE P. DISQUE,
*Spruce Production Division, United States Signal Corps,
Yeon Building, Portland, Oreg.*

DEAR SIR: I hand you herewith two copies of my report on investigation for proposed railroad to reach Lake Pleasant, Clallam County, Wash., which confirms statements made to you last Monday, June 3, in Seattle.

I regret that the report has been delayed, but other urgent duties prevented it reaching you sooner.

If I can assist you in the future, I will be pleased to have you call on me.

Yours, truly,

H. J. ROBERTS.

CLALLAM COUNTY,
Portland, Oreg., June 8, 1918.

Col. BRICE P. DISQUE,
*Spruce Production Division, United States Signal Corps,
Yeon Building, Portland, Oreg.*

DEAR SIR: Pursuant with your instructions, the writer made an investigation with view of selecting the most feasible route for construction of a railroad from a connection with the Milwaukee Railroad at some point west of Port Angeles, Clallam County, Wash., to Lake Pleasant, same county.

The investigation was made on the ground June 1, 2, and 3, 1918. Data secured by previous Milwaukee, Oregon-Washington, and other railroad surveys in this territory was available and carefully considered. Additional information of much value was secured from Milwaukee engineers, who have spent several years in the territory under consideration.

It was the writer's understanding, in making the investigation, that the Milwaukee standards for their railroad in the vicinity would be generally followed in construction of the proposed line (especially as regards maximum grades), inasmuch as the proposed line would probably at some time become a part of the Milwaukee system.

From the sources of information previously mentioned and an examination of the territory, there appears to be only two routes worthy of consideration, viz:

The Pysht River route and Crescent Lake route, as illustrated on map attached. The Milwaukee and other companies have made surveys over the greater portion of both routes; neither of the routes, however, is entirely connected to the common point by survey and the information on the intervening distances was secured principally by reconnaissance investigation.

PYSHT RIVER ROUTE.

The line would be carried by this route from a connection with the end of the Milwaukee line at Deep Creek, westerly, about 4 miles to the Pysht River; thence southwesterly, following the Pysht River drainage on ascending grade to the divide between the drainages of Pysht River and Sol Duc River, elevation about 757 feet; thence following Beaver Creek drainage on descending grade to Lake Pleasant, a total distance of about 25 miles.

The grading is comparatively heavy and would consist, principally, of red and blue clay, soapstone and undurated clay rock. Most of the grading is steam-shovel work. The material north of the divide, on the heaviest portion, would

be subject to slides and difficult to remove during the rainy season. The transverse slopes on supported grade portion, north of divide, range from 5° to 30°. The slopes south of divide are lighter. The greater portion of the route is covered with dense underbrush and timber.

The maximum grade westerly is 2 per cent compensated and easterly 1.5 per cent compensated. There would be about 8.5 miles of supported 2 per cent grade and 5.3 miles of supported 1.5 per cent grade. Total ascents both directions about 1,400 feet.

Two of the largest trestles have a maximum height of 145 feet and 160 feet respectively.

There would be one tunnel about 210 feet in length.

The total cost of the 25 miles would probably be \$1,690,000.

CRESCENT LAKE ROUTE.

Line would be carried by this route from a connection with the Milwaukee Railroad at a point about 1.5 miles west of the station of Joyce, southerly along the Lyre River drainage, an ascending grade about 5.5 miles to easterly end of Lake Crescent; thence following along the north shore of the lake with several miles of level grade and thence ascending to the divide between the drainage of the Lyre and Sol Duc Rivers to about elevation 1,158 feet; thence descending and following the Sol Duc River Valley to Lake Pleasant, a total distance of about 34 miles.

There would be about 3 miles of very heavy grading work along the shores of Crescent Lake and the Lyre River, with probably several short tunnels. Grading on the balance of the line is not heavy and for 18 miles along the Sol Duc River Valley is very light. The material encountered would consist, principally, of loose gravel, cemented gravel, and a rock apparently of igneous nature. This latter classification is very much in evidence along the shore of Lake Crescent. With exception of possibly a mile on the Lyre River, the material will not be subject to slides and can readily be removed during the rainy season.

The maximum grade westerly is 2 per cent compensated and easterly 1.5 per cent compensated. Total ascents both directions about 1,540 feet. There will be about 8 miles of supported 2 per cent grade and probably 1 to 2 miles of 1.5 per cent supported grade.

Trestles would not be comparatively numerous on this route. The highest would have a maximum height of about 90 feet.

The Sol Duc River would be crossed twice and would require span structures of about 130 to 170 feet in length.

The total cost of the 34 miles would probably be in the neighborhood of \$1,650,000.

The following features are in favor of the Lake Crescent route *vs.* Pysht River route:

(a) It will, in my opinion, require less time to construct inasmuch as (1) more men can be employed and distributed to better advantage and (2) owing to the classification of material, nearly as good progress can be made during the rainy season as during the dry months; (3) approximate estimate shows less cubic yards to move.

(b) The trestles are not as high and, consequently, less fire hazard and danger of interrupting traffic.

(c) The cost will probably be slightly less.

(d) Shorter haul by several miles from Lake Pleasant to Port Angeles.

(e) Will, in my opinion, serve the State and county better as a commercial enterprise, after the Government is through using the line.

(f) The cost of maintenance will probably be less and there will be considerable less danger of slides.

After taking all features into consideration and bearing in mind that time is the principal factor to be considered, there remains little doubt but that the Lake Crescent route is preferable to the Pysht River route and I recommend that it be adopted.

I would also recommend the free use of 15° curves along the shore of Lake Crescent on the level grade portion. Wherever it is manifest, a considerable saving in time and expense can be effected by doing so. Inasmuch as the curves would be on level grade they can easily be modified at a later date, if necessary to meet the approval of the Milwaukee Co.

Inasmuch as surveys have not been completed by both routes and the cost of labor and material is very uncertain, the estimates given herein should be considered as approximate figures and are given principally to show there is no great difference in cost between the two routes under consideration.

H. J. ROBERTS.

Mr. FREAR. Now, he apparently must have secured his information from some other people, because he could not have taken all that route and gone over it.

Mr. DISQUE. I doubt it; he inquired from everybody he saw, I suppose.

Mr. FREAR. He inquired possibly from their own engineers, or some one else—I mean the Milwaukee engineers.

Mr. DISQUE. I do not know who he inquired from.

Mr. FREAR. But, as I stated, those who had put up this plan of building a railroad up there found that it could be put up without any more objection, to use their expression, than would ordinarily be encountered in building logging roads. They did not find any danger from slides, that is, no more than—you have slides on your Lake Crescent road, and you have tunnels twice as long—what I desire to get at is, why this sudden determination, why this change occurred when you had wired the Secretary of War, you had written the Secretary of War, the whole thing was placed before the Secretary of War, and finally you changed this decision because of Mr. Carey's suggestion to you, the president of the Milwaukee road, in Washington, and these Milwaukee officials, including Mr. Roberts, of the Union Pacific, I take it, and maybe others. Here is the situation that presents itself. He says the Pysht Creek route meant the removal of much earth. The testimony is that it would not mean the removal of nearly as much.

Mr. DISQUE. Who said that?

Mr. FREAR. This is Roberts.

Mr. DISQUE. Did he say there was not as many cubic yards to be removed?

Mr. FREAR. That is what I understood you to read.

Mr. DISQUE. No, sir; he said more, I think.

Mr. FREAR. In Pysht Creek?

Mr. DISQUE. I think so.

Mr. FREAR. Where was it that you read; I took that down.

Mr. DISQUE. Nobody told me that that I know of.

Mr. FREAR. Pysht Creek meant the removal of much earth?

Mr. DISQUE. I think all the information I had was that there were more cubic yards to be removed over the Pysht Creek.

Mr. FREAR. That is what I say, the Pysht Creek meant the removal of much earth. Now, why would it mean the removal of more earth than cuts that were 200 feet in height, very nearly that, in Lyre Canyon, made out of rock. That cut there in Lyre Canyon must be 150 feet, anyhow, it would seem, out of solid rock.

Mr. DISQUE. That is a canyon in there that you are running around. I do not believe there is any cut made that deep.

Mr. FREAR. It is a canyon, it is on one side, of course.

Mr. DISQUE. I do not know about that, Mr. Frear. I was acting on the advice of the best engineers I could get at the time.

Mr. FREAR. I understand, but you were acting very suddenly; you were shifting ground very suddenly after April 24. The Secretary

of War, for the reasons that you gave, the reasons that are suggested, which are pertinent reasons—you say to the Secretary of War: "It will be noted that the Milwaukee extension (Deep Creek route) will immediately tap large stands of spruce timber between Deep Creek and Pysht River." Now, there is not any question about that, I take it—"Whereas the proposed Crescent Lake Railroad must be extended its full length"—36 miles, it means—"before any spruce will be available. Furthermore, it is regarded by many excellent engineers as a very difficult problem to lay rails along either the north or south bank of Crescent Lake"—not by the people, in general, but it is regarded by many excellent engineers as a very difficult problem to lay rails along either the north or south bank of Crescent Lake—"and those best equipped to discuss the problem state that the only practicable means of using this line would be to ferry cars or product across Lake Crescent and connect with the Milwaukee near Port Angeles." I do not see how anyone could make a stronger statement regarding the preference for Deep Creek than is contained there. If so, it must come in this telegram which was sent by you to the Secretary of War on March 20, in which you state: "Distance necessary to open this line, Lake Crescent route, to reach large spruce tracts double that necessary by the Milwaukee Deep Creek route."

Here it is put at double the distance. "Will not go through railway facilities beyond Port Angeles. This line seems an unnecessary expenditure and everybody interested in it wishes Government to bear proportion of expense considerably greater than Government would have to bear in extending Milwaukee. Milwaukee has been driving their road west slowly to meet development of country and are now within 30 miles west of Port Angeles. Milwaukee being common carrier equipped to advance their own line over their surveyed road unquestionably best means of entering Clallam spruce. In this opinion I have support of most experienced operators in this section." The most experienced engineers and the most experienced operators all had agreed at that time, according to your own statement to the Secretary of War, and on that he bases this letter: "A virgin stand has been located in the northwestern part of the State of Washington sufficient to meet the necessities," etc. "The nearest railroad is the branch of the Chicago, Milwaukee & St. Paul running west from Port Angeles. This branch now terminates at Deep Creek. The question of a railroad to reach this timber has been carefully considered and it is the unanimous opinion of the Pacific coast committee of the Aircraft Board that the best solution of the question is the extension of the Chicago, Milwaukee & St. Paul Railway from Deep Creek to Forks. This extension is included in the plans for the future development of the mill, and the route has already been surveyed." It is the opinion of the War Department that this railway should be built, and in coming to that conclusion the Secretary of War no doubt had your telegram and letter stating that the best engineers had come to this conclusion. Now, as I said, at one meeting after you came back from Washington the whole thing was wiped out. Now, let us see, did Carey—Carey was the first man—no, the first man that suggested it to you was the president of the Milwaukee road, down at Washington.

Mr. DISQUE. No; Carey was the first man.

Mr. FREAR. I thought he did it before you left Washington. I thought you said before you left Washington he did, he put a doubt in your mind.

Mr. DISQUE. He was the first man that ever suggested a change in this route.

Mr. FREAR. That was the president of the Milwaukee?

Mr. DISQUE. No; Carey.

Mr. FREAR. Let us get to Carey——

Mr. DISQUE. As soon as we told him we were going to give him the contract to build the road, then is when he said he could not get it done in time.

Mr. FREAR. Carey was up here at the time?

Mr. DISQUE. He was in Washington.

Mr. FREAR. Oh, you met him in Washington. Was he there at the time the contracts were signed?

Mr. DISQUE. He came there to get his contracts signed.

Mr. FREAR. Now, Carey was there and he made that statement to you?

Mr. DISQUE. Yes.

Mr. FREAR. At that time you did not know, did you, that the American International Co. owned one-half the stock of the Siems-Carey Co.?

Mr. DISQUE. I never knew they had any relations.

Mr. FREAR. Of course you did not, I assumed that. And you did not know at that time that John Ryan at that time was a director of the American International Co.?

Mr. DISQUE. Absolutely, no.

Mr. FREAR. Now, Carey's interests might have been—of course the committee does not know, we are just weighing this thing—they might have been to establish something that would in the future be a shorter line, if that was the desire of Earling and the other officials——

Mr. DISQUE. I hardly think, Mr. Chairman, that at that time anybody was thinking along those lines. Of course anything is possible, but here was the situation, as I saw it; the Milwaukee folks that I had talked to had all made up their mind to go up Pysht River. I felt that I was going to run into a lot of real opposition, but I met Mr. Earling in Seattle, and Mr. Carey—well, you never know anything, of course, until you know it—but I was never more convinced of a man's sincerity in my life than I was in that man's desire to get that road built in as short a time as possible.

Mr. FREAR. Who was this?

Mr. DISQUE. Carey. I do not believe he had any other thought in his mind.

Mr. FREAR. I have read into the record the things that occurred in Washington and in New York with Helm and with Pliny Fisk and all those people, and with Kerbaugh, those people were—no; we have not read the Kerbaugh statement, but it is in the Ray report—those people were all anxious, and they were all working, and they give reasons which are independent of the reasons you give—the Milwaukee road had sought to get around by way of Deep Creek in their line toward Grays Harbor, and they were building along there slowly.

The next proposition that we get is that when they applied to the railroad administrator he refused to permit them to go there. Now, they had been hoping to get along that line.

Mr. DISQUE. Did they apply to him?

Mr. FREAR. Oh, yes; that was the statement that was made somewhere in the record. They applied and he refused.

Mr. LEA. I got that impression.

Mr. DISQUE. I supposed down there that the Milwaukee had not made any request. They refused to do it. I asked them to two or three times and they refused to do it.

Mr. FREAR. I am quite sure that is in Mr. Ryan's letter to the Secretary of War.

Mr. DISQUE. I do not know about that.

Mr. LEA. I have got that impression. I might be wrong about it, because I can not put my finger on it.

Mr. MAGEE. Somebody made a request and it was denied by the director.

Mr. FREAR. It was denied by Mr. McAdoo, Director of Railways. Now, here was the situation: Here was a road, a short cut; as they admit, a very expensive road—that is, it would be expensive under ordinary conditions—as it turned out it was built at \$115,000, exclusive of equipment; and in all it must be two or three times the ordinary cost of transcontinental railways. I see a doubt in your face. Let me express it. The Milwaukee Railroad, the valuation was \$60,000 a mile, as I have put it in, in 1918, if I remember correctly. That is the valuation of their entire system through the most expensive State, and that includes their terminals, includes all their equipment. Here was a road which was put in without equipment, without terminals—unless you call that station at Disque Junction a terminal, and the one down at Lake Pleasant, and of course they do not have value.

Mr. DISQUE. Mr. Chairman, that includes all their thousands of miles across the prairie, does it not?

Mr. FREAR. Yes.

Mr. DISQUE. Well, now, do you know that the Alaska railways have cost \$141,000 a mile?

Mr. FREAR. Oh, that is thousands of miles away, and here is a different situation. The Milwaukee is equipped with electricity, a very expensive electrical system—and, by the way, John D. Ryan is president of the Montana Power Co., that has all those contracts.

Mr. DISQUE. Yes; but their road, I think it is fair to say, travels over a long distance of prairies, where construction is very light. Our road compares quite favorably with the Alaskan railways, which did cost \$141,000 a mile.

Mr. FREAR. True; but where you have to ship thousands of miles away—

Mr. DISQUE. That does not include the cost of building the railroad.

Mr. FREAR. It may be that they have a very expensive system of construction, but you can not estimate a road built here, where in one case you are building down at Toledo a road for \$12,000 or \$13,000 a mile for logging purposes, and they were building up there at that time for, they said, \$15,000, could build at \$20,000—

Mr. DISQUE. Who?

Mr. FREAR. That was along Pysht Creek. That was Lightner and those who were testifying—Frost and Chisholm. We had two or three others that testified to the cost of other roads up there at that time.

Mr. DISQUE. I have been over those roads, some of them.

Mr. FREAR. So have we; we have been right alongside of them, over the Merrill & Ring and Goodyear roads—driven along the main roads.

Mr. DISQUE. Did you ride over it?

Mr. FREAR. No.

Mr. DISQUE. You risk your life to do it.

Mr. FREAR. The only risk we had was in driving over the Milwaukee road when we were thrown off the speeder. [Laughter.]

Mr. MAGEE. The two front wheels jumped the track at the same time.

Mr. DISQUE. While you are talking about the cost, here is a suggestion that I have. I am not a railroad constructor or an engineer—

Mr. FREAR. Oh, we understand that.

Mr. DISQUE. And you are not.

Mr. FREAR. Do not understand that I am holding you responsible. I think it is way beyond.

Mr. DISQUE. I am responsible.

Mr. FREAR. You think you are?

Mr. DISQUE. Yes, sir; I am; and I want to say this—

Mr. FREAR. Then, if you are responsible, there is a good deal of responsibility upon your shoulders. I did not believe that.

Mr. DISQUE. I certainly feel that is where it belongs, if there is anything wrong about that operation. Now, if the cost was excessive, and none of us know—no one ever will know just whether it was or not—

Mr. FREAR. Why; why not?

Mr. DISQUE. A board of competent engineers can be selected to go up there and make a report. I think that is the way to settle it.

Mr. FREAR. That is for a transcontinental line, but we are talking about getting those logs out.

Mr. DISQUE. I would say to tell that board that they had to move 400 cars a day over the line; then let them determine if that road, built in five months, is excessive.

Mr. FREAR. You do not know whether you would move 400 cars or 200 cars.

Mr. DISQUE. That was the production that had to be met.

Mr. FREAR. That was the production that was to be entered in the contract, but the testimony of practically everyone who has been before this committee is that it was not possible to put out this 250,000,000 flitches with any number of men you could put in. You had 4,000 men, I think, up there working—

Mr. DISQUE. Some man testified who said this road could not be built in a year and a half.

Mr. FREAR. I know; and these people had never logged a day in their lives—Siems-Carey. We have not got to that point yet why the contract was given to them.

Mr. DISQUE. I wanted to say about the cost, when it came to arranging to handle our traffic over the main line of the Milwaukee they came to us and said that their main line would not handle the traffic; that they would have to spend somewhere in the neighborhood of \$300,000 east of Port Angeles on that line of theirs.

Mr. FREAR. East of Port Angeles?

Mr. DISQUE. To take care of our traffic if we sent logs on down east of there to dump them into one of those bays. That is why we had difficulty about the freight rates east of Port Angeles.

Mr. FREAR. As far as dollars and cents are concerned, it would cost a dollar more freight rate per thousand to take the logs down to Port Angeles than it would to dump them in Clallam Bay; that is the testimony. I do not think there is much question about that.

Mr. DISQUE. That I do not know about.

Mr. MAGEE. Let me see if I get your position. As I understand from your statement, you were influenced to locate this Lake Crescent Railway where it was located through the influence of these Milwaukee officials and others whom you have described, and if they were not sincere in the statements they made to you then you were duped.

Mr. DISQUE. No; I did not make any such statement as that. I was not influenced by any Milwaukee official. Every Milwaukee official that ever talked to me about it indicated that they desired to build up Pysht River. They simply agreed that night in Seattle that if we built the other way it would be a practical route.

Mr. MAGEE. I understood you to say that the president of the Milwaukee Railroad was the first one that put a doubt in your mind.

Mr. DISQUE. He simply put that doubt in my mind by saying, for the first time that I had heard from any Milwaukee officials, that he did not think—

Mr. MAGEE. That was prior to the night meeting at the Washington Hotel?

Mr. DISQUE. Yes—that he did not think it made much difference which way we went so far as getting the railroad was concerned. We were not talking about his line at all. We had abandoned all talk of the Milwaukee.

Mr. MAGEE. Your position was, as you have already placed it in writing, that he created a doubt in your mind.

Mr. DISQUE. That is it, exactly; the doubt that he created.

Mr. MAGEE. And that caused you to change your decision?

Mr. DISQUE. Exactly.

Mr. MAGEE. That is what I am getting at. I understand you were influenced in that way, so if they were not sincere, why then you were duped in the premises?

Mr. DISQUE. You understand, Mr. Magee, that I got this from Mr. Byram. He did not come to me with it. I hunted him up and asked him.

Mr. MAGEE. I am trying to get at the reason for your conclusion, without wasting too much time.

Mr. FREAR. I was going to make a statement; the Milwaukee failed to get the money for the Pysht Creek route. That is agreed upon. They wanted to get into that country, we will say, before the Northern Pacific could come up. The Northern Pacific was up as far as Mo-

clips. They were trying to reach north at the same time. If the Milwaukee Road, after their failure to get the money for the Pysht Creek route, could get the Government to put up \$4,000,000 to build through on this other line and they could take it over at what you have got here, practically 10 per cent, the salvage, why should they oppose this change of route? Wouldn't that look as though it was an eminently good contract, or a good agreement for them to make, and don't you suppose that Carey and Earling and all these people who look away ahead in these propositions, that they could see the ultimate result; because Ray, in his report, says the Milwaukee is going to take it over? He said it would be 50 per cent, but no one could imagine that they were really going to pay 50 per cent on this if it is for carrying logs, because you can carry the logs to Clallam Bay and over your road for a dollar a thousand on the logs. You can not pay anything like the cost of reproduction, as has been suggested here. Now, does it not seem a practical proposition that the Milwaukee Road did have a deep interest in having the Government build that at its own expense, when they could buy it back for a song. What is your judgment?

Mr. DISQUE. Why, what you have said there, Mr. Chairman, of course, is not evidence, it is an opinion you have formed.

Mr. FREAR. I am asking you.

Mr. DISQUE. I do not know anything about that. I know that the Milwaukee did not have anything to do with my decision.

Mr. FREAR. Well, let us see if they did not. First, Carey, we have shown his position in regard to this large corporation; of course, it is agreed that Mr. Ryan is a member of the executive committee, Mr. Ryan was a member of the board of directors, Mr. Ryan is the president of the Montana Power Co., and he has great interests; he even had such great interests that he stepped out at this meeting, he had such great interests that when the Secretary of War presented the contract to him he asked Mr. Stettinius to sign the contract, but a two hundred and fifty million spruce contract had been put over. Prior to that time it had to be brought out by a railroad, everyone knew that, and it was going to be brought out by a railroad connecting with the Milwaukee, and everyone knew that. Now, there is the situation. That is not a supposition, isn't that evidence? and they were trying to get down to Grays Harbor, and here was a short route. They could not get the money themselves, and here was the Government going to build this road.

Mr. DISQUE. Well, it is not my job to defend the Milwaukee. I have nothing to do with that.

Mr. FREAR. I agree with you on that.

Mr. DISQUE. I had no negotiations except what I have described to you, and I do not think there is anything in that theory.

Mr. FREAR. Well, possibly not, but in a brief hour all your telegrams and letters, based upon the experience of engineers and people who were operators in that neighborhood, was all wiped out and Mr. Byram, the man who created a doubt in your mind, Mr. Earling and his engineer, came there, and the man who was put in charge of the job was Mr. Sawyer.

Mr. DISQUE. It was not done in an hour. Of course Mr. Carey brought this matter up in Washington, and it took me about five or six days to get out here, and it took me another week—

Mr. FREAR. When I said an hour—

Mr. DISQUE. I would like to say that before I could get the reports—this thing has been put in so many suppositious forms, let me ask this, Mr. Chairman?

Mr. FREAR. Yes.

Mr. DISQUE. Assuming that we are not involved in all these questionable proceedings.

Mr. FREAR. Yes.

Mr. DISQUE. Wasn't it a pretty reasonable way for a man to determine this thing, in view of the fact?

Mr. FREAR. Do you want my judgment?

Mr. DISQUE. What else could a reasonable man have done?

Mr. FREAR. If you ask my judgment, as a member of this committee, I would have said, to confer with all the people there who were not interested in putting a road through, who had not failed to get the money from the Railroad Administration and were using this as a means of getting a railroad branch down there, confer with the men who were building railroads every day up there for logging purposes, taking the shortest route possible, get to Clallam Bay, if needs be—and that is a harbor of refuge, as I think we will show in a few moments, although you thought it was a dangerous point, I think we will have evidence to show that—you reached there what day?

Mr. DISQUE. May 12, approximately.

Mr. FREAR. How long were you there?

Mr. DISQUE. I was there about a week.

Mr. FREAR. You were there about a week. When you came back here on June 3 you had your meeting and decided it within two weeks, and you had been months accumulating this testimony that caused your report to the Secretary of War.

Mr. DISQUE. Of course we were doing lots of other things between times.

Mr. FREAR. I realize that. I meant after you got back here.

Mr. MAGEE. The points as I look at it, General, is what caused you to reverse the decision of the Secretary of War on your own authority?

Mr. DISQUE. Well, I do not think you have stated that right.

Mr. MAGEE. I will read to you what Gen. McIntyre says.

Mr. DISQUE. Read the contract, Mr. Magee. That is the thing I was acting under when I came out here.

Mr. MAGEE. This was sent to the Secretary of War.

Mr. DISQUE. Certainly, I acknowledge that.

Mr. MAGEE. This is April 24, 1918. You say that my question is not a reasonable question. Now, I am taking the position of Gen. McIntyre, Chief of Staff. I assume Gen. McIntyre, who is one of the most efficient officers in the Army, and was the Chief of Staff at the time, that he was reasonable. Now, in his letter to the Secretary of War, he states, on page 5:

The point in question is, what caused a reversal of the decision to build the Deep Creek route, and by whose authority was the action of the Secretary of War of April 24, 1918, reversed. The only evidence on this subject is that contained in the testimony of the commanding general of the Spruce Production Division (Gen. Disque). He states: "We had Mr. Roberts of the Union Pacific go over that; Mr. Caliber, who laid out the Canadian Pacific, go over

it, Maj. Welch, and I personally have gone over all the route up there in Clallam County, and the Siems-Cary contract to build the railroad was closed in Washington, with the provision that the exact route would be determined by me before they began operations, because in Washington, Mr. Byron, president of the Milwaukee, put a doubt in my mind as to the advisability of going ahead the way we had planned before we went to Washington, so we left it open and came out here again and went over the lines and then had a meeting in Seattle, attended by Mr. Erling, of the Milwaukee, and his chief engineer; Mr. Roberts, chief engineer of the Union Pacific; Mr. Caliber, who had logged the Canadian Pacific; Mr. ———, who had been a superintendent of the Milwaukee; Mr. Carey, and myself. We spent the evening listening to the different arguments and then I decided to build it by way of Lake Pleasant (Crescent Lake route), and that decision was concurred in by everyone present."

Mr. DISQUE. That explains it about as clearly and concisely as I can put it.

Mr. MAGEE. Is that the only explanation you have as to why you reversed the decision of the Secretary of War?

Mr. DISQUE. I have given, I think, right here, a great deal more than that as the reason why I decided on the Lake Crescent route. I have never acknowledged that I reversed the decision of the Secretary of war. I don't think I did.

Mr. MAGEE. Do you doubt the accuracy of the statement of Gen. McIntyre?

Mr. DISQUE. I don't think I did reverse it. The contract left it open to be decided here.

Mr. MAGEE. Do you question the statement of Gen. McIntyre?

Mr. DISQUE. Gen. McIntyre was not talking to this point when he wrote that.

Mr. MAGEE. Gen. McIntyre is a person who calls a spade a spade, isn't he—black black—sets out exactly what the fact is?

Mr. DISQUE. That is what I have been doing and propose to continue to do.

Mr. FREAR. Now, here is the situation, General. I have been trying to revolve in my own mind what impelled you to make this change. You state in your letter to the Secretary of War, which is a real statement of the case, that you could strike spruce immediately after you left Deep Creek.

Mr. DISQUE. Yes.

Mr. FREAR. The crying need of this war was to get that spruce as quickly as possible, and yet you could not get spruce from the other line without going 36 miles; that is conceded by your own statement. And with those facts before you—

Mr. DISQUE. I have got to keep notes on this. That is not correct.

Mr. FREAR. Let me read it, then.

Mr. DISQUE. No; I have stated, repeatedly, that we didn't need that spruce, we had made preparations in other territories for 1918, and our 1919 production is the thing we were interested in from this area. That is what I said.

Mr. MAGEE. Well, you were going to be sure that you would have spruce enough long after the war ended.

Mr. FREAR. If your statement now was the truth, why did you write on March 20, or wire on March 20, or we will take it as late as April 8—as late as April 8, why did you then write the Secretary of War, "It will be noted that the Milwaukee extension will immediately tap large stands of spruce timber between Deep Creek and

the Pysht River." Why did you write that, if you had taken care of all this proposition?

Mr. DISQUE. I was trying to put in that letter every argument I could to prevent these other folks, who were trying to build a road around the south side of Lake Crescent, delaying our game by working their influence.

Mr. FREAR. I don't care whether your motive was a right motive or not.

Mr. DISQUE. It was spruce.

Mr. FREAR. The spruce you could reach immediately. When I asked you "if you were going to reach spruce immediately, why did you select the other route?" you now explain because you had made other arrangements for the spruce; is that it?

Mr. DISQUE. Well—

Mr. FREAR. If it is, then I want to ask you, then why did you write the Secretary of War, as late as April 8, and make that statement, that that was one of the inducements?

Mr. DISQUE. That statement is perfectly correct, a proper statement to put in there, in any argument for extending that line. That is one point in favor of it.

Mr. FREAR. That is a very important one, wasn't it, that you were going to strike spruce immediately, and would not strike it on the other side?

Mr. DISQUE. It is a very important point, but, as I said repeatedly, we were figuring on this operation as a next-year development, we had made preparations that would take care of 1918. That striking spruce immediately developed afterwards, I think, that the spruce along there is not good quality.

Mr. FREAR. But you state to the Secretary of War that it is.

Mr. DISQUE. Well—

Mr. FREAR. And, as a matter of fact, you say Goodyear and these people were cutting spruce for the Government.

Mr. DISQUE. Oh, yes.

Mr. FREAR. Right along there?

Mr. DISQUE. Exactly.

Mr. FREAR. If it was not good quality—

Mr. DISQUE. Not right along there; several miles west and several miles off that line.

Mr. FREAR. Was the Puget Sound Co. there at Port Angeles cutting any lumber for the Government—airplane stuff?

Mr. DISQUE. They cut spruce now and then. Several times we had to go up there and pull out some rafts they had hid away and make them saw them up. They had good commercial orders and foreign shipments, and it was quite a little—

Mr. FREAR. They were cutting for the Government?

Mr. DISQUE (continuing). Trouble to make them cut for the Government.

Mr. FREAR. They were cutting airplane stuff for the Government?

Mr. DISQUE. Yes.

Mr. FREAR. They were cutting timber from the Milwaukee lands, according to Mr. Scott; that is, just west of Joyce they were cutting timber from Milwaukee lands, and it was the spruce that you had in there and it was the spruce that you were using.

Mr. DISQUE. I don't know what percentage of it became aircraft.

Mr. FREAR. If you don't, none of us do.

Mr. DISQUE. We can find out, but we don't know now.

Mr. FREAR. We are assuming that it was good spruce; when you wrote here in this letter to the Secretary of War that you would immediately strike spruce, that is beyond comprehension unless some other purpose, not in your mind, but in the mind of some people, caused this sudden turn, but there is an explanation and it is as plain, it would seem, as can be made, that if the Milwaukee could not get the Pysht Creek route and could get the Government to build the other line, no matter how much it cost, that it was to their interest to do it, and then tie it up, just as the Southern Pacific would tie up this lower line, if they can, at what can be allowed, because they have been calculating on building a coast road.

Mr. DISQUE. If there is anything in that theory, why wouldn't they influence me to extend their line where it was up Deep Creek?

Mr. FREAR. The advantage of the other route was apparent immediately, because it was shorter; no matter what it cost, they were going to get it for a song, and the Government was going to build it.

Mr. DISQUE. You know they are complaining now because their other road is a stub end. It is quite a disadvantage to them.

Mr. FREAR. But they can get in there and get the spruce; they are logging it out to-day, and they are keeping their road busy.

Mr. DISQUE. Yes, sir.

Mr. FREAR. Whereas the road that runs to Pleasant Lake will not be kept busy for a long time, I fear, because it is not a profitable road for logging; it is when the Milwaukee takes it over that it would seem to be a possibility.

Mr. DISQUE. I would think the committee ought to call some loggers who have had roads somewhat the size and length of the one we built.

Mr. FREAR. There is none. There are none to be found.

Mr. DISQUE. None?

Mr. FREAR. We have inquired everywhere to find where logging roads were built at \$115,000 a mile, and we haven't struck any.

Mr. DISQUE. Have you called Mr. Mark Reed, or Mr. Alex Polson?

Mr. FREAR. I say, none that we have found.

Mr. DISQUE. I think both those gentlemen have logging roads approximately as long as the one we built, and I think they have roads built just as well, if not better.

Mr. FREAR. And at the same expense? It is the expense I am referring to.

Mr. DISQUE. But the cost—

Mr. FREAR. Mr. Polson, in his testimony before the Ray committee—and he is one of the largest loggers in the country, I understand—he complains bitterly because a man you sent up there held up the extension of his road, as he claims, so that he could not get into the spruce of the Quinault Reservation. That is the testimony in the Ray committee, and, if you question it, I will bring the testimony—Polson's testimony.

Mr. DISQUE. What was the finding about that?

Mr. FREAR. The finding was that this man was removed by you and another man put in his place to work there with Nelson. That was the evidence. I don't know what the finding was.

Mr. DISQUE. What is the finding as to the delay?

Mr. FREAR. The finding of Ray, who was a major, who was examining you—who was examining majors and all—he was a major in the Army. I should not expect that he was going to find anything against John D. Ryan or against you or against the other majors, and that is what McIntyre says here, that he acted correctly; that is, that these men who made the complaint, Howes and Kerrigan, acted correctly in filing their claims, and he criticizes Ray, inferentially, because Ray knew why these men made the claims against—

Mr. DISQUE. I have never seen Ray's report.

Mr. FREAR. Haven't you? It is very interesting.

Mr. DISQUE. I felt that the Secretary should have published that, in light of the hostile criticism that brought it on, and I have never had an opportunity of seeing it. I don't think Ray—it would have made any difference whether he was reporting on a major or a general or the President; if he had found anything, he would have put it in there. That is the way Regular Army officers act.

Mr. FREAR. Is that the way Regular Army officers act?

Mr. DISQUE. Absolutely.

Mr. FREAR. Oh, well, now—

Mr. LEA. Just a moment. Might I make a suggestion?

Mr. FREAR. I don't think a Regular Army officer—

Mr. LEA. I think we ought to get along here and get at the facts, what we have to rely upon, not wasting time with argument. So I would suggest that we ask the questions and let the argument go for the future.

Mr. FREAR. I agree with you that Mr. Disque and I probably will not get together, although I think we are both rather familiar with Army methods. I have been for many years.

Mr. LEA. I think in this connection, though, it might be well to read the reasons, as given in this letter, by Mr. Roberts. So I would like to take just a minute to do that.

Mr. FREAR. All right. Of course, that will involve at this time a questioning on each individual reason, because I think that it is subject to that.

Mr. LEA. I simply wanted that as showing the information given to Mr. Disque which he says led to a change of his opinion.

Mr. FREAR. Here is the situation: Mr. Roberts in three days goes over a route that we went over in three days, and you recollect how rapidly we had to move. Unquestionably, he could not make an investigation there except in a general way.

Mr. LEA. He states this in his report: That he took the surveys made by the Milwaukee and by this other company—I have forgotten the name of it—that goes on the Crescent route—

Mr. FREAR. That is the Port Angeles.

Mr. LEA. And he went over that in connection with his view of the territory, and then he summarizes his reasons in this language:

The following features are in favor of the Lake Crescent route v. Pysht River route:

(a) It will, in my opinion, require less time to construct, inasmuch as, first, more men can be employed and distributed to better advantage, and, second, owing to the classification of material, nearly as good progress can be made during the rainy season as during the dry months; third, approximate estimate shows less cubic yards to move.

(b) The trestles are not as high, and, consequently, less fire hazard and danger of interrupting traffic.

(c) The cost will probably be slightly less.

(d) Shorter haul by several miles from Lake Pleasant to Port Angeles.

(e) Will, in my opinion, serve the State and county better as a commercial enterprise after the Government is through using the line.

(f) The cost of maintenance will probably be less, and there will be considerably less danger of slides.

After taking all features into consideration, and bearing in mind that time is the principal factor to be considered, there remains little doubt but that the Lake Crescent route is preferable to the Pysht River route, and I recommend that it be adopted.

Mr. FREAR. There is no doubt but what there was a desire on the part of some people to make the shift as long as the Government was going to build it. But let me take up the things that he speaks of.

"The following features are in favor of the Lake Crescent route," keeping in mind that you had been consulting with engineers and operators constantly in coming to your previous conclusion that the Pysht River route was the best, he says, "It will, in my opinion, require less time to construct, inasmuch (1) more men can be employed and distributed to better advantage, and (2) owing to the classification of material, nearly as good progress can be made during the rainy season as during the dry months." This was in May. Six months of construction would have had the road finished by the rainy season. "Approximate estimate shows less cubic yards to move."

Mr. DISQUE. Did he say it would be finished in six months?

Mr. FREAR. No; I said Carey said it would. Carey told you it would.

Mr. DISQUE. I thought you were reading from Mr. Roberts's report.

Mr. FREAR. No. Well, I may explain right here that Carey said to you and it was plain to him—this road didn't take six months to build, as I understand it?

Mr. DISQUE. The Lake Crescent route?

Mr. FREAR. No; no other road would have put in 4,000 men, no one imagines that if you put three or four thousand men on—

Mr. DISQUE. Did they have 4,000 men on that line?

Mr. FREAR. That is the testimony; 4,000 men were employed. I don't know what particular operation, but Siems-Carey—

Mr. DISQUE. Who testified that, Mr. Chairman?

Mr. FREAR. I think you did.

Col. STEARNS. Approximately that many.

Mr. FREAR. That is the officers who were actively engaged here.

Mr. DISQUE. I didn't know. I saw someone said they had worked three shifts up there.

Mr. FREAR. Yes; they were on the railroad, not on the spruce.

Mr. DISQUE. I don't think they did on the railroad.

Mr. FREAR. But that is the testimony.

Col. STEARNS. A part of the time.

Mr. DISQUE. I saw a letter from Maj. Sawyer the other day, saying that there was not any such thing happened.

Col. STEARNS. I think you will find it in the record that it was a part of the time.

Mr. FREAR. Just a part of the time.

Mr. LEA. As I get the facts—perhaps we are under a little misapprehension—but I understand there were three shifts on a part of that road, but not on all of it, by any means.

Mr. FREAR. I understand.

Mr. DISQUE. If there were, it probably was an infinitesimal part of the construction.

Mr. FREAR. If you don't know how many men were employed—you say it is an infinitesimal part; what is your knowledge, what is your personal knowledge of it?

Mr. DISQUE. I will read the letter that came from Maj. Sawyer.

Mr. FREAR. The man who is president to-day of the company gave us this information of your company.

Col. STEARNS. No, sir; I did not.

Mr. FREAR. I supposed you were the one who testified.

Col. STEARNS. I didn't say they were working three shifts all the time.

Mr. FREAR. Three.

Col. STEARNS. Or three.

Mr. FREAR. No one says they were working three shifts all the time.

Col. STEARNS. There were three shifts on a part of the road that was difficult of construction.

Mr. FREAR. Sure; that is the understanding. [Reading:]

(b) The trestles are not as high, and consequently less fire hazard and danger of interrupting traffic.

What he was proposing, as he said—a route of 140 feet high—where the testimony of all these others in regard to that route was that it was an ordinary logging road that could be built without any difficult features of operation, and they all agreed that it would not cost over \$20,000 a mile.

Mr. DISQUE. Who is it that agreed to that?

Mr. FREAR. Frost.

Mr. DISQUE. Who is—

Mr. FREAR. Frost.

Mr. DISQUE. Do you mean by Frost—

Mr. FREAR. Thomas, who was an engineer. These are logging roads. They are not speaking of a transcontinental road, with tunnels and all that.

Mr. DISQUE. We could not build an ordinary logging road, as those gentlemen are in the habit of building them. None of those men that you have named have any road that long, or that comes anywhere near handling anything like the traffic that we had to bring over it.

Mr. FREAR. The testimony of Mr. Lightner was—he said [reading]:

I can handle as much traffic over a road from Clallam Bay up there, every log that can be cut, just as much as they can on the long road, for the reason that they could keep it going with sidings, they could keep it going constantly both ways.

That is his testimony; and I am speaking of the question from the practical logger's standpoint, as compared with other, because we have to learn this subject just like you. [Continuing reading:]

(c) The cost will probably be slightly less.

That is, the cost of the Crescent Lake route, Roberts says, would be slightly less; in other words, the Crescent Lake route, for 36 miles, cost about \$115,000 a mile, or about practically \$4,000,000. He says that that is less than for building 25 miles on the Pysht Creek route.

Mr. MAGEE. He estimates at \$1,600,000.

Mr. FREAR. Estimates \$1,600,000. And then he makes this statement:

(d) Shorter hauls, by several miles, from Lake Pleasant to Port Angeles.

That feature would be so because—

Mr. DISQUE. About 6 miles, I think.

Mr. FREAR. About 6 miles more to the road as planned. [Reading:]

Will, in my opinion, serve the State and county better as a commercial enterprise after the Government is through using the line.

There is no doubt but what that is that. That is the basis, apparently, of the charge. [Continuing reading:]

The cost of maintenance will probably be less, and there will be considerably less danger of slides.

They had slides in both cases. You have got slides down here.

Let's go now to the cost-plus contract made with the Siems-Carey-Kerbaugh Co. We have had the railroad. What were the circumstances leading up to the making of that contract?

Mr. DISQUE. For construction of the railroad?

Mr. FREAR. No; we have got past the construction of the railroad. The circumstances leading up to the granting of the contract, for which the railroad was made—built?

Mr. DISQUE. The flitch contract?

Mr. FREAR. Yes; the flitch contract.

Mr. DISQUE. As I said this morning, we had a number of propositions that came to us proposing development of the Clallam County spruce. Some of them were fantastic and others were requiring so much from the Government in the way of assistance that we could not see our way to accept them. None of them seemed to have the standing that would justify a large contract nor the actual collateral to put up to guarantee the Government's getting what they had promised until this Siems-Carey Co. came to us.

Mr. FREAR. How did they come to you and where?

Mr. DISQUE. The first communication that we had, the first time that I ever heard of the Siems-Carey-Kerbaugh Corporation, is this telegram of March 16 signed by Pliny Fisk, of Harvey, Fisk & Sons, a firm that I don't know, have never seen, and did not know—don't know them to-day. A telegram comes addressed to me in Portland. [Reading:]

H. S. Kerbaugh (Inc.) has telegraphed authority to William C. Bristol to negotiate a contract with you for the delivery of 100,000,000 feet spruce and the building of a railroad. Among Kerbaugh's references are Samuel Rea, president of the Pennsylvania Railroad, and A. C. Shand, chief engineer same road, and our firm recommend him unqualifiedly.

That is the first that I have of Siems-Carey.

Mr. FREAR. This was for building a railway as well as for getting out the flitches.

Mr. DISQUE. That was their proposition.

Mr. FREAR. The first word you got was from Pliny Fisk?

Mr. DISQUE. Well, I had another telegram on the 19th of March.

Mr. FREAR. This first was when?

Mr. DISQUE. The 16th of March. [Reading:]

We have authorized by wire Theodore Rickson to represent us in negotiating and closing contract with you.

That is signed "Siems & Carey, H. S. Kerbaugh."

Mr. FREAR. That was moving fast, wasn't it? Three days after you had heard from those people here were people going to build a railway and put in 100,000,000 feet of fitches—

Mr. DISQUE. Well, all the telegrams indicate that they designated somebody to come down and talk to us. Of course, we hadn't seen anybody then.

Mr. FREAR. No; I understand from this end of it.

Mr. DISQUE. Then, again, on the 16th—I have these a little out of order—let's see if I can get them in now—

Mr. FREAR. Did you wire back in response to this one of the 16th?

Mr. DISQUE. I am sure I did not. There is no record of one, and my recollection is very clear that I did not.

Mr. FREAR. I would assume that you hadn't.

Mr. DISQUE. I didn't know who they were. I was getting telegrams from everybody who wanted to build railroads and open spruce.

Mr. FREAR. Here was a man in Wall Street, who was ready to open spruce—Pliny Fisk.

Mr. DISQUE. Then a telegram on the 16th of March, which should have been read second, probably [reading]:

We have authorized William C. Bristol to represent us in negotiating a contract with you for the delivery of 100,000,000 feet spruce and the construction of about 50 miles of railroad, and we ask that you give Bristol an interview as early as possible. H. S. Kerbaugh, (Inc.).

Mr. FREAR. Now, that was how many feet did you say there, 100,000,000.

Mr. DISQUE. One hundred million.

Mr. FREAR. One hundred million. This was 50 miles of railway they expected?

Mr. DISQUE. Fifty miles.

Mr. MAGEE. Had you advertised for any bids for such purpose?

Mr. DISQUE. No.

Mr. FREAR. You didn't know anything about why you were getting those letters for 50 miles of railway?

Mr. DISQUE. There were a lot of people talking about it.

Mr. FREAR. Talking about what?

Mr. DISQUE. Getting into Clallam spruce. There were companies out or talking about forming; there was really two or three corporations formed, and everybody in the country, I suppose, knew about it.

Mr. FREAR. Did they mention Clallam to you in these?

Mr. DISQUE. Not in these telegrams.

Mr. FREAR. You didn't respond to either one of those?

Mr. DISQUE. I think not. That is my recollection. The fact that he said Bristol would be coming in, I think probably is the reason I didn't reply, more than any other.

Then on the 19th of March a telegram came from Harvey Fisk [reading]:

With reference to any contract which might be entered into through Theodore Rickson's negotiations as representing Siems and Carey, also H. S. Kerbaugh, we are prepared to give such guarantees for any advances made and to satisfy you in every way through the department here and War Credits Board. Will this be satisfactory? Answer. Address Willard Hotel. Pliny Fisk.

There is no record of any answer to that, and I am sure I did not send any, to the best of my recollection.

Mr. FREAR. Apparently, he had been taking up the matter with the department down at Washington, from the character of that telegram.

Mr. DISQUE. Gone to the War Credits Board, apparently.

Mr. FREAR. Yes.

Mr. DISQUE. Then, on the 20th of March, I received one [reading]:

We have telegraphed authority to John Cain to represent us if Theodore Rickson is absent or for any other reason can not act. Therefore, all of yesterday's telegrams mentioning Rickson kindly apply to John Cain.

That is signed, "Siems-Carey-H. S. Kerbaugh, Pliny Fisk."

Mr. FREAR. Did you know at that time that John Cain, of Port Angeles, was with this road or with this company that was trying to put through the road—Crescent road?

Mr. DISQUE. I never had it in mind; I didn't know it until—at least, I may have been told of it, but this is the first time I understood it. I might add in here that Carey and Kerbaugh claim that some of these messages were forged. There is some trouble down there. I don't know what it is, but there is some kind of a mixup between Cain and Kerbaugh and Carey.

Mr. FREAR. There was a mixup, surely, before they got through.

Mr. MAGEE. And Fisk, was Fisk in the mixup?

Mr. DISQUE. I don't know whether he is in it or not. Some claim is made—

Mr. MAGEE. I heard that a former good friend had told so. I didn't know whether you knew about it.

Mr. DISQUE. No; I never saw Fisk in my life; I don't know him. I never have seen those other folks, except once since I left here, and that was in connection with this; they wanted me to testify in court in a suit that was brought regarding the conditions surrounding the opening of these negotiations.

Then I have a letter here that is not dated, but it apparently came right after this, because it is signed by Cain, and it is apparently his follow-up to these telegrams.

Mr. FREAR. That is John Cain?

Mr. DISQUE. John Cain. He happened to be in Portland and wrote this letter.

Mr. FREAR. He lives in Port Angeles.

Mr. DISQUE. He lives at Port Angeles, and apparently came down here as a result of all this correspondence. He says:

I have the honor to submit next subjoined, in three sheets, the proposal and application of Messrs Siems and Carey and H. S. Kerbaugh, contractors, of New York City, N. Y., for logging and delivery 300,000,000 feet spruce logs from Clallam County for the Government, as well as railroad facilities—

Mr. FREAR. Let me ask right there: Had you had any negotiations with Brown Bros. there in New York?

Mr. DISQUE. Cain I think had been in talking to me about them. I had not seen Brown Bros., but he——

Mr. FREAR. Had you had any letters or telegrams from them, or anything of that kind?

Mr. DISQUE. There were several telegrams passed back and forth, in an endeavor to get a contract for Walston H. Brown & Sons.

Mr. FREAR. That is right.

Mr. DISQUE. Cain, I think, was their local representative and Bristol also, I think, was their attorney here.

Mr. FREAR. And that refers back to this Carrigan's statement which I read this morning. Walston Brown was put out, and his theory or explanation was that he was put out because they would not accept his bonds and the Milwaukee was standing in the way, blocking it. Of course, I am not stating that that is a fact, but that is his statement to the committee.

Mr. DISQUE. I stated in my telegram to Mr. Coffin, of March 6, why Brown did not get a contract. He wanted impossible conditions and we would not give them to him.

Mr. FREAR. What?

Mr. DISQUE. He wanted us to do everything, to promise to guarantee everything except profits, and he wanted those, and he never did give us a proposition that seemed reasonable. That is the only reason I know of why Brown didn't get it.

Mr. FREAR. Well, Sims-Kerbaugh fell into the shoes—as a matter of fact I don't think there is any question—of the Brown people, and they were undertaking it with Cain, who was the man who had appeared. Now, just go on.

Mr. DISQUE. Continuing Cain's letter [reading]:

You gave me an interview before when this matter was in somewhat different shape.

Mr. FREAR. That was with reference to Brown, I suppose?

Mr. DISQUE. I suppose that he means that. [Continuing reading]:

And I now request that you accord me a personal interview upon this proposal in order that an understanding may be immediately reached.

That is signed "John Cain." Then he attached this proposal made by the Siems-Carey-Kerbaugh Corporation.

Mr. FREAR. Just what is the nature of it? Unless it is important, why, we will pass it.

Mr. DISQUE. Well, it is important in this way: That it being so much more of a businesslike proposal, wherein the contractor was going to take some chance himself, that it appealed to us, on first blush, as a little bit worthy of our consideration as compared to the proposals that had come to our office up to that time.

Mr. FREAR. Just suggest where these appear.

Mr. DISQUE. First in here is the railroad at cost and expense of the contractor.

Mr. FREAR. At cost and expense of the contractor. That is Siems-Carey-Kerbaugh Co.—that was their first proposition?

Mr. DISQUE. That was their first proposal. Second, contractor proposes to cut and deliver 300,000,000 feet of Nos. 1 and 2 logs,

deliveries to commence on or before November 1, 1918, and the whole amount to be delivered 18 months from the date of the signing of the contract. The prevailing price to be paid for logs, the contractors to receive 30 per cent advance of the amount of the contract—the custom that was followed in all similar operations. After the signing of the contract and during the continuance of its performance, if a higher price shall prevail the loggers to get the advantage of it. That is, if we made a general increase in the price.

Mr. FREAR. That went into most all the contracts, did it?

Mr. DISQUE. All of them. Deliveries to be made at any point on Puget Sound that the Government may select. The Government will use its powers of commandeering and requisition in aid of the contractor for the purpose of obtaining the projection of said railroad, the operation of the logging industry, and the delivery of said logs in aid of the spruce production required by the Government. The contractor has the right to sell his commercial surplus cut. If there are any embargoes, the Government must assist in having them removed to facilitate the operation. Contractor stands ready to furnish satisfactory bond and guaranty in the usual form required by the Government. Then is a list of recommendations which includes, to my mind, the most competent people to recommend contractors in the country.

Mr. FREAR. Well, what loggers?

Mr. DISQUE. There were no loggers, Mr. Chairman.

Mr. FREAR. No loggers; no people outside of log rolling?

Mr. DISQUE. Well, there was a clean-cut proposition.

Mr. FREAR. Yes. Well, I am not criticizing your end of it.

Mr. DISQUE. It was the best thing that ever came to our office in the way of a clean-cut offer.

Mr. FREAR. They agreed to build the railroad there?

Mr. DISQUE. They agreed to do the whole thing. Now you mention that about loggers. I think you would be interested to know why I was willing to make a contract with a man who never logged.

Mr. FREAR. Well, let's go along with the contract, and then we will get to that. What is the next that occurred—that is, in their selection?

Mr. DISQUE. Well, the next thing, I told this fellow Rickson, or Cain, in case—

Mr. FREAR (interrupting). They were both representing Fisk.

Mr. DISQUE. Well, I think Cain was the fellow that came down, and I think he had someone with him. I don't remember. I told him that any contract made with anybody, I certainly wanted the principals here to discuss it, talk it over and find out who and what they were. And my next record of anything is that Siems-Carey-Kerbaugh, members of the firm, came to Portland, all three of them, and we had two or three interviews, the last of which resulted in drawing the contract that was made on April 12, and was finished with the members of my committee present in the room during the entire afternoon while it was being framed.

Mr. FREAR. Well, that was entirely different from this proposal of theirs, was it not?

Mr. DISQUE. Well, the contract that I drew at that time I don't think is much different from this proposal.

Mr. FREAR. No?

Mr. DISQUE. Except that I did not provide for the railway.

Mr. FREAR. That is what I mean. That is the important part.

Mr. DISQUE. I left that out. I didn't want them interested or mixed up in any railway. As I said before, it had been my idea that anyone should be able to go in there and log and move out over a common carrier his material. And another thing that comes in right there, these folks got out here and found out that we wanted a material entirely different from what they had in mind when they made that proposition.

Mr. FREAR. In what respect?

Mr. DISQUE. Well, they were talking about logs. We didn't want logs.

Mr. FREAR. Logs in general. Oh, their contract was for logs instead of flitches?

Mr. DISQUE. For logs.

Mr. FREAR. Yes.

Mr. DISQUE. We didn't want logs; we wanted flitches; and that caused some changes in the thing. Then, when it came down to the flitches, in order to produce the quantity we wanted it made it necessary that they do selective logging instead of general logging. That also called for a few modifications in framing the contract.

Mr. FREAR. That is, as to rates of payment, and so on?

Mr. DISQUE. No; the rates of payment and things were about—the price was different, but it involved us marking trees to prevent them cutting in and slicing trees that were not suitable—questions of technique more than anything else, I would say.

Mr. FREAR. That is, it was agreed from the start that \$100 for first-grade flitches and \$60 for the second was a fair price?

Mr. DISQUE. Yes, sir.

Mr. FREAR. So that was adopted?

Mr. DISQUE. That was adopted. That rate we based upon not too much information, but it was pretty close after all, I think. It was the best we could think of at that time. At any rate, we closed that contract. I don't know whether you have a copy in your file or not.

Mr. FREAR. Yes.

Mr. DISQUE. The one I made in April, the 12th of April?

Mr. FREAR. No. I have the May contract.

Mr. DISQUE. Well, let's see—

Mr. LEA. It is in the Ray report.

Mr. FREAR. Yes; I think it is in the Ray report. I have seen it.

Mr. DISQUE. Well, all there was to it, I told him I would not sign it; I was satisfied with the contract, but until we had a railway there I wasn't going to buy any logs f. o. b. Lake Pleasant. Then they went away. Then we met them in Washington.

Mr. FREAR. Now, what was the proposal in regard to a railway? They offered to build a railway themselves, put it in, to get these logs out?

Mr. DISQUE. Yes.

Mr. FREAR. They would do that at their own expense?

Mr. DISQUE. That is their proposal right here.

Mr. FREAR. That is their proposal; and you finally determined that the Government should build it?

Mr. DISQUE. Well, there was a lot of things happened in there. I didn't determine the Government should build it.

Mr. FREAR. Why was it that you were not willing that they should build it when they proposed and you prepared the original draft of this contract in April?

Mr. DISQUE. Well, when they proposed this thing I had no idea in mind that the Government was going to build any railway. I thought the Milwaukee were going to extend their railway and told these folks that we were negotiating with them, and that subject was dropped. Well, we didn't discuss it five minutes here, I don't think. The question of their building the railway was dropped, because it was being considered and had been, and no one thought of anyone but the Milwaukee extending their line.

Mr. FREAR. Oh! Now, as we get it, their proposal to you was that they would build a railway of 56 miles, or whatever it is here, a 50-mile railway; they would build that at their own expense, if this contract was given them, but you didn't give that to them because you were expecting the Milwaukee would continue their Deep Creek operations?

Mr. DISQUE. That is it.

Mr. FREAR. Now it comes up to us that the railroad was finally built by the Government on a cost-plus contract, which was different from either one, from either matter, and a rather expensive proposition to the Government if it don't get more than the salvage value estimated here. Now, how did that come about?

Mr. DISQUE. Well, I will say there was quite a period lapsed in between there.

Mr. FREAR. After it was found that the Milwaukee road were not going to build, then why wasn't their proposal taken to let them build the road in to get out these flitches?

Mr. DISQUE. Well, I really think that the real truth is that Siems-Carey learned a good deal about the situation after they came out here that they didn't know before they came, and they would never have entered into a contract on that basis with fuller knowledge of the condition.

Mr. FREAR. What evidence have we got—here is a very important proposition. Here is a \$4,000,000 railway that is built by the Government on a cost-plus basis; they had proposed to build it themselves; you objected to their building it because of this possible Deep Creek extension of the Milwaukee road. It comes up to us that that railroad was built at \$115,000 a mile by the Government. Why?

Mr. DISQUE. Well, I believe the best witnesses you can call on that, and a great deal better than I am, would be the members of that firm. As I say, they changed their minds about what they could do after they saw it.

Mr. FREAR. But they got the contract. They got the contract.

Mr. DISQUE. Well, I have explained that, of course.

Mr. FREAR. Both contracts. Is that the only explanation you can give to this committee? Is there anyone else that can be referred to? Have you no correspondence, telegrams, or anything to explain this remarkable change?

Mr. DISQUE. Well, I would say that you might, undoubtedly could, get something from Mr. Cain, and from the attorney who was with him; I don't recall who it was.

Mr. FREAR. Well, but you were the one who was authorizing the railroad?

Mr. DISQUE. As I say, Mr. Chairman, when these gentlemen came to my office we had been thinking of nothing but the extension of the Milwaukee. That was the fact.

Mr. FREAR. Let me look, will you, please, at that proposal that they made.

(Mr. Disque here passed paper to Mr. Frear.)

Mr. FREAR. This was proposed about the time that the original contract was drawn, was it? I didn't notice the date of it.

Mr. DISQUE. That is not dated. It came shortly after these telegrams, and was brought to me by Cain, apparently about the latter part of March; after the 20th.

Mr. FREAR. Yes; on March 20 Pliny Fisk or Siems—was it Pliny Fisk sent you the telegram, "We have telegraphed to John Cain?"

Mr. DISQUE. This came in after those messages apparently. It is not dated.

Mr. FREAR. Was that message from Fisk or from Siems-Carey-Kerbaugh, March 20, "We have telegraphed to John Cain?"

Mr. DISQUE. That was Siems-Carey-Kerbaugh and Pliny Fisk, all of them.

Mr. FREAR. They all joined in that telegram of March 20. Sometime after that this proposition was made by John Cain, whom they had authorized to act for them; there is no date; presumably what, in April?

Mr. DISQUE. I think that was probably the latter part of March. That would be my guess at it.

Mr. FREAR. The latter part of March. Just enter that in the record, please, in full. You have read part of it. I will read that first paragraph, which seems to be a very important paragraph: "Proposal of Siems and Carey and H. S. Kerbaugh, of 50 Church Street, New York City, to cut and deliver 300,000,000 feet spruce logs for United States Government.

"Railroad: At the cost and expense of the contractor, a railroad shall be built and completed on or before November 1, 1918, via Joyce, Lake Crescent, and Soleduc Valley, from Port Crescent, by a suitable route to and in the vicinity of Lake Pleasant," at the cost and expense of the contractor.

Mr. MAGEE. Is that the Lake Crescent route?

Mr. FREAR. "By a suitable route to and in the vicinity of Lake Crescent," from Port Crescent.

(Pursuant to the foregoing instructions the document was marked "Exhibit 2, Witness Disque, September 4, 1919," and is set out in full as follows:)

GILLIAM COUNTY.

Col. BRICE P. DISQUE,
Aviation Corps, Spruce Division,
United States War Department,
Yeon Building, Portland, Oreg.

SIR: I have the honor to submit next subjoined in three sheets the proposal and application of Messrs. Siems & Carey and H. S. Kerbaugh, contractors, of New York City, N. Y., for logging and delivery 300,000,000 feet spruce logs

from Clallam County for the Government as well as railroad facilities. You gave me an interview before when this matter was in somewhat different shape, and I now request that you accord me a personal interview upon this proposal in order that an understanding may be immediately reached.

Very respectfully,

JOHN CAIN.

Address: Oregon Hotel,
City.

(First attached sheet:)

CLALLAM COUNTY.

PROPOSAL OF SIEMS & CAREY AND H. S. KERBAUGH, OF 50 CHURCH STREET, NEW YORK CITY, TO CUT AND DELIVER 300,000,000 FEET SPRUCE LOGS FOR UNITED STATES GOVERNMENT.

Railroad.—At the cost and expense of the contractor, a railroad shall be built and completed on or before November 1, 1918, via Joyce, Lake Crescent, and Soleduc Valley, from Port Crescent, by a suitable route to and in the vicinity of Lake Pleasant.

Logging operations.—Contractor proposes to cut and deliver 300,000,000 feet of No. 1 and 2 logs, deliveries thereof to commence on or before November 1, 1918, and the whole amount to be delivered 18 months from the date of the signing of the contract therefor.

Price.—The prevailing Government price to be paid of \$35 per thousand for logs of No. 1 grade, and \$20 per thousand for logs of No. 2 grade.

Advances.—Contractors to receive upon signing of contract and giving satisfactory bond a 30 per cent cash advance of the amount thereof.

(Second attached sheet:)

Increase of price or modification.—If, after the signing of the contract and during the continuance of its performance, a higher price shall be established for logs by the Government, or a more favorable contract entered into for like operations, then the contractor hereunder to receive the benefit of such price. And if, during the period of this contract, the Government shall make or establish more favorable terms of operation for logging and for logging operations for spruce than now obtained, contractor hereunder to have the benefit of such modifications.

Deliveries.—Deliveries to be made at any point on Puget Sound that the Government may select.

Government assistance.—The Government will use its powers of commandeer and requisition in aid of the contractor for the purpose of obtaining the projection of said railroad, the operation of the logging industry, and the delivery of said logs in aid of the spruce production required by the Government.

Contractor to have the right to dispose of surplus.—All logs not taken under this contract by the Government may be sold by the contractor to other parties, and the Government will aid the delivery of the same.

Embargoes.—Contractor to be rendered free of embargoes on transportation, material, and labor necessary and required for the performance of this contract during the continuance thereof.

(Third attached sheet:)

Bond and guaranty.—Contractor stands ready to furnish satisfactory bond and guaranty in the usual form required by the Government.

References for Siems & Carey.—L. W. Hill, chairman, Great Northern; W. P. Kenney, president; also Chief Engineer A. H. Hogeland; J. M. Hannaford, president Northern Pacific; George T. Slade, vice-president; also W. L. Darling, formerly chief engineer; O. N. Kalk, chief engineer, Minneapolis, St. Paul & Sault St. Marie Railway; W. P. Hinton, vice president Grand Trunk Pacific Railway; Howard Elliott, chairman New York, New Haven and Hartford Railway; Charles A. Stone, president American International Corporation; Samuel McRoberts, of National City Bank also War Credit Board; First National Bank, St. Paul; National City Bank, New York.

References for H. S. Kerbaugh.—Samuel Rea, president Pennsylvania Railroad, and Shanne, chief engineer, Pennsylvania Railroad.

I certify that the foregoing is a true and correct copy of a record to be found in the files of the United States Spruce Production Corporation.

O. M. MASSEY.

Assistant Secretary United States Spruce Production Corporation.

SEPTEMBER 1, 1919.

Mr. FREAR. Did the Government lose out by this failure of yours to accept the proposition of Siems-Carey-Kerbaugh Co. at that time that they would build the road, as it subsequently cost about \$4,000,000?

Mr. DISQUE. I don't think so. If we had gone on with that contract, assuming we could buy logs, which we could not buy at that time under the War Department regulations—

Mr. FREAR (interrupting). Didn't you have power to commandeer?

Mr. DISQUE. No, sir.

Mr. FREAR. Not at that time? You did later?

Mr. DISQUE. We had no power to commandeer at any time, except as it was given in specific instances, when applied for to the War Department.

Mr. MAGEE. Well, you don't mean to say the War Department didn't have power to commandeer?

Mr. DISQUE. They did.

Mr. MAGEE. They did have the power to commandeer.

Mr. DISQUE. The chairman is talking to me. I said I hadn't.

Mr. MAGEE. Well, he meant through the War Department.

Mr. FREAR. Of course you would exercise it through the War Department. I understand that.

Mr. DISQUE. It could have been done at any time, I expect.

Mr. FREAR. Yes. Why, you threatened right here to commandeer the Blodgett tract.

Mr. DISQUE. That was some time later.

Mr. FREAR. Yes. But I mean the power existed in the War Department.

Mr. DISQUE. But we were not authorized then to buy logs. You could buy lumber under the War Department regulations, and the law as it was written, but you could not buy logs, and I could not make this contract for logs. Therefore it involved a different kind of a contract. It involved a mill somewhere to reduce logs to lumber. It involved the expenses of—

Mr. MAGEE (interrupting). Why did you relieve them from the cost of building this railroad and build it at the cost of the Government, at \$4,000,000? That is the question I understand the chairman asks.

Mr. FREAR. There is a perfectly patent explanation for it on one theory, but why, from the theory of protection for the Government, instead of the Milwaukee road? What is the explanation?

Mr. DISQUE. Why, if they had brought a contract here like that, signed, of course I would have taken it.

Mr. FREAR. Well, here was a proposition, a proposal; why didn't you say, "Sign it?"

Mr. DISQUE. Why, they were not here. They came down here to discuss it and never would have made that proposition.

Mr. FREAR. Just give me the statement you have there, please [referring to Exhibit 2].

Mr. MAGEE. Both contracts went right along together. One was dependent upon the other. As I understand, you state you were willing to enter into the spruce contract but would not enter into the railroad contract.

Mr. FREAR. It says, "References for Siems & Carey: L. W. Hill, chairman Great Northern," and you read two or three names here

and said, as I understood you, they showed the references and you knew they were reputable people and were ready to contract with them.

Mr. DISQUE. Exactly.

Mr. FREAR. Then why didn't you close the contract right there?

Mr. DISQUE. The principals of this firm were not here. I had never seen them.

Mr. FREAR. Why didn't you wire them?

Mr. DISQUE. I did.

Mr. FREAR. Asking them to come on immediately and sign the contract?

Mr. DISQUE. They came here. They went up and looked over that country. They had been misinformed.

Mr. FREAR. When was that?

Mr. DISQUE. That was in April, I assume.

Mr. FREAR. Subsequent to this?

Mr. DISQUE. Subsequent to that; came down to our office and had some different ideas from that proposal. They also learned they could not sell us logs; that they had to convert them into lumber; and the resulting contract was not that, because they would not, no other man on earth would have, signed that contract after they found out the situation and after they learned—

Mr. FREAR (interrupting). Did they say they would not? Is there any correspondence in your files to that effect?

Mr. DISQUE. Well, there wasn't anybody around our place that even discussed it that I recall.

Mr. FREAR. I assume that is correct.

Mr. DISQUE. I think that the only fair way to answer that is to get the men who were there, who understand what Siems-Carey did.

Mr. FREAR. Well, but you were here?

Mr. DISQUE. But I wasn't running around with them and talking to them.

Mr. FREAR. Well, but you were here in Portland, and they went up there to look at it?

Mr. DISQUE. Yes.

Mr. FREAR. And came back. Now, did you ask them, "Are you ready to carry out your proposal?" Did you write them, did you wire them, or did you say anything, asking them, "Are you ready to do anything to carry out your proposal to build the railroad and make the contract"?

Mr. DISQUE. I told you I told them to come to our office for that discussion. In that discussion there was present Mr. W. M. Ladd, president of the Ladd and Tilton Bank in this city, and Mr. Mark Reed, of the Simpson Logging Co., of Shelton, Wash. They at that time were members of what was known as the Pacific coast branch of the Aircraft Board. Also were present—

Mr. FREAR (interrupting). They were the ones that had approved this Deep Creek proposition that was referred to?

Mr. DISQUE. Yes. There was also there Mr. Rickson, Mr. Cain, Mr. Carey, Mr. Kerbaugh, and a man Donlan, and a Mr. Thomas, an attorney of Portland.

Mr. FREAR. All of these latter-named people that you have mentioned were representing the Siems-Carey-Kerbaugh Co.?

Mr. DISQUE. Yes.

Mr. FREAR. Donlan was the manager, was he?

Mr. DISQUE. He had something to do with them.

Mr. FREAR. Yes. I understood he was the manager. He was from Missoula, Mont.? Or did you know that?

Mr. DISQUE. I don't know where he was from.

Mr. FREAR. Well, that is the statement before the committee.

Mr. DISQUE. I might say in connection—

Mr. FREAR (interrupting). What about Thomas? Where did he come from, or who was he interested in?

Mr. DISQUE. He was an attorney here in town.

Mr. FREAR. I know, but who was he representing?

Mr. DISQUE. He was representing Siems-Carey-Kerbaugh Co.

Mr. FREAR. So all the last people you mention were representing the Siems-Carey-Kerbaugh. If the Siems-Carey Kerbaugh Co. had been guaranteed that contract for building the railroad and had built it in there for the purpose of getting out these logs, they would have owned the railroad?

Mr. DISQUE. Yes.

Mr. FREAR. If they built it on a cost-plus contract for the Government and it was put in there, then anyone who came up afterwards to build a railroad that would be useless for logging purposes could buy it and it would have to be sold; that is true?

Mr. DISQUE. I don't quite get your question.

Mr. FREAR. If the Siems-Carey-Kerbaugh Co. built this road at their own expense and they started into logging they would have the control and the ownership of that road and no one else could get in; they could sell it to the Northern Pacific?

Mr. DISQUE. Yes.

Mr. FREAR. They could sell it to anyone that they wanted to, but if the Government built it, as they did, on a cost-plus contract, it threw it into the open market then, unless the Siems-Carey-Kerbaugh Co., with their 30 days' option, had closed up there, but they could not do that because they had not secured any timber at that time; so that threw it into the open market and leaves it to-day compelled to sell and with only one possible purchaser in sight; isn't that right?

Mr. DISQUE. Well, as to the purchaser I think there could be several.

Mr. FREAR. Now, whom; what interests?

Mr. DISQUE. Well, I should think the men who own the larger areas of timber up there would be interested.

Mr. FREAR. Well, now, that comes from your standpoint, and would be my own; that is, I would have no knowledge were it not for the fact that the testimony before this committee is that they can build a railroad down to Clallam Bay for \$300,000 a mile under ordinary conditions, with a short haul, and put the logs in there instead of carrying them on a 56-mile haul over this road to Port Angeles, and they can do it at \$1 a thousand cheaper. So the man who is a practical logger and is going to figure on this is going to take the shortest possible route, and he could not afford, as far as that is concerned, to pay 10 per cent, which is the salvage value; isn't that true?

Mr. DISQUE. I understood that more than one company with funds enough to buy that road had discussed it in a way with Col. Stearns that led him to believe that there was a possibility of them becoming interested. I know that one concern in New York with enough funds to buy the road—

Mr. FREAR (interrupting). For what purpose?

Mr. DISQUE. Logging.

Mr. FREAR. For logging?

Mr. DISQUE. Lumbering—discussed it with me, wanted to know what the amount of timber was, what kind of a mill it was, what kind of a railroad, and were seriously considering buying it if it was going to be sold as the average war product is usually sold, and they discussed it, I think, with Col. Stearns—finally asked me one day what I thought they would have to pay for it, and I told them I didn't know, but I had recommended to Col. Stearns never to sell it until he could get its reconstruction value at the time of sale. They then withdrew, I think.

Mr. FREAR. Of course, that is an impossibility under any conditions, unless the Milwaukee takes it. Now, let us say that you get your 10 per cent, and let us figure on that basis as a business man who is a logger or who is engaged in these matters, and let's see if we won't arrive at the same conclusion—

Mr. DISQUE. Ten per cent of what?

Mr. FREAR. Ten per cent of the value, \$400,000.

Mr. DISQUE. You mean we start off with the assumption that is all we can get for it?

Mr. FREAR. Yes.

Mr. DISQUE. I don't agree with that.

Mr. FREAR. No. I mean you, as a business man, come up here and say, "I want to buy this road, or I am going to indulge in lumbering operations; I own the Clallam lumber, or I own the Weyerhaeuser lumber there, or I own the Milwaukee Land Co. lumber, 19,000 acres that the Milwaukee owns up there;" now let's say I am in that position. Either one of those owners must come in, because you can't commandeer private property in times of peace now. It is going to be a person of that kind to buy that railroad. The first thing that comes to the individual is, isn't it, What will it cost me to get out that timber? Now if he is confronted with the fact that for less than \$400,000 to-day he can build a road up from Clallam Bay and can then log that timber for a saving of a dollar a thousand around Port Angeles, what is going to induce him to pay for this 56-mile haul and the \$400,000 with all the additional upkeep and all the expense that will naturally follow the long route? Now, I am putting it as a business proposition that necessarily confronts us to-day representing the government.

Mr. DISQUE. Well, I think if you will call the witnesses I have given you, I can demonstrate to you that your information is wrong.

Mr. FREAR. In what respect?

Mr. DISQUE. You can not put logs at Port Angeles at that price, and in the second place—

Mr. FREAR (interrupting). Well, that is the testimony, and there has no one disputed it yet.

Mr. DISQUE. I say, Mr. Chairman, you have witnesses, I think possibly one, two, or three; if you will call the gentlemen I have named, I will produce men whose testimony—

Mr. FREAR (interrupting). We can't call all of them. What man will testify to that? We will call him on that specific fact.

Mr. DISQUE. Well, will one man's testimony overrule everything you have got?

Mr. FREAR. It is immaterial whether it will or not. The committee has got to determine that policy for itself. Tell me the man you want called.

Mr. DISQUE. I will later on. I would like to think over it.

Mr. FREAR. Now, the testimony is when you get up to the Milwaukee line for the 36-mile haul that then it costs a dollar on the Milwaukee line to get into Port Angeles. That is the testimony of Mr. Lightner. That is a haul from Lake Pleasant up to the Disque Junction. Say that it does not cost any more to haul there than it would down to Clallam Bay; you have got an additional 20 miles. That is as I understood his testimony. If I am mistaken I will be glad to be corrected. That was the point. And I asked if your people would not state that the Milwaukee road insisted upon a dollar or thereabouts for these freight charges on its share of the bringing out of the logs, a dollar a thousand. Now, if they did, there is the business proposition that is going to confront any man buying logs; he is not going to buy a pig in a poke, to use the expression; he is going to know what he does. It is a business proposition. We want to know why we are left in this position if these people were ready to come up here and build the road themselves.

Mr. DISQUE. I have told you that after they came they were not ready to build the road.

Mr. FREAR. You told us that there was no proposition made, that neither in writing or telegraph, or no discussion made about that proposal, but that suddenly, without any explanation in any way, a cost-plus contract was entered into with the Siems-Carey-Kerbaugh Co.

Mr. MAGEE. When they voluntarily offered to build the road at their own expense.

Mr. DISQUE. Well, now, I will tell you there is no use camouflaging the record—

Mr. FREAR (interrupting). That is right.

Mr. DISQUE. With statements like that.

Mr. FREAR. That is right. There is no use of camouflaging here.

Mr. DISQUE. They came out here after mailing this proposition, and looked over the ground and were not ready to build a railroad.

Mr. FREAR. Did they say so? Who said so and where?

Mr. DISQUE. Why, if they had been willing to do it, Mr. Chairman, don't you suppose I would have taken them up on it?

Mr. FREAR. Why, no. In the first place, in the proposition there, you didn't take them up.

Mr. DISQUE. Well, that was a preliminary proposal sent here.

Mr. FREAR. You stated those people whose names are there stated were sufficient evidence that they were reputable and that they were worth dealing with.

Mr. DISQUE. Well, if the committee is not satisfied they are the men who were in that conference, the men who were parties to this contract and who can give all the reasons they had in their minds as to why they didn't want to—

Mr. FREAR (interrupting). No reason was advanced by anyone why this proposal wasn't taken up.

Mr. DISQUE (continuing). Carry out the proposal. It is unreasonable to assume that I would not have done that if they had appeared there and had been prepared for that contract to be drawn.

Mr. FREAR. It is unreasonable to presume, I would take it, that any business man engaged in anything would not have said, "What is your best proposition now? Where is your proposal; what is your best proposition?"

Mr. DISQUE. Exactly.

Mr. FREAR. Yes; and there has nothing been shown here—

Mr. DISQUE (interrupting). And that contract as eventually drawn and put in the record is the best thing that the Government could get, after that discussion that followed their arrival on the coast.

Mr. FREAR. Who determined it?

Mr. DISQUE. Myself and the associates on that board.

Mr. FREAR. You determined the cost-plus contract?

Mr. DISQUE. That wasn't a cost-plus contract.

Mr. FREAR. For the railroad?

Mr. DISQUE. Oh, the railroad?

Mr. FREAR. We are discussing the railroad now.

Mr. DISQUE. No. I didn't draw that contract.

Mr. FREAR. Who did?

Mr. DISQUE. That was drawn by Mr. Stettinius in Washington.

Mr. FREAR. He determined the cost-plus proposition?

Mr. DISQUE. As far as I know. That was two months—no; a month after this thing happened.

Mr. FREAR. In May?

Mr. DISQUE. Yes.

Mr. FREAR. When you were back there?

Mr. DISQUE. That was a month after we drew this preliminary contract for spruce.

Mr. FREAR. Well, if the Milwaukee buys that, they will buy it a good deal cheaper than they would to have built around by Pysht Creek, wouldn't they? That is conceded.

Mr. DISQUE. Well, but I don't think they ought to.

Mr. FREAR. What are you going to do? Are you going to hold this railroad everlastingly here?

Mr. DISQUE. Why, I think it can be leased and operated.

Mr. FREAR. The president of the company shakes his head, that it won't be sold, but it has got to be sold sometime for some purpose. Now for what? If it is not good for a logging road, what is it going to be sold for?

Mr. DISQUE. Mr. Chairman, maybe that is true; I don't know that it is. I don't know that is the way it is going to turn out, but certainly during the war we were not thinking of things like that.

Mr. FREAR. Someone thought of it when Stettinius drew this contract then, in view of the proposal that is here.

Mr. DISQUE. I never met Mr. Stettinius except at that time.

Mr. FREAR. You didn't know anything about what that contract was?

Mr. DISQUE. And it will be conceded he is an honorable man.

Mr. FREAR. Oh, unquestionably honorable.

Mr. DISQUE. I don't think he would do anything that he didn't think was in the interests of the Government.

Mr. FREAR. No. It is a remarkable situation, though, isn't it?

Mr. DISQUE. I don't see it.

Mr. FREAR. No; I don't suppose you do.

Mr. DISQUE. I think it is only fair to call Mr. Carey, though, and Mr. Kerbaugh, and let them explain some of the things that you have in mind.

Mr. FREAR. Well, possibly we will do that.

Mr. DISQUE. Because—

Mr. FREAR (interrupting). You don't know, do you, of course, what Pliny Fisk had in this contract? You don't know that it was over 50 per cent, do you?

Mr. DISQUE. Are you sure that it was?

Mr. FREAR. Well, I have got his statement to a man who is in the room now.

Mr. DISQUE. Well, I am sure I don't know anything about that.

Mr. FREAR. Of course, you don't understand that. That is the reason I am inquiring about a situation which you don't know about, and which has an important relation to this contract that was made, and I am speaking now of the logging contract.

Mr. DISQUE. Well, if there were any ramifications all underneath this that I don't know about—

Mr. FREAR (interrupting). Well, there are many. I assume there are many.

Mr. DISQUE. You assume there are?

Mr. FREAR. Yes; I assume there are many.

Mr. DISQUE. Well, I wish I knew of them, because I might be able to clear this thing up more rapidly to your mind.

Mr. FREAR. Well, of course, we are trying to get the different angles of it at this time to see what there is to be had on it.

Now, referring to the Warren Spruce Co. contract, that was a cost-plus contract, that is all you know about the granting of the contract for the Siems-Carey Co., or is there anything else you want to offer about that?

Mr. DISQUE. I would like to look a moment through these papers.

Mr. MAGEE. Where is that railroad construction contract; can we not get that and put it in evidence? We have not had the railroad contract which was signed and became a valid obligation.

Mr. FREAR. Is that in your files?

Mr. DISQUE. The original contract?

Mr. FREAR. Yes.

Mr. MAGEE. That is the one I want to be put in evidence.

Mr. FREAR. That can be put in when you find it.

Mr. DISQUE. All right. There are two or three features of the Siems-Carey contract I would like to refer to.

Mr. FREAR. What are they?

Mr. DISQUE. In connection with that, the Siems-Carey contract as eventually drawn—

Mr. FREAR. That is the flitch contract?

Mr. DISQUE (continuing). Guaranteed production by negotiable collateral to the extent of \$750,000, and a million-dollar note properly indorsed as security. In reading that contract our understanding has been that upon failure to perform they would forfeit to any extent necessary their own bond or collateral put up in connection with the contract and the advances thereunder.

Mr. FREAR. But, as you remember, there was no cancellation clause?

Mr. DISQUE. As we drew it up here there was none. The cancellation clause that was put in made it become a cost-plus 7 per cent contract on cancellation, and that is why I have said that I later approved of that idea, because I have learned that War Department contracts which had no cancellation clause have been adjusted on a cost-plus 10 per cent basis and we really are 3 per cent to the good, based on the general regulation as it has been reported to me.

Mr. FREAR. Referring back of that, this is the situation that the Government was left in, is it not, that at any time that contract could be canceled?

Mr. DISQUE. The one they had.

Mr. FREAR. The Siems-Carey-Kerbaugh people were absolutely in the hands of those who had the right of canceling the contract?

Mr. DISQUE. Well, they were if they violated any of the conditions; but nothing could be done to them if they carried out the contract obligations.

Mr. FREAR. What is the question of cancellation there; does it not give the right of cancellation at any time on the part of the Government? Does it require a violation even of conditions which, of course, can very readily be found.

Mr. DISQUE. Now, I would like to look at that. We had about 400 of these things around this place [examining papers.] No, I have not got their contract here.

Mr. FREAR. This is the condition I have in mind. Article 16 reads:

If the seller fails to comply substantially with the terms of this contract, it may be canceled by notice in writing by the contracting officer to the seller, and the contract shall be deemed canceled upon the giving of said notice without prejudice to any claim the Government may have against the seller. If the seller is in default at the end of any month as scheduled in Article II, the Government may cancel from the total of the contract that portion of the whole represented by such default or any part of the same.

If, in the opinion of the Secretary of War, the public interests so require, this contract may be canceled by 30 days' notice in writing from the contracting officer to the seller, and in case such notice be given this contract shall be deemed to have been canceled 30 days after the giving of such notice.

The thought I had in mind was this, that I wished to ask you if this is not a contract that practically can be canceled at any time unless there is an understanding between the parties, and it gives those who have the power of cancellation of this railroad contract, and in this subcontract the right immediately to have the Siems-Carey-Kerbaugh Co. taken out of the field and anyone can step in.

Mr. DISQUE. Well, I always understood they had to fall down in their contract before we could do anything of that sort. I think they would have a legal course or cause of action if we should abandon them.

Mr. FREAR. They would have the right to put in a claim against the Government, probably.

Mr. DISQUE. I do not think we would be sustained in breaking that contract just at will.

Mr. FREAR. There is no contract that can be entered into between individuals and the Government in regard to which questions can not be raised; but the thought I had was that it gives a tremendous power to those who wish to exercise it.

Mr. DISQUE. Over the contractor?

Mr. FREAR. Yes.

Mr. DISQUE. That is true of practically all contracts in time of peace or war. The government always has the final decision, the contract says the final decision shall rest with the contracting officer.

Mr. FREAR. Of course, in this case, you were not the contracting officer, only incidentally?

Mr. DISQUE. That is all.

Mr. FREAR. Your superior was the director of aircraft.

Mr. DISQUE. The execution of the contract, of course, was entirely up to me.

Mr. FREAR. But the preparation of the contract and all the matters that went into it were determined in Washington?

Mr. DISQUE. By Mr.—now you are talking about the spruce contract?

Mr. FREAR. Well, all the contracts. You simply signed this as a matter of form; you had no voice in the determination, did you?

Mr. DISQUE. I certainly did. In this spruce contract I was probably consulted and acted more than any other person in the Army, because the contract as eventually let was based on one which I had had drawn out here, and additional clauses were added which I think were honestly intended to protect the Government.

Mr. FREAR. But you objected to some of those, did you not? Is that not the testimony?

Mr. DISQUE. I felt that it was a mistake to put that cost-plus cancellation in there. As the armistice came before they got through the job, I think it was a good thing for the Government that it was done. That is the only objection I recall having had. It was not enough of an objection for me to have withheld my approval of it or my signature from it. I did not think it was a vital point at all.

Mr. FREAR. I understood there was some controversy before the Ray committee.

Mr. DISQUE. I think somebody made a remark one day that I didn't like that contract, and it is possible I said I did not like it.

Mr. MAGEE. That was a liberal, advantageous contract to the contractors?

Mr. DISQUE. I doubt if it was any more liberal than the average contract.

Mr. MAGEE. Was there any limit to the profits under the contract?

Mr. DISQUE. Fifteen per cent.

Mr. MAGEE. As I understand, in most of the cost-plus contracts the contractor was given a certain percentage of the amounts given up to a certain amount, and then if the contract called for larger expenditure another percentage, and then there was a provision providing that in no event the profit of the contractor should exceed

\$250,000. As I understand, in this contract there was not any such limit of \$250,000.

Mr. DISQUE. This was not a cost-plus contract until it became canceled? Then there was no use talking about the profits, because it was all over then. He had gotten a certain per cent on the money that he had.

Mr. MAGEE. It might become a cost-plus contract?

Mr. DISQUE. Not during the time that profits were possible.

Mr. MAGEE. I think Gen. McIntyre's report discussed that.

Mr. DISQUE. There was no time during the period that profits were possible that that could become a cost-plus contract.

Mr. MAGEE. As I understand, this was the only large cost-plus contract entered into where, in case the percentage reached an amount in excess of \$250,000, that limit of profits of \$250,000 was not provided in the contract.

Mr. DISQUE. Well, I do not know anything about that; that is something beyond me, what happened in other contracts.

Mr. MAGEE. You claim to have had more to do with it than anybody else.

Mr. DISQUE. I say I do not know what was in the other contracts.

Mr. MAGEE. I assumed you were familiar with the ordinary provisions of contracts awarded by the Government.

Mr. DISQUE. I think you will find that each department has a different form and type of contract.

Mr. FREAR. Have you ever had any legal training; have you ever studied law?

Mr. DISQUE. About two years.

Mr. MAGEE. You are not a lawyer?

Mr. DISQUE. I am not a lawyer.

Mr. FREAR. When was that, and where?

Mr. DISQUE. I started in at the University of Cincinnati. I had about—well, I have been used by the Judge Advocate's Department of the Army for about 350 cases.

Mr. FREAR. That is, in court-martial cases?

Mr. DISQUE. Yes. I have been through the law department of the staff college.

Mr. FREAR. What line of training did they give you there—criminal law?

Mr. DISQUE. They give general law, criminal evidence, and contracts.

Mr. FREAR. So you have studied the law of contracts?

Mr. DISQUE. All those things an Army officer runs into in the service.

Mr. FREAR. Have you had any experience in importing, or matters of that kind, before you were given your present position?

Mr. DISQUE. Not a bit.

Mr. FREAR. You were appointed to a \$30,000 position at the request of Mr. Ryan without any previous experience?

Mr. DISQUE. I was not appointed at the request of Mr. Ryan.

Mr. FREAR. On his recommendation?

Mr. DISQUE. I know, but I would like to have that clearly stated here. Mr. Ryan merely said to somebody, and I think it was probably Mr. Baldwin, of the American International, "I would like for

you to talk with this man Disque," or something of that sort. He did not even go over with me.

I went over and had a talk with the vice president and the president of the American International, and then wrote them a letter from out here, outlining my career; and since then I have heard from three different people in New York, people whom I had known before, that the American International officers had inquired of them regarding me before they notified me that I would be appointed. I feel quite confident that Mr. Ryan's introduction led them to go ahead, but I do know that they did not appoint me because Mr. Ryan introduced me there, entirely, and they did look up three people that I know, and I do not know how many people that had known me before, and got a record that apparently satisfied me. Mr. Ryan did not know, I think, that they expected me to go to the importing and exporting house, and the reason I did go there is that it had been a German house, completely managed by Germans, and they wanted some Americans to take charge of it. I would like that to be on the record clean, because I do not think that Mr. Ryan went over there and urged my appointment at all.

This morning's papers very unfairly, in the headlines, say I admitted my obligation to Mr. Ryan. I did not admit anything, and I do not. I admit Mr. Ryan introduced me.

Mr. FREAR. You asked him for some position?

Mr. DISQUE. I do not call that an obligation at all.

Mr. FREAR. Possibly it was not an obligation.

Mr. DISQUE. It says interrelation is shown. That is not true.

Mr. FREAR. Is it not a very unusual situation for a man without any previous experience whatsoever in the line of the business for which he is appointed receiving suddenly a \$30,000 position, which is \$100 a day for working-days, unless he had some very strong recommendation to get it? Now, I am just asking that as an ordinary business proposition.

Mr. DISQUE. As I told you before, that was not the only position that was offered to me. The salary that I am getting there is not widely different from others that I could have gotten and can get now.

Mr. FREAR. Would you object to giving those places?

Mr. DISQUE. I do.

Mr. FREAR. Of course, that leads us into speculation.

Mr. DISQUE. It leaves you with my word.

Mr. FREAR. But your word was not given when we asked your salary; you refused to state it, and I had to call another witness to establish that.

Mr. DISQUE. I consider that private business. I feel that it is unfair to bring up a matter of that sort until there is some live evidence that it is justified, Mr. Chairman. That is an insinuation and innuendo against me, and I will tell you frankly it is the first one in 20 years' service for this Government.

Mr. FREAR. That is a very remarkable situation, we will have to confess. I think any jury would say that it was very unusual; and it is simply because of that that we are asking the facts and asking the amount of salary paid, asking who it was that gave the appointment, in view of the fact that 50 per cent of the Siems-Carey Co. stock was owned by this American International Corporation, and

in view of the fact that all of the stock of the Amsinck Co., of which you are president, is owned by this American International Corporation, and in view of the fact that John D. Ryan is a director, and that he recommended you for the position, and a large salary is being paid. I think it is very natural that we should want to inquire. Whether that is an insinuation or not, I do not know. If Mr. Ryan decided to do that, that is for him to say.

Mr. DISQUE. May I interpolate?

Mr. FREAR. Go ahead.

Mr. DISQUE. Do you think it reasonable that they would put a man in a position such as I am occupying, where millions of dollars pass every month, who could be influenced in an undue manner, in an improper manner, who was not capable of handling that business? That is not the way the business men of this country manage their affairs.

Mr. FREAR. We are not suggesting there is anything improper.

Mr. DISQUE. That is all there is to it.

Mr. FREAR. There is no suggestion that you have any authority to handle the business of this company. It may be they have placed all the restrictions imaginable, and your position is simply that of any other officer. Presidents do not determine those things. Board of Directors determine them, and oftentimes it is purely an honorary position.

Mr. DISQUE. I will say to you, to make the record clear, that I am not a dummy in any sense of the word in that job, that I manage that business at Amsinck as independently as any president in this country manages any corporation, and the finances of it are in my control.

Mr. FREAR. What is the character of the work, in a general way?

Mr. DISQUE. Largely commercial banking and importing and exporting.

Mr. FREAR. And you never had a particle of experience in that work before you received a \$30,000 position?

Mr. DISQUE. I had had experience for years over the entire world.

Mr. FREAR. Whereabouts; in any particular along that line?

Mr. DISQUE. Not along that particular line, no.

Mr. FREAR. You were a captain in the service, you testified, less than two years before, drawing how much, \$3,000 a year?

Mr. DISQUE. I do not remember what I was drawing.

Mr. FREAR. That is practically a captain's salary?

Mr. DISQUE. Yes, and that is why 1,200 officers have left the Army in the last 10 months. They have been starved out. To pay \$3,000 for the men who had the job I had in Manila, if I could step out and get \$30,000 that is going some.

Mr. FREAR. We will agree it is going some.

Mr. DISQUE. And I would not get it if I was not earning it. Business affairs in New York are not run on that plan.

Mr. FREAR. We happen to be familiar with business affairs in New York. I know some awfully good men who are not getting that.

Mr. MAGEE. What I wanted to ask was with reference to this statement of Gen. McIntyre:

The Stems-Carey-Kerbaugh contract was a most profitable one for this corporation and guaranteed a minimum profit of 7 per cent to the contractor

on all expenditures except the overhead cost of the New York office. This clause is unusually liberal inasmuch as the corporation was being financed by the Government and, had the contract been carried to a completion, it would have meant a profit of about \$1,400,000 on a project which involved no financial risk on the part of the Siems-Carey Kerbaugh Co. and covered a period of 18 months.

It was in connection with that that I made the statement.

Mr. MAGEE. As I understand it, no other governmental contract, large contract, that contains a provision, a cost-plus contract, where the commission to the contractor on the contract exceeds the amount of \$250,000, that the contractor shall be limited to that amount. It can not be in excess of that maximum of \$250,000. That is as I understand it. That is the reason I mentioned that in connection with Gen. McIntyre's statement the liberality of this contract.

Mr. DISQUE. I do not know what this all is here, but if it would be interesting to the committee I would be glad to read it. [Referring to paper.]

Mr. FREAR. Is this in response to something that Mr. Magee asked you?

Mr. DISQUE. No.

Mr. FREAR. I supposed you had some answer there.

Mr. DISQUE. I have not read it over, but here is a lot of remarks that occurred when Siems-Carey first came in our office.

Mr. FREAR. If there is anything you want to read put it in the record, if it is not too long.

Mr. DISQUE. I do not know what it is, whether it will clear up this thing or not.

Mr. LEA. Suppose he looks it over and presents it in the morning?

Mr. FREAR. That might do. You can insert it then, unless you want to look it over now. I wanted to ask another question. Maybe it would be a better plan for you to read it over to-night, and if there is anything you want to put in there is no objection to it being entered, if it is not too long.

There were advances made to the Siems-Carey-Kerbaugh Co. on the railway. Do you remember how much without examining the books?

Mr. DISQUE. I do not; no. I haven't got any of those figures. That was handled entirely by the finance department of the Government.

Mr. FREAR. The advance made to the railroad corporation of the Siems-Carey-Kerbaugh Co. was \$500,000, and the advance made to the spruce division of the Siems-Carey-Kerbaugh Co. on their spruce contract was \$750,000. That is \$1,250,000. Did they pay any interest to the Government on those advances?

Mr. DISQUE. I would say they did. I do not know of any contracts made for advances that did not provide an interest rate, and it was changed from time to time by the War Credits Board.

Mr. FREAR. What was the rate?

Mr. DISQUE. Well, it ran from 5 to 7 per cent, to by best recollection.

Mr. FREAR. Was there any repayment made back by your corporation to the Siems-Carey-Kerbaugh Co. of the interest that had been charged them?

Mr. DISQUE. You mean did we give them 7 per cent?

Mr. FREAR. Did you refund back the interest that they had paid on these advances?

Mr. DISQUE. I would say we did, unless the War Credits Board changed their plan. I know that I wired several times to call attention to the fact that interest that they were charging only became a boomerang on the Government costs, but whether that was modified or changed I do not know.

Mr. FREAR. As a matter of fact you did pay back the interest after it was charged, did you not; that is, you repaid back interest to Seims-Carey-Kerbaugh and to other contractors where money was advanced?

Mr. DISQUE. I think so; but our treasurer would be able to state that definitely.

Mr. FREAR. I thought that instead of calling various officers we would accept your statement, subject to correction at any time on that subject.

Mr. DISQUE. Yes.

Mr. FREAR. I think it is advisable so as to save calling a number of witnesses. That was the purpose. Is the treasurer here?

Col. STEARNS. He is not here.

Mr. MAGEE. If I may say in connection with that, I would like to have a statement prepared so that a few questions can be asked in reference to the amount of funds which the United States Spruce Production Corporation has on hand now, and where those funds are deposited, as of September 4 or September 1. That will save some time.

Mr. FREAR. Let me suggest here, that in the morning you bring if possible a brief statement of the interest charges paid by these various contractors, these four large contractors, and a statement of whether or not the interest was repaid to them, paid back to them. That will shorten that.

Mr. DISQUE. In that connection, I do not know whether you understand or not, but I think it would be well to have the point clear; in the three larger cost plus contracts, other than the Siems-Carey railroad—

Mr. FREAR. That would be the Warren Spruce, Grant-Smith Porter Bros., and the Airplane Lumber Co.?

Mr. DISQUE. Yes. The contractors got no 7 per cent on the soldiers' Government wage, on the amount of pay that the Government gave the soldiers.

Mr. FREAR. Did Siems-Carey-Kerbaugh get that? •

Mr. DISQUE. They did not, because they let their work out to subcontractors at fixed prices, and it was not possible to take care of it. Had Siems-Carey employed these fellows direct we could have done it, but they let their work out to subcontractors and we could not find a way to do it. And also, on all of their contracts, where the supply of soldiers with food or clothing was concerned, we allowed no 7 per cent. And also, wherever possible, our purchasing department bought the larger equipment themselves, and there was no 7 per cent on that. Furthermore, I think it would be interesting to say that the subcontractors on the Siems-Carey work, on the railroad as I understand, practically all of them were experienced men at that kind of work, and Mr. Carey told me that practically all of them either did not make any money or lost money on their

jobs. He is the best witness on that and can tell to what extent it was. He told me that before I went East.

Mr. FREAR. What was the reason for that, poor judgment in bidding?

Mr. DISQUE. Because they found the brush and the grubbing more expensive to perform than they had thought.

Mr. FREAR. Then this road, under ordinary circumstances, would have cost a good deal more than \$115,000 a mile during those times if they had received any particular profit, is that the idea?

Mr. DISQUE. I guess it would, according to that.

Mr. FREAR. The suggestion has been made by an accountant whether or not 7 per cent was paid on the subcontractor's contract.

Mr. DISQUE. I imagine it was. I would want to get that verified, though. I think it was.

Mr. FREAR. On the Warren Spruce—we have not reached that, but I wish to bring that up now, as soon as we finish with the Siems-Carey Co.—there were a number of conditions under which the cost plus attached, and that, I presume, was true in the Siems-Carey Co. to an extent. For instance, a man was paid who was out getting rights of way, was he not? He was paid on the cost plus; that is, his contract—for instance, he was getting \$10 a day or whatever amount it would be, then he was entitled to a 7 per cent cost plus as one of the items?

Mr. DISQUE. I am sure I could not answer that.

Mr. FREAR. What I wish light on is this: If that was so in getting rights of way, was the 7 per cent allowed upon the amount that was paid for the rights of way as well?

Mr. DISQUE. You did not take that up with Maj. Morley. My impression was that mater was discussed. I do not know just what the—

Mr. FREAR. That question has been asked before, I believe, of one of the witnesses—Col. Stearns, I think—something similar to that.

Mr. DISQUE. I could not answer it.

Mr. FREAR. I was wondering. It is something we would like light on.

Mr. DISQUE. I would have quite a doubt in my mind which way was right to answer that, because we had our own men out working on the right-of-way question.

Mr. FREAR. But they were paid—

Mr. DISQUE. They were officers paid by the Government, without any extra money at all.

Mr. FREAR. Of course, of the officers that would be true, but I mean if they were private parties. I got the impression that they were private parties that were out purchasing rights of way, who received the 7 per cent cost plus, and then the Government paid in addition that, some rate upon the amount that was paid for the right of way, just as an illustration.

Mr. DISQUE. I do not believe it would be fair to say that that was done, because there is a doubt in my mind.

Mr. FREAR. Your folks could give us the information?

Mr. DISQUE. I am not qualified to answer that.

Mr. FREAR. As I remember, in the Warren Spruce Co.—and I can not find the contract that has that provision—their cost-plus contracts reached to even the provision of accident insurance in

Washington and Oregon, and after that was paid they had a cost-plus contract on that; they received 7 per cent profits. Is that right, or do you know why?

Mr. DISQUE. I do not know. We would have to call in our legal talent on that.

Mr. FREAR. Will you ascertain if that is true?

Mr. DISQUE. Well, that was Maj. Morley, and he is away from here.

Mr. FREAR. But you have your contracts right here; you have the payments that were made; someone surely is in position to tell that.

Mr. DISQUE. We will try to get that to-morrow.

Mr. FREAR. Now, the situation that presents itself is this: Apart from the fact that you were here engaged in paying soldiers the same as civilians, whereas, of course, in service in France and elsewhere the soldiers were only getting their \$30 a month, and there was no insurance against accidents over there; but here, as I understand, in the Warren Spruce Co., there was an insurance against accidents. These men who were out in the woods had insurance against accidents, and then a cost-plus contract. Now, let us get the facts in regard to that.

Mr. DISQUE. I think I can clear that up. My recollection of that is only this far, and this far I am very clear; that there are laws around here that require companies to take out liability insurance for their employees. I am sure that we had correspondence with the War Department to determine how far these contractors could be compelled to comply with that law. It went on for a period of months, and how it turned out I do not know. But the subject was live, and if it came up it was because the contractors had counsel who advised them that they had to protect themselves. And then the question came up, is that a legitimate cost under a cost-plus contract?

Mr. FREAR. Is it a legitimate cost-plus proposition that the Government should pay for the prevention of an accident over in the woods of Washington and Oregon, when it was submitting the boys over in France to all kinds of hazards without any insurance unless they paid for it themselves? That was the thought. You might find out from the records what they show. Now, the Warren spruce contracts were entered into——

Mr. LEA. I am pretty sure, from the record, that that was an element of the cost-plus contract. The contract was rather sweeping in its terms, and every element of cost ordinarily computed by a contractor in estimating jobs was involved in the costs on which a cost-plus contract was allowed.

Mr. FREAR. It is my recollection that it was specifically named as one.

Mr. LEA. I think it is.

Mr. FREAR. Yes. Will you please bring that Warren spruce contract, something that we can use for examination?

Mr. DISQUE. Certainly; you have no copy of that in the record?

Mr. FREAR. Not of that provision that was attached. I have a Warren spruce contract here somewhere. Have you copies of the other two—Grant-Smith, Porter Bros. and the Airplane Co. contracts? I do not believe anyone has seen those. If so, will you please bring them, that is, for inspection, anyhow? You entered into the contract with the Warren Spruce Co.?

Mr. DISQUE. Yes, sir.

Mr. FREAR. According to this contract, that was called S. P. D.-17, on the 11th day of January, 1918?

Mr. DISQUE. If you are looking at the contract, I assume that it is correct. It was about that time.

Mr. FREAR. I assume this was one of the contracts.

Mr. DISQUE. That was about the first time we had any relations with them, I believe.

Mr. FREAR. This runs to 26 articles or provisions, signed by you, apparently, and also by the Warren Spruce Co., by J. O. Hoyt, president, and M. B. Lynch, secretary, and for the Government by J. Van de Crisp, I assume the same officer who was engaged in signing before. You are familiar with the terms of that contract, are you?

Mr. DISQUE. In a general way, yes, sir.

Mr. LEA. What date is it?

Mr. DISQUE. January 11, 1918. How was that contract entered into, that is, I mean what led up to the preparation of that contract and giving it to those people.

Mr. DISQUE. That contract followed shortly after making one with the Grant-Smith Porter Bros., and at a time when we had determined to do some riving on our own, through these contractors, to tide us over, and it was entered into as a result of Mr. Hoyt, as I recall it, coming to our office and proposing his organization, which consisted of teams and road crews, machinery, those things which we had all felt were necessary to carry on the riving operations. He came to the office and proposed that they undertake a contract similar to the Warren Spruce Co.—I meant to the Grant-Smith Porter Bros.

Mr. FREAR. Theirs was a riving contract?

Mr. DISQUE. The same.

Mr. FREAR. And when was theirs made?

Mr. DISQUE. Grant-Smith?

Mr. FREAR. Yes.

Mr. DISQUE. Prior to that, some week or so, possibly two or three weeks.

Mr. FREAR. What was the general purpose, was it confined to riving?

Mr. DISQUE. I am pretty sure those contracts were entirely riving and the necessary things to remove rived cants.

Mr. FREAR. Were there any logging contracts entered into with them afterwards?

Mr. DISQUE. Several months afterwards we found, as I said yesterday, the production was going to fall, or was not going to come up to our requirements, and it was then that these cost plus contractors were converted into selective loggers by new contracts, some time in the spring of the year.

Mr. FREAR. That is, subsequent to this January 11 contract?

Mr. DISQUE. Several months, I understand.

Mr. FREAR. I asked for the contracts because I do not find that we have them here. This subsequent contract, did it give any authority to the Warren Spruce Co., or did this contract give them any authority to build railroads for the purpose of getting out the riving or the logs?

Mr. DISQUE. I think it provided that they would build anything that we required to move the timber. I think all their operations of that nature were subject to direction of our office. That is the way it worked, and I think that is the way it was provided.

Mr. FREAR. I have a statement furnished from the Washington office of aircraft which says—signed by J. P. Murphy, general counsel—is he here?

Mr. DISQUE. Yes, sir.

Mr. FREAR. It says:

Under the terms of contract No. S. P. D.-17—

The one which I am reading.

Provision is made for the riving and delivery of spruce splits by the Warren Spruce Co., and under the terms of contract No. S. P. D.-155 the terms of contract No. S. P. D.-17 are supplemented to include logging and milling operations, and in Article I thereof it is provided as follows:

"ARTICLE I. In addition to engaging in riving operations as in said contract provided (contract No. S. P. D.-17)"—

The one before us of January 11. [Continuing reading:]

"The contractor shall also engage in logging and milling operations and other activities incidental thereto, designated by the contracting officer."

J. P. Murphy, general counsel, states that it was under this provision of contract S. P. D.-155 and the general terms of both contracts that said railroads were constructed. There is nothing in this contract that speaks of railways, there is nothing that gives authority, unless the part underscored, "other activities incidental thereto." Was it under that provision that you went to work and paid out for the construction of railways at various places by the Warren Spruce Co., or was there some specific authority that you know of? I am asking for information.

Mr. DISQUE. Well, this was the logging.

Mr. FREAR. Logging and milling.

Mr. DISQUE. I think those terms contemplate the necessary railway extensions to take care of them.

Mr. FREAR. That was the construction made by your office?

Mr. DISQUE. That was our point of view.

Mr. FREAR. What was the difference between that and the position relating to the Siems-Carey-Kerbaugh Co.? They had to have a special contract to build their railroad. The Warren Spruce Co. built a road down here of 24 miles under this contract.

Mr. DISQUE. Well, the Siems-Carey Co. had they carried on their contract I think would have 75 miles of railway never mentioned in their contract for flitches. These were loggers. The other fellows were loggers and sawmill operators. That is what they became under these new contracts.

Mr. FREAR. Were not special contracts made with anyone in regard to railroads? How was it with Grant-Smith Porter Bros.? Did they have any provision authorizing the construction of railroads?

Mr. DISQUE. It was, I recall, just about the same as this.

Mr. FREAR. Then they could construct almost anything that they desired, and the cost-plus contract would have attached to buildings, hotels, or anything else, wouldn't it, if they felt it was necessary for carrying on the business?

Mr. DISQUE. You will find further along in those contracts that the cost-plus contractor didn't do anything that was not approved.

Mr. FREAR. No; it is not a question of approval, it is the question of authority under which they are acting. Of course any individual, you could send out Hitchcock or anyone else and he might approve it, but the point is, was it entered into under any specific authority? That is the point we are asking. Is there any contract for the construction of a railroad?

Mr. DISQUE. I do not think there is any specific actual contract with either of them.

Mr. FREAR. So that if they built 24 miles of railroad down there, as they did, from Yaquina or thereabouts, and built other railways, they were all under this same provision which I have read and to which Mr. Murphy attaches his name, just "other activities."

Mr. DISQUE. But each activity and each extension, and everything else was done by specific instructions prior to it being undertaken and determined by the proper officers.

Mr. FREAR. Who were the officers that determined it?

Mr. DISQUE. Well, we had a chain of officers, from approval clerks of invoices, and approval officers of materials bought—

Mr. FREAR. Here is a cost-plus contract, we will say, with the Warren Spruce Co. Who determined the building of the road, let us say, down to the Blodgett tract?

Mr. DISQUE. That was determined by everybody, I would say, clear through to the director of aircraft production.

Mr. FREAR. Was there any act of your corporation—it was not a corporation then, it was just a division—was there any act on the minutes or anything else that indicates—

Mr. DISQUE. I am sure there is.

Mr. FREAR. Will that be produced so that it will supplement the contract here, showing the action taken and by what officials directing the railroad to be built from Yaquina Bay down to the Blodgett tract?

Mr. DISQUE. We can produce that in quite detail.

Mr. FREAR. That is, the minutes? That would be true also of the railway built from Yaquina Bay up to the Otter Rock, and thereabouts?

Mr. DISQUE. All construction operations.

Mr. FREAR. Just have those brought, so we will have some intelligible understanding of what the procedure was at that time. The Warren Spruce Co., was that a logging company, or what kind of a company was that?

Mr. DISQUE. When we employed them, or entered into a contract with them, they were known as general contractors, as I understand it.

Mr. FREAR. What kind of contractors?

Mr. DISQUE. Well, my understanding is that they contracted for most anything.

Mr. FREAR. Building ships, railroads?

Mr. DISQUE. No, I mean—

Mr. FREAR. It was just confined to paving construction, wasn't it?

Mr. DISQUE. Well, I understood they did other things.

Mr. FREAR. What, among other things? It was known as the Warren Paving Construction Co., wasn't it, or some similar name?

Mr. DISQUE. I do not know what their style is. They formed a new corporation.

Mr. FREAR. That is, they entered into a new corporation, and that is the Warren Spruce Co.?

Mr. DISQUE. The Warren Spruce Co.

Mr. FREAR. Well, it has the same officials, or substantially the same, has it not?

Mr. DISQUE. I think so.

Mr. FREAR. Now, what had been their experience in logging, or in work of this kind?

Mr. DISQUE. They were not going to log; they were going to rive.

Mr. FREAR. But they did eventually log, didn't they?

Mr. DISQUE. That was some months later. They had learned a good deal about the woods in the meantime. Their job under the first contract was to rive, and they knew as much about that as anybody else around here, and they knew more about building roads to get it out than any other people we could get hold of. That is why we made a contract with those folks. That is why we considered Grant-Smith Porter Bros., in addition to the fact that they are the only two concerns that said, "We are getting to go in and do this thing." It was not easy in those days to get people to come away from their war work, to get someone to go onto a job of that sort, and you had to find somebody whose normal activities were more or less suspended because of the war.

Mr. FREAR. Did the riving operation—that was not a cost-plus contract?

Mr. DISQUE. Yes.

Mr. FREAR. Was it?

Mr. DISQUE. Yes.

Mr. FREAR. That was a cost-plus contract, too?

Mr. DISQUE. Yes, sir. I said yesterday the recommendations from lumbermen were to charge anywhere from \$60 to \$250. No one knew what it would cost to get it out. You could not get anybody unless you paid such a high price on it that it would break the Government almost. You could not get anyone to go out there and do it, so the cost-plus contract was adopted with close supervision, and the result was, as I said yesterday, an average cost of producing that stuff of \$144, when they had been asking \$250.

Mr. FREAR. What was the cost of the Warren Spruce Co. riving operations?

Mr. DISQUE. I gave that yesterday, and I have forgotten it now. I have not got the papers here.

Mr. FREAR. You gave that separately?

Mr. DISQUE. This is the average for the three cost-plus contractors.

Mr. FREAR. I am trying to get what was the cost of the Warren Spruce Co.? Here is a company that had no previous experience, as I understand it, in riving, logging, or anything else connected with it, although the Airplane Co. and the Grant-Smith Porter Co., they had, had they not?

Mr. DISQUE. I do not know about the Grant-Smith Porter Bros.; I do not think they had had any. None of them had any experience in riving. These were all riving contracts at this time. No one had any idea that anyone would be logging. In my mind I thought,

of course, that the industry here would be under way strong in the spring and we would soon be able to pass these fellows out, but instead of that, as I said yesterday, the industry was not producing anywhere near what we required.

Mr. FREAR. I recollect that. The point is—

Mr. DISQUE. Then is when they became loggers.

Mr. FREAR. The people here who, I understand, were loggers were not getting these contracts. Why didn't you give cost-plus contracts to loggers, generally, and why confine it simply to the Warren Spruce Co.?

Mr. DISQUE. The perfectly good reason for that, in our mind, was that people ought to know that it cost to log, who had been in the business all their life; and no one ever rived, no one could tell what it cost, and we felt that the cost-plus contract, closely supervised, was the most economical thing for the Government, and you could not get anybody to do it on any other basis.

Mr. FREAR. Explain to the committee how this contract was entered into, by whom, and anything that relates to this Warren Spruce Co.

Mr. DISQUE. All I know is that we have the contract here. This Mr. Hoyt, mentioned a moment ago, came into my office one day and outlined his organization, said what he had available to put at our service, and our conference, followed by my investigation or inquiries, led me to believe that he was in a position to do those things that he had promised, and the contract went along in the normal way and was made up by—

Mr. FREAR. Tell the committee what occurred to bring you confidence that they could do the work any better than loggers or people who were in business throughout these two States.

Mr. DISQUE. Well, I think—

Mr. FREAR. Who brought him up—who introduced him?

Mr. DISQUE. Nobody did, as far as I know.

Mr. FREAR. Nobody had any influence in determining these contracts and getting them from your company?

Mr. DISQUE. Absolutely no.

Mr. FREAR. Just simply you were the one who decided it. I am inquiring.

Mr. DISQUE. I stated yesterday that I called together several men in this city, in December, and we talked this matter over. I didn't know whether any men in that meeting would ever become interested in this or not—in forming a company to rive. I merely wanted to find out what we could do to supplement what was going on. From that meeting, it developed that the Grant-Smith Porter Bros. contract was made. This Mr. Hoyt was not at the meeting, but he heard of it; he came in and said "I have got teams and equipment, things that you apparently need for riving operations, and we would like to make a contract to go and rive."

Now, I can say positively and absolutely, without question, nobody ever recommended Mr. Hoyt to me, or the Warren Spruce; nobody ever tried to do anything for them with me, and my information about them was gathered in an ordinary way. I have merely the satisfaction in my mind that I had determined that they could deliver the goods, and the contract went through the ordinary channels.

Mr. FREAR. This further statement: Of course, they had had no experience in the work. The thing that occurs to us, or occurs to me, and I am inquiring, is not that they should go out and attempt the ordinary method of riving and that you would tell them how much they could have, and all that, because you had fixed the price on riving, hadn't you?

Mr. DISQUE. That was a cost-plus contract for riving.

Mr. FREAR. I mean with others, tell generally—didn't you fix a price for riving?

Mr. DISQUE. We fixed a price of \$90 and then raised it to \$130 and still didn't get it. We had something like a hundred small contractors producing it. It would be impossible to give them cost-plus contracts and follow their operations. We had to concentrate wherever we had a cost-plus contract and to take care of the accounting.

Mr. FREAR. Had these people done any riving prior to that time?

Mr. DISQUE. I don't know. I don't think they had. Nobody had done any riving.

Mr. FREAR. I thought you said there were a number of small contractors doing riving at this time.

Mr. DISQUE. During the entire period of riving. I don't know that there were more than one or two riving at that time. I haven't any knowledge—

Mr. FREAR. Now, this company went on and later on went into the logging business. How did that second contract happen to be given to them, who were the ones that had the placing of that? Did you have the final determination or the sole determination?

Mr. DISQUE. Oh, no. That was determined after several months' very gradual development of the situation, which indicated the necessity of supplementing the logging industry with any means that we could get. Here was an organization working down in the woods, by that time quite a bit, had developed crews that knew how to fall trees, how to yard them in, because you have that in riving on a large scale, and it looked reasonable, logical, and businesslike for us to convert these riving contracts into logging contracts.

Mr. FREAR. Here were a hundred loggers, or maybe more than that, who were engaged in logging operations through the woods. The question that I am asking is how was it brought about that this company was given the cost-plus contract while a company right at the side, working for the Government, was working upon a fixed price?

Mr. DISQUE. All the loggers were cutting the timber as they go, taking all the trees in reach, those who were in spruce at all, and a great many were not, didn't have any spruce trees in their entire operations, and those who were in it probably didn't have more than an average of 20 per cent of the trees standing on their ground, spruce; the other 80 per cent averaged in fir, hemlock, and cedar.

Mr. FREAR. That is the only explanation—

Mr. DISQUE. I am not through. If you are ready I will go ahead.

Mr. FREAR. Go on. I was trying to find a paper. I am listening.

Mr. DISQUE. The loggers were doing this normal logging, and I had every right to believe doing everything that they possibly could. We had offered them every kind of help that the Government au-

thorized us to offer. Every request for help was given. We had loggers to take us their spurs out of the fir and put it into spruce, and had offered to adjust the costs with them, and still we were getting one-third of what the Government required, and we fell, and very gladly fell, to those other contractors who had organizations ready to supplement everything that they were able to produce.

Mr. FREAR. Did you draw no more than the four contractors that you speak about?

Mr. DISQUE. No, no, no, with those—well, we only had three. Siems-Carey was not a cost-plus contract. We would have given a contract to anyone else who came along and made a reasonable offer.

Mr. FREAR. The reason that that suggestion is made is that a good many loggers said all their offers—that is the testimony thus far—that all of their offers to aid in producing logs were apparently rejected or not given any consideration.

Mr. DISQUE. May I cover that subject just a minute, Mr. Chairman?

Mr. FREAR. Yes; it is an important one.

Mr. DISQUE. I think it is important that the committee get, at this time, a clear understanding of why we did not do the thing that you would normally think was the natural thing to do, and, as I have said, we had offered to all the loggers both to take up their spurs and put them into the spruce and pay the expenses. We had made contracts with the mills, which in turn could have made eighteen months' contracts with loggers, at prices unknown before, they were so high—good prices, prices on which good profits were made. Then we drifted along and found, with the promises—even had they so fulfilled them to the limit, we only had approximately a third. At that time, or shortly after that, there was a rumor that wooden shipbuilding was going to be discontinued. Then there was a decrease in the amount of cantonment lumber required, and other conditions came up, another draft was coming, and a number of men logging in fir—fir of the kind that nobody was interested in, became active right then and there was a regular wave of patriotism—

Mr. FREAR. Why was no one interested in the fir?

Mr. DISQUE. Because it was red fir, probably, or low-grade fir of another kind. Maybe it was all right for shipbuilding and it might have been of the type for that.

Mr. FREAR. The testimony is here, as I understand it, that practically one-half of all the work at the cut-up plant was from fir.

Mr. DISQUE. Well, there are different kinds of fir.

Mr. FREAR. Well, were you giving instructions as to what kind of fir would be acceptable?

Mr. DISQUE. Yes.

Mr. FREAR. Couldn't they reach into that?

Mr. DISQUE. Some of them didn't have any of that on their property. Some of them didn't have any.

Mr. FREAR. The figures, as I remember, were 59,000,000, practically 60,000,000 feet of fir and 79,000,000 feet of spruce—

Mr. DISQUE. Something like that. Well—

Mr. FREAR. Of the 143,000,000.

Mr. DISQUE. Now, Warren spruce people were building this railway line down here in the Alsea and in the Siletz. We needed down there approximately 75 logging sides to make the production that we

wanted from those two operations, the production that we figured on as a part of our necessary production to meet the requirements; as our plan was entirely established we figured on so much on a certain date from this area, and so on, and I thought I saw then an opportunity to place several of these loggers, who just then became quite active in offering their services.

Mr. FREAR. Who just then?

Mr. DISQUE. Yes, sir; just then, in July.

Mr. FREAR. Hadn't they been trying to get before you and get your attention long before that?

Mr. DISQUE. I had met a couple of dozen men, I suppose, of the loggers.

Mr. FREAR. Hadn't they tried to reach you by letters and otherwise, and coming in here on visits, trying to reach your attention, and Maj. Hitchcock, who seemed to be a buffer—I don't know whether it was with your knowledge or not—I am asking if you had any knowledge of this—I speak more specifically, for instance, of Lightner and Butler and men of that type, and the other loggers.

Mr. DISQUE. Did Butler ever try to see us?

Mr. FREAR. I understood so.

Mr. DISQUE. Well, I ordinarily got the letters from men of that type, and I don't remember of him ever making any attempt.

Mr. FREAR. You remember Lightner?

Mr. DISQUE. I do. I saw Lightner a couple of times.

Mr. FREAR. Lightner was ready and endeavored to do what he could, according to the statement, but he was given no opportunity—that is, he represented the Goodyear Co., didn't he, the Goodyear people?

Mr. DISQUE. He had all the opportunity he wanted, if he had really wanted to take advantage of it.

Mr. FREAR. You don't think he really was in earnest; you think you were the only one who was in earnest about the thing?

Mr. DISQUE. No.

Mr. FREAR. Go on.

Mr. DISQUE. No; I don't say that.

Mr. FREAR. Well, it seemed to be the general impression with a number of loggers that they could not get in close touch with the man who was at the head of the work here, and they tried very anxiously and they insistently tried, according to their statements, and could not reach the head of the organization. Now, I am trying to find out if there was any reason for it, or if their statement is not true.

Mr. DISQUE. I would like to read to the committee a resolution adopted by 200 of these loggers, after the armistice was signed, that will state what they voted unanimously, and, I think, answers that question.

Mr. FREAR. Well, all right, if it is not very long, I am perfectly willing.

Mr. DISQUE. Well—

Mr. FREAR. Did these loggers have contracts or what—contracts with you?

Mr. DISQUE. I didn't attend the meeting.

Mr. FREAR. When was it and where? What brought it about? What kind of a meeting was it?

Mr. DISQUE. It was a meeting of the West Coast Lumbermen's Association.

Mr. FREAR. Lumbermen's?

Mr. DISQUE. At the Portland Hotel.

Mr. FREAR. Was this lumbermen or loggers? I was talking about loggers.

Mr. DISQUE. Men who attended this meeting are sawmill men and loggers.

Mr. FREAR. What proportion were sawmill men? Of course, the sawmill men, I haven't heard any complaint but what they were given the opportunity to work, but the loggers were not——

Mr. DISQUE. I don't know what proportion were loggers and what were not. I understood it there were about 300 men there, and it included practically all the men with whom we were doing business, but I am not particularly anxious about that.

I have said repeatedly that we did make offers; we published them in the papers; we gave them to them by addresses at every meeting that they called; we wrote to them; we sent them circulars; we talked to them personally and went to their officers; and I think——

Mr. FREAR. Who did, did you?

Mr. DISQUE. I did; my assistants did.

Mr. FREAR. Did you go to any of these offices of these men that I have mentioned up there who tried to reach you but Lightner and others and the head of the concern?

Mr. DISQUE. The head of what concern?

Mr. FREAR. The head of the Goodyear concern. Mr. Goodyear, I think, was one of the men with Lightner.

Mr. DISQUE. Did he say he tried to reach me?

Mr. FREAR. Yes; unquestionably so. That was the statement before the committee.

Mr. DISQUE. Was Mr. Goodyear before the committee?

Mr. FREAR. No; Goodyear wasn't. Lightner was; but they were together when they came here.

Mr. DISQUE. Lightner is not at the head of the Goodyear logging business.

Mr. FREAR. Well, he tried to, and Mr. Goodyear left word that you could see Mr. Lightner, who had charge of the thing.

Mr. DISQUE. Didn't I see him?

Mr. FREAR. No. That is Lightner's story.

Mr. DISQUE. Didn't he see anybody?

Mr. FREAR. No; couldn't see him; that is, when they were here you could not see them.

Mr. DISQUE. Didn't they see anybody?

Mr. FREAR. Oh, he saw Hitchcock; yes.

Mr. DISQUE. Let me put this to you as a reasonable proposition. I can bring you all the evidence that will satisfy you that I was in that office from 12 to 15 hours a day. If there was just more people than I could see in that time the probabilities are that I did not see them; but there was always somebody competent to act.

Mr. FREAR. Hitchcock, I believe, did act in that. Did you appoint Hitchcock?

Mr. DISQUE. Hitchcock? I don't see why he should meet those—
Col. STEARNS. Hutchinson, you mean.

Mr. FREAR. Hutchinson; I took the suggestion from a member of the committee.

Mr. LEA. Yes; I was wrong about that. That is correct.

Mr. FREAR. I know Hitchcock did meet a whole lot of people.

Mr. DISQUE. Yes.

Mr. FREAR. Mr. Hutchinson.

Mr. DISQUE. Well, now, what I wanted to do, if you are ready, I will show you why the loggers have been active in giving you this adverse impression, which I am sure you have got, and that is that we didn't seek their help. I believe if you would call the spruce loggers of the Northwest—I don't believe 1 per cent of them would give you such an impression.

Mr. FREAR. Now, who would you say? Call the spruce loggers, what class of men?

Mr. DISQUE. I will give you a list of all in the morning. I haven't got it here.

Mr. FREAR. Of course, we can't call them; that is a physical impossibility, and the only suggestion is, what would be the reason that those people should have any different opinions than the others.

Mr. DISQUE. We were interested in spruce and we naturally didn't go to hunt for fir—red-fir loggers, men to do small fir—

Mr. FREAR. But Goodyear's people were working right in spruce.

Mr. DISQUE. Goodyear's people had all the justification for extending their operations any human ought to want. They could sell all the logs they produced; they knew it; they were getting prices for their logs that were never known, and they could have made an 18 months' contract which would have justified railroad building anywhere through their properties.

Mr. FREAR. The suggestion was made very strongly to the committee that they could not get in touch with you or with anyone that could put them in the way of a contract, in the making of an agreement. That is our impression.

Mr. DISQUE. I don't believe it, Mr. Chairman. I don't believe it.

Mr. FREAR. Of course, you never saw them.

Mr. DISQUE. I have seen Mr. Lightner.

Mr. FREAR. What was the trouble when you saw Lightner?

Mr. DISQUE. I don't remember what the trouble was.

Mr. FREAR. He is a very able man, isn't he? A very honorable and honest man?

Mr. DISQUE. I don't know him well enough to pass on that, but Mr. Lightner was either asleep or else he was trying to dodge the issue if he didn't take advantage of our circulars that said, "We will contract with loggers to take all they will produce for 18 months."

Mr. FREAR. Why, a peculiar situation; he had the same impression about you; that is, according to his testimony.

Mr. DISQUE. The difference is that I produced it and he didn't.

Mr. FREAR. But he didn't think the opportunity was his, possibly.

Mr. DISQUE. Well, he had an organization and a logging show and a railroad and money, and a contract from us offered to him to pro-

duce for 18 months. What more would you have me do as a representative of the Government?

Mr. MAGEE. They produced a very material amount of spruce, didn't they?

Mr. DISQUE. I don't know. No, I would not say that at all. They produced some spruce.

Mr. MAGEE. Yes; a very material amount, as I understand.

Mr. DISQUE. Well, I don't know. I don't know about that.

Mr. LEA. How many of these contracts did you enter into with loggers to produce upon that basis?

Mr. DISQUE. I can't tell you. There were circulars sent broadcast, notifying them to come on.

Mr. FREAR. Does anyone know how many?

Mr. DISQUE. Oh, yes.

Mr. FREAR. That is a very important question that Mr. Lea suggests.

Mr. DISQUE. Well, we can tell you how many, if that is interesting; but, as Col. Stearns just says, most of them had already made contracts with mills, which was our first thought. It was natural for me or anyone to assume out here, when we would go to a mill and say, "Here, we will take your production for 18 months. Now, go out and get a logger to contract to bring it in." The regular price was fixed, so that the mill man paid the logger. I didn't fix it. That was fixed before I came here.

Mr. MAGEE. Col. Stearns testified that of the 143,000,000 of lumber produced, that only $7\frac{1}{10}$ per cent of that amount was produced under your three cost-plus contracts.

Mr. FREAR. Four; the same thing.

Mr. MAGEE. Well, he said none was produced under the Siems-Carey-Kerbaugh contract.

Mr. DISQUE. What I went over shows you how much. We were producing 33 per cent of the entire production when the armistice was signed.

Mr. FREAR. From these Government operations, from the cut-up plant here?

Mr. DISQUE. From the logs. I am talking about log production.

Mr. MAGEE. I am telling what Col. Stearns testified to.

Col. STEARNS. Mine was for the whole. I included all those months that we were getting under way and in which we stopped riving, practically, and were building railroads.

Mr. MAGEE. Seven and four-tenths per cent of the—

Col. STEARNS. The general gave it month by month.

Mr. MAGEE. Seven and four-tenths per cent of one hundred and forty-three millions was your testimony.

Col. STEARNS. The general's is month by month.

Mr. DISQUE. That really is the riving material. Then we stopped riving, as I say—

Mr. MAGEE. No; I am telling what the testimony was.

Mr. DISQUE. That is correct.

Mr. FREAR. Of the one hundred and forty-three million total.

Mr. DISQUE. I presume that is correct.

Mr. MAGEE. And that the loggers produced the balance.

Mr. DISQUE. Yes.

Mr. MAGEE. So that they seem to have produced the effective results, from the testimony.

Mr. DISQUE. Mr. Magee, if this is a matter of arguing something, I am not keen to prove that we did this thing.

Mr. MAGEE. I am talking about the testimony.

Mr. DISQUE. I am glad that the loggers did all they could. I have always felt that they got into the game—some of them.

Mr. MAGEE. But you seem to misunderstand the situation. You were trying to give the impression to the committee that the loggers didn't do much.

Mr. DISQUE. No.

Mr. MAGEE. And that you did it all under these cost-plus contracts.

Mr. DISQUE. No; I didn't.

Mr. MAGEE. And I was simply referring to the testimony of the president of the corporation, which is in the record here, and I will produce it in the morning and submit it to you?

Mr. DISQUE. It is difficult, of course, to meet that attitude of a committeeman.

Mr. MAGEE. I take an exception to that remark.

Mr. DISQUE. I don't accuse the committee of anything.

Mr. MAGEE. In taking the testimony of the president of this corporation, if we can't rely on that, that is one thing, but I am merely calling attention to what he testified to. I took the testimony of the president; I accepted that, and I assumed that it was reliable, and that the committee could; that is the position I took, and I am merely calling attention, and I will produce that testimony and submit it to you to-morrow. It is confusing, to my mind, to have statements made which are directly contrary to what the president has testified to, and I would like to submit that evidence.

Mr. DISQUE. I have not made any statement about the production of the cost-plus operations as compared to the total, except in the matter of logs. Col. Stearns's reference was to the finished airplane lumber that eventually went East.

Mr. MAGEE. I am stating what his testimony was as to the 143,000,000 feet of lumber.

Mr. DISQUE. That is finished airplane lumber that left the cut-up plant or other mills and went East on freight cars. He probably is correct in that. I don't question it at all.

Mr. MAGEE. That, I understand, is the total amount produced, as given in the evidence.

Mr. DISQUE. And in explanation of that, I say that practically all of that 7 per cent, or whatever it was, came from the rived materials that were produced, which was suspended when the spring opened, and our cost-plus operators, instead of going ahead with riving, were converted into selective loggers—

Mr. MAGEE. Well, now, but if I understand—

Mr. DISQUE. Let me finish my sentence. It is not full until I do.

Mr. MAGEE. But you don't answer my questions; you run off on a dissertation. Now, is it true that the total amount produced and shipped out was 143,000,000 feet?

Mr. DISQUE. Yes, sir.

Mr. MAGEE. I am stating that Col. Stearns testified that of that total amount 7.4 per cent was produced under the three cost-plus contracts, the Warren Spruce contract, the Airplane Spruce Co. contract, and the Grant-Smith Porter Bros. contract, the colonel stating that none was produced under the Siems-Carey contract, and that the remainder, or 92.6, I think, was produced by loggers. That is his testimony, and I will get the testimony and bring it down in the morning, when my turn comes, so that I can take it up with you.

Mr. DISQUE. I don't question that.

Mr. MAGEE. If you don't question it, there is nothing to it.

Mr. DISQUE. I don't know why that point is under discussion at all.

Mr. MAGEE. I was getting at your production of lumber that was shipped out. If it is understood that the loggers produced 92.6 per cent and you produced, under your governmental agency, 7.4 per cent, we agree.

Mr. DISQUE. The point is that you say the loggers produced it, but they did not. The loggers did not produce any of that; the sawmills did. We were talking about loggers.

Mr. MAGEE. Where did the logs come from?

Mr. DISQUE. And the point came up, how many logs did the Government produce? That is an entirely different question from how much lumber did we ship East, and shows our operations in a more favorable light and a fairer light—

Mr. MAGEE. I don't know as your mind runs in the same line as mine, but what I had in mind, and what I was questioning Col. Stearns about, and what I have in mind now, is the amount of spruce lumber or fir lumber contained in that total of 143,000,000, which was produced by your governmental agencies, as I term them, or your three cost-plus contracts. As I understand, you were stating that you could not get sufficient lumber to meet the requirements of the Government without awarding these cost-plus contracts to supplement other work, and that was the point in my mind.

Mr. DISQUE. That is correct. That is perfectly right.

Mr. MAGEE. That if you didn't get, within a year and seven months, but 7.4 per cent of the total, under your cost-plus contracts, it seems to me that some credit ought to be given to the loggers who got out the balance of it.

Mr. DISQUE. Well, that is perfectly right.

Mr. MAGEE. Well, then we agree.

Mr. DISQUE. But the big point is we were not then working with our cost-plus contracts.

Mr. MAGEE. I mean during the war.

Mr. DISQUE. The second big point is that if the loggers produced all the 143,000,000, it was only half of what we were required to get, and I say and I have always said that supplemented the industry—

Mr. MAGEE. You are wandering away, because I am talking about results and not about what the possibilities of the future were. I am talking about results reached.

Mr. DISQUE. I am inclined to think, Mr. Magee, that you are just confusing the situation; that is the way I feel about it.

Mr. MAGEE. I am trying to get my mind clear. You confused me, and I was trying to see whether or not I had formed a correct idea, and you say now that I have, and that ends it.

Mr. DISQUE. Is it your desire to prove that we did not do anything out here?

Mr. MAGEE. I have no desire to prove what you did or what you didn't do, but I am trying to find out what you did do and what results you obtained.

Mr. DISQUE. I have been trying awfully hard to tell you, for the last hour.

Mr. MAGEE. I didn't appear to get much information.

(Whereupon, at 5.30 o'clock p. m., the committee adjourned until 10 o'clock to-morrow morning, Sept. 5, 1919.)

**SUBCOMMITTEE No. 1 (AVIATION)
OF THE SELECT COMMITTEE ON
EXPENDITURES IN THE WAR DEPARTMENT,
HOUSE OF REPRESENTATIVES,
*Portland, Oreg., September 5, 1919,***

The subcommittee met, pursuant to adjournment, at 10 o'clock a. m. in the Federal court, Portland, Oreg., Hon. James A. Frear (chairman) presiding. Also present Hon. Walter W. Magee and Hon. Clarence F. Lea.

TESTIMONY OF BRICE P. DISQUE—Continued.

Mr. FREAR. I desire at the outset to read into the record a letter from Mr. Pendleton, which he asks to have inserted because of statements contained in the papers which he says may confuse matters. It is dated August 30, 1919, addressed to the chairman of this committee, and says:

DEAR SIR: In reading the Portland papers published last night and this morning, I notice that the report of testimony given before your committee by myself. in regard to spruce production, was badly mixed up by some of the papers, who got the figures confused.

Most of these were unimportant, as the correct figures appeared in some other part of the article. There is one statement, however, that is of importance, if your record is the same as some of the papers. I believe your record is right and that your reporter correctly caught what I tried to convey in my testimony.

The statement was made there that Gen. Disque, and the organization under him, produced about 143,000,000 feet of spruce lumber, and I was asked what part of this would be suitable for aircraft construction. Some of the papers report me as answering not over 15 per cent.

What I did answer was that I could not answer that, as I did not know whether the 143,000,000 feet mentioned was the full cut of the log, or flitches, or finished aeroplane lumber, but if it was either of the first two mentioned specifications, that the acceptable aeroplane lumber would be very much less and might go as low as 15 per cent, but that I could not tell without inspecting the lumber.

As stated above, I believe your record will be found correct, but if it differs materially from this, I would like to have this letter filed as part of that report.

Yours, very truly,

F. R. PENDLETON.

(The letter above copied in the record was marked: "Exhibit 3. For identification, September 5, 1919.")

Mr. FREAR. That letter was dated at Everett, Wash.

I have a letter received this morning, from 308 Pacific Building, Vancouver, British Columbia, September 3, 1919, addressed to the chairman, which is as follows:

MY DEAR MR. FREAR: I happened to be in the office of the Forestry Department yesterday when they received a telegram from Gen. Disque asking for the amount of spruce logs and lumber produced in British Columbia. They referred him to the Imperial Munitions Board, and this morning Maj. Taylor received the same wire. He answered as follows:

"Produced something over 200,000,000 feet of logs, of which a considerable amount was on hand at the signing of the armistice. Produced and shipped about 26,500,000 feet of aeroplane lumber."

I am just giving you this information, as they are evidently checking up to see whether my evidence was correct or not. I happened to meet a newspaper man from Portland, and he states that the 143,000,000 feet of lumber produced down there included fir as well as spruce. It might be well for you to have that point brought out.

Yours, truly,

F. R. PENDLETON.

(The letter above copied in the record was marked: "Exhibit 4. For identification, Sept. 5, 1919.")

MR. FREAR. We have brought the point out, that about 60,000,000 feet of the timber produced in this country was fir instead of spruce and that the telegram apparently refers to spruce alone. In carrying on the investigation this morning, I wish to make a brief statement, and it is personal entirely in character.

This investigation committee was appointed, as I have stated before and shall state until it is thoroughly impressed upon those within hearing and for the record, because this is a House record that is going back to the House which has sent us to investigate. We were called upon to find out about the expenditure of over \$1,000,000,000, or \$1,055,000,000, to be accurate, which had been made for the production of airplanes from money appropriated by Congress. The statement has been made by Secretary Baker before our committee that not one fighting plane or one bombing plane ever reached the front of American manufacture. The statement has appeared in the record and appeared repeatedly that outside of observation planes there were no planes in use by Americans, excepting as they were bought or taken over from foreign Governments. Two hundred and thirteen observation planes, known as the "flaming coffins," De Haviland 4's, which were testified to here by Sweeney, were on the front at the time of the signing of the armistice.

That is a state of facts which is so appalling in character that the House requested this committee to make an investigation. The war had continued for over four years—and this is for the record—and our Government had been in the war for 19 months when that state of facts existed. This committee is called upon to find out the cause, if possible, and make its recommendation and its report to Congress. As I said before, this committee was selected by the unanimous vote of Congress, and we are sent out here to examine this one phase of the subject, the spruce situation, which has involved an expenditure of something over \$40,000,000, and the unanimous report of the committee of 15 was that we should come here and make this investigation.

I make this statement because of what I believe is an important situation that has developed. Before a witness was heard by our committee, the chairman of the National Democratic Committee

acknowledged sponsorship for an article which assailed the committee, stating that it was a junketing committee and throwing aspersions upon the general character of what was to be its course and what our disposition was in this investigation. From that day to this the committee has been hampered in the investigation and its efforts to get the facts by a method of covering up which does not come entirely from outside of the committee, and the effect has gone out that this committee is prejudiced for political purposes, and it has gone out for the purpose of prejudicing public opinion.

The only political words used at any time, and the only thing that could bring that about, have been the suggestions of Mr. Cummings and those who have sought to discredit the work of this committee.

When the committee came to Portland the first proposition that met us immediately after our arrival, was an open letter given by Mr. Disque, former head of spruce production, to the newspapers, demanding that this committee hear some 15 or 20 people whom he named. That appeared in the papers before even the committee had notice of it, excepting as it may have gone to one of the members of this committee, Mr. Lea. That statement was published and given as much circulation as possible to create the impression that unless the committee did call all these people it would not give a fair deal, or fair play, to Mr. Disque, who feels that he is on trial and that this is a trial to determine his guilt or innocence—which it is not, and I have so repeatedly stated; it is an investigation to ascertain facts.

No committee that I have ever heard of, and I have sat on committees before, for long periods, has ever had a counsel for the defense, who cross-examines every witness for the purpose of trying to discredit or disqualify the work of the committee, and as I have said, I have sat on many committees. Yesterday I introduced in the record—and the purpose was just exactly what is to follow to-day—an interview from John Long defending Mr. Disque. Long was one of the original members of the spruce division here and had much to do with it, and was assailed by Gov. West in the city of Washington before the Senate committee for his connection with it. Long, in his published statement, defends Disque. Of course this may have been purely accidental. I introduced in the record yesterday a resolution that was sought to be passed by the Board of Trade of Vancouver, complimenting very highly Mr. Disque for the wonderful work he has done. Only one vote favored that resolution. I am speaking of things that I want the record to show, and so that the propaganda will be known to the people and the House, and they will understand the difficulties under which this committee is working.

I read now a telegram from Bellingham, Wash., the home of Donovan, who testified before this committee and said our committee would not be welcomed out in the West unless we came with fair minds. I have forgotten the way he framed it. The answer of the chairman was that it was immaterial whether we were welcomed, as is the case here, so far as the surroundings are concerned.

We are trying to get the facts, and we are going to get them if it is possible to do so. The telegram is as follows:

BELLINGHAM, WASH.

JAMES A. FREAR,

*Chairman Spruce Investigation Committee,
Benson Hotel, Portland, Oreg.:*

The Chamber of Commerce of Bellingham respectfully requests, in the interests of fair play, that you hear both sides and call the witnesses named by Gen. Disque.

A. W. DEMING, *President.*

J. A. MILLER, *Secretary.*

(The telegram above copied in the record was marked "Exhibit 5. For identification. September 5, 1919.")

Mr. FREAR. That is from the home of Donovan, a member of the Spruce Board, the man who gave publicity to the statement that was received in Washington, that we would not be welcomed in the West.

Here is a second telegram, received late last night, from Seattle, Wash.:

Charges being made here that parties interested in bringing out only one side of spruce production situation are endeavoring to prevent calling of all witnesses able to throw light on situation. We are directing your attention to this because we believe that you feel as positively as our people do that all the material facts should be brought out, and that your committee forestall any just criticism by calling before you every man who is suggested as likely to be able to offer you relevant information about the spruce production campaign and its expenditures.

SEATTLE CHAMBER OF COMMERCE.

(The telegram above copied in the record was marked "Exhibit 6. For identification. Sept. 5, 1919.")

Mr. FREAR. Out of pure curiosity I telephoned this morning to Mr. Parsons, the president of the Chamber of Commerce of Seattle, whom I know, and he says he had never heard of any telegram before or any action by the chamber on the subject.

I desired, if we extended our hearing this morning along that line, to follow up some of the matters that were brought out yesterday and to go into the Siletz Railway, which it seems to me is certainly deserving of careful explanation. We have many complaints before this committee; we have been asked to subpoena 100 witnesses, 43 in one list of witnesses, who it is said can testify regarding what they believe is waste or extravagance, some on small matters and some on important matters. The committee endeavors to sift out a few names, and that has been the only way in which we could conduct an investigation, because our time is limited. Mr. Disque comes before us and demands that a certain number of witnesses shall be heard, and, by a peculiar coincidence in this propaganda, the telegrams come in from various places signed "Chamber of Commerce," when the presidents of the chambers of commerce do not even know about it, all asking that Disque's witnesses be heard.

There are many other things that I would have liked to go into, including the Blodgett purchase, things with which this witness is supposed to be familiar, I assume. Surely he was more familiar with all the matters concerning the Siems-Carey-Kerbaugh contracts than anyone else, because he assumes complete responsibility for everything that occurred. No one else connected with the spruce organi-

zation knows anything about it unless he sat in at the hearings, because the decision was made by the witness, according to his own testimony. It is very difficult to believe—not impossible, but difficult—that the railroad built in the peninsula under all the circumstances brought forth by this committee was built for logging purposes and for war purposes; but it appears at this stage of the proceedings that it was a commercial railway. At this stage of the proceedings it appears to be unquestioned, not entirely by the witness but by others whose testimony has gone in, and we expect to follow the testimony further. The witness has also testified that within two years his salary was jumped from \$3,000, or approximately that, to \$30,000.

Mr. DISQUE. You say the witness testified to that?

Mr. FREAR. No; I am going to amend that; the witness did not testify to the \$30,000. The committee could not get that information from the witness and had to put its own witness upon the stand, who received that information direct from the organization in New York. And with no previous experience, the committee is informed that that presumably was given because of the qualifications of the witness, a salary nearly one-half the salary of the President of the United States and over twice the salary of any cabinet officer or member of the Supreme Court of the United States, and the appointment came from John D. Ryan or on his recommendation.

The complaint has gone out, and I desire to correct it as we go along, that we are not giving a fair hearing to the members of this corporation. Of the 10 or 11 days of hearings so far held, practically five days have been consumed by the officers of, or witnesses for, the corporation; and, although the witness who sits before us, I understand, stated since the last hearing that only 18 minutes of time had been consumed by himself and the rest by the chairman, the record will show whether that is true or not. He was given free license to talk part of the time, and we are glad to have him state any facts because we desire the facts and the truth and, so far as we are concerned, we are going to get it here or we will go out of business.

When we first met at Seattle a witness stated that this committee was expected, or he desired to have us swear witnesses. This was made by Mr. Disque through the president of the corporation, Col. Stearns, who admits that. Of course that is ordinarily done, but the assumption which comes from a man who is no different from any other citizen to-day, however high his position might once have been, that this committee is to determine its course by his orders is beyond all comprehension to those who have conducted similar examinations in the past.

I have a clipping in connection with this propaganda that I desire to read into the record because I think it ought to be perpetuated. It is as follows:

CHARACTER ASSASSINS DEPLORED BY DISQUE, CONGRESSMAN LEA.

Congressman Clarence F. Lea, member of the Spruce Investigating Committee—

This is taken from one of the local papers:

and Gen. Brice P. Disque, chief witness in the inquiry, were speakers before the Portland Ad Club Wednesday afternoon at the Benson Hotel. Col. C. P.

Stearns, Gen. Disque's successor as president of the Spruce Production Corporation and commander of the spruce production division, was a guest.

"The wholesale assassination of character of men who served their country during the war is outrageous," declared Congressman Lea.

"It will be shown," said Gen. Disque, "that the work of the spruce production division was honestly handled and that we produced more than enough airplane material to supply the needs of America and our allies."

(The articles above copied in the record was marked "Exhibit 7 for identification, Sept. 5, 1919.")

Spruce production is the subject that we are investigating, as I said, with a proposition before us that not a single American fighting machine of any character was produced at the front in 19 months. This publicity procedure, of course, is rather new to the committee. I have understood that it is not new to the people of this community in the past, but we are not at war now. We are after the facts, and when a member of this committee declares the proceedings of his colleagues, means character assassination, it is time to have that read into the record. If I felt that that was my attitude here I would immediately resign my position in Congress, and before I would charge my colleagues who have sat with me faithfully working for the same purpose, that such was the case, I would resign and go to my constituents and ask them whether or not I ought to be retained in public service. I do not believe anything could be said that is more unfair, unjust or untrue, and it is only part, apparently, of a program that has been inaugurated way back before this committee ever swore a witness. The purpose apparently is to suggest that the investigation is discrediting someone, the President or someone else. You can not have an investigation unless you are going to ascertain the facts, and that is what we are trying to do. As I stated before, never before in my experience has a counsel for the defense sat at the table in a legislative committee cross-examining witnesses, as has been done in this committee, sometimes for a day at a time.

That is all I care to say.

There are many questions I would have gone into with this witness, but I have concluded with him. I have no further questions to ask now. This I will say, beyond that, that it is impossible to call all the witnesses he asks. I have stated so to him repeatedly, and whatever may be his wishes or those of the chambers of commerce, engaged in this propaganda, if it be of all Washington and Oregon combined, it can not affect the action of this committee. We are going to try and get a fair statement of the position of the Spruce Production Corporation, but any man that is intelligent knows that facts must be first produced where the charges are made. We know nothing about those facts. We have come here without information, and we desire to get information here. That is what we are going to get if we can, and we are not going to put on one witness and let him talk all the time. Five days, approximately, of the 10 days have been occupied so far by the members of the Spruce Production Corporation. Now, I do not know that there is anything further to say. I desire to interview some witnesses who are ready to testify on other phases, in order to keep the hearings going without delay, and my colleague Mr. Magee and my colleague Mr. Lea, I assume, will carry on the interrogatories with this witness.

Mr. LEA. Mr. Chairman, I regret the necessity that makes it necessary for me, as I view it, to reply to what you have stated this morning. I believe that the trouble that this committee has experienced is largely of its own making, and I want to make a candid statement at this time and then suggest a method by which, if possible, we can give the witnesses an opportunity to be called, the facts can be developed, and we can dispose of this testimony in a seemly way and one that will be creditable to the Congress of the United States that we represent.

In my judgment, the trouble that has come to this committee is due to its unfair handling of the facts. The facts stated by the chairman illustrate, in my mind, exactly what I want to emphasize and illustrate. The statement has been repeatedly made during the hearings of this committee that the United States had not one bombing or fighting plane upon the front, and from that it is attempted to make the public draw the inference that nothing was accomplished in the Aviation Service of the United States during the war. Nothing could be further from the facts. If it is necessary to make arguments and speeches during the hearings of this committee, as a matter of fairness the facts should be presented to show the whole truth instead of a half or quarter truth. The fact was that during the war the United States made, as I recall now, over 16,000 airplanes. A large proportion of those planes were training planes. The United States purchased of the Allies 5,071 planes, which were used in Europe. There were about 1,300 planes that went over from America that were used in Europe. But America, it is true, did not have what is technically known as bombing and fighting planes of its own manufacture on the western front, but it did use many others, the De Havilland planes and many planes of foreign make, which took part in the war.

Then, a frequent reference is made to the American planes described as "flaming coffins," wanting to make the mothers of America believe that their country was untrue to the boys that went to war, and that our boys were needlessly and unnecessarily slaughtered. Nothing is further from the fact. The record is that the American boys did not have the death rate that our allies had, and where one American went down in battle two Germans went down from the fight of American boys, and it is a shame to try to disgrace the American boys, who made that brilliant sacrifice and brilliant success for America.

Now, if we want to tell the people of this country the truth and have them understand the facts, why not tell the truth, and the whole truth, instead of one-fourth of it, and try to make them believe that is all of it.

Now, here is another reason that was explained in the testimony of Gen. Disque why there were no more American planes on the battle front. Europe had her factories. It was cheaper and safer to send materials across the Atlantic to build these planes in the factories near the battle line. It saved shipping space to do it. So the best airplane material that went from the Pacific slope went to the factories in Europe, and thousands of American mechanics in the factories of England helped build airplanes and helped carry on the war, and American workers aided the Allies in Europe.

Now, you have disclaimed any political purpose. That is right; but I want to say this, that the American people will never judge this committee by what it declaims from its lips, but will judge it by its work and by the record we leave here for posterity. It is said that on yesterday—so the chairman states—that this witness occupied 18 minutes in testifying, while members of this committee took all the rest of the time. Now, I do not know whether those figures are right or not, but I believe they are approximately right, and I wish the lawyers of America would know that fact, and then they would understand why criticism is coming to this committee for its unfair methods. There is not a fair-minded lawyer in the whole United States than can go over this record and approve of the way this investigation has been conducted. It is true that witnesses in favor of the Spruce Corporation have occupied possibly five days in giving the facts, but it is also true and written into this record, where it will stand as long as the record stands in the United States, that they were not given a fair opportunity to state the truth, and an effort was largely made to prevent them from stating the truth.

Now, I am referred to as a counsel for the defense. I may permit my judgment to be warped. I am subject to the same weakness that every other man is. It may be that I take a biased attitude when I do not intend to do it; but God knows I do not want anything but to get at the truth. If there is any man here who has committed a crime I am willing to put the brand on him and put him in the penitentiary if he deserves it; but as I am an American and believe in American fair play, I am willing to fight to the last ditch to get it in this investigation into this matter and let it go before Congress.

I have cross-examined. As stated by a prominent citizen the other day, this investigation would have been absolutely a farce and ridiculous if it had not been for the examination that I have from time to time, in a humble way, tried to make to develop the truth. Now, we are closing, near the close, here in Portland, and what is the situation? Charges of a more or less serious nature are up with this committee. Important witnesses, important questions, are yet pending before us. It is a question whether or not we are going to have time to hear them. Mr. Frear is right in his suggestion that we have got a great matter here to investigate. Financially considered, this is only a small matter in proportion. Now, that is true. Nevertheless, charges have been made against men here that reflect upon their integrity and the Government operations during the war, and if we are going to base judgment upon those operations it is necessary that we should hear, not half the truth, but the whole truth in reference to them.

So my suggestion now is this: I believe that we have made a great mistake; too much time has been wasted on argument and contention. Every lawyer knows that the proper function of an attorney, or of an investigating committee, is to come here and ask these witnesses what was done and why it was done, and not argue and contend with them; but leave the argument and controversy until we get back to Congress. So my suggestion is this: Let us try to get together here and stop these unseemly controversies. They are a

reflection upon the Congress of the United States, and they discredit the work of our committee. This committee has a great work to perform. There ought to be an investigation of this war. Twenty-two billion dollars, possibly, have been spent. I find no fault or criticism with the investigation. Undoubtedly there ought to be an investigation. But the value of that investigation to us and to the country depends upon the things intelligent men do and the impartiality with which they do it. Rob it of either of those qualities, and this investigation will simply be nothing but a joke, a stench in the nostrils of the American people.

Now, let us get together here; let us examine these witnesses in the order that would be followed by attorneys in high-class, respectable courts, allowing the liberty, of course, a greater liberty than would be allowed in court. I will try to avoid controversy. I will try to devote my examination totally to essential facts, and let us try to work together. We have got a duty to perform, and let us forget bygones and try to do the right thing here now. The chairman and my other colleagues here have been very kind to me in many respects. We have not gotten along in our official duties, but we have personally, and they have been kind to us. Now, I may have some bias and prejudice that I do not intend to have, and you must confess that you may have the same feeling. Now, let us forget this and start in anew and try to get at the facts, and we will do lots better, I am sure.

Mr. FREAR. But the gentleman, whom I regard very highly personally, and always have—I have served with him on committees of the House heretofore—he has utterly failed to get the point of my statement this morning. At a public meeting here in this city he, in effect, charges my associate, Mr. Magee, and myself, unless he includes himself, as assassins of character. I have shown the propaganda that has gone out. I have introduced telegrams here, and I have shown the statements that have been made, the resolutions they have sought to have passed, all those things I have presented in the record, and now it is what occurs here in the committee. That is not the trouble; the trouble is what occurred outside of the committee. That seems to be the great fault that is not appreciated here. I would not have charged anyone with being an assassin of character unless I had known that that was their purpose.

Mr. LEA. Mr. Frear, if you will excuse me a minute, I will explain that.

Mr. FREAR. Just a minute—my own son fought all through this war. I gave him, and he is entitled to his wound stripes, and he did not stay down in Vancouver Barracks, either.

Mr. DISQUE. Mr. Frear, if you will—

Mr. FREAR. Let me get through, and then you can talk.

Mr. DISQUE. You were looking at me.

Mr. FREAR. You have had 28,000 men here, and my boy was fighting there at the front, at Chateau-Thierry, with thousands of his comrades. Talk about the mothers of this country. They indeed have cause to complain. The Secretary of War testified before this committee that not a single fighting or bombing plane was furnished. We can not get over that statement by saying 16,000 planes, pen-guins, known as grasshoppers, and other things were built that can

not fight. They were not there for fighting. They never reached the front and could not have been used if so, any more than you would use broomsticks for fighting against modern machine guns. For the training of men—yes; we had thousands of men trained, of course, waiting and wanting to fight, and we had 540 machines at the signing of the armistice that came from foreign Governments, and 213 of our own at the front. I think those are the exact figures. Those are the facts. When we are giving facts let us have them just as they appear before the committee. I do not think the mothers of America would be satisfied to have this report a whitewash, to have these facts covered up.

I would not have taken this position for a moment unless I had thought it was going to be an honest investigation, and I have never been connected with an investigation but what I felt that it was an honest investigation. I understand the mental operations of one who has been in charge here, and he feels that he has done everything right. We are endeavoring to find out, not from his method of judgment, but from the ordinary method of understanding what was done, that is all that we care to know. There is no one accused of a crime. In fact, I am very free to say that nothing of that kind has been presented to the committee, and so that insinuation, that accusation, is entirely false. The committee is not in that attitude or frame of mind. But we do know this, that there is a condition here that has not been yet explained, a condition that existed nowhere else in the United States. A man sat here with 28,000 men and 1,200 officers, and was absolute dictator, apparently, according to the statement that comes before us, and he of his own knowledge and of his own judgment gives these soldiers, way back here, civilian pay, in Vancouver Barracks and elsewhere. He decides upon promotions and all those things. Now, that is not a crime, it is just a question of judgment. Those are the things that we have been called upon to investigate and report to the House of Representatives, of which we are members, and we are the committee duly appointed. It has not been denied that Homer Cummings, before the committee ever started, made the charge that it was going to be purely a junketing trip, and that has been charged with all the various five House committees that are out on their work, trying to get the facts. Why? Because it is stated something would reflect upon the administration.

I will say this, that the first suit I ever brought was against a Republican chairman of my county, and I secured—and I am speaking of this in a personal way—I secured a personal judgment for the county I represented. The only proceeding I ever brought in a State legislature was against a Republican senator, and I am a Republican, and I drove him out of the senate because he was found to be engaged in improper practices. The records will show. There is not a particle of politics, so far as my Brother Magee and I are concerned, I know, in this investigation. The only politics that have been injected in these proceedings have come entirely from the end of the table.

Now, my good Brother Lea—personally I think a good deal of him and of his family, and always have—I fear that he misunderstands or misinterprets our purposes, and surely when he makes the statement that is quoted in the newspapers read here, that is false. Everyone knows it is false, as far as our attitude is concerned, in regard to being assassins of character.

The boys were killed over in Europe, and of one company in my district over half of them were lost. The captain of the company that I organized—and I have had 16 years' military experience; the witness is not the only man who has had military training; mine included 5 years in the Regular Army—that company lost its captain; and a number of men from my little home town were killed. I am interested in this investigation, and honestly interested in it, with the purpose of bringing out the facts, and, as Brother Magee well says, for the purpose in the future of avoiding a condition of affairs such as has occurred in this country, that permitted an expenditure of over a billion dollars and never a fighting American plane at the front.

As I said, I think that is the attitude of the committee, and, in regard to the witness, I do not care to examine any further. I leave my Brothers Lea and Magee to carry on the investigation. The only time we have to interview witnesses is in the short days we have outside of the hearings, and I desire to go to meet several at this time, and so I trust I will be excused from the committee without anything further than that explanation.

Mr. LEA. Shall I go ahead with the witness?

Mr. FREAR. Yes.

Mr. MAGEE. Both of you have taken up considerable time. I did not intend to say anything, because I think that I have made my position clear on several occasions.

Ever since I have been a member of the House of Representatives I have never indulged in personalities, and I am not going to begin now. You never can get anywhere, in my judgment, in personalities, because they are largely based upon assertions, and one person will assert one thing and another person can assert another, and you can not very well enjoin a person from talking. Now, if either or both of my distinguished colleagues desire reformation, so far as they are concerned I haven't any objections to that; and I wish them Godspeed. As for myself, I have no reforming to do. I was drafted by the Speaker of the House of Representatives for work upon this committee, and, as everybody knows, it is not a pleasant task, but I have endeavored, so far as I have been able, to elicit the facts. I have no feeling against anybody. I have no prejudice in the premises, and so far as I am concerned I shall continue along the even tenor of my way in the future as in the past and endeavor, so far as I am able, to perform my full duty to the public and elicit all the facts, without fear or favor from any person. That is all I care to say.

Now, if you desire to go ahead now, Mr. Lea, you can go ahead, and when you finish if there are any further facts which have not been touched upon, or upon which I desire further information, I will ask some questions.

Mr. LEA. All right, thank you. I want to say, to begin with, that I did not anticipate taking up this examination this morning, and I may not be able to do it in as orderly a way as I would like.

Mr. MAGEE. You can have your own time.

Mr. DISQUE. May I make a brief statement in regard to yesterday's testimony? There are a few corrections I think should be made.

Mr. LEA. Yes; if you have any corrections to make I would be glad to have you do it.

Mr. DISQUE. There was a matter came up yesterday as to why Siems-Carey's original project was not accepted, and I did not get an opportunity to read my diary into the record. I think it is proper that it should appear here.

Mr. MAGEE. You mean as to the railroad job?

Mr. DISQUE. Yes. You know they had a proposition sent to us and brought to us by one of their agents, which apparently would indicate that they wanted to build a railroad in addition to producing spruce. It has been six months since I was at work on this, and a year and a half since this interview occurred, and I have done a great many other things since. My mind was not fresh, but I think my diary here will show why that railroad was not built by them and why they never even went into a serious discussion of it. The diary reads—

Mr. LEA. What date is this?

Mr. DISQUE. This is my diary of April 11, 1918, made in my office by Capt. McAndrew, an aide on duty in the office, whose duty it was to keep this diary.

They wanted a contract for 300,000,000 feet of cants from the country around Lake Pleasant, and their idea of a cant was a log cut in six sections only. Said they had practically assured the right of way and options on the stumpage sufficient to fill a contract for that amount. Col. Disque explained that the cants would have to be cut in accordance with our cant specification, and that we would buy them at Lake Pleasant. This, they thought, would add greatly to the mill expense over what they had expected in making their estimates.

Mr. MAGEE. Is this a diary or memorandum made by you personally?

Mr. DISQUE. It is made by another officer who kept this, who attended to this in the office.

Mr. MAGEE. It would be better to call that officer.

Mr. DISQUE. I am willing to state this under oath. This is what happened, because I verified this every morning. He is not around here.

Mr. LEA. I think I can explain this in a minute, to get at what Mr. Magee wants to know. This diary, Mr. Disque, was kept under your direction, wasn't it?

Mr. DISQUE. Yes, sir.

Mr. LEA. Who was the man that kept it?

Mr. DISQUE. Capt. Alexander McAndrew, who was an aide of mine, whose duty it was to keep this diary. This was presented to me every morning.

Mr. MAGEE. Where is Col. McAndrew now?

Mr. DISQUE. He is in Buenos Aires now. If this committee had come out here while the organization was on, or within a few months, we could have had everybody present.

Mr. MAGEE. We could not come before we were appointed.

Mr. DISQUE. This is the best I can produce.

Mr. MAGEE. Can't you give a general statement of whatever you want to state?

Mr. LEA. Here is the thing, I do not suppose it is very long—I do not know what is in it; I have not seen it, but I believe it should be in the record.

Mr. DISQUE. It is long enough to show why they did not build that railroad, and it was considered, and I am making this statement

under oath. I am willing to stand by every word that is in this diary. Now, we will go back and get it again, so that we will get the story complete:

They wanted a contract for 300,000,000 feet of cants from the country around Lake Pleasant, and their idea of a cant was a log cut in 6 sections only. Said they had practically assured the right of way and options on the stumpage sufficient to fill a contract for that amount. Col. Disque explained that the cants would have to be cut in accordance with our cant specification, and that we would buy them at Lake Pleasant. This, they thought, would add greatly to the mill expense over what they had expected in making their estimates, and might cause them to change their plans. They suggested building down the Hoko to get that timber, and said that it was 14 miles up from the sound to the first heavy stand of spruce, and that this would more than offset the advantage of being able to get the logs rafted out before the railroad could be finished. Col. Disque said that the whole development was in the hands of the Director General, and his decision on the Milwaukee extension must be waited for.

Mr. Carey wanted to emphasize the point that they had satisfactory options to go ahead, and asked whether in case the Milwaukee did not get permission to build their road, would they be allowed to build, and could they go ahead with the understanding that no matter who built the road they could have the contract to open up the Bogachiel and the Hoko. Col. Disque said they could make definite arrangements any time, but that there would be no advance until the right of way and all options were obtained. They suggested a cost-plus contract for logging the Hoko into the sound. Told them this was out of the question and they said the line was so difficult that they did not think a logging operation there would pay. It would be all right if the fir was being taken out too, but this would make the operation too slow for the spruce. Rixon said they had bought the millsite on Lake Pleasant and that a road down the Hoko would take away a lot of business from the mill. Also said that he thought they could build down the Hoko and get the stuff faster than could be done by having to put in that bad 15 miles from the lower end. They were very anxious to be considered as one of the bidders for building the railroad if the Milwaukee did not do so. Said they would take the route to the north of Lake Crescent, but that they would use a ferry for the present, at least. In this way it would require only 28 miles to get in. Col. Disque said that he could not sign any contract until there was a railroad at Lake Pleasant, but that he could assure them that if there was any contract let they would get it. They also said that they would need more help than the usual advance on the contract. Col. Disque explained that there were apt to be changes in the specifications, but that any contract could be made subject to such changes being mutually satisfactory. They said the small size of the cants would run up the mill work so much that they would not be able to get the stuff out as soon as they had counted on doing. They expect to log the spruce only at first and come for the rest later. When the entire business was logged the railroad cost would not exceed \$1.50 per 1,000. They said that on account of the hemlock as dead expense, the stumpage would cost them about an average of \$5.

Col. Disque said they should be able to log for 16 collars. Mr. Carey suggested that the small loss due to impossibility of accurate inspection in large cants would be more than offset by the increased speed, but Col. Disque said that we had already tried that and it didn't work. Mr. Carey again brought up the question of the Lake Crescent road, and Col. Disque told him we were committed to the Milwaukee, and also that he doubted if Mr. McAdoo could authorize an entirely new road rather than extend one already there. He suggested, however, that if they wanted to run a road from Lake Pleasant to the Hoh and Bogachiel we could stop the Milwaukee at Lake Pleasant. Mr. Carey asked if they could have the contract read for 18 months after the railroad reached Lake Pleasant, but Col. Disque explained this to be impossible under the ruling of the War Credits Board. Rixon said that parts of that section will cut 16,000,000 to the section, and Col. Disque thought they could get 66 per cent of their logs into cants. In their estimates they figured twice as many No. 2's as No. 1's, and they say they allowed \$5 per thousand as the railroad cost on branch lines. They have no options for stumpage at higher price than \$4.

Mr. Rixon mentioned the fact that Moore is not keeping his riving camp cleaned up and the fire risk is very great.

The rest of that is not material. In that connection it was figured at that time what the amortization of a load in there would amount to. We were told there was 30,000,000,000 feet of timber that could be drained by a railroad in there, and at the cost of this road as finally completed that would mean 18 cents a 1,000 feet were it all brought out over the line. Now, there is one other thing that came up yesterday, in reference to Mr. Hughes's report. I promised the committee a definite statement this morning, and I have it here.

Mr. MAGEE. Do I understand that the first spruce contract was entered into about April 16?

Mr. DISQUE. April 12.

Mr. MAGEE. April 12.

Mr. DISQUE. Right after this conference.

Mr. MAGEE. That was signed by whom?

Mr. DISQUE. It was signed only by the company; not by myself.

Mr. MAGEE. It was not signed by—

Mr. DISQUE. Not by the War Department at all.

Mr. MAGEE. Never signed?

Mr. DISQUE. That contract never became a contract. Only was signed by the company.

Mr. MAGEE. That is the one you referred to?

Mr. DISQUE. That is the one that I—

Mr. MAGEE. That you would not sign until a railroad—

Mr. DISQUE. Until a railroad—that is right.

Mr. MAGEE. Is that right?

Mr. DISQUE. That is right.

Mr. LEA. Now, take up the other matter you refer to.

Mr. DISQUE. In the Hughes report of October 25 appears this definite statement: "The accounts of the sales department for the fiscal year ending June 30, 1918, show that spruce orders amounting to \$76,211,360.35, on which there had been deliveries and payments aggregating \$6,357,853.83, leaving unfilled orders of \$69,853,506.52, and of the spruce delivered the Government had resold to the extent of \$3,679,155.95." Now, that indicates there, clearly, that there is about \$3,000,000 worth of spruce which had been bought by the Government and wasted or lost and never accounted for, the actual facts being, on August 31, the first time our office or anybody else in the whole world knew accurate figures on this thing, and this which is a month later—two months later—our record showed that we had actually spent \$14,648,822.83 for spruce and fir, and that we had charged and either received or had it as a bill receivable from our American factories, or Allies, \$15,160,947.70. Instead of being short \$3,000,000, we had a credit actually of about one-half million dollars.

Now, the next statement—and I am sincere in saying that this is what led us to lose faith in Mr. Hughes's investigation—

Mr. MAGEE. Well, that was an investigation of the Department of Justice.

Mr. DISQUE. Yes; it was supposed to be made, however, in a perfectly honest and fair way.

Mr. MAGEE. What I mean to say is that the Attorney General was working with him, as I understand.

Mr. DISQUE. He didn't approve of this, I don't believe.

Mr. MAGEE. What I mean to say is, and let it be on the record, in all fairness: I am not passing on what was said, but it was investigation made, as I understand, under the direction of the President and Department of Justice, and the Department of Justice obtained Mr. Hughes to assist them, and he gave his services without compensation.

Mr. DISQUE. The next statement in his report: "The Government had also (to June 30, 1918) invested in its cut-up plant at Vancouver, Wash., the sum of \$1,487,237.81." The comptroller of the Spruce Corporation this morning gave me these figures, which include the cost of the cut-up plant, the dry kilns, the dismantling of it, the liquidation expenses, and every dollar that went into it for construction or dismantling up to July 1 of this year—a solid year after Mr. Hughes's report, and this total gives, instead of being fourteen hundred thousand and some dollars, is \$884,427.79, of which \$221,099.15 were expended for a dry kiln, which Mr. Hughes knew nothing about at this time, and a dry kiln that would have cost, had we accepted the contract offered to the Government, at least double what it cost us when we built it.

Mr. MAGEE. What do you say, General, was the general cost of the Vancouver cut-up plant?

Mr. DISQUE. Have you got that? See if it is correct in the record. (The reporter here read \$884,427.79.)

Mr. MAGEE. I understand there were certain items there—you used some amount later—a million eight hundred thousand; I don't know what it included, whether it was labor or not.

Mr. DISQUE. Mr. Frear presented a statement of \$1,900,000 yesterday, which included every bit that was paid for labor, electricity, building, tearing it down, and everything else, the operation of the plant for a year and a half or two years, nearly.

I want to say, further, that this cost of the cut-up plant includes charge for soldier labor used in building it, which we put in as a bookkeeping charge, \$3 per day, and the soldiers were not paid anything but their regular Army pay while that plant was being built, over a period of 45 days, when several hundred of them were working on it.

Mr. LEA. When did the construction of that plant begin?

Mr. DISQUE. Begin?

Mr. LEA. Yes.

Mr. DISQUE. It began in December, I think, December 15, 1917. The plant was operating on February 7, 1918, and it speeded up to a production of a million and a half feet a day, over a million of which was the best airplane lumber that any factory ever received.

Mr. LEA. Now, in that connection, so far as the reason for building this plant, would you prefer to take that up now, or go ahead with something else that you had in mind there in correcting the testimony?

Mr. DISQUE. The reasons for building it—

Mr. LEA. Are you through with the corrections now?

Mr. DISQUE. Yes; I am through.

Mr. MAGEE. Well, if you are prepared at this time to go ahead with the cut-up plant, and give the reasons for its construction, do

so; if you are not prepared on that, I will ask you about another feature.

Mr. DISQUE. I am prepared to go into that.

Mr. LEA. What I would like to know is why it was built and what resulted from its building, in a financial way?

Mr. DISQUE. It should be said that when I came to the Northwest, knowing nothing about lumber operations, I was guided largely by men who had made a success, here, of that business. One of the first things that occurred was a recommendation from several experienced lumbermen, that the mills were not equipped, as they operated commercially, to cut aircraft lumber; they were cutting for production; they were built for tremendous speed, and there was so much lumber or logs—so many logs available, apparently, that they hadn't reached such a stage in the economic phase of the lumber industry which compelled them to be more careful in the manufacture of it, nor had anybody in this Northwest country ever been asked to produce straight-grained lumber. I think the matchmakers are the only people—and the pencil makers—are the only people who are interested in that as a commercial proposition.

Straight grained lumber is necessary for airplanes, and it can only be produced accidentally in the bigger saw mills as they operate here. In order to get the most out of a log, it was necessary that we handle each piece that came out of the first sawing, as an individual, carefully watching the grain and laying it against the saw so that the saw would cut down with the grain, instead of slice through regardless of grain, as is done automatically in practically every saw mill I have seen out here.

Mr. MAGEE. It could be done in any mill, couldn't it, if their attention was called to it and machinery arranged?

Mr. DISQUE. It could have been done in any mill on earth if every mill had put in the same equipment that we concentrated in our mill. The cost probably would have been ten times as great as it was in our case.

Mr. MAGEE. Was this the only mill that cut up any lumber that was shipped?

Mr. DISQUE. What is that?

Mr. MAGEE. Was this Vancouver mill the only mill that cut up any lumber that was shipped out?

Mr. DISQUE. Oh, no.

Mr. MAGEE. Well, that is what I want.

Mr. DISQUE. The other mills shipped what became a grade satisfactory for our inspectors, largely accidentally, at it came through the mill, and the great volume of material was looked over, and when they would find a piece that was satisfactory, it would be set off as aircraft. The mills at the same time, according to the best round estimates that we could get, were not getting 5 per cent aircraft lumber out of the spruce logs that were coming into the market. We experimented and found that by careful selection, by careful sawing, by new methods of sawing, that we could get as high as 20 per cent out of those logs, and it is log production that was the big problem confronting us after we found out how to get the most out of a given log.

There is no limit to the indorsements of the cut-up plant by able lumbermen throughout this Northwest, as well as other parts of the country. A number of them came here from the East, hardwood manufacturers, Southern pine men, came through our mill and spoke in the most satisfactory terms about it and the quality and percentage of straight-grained material that that mill was producing.

We could have put table edgers and the necessary machinery in every mill in the Northwest, just like we did in this cut-up plant, but instead of that material costing, eventually, somewhere around \$250, it would have cost a thousand. You can not put four or five hundred individual units all over the Northwest, and inspect that product as well as you can to concentrate them and put it through one plant.

Mr. MAGEE. That was not done, was it? That is the point I am trying to find out.

Mr. DISQUE. What?

Mr. MAGEE. That was not done, was it, it was not all put through one cut-up plant, as I understand.

Mr. DISQUE. Well, we took practically all of it through the cut-up plant after we were under way. But we took also from those mills the leavings that they had, what they accumulated accidentally from their other operations; they would occasionally find a piece come through that was satisfactory.

Mr. LEA. Mr. Disque, in that connection can you explain a little more specifically why the ordinary mill did not want to handle the spruce-log sawing?

Mr. DISQUE. Well, the ordinary mill, as I say, is a pretty speedy affair; they have got a large number of men out there at the end of the mill, and unless the head saws keep moving pretty rapidly and it passes over their edgers and trimmers without delay, they have got a large part of their force idle, and it is not a practical thing for them to stop their head saws or to put in table edgers and divert this material from a head saw to a table edger instead of an ordinary edger, because their men would not have anything coming to them and they would be under terrific expense.

Mr. LEA. In other words, if I get it rightly, the province of a mill is determined by its head saws?

Mr. DISQUE. By the cut of the head saws; yes.

Mr. LEA. And in sawing to spruce specifications requires a good deal more delay at the head saw than it would to saw in the ordinary way; the whole force back of the head saw can do nothing more than handle that limited product; is that so?

Mr. DISQUE. Well, the head saw—at first, we tried to get the mills to block out the logs. A log is a tapered affair, it is not parallel on both sides, but the grain runs with the taper, and unless they block it out at the head saw they are going to have a cross-grained piece on the edge. The mills said they could not even take time to do that, but after a while most of them did take time to do that, and became quite speedy in their operation, and I don't think they lost—

Mr. MAGEE. In other words, the grain might run to the edge?

Mr. DISQUE. Exactly.

Mr. MAGEE. If it ran with the grain, it would run to the edge. The order was to saw it and get clear grain; is that right?

Mr. DISQUE. Get it perfectly straight grained?

Mr. MAGEE. Yes.

Mr. DISQUE. Well, that didn't affect the problems so much because the headsaw, in order to make a flitch worth anything, they had to set the log out on the carriage some, if it had much of a taper. Then the real result after that was that it went through machines automatically, whereas, to get the grain and follow it, you had to stop a log at each piece and consider it as an individual and turn it and twist it so that the saw cutting it the second time could follow the grain; whereas, in the mills as they are built here, they are not interested in grain and the cant goes right through the edger, with a man standing watching it, endeavoring to get out as much clear as he can; the saw is dropped in to split it into strips of any width that the clearness will permit or that his cutting orders demand. From there it passes over to the trimmers. A man sitting off 20 feet or probably more, controls trimmers which drop saws, break that long piece into short clear lengths; and no man on earth can sit off 20 feet away and get all the clear and straight-grained lumber out with that trimmer. It is not a criticism of the mill, it is simply that they are built for commercial production. We went at something that was not a commercial product.

Mr. LEA. Have you any facts to show how the product of the mills compared with the product of the cut-up plant, as to percentage of lumber procured?

Mr. DISQUE. I gave that, except that I didn't know what we had in the way of reports from outside mills.

Mr. MAGEE. I think you gave, yesterday, the percentages.

Mr. DISQUE. The percentages of our own product.

Mr. MAGEE. Yes.

Mr. DISQUE. We have here——

Mr. LEA. Can you tell me about——

Mr. DISQUE (continuing) —utilization correspondence, which was typical of what you could probably go through our files and get hundreds of other cases, showing the unsatisfactory quality of the material as it came from other mills, because, for one reason, the other mills didn't know what those aircraft fellows were thinking about in the factories; another reason, inspectors were few and far between, who knew how to inspect aircraft lumber.

Here is a typical letter from the Curtis Airplane Corporation, about an outside mill shipment: 1,857 feet rejected on one car, 1,189 on another, 1,757 on another. The probabilities are that those cars carried 16,000 or 17,000 feet.

Mr. MAGEE. What grade is that?

Mr. DISQUE. Supposed to be the No. 1 grade material.

The general reports, as they came to us, indicated that the—I will have to give you this as the general information that I have got—that the quality from the outside mills probably was not half as good as that from the cut-up plant. I think it is a perfectly natural thing to have happened.

Mr. LEA. Now, going back to this subject of the reason for the cut-up plant, and the financial result from it, is there anything further that you have to say?

Mr. DISQUE. The cut-up plant was first suggested by Mr. Russell Hawkins, who had come out here as Mr. Sligh's representative and

got here before I did. One of the first things that he brought up was that matter. He knew the timbermen, the lumbermen around here, and had four or five come in our office one night, and we had a discussion. We all decided that the cut-up plant was a necessity. By that time, I had seen logs go over these head saws, and I was not a lumberman, but I think it would be apparent to any man that they were not getting all that could be gotten from the spruce log. He recommended it. We called in these four or five lumbermen one night, talked it over.

Mr. LEA. That is, Mr. Hawkins recommended this plant?

Mr. DISQUE. He is the first man that suggested it.

Mr. LEA. Yes.

Mr. DISQUE. It was on that recommendation that we proceeded to look into it. We have here in our files a large number of letters which he wrote to the different lumbermen around the country, asking them their opinion about it, and if you want to burden the record with it, I can read 20 or 30 where they all favored it.

Mr. LEA. All I want is just the substance of it. I don't want to take any more time than necessary to make this clear.

Mr. MAGEE. I think it pretty well appears in the record to us that you had a cut-up plant, constructed one and utilized it.

Mr. DISQUE. Exactly.

Mr. MAGEE. The main point was to get straight-grained cuts. I think any one can see that unless you did have that in mind, that you were likely to cut across the grain and thus cut lumber which could not be used for the purpose desired.

Mr. DISQUE. There has been no serious criticism of that cut-up plant, that I have heard.

Mr. LEA. Is there anything further that you wanted to say about that, or that you thought it was necessary to say, in order to explain it?

Mr. DISQUE. I don't believe so.

Mr. MAGEE. This was the only cut-up plant, General, in operation, was it?

Mr. DISQUE. The only one in operation. Later on, after Mr. Ryan came out here and increased our requirements and said thirty and probably fifty million feet, our board was along with Mr. Ryan, we all decided—

Mr. MAGEE. I mean this was the only one?

Mr. DISQUE. The only one in operation; but it was decided best to scatter our operations, rather than to put all our eggs in one basket. That was why the others were considered and built, and were just finished when the armistice was signed.

Mr. LEA. How many other cut-up plants were provided for or arranged for?

Mr. DISQUE. One started that the Government would have operated.

Mr. LEA. Where?

Mr. DISQUE. At Yaquina or at Toledo, and the other one of the Siems-Carey-Kerbaugh Corporation was, of course, throughout the period of the war a private plant.

Mr. MAGEE. That was the one at Port Angeles?

Mr. DISQUE. Port Angeles.

Mr. LEA. And neither one of those mills were being operated, as I understand?

Mr. DISQUE. None of them. The armistice came before we got a log through them.

Mr. LEA. And each of those two mills were provided to be saw-mills as well as cut-up plants, weren't they?

Mr. DISQUE. Exactly.

Mr. LEA. Yesterday Mr. Frear called for this Mitchell contract. I have not read it, but I understood it was to go in the record, and so I suppose—

Mr. DISQUE. I will say that the essentials of that contract of Mr. Mitchell's were that he was to assume full charge and responsibility for the production through it, to employ all the labor, and he was to receive a percentage, which limited his personal return to \$25,000, from which he was required to pay three superintendents a sum which reduced his income, as I recall it now, to approximately \$12,000 a year. It limited him to that extent that he paid out of his own profits for the superintendence there.

Mr. LEA. Who was Mr. Mitchell and what experience in mill matters had he had before he was selected for this work?

Mr. DISQUE. Well, he had been in the sawmill business in one way or another, as I understand it, all his life. He is a man probably 55 years old, and was at that time managing a considerable-sized mill down the river here that was reputed to be one of the most up-to-date manufacturing plants here.

Mr. LEA. Had he had experience in the construction of mills?

Mr. DISQUE. A great deal of it. He had been with the Allis-Chalmers Co., builders of sawmill machinery, for about 15 or 20 years, I believe.

Mr. MAGEE. What contract is this?

Mr. LEA. As I understand, this is the contract with Mr. Mitchell for the construction of this mill, isn't it—the cut-up plant?

Mr. DISQUE. For the operation of it.

Mr. LEA. The operation.

Mr. MAGEE. It appears to be dated the 12th of February, 1918, and I understood the General to say it was completed about or before that time.

Mr. DISQUE. The 7th of February it was completed; but this contract we had—we hadn't the time to draw it up—that is really what happened.

Mr. MAGEE. I think he was asked yesterday, if I remember, as to what he received for designing, etc.

Mr. DISQUE. Yes.

Mr. MAGEE. For the work he performed prior to that time—state, if you know.

Mr. DISQUE. Work prior to that?

Mr. MAGEE. Yes.

Mr. DISQUE. I have forgotten, now, what he got; it was not very much, though.

Mr. MAGEE. Well, you can get it and put it in.

Mr. DISQUE. We will get the exact figures. That is the best way to do that.

Mr. MAGEE. That was from the time you began there early in December until February 7. Now, any other compensation which he received?

Mr. DISQUE. Not that I know of.

Mr. MAGEE. Extra pay?

Mr. DISQUE. I don't think he did.

(The paper above referred to, marked "Exhibit No. 8—Disque—Sept. 5, 1919," is copied in the record, in full, as follows:)

Contract No. SPD-57.

SIGNAL CORPS, UNITED STATES ARMY—CONTRACT FOR MANAGEMENT OF CUT-UP PLANT.

This memorandum of agreement entered into at Portland, Oreg., this 12th day of February, 1918, by and between H. S. Mitchell, of Portland, Oreg., party of the first part, hereinafter referred to as the "contractor," and the United States of America, hereinafter referred to as the "Government," represented by J. Van D. Crisp, First Lieutenant, Signal Corps, United States Army, hereinafter referred to as the "contracting officer" and acting by authority of the Chief Signal Officer of the United States under the direction of Secretary of War, party of the second part, witnesseth that—

Whereas the Government has erected a certain lumber mill at Vancouver, Wash., for expediting the production of lumber suitable for aeronautical purposes, the said mill being hereinafter referred to as the "cut-up plant"; and

Whereas it is not considered expedient for the Government to operate said cut-up plant; and

Whereas the contractor has had a large and varied experience in the operation of lumber mills in the States of Washington and Oregon, and is therefore qualified to operate said cut-up plant:

Now, therefore, under the provisions of section 120 of an act of Congress relating to national defense, approved June 3, 1916, and pursuant to all other laws of the United States and executive orders of the President of the United States or heads of its departments under which requirements for advertisements for proposals are disposed with and contracts in the form herewith duly authorized, and in consideration of the mutual agreements herein contained, said parties hereto have agreed by these presents and do agree with each other as follows, to wit:

1. The Government agrees to permit the contractor to use said cut-up plant, together with all equipment and appurtenant materials, for the period of and in the manner provided for in this contract, and to furnish all necessary light, heat, power, fuel, office equipment, and incidental office expenses, and to make such repairs and alterations as may be necessary to keep said plant running to fulfill the needs of the Government for lumber suitable for aeronautical purposes.

2. The Government will furnish to the contractor, without cost to him, sufficient raw material to enable the cut-up plant to operate at its fullest capacity, providing that such raw material be obtainable by the Government.

3. The contractor will operate said cut-up plant to its fullest capacity and agrees to cut, saw, and finish all lumber furnished by the Government or its authorized representative to such dimensions, sizes, and shapes as shall be designated by the contracting officer.

4. The contractor will do all acts and take all steps necessary to operate said cut-up plant in a businesslike and efficient manner, and will make the output of lumber for aeronautical purposes as large as possible consistent with the Government's delivery of raw material and sound business judgment. The Government shall be entitled to all lumber produced by said cut-up plant, which the contracting officer considers suitable for aeronautical purposes, and it may use or dispose of the same in any manner which to the contracting officer may seem advisable. All other lumber, waste material, and raw material, which in the opinion of the contracting officer is not suitable for use as airplane material, all of which material is hereinafter referred to as the side cut, shall be and remain the property of the contractor, and the contractor will sell the same upon the best terms possible, making collection on all such sales made and retaining the money collected; providing, however, that the amounts here-

inafter specified to be paid to the contractor shall be reduced in an amount equal to the gross amount of said sales and providing, further, that should the receipts from sales exceed the amount due the contractor as compensation, then any receipts in excess of such compensation shall be credited to the Government and paid monthly to the contracting officer. The contracting officer shall have the right at any time to direct the disposition of said side cut either as to purchaser, prices, or otherwise, which direction shall be binding upon the contractor.

5. The contractor shall engage, employ, and pay a sufficient operating force to carry out his obligations hereunder, including three experienced and competent mill superintendents, one of whom shall be in constant attendance and on duty at said cut-up plant whenever the same shall be operating, and including such office force, foremen, mechanics, and other laborers and employees as may be necessary to operate said plant hereunder. Before engaging any employees, however, the contractor shall submit to the contracting officer for approval a list showing the names of all employees at the cut-up plant, the amount of wages to be paid to each, and the services or duties to be performed by each. All employees shall be paid according to such wage scale unless the same shall be modified by the contracting officer, in which case the payment shall be made in accordance with the wage scale so modified. The decision of the contracting officer as to the employment of help at the cut-up plant and the wages or salaries paid shall be final. The approval of the contracting officer need not be obtained, however, as to the employment of or as to salaries paid the three superintendents which are to be furnished by the contractor.

6. The Government will reimburse the contractor for the cost of selling the side cut and for all salaries and wages paid as above set forth, with the exception of compensation paid the three superintendents furnished by the contractor. In addition thereto the Government will pay the contractor as profits 10 per cent on the "gross cost," consisting of the following amounts and none other:

(a) All sums paid by the contractor on account of salaries and wages of office force and other employees except the three superintendents which the contractor is to furnish without cost to the Government.

(b) All sums paid by the Government for repairs, upkeep, and maintenance of the plant and equipment.

(c) All sums paid by the contractor as costs in selling the side cut and collecting the money received from such sales.

7. It is estimated that the gross cut of the items set forth in section a, b, and c of the preceding paragraph, upon which the contractor's percentage of profit is to be based, will be \$65,000 per month, operating three full eight-hour shifts per day. As an inducement to the contractor for economical and efficient management of the cut-up plant, if the contractor shall be able to operate said cut-up plant in such a manner that the said items specified in paragraph 6 shall be less than \$65,000 per month, then the contractor shall also receive, in addition to the above-mentioned 10 per cent, a further sum amounting to 12 per cent of the amount under \$65,000 saved on each month's operations, providing the plant operates to full capacity. Such monthly operating cost to be figured separately for each calendar month, and any bonus to be based on such separate monthly calculations. The Government will also pay the contractor 5 per cent of all money received by the contractor and placed to the credit of the Government on account of the selling of side cut, providing, however, that the contractor shall not receive as compensation hereunder more than \$25,000 per year.

8. Payments of the above amounts shall be made to the contractor as follows:

As soon as possible after the end of each month a statement shall be prepared showing the operating cost of the plant, the cost of selling the side cut, and the receipts from the sales of side cut. Such statement shall be prepared by auditors appointed by the contracting officer and be based on accounts kept under his direction and supervision. Based on such statement, the contractor shall then be paid the amounts specified in paragraphs 6 and 7 above, both as to reimbursements and profits.

In order that the \$25,000 maximum yearly profit may not be exceeded, however, the payments of profit earned by the contractor shall be so regulated that payments already made will not average more than \$2,085 per month; but so long as this average is not exceeded, any excess over \$2,085 earned as profit

in any month can be added to payments earned in any other prior or subsequent month in which the amount of profit actually earned is less than \$2,085.

9. This contract shall continue in effect until the 1st day of July, 1918, and the Government shall have the option of continuing the same in force until the 1st day of July, 1919, by giving the contractor 10 days' written notice of its election to do so, providing, however, that the Government or the contractor may terminate this contract or any extension thereof by giving 30 days' written notice to the other. Upon the expiration of this contract or its termination from any cause, then payments shall be made on the basis of expenses incurred at the date of termination or expiration.

10. This contract shall become effective and apply to operations taking place on and after the 1st day of March, 1918.

11. No person or persons shall be employed in the performance of this contract who are undergoing sentence of imprisonment at hard labor which has been imposed by any court of any of the several States, Territories, or municipalities having criminal jurisdiction.

12. Neither this contract nor any interest therein shall be transferred or assigned by the contractor to any person, firm, or corporation without the written consent of the Government, and in case of such transfer without its written consent, the Government may refuse to carry out this contract, either with the transferor or transferee, but all rights of action for any breach of this contract by said contractor are reserved to the Government.

13. No Member of or Delegate to Congress, or Resident Commissioner, is or shall be admitted to any share or part of this contract or to any benefit that may arise therefrom. But this article shall not apply to this contract so far as it may be within the operation of exemption of section 116 of act of Congress approved March 4, 1909. (35 Stat., 1109.)

14. Any notice or other communication to be given by the Government to the contractor under this agreement shall be given to the contractor at Portland, Ore., and any notice to be given under this agreement to the Government shall be addressed to the Officer in Charge of Disbursements of the Signal Corps, War Department, Second Floor, Yeon Building, Portland, Ore.

15. This contract shall be subject to the approval of the Chief Signal Officer of the United States Army, and the operations of the contractor under this agreement shall be subject to the direction and approval of the contracting officer.

In witness whereof, the contractor has hereunto set his hand and seal and the Government has caused this contract to be executed by the undersigned contracting officer herein duly authorized.

A. J. KING,
E. C. BOCK.

H. S. MITCHELL,
Contractor.

A. J. KING,
E. C. BOCK.

J. VAN D. CRISP,
*First Lieutenant, Signal Corps, United States Army,
Contracting Officer.*

Approved March 7, 1918, by authority of the Chief Signal Officer, United States Army:

BRICE P. DISQUE,
Colonel, Signal Corps, United States Army.

Mr. LEA. Can you tell me the amount of rived stock that was received by the Spruce Corporation through operations?

Mr. DISQUE. Roughly, it was 18,000,000 feet.

Mr. LEA. Can you give me the facts on that, the exact amount? Maybe by referring to this table you can.

Mr. DISQUE. Here it is. The total amount of rived spruce from our cost-plus operations 11,503,271 feet.

Mr. LEA. What of any amount of rived stock was produced by independent contractors or other persons?

Mr. DISQUE. I have not the exact figures, but I know it was seven million and some thousand feet.

Mr. MAGEE. That is, as I understand, the cost-plus were the three cost-plus contracts?

Mr. DISQUE. Entirely.

Mr. MAGEE. The Airplane Spruce Co., the Warren Spruce Co., and Grant Smith—what was the other, Grant Smith-Porter Bros.?

Mr. DISQUE. From the independent operators, with whom we made fixed price contracts, and whose contracts were based on \$90 and a bonus of \$40, which made it \$130, and those contracts, when we got through cancelling them and making the necessary adjustment due to cancellation, ran that price up beyond what it actually appears to be, was 6,157,645 feet. The total produced by our cost-plus operations, at the cost, as I stated yesterday, of \$144.

Mr. MAGEE. Those three contracts?

Mr. DISQUE. Three contracts was 11,503,271 feet.

Mr. MAGEE. Was that all spruce?

Mr. DISQUE. All spruce.

Mr. LEA. Was there any riving of fir or cedar?

Mr. DISQUE. A little cedar, hardly enough to—it was done by the independent operators.

Mr. MAGEE. What did they use the cedar for, in airplanes?

Mr. DISQUE. For wing beams. It is made high grade with the other.

Mr. MAGEE. For the same purpose as they use spruce?

Mr. DISQUE. Practically the same as spruce, but there is practically no orford cedar in the world, and it is just a little body of it down there—

Mr. MAGEE. What cedar was coming out was used in the same manner and for the same purpose as the spruce?

Mr. DISQUE. Yes. The total cedar produced was two million and some hundred thousand feet.

Mr. MAGEE. Do you object to my asking a question while on any subject to clear it up?

Mr. LEA. No; when we are on a subject that is the best way to do, I think.

Mr. MAGEE. I was only asking it at this time to close it up.

Mr. LEA. That is a good idea. I think it facilitates to close it when we are on the subject.

Mr. DISQUE. I would like to read here from this Maj. Sligh, who was quite a witness before the committee in Chicago, stating that the cut-up plant should not have been built and stating that riving was ridiculous, and a few more personal ideas of that sort. Here is a letter of his of October 23rd, referring—

Mr. LEA (interrupting): What year?

Mr. DISQUE. 1917; referring to the quality of lumber that was being shipped after he had been in charge of this for four or five months.

Mr. MAGEE. When did his service cease? Do you have the date?

Mr. DISQUE. In November, some time.

Mr. MAGEE. This was before his service had ceased?

Mr. DISQUE. This was before his service had ceased, and he was in charge of the wood section division of the Signal Corps, and this is addressed to Mr. Russell Hawkins here in Portland.

Mr. MAGEE. Who was under whom?

Mr. DISQUE. Supposed to be under Sligh.

We sent you two telegrams yesterday and confirmations of same were mailed today. Messrs. Clements and Allen of the Dayton Wright Co., were here and claimed that the quality of spruce does not conform to the specifications and that the inspectors were rejecting nine out of ten of their beams. Curtiss is also complaining very vehemently about the poor quality that they are getting. We have ordered, as you know, 3,000,000 feet of fir stock and have sent you copies of the parties to whom these orders have been sent.

Telegram of October 22nd:

Dayton and Wright and Curtiss complaining about quality of spruce.

Telegram from Hawkins to Sligh, October 29th:

Chief difficulty sawyers do not know the difference between sawing for straight grain as against clear stock.

Mr. MAGEE. That is crossing the grain in sawing?

Mr. DISQUE. "Very prominent manufacture talked to enthusiastic. Springer and Suter are favorable. Think question as to quality and grain will be solved only by establishment of cutting up plant."

Letter from Charles Sligh to Russell Hawkins, November 10, still in charge: "I am very much gratified at your campaign for rived stock."

Mr. LEA. Now in that connection, do I understand that Mr. Sligh in his testimony before this committee in Chicago condemned the cut up plant?

Mr. DISQUE. I have been working since I came here till two and three o'clock every morning, going over the tremendous records, and I have only read a portion of his testimony, but I have read enough to convince me that he is the king when it comes to making false statements. I haven't read a word that he said that was true, and I am prepared with documents to prove that not a word of his testimony, as it applies to this Spruce Division out here, is justified, truthful or correct, and I am convinced that he has either lost his complete sanity or else he is the most deliberate liar that God ever gave breath to. I want to read further from his own records.

Mr. MAGEE. I don't know anything about the gentleman, or his differences with the Spruce Division, but he appeared like an intelligent witness, and talked like one.

Mr. DISQUE. He is intelligent in certain directions. I want to add there for the benefit of the committee that so far as I know I never saw Sligh but twice. Once I was invited in to a dinner that he was invited to, and another time I saw him for maybe two or three minutes in the office. He don't know me and I don't know him. All I know is what he has said.

Mr. MAGEE. Well, I never saw him except when he was on the witness stand.

Mr. LEA. Did you have anything to do with his removal from the War Department?

Mr. DISQUE. Not the slightest. Since that has come up I would like to read the statement of the officer who did bring about his removal from the Equipment Division of the Signal Corps. This is by Col. C. A. Seoane, executive officer of the Equipment Division of the Signal Corps, and he says: While executive officer of the Equipment Division of the Signal Corps, which later became the

Bureau of Aircraft Production, I remember Maj. Charles R. Sligh being in charge of the Woods Section.

Maj. Sligh's duties comprised principally the purchase and distribution of all woods required by the Equipment Division.

I wonder if we can have some light?

Mr. MAGEE. Is there an officer here who can turn on the light.

Mr. DISQUE. [Reading:]

These were divided specifically into two classes—hard and soft. In the hardwoods there was comprised office and other furniture in large quantities required for the equipment of the many flying fields then under course of construction and in various stages of completion.

I might interpolate here that Maj. Sligh is a hard woods, or is a furniture manufacturer.

Maj. Sligh, realizing that the situation was becoming desperate, arranged to have three persons in the Northwest take complete charge of spruce production. The principal person selected by him was Mr. Russell Hawkins. In pursuance of this plan, Maj. Sligh wrote out a letter of instructions addressed to Mr. Hawkins and the two others, empowering them to take full control and do whatever was necessary, including all kinds of expenditures, to supply whatever the spruce demands might happen to be. This letter was so broad that it empowered these individuals, who had no connection whatever with the Government, with such powers as even the Secretary of War himself did not possess. He requested that this letter be signed by Col. Deeds, the head of the division, and consideration of it resulted in the conclusion, which was quickly formed in the office, that the entire spruce situation was beyond Maj. Sligh's grasp. It was then decided to relieve Maj. Sligh of any further connection with spruce requirements and to organize that work in a different way with a different person at its head.

An office memorandum was accordingly issued, dividing the wood functions into two sections—hard and soft—with Maj. Sligh continuing in charge of the hard woods and Col. Disque being assigned to the soft woods part.

Maj. Sligh's relief from any further connection with spruce or soft woods was purely a routine office matter and based entirely upon his incapacity, which he clearly demonstrated.

This is signed by the man who issued the order, Col. C. A. Seoane.

Mr. LEA. Now, do you know how Sligh got the impression that you were the cause of his removal?

Mr. DISQUE. I think that because Maj. Leadbetter came into the thing Sligh got the idea that I was trying to interfere with him. Maj. Leadbetter was the only man in Washington at that time that I had met, and I hadn't known him two weeks. Things were moving pretty fast. He was the only man there that I found that knew anything about the Northwest, and I simply asked to have him either liaison officer for this operation out here, because I felt that he was the man that I could talk to and he would understand my language, after I got into the language of the Northwest forests.

Mr. LEA. Have you anything further in that connection?

Mr. DISQUE. I would like to say further in that connection, Maj. Sligh has said that production fell off after I got here. He has talked in the face of cold-blooded figures that are matters of permanent record. But let me quote from his letter of October 24, while he was still in charge and had been for some five or six months:

The other letter says that mill men are not buying enough of the high-grade logs, and that we are going to be grievously disappointed in shipments: Also that December and January will be worse than at present.

Mr. LEA. Whose letter is that?

Mr. DISQUE. Maj. Sligh to Mr. Lynde Palmer, Munsey Building, Washington.

Mr. MAGEE. Who was Mr. Palmer?

Mr. LEA. I would like to have that letter in full in the record, in view of the testimony that was given in Chicago. Will you kindly give it to the reporter?

Mr. DISQUE. Do you want me to read it?

Mr. LEA. It is not necessary to read it, if you have the reporter put it in the record.

Mr. DISQUE. Well, now, had we better make a copy of this and give it to him?

Mr. LEA. Is that the only copy you have?

Mr. DISQUE. It is the only copy I have.

Mr. LEA. Well, then, if you will, copy it and give the reporter a copy and he can put it in the record.

Mr. MAGEE. You had better have it marked, hadn't you, some certain number?

Mr. DISQUE. That is Sligh's letter of October 24, as I recall.

Mr. MAGEE. I think, Mr. Lea, you had better have it marked an exhibit now and then let the reporter copy it later.

Mr. LEA. If the reporter will just mark this in his usual way and let Mr. Disque take it until he has covered it, I think that will be the better way.

Mr. DISQUE. Well, he can copy it and return it.

(Said letter was thereupon given to the reporter to be copied, as follows, after which it was returned to the witness.)

OCTOBER 24, 1917.

From: Maj. Charles R. Sligh.

To: Mr. Lynde Palmer, Munsey Building, Washington, D. C.

Subject: Fir (shipments).

1. We are considerably disturbed at the slowness in starting shipments on the order that we gave you for 3,000,000 feet of fir, and especially in view of two letters which we have received this morning, both of them from lumber men on the coast, copy of which we are sending you herewith.

2. The other letter says that mill men are not buying enough of the high-grade logs, and that we are going to be grievously disappointed in shipments; also that December and January will be worse than at present.

3. The specifications were drafted with the full consent and cooperation of Mr. George H. Long and Mr. J. H. Bloedel, and are identical with the English specifications. Mr. Long and Mr. Bloedel made the price, which was accepted by the English and ourselves without any haggling and with the distinct understanding that the shipments were as a substitute for spruce, and that it was an emergency proposition on which they promised prompt delivery. This order was placed October 5, and not a car has been shipped.

4. Mr. Bloedel has wired, asking for modification of the specifications. This we can not consent to. The only purpose for which we are buying fir is wing beams, which require absolutely the best stock in a log and long lengths, and we can not consent to any change that will lower the grade.

5. With the mills cutting 700,000,000 feet a month, this small order of 3,000,000 feet ought to be rushed out in 15 days' time. We wish that you would wire these facts immediately to the West Coast Lumbermen's Association and urge upon them the vital necessity of prompt shipment.

By direction of the Chief Signal Officer.

Major, Signal Corps.

Mr. DISQUE. I would like to also read a telegram to Maj. Sligh from Mr. Russell Hawkins, October 23, not all material: "Specification No. 1"——

Mr. MAGEE (interrupting). Where was Mr. Hawkins and where was Maj. Sligh?

Mr. DISQUE. He was here in charge of this end of Maj. Sligh's office.

Mr. MAGEE. Was Sligh here, too?

Mr. DISQUE. He was in Washington. Hawkins was then in charge of Sligh's office. This is a telegram from Hawkins, in Portland, to Sligh, in Washington: "Specification No. 1 is only producing 10 to 12 per cent shipments lumber from Grays Harbor logs." That is the specification that Maj. Sligh considered the great accomplishment of his job during his work in the Bureau of Aircraft Production. Now, I have one more communication that I want to read in connection with Sligh's testimony, and if the committee can secure it I think they will find a letter or telegram addressed by him to Mr. Russell Hawkins and other people, possibly, in which he unquestionably was endeavoring to disrupt the organization of the aircraft production. This telegram was signed by Mr. Hawkins, sent to the Hon. Howard E. Coffin, Munsey Building, Washington, D. C.

Mr. MAGEE. What is the date of that?

Mr. DISQUE. December 11, 1917.

Mr. MAGEE. Now, when did Maj. Sligh's service cease?

Mr. DISQUE. I don't know the exact date.

Mr. LEA. As I remember it, it practically ceased about the 1st of December, but nominally it was about the 22d of January, 1918. But his work in the meantime was simply cleaning up. He was not performing an actual executive function.

Mr. DISQUE. I know at the time of this that he was around the Equipment Division still.

Mr. MAGEE. What I was getting at is whether this telegram or communication was sent before he ceased performing service.

Mr. DISQUE. I don't know when he left there, but it was sent as a result of a letter that had come from him, which indicated that he was still in the service.

Mr. LEA. He did retain his official position at that time, although, as I remember it, his executive functions had practically ceased.

Mr. MAGEE. I thought Gen. Disque—that the evidence showed that Gen. Disque came out here in November, 1917; is that right??

Mr. DISQUE. Yes.

Mr. MAGEE. You succeeded him, didn't you?

Mr. DISQUE. Well, I didn't succeed him. I started something new. He remained there in charge of hardwoods and furniture buying.

Mr. MAGEE. You were in charge, weren't you?

Mr. DISQUE. Of spruce.

Mr. MAGEE. From the time you came out here?

Mr. DISQUE. Yes.

Mr. MAGEE. And that was in November?

Mr. DISQUE. November.

Mr. MAGEE. Early in November, wasn't it?

Mr. DISQUE. The 15th.

Mr. MAGEE. The middle of November. That is what I thought. From the middle of November on, Gen. Disque was in charge here. That was the impression I had. I was wondering whether Maj. Sligh was still in the service after that date.

Mr. DISQUE. Now, this telegram :

Apparently there is some doubt as to my fidelity to yourself, Disque, and apparently this job of producing spruce undertaken at your request. For example received wire to-day [he means from Sligh], which prompted following reply: " Sorry situation reported not harmonious. Business can't be done successfully without harmony. Know nothing of discord between parties mentioned. Don't understand why criticism should fall on gentlemen named. The extremely rigid specifications and inspection rules reducing shipments. I stated over two months ago that money and men and methods were needed. We will have men January 1 but need money and methods. Really we need a great big comprehensive program. We are shooting rapids instead of elephants. Disque doing everything possible to increase shipments. The reorganization of the business will be slow, laborious, and irksome. Output for December will be reduced January and February also. Cut-up plant could have been producing by January 1 if proper authority had been given. Have that now but can not occupy site at barracks because authority is unknown to western commander. Meantime we are smiling but it hurts my face. Have no objection to your using this wire wherever it will do good."

That is the message he sent to Sligh.

Mr. LEA. That is, Mr. Hawkins?

Mr. DISQUE. This is, now, to Mr. Coffin:

Now, in order to clear up any foggy atmosphere I want to assure that Disque has taken hold of this job with vigor and intelligence. Has had my undivided cooperation and support. Logging camps short 3,000 men. Our men not yet available. Split spruce program killed for want of thousands of men. Changing present plan and scope of spruce production division will absolutely destroy the values already created, nullify two months' constant work and effort done organizing, and disorganize the situation. I can not too strongly emphasize my objections to any move that contemplates giving engineers or any other authority charge of the situation. If done, figure on positive calamity to your excellent board's program. There are forty thousand angles to this job that no one not on the ground can grasp or absorb. If your 1919 requirements are big, start now. You will give us men, but we want money and methods. We are gunning for squirrels where we should be hunting elephants. Will be necessary in 1918 to expend several millions for railway entry into the big bodies of spruce. Cut-up plant should be under roof. All machinery and lumber ordered. Some in transit. Proposition dead because post commander not advised building can be located on polo grounds at Vancouver Barracks. Give Disque power and let him cut corners. I am only here to get more spruce logs. Don't give continental about anything else. Message long but situation warrants same.

HAWKINS.

Shortly after that Mr. Hawkins, for some reason that I have never understood yet, was relieved in Washington; some political——

Mr. MAGEE (interrupting). What position did he hold at this time, under you?

Mr. DISQUE. He was an associate of mine at this time.

Mr. MAGEE. In just what capacity, General?

Mr. DISQUE. Well, I don't know myself. He was sent out here as a civilian and without salary to help push along spruce production.

Mr. MAGEE. I mean, what was his relation to you in charge here; was he an aid, or what?

Mr. DISQUE. Well, he was without any official status. He could not have had one.

Mr. MAGEE. Who sent him here?

Mr. DISQUE. Sligh sent him here with authority.

Mr. MAGEE. Did he have any standing or status here under you?

Mr. DISQUE. He had no official status. He had been promised a commission in the Army.

Mr. MAGEE. I mean, what did he do here? Did you direct him as to what he should do?

Mr. DISQUE. No; I would not say that. He and I were—I considered him at that time a man of experience out here. He could not take any official action binding on the Government because he had no legal status, but he did carry on correspondence and take an interest and do everything in his power to interest the lumbermen and get them started.

Mr. MAGEE. How long was he out here?

Mr. DISQUE. About two months.

Mr. MAGEE. All that time he didn't have any standing?

Mr. DISQUE. Not that I know of.

Mr. MAGEE. Or position?

Mr. LEA. But he did devote himself to this work, didn't he?

Mr. DISQUE. As far as I was concerned, he was a Government officer with all the powers that he needed. He had been sent here by Sligh with a letter empowering him to do everything that it was necessary to do.

Mr. MAGEE. Well, I would assume that each one who was engaged in the work had some particular position.

Mr. DISQUE. Yes.

Mr. LEA. Well, were you in any way responsible for his removal?

Mr. DISQUE. Absolutely not. And I did all I could, and a whole lot more than the average officer would dare do, to prevent it.

Mr. MAGEE. Well, who removed him?

Mr. DISQUE. I think the Secretary of War. There was some complaint made that Mr. Hawkins, being a Whitney representative——

Mr. MAGEE (interrupting). Being a what?

Mr. DISQUE. A representative of the Whitney Timber Co., was in position to use his Government job to benefit the timber interests which he represented.

Mr. MAGEE. What about the Whitney Timber Co.? I never heard of that company before. Is it a holding company here?

Mr. DISQUE. They have very large holdings here.

Mr. MAGEE. In this Lake Crescent or Lake Pleasant tract?

Mr. DISQUE. No; down in Toledo.

Mr. LEA. Is that a corporation?

Mr. DISQUE. That is a corporation, I think, of the State of Michigan.

Mr. MAGEE. You mean in the Siletz country?

Mr. DISQUE. No; at Tillamook, I should say.

Mr. LEA. What was the relation of that to the Spruce Production Corporation?

Mr. DISQUE. Well, they had a lot of spruce down there, but during this entire time that Mr. Hawkins was with me the subject of their spruce was never discussed, and I know he did not take any advantage of his position whatever to help that company.

Mr. MAGEE. Just a question more: There wasn't anything in your mind to indicate that he wasn't sincere in the work which he undertook to perform?

Mr. DISQUE. No; nothing at all.

Mr. LEA. Well, was the Whitney Co. trying to sell lumber to the Government?

Mr. DISQUE. No. I think the only operation they had was some independent loggers possibly had bought a little stumpage on their lands and were logging. The reports that I had later on indicated that their timber was not of the quality that was satisfactory for spruce airplane production.

Mr. LEA. Let's see. I believe you have already put in the record the production of airplane lumber?

Mr. MAGEE. Let's have him finish this subject.

Mr. LEA. Yes. Stay with this, if you are not through. I thought you were.

Mr. DISQUE. I can't finish with Mr. Sligh, because it becomes a personal matter from now on. He has made statements in here that if he were a younger man and I should ever have the opportunity of meeting him he would disappear.

Mr. MAGEE. Well, I don't think the committee want——

Mr. LEA (interrupting). Yes; we had just as well forget that.

Mr. DISQUE. Well, what I mean is this——

Mr. MAGEE (interrupting). What I meant, Mr. Lea, of course you can reserve it further, but what I had in mind was to have you finish one subject when you take it up.

Mr. DISQUE. Exactly. I would like the committee to call Mr. Frank D. Eamon, who is in the room, to testify further regarding Maj. Sligh's statements in the record about myself, who is the best witness to prove the falsity of this evidence.

Mr. MAGEE. Mr. Lea can call Mr. Eamon, or any other witness whom you desire to have called, within reason. We can't hear everybody.

Mr. LEA. Mr. Frear agreed, I think, yesterday, to call Mr. Eamon; so we will call him.

Mr. DISQUE. Well, pass that on.

Mr. LEA. Are you through with that subject?

Mr. DISQUE. I am through with that.

Mr. LEA. Now, have we placed in the record the production of airplane lumber by months?

Mr. DISQUE. I think I read that in.

Mr. MAGEE. I think that is what went in yesterday.

Mr. DISQUE. In the record day before yesterday.

Mr. LEA. Have you the table of production there?

Mr. EAMON. I have it in my hand.

Mr. DISQUE. No. I read everything in there the other day, started in after the half production for February and read it all.

Mr. MAGEE. I think that would be the best way to get it, would be to put in an itemized statement.

Mr. LEA. Here, I believe I have got it. We had better pass that temporarily until it is straightened out.

Mr. MAGEE. It would be better to put a statement in showing that, I think.

Mr. LEA. Yes. If you will just prepare that in the form of a statement and give it to the reporter this afternoon we will have it inserted in the record.

Mr. MAGEE. Just have somebody testify that it is the production.

Mr. LEA. Yes. Have you any figures to show the percentage of aero lumber in March, 1918, as compared with October, 1918?

Mr. DISQUE. The percentage obtained from logs?

Mr. LEA. Yes; or from cants, if you haven't logs.

Mr. DISQUE. Yes, sir; I think we can give something on that. As I read a moment ago in that letter from Sligh, they were getting practically nothing out of it down there, nine out of ten wing beams were being discarded. March, 1918, we were getting 44 per cent of the cants that went into the Vancouver cut-up plant. Forty-four per cent became aircraft material. The last month, October, the production of that plant had increased in its efficiency so that they were getting 62 per cent of the cants that came into the mill in aircraft lumber.

Mr. MAGEE. I suppose the percentage would depend more or less upon the grain of the log, and the size, wouldn't it?

Mr. DISQUE. Well, of course, this covered cants from the entire Northwest.

Mr. MAGEE. For my own information, what I had in mind is whether you would get as large a percentage, say, from a small run of logs as you would from a larger run of logs, larger timber—whether it would run better grain?

Mr. DISQUE. Well, some small logs—there is no rule about that. We found some young timber that had a good lot of aircraft lumber in it; we found some great big stuff that was overripe and did not make good aircraft lumber. The general rule was, or what we found was that trees running around $4\frac{1}{2}$ to $5\frac{1}{2}$ feet usually had the most in them.

Mr. MAGEE. You mean in diameter?

Mr. DISQUE. In diameter.

Mr. LEA. In this connection can you give me the percentage of airplane lumber of the "A" class produced in March, 1918, as compared with the percentage in October, 1918?

Mr. DISQUE. Yes. In March, 1918, we were getting 19 per cent into wing beams, and in October the percentage was 43.

Mr. MAGEE. Is this fir or spruce, or both?

Mr. DISQUE. Both. Wing-beam stock.

Mr. LEA. And I wish you would give me the percentage of "B" class in March, 1918, as compared with October, 1918.

Mr. DISQUE. The percentage of "B" class, or "B" grade, which was shorter, in March was 7 per cent and in October it became 23 per cent.

Mr. MAGEE. I didn't just get those figures, General.

Mr. DISQUE. The first figure was 7 per cent in March and in October 13 per cent.

Mr. LEA. I believe you said 23 before, there.

Mr. DISQUE. Well, if I did it should have been 13.

Mr. LEA. So that the reporter ought to correct that. Now, is there anything in that connection, further, that you would like to say?

Mr. DISQUE. Yes; there is just one more thing just called to my attention. This increase in the percentage of aircraft lumber that we got out of the material that came in, the raw material, from 44 to 62 per cent, was simultaneous with an increase in quantity from one million up to twenty million per month through the same plant.

Mr. MAGEE. You mean 20,000,000 feet in the log?

Mr. DISQUE. Twenty million feet of cants that were cut in the plant during the month—that is, airplane lumber produced from the plant.

Mr. LEA. You are through now with that subject?

Mr. DISQUE. Yes.

Mr. LEA. Now, in reference to the percentage of lumber produced by the cost-plus operators, as contrasted with the independents, as I understand, you testified yesterday that something like 7 per cent was produced by the cost-plus operators; that is approximately correct, is it?

Mr. DISQUE. That is what Col. Stearns testified to last week.

Mr. LEA. Now, how is it that the cost-plus contractors produced in lumber when, I understood, their contract was for logs?

Mr. DISQUE. They didn't produce any lumber. I am sure that Col. Stearns referred to the resulting aircraft lumber that came from the split cants that the cost-plus contractors got out during the winter and spring.

Mr. LEA. Was there any cost-plus contractor who had a contract to produce the finished lumber?

Mr. DISQUE. Not that I recall.

Mr. LEA. Now, what quantity of logs were produced by the cost-plus loggers?

Mr. DISQUE. The logs produced by the cost-plus loggers, it should be understood, were supposed to be, and I think they were, selected logs of a very high quality.

Mr. LEA. They did selective logging entirely?

Mr. DISQUE. Entirely selective logging; they produced, up to the signing of the armistice, 104,630,000 feet.

Mr. LEA. Of logs?

Mr. DISQUE. Of selected logs.

Mr. LEA. Does that include the rived logs?

Mr. DISQUE. That does not.

Mr. LEA. And what was the extent of rived logs that they produced?

Mr. DISQUE. They produced 11,000,000 feet of rived cants, which, of course, had all the waste removed before that 11,000,000 feet was measured.

Mr. LEA. Do you know what percentage—

Mr. DISQUE (interrupting). Eleven and a half million, that is.

Mr. LEA (continuing). The cants bore to the total log production for riving purposes?

Mr. DISQUE. Do you know what it was?

Mr. EAMON. In our own operations we got an average of 42 per cent and those we controlled directly we got 45 per cent.

Mr. DISQUE. I have no definite figures, but the assistant comptroller here tells me that in our own operations 45 per cent of the tree became cants that were accepted.

Mr. EAMON. Of the one and two logs that were accepted?

Mr. DISQUE. Yes; of the one and two logs.

Mr. LEA. Now, let's see: There were 18,000,000 cants?

Mr. DISQUE. Eighteen million cants.

Mr. LEA. That is, in round numbers?

Mr. MAGEE. I would suggest that what I had in mind was——

Mr. LEA (interrupting). Let me continue just a little bit further, if you please.

Mr. MAGEE. Yes.

Mr. LEA. There were 18,000,000, in round numbers, of cants?

Mr. EAMON. Of rived cants.

Mr. DISQUE. Of rived cants.

Mr. LEA. Which represented——

Mr. DISQUE (interrupting). Forty-five per cent of the logs. It would be about 37,000,000 feet of logs that made those cants.

Mr. LEA. So the 37 in addition to the 104——

Mr. DISQUE (interrupting). One hundred and four.

Mr. LEA (continuing). Would be about 141,000,000 feet of logs produced by the cost-plus contractors?

Mr. DISQUE. Exactly. Now, of course, all that——

Mr. MAGEE (interrupting). Now, right there, what I want to know there, so as to clear it up as we go along, and save time, is just what you mean. Were those logs all cut up? Is that what you mean? Or just logs that could be cut up?

Mr. DISQUE. No; they were all cut up. Well, now, we are talking about split cants, as I understand it, now.

Mr. MAGEE. No; the point I raise—and I would like to be cleared up right, if I have an erroneous impression; I thought I had made what I had in my mind clear—was this: That the testimony shows that 143,000,000 feet of airplane lumber was produced; that is the total, as I understand.

Mr. DISQUE. That is the total.

Mr. MAGEE. Now, what percentage of that was produced from logs or cants furnished by these three cost-plus contractors, the Airplane Spruce Company, the Warren Spruce Company, and the Grant Smith-Porter Brothers Co.; as I understand the Carey-Siems-Kerbaugh Co. not having produced any?

Mr. DISQUE. The understanding I have as to that is that the percentage of that is 143,000,000 that came through the operations of the cost-plus operators that we are now talking about, was 7.1 per cent.

Mr. MAGEE. As testified to by the president?

Mr. DISQUE. That is correct.

Mr. MAGEE. That settles it now.

Mr. DISQUE. That settles that point clearly.

Mr. MAGEE. Yes. That is what I had in mind. I wanted to get that fact, because it is a question that might very properly be asked of us by one of our colleagues.

Mr. DISQUE. Yes. That is a proper question; but it does not tell the entire truth of the operations of the cost-plus contractors.

Mr. MAGEE. Oh, I understand what that is; but I wanted to get at, and supposed it had been settled, just what percentage of this 143,000,000 was produced by those cost-plus contractors.

Mr. DISQUE. There was accumulated, though, on the day the armistice was signed, great numbers, millions of feet of logs produced by the cost-plus men.

Mr. MAGEE. But the point is, there were some down in what you call——

Mr. DISQUE (interrupting). They were all over the Northwest.

Mr. MAGEE. There at Yaquina Bay?

Mr. DISQUE. Mr. Magee, if you will let me make one statement while I am here, completely, I think I can get some truth in this record. You are continually breaking in to destroy the continuity of my statements.

Mr. MAGEE. I want to take an exception to that.

Mr. DISQUE. That is my statement, and I believe it.

Mr. MAGEE. I am trying to clear it up—it is in evidence here—as we go along, and I am trying to get the facts.

Mr. DISQUE. I know what you are trying to do.

Mr. MAGEE. Now, I take exception to that, Gen. Disque. Now, you must be courteous to this committee.

Mr. DISQUE. I will, if you will be courteous enough to let me make one complete statement.

Mr. MAGEE. Now, the trouble with you—we have gotten along pretty well until you come in here with your insinuations.

Mr. DISQUE. I didn't start the insinuations.

Mr. MAGEE. I took it up with my colleague, because I thought this would be one way to go over it all at once, and we would settle one thing before finishing it.

Mr. DISQUE. I would like to be permitted to make one statement here that would be continuous.

Mr. MAGEE. I know; but the committee must get done here; and I understood that it was entirely satisfactory to my colleague, and we must get these things cleared up.

Mr. LEA. I think we can now shortly get rid of that. About what number of logs were undelivered by the cost-plus contractors at the time of the armistice? What I mean is, which had not reached the mill or cut-up plant?

Mr. DISQUE. The figures given the other day in the place when this subject was brought up were 40,000,000 feet of selected logs in the water awaiting transportation to mills when the armistice was signed.

Mr. LEA. Does that include the logs in the timber?

Mr. DISQUE. That includes the logs that they had produced, as I understand it; all the logs scaled.

Mr. LEA. To what extent had the cost-plus operations advanced at the time of the armistice?

Mr. DISQUE. At the time of the armistice the cost-plus operations had developed into selective logging operations. The greater energy of all those contractors the entire summer was devoted to making preparations for winter logging, building the necessary railways and their production; therefore it was nothing to what it would have been had they ever got into actual logging, and they were not, in our estimation, doing anything material in the way of selective logging when the armistice came; but they were just at the edge, ready to put punch and production into it, and even in the face of that the production from our operations had advanced until in October, 1918, our cost-plus operators were producing 33 per cent of the total production of spruce logs in the Northwest, and in connection with that I think we should mention that had we been able to get such selective logging operations under way before that the result in Canada shows clearly that we probably could have sent instead of as we intended

half our men to Europe in December, I believe we could have sent three-fourths of them. Our selective logging operations convinced us, and the figures prove it, that it reduced the number of men by several fold necessary to get out the required percentage.

Mr. LEA: To what extent was the cost-plus operation designed to meet the 1919 program, as distinguished from the 1918 program?

Mr. DISQUE. They were entirely built up to meet the 1919 program which had been outlined to me as a program requiring 30,000,000 feet per month with a possible extension to 50,000,000 feet, and we were advised to play safe with a factor of safety of 25 per cent. This came clear through from the Supreme War Council in France.

Mr. LEA. I now want to place in evidence a statement showing the status of Government operations for the week ending October 26, 1918.

Mr. MAGEE. For what week?

Mr. LEA. Yes. It is simply to show the detailed report including the total production of each one of the cost-plus contractors with the number of sides operated by them during that week, and also showing the total output per spruce log per side per day, and the total amount of fir produced during that week.

Mr. MAGEE. As I understand, they were getting out material by doing selective logging as well as the other logging?

Mr. LEA. There were other loggers doing selective logging, were there not, Mr. Disque?

Mr. DISQUE. A few of them had started to do it.

Mr. LEA. You are familiar with this table, are you not [handing paper to witness]?

Mr. DISQUE. Yes; that is correct. That is a regular weekly report that came in showing our production.

Mr. LEA. From this table will you state the average production per side of spruce logs per day, by all the cost-plus operators for that week?

Mr. DISQUE. The average production per side per day in selective logging was 27,964 feet.

Mr. LEA. Now, will you state what amount of fir logs, in addition to the spruce, were produced by these same cost-plus contractors during that week?

Mr. DISQUE. In addition to the spruce production that week, the selective logging sides that I just mentioned as producing twenty-seven thousand and some feet, produced 363,054 feet of fir logs. The idea was there that we were still using fir for aircraft.

Mr. MAGEE. The spruce was what?

Mr. DISQUE. Twenty-seven thousand nine hundred and sixty-four feet of spruce logs per side. By a side I mean one section of an operation where a donkey engine and a certain crew work in the logs.

Mr. MAGEE. Yes. Does your statement show the amount of spruce as compared with the amount of fir?

Mr. DISQUE. There is not any possibility of comparison here, except of the total production of spruce during this week, 4,863,902 feet, and in addition to that this 363,000 of fir was merely incidental because a fine tree happened to be in the way and was dragged along.

Mr. MAGEE. You were also using fir in wing beams?

Mr. DISQUE. In wing beams; yes.

Mr. LEA. The total production, as I understand it, by the cost-plus contractors per week was 4,863,902 feet of spruce?

Mr. DISQUE. That is correct.

Mr. LEA. That is, logging production?

Mr. DISQUE. Yes.

(The statement heretofore referred to by Mr. Lea was marked "Exhibit 9, Disque, September 5, 1919.")

Mr. DISQUE. That same week the entire industry in the Northwest produced of spruce 9,504,595 feet, our operations producing 33 per cent, and that represents not a sudden jump, but a gradual increase in the percentage as produced by the cost-plus operators as against the total.

Mr. MAGEE. Have you a statement of fir that was produced?

Mr. DISQUE. That is not in this—the fir is not.

Mr. LEA. I would like also to introduce a statement showing the weekly production for the week ending August 17, 1918. I presume you are familiar with that?

Mr. DISQUE. Yes.

(The paper above referred to was marked "Exhibit 10, Disque, September 5, 1918.")

Mr. DISQUE. The total cost-plus production, 2,348,923 feet, or 14.86 per cent of the total.

Mr. MAGEE. What is that, spruce?

Mr. DISQUE. Of spruce logs. The independent operators that same week produced approximately 13,100,000 feet of logs, or 85 per cent.

Mr. LEA. Now, I call your attention to this table showing the percentages of spruce logs produced by independent loggers and by the cost-plus contractors in the different districts for the week ending October 26, 1918. You are familiar with that, are you?

Mr. DISQUE. I am.

(The paper above referred to was marked "Exhibit 11, Disque, September 5, 1919.")

Mr. LEA. Will you state the total produced by the independents for that week?

Mr. DISQUE. The independent loggers produced, the week ending October 26, 9,504,595, 66.98 per cent of the total spruce log production in the Northwest. The cost-plus operators produced that same week 4,686,407 feet, 33.02 per cent of the total.

Mr. LEA. What was the total weekly production of logs for that week?

Mr. DISQUE. Fourteen million one hundred and ninety-one thousand and two feet.

Mr. MAGEE. Were these logs that were delivered by the mills?

Mr. DISQUE. They were delivered as fast as they could get there.

Mr. MAGEE. No; I mean the figures you gave?

Mr. DISQUE. I do not know whether those logs got to the mills or not. Those logs were scaled and these reports made as soon as they got into the water.

Mr. LEA. I think it is perfectly apparent that they were not delivered.

Mr. DISQUE. There is no question that those logs were never sawed up. I think it would be interesting to put there that there were

some 40,000,000 feet of logs in the water the day the armistice was signed of our own.

Mr. LEA. Is there not a little modification required to that statement? You say in the water, but part of those were in the timber.

Mr. DISQUE. They have been produced by our cost-plus operations. They had been bought by the Government and paid for; the labor to produce them had been paid for.

Mr. MAGEE. As I understand it, there were 40,000,000 feet in the woods cut by the cost-plus operators that had not gotten to the mills?

Mr. DISQUE. Forty million in the water and forty million in the woods.

Mr. MAGEE. You mean 80,000,000 altogether?

Mr. DISQUE. Eighty million of selected logs, which we learned by long experience would produce not less than 50 per cent cants, and we learned, as I have read here, our production was 62 per cent of those cants became aircraft lumber. There is 24,800,000 feet of air craft lumber laying out in the woods that is not included in the 143,000,000 we reported as having shipped, which we paid for, which our operations developed and should be credited to us in all fairness.

Mr. LEA. Up to the time the armistice was signed had Siems-Carey-Kerbaugh done any logging?

Mr. DISQUE. Not a log. All their work was preparation work.

Mr. LEA. That was designed for the 1919 program?

Mr. DISQUE. As I stated several times, that is what we had in mind.

Mr. LEA. Is there anything further that you want to say in that connection?

Mr. DISQUE. As to selective logging?

Mr. LEA. Yes.

Mr. DISQUE. Yes; there is; and it is essential in view of the fact that the committee, I think, has been given a pretty broad impression that our office did not take advantage of all the opportunities to use the regular loggers, and it is a natural thing for the committee to feel that that would be unusual. I have stated many times what the efforts were to get assistance from loggers, and I have got a letter here which should be read into the record, from the president of the Pacific Northwest Loggers' Bureau, one of the most active critics of our operations, and a witness who has been before the committee and given you his views of our operations, and I think has had a great deal to do in forming the opinion that the committee would be justified in having if they do not get additional evidence from other loggers.

Mr. MAGEE. The only thing that occurred to me along that line—I do not think the committee has formed any opinion; I do not think they will until they are ready to make their report—was that there seems to be considerable dickering with the loggers and lumbermen here as to getting out spruce lumber, and that much time was spent in that way. As I understand, the evidence shows there were some 400 mills functioning here in the States of Oregon and Washington that had sufficient equipment to operate these mills. Of course, the Government had the power to commandeer these mills or equip them, and everything of that sort; in other words, they were not the

boss; the Government was supreme, and if the work of the Government was carried on by men who had experience and who had strength of character and who had decision, instead of dickering with these people they would have simply done as the Government did in many other instances, take the property and require them to do the work.

Mr. DISQUE. Was there any law existing at that time to do those things?

Mr. MAGEE. There is not any doubt about the power of the Government to commandeer.

Mr. DISQUE. There was a great deal of doubt in the minds of the Judge Advocate General and the Secretary of War, and if you wish I will show that to the committee, that it was absolutely impossible to do that at that time.

Mr. MAGEE. Congress gave great power to the administration, greater than was ever given in any country, and if there were any additional powers that were granted Congress would grant them at once. What I mean to say is that it seems to me that the question that immediately arises in the mind of any reasonable man that if the necessity existed, why the Government did not take prompt action and if they could not come to an agreement with the loggers or lumbermen to get out this lumber to meet the necessities of the Government in time of emergency and war, and take the properties and work them itself.

Mr. LEA. My impression as to that matter is that there have been a good many loggers who wanted to make terms with the Government, and the Government could not reasonably accept them, and failing to make the contract, which were unfavorable to them, as they thought, they felt a personal grievance. However, we want to get at the facts in this case. In the first place, how many mills furnished lumber to the Government during the war?

Mr. DISQUE. The comptroller says 410 separate mills.

Mr. LEA. Four hundred and ten mills did furnish airplane material to the Government during the war?

Mr. DISQUE. Yes, sir.

Mr. LEA. Under what sort of a contract, or under what conditions, did they furnish that lumber?

Mr. DISQUE. They were all offered and urged to accept contracts for either a fixed amount that they would state they could furnish over a period of 18 months, at a price which the lumbermen themselves practically set, and it was a very good price, and we had difficulty getting mills to sign the contract; although it had no penalty clause for failure to produce, yet it was freely offered to all mills. While this thought is up, gentlemen, I have tried to make this point more than once; I have started it now four or five times, and as it is going to come up now it will be four or five pages behind the place in the record where the ordinary mind would expect to receive it; but our expansion was not only justified but necessary from our own knowledge of the situation. It was said that we offered to the loggers to move their material and pay them only the cost. This contract was referred to as an example of the rather unfavorable way we handled the loggers, yet when it is realized—and the Frost contract, where the Puget Sound loggers were to participate, provided

15 per cent depreciation, 10 per cent renewal charge and a thousand a month to the manager, which was not a loss or even an even break, but a profit; but in the face of that I had invited the governors of the Pacific Logging Bureau to come to my office and discuss with me the terms under which we could make contracts in order to induce loggers who were losing men here for the draft, who were having their operations gradually become nonessential because of the quality of their timber, to induce them to move their logging material and equipment out of their own operations over into these selected spruce areas into which our cost-plus operators had been driving railroads. This meeting was held in my office on August 21.

Mr. MAGEE. 1918?

Mr. DISQUE. 1918, and included the governors of the Pacific Loggers' Bureau.

Mr. MAGEE. Well, that was at a time when it was apparent that Germany was whipped, was it not?

Mr. DISQUE. Mr. Magee, if you will let me continue this statement, I will answer any question you bring up, but you have already pushed this matter a page beyond what I want—

Mr. MAGEE. You must remember you can not boss this committee, General.

Mr. DISQUE. No; I can not; and if I can not give this statement in the way I want to—

Mr. MAGEE. You must understand that this committee is representing the Government and it is the boss here.

Mr. DISQUE. You are representing the Republican Party.

Mr. MAGEE. Now, I reply to that that we represent the Congress—both the Republican and Democratic Parties.

Mr. DISQUE. I am neither one. I have no interest in your parties.

Mr. LEA. I suggest that we are not getting anywhere.

Mr. MAGEE. But the General must understand that he is not the boss of this investigation. Now, there is no feeling about this, but I simply state that. When you understand that, General, you will be treated with the greatest courtesy, and you will be given every opportunity to make every statement you desire, and you can designate witnesses within reason whom you wish to have called.

Mr. DISQUE. You are extending the record all the time, so that no one will understand what I am talking about.

Mr. MAGEE. I object to such statements as that. I think you are very unfair and that your remarks are entirely unjustified and unwarranted, and we will get along all right, as soon as you appreciate that you are a witness called by the committee to testify. There is no need of any misunderstanding, so far as you are concerned, as to this committee. It has extended every courtesy in the world, and you must not make these statements in reference to the committee. The committee must maintain its dignity as sent here by the House of Representatives, and you can not boss this committee. You must get that out of your mind at once. You may go on and make any statement you desire in reference to the matter.

Mr. DISQUE. Did you think, Mr. Magee, that the war was over in August, 1918? Was there anyone on earth who did not think we were getting whipped then?

Mr. MAGEE. What I had reference to was that it was pretty clear in the minds of everybody after the battles of Château-Thierry and

Belleau Wood and those battles that the crisis had been passed, and I presumed you would agree with them as a military man.

Mr. DISQUE. I do not. I do not believe there was one man in a thousand in August, 1918, that had any idea that the war would end, and I do not believe you had.

Mr. MAGEE. You had that opinion, and that settles it.

Mr. DISQUE. It is very easy to say it was all over. Will you let me make my statement complete?

Mr. MAGEE. You have been told that a good many times.

Mr. DISQUE. If you will let me I will go back, so it will be a continuous story. I invited the governors of the Pacific Loggers' Bureau to come to my office in order that I might get their views and cooperation with a view to putting the experienced loggers with their own equipment into the operations which had been developed and prepared by our cost-plus operators. That was with the view of conserving energy, getting the experienced men and keeping busy that part of the industry that was here in existence, without adding to it unnecessarily. The board of governors met in my office on August 21 and we outlined the plans, and it was understood that I was talking entirely about our operations in the Yaquina district, in the Blodgett timber and the Siletz timber where we had estimated that we needed from 60 to 75 logging sides.

Mr. MAGEE. That is where these two railroads are built?

Mr. DISQUE. Out at Toledo. These gentlemen sat in my office the better part of an afternoon or evening. We got a concrete proposition in front of them and they went away for private discussion and came back the next day and had a further discussion and then went to Seattle and then got up their letter of August 30, setting in type the proposition which they made to me in reply to my invitation to come together in a conference and take up the matter. This letter reads as follows:

PACIFIC NORTHWEST LOGGERS' BUREAU,
Hoge Building, Seattle, August 30, 1918.

Col. BRICE P. DISQUE,
*United States Signal Corps,
Yeon Building, Portland, Oreg.*

DEAR SIR: Pursuant to arrangements made at Wednesday's meeting, August 21, between yourself and the board of governors, Pacific Northwest Loggers' Bureau, we await your designation of camps and mills producing material nonessential to Government requirements.

For your information the following is a memorandum of the method of arriving at figures submitted to you on above date as a basis for proposed spruce contracts:

"Figuring 40,000 feet per day as a normal output for one side in a logging camp, while cutting all the timber that is on the ground and figuring that one side will earn \$1 per M feet on the average in normal times, it makes the earning capacity of a side \$40 per day

"If spruce is 50 per cent of the total stand of timber and only 40 per cent of the spruce is taken out, assuming that is the quantity of No. 1 and No. 2 logs that will be found in spruce timber on the average, this output of No. 1 and No. 2 spruce logs is equivalent to 20 per cent of the total stand of all the timber, or one-fifth of the same.

"Figuring the average cost of logging to-day at \$10 per M, when taking out all the timber that is on the ground, this would make the cost of selective spruce logging figured on the above basis \$50 per M feet, and the earning capacity of the equivalent \$5 per M, so as to equal the earning capacity in normal times, as above set forth.

"When the stand of spruce is less than 50 per cent of the total stand of timber, the cost of selective spruce logging will increase accordingly.

"Based on the above the earning capacity of a side should be as follows :

	Per M.
50 per cent stand of spruce-----	\$5.00
30 per cent stand of spruce-----	8.33
25 per cent stand of spruce-----	10.00
15 per cent stand of spruce-----	16.66

"We presume that in making the above figures no selective logging will be undertaken containing less than 25 per cent of spruce. Under such circumstances we think contracts could possibly be closed to log on the following basis :

"Pay the loggers \$50 per M for selective spruce logging with a guarantee of a minimum earning of \$5 per M with a maximum limit of \$10 per M on their output."

Referring to our recommendations at the meeting for a further coordination on the part of the Government in its efforts to stimulate production in the logging and lumber industry, we beg you to turn to your stenographic record of our meeting and give to this matter your careful consideration, and invite your further inquiry.

Many governmental departments are now directing the industry what to do, each without reference to the activities of the other. As a suggestion, is it not possible that the power and scope of the New Aircraft Corporation, through its board of directors, be broadened to take in the administration of more of the matters pertaining especially to the logging industry? For instance, dealing with questions of price; the relative production of the various kinds of wood; terms and conditions of sale; towing; accounting; wages and conditions of labor, and many other matters.

Again referring you to your record of our meeting, this bureau wishes to renew its suggestion for representation on the board of directors of the New Aircraft Corporation. While you gave us no definite answer, and we did not press one, we are pleased to believe that this matter was favorably received by you. In view of the vast combined output of our members, estimated at over two billion seven hundred and fifty million for 1918, we ask this.

Awaiting your reply, we are,

Yours, very truly,

PACIFIC NORTHWEST LOGGERS' BUREAU,
By E. B. CHINN, *President*.

Mr. LEA. Who signed that letter?

Mr. DISQUE. It is signed by the Pacific Northwest Loggers' Bureau, by E. B. Chinn, president.

Mr. MAGEE. Is that the association with which Mr. Butler is affiliated?

Mr. DISQUE. That is the association with which Mr. Butler is closely affiliated. Mr. Chinn is the man who manages this association. He put this before me as an experienced logger, a man in whom I had a right to have confidence, and asked me to pay him and his bureau \$50 per thousand to go into our operations and log spruce. Now, let us see what it amounts to. We will assume that he is correct in saying that the average logging side will produce 40,000 feet per side per day, and at \$1 profit is fair, and therefore a side should earn \$40 per day profit. Then he says that you can only get 8,000 a day, one-fifth of that, out. Therefore you must give \$5 a day profit per side in order to get that—or per thousand in order to get that \$40. Now, he is asking \$50 a thousand to do this selective logging. What are the results? I have just testified that we got an average of 27,000 feet with our cost-plus operators, who have been called inexperienced, proven to be inexperienced, so far as the volume of evidence is concerned—27,000 feet per side per day was produced by those cost-plus contractors. The cost, according to our final figures, including sale and salvage value, the liquidation charges, is \$38.50 per thousand, in round numbers, for our selective logging, and that includes every nickel, including my salary and every other man's salary connected

with our operations. Then according to his letter he wants them to be permitted to earn \$10 per thousand. That is the maximum set, \$50. Ten dollars added to our \$38.50 would run it up to \$48.50, so that they would get, under his proposition, \$10 per thousand, we having averaged \$27 a thousand per side. His company and his fellow members on that board only wanted the Government to pay them a profit of \$270 per side per day, when they were willing to acknowledge, and any man will acknowledge, that \$40 is all the industry expects under normal or ordinary times or conditions. That is why I had to be on my guard. That is why those fellows are criticizing and discrediting our operations. They could not put that kind of stuff over, and they knew it.

Mr. MAGEE. Do you question their patriotism?

Mr. DISQUE. I do.

Mr. LEA. Mr. Chinn and Mr. Butler were both before your committee complaining that they could not get contracts to the loggers. Was there any other reason than this that they could not get them?

Mr. DISQUE. To the loggers?

Mr. LEA. That they could not get contracts from the Spruce Production Corporation?

Mr. DISQUE. That is why they could not get them, because I would not come to terms of paying them seven times as much profit as the ordinary logger expected from his operations, and when I already had the evidence, the cold figures in my office, what the cost-plus operations were costing us. They may not have known it, but I have them. We have been through several months of experience, and we were not the novices we were when we came out here. We had the cleanest, most able advisers from among the lumbermen in the Northwest. I could have stood against things like this alone, but I had advice, and I had clean, patriotic, and honest advice.

Mr. LEA. Now, is that the letter you referred to a while ago, that we interfered with your reading?

Mr. DISQUE. That is the letter, and that is one of the subjects that I wanted to present to this committee in a continuous story, so that it would be read clearly and understood by any intelligent person who might read this record.

Mr. MAGEE. The men who appeared before the committee impressed me as being very patriotic men.

Mr. LEA. They presented what was evidently a profiteering contract, and condemned you for not giving it?

Mr. DISQUE. It was the worst I ever saw in my life.

Mr. MAGEE. Mr. Butler is a brother of Dr. Butler, who is president of Columbia University, in my State.

Mr. DISQUE. The brothers of a lot of prominent men are the worst crooks that you meet.

Mr. MAGEE. Do you designate these men—

Mr. DISQUE. I do not designate them as anything except men who appeared before this committee and misrepresented the true situation.

Mr. MAGEE. The personal reputation of these men—

Mr. DISQUE. Why are you boosting their stock? Do you want them—

Mr. MAGEE. No, no; nothing of that sort, but men of the character of those men—

Mr. DISQUE. Did you subpoena them or did they ask to come before the committee?

Mr. MAGEE. I haven't anything to do with subpoenaing a witness. I only know that they came, and they impressed me as being prominent men in the community and as patriotic citizens who were willing to do everything in their power to aid their Government in the war industry. They impressed me as being very honest, efficient, and capable men, of long experience, who knew their business.

Mr. DISQUE. Did any of them ever log spruce—those men who came before the committee?

Mr. MAGEE. Well, they have given their testimony in full in the record.

Mr. DISQUE. I do not think they ever did.

Mr. MAGEE. What I mean to say is that I do not think I would feel justified in sitting here and having those men who have appeared as witnesses before this committee designated in the manner in which they have been designated, without stating to the public that men like Mr. Butler, Mr. Chinn, Mr. Chisholm, Mr. Frost, Mr. Lightner, and others who have been called before the committee, appear to me to be as patriotic citizens as I have come in contact with, and men who were willing and desirous of doing everything to aid their country in time of war that was within their power. I think we ought to be fair and just to everybody.

Mr. LEA. It does not look like anybody could approve of such a contract as that. It would be grafting upon the Government to permit it to exist.

Mr. DISQUE. These men later on made an offer which included a depreciation and interest charge, which was fair, and would not have been a loss but a profit to them. We accepted that in all sincerity.

Mr. MAGEE. Yes; but the point I make, General, is this—it is the point that occurs to me—that the power of the Government in the premises was supreme.

Mr. DISQUE. I have said that we had no power like that; and if you will let me prove it, I will bring in the papers.

Mr. MAGEE. May I make a statement? I would like to do so.

Mr. DISQUE. All right, sir.

Mr. MAGEE. Perhaps I might say if you will permit me to.

Mr. DISQUE. Well, that is perfectly all right.

Mr. MAGEE. I say that the Government is supreme; the Government, being a sovereign power, can do exactly what it chooses in the premises. If any power is lacking in time of war, Congress would give the power in record time, and it was not for this one and that one to say what they would like to do. The Government had the power to act in the premises, if they had plants or machinery or anything of that sort to commandeer, and the Government could exercise the power to commandeer and take possession of and run the property, just as the Government has done in a number of instances.

(Whereupon, at 12.50 p. m., the committee took a recess to 2.15 p. m.)

AFTER RECESS.

The committee met at 2 o'clock p. m.

(The report referred to during the morning session is copied into the record, as follows:)

Ex. 10. A DISQUE, SEPT. 5, 1919.

Statement of cut-up plant and outside mill shipments of finished airplane lumber.

[Totals by months, showing footages.]

Months.	Spruce footage.	Fir footage.	Cedar footage.	Total footage.	Reinstated orders and paid in Washing- ton.
August, 1917.....					202,264
September, 1917.....	952,663			952,663	1,730,644
October, 1917.....	683,454	43,006		726,460	2,768,716
November, 1917.....	1,387,686	1,499,937		2,887,623	2,559,142
December, 1917.....	1,888,191	1,318,790		3,206,981	800,480
January, 1918.....	2,619,989	1,915,992	59,449	4,595,430	714,854
February, 1918.....	4,704,367	2,594,967	20,910	7,320,244	543,836
March, 1918.....	7,535,506	2,441,886		9,977,392	94,291
April, 1918.....	8,977,413	4,599,083	6,669	13,583,165	
May, 1918.....	7,107,743	4,643,980	112,999	11,864,722	
June, 1918.....	5,839,876	2,866,878	293,380	9,000,134	
July, 1918.....	8,480,089	4,903,610	392,552	13,776,251	
August, 1918.....	8,850,140	9,449,137	562,229	18,861,506	
September, 1918.....	7,679,478	8,097,849	905,312	16,682,639	
October, 1918.....	9,304,711	11,662,655	1,178,457	22,145,823	
November, 1918.....	3,355,202	3,868,914	203,812	7,427,928	
Total.....	79,366,508	59,906,684	3,735,769	143,008,961	19,414,227

¹ The footages shown above were delivered on contracts placed by outside brokers or parties in Washington prior to the time when the Spruce Production Division took charge of airplane lumber shipments. These footages are in addition to the footages shown shipped under direction or by the Spruce Production Division and the United States Spruce Production Corporation. This additional lumber was of the old specification and not very satisfactory for airplane purposes.

Statement of Cut-Up Plant—Shipments of finished lumber.

[Totals by months.]

Months.	Spruce footage.	Fir footage.	Cedar footage.	Total footage.
February, 1918.....	37,557			37,557
March, 1918.....	632,626			632,626
April, 1918.....	2,171,518	36,753		2,208,271
May, 1918.....	3,701,813	1,430,924	96,404	5,229,141
June, 1918.....	2,854,629	1,647,853	293,380	4,795,862
July, 1918.....	4,270,434	3,591,153	357,533	8,219,120
August, 1918.....	5,677,120	8,668,778	484,308	14,830,206
September, 1918.....	5,757,226	7,503,405	834,514	14,095,145
October, 1918.....	7,652,813	10,935,668	1,093,533	19,682,014
November, 1918.....	3,128,796	3,590,879	203,812	6,923,487
Total.....	35,884,532	37,405,413	3,363,484	76,653,429

Statement of outside mill shipments of finished lumber.

[Totals by months.]

Months.	Spruce footage.	Fir footage.	Cedar footage.	Total footage.
September, 1917.....	952,663			952,663
October, 1917.....	683,454	43,006		726,460
November, 1917.....	1,387,686	1,499,937		2,887,623
December, 1917.....	1,888,191	1,318,790		3,206,981
January, 1918.....	2,619,989	1,915,992	59,449	4,595,430
February, 1918.....	4,666,810	2,594,967	20,910	7,282,687
March, 1918.....	6,902,880	2,441,886		9,344,766
April, 1918.....	6,805,895	4,562,330	6,669	11,374,894
May, 1918.....	3,405,930	3,213,056	16,595	6,635,581
June, 1918.....	2,985,247	1,219,025		4,204,272
July, 1918.....	4,209,655	1,312,457	35,019	5,557,131
August, 1918.....	3,173,020	780,359	77,921	4,031,300
September, 1918.....	1,922,252	594,444	70,798	2,587,494
October, 1918.....	1,651,898	726,987	84,924	2,463,809
November, 1918.....	226,406	278,035		504,441
Total.....	43,481,976	22,501,271	372,285	66,355,532

I hereby certify that this is a correct statement of the shipments made by and under the direction of the Spruce Production Division and the United States Spruce Production Corporation as it appears from the records of shipments in this office, which is compiled from the tallies of the cars shipped, and includes all the cars moved under and by the direction of the traffic section of the above-mentioned division and corporation, which traffic section controlled all shipments of airplane lumber from the Northwest during the period here shown.

HENRY E. WALKER.

Subscribed and sworn to before me this 5th day of September, 1919.

ROY H. HATFIELD,

Notary Public for the State of Oregon, County of Multnomah.

My commission expires January 4, 1921.

TESTIMONY OF BRICE P. DISQUE—Continued.

Mr. LEA. Mr. Disque, what was done with the 40,000,000 logs in the woods at the time of the armistice?

Mr. DISQUE. My understanding is, from the officers of the corporation, that practically all of them have been brought out and sold at the regular prevailing prices.

Mr. LEA. That was a matter that happened after you left the corporation.

Mr. DISQUE. That happened after I left the corporation.

Mr. LEA. Now, you spoke of the commandeering matter. I am not familiar with that, and I wish you would briefly set that forth in your own way.

Mr. DISQUE. We realized early that it would be necessary to commandeer in some instances in order to expedite our production and applied to the War Department for authority to take such action. We were told that the authority did not exist covering timber or logging railways, and a bill was introduced in Congress and passed through the Senate in comparatively short time, I think, in March. It then went to the House, where the committee reported it out favorably, according to the reports that came to me. It was then drawn back into the committee, because lumbermen from the South had opposed it. As I understood it, practically no lumberman in the Northwest opposed that bill. It was some time about March that I went to Washington to try and get that bill rushed along. We felt the need of it, felt that it was essential, but Mr. Dent, chairman of the House Military Committee, who was handling that bill, told me, in company with Congressman Fordney, who went there with me, that the bill could not be passed the way the Senate had passed it, that they would have to amend it and put it in the same class as those bills which provided for taking over land for cantonments, which required condemnation proceedings to be instituted in the Federal courts. I think it was something in July, maybe August, that the bill finally was passed, which required us to go to the courts for condemnation proceedings in order to commandeer timber or logging railways. It was not the bill we wanted and really was of very little value to us. We only took action, as I recall, in one instance under that bill, and that was in the case of the Goodyear Timber Co., who were trying to hold out for \$2 or \$3 more per thousand for their stumpage than any other timber owner in the Northwest. We felt that it was an exorbitant price, and we took their case to the Federal court to have it decided.

Mr. LEA. That is the company having their place of business at Clallam Bay?

Mr. DISQUE. That is the company of which Mr. Lightner is manager, and which company, by the way, among loggers, so far as their logging operations are concerned, is a very small one. A company, however, with large timber holdings, and reported to have large financial backing.

Mr. MAGEE. Did you take possession of any of the lands?

Mr. DISQUE. Of the timber?

Mr. MAGEE. You took possession of it?

Mr. DISQUE. Yes.

Mr. LEA. That is, you took possession of the timber pending the suit.

Mr. DISQUE. Oh, yes. We were allowed, as soon as we instituted proceedings, to go in and take possession.

Mr. LEA. You engaged in logging there, did you?

Mr. DISQUE. Well, we did not get that far when the armistice was signed. My recollection is that we negotiated with those folks up until, I think, in October, when we took the case into the court. Other timber owners in that district were willing to let us have their timber at \$4, including companies as large and important as the Goodyear. The Goodyear people, according to Mr. Carey, who had been negotiating with them, wanted \$6 or \$7. In their conference with me they would not tell me how much they would take.

Mr. LEA. Did you have any opinion of the Judge Advocate General that you wanted to refer to, or is that all you have to say about it?

Mr. DISQUE. That is all. The Judge Advocate General, of course, originally decided that the commandeering power did not exist for us.

Mr. LEA. Now, was there any other subject there that you were prepared to take up?

Mr. DISQUE. I would like to take up the matter of the railroad extension in Clallam County. There are two gentlemen in the city, and I think in the room to-day, each of whom owns a logging road, a main line logging road of 40 miles or longer in length. One of them this morning, Mr. Alex Polson, president of the Polson Logging Co., owns 42 miles of logging railroad, in addition to spurs to go into the timber. He told me that one of the principal officers of one of our transcontinental lines in passing over his road recently remarked that 22 miles of the Polson logging railway was better than any 22 miles of the Milwaukee road between St. Paul and Seattle. Mr. Mark E. Reed, president of the Simpson Logging Co., is also here. Their company owns a logging railroad that is more than 40 miles in length. He told me this morning that their line was as good as any part of the transcontinental lines. Both of those gentlemen will testify if called that it is absolutely essential that the main line logging railroad be built as good, if not better, than any ordinary transcontinental road. That is why it was necessary that the line extending from Joyce to Lake Pleasant should be a well-built road, and that is why the evidence that has gone into your testimony stating that logging roads were built for \$15,000 a

mile was entirely irrelevant and did not refer to a main-line road built to stand a traffic of 400 cars a day, which this road had to stand if it carried out our program.

Mr. LEA. Will you briefly state what that program is that required that number of cars to be operated?

Mr. DISQUE. The Siems-Carey-Kerbaugh Corporation, in order to accomplish their contract, had to produce and put over this line what was carefully estimated to be a million and a half feet of logs a day, and one of the oldest and most experienced loggers and lumbermen of the Northwest, Mr. E. H. Cobb, attended a meeting of the loggers' bureau in Seattle when they were considering putting their equipment into the Siems-Carey-Kerbaugh operations. He recommended to that meeting that they leave the matter alone, saying, as I have had it reported by several gentlemen, that he had been out there, studied their operations, considered it carefully, and believed that they were capable of doing the thing that they had contracted to accomplish, and it would be a mistake and interfere with the Government program for the loggers at that time to attempt to interfere with the Siems-Carey-Kerbaugh operations.

I would like also, right here, to correct the record in that the name Siems-Carey is used frequently as representing the company that we were dealing with. We were dealing entirely in this operation with the Siems-Carey-H. S. Kerbaugh Corporation.

Mr. MAGEE. That appears in the record.

Mr. DISQUE. It was a new corporation for this purpose alone, and a corporation which never at any time, so far as I know, had anything in common with the American International Corporation. And, furthermore, the Siems-Carey Co., contractors, as such, never had anything, so far as I know, in common with the American International Corporation. The American International Corporation never had anything in common with the Siems-Carey contracting company so far as I know. The real fact being that Siems and Carey, as individuals, formed with the American International Corporation what was known as the Siems-Carey Canal & Railway Corporation of China, for one specific project, and in no other way has the American International Corporation any interest financially, directly or indirectly, in the operations undertaken in connection with the Spruce Production Division.

Mr. LEA. Let us see if we understand this; there were three corporations or two corporations?

Mr. DISQUE. Three.

Mr. LEA. Three corporations concerned?

Mr. DISQUE. Three.

Mr. LEA. Then Siems and Carey, as American contractors, have nothing to do with the American International?

Mr. DISQUE. Not as American contractors.

Mr. LEA. But as contractors in China they did have?

Mr. DISQUE. Exactly.

Mr. LEA. John D. Ryan, being an owner of stock in the American International, would legally be entitled to no profit from the Siems-Carey-Kerbaugh Corporation.

Mr. DISQUE. Not legally or otherwise. I do not think Mr. Ryan knew anything about the Siems-Carey-Kerbaugh Corporation. In

fact, I am positive that he did not, that he was not interested directly or even in the most indirect manner.

Mr. MAGEE. Well, he knew about it; you would not say, General, that he did not know about it?

Mr. DISQUE. He knew of its existence after I brought it to his attention.

Mr. MAGEE. He refused to sign the contract, saying to the Secretary of War that it would be improper for him to sign it.

Mr. DISQUE. He did that after the corporation had been brought to his attention by me.

Mr. MAGEE. I say, he knew about it.

Mr. LEA. Is there anything in particular that you would prefer to go to next? If you have the data there we will take up the proposed railroads to Lake Pleasant.

Mr. DISQUE. To Lake Pleasant?

Mr. LEA. Yes. Now, in reference to these proposed routes, had the question or consideration of a route through the property of the Goodyear people been considered before this difference arose about commandeering their timber?

Mr. DISQUE. Oh, yes; several months.

Mr. LEA. That is, the timber controversy came later?

Mr. DISQUE. That followed our consideration of the method of getting into the Lake Pleasant district by some months.

Mr. LEA. Can you state whether or not there is any wagon road paralleling the proposed railroad from Clallam Bay towards Lake Pleasant?

Mr. DISQUE. The only information I have is from our Federal Forestry office, which states that there is not.

Mr. LEA. Did you place that report in the record yesterday?

Mr. DISQUE. I did.

Mr. LEA. I was under the impression that you only read some excerpts from it.

Mr. DISQUE. I gave the entire report to the chairman to be put in the record.

Mr. LEA. Does anyone know if that is in the record today? Have you that record here?

Mr. DISQUE. I gave my copy to the chairman here. We have other copies at the office.

Mr. LEA. The reporter can go ahead and place it in the record.

Mr. DISQUE. That is the Nelson report and the letter accompanying it from Mr. Cecil.

(The report above referred to is copied into the record in full as follows:)

(Clallam Spruce.)

UNITED STATES DEPARTMENT OF AGRICULTURE,
FOREST SERVICE DISTRICT 6,
Beck Building, Portland, Oreg., April 4, 1918.

Col. BRICE P. DISQUE,

Signal Corps, Yeon Building, Portland, Oreg.

DEAR SIR: I am inclosing for your information a report submitted by Logging Engineer Nelson on the Hoko River and adjacent areas.

It appears from this report that there is spruce sufficient in quantity and quality to justify a considerable outlay in making it available for use. If it is expected that it will be necessary to considerably augment the present output

In the immediate future it would seem the best proposition would be to undertake to reach the timber by the road via Clallam Bay and the Hoko. Even though it was decided to also develop along one of the other routes in order to reach other timber around Lake Pleasant (Lake Tyee) and then south, the above would probably be the most feasible undertaking for immediate development.

From Nelson's report it appears that the proposed route of the Milwaukie is just as long as that via Lake Crescent and down the Solduc, that it is a more difficult route in many respects, and further, it has not the advantage of the latter in opening up considerable areas of timber prior to reaching the region around Lake Pleasant (Lake Tyee). It will undoubtedly be necessary to build the latter route some time in order to develop the timber along the line and I do not believe that two routes so close together in the same territory will be justified.

I suggest, therefore, the possibility of getting the two companies together and selecting the more feasible of the two routes for development. All the timber on the Hoko would necessarily have to come out by the way of Clallam Bay in case the railroad was built up that stream, in order to justify its construction. In addition to the Lake Pleasant timber, however, the Dickey might be allotted to the other road to compensate them for the construction of their line. I believe that it is extremely important that one or the other of these two routes with mainline connections be extended to west of Lake Pleasant and then south to open up timber on the Hoh and other streams having large possibilities in the way of spruce production, eventually to connect with the Polson road from Grays Harbor. Such a line would pass through the heart of the finest spruce region of Washington, and with the necessary spurs would make this material accessible.

Mr. Nelson and I will be glad to call and discuss this matter with you further if you so desire.

Very truly, yours,

GEO. H. CECIL, *District Forester.*

REPORT ON HOKO RIVER AND ADJACENT AREAS, BY L. A. NELSON, LOGGING ENGINEER,
UNITED STATES FOREST SERVICE.

PORTLAND, OREG., April 4, 1918.

This report is based upon a rather hasty examination of the timber on the Hoko River, the headwaters of the East Fork of Dickey River and on Lake Creek. The purpose of the examination was to determine the quality of the spruce and the best route or routes for developing transportation to log the timber.

The county cruise reports indicate that on the Hoko River there are 56 sections, 22 of which are classed as "good," 20 as "fair," 12 as "poor" quality spruce, and 2 are not classified. The stand of spruce on the area by quality is:

"Good" quality	-----feet b. m.	178,000,000
"Fair" quality	-----do	62,700,000
"Poor" quality	-----do	15,000,000

Total	-----	255,700,000
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Coke Creek area:

"Good" quality (60 per cent)	-----feet b. m.	17,300,000
"Fair" quality (40 per cent)	-----do	11,300,000

Total	-----	28,600,000
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Quality.—The quality of the spruce on the watershed is good and will produce at least 15 per cent of No. 1 specification airplane lumber. There are small areas that will produce a much higher percentage, but these must not be considered as indicative of the stand; the whole watershed must form the basis of average. The major portion of the good-quality type is of a good size, with long, clean boles, which in some instances are 150 feet in length, without limbs. The county cruise records class the spruce under three classifications—good, fair, and poor. This grade classification was checked on 20 sections and found to be correct as applied to sections, but a section classed as poor was sometimes found to have a good quality spruce on small portions of it. Taking the watershed as a whole, the classification is generally reliable.

The most compact stand of good quality spruce is located in Twp. 30 N., R. 13 W., a portion of which is on the Hoko River.

The spruce on the East Fork of Dickey River is similar to that on the Hoko River. County cruise records give the following results for spruce in the NE. $\frac{1}{4}$ of Twp. 29 N., R. 14 W., to the head of the river in Twp. 30 N., R. 13 W., as outlined on the accompanying map.

Dickey River (East Fork) :

Good quality, 76 per cent.....	feet.....	180,000,000
Fair quality, 23 per cent.....	do.....	55,200,000
Poor quality, 1 per cent.....	do.....	500,000

Total	235,700,000
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Lake Creek, Lake Pleasant area :

Good quality, 64 per cent.....	feet.....	80,000,000
Fair quality, 28 per cent.....	do.....	35,400,000
Poor quality, 8 per cent.....	do.....	10,400,000

Total	125,800,000
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The total amount of spruce in the logging chances outlined is as follows:

Coke Creek.....	feet.....	28,600,000
Hoko River.....	do.....	255,700,000
East Fork, Dickey River.....	do.....	235,700,000
Lake Pleasant.....	do.....	125,800,000

Total	645,800,000
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Of this amount it is believed there can be secured at least 15 per cent airplane lumber, or nearly 100,000,000 feet.

Accessibility.—The main body of spruce on the Hoko River watershed lies a distance of from 14 to 22 miles southwesterly from Clallam Bay. It will require a railroad to log the timber. Logs in small quantities are being driven down the river for a distance of 7 miles, but only on flood water, which occurs about twice each year.

Railroads.—There are three railroad routes by which the timber can be reached, and each will be discussed.

Hoko River Railroad.—The Goodyear Lumber Co. operates a logging railroad from West Clallam into its holdings on the watershed of Clallam River east of the Hoko River. Their booms are located at West Clallam, where the logs are made up into rafts for towing. These rafts are of two types, known as flat and cradle rafts. The latter type of raft is not as liable to break up in rough water as the flat or regular type. Rough water at times makes it impossible either to make up rafts or to tow them to the mills. The capacity of the present rafting facilities is from 400,000 to 500,000 feet of logs per day. Additional rafting equipment could be installed to double this daily capacity. The above company has completed a preliminary survey of a railroad from its booms for a distance of 14 miles up the Hoko River, and the final location for about one-half this distance. A portion of this 14 miles is fairly heavy and the remainder light construction. From the end of the preliminary survey the construction is light, and it is possible to build the road anywhere desired on easy gradients. The gradient on the 14 miles does not exceed 3 per cent going in with empties and 1 per cent against the loads coming out, and only for short distances. About 5 miles out of Callam Bay the road goes through a body of about 28,000,000 feet of spruce lying on Coke Creek (Lamb Creek). The boundary of the main body of spruce is reached in sec. 13, T. 31 N., R. 14 W., 12 miles out, and about 7 miles more of main line would tap the remainder of the watershed. Logging spurs are necessary to reach the timber on the tributary streams. The road could be extended into the East Fork of Dickey River over a low pass, thus opening up a body of good quality spruce.

I estimate that it will require about 1,200 men 90 days to construct the road from tidewater into the main body of timber. A wagon road practically parallels the railroad survey a distance of 5 miles, and the county contemplates extending it 7 miles farther this year if possible. By cooperation with the county the road could be completed quickly for this distance and used for transporting men and camp supplies for the railroad construction. Beyond this point a temporary road will be necessary or pack horses must be depended

upon. The work must be pushed during the comparatively dry months or roads or trails will not stand up under heavy traffic. The railroad would be capable of handling as heavy a log traffic as can be rafted at the booms.

Chicago, Milwaukee & St. Paul Railway (Seattle, Port Angeles & Western).—The above railroad has its present terminus at Twin, Wash. Their projected line runs westerly to Pysht, then up the Pysht River and across the divide in sec. 35, T. 31 N., R. 12 W., then down Beaver Creek and the Solduc River. The construction of the mountain portion of the road is very heavy and in bad soil for slides.

To reach the timber in the Hoko River Valley the above line must be extended from Twin to Lake Pleasant in sec. 34, T. 30 N., R. 13 W., a distance of about 32 miles, then through a low pass in sec. 13, T. 30 N., R. 30 W., and down the Hoko River, and can be extended into the East Fork of Dickey River. In the vicinity of Lake Pleasant the road will tap an area of good spruce, and the road from sec. 34 (Lake Pleasant) into the Hoko Valley will be through a heavy stand of good-quality spruce.

Location of booms.—The location of the log booms will determine the length of rail haul over this railroad. If they are to be boomed at Port Townsend the rail haul from Lake Pleasant will be 110 miles, if at Port Angeles, 60 miles, at Pysht about 25 miles. At the first two places good boom locations could be secured, at Pysht the water is shallow and some dredging might be necessary, but booming can be done there. The best location for booms along this railroad is at Discovery Bay, about 12 miles west of Port Townsend, or 98 miles from Lake Pleasant.

Operation.—The road crosses several divides and consequently has a considerable amount of grade against the traffic coming in and the loads going out. The traffic going out will all be loads, and lifting it over these divides makes a high cost of operation, especially with heavy gradient. The haul should be as short as possible consistent with good booming facilities in order to have the minimum rolling stock in use with a maximum of output. An average car of logs will scale about 7,500 feet and for a daily output of 300,000 feet will require 40 cars. This, then, means 40 cars at camp, 40 at the boom, and 40 on the road if the round trip from camp to booms can be made in a day. This does not take into account unavoidable tieups or bad order cars which would increase the number needed.

Timber supply.—This road would tap about 45 sections of timber on the Pysht watershed, 22 of which are owned by the Merrill & Ring Lumber Co. This company is operating a logging railroad in this timber, dumping the logs into the bay at Pysht. The extension of the Chicago, Milwaukee & St. Paul Railway (S. P. A. & W.) up this valley would probably not get all of the timber haul, especially that of the Merrill & Ring Co.

In the Solduc, Bogachiel and Hoh River valleys there are large bodies of timber that will supply tonnage for the extension.

Lake Pleasant, Hoko and Dickey River route.—A branch from the road constructed down the Solduc River into the Hoko Valley would start in sec. 34 and cross a low pass in sec. 13, T. 30 N., R. 13 W., and continue down the Hoko River on about 1½ per cent grade into the main body of spruce.

The timber on the East Fork, Dickey River, could be opened up by an extension of the road from the Hoko Valley, as the country is fairly flat between the two rivers. This development would open up the main large body of spruce in Clallam County.

Solduc route.—A proposed railroad has been surveyed from Joyce, a station on the Seattle, Port Angeles & Western Railway (C. M. & St. P. Ry.) to Lake Crescent, then along the north side, crossing over to the Solduc Valley and continuing down it to Forks and projected to Grays Harbor.

The road from Joyce to Lake Pleasant is approximately 33 miles in length. The construction from Joyce to Lake Crescent is light, with the exception of about one-half mile. The construction along the lake is in rock for about one-half its length, with one short tunnel; the remainder of the distance is not difficult.

West of the lake the road is on the south side of Solduc River and is of exceptionally easy construction. With the exception of the rock work along the lake, the construction is in gravel formation, which makes a good roadbed and easily maintained. The maximum gradient against the loads coming out is 1.2 per cent.

Timber.—The timber on the Boundary Creek watershed in secs. 8, 9, 10, 15, 16, 17, and 18, Twp. 30 N., R. 9 W. will be made accessible by this road. In the upper Solduc River watershed there is a large body of about 2 billion feet of timber that would be opened up, and the timber on the Galawah River can be reached through low passes in Twp. 29 N., Rs. 11 and 12 W., eliminating the long haul down that river and back up the Solduc.

In the vicinity of Lake Pleasant there is a good body of spruce of airplane quality. The development of the Hoko River timber from Lake Pleasant would be the same as outlined in the description of the Seattle, Port Angeles & Western Railway.

Logging.—The spruce areas at the head of the Hoko and East Fork Dickey Rivers offer no difficult problems for a logging operation. In fact the chance can be said to be an easy one. The slopes are as a rule gentle and the gradient of the main streams is light, permitting railroad construction up the valleys or along the slopes. Only spruce areas will be logged, but all species removed on such areas. Heavy logging equipment of the best type will be required to get a large output per unit as the timber is generally of a good size.

If the railroad is constructed from Clallam Bay and logs rafted there the equipment and organization of the Goodyear Lumber Co. can be switched from their present operation and additional equipment added. Their present operation can not continue if a large output is expected from the Hoko area as the total boom capacity would be needed and the output from present operation could not be taken care of. If the road is built in from Lake Pleasant the logging must be contracted for or operators induced to go in, unless it appears expedient for the Government to open up logging camps of their own. The output of the camp is only limited to the amount that can be handled by the railroads, and the number of men and amount of equipment that can be secured.

Conclusions.—The heaviest stands of best quality spruce lie on the Hoko and East Dickey River watershed and the region that must be opened up first for airplane stock. The problem to be solved is not if it should or should not be opened—but by which route or routes shall it be opened up. There are three routes each of which has its good and bad points, which must be considered in deciding on the one that will give the best results now and for the opening up of additional timber.

The construction and operation of the railroad from Clallam Bay up the Hoko River will give the quickest results in log production and at the same time a reasonably steady supply can be assured. The time lost in rafting on account of storms can be offset somewhat by enlarged booming facilities. Logging can be started in less than 60 days on Coke Creek (Lamb Creek), and on the main area in ninety days. The timber on the headwaters of East Fork of Dickey River can be also opened up by this route.

If the Seattle, Port Angeles & Western Railway (C., M. & St. P.) extend their road to Lake Pleasant, operations can be started on the Hoko area about November 1, 1918, but the operations around Lake Pleasant can be started before that time. The extension of this road into the Hoko and Dickey River would probably not be constructed by this company but by the company having the logging contract and considered as a logging road. The above is also true of proposed road from Joyce to Lake Pleasant via Lake Crescent.

In order to expedite production it may be necessary to construct the road up the Hoko River. The construction over one of the other routes to be rushed and connected with the one up the Hoko as soon as possible to give an outlet for logs if storms prevent rafting on Clallam Bay, and also for opening up additional operations. Three operations can be carried on, one in the Hoko, one in the Lake Pleasant region, and one on the East Fork of Dickey River. The territory must be apportioned, giving each road its just share. Each must have sufficient timber to warrant the cost of building the logging roads.

Investigation of routes.—A further investigation of the Milwaukee and the Lake Crescent routes is necessary to determine which is the best. This must be considered, not only from the standpoint of gradient but on the character of the country and soil, the latter in regard to the possibility of slides holding up shipments. The amount of timber available to each road is another factor that should be given weight in the decision.

The Milwaukee is probably committed to building the line projected but if the other route is best some arrangement might be made for them to build by way of Lake Crescent.

A more detailed examination is necessary to define the best spruce areas.

Other species.—In the foregoing, only spruce was considered. The railroad routes mentioned will open up large bodies of timber containing species other than spruce. It is planned to log only spruce areas, but in doing so other species must be removed. The Douglas fir on these areas is high in quality, eminently suitable for airplane and shipbuilding lumber. The hemlock varies in quality—wherever it occurs with spruce it is not as good as when in pure stands. On the Pysht watershed the spruce is generally not of a good quality but the Douglas fir is of very good quality. On the upper Solduc the fir is of very good quality.

L. A. NELSON,
Logging Engineer.

I hereby certify that the foregoing is a true and correct copy of a record to be found in the files of the United States Spruce Production Corporation.

O. M. MASSEY,
Assistant Secretary United States Production Corporation.

Mr. LEA. Is there any railroad connection between Clallam Bay and any other point?

Mr. DISQUE. No, absolutely none.

Mr. LEA. And what railroad transportation facilities to Clallam Bay, so far as the shipment of men and equipment and supplies are concerned is there?

Mr. DISQUE. It is entirely by boat, up the Straits of San Juan De Fuca.

Mr. LEA. And of course Clallam Bay is not a general shipping point, or is it?

Mr. DISQUE. I have never heard anybody state that Clallam Bay was a general, or even a good shipping point. To the contrary, every bit of information that had come to my attention, except the evidence that the committee obtained from the Goodyear Logging Co. manager who is, of course, interested, every bit of information was that Clallam Bay could never be considered as a considerable shipping point for anything in any quantity, without millions of dollars expended on it.

Mr. LEA. What is the nearest railroad shipping point from Clallam Bay?

Mr. DISQUE. The nearest is Deep Creek, the stub end of the Milwaukee line that runs west from Port Angeles.

Mr. LEA. And that is the Milwaukee Railroad?

Mr. DISQUE. It belongs to the Milwaukee.

Mr. LEA. How far is it from the Milwaukee Railroad to any other railroad on the peninsula that is engaged in commercial business?

Mr. DISQUE. Well, I do not know exactly. I would say it is 60 miles over to Moclips, where the Northern Pacific reaches. I believe that is the nearest, and that is not the peninsula, it is down near Grays Harbor.

Mr. LEA. Was there any other transcontinental railroad on the north part of the peninsula?

Mr. DISQUE. None at all; none anywhere on the peninsula.

Mr. LEA. What, if any, point on the north side of the peninsula had terminal freight rates?

Mr. DISQUE. What point?

Mr. LEA. Yes.

Mr. DISQUE. Port Angeles. I have had it told me by railroad authorities that Port Angeles enjoys terminal rates, transcontinental rates.

Mr. LEA. That, I presume, means they ship at the same rate as Seattle would, for instance?

Mr. DISQUE. That is my understanding, for transcontinental freight.

Mr. LEA. Are cars for transcontinental shipment loaded at and do they pass through Port Angeles or not, or do you know?

Mr. DISQUE. I do not know, but I would say they do, from the way the matter has been reported to me in our investigation of moving our logs out of there, and our lumber.

Mr. LEA. Is there anything further that you think of that you want to say in reference to the selection of the route to Lake Pleasant?

Mr. DISQUE. Except that I feel the final statement belongs in the record that it was selected because it was the one route that all my advisers agreed could be built in the time limit left to us. And I would like to say in addition to that that while I always felt that it was sane, sensible, and businesslike to expect the Milwaukee to take this line over, it is possible for anybody to own that line by paying a reasonable price for it, and they would enjoy the same transcontinental rates from Port Angeles east that would be enjoyed were the Milwaukee road to own it. I think with that thought in mind it is possible and probable that the road could be sold to interests other than the Milwaukee.

Mr. LEA. Did you consult with Mr. Welch, the engineer, in reference to the location of the road as finally laid out?

Mr. DISQUE. I can not answer that definitely. If he was here at the time I did. He was constantly in consultation with me on all engineering problems. I do not recall the exact date when he arrived.

Mr. LEA. Who is Mr. Welch, if you will state?

Mr. DISQUE. Welch is an engineer of probably 30 years' experience, building railways in South America, Mexico, working for governments all over the continent, and at the present time he is chief engineer of the Interstate Palisades Park Commission, New York and New Jersey, and was on that duty when he came to assist us.

Mr. LEA. What was his relation to the Spruce Production Corporation?

Mr. DISQUE. He was a major in the Army and chief engineer of our Spruce Production Division and of the corporation.

Mr. LEA. Well, did the consideration of the selection of routes come through the engineer?

Mr. DISQUE. Always.

Mr. LEA. What, if any, reason will you give for the construction of the Port Angeles mill?

Mr. DISQUE. One reason was to divide or distribute our vital operations. When that mill was started the Government had nothing but the Vancouver cut-up plant to insure its refined manufacture of the product, and it was considered desirable to distribute those operations. That was one reason that led to approving the Port Angeles project. Another was that at that time the Siems-Carey-Kerbaugh Corporation was not a cost-plus contractor. They were building the mill with their own funds and under their own responsibility and for their own future use. They had as much right to build that mill as any other lumberman. They had endeavored,

before building it and at our request, to avoid adding unnecessary mills to the Northwest—our problem was not a mill problem so much as it was a cut-up problem and a logging problem—but they endeavored to buy the mill at Port Angeles from the Puget Sound Mill Co., the Puget Sound Mill & Timber Co. They negotiated with that company with a view to buying it. The company seemed willing to sell, but the company wanted more money than I was willing to approve of in payment.

Mr. LEA. How much did they want?

Mr. DISQUE. It was reported to me after the conference had been concluded that the Puget Sound Mill & Timber Co. had paid approximately \$600,000 for their property a year or so ago, and were now asking us to pay \$2,000,000 for their mill.

Mr. LEA. They wanted to charge the Government \$2,000,000 for what they had procured for \$600,000.

Mr. DISQUE. Exactly.

Mr. LEA. Who was the manager of that mill?

Mr. DISQUE. Mr. Scott is the manager for that mill. I think he was one of the witnesses before the committee. My engineers had told me that we could build a mill for \$1,200,000 that would be better than the one the Puget Sound Mill & Timber Co. had.

Mr. LEA. How far is their mill located from the mill of the Government?

Mr. DISQUE. I guess a mile and a half or 2 miles. They are both on the east and west sides, respectively, of Port Angeles.

Mr. LEA. That is, the Government mill is on the—

Mr. DISQUE. On the east side is the Government mill, and the Puget Sound Mill & Timber Co. mill is on the west side.

Mr. LEA. Have you any information here as to the quantity of spruce available, tributary to this Pleasant Lake Railroad?

Mr. DISQUE. That is in Mr. Nelson's report, which has gone into the record. I think maybe it would be interesting if I would lay out a map here, furnished me by the Federal Forestry Service, that gives a pretty good idea of the way that timber stands. The dark red is over 10,000,000 feet to the section, the orange is 5 to 10, and the dark green is 3 to 5. the light green is 1 to 3. So that this dark red, running southwest from Lake Pleasant shows—

Mr. MAGEE. Where is Lake Pleasant on the map?

Mr. DISQUE. I will show you. Right here. Here is Lake Pleasant. Now, there is the point that we were after. The big stand of timber is like that.

Mr. LEA. If you will, just indicate so that it will go in the record.

Mr. DISQUE. Running northwest, what apparently is about a fourth of it west, and southwest which appears to be three-fourths of it. You note between this heavy stand up on the headwaters of the Dickey here and the Hoko down in here, where the Good-year operations were, there is a blank in there of several miles' width, that the stand is very light and in some places none at all. The darker the red the heavier the stand; the darker the green the heavier, and the red represents twice as heavy a stand as the green. That picture gives you, at a glance, the relative stand, and was furnished me by the Federal Forestry Service.

I want to, while this map is here, show the committee this "national forest reserve" here. All this area here, which constitutes the

greater portion of the Olympic Peninsula, is Federal forest reserve, and our railway, as it finally was constructed, becomes the only outlet and a natural outlet, according to Mr. Cecil, district forester, for that tremendous stand, which is reported to be 30,000,000,000 feet, amortizing that road at a cost, which I agree is high for normal times, at 18 cents a thousand.

Mr. MAGEE. Providing that the timber was cut up there and transported over the road.

Mr. DISQUE. And moved off. When they cleaned that timber out, the eventual cost would be 18 cents a thousand.

Mr. MAGEE. I assume the Government has obtained title to that to preserve the forest, has it?

Mr. DISQUE. No; they are selling that timber; they have got to sell it; it will die and rot if they do not. They want to sell it.

Mr. MAGEE. You mean clean it off entirely?

Mr. DISQUE. They will let it be cleaned off and new growth come on, but you can't let it stand there indefinitely.

Mr. MAGEE. What I mean is, I didn't assume the Government would buy a forest reserve to cut all the timber off.

Mr. DISQUE. I think that is their purpose—to sell that timber. It will fall down and rot if they do not.

Mr. MAGEE. Well, it would not any sooner than any other timberland, would it?

Mr. DISQUE. Oh, well, yes; but the policy of that office is, as I understand it, and they are doing it now, selling that timber. It is already ripe timber, and probably in 40 or 50 years from now it will be so over ripe that they will have lost tremendous values there.

Mr. MAGEE. I had assumed the purpose of the Government in buying lands, getting title to these preserves, was to conserve rather than to cut down and destroy.

Mr. DISQUE. Well, it is their purpose to sell that timber, and they are doing it right along; and that was one of Mr. Cecil's arguments for putting the road through by way of Lake Crescent, in his recommendation to me.

Mr. MAGEE. The forester?

Mr. DISQUE. District forester.

Mr. LEA. That is just the same as the other forest reservations, so far as you know?

Mr. DISQUE. All of them.

Mr. LEA. Is this Crescent route the most practical route for that timber?

Mr. DISQUE. It certainly is. It is right alongside of it. It is the only way you can get it out except by going around on the south side here, and it is my understanding that there are logging operations now coming up into this from the south.

Mr. LEA. From the south of what?

Mr. DISQUE. South of the forest reserve; a private logging corporation, buying this timber in blocks as they go, and logging it all in accordance with the regulations of the Forest Service, which permit of a new growth coming on and proper cleaning up, and all those things.

Mr. MAGEE. I assume they will take out the rotted timber, but I didn't suppose the purpose of the forest-reserve people was to destroy forests.

Mr. DISQUE. No; but that timber, I understand, is all ripe, ready for production.

Mr. MAGEE. There would be no object in the Government purchasing the forest and then permitting it to be destroyed.

Mr. DISQUE. I don't know whether they bought that, or whether it was something that they just retained on the original grant.

Mr. LEA. Did you have the figures there as to about the quality of spruce available?

Mr. DISQUE. In Clallam County?

Mr. LEA. Yes.

Mr. DISQUE. They are in that report.

Mr. LEA. Well, then, if they are in, that is all right.

Mr. DISQUE. It was to be over and above anything that we needed to take out of there in 1919; that is probably why I haven't got them definitely in my mind.

Col. STEARNS. I can get that report.

Mr. LEA. If it is in the record, why, never mind; that is all I wanted.

Now, Mr. Disque, I wish you would briefly summarize what had been done by the Spruce Production Corporation in endeavoring to meet the Government's and Allies' demand for spruce material, to meet that demand, before the Seims-Carey contract was entered into?

Mr. DISQUE. Step by step we met with the loggers and mill men, in frequent general conferences, attended by anywhere from 100 to 300 men, all of whom were the owners or principals of the companies represented.

At the first meeting, a committee of five, I think, prominent lumbermen and loggers, were designated by this association to become an advisory committee of mine. Those gentlemen, some of them, remained advisers in a more or less official or unofficial way throughout the war period.

Mr. LEA. What is this organization you refer to?

Mr. DISQUE. I think it was called, then, the Lumbermen's Protective League. It included loggers and mill men, whereas the other associations seemed to be separate, loggers or mill men, or some special kind or part of the industry. But this meeting that I refer to now was a general meeting, including all classes of people interested in the industry.

Those meetings were held frequently. They were getting together every two or three weeks, and at every meeting our problems were discussed, our plans outlined, advice taken, and at every meeting an effort was made to increase our supply, constant and repeated offers were made, including offers for us to take up the spurs of loggers who were in fir and move them over into spruce, pay the cost to the logger, so that he would not lose anything by the operation.

Later on, as soon as we received authority to buy logs, bulletins were issued, printed and mailed to every logging concern in the Northwest, published in the papers, recorded at meetings of loggers, stating that we would contract to take all the logs—spruce logs that they would produce during the next 18 months.

In addition to that, there were any number of conferences of three or four or five or six loggers, in my office and in their offices, where all these problems were discussed, and naturally most of those

conferences were with men who—well, all of them were with men who were experienced in the logging business, had equipment, were operating at the time. And, for the record, I want to say that the true view of this thing, the extent to which we went to notify the loggers what we were willing to do, what we had to do, what we wanted them to do, how we were willing to guarantee them against loss—the following men must be called to get the correct story: Mr. Howard Holland, Portland, Oreg.; Mr. Mark E. Reed, Shelton, Wash.; Mr. Alex. Polson, Hoquiam, Wash.; Mr. C. H. Cobb, Seattle; Mr. Amis Benson, Portland, Mr. John Yeon, Portland. I could go on and name a great many more. I know the committee's time is limited.

Mr. LEA. Let me ask you a question there. You speak about guaranteeing these men against loss. What do you mean by that?

Mr. DISQUE. We were willing to pay the cost of moving this spur out of the fir and put it over into spruce, a cost which no one could determine in advance, and a cost which would not be a fair one to the logger as a part of his commercial production or his ordinary production at a fixed price. We had a form of a contract drawn up, which we offered to all the loggers. It was drawn up after consultation with a great many loggers—a contract which was made to fit every different logger's peculiar problem, and reimburse him for the peculiar expenses that he might undergo in order to change his operations into spruce.

Mr. LEA. Did you require a bond of the logger who signed that contract?

Mr. DISQUE. No; we did not. We had no such thing in it.

Mr. LEA. Was there any security for the performance of it?

Mr. DISQUE. None at all.

Mr. LEA. Was there any provision in a contract, for instance, that called for deliveries covering 18 months, that if the war terminated he could be indemnified for the investment made for the purpose of performing his contract; that is, was there any means of adjustment of loss?

Mr. DISQUE. The contract says—

Mr. MAGEE. Haven't you a form of contract that you can put in evidence here?

Mr. DISQUE. Yes; I think it would be well to put one right in.

Mr. LEA. The reporter can mark it as an exhibit.

Mr. DISQUE. I will have to have that brought over here.

Mr. LEA. You haven't one here?

Mr. DISQUE. No.

Mr. LEA. I wish you would kindly furnish one to the reporter, and it will be understood that the reporter will insert it in the record.

Mr. DISQUE. We will do that. And these contracts, like the contracts freely offered to all the spruce mills in the Northwest, had no cancellation clause in most of them, and the cancellations, when they came about, were taken care of by the contract board, which adjusted, according to their merits, on its own merit.

Mr. LEA. You mean if you would make a contract with a millman, for instance, that he should furnish a certain amount of spruce covering a period of 18 months, for a definite amount, without the power of cancellation?

Mr. DISQUE. That is it. Those contracts came out here originally printed, and we just distributed them to the loggers—or I mean to the millmen—and had a hard time getting them to sign them.

Mr. LEA. Did you have any of those contracts where there was an indemnity paid?

Mr. DISQUE. Not a one.

Mr. LEA. For what reason?

Mr. DISQUE. Do you mean paid by the logger—millman?

Mr. LEA. No; by the corporation.

Mr. DISQUE. No, we adjusted and paid the millmen what was considered by the contract board to be the actual loss that they underwent as the result of cancellation; and if that loss could be added to the price of \$105, and so on, that was supposed to be a fixed price, you would find that, even there, cost-plus contracts have another strong argument in their favor.

Mr. LEA. What do you mean by that?

Mr. DISQUE. Because, when it comes to canceling a contract with a fixed price, after a man has made all his preparation to make deliveries under it, you have got to be fair with him and give him the money that he has lost as a result of that contract, or else continue to take his product throughout the period of the time allotted. That came up very forcibly to us. The only operations that we were able to stop immediately on the day of the armistice, and not spend another dollar unnecessarily in connection with them, were our cost-plus contracts. We simply sent the word out "stop" and everything began to shrink, the business was cut off. We were not obligated to pay those fellows any more. But when we had a contract with a man at a fixed price, for, we will say, 25,000,000 feet of spruce at \$105 a thousand, and he had made all the preparations, had built his railroads, had contracted with loggers for the logs, we had to go to that man and, to be fair with him, reimburse him for the losses that he would suffer because he was unable to continue deliveries.

Mr. LEA. Were payments of that kind made?

Mr. DISQUE. Several of them.

Mr. LEA. Do you know about what they aggregate, in amount?

Mr. DISQUE. The claims as presented to us—I am speaking now in round numbers, I won't give it accurately—but it was somewhere around \$7,000,000—nearer \$8,000,000 in claims. Our payments to satisfy those claims ran, as I understand it, about \$2,500,000 in round numbers.

Mr. MAGEE. I think Mr. Donovan testified to that.

Mr. LEA. Mr. Donovan testified to that?

(The form of contract above referred to will appear in the record hereafter.)

Mr. LEA. Can you give me the cost, per thousand, of all the airplane lumber constructed by the Spruce Production Corporation or the Spruce Production Division, during the war?

Mr. DISQUE. Yes, sir. In order to do that, I want to—and I think you will agree it is only fair—to give a complete statement on it. Leaving out the airplane lumber that we actually had in 80,000,000 feet of logs, assuming we only sent, as we did, only 143,000,000 feet, in round numbers, our expenditures were \$50,000,000

up to today. That would be a total cost, including everything that could possibly be considered, of \$348 per thousand. However, the salvage must be considered. They have actually received \$4,000,000 in the way of salvage, and allowing our salvage on a 40 per cent basis, it is \$11,000,000. So that there was spent for that 142,000,000 \$39,000,000. That gives us \$272 per thousand for the lumber shipped, with the distinct condition confronting us that about \$20,000,000 of that went into construction and things that never produced a foot, because the armistice was signed. By amortizing all of it—and in that connection, the \$50,000,000 had invoices against it, to our Allies and factories, of \$27,500,000 for lumber delivered. That left \$22,000,000—\$22,500,000 unaccounted for, \$11,500,000 of which, on a 40 per cent basis, will become salvaged. That leaves \$11,500,000 unaccounted for, of which the Allies will pay two-thirds, which leaves a net loss or net deficit on account of the Spruce Production Division's activities, including the payment of every soldier who was here, every contract, even up to the liquidation expenses—a net loss to the Spruce Division and the United States Government of \$3,850,000.

Mr. LEA. That includes, of course, the Siems-Carey Railroad and all these other operations?

Mr. DISQUE. Everything.

Mr. LEA. Basing it, you said, on a salvage of \$10,000,000, that would be—

Mr. DISQUE. On 40 per cent of the cost value, and, to date, about \$4,200,000 worth of property has been sold, and they have obtained 74 per cent of its cost value. My figures contemplate getting 40 per cent of cost.

Mr. LEA. Let's get that again. You have sold to date—

Mr. DISQUE. May I interject this and explain? Col. Stearns says that he reported a deficit of \$10,000,000 in his testimony, but he did not take into consideration the sales to factories, which paid for that lumber, and the funds were credited against this \$50,000,000; so that my figure is correct—the total final deficit, \$3,850,000. That is to explain his statement made the other day.

Mr. LEA. Of course, to the extent that the corporation may fail to realize that percentage of salvage on its property, your figures would be underestimates; that is, if you don't get the \$11,000,000, then the lumber is going to cost that much more?

Mr. DISQUE. It will cost that much more; but \$11,000,000 is, as I say, 40 per cent of cost, and to date we have got 74 per cent of cost.

Mr. LEA. What is the amount that you say has been sold to date?

Mr. DISQUE. 4,200,000.

Mr. LEA. And you have received over 74 per cent of its cost price?

Mr. DISQUE. Cost price.

Mr. LEA. That property, I assume, will bring a larger percentage than the property that remains to be sold?

Mr. DISQUE. I think it will, now, as a result of the publicity, unfavorable, that has been given to these properties.

Mr. LEA. Can you give me the cost value of the remaining properties to be sold; can that be given?

Mr. DISQUE. I think I can. I would give that roughly as—

Mr. LEA. If you can get any assistance on that, get it as accurately as you can.

Mr. DISQUE. It would be around \$16,000,000 that still remains unsold.

Mr. LEA. Will you state, in a general way, of what that property consists?

Mr. DISQUE. Principally of the railways and mills produced by the Government cost-plus contractors, and also those which we were obliged to take over upon cancellation of the Siems-Carey-Kerbaugh contract.

Mr. LEA. How many railroads are involved?

Mr. MAGEE. Let me ask a question.

Mr. LEA. Yes.

Mr. MAGEE. Perhaps I may not have a correct idea of loss to the Government. As I understand, take this Lake Pleasant Railroad, that cost approximately \$4,000,000, I think that is approximately the cost—

Mr. LEA. That is about right.

Mr. MAGEE. Now, suppose that the Government in selling the road should not realize, as has been estimated in the itemized statement put in as of February, 1919, and I think as testified to by Mr. Donovan—I think he, if I remember rightly; if I am not, I will be corrected—estimated that perhaps the Government might sell it for three or four hundred thousand dollars—about 10 per cent. And suppose the Government did sell it for 10 per cent, or \$400,000, wouldn't there be a loss to the Government of \$3,600,000 on that deal?

Mr. DISQUE. Did Mr. Donovan testify that that is all that we could get for that?

Col. STEARNS. I don't think so.

Mr. MAGEE. I am under the impression that he was asked. I am not sure but perhaps some other witness—what he thought the road would sell for, or something of that sort.

Mr. DISQUE. I was reading his testimony last night. He said we would get from one-third to one-half of what it cost. That was his opinion.

Mr. MAGEE. Some witness. But, however, assume—what I want to get at is this: That in figuring the loss to the Government, suppose the Government sold it for a million, then the loss would be \$3,000,000, wouldn't it?

Mr. DISQUE. \$3,000,000.

Mr. MAGEE. On that proposition?

Mr. DISQUE. Exactly.

Mr. MAGEE. That is right, is it?

Mr. DISQUE. \$3,000,000 would be the loss, of which the Allies stand 70 per cent, or 66 per cent.

Mr. MAGEE. Well, it would be a governmental loss, loss in operation. We will have to pay it.

Mr. DISQUE. Of which the United States would stand 35 per cent.

Mr. MAGEE. Do I understand that is what you are figuring on here in getting your balance, General, of what would be the loss to the United States, but not the loss upon the proposition?

Mr. DISQUE. That is what I have just now stated.

Mr. MAGEE. Well, I wanted to get that clear in my mind. I assume that in the case of the entire property, that if it cost, for in-

stance, to build the Port Angeles cut-up plant \$1,200,000, and the Government could not sell it for more than \$300,000, why, there would be a loss of the difference on that project.

Mr. DISQUE. Certainly.

Mr. MAGEE. So that if there was any unwise expenditure for which the Government could not get the amount expended, you can't get away from a dead loss, I assume, on that particular project. That is all.

Mr. LEA. Now, I assume that the figures you gave as the total cost of lumber applied to the total operation, and which would be borne by all the Allies?

Mr. DISQUE. Yes, sir.

Mr. LEA. Have you the figures conveniently available as to the cost of the Siems-Carey-Kerbaugh Railroad?

Mr. DISQUE. Of course, my evidence or testimony on this is reading from the report as made.

Mr. LEA. Yes; I understand that.

Mr. DISQUE. Finally, by the comptroller of the corporation. The Clallam County Railroad total cost \$3,966,712.77.

Mr. MAGEE. That is what is called the Crescent Lake-Pleasant Lake Road, isn't it?

Mr. DISQUE. Cost per mile \$110,186.46. I has been repeatedly said that that cost \$115,000 a mile. There is not much difference, but enough worth mentioning.

Mr. MAGEE. I think there was some evidence of some further writings or estimates in reference to that at the time. I have forgot just what it was.

Mr. LEA. Yes. I think that a total of seventy or eighty thousand would be the difference.

Mr. MAGEE. There was something there; I don't remember just the amount.

Mr. LEA. Have you the figures there that show the elements to make up the total; like—are you able to give us the labor cost?

Mr. DISQUE. This statement is made up in accordance with the accounting methods and schedules provided by the Interstate Commerce Commission; as, engineering \$91,000. I will just read the round numbers.

Mr. LEA. Then can you put that in the record?

Mr. DISQUE. Yes, sir. Land for transportation purposes, \$100,000; grading, \$1,960,000.

Mr. MAGEE. What was that first item? I didn't get it.

Mr. DISQUE. First was engineering, \$91,000.

Mr. LEA. If you have no objection I might ask for an explanation as we go along of those items.

Mr. DISQUE. All right.

Mr. LEA. Now what item was that?

Mr. DISQUE. The second one.

Mr. LEA. The first item, wasn't it, was land?

Mr. MAGEE. The first item was engineering.

Mr. DISQUE. Engineering, \$91,000. Is this explained in here?

Mr. CAMPBELL. No.

Mr. DISQUE. I ought to have the engineer here to explain this; or the comptroller.

Mr. LEA. Well, if you will, just confer with him so as to get the fact.

Mr. DISQUE (after conferring with Mr. Campbell and Mr. Eamon). Well, the engineering, I suppose it is understood what that is.

Mr. LEA. Yes.

Mr. DISQUE. That is surveying and that work.

Mr. LEA. Now what is the land item?

Mr. DISQUE. The land item is the right of way, salary of men acquiring it and working on it; the expenses incurred in connection with it; the maps prepared, and the labor scaling the logs that had to be removed from that right of way. I see that is explained here. Now I will go ahead. Then the next item is grading, \$1,964,000. That includes clearing, labor, material, grubbing, labor, material, and excavation of embankments, rock and other materials, extra hauling, removing slides, stone walls, camp, labor, subcontractors' deficits. Now I might say that in preparing that right of way here are eight subcontractors. Any one of them would be known among contractors as an excellent right-of-way man, grading, grading man. They all of them lost money on that operation, basing their judgment as experienced contractors, making their fixed price a total of \$257,527.

Mr. MAGEE. Now what is that item?

Mr. DISQUE. That is the total that these subcontractors were in the hole as a result of their operations.

Mr. MAGEE. Well, you mean they were reimbursed to that extent?

Mr. LEA. Now can you tell me the expense of grubbing the right of way?

Mr. DISQUE. The total grubbing expense, \$67,419.

Mr. LEA. What was the general character of that grubbing?

Mr. MAGEE. May I ask a question? I don't understand just about this deficit to the subcontractors. Now the contract was let to the Siems-Carey-Kerbaugh Corporation?

Mr. DISQUE. Yes.

Mr. MAGEE. And they sublet to other contractors. This was a cost-plus contract, wasn't it?

Mr. DISQUE. Yes.

Mr. MAGEE. Well, then, the Government would have to pay the entire cost anyhow, wouldn't it?

Mr. DISQUE. Yes.

Mr. MAGEE. Then how could there be any deficit if the Government under its contract had to pay the entire expenditure?

Mr. DISQUE. That is a deficit that these subcontractors ran into as they finished their jobs, a thing that happens in every contract of this nature, and I might say—

Mr. MAGEE (interrupting). Well, what I mean is that under a cost-plus contract the Government was bound to make it good, wasn't it? That is, the contractor could not lose under a cost-plus contract?

Mr. DISQUE. Why, yes; these subcontractors could have lost.

Mr. MAGEE. That is what I am trying to get at. The Siems-Carey Co. would let a subcontract, for instance, to a man for a certain amount, say \$100,000.

Mr. DISQUE. Yes. He didn't let it that way. He let it for so many hundreds of feet of the right of way, or of grade.

Mr. MAGEE. Well, it would run into dollars and cents just the same way?

Mr. DISQUE. No; it could not, because no one could estimate the amount.

Mr. MAGEE. Now, suppose—well, suppose that it did run into \$100,000?

Mr. DISQUE. Yes.

Mr. MAGEE. That is the contract?

Mr. DISQUE. Yes.

Mr. MAGEE. Now, suppose that it actually cost \$100,000 more than that, the Government would have to pay that, wouldn't it, under the contract?

Mr. DISQUE. This is the way that is done. You haven't got the right idea about these contracts.

Mr. MAGEE. I am trying to see just exactly how it was.

Mr. DISQUE. No; the Government would not.

Mr. MAGEE. In other words, I would like to have it explained how a contractor could lose.

Mr. DISQUE. The Government would not have to pay that.

Mr. MAGEE. Under a cost-plus contract?

Mr. DISQUE. Their contracts were made something on this order: Seventy-five cents for every cubic yard of earth they would remove; a dollar and a quarter for every cubic yard of stone, and so on. Then when the job was done, accurate figures made by the engineers determined how many yards they actually did remove.

Mr. MAGEE. Yes; I understand that.

Mr. DISQUE. And if that price of 75 cents wasn't enough to take care of it, their labor and their expenses ran above it, why they stand to lose.

Mr. MAGEE. Then what I mean is, how did the Government do? Did the Government finally voluntarily pay this?

Mr. DISQUE. The Government permitted its contractor to make those adjustments in accordance with the well established rule in all that kind of work.

Mr. MAGEE. And that amounted to the amount of his expenditures?

Mr. DISQUE. Yes. This whole contract is pretty much of the same kind as the railways do their constructing under. Lots of cost-plus contracts are made by the railroads across this country, and a lot of other cost-plus contracts are made in some of our biggest construction operations. Where you have confidence in your contractor it is the cheapest way to do business.

Mr. MAGEE. You believe in it, do you?

Mr. DISQUE. I believe in them where you know your man.

Mr. LEA. What was done by the Government in the execution of the Siems-Carey contract and the other cost-plus contractors, to protect the Government against extravagance and unnecessary waste and expenditure of money and the creating of liabilities?

Mr. DISQUE. Well, in the first place the Government bought a great percentage of the heavier equipment and bought it under our own officers' supervision and our own purchasing department. Sec-

ond, we had supervisors on every job, assisted by accountants and approval officers. Every purchase, every voucher was supervised, checked and approved and verified and compared with purchases which we were making in our own office. I don't believe it possible to throw around a cost-plus operation more safeguards in the interest of the Government than were thrown here. The best evidence of that would be to call some of the cost-plus contractors, and I am sure the committee will be satisfied.

Mr. LEA. Well, to what extent, if any, did the cost-plus contractor have a discretion in creating an expense without the approval of any officer?

Mr. DISQUE. He didn't have any. He didn't have any discretion in that matter.

Mr. LEA. Well now, I interrupted you in reading that table there. If you will, go ahead and give us the rest of those costs.

Mr. DISQUE. Well then, the next item, tunnels and subways. These terms are just adopted from the Interstate Commerce Commission's \$111,496. So that the two tunnels did not include a very great part of the cost of that line.

Mr. LEA. Two tunnels and subways; what is meant by subways?

Mr. DISQUE. There is nothing meant here by subways. It is merely a term taken from the Interstate Commerce Commission's schedule.

Mr. MAGEE. There were no subways in this line?

Mr. DISQUE. There were no subways. The next is bridges and culverts \$244,000. The next item is ties \$205,000. Rails \$13,000—that is not right.

Mr. CAMPBELL. No.

Mr. DISQUE. There were more than that.

Mr. CAMPBELL. That is what they furnished. The balance was furnished by the Government, \$358,000.

Mr. DISQUE. The rail item was increased to \$358,624 at Government expense, which, of course, did not carry any percentage for the contractor.

Mr. LEA. How much was that?

Mr. DISQUE. \$358,642.53.

Mr. LEA. That makes a total of what?

Mr. DISQUE. I have got that down here. Other rail—other track material—

Mr. LEA (interrupting). Have you got the total for rails there?

Mr. DISQUE. Well, that would be 358 and 14; about 373—\$373,000

Mr. LEA. Three seventy three.

Mr. DISQUE. The next item is:

"Other track material, \$5,444; ballast, \$42,690; track laying and surfacing, \$215,452; crossings and signs, \$680; stations and office buildings, \$11,156; roadway buildings, \$38,959; water stations, \$3,421; telegraph and telephone lines, \$91,753; other expenditures for the road, \$209,015.

Mr. LEA. What would be the net of the items included in that?

Mr. CAMPBELL. Boarding houses, mess, commissions—anything of that sort.

Mr. DISQUE. Work equipment—no; unapplied construction material and supplies, \$131,171. What is the explanation for that?

Mr. CAMPBELL. Small tools.

Mr. DISQUE. That includes small tools; work train expense, fuel oil and material, office expense, temporary buildings, boarding-

house operations, equipment, groceries and supplies, labor, credit meals, yard, tracklaying, loading and unloading, and miscellaneous yard material. Then there is miscellaneous equipment, \$6,420.

Mr. LEA. What is the nature of those items?

Mr. CAMPBELL. Automobiles and horses.

Mr. DISQUE. Miscellaneous equipment, automobiles—

Mr. CAMPBELL. Horses and harness.

Mr. DISQUE. Horses and harness and wagons, I suppose.

Mr. CAMPBELL. Yes.

Mr. DISQUE. Wagons. Then general office and clerks, \$60,527. That includes traveling expenses, officers and clerks, head office expense, salaries of executives, salaries of office force. That covered a period of five months, or more than that. It went clear through about eight or nine months. The salary in my own office and Washington is more than that in one month. The legal expense, \$34,983. Fees—

Mr. MAGEE (interrupting). What was that for?

Mr. DISQUE. Expense in right of way.

Mr. MAGEE. Legal expense getting the right of way?

Mr. DISQUE. Wait a minute. No. That is wrong. \$2,658. That includes fees, expense, and right of way.

Mr. MAGEE. Not thirty-four thousand?

Mr. DISQUE. No. That was wrong. Interest during construction, \$34,983. That is interest on advances made to contractors, miscellaneous interest, and exchange. Other expenditures, \$273,853. That includes the following items: Insurance, fire, industrial, accident, medical aid. Head office expense: Rent, light and heat, telephone, telegraph, miscellaneous, haulage, purchasing department. Expense traffic and employment office: Rent, telephone, salaries, stationery and printing, advertising, miscellaneous. Rentals for leased property; Fairholm camp site; contractors' commissions.

Mr. MAGEE. Did you have insurance there, General?

Mr. DISQUE. Yes.

Mr. MAGEE. What kind of insurance is that?

Mr. DISQUE. Fire, industrial, accident, medical aid.

Mr. MAGEE. Have you that itemized?

Mr. DISQUE. Yes. Fire, \$2,022; industrial, \$2,527; accident, \$2,573; medical aid, \$229. There were quite a number of civilian employees on that job. Stationery and printing, \$7,775. That included postage. Then, there is a salvage, material salvaged from construction, \$241,279, reduced that to \$3,608,088.24; added to that the rails furnished by the Government, on which there was no plus profit.

Mr. MAGEE. What is the salvage? Where did you get that?

Mr. DISQUE. The tools and odds and ends that came off of the job after it was over.

Mr. MAGEE. They were sold?

Mr. DISQUE. Which were sold.

Mr. LEA. Now, was that anything which would be a part of the railroad, or small materials used for its construction?

Mr. DISQUE. Just contractors' tools and things that were not of value to the road.

Mr. LEA. Then, what does that leave the net cost of the road?

Mr. DISQUE. Three million nine hundred sixty-six thousand seven hundred twelve dollars seventy-seven cents.

Mr. MAGEE. There was an item of three hundred fifty-eight or some odd thousand.

Mr. DISQUE. That was the rail item.

Mr. MAGEE. What rail was used, do you know?

Mr. DISQUE. Eighty-pound rail, I think, most of the way. Isn't that right? I think it was 80 pound all the way.

Mr. LEA. You completed that list there, did you?

Mr. DISQUE. I completed that.

Mr. LEA. The reporter will just put that in the record.

(The statement, pursuant to the above direction, is set out in full as follows:)

Cost analysis, railroad construction. Siems-Carey-H. S. Kerbaugh Corporation.

Spruce Production Railroad No. 1:

1. Engineering-----	\$91,869.34
2. Land for transportation purposes-----	108,878.26
3. Grading-----	1,964,076.66
5. Tunnels and subways-----	111,496.19
6. Bridges, tressles, and culverts-----	244,899.42
8. Ties-----	205,795.60
9. Rails-----	13,218.40
10. Other track material-----	5,444.14
11. Ballast-----	42,690.69
12. Tracklaying and surfacing-----	215,432.44
15. Crossings and signs-----	630.63
16. Station and office buildings-----	11,456.04
17. Roadway buildings-----	38,959.93
18. Water stations-----	3,421.88
26. Telegraph and telephone lines-----	91,753.19
40. Revenue and operating expense (in red)-----	38,925.05
43. Other expenditures—road-----	209,015.45
47. Unapplied construction material and supplies-----	131,171.11
57. Work equipment-----	11,795.00
58. Miscellaneous equipment-----	6,420.05
72. General offices and clerks-----	60,527.91
73. Legal expense-----	2,658.68
76. Interest during construction-----	34,983.10
77. Other expenditures—general-----	273,853.41
74. Stationery and printing-----	7,775.19
Total-----	3,849,367.71
Less materials salvaged from construction-----	241,279.47
Total-----	3,608,088.24
Rails and other track material furnished by Government-----	358,624.53
Grand total-----	3,966,712.77

Mr. LEA. Have you any statement of the labor cost as distinguished from the other costs?

Mr. CAMPBELL. That is not segregated.

Mr. LEA. That is not segregated.

Mr. CAMPBELL. We could segregate it.

Mr. LEA. Could it be done conveniently?

Mr. CAMPBELL. Yes, sir.

Mr. LEA. We would like to get that if it can be done conveniently.

Mr. DISQUE. When can you have it?

Mr. CAMPBELL. I could have it in the morning.

Mr. LEA. Now, can you conveniently give me the number of soldiers employed on that operation and the percentage of the civilian labor?

Mr. CAMPBELL. That is being compiled now from the cost-plus roll at the request of the committee.

Mr. LEA. All right.

Mr. MAGEE. Couldn't we get, while I think of it, a statement here as to the distribution of these soldiers; that is, where these different soldiers were located?

Mr. STEARNS. You have a map showing just where they were.

Mr. MAGEE. No; but I mean can't we get some statement in the record showing where they are; for instance, so many thousand in this construction and so many in some other?

Mr. DISQUE. I want to say in that connection that the Siems-Carey Corporation did not take the soldiers very readily on their work.

Mr. MAGEE. What is that?

Mr. DISQUE. They did not take the soldiers very readily to their work, and we were constantly pressing them to use them to prevent them from taking labor from the private industries, and eventually we had them pretty well supplied with soldiers, but it was as a result of our constant pressure with the idea of keeping the civilian labor out with the normal industry.

Mr. MAGEE. How did this force happen to increase? Did you keep demanding more soldiers or were they sent here?

Mr. DISQUE. Each time they increased our requirements our program expanded and I requested additional strength.

Mr. LEA. Now, have you the facts available there in reference to the number of soldiers and the distribution of them?

Mr. DISQUE. Well, by districts, the Puget Sound district had 140 officers, 4,736 men.

Mr. MAGEE. What I mean is—what I had in mind was—whether you are able to give as to the entire number the same statement that you promised to put into the record for Mr. Lea of the number of soldiers on this railroad-construction contract?

Mr. DISQUE. Yes.

Mr. MAGEE. That is, who the soldiers were and what they were doing?

Mr. DISQUE. Well, this gives you—

Mr. MAGEE (interrupting). That is, so many in a district might comprise a number of operations.

Mr. DISQUE. It always did.

Mr. MAGEE. You see what I mean? For instance, did the Good-year people have any soldiers? If they did, how many? Or if you know the number of civilians. I don't know that you would have the number of civilians, but you could tell us where the soldiers were employed. And I think the House would be interested in knowing exactly about the distribution of this large force of soldiers. I only ask it for that reason, if you can provide it.

Mr. DISQUE. I want to say right there that so far as I know no logger or mill man producing spruce was ever refused soldiers to assist him in his operation, and that statement should go with any statement prepared, because it was largely because they did not use these men that we got to using them ourselves in Government operations.

Mr. MAGEE. What I mean is in answer to a question from a Member of the House, "Where would these soldiers be distributed?" I would like to be able to supply that information.

Mr. DISQUE. We ought to have a complete statement put in here. That only answers it by districts.

Mr. MAGEE. I think we ought to have a statement of that kind put in the record as a matter of interest. It will be raised, probably.

Mr. DISQUE. Certainly we will do that, very completely.

Mr. MAGEE. And it would probably interest a good many people.

Mr. STEARNS. Your accountants have that statement already, Mr. Magee, just where all troops were.

Mr. MAGEE. Well, if it is available, if you can get it so we can get it in, and the point I make is if we can close one thing at a time we will then go on to something else.

Mr. LEA. You are somewhat familiar with this, are you?

Mr. DISQUE. Yes.

Mr. LEA. Here is a statement that covers the cost of, as I understand it, every transaction of the Spruce Production Corporation.

Mr. DISQUE. Exactly.

(Mr. Lea and Mr. Campbell here consulted.)

Mr. LEA. These are the principal costs?

Mr. CAMPBELL. Yes, sir.

Mr. LEA. I was not accurate in saying it covered all the costs. As I understand, it covers the cost of the railroad being constructed.

Mr. MAGEE. I think it would be of interest, Mr. Lea, if we could get a statement of the total expenditures and then what made them up.

Mr. LEA. I was going to offer it right now.

Mr. MAGEE. You said it was only partial, I thought. If we had it complete it would be better.

Mr. LEA. Well, we will find out what these are:

Mr. CAMPBELL. The details are only in part.

Mr. LEA. But are the totals here?

Mr. CAMPBELL. The principal activities, all of our cost-plus activities and the detailed cost of them, the railroad, the riving operations, the logging operations, and the cut-up plant operations are in that statement.

Mr. MAGEE. I understand there was something over \$48,000,000 expended here. What is the total of that?

Mr. CAMPBELL. There is no total. That is a detail of each operation.

Mr. LEA. Now, if we put this in the record, what would we lack of having the total?

Mr. CAMPBELL. An analysis of the disbursements and receipts would give it all. We can get that in additions.

Mr. MAGEE. Do you see what I mean?

Mr. DISQUE. I understand what you mean; yes, sir.

Mr. MAGEE. If we have a statement of the receipts and a statement of the expenditures and a comprehensive statement, why it would be available for examination.

Mr. LEA. This includes the cost of railroads constructed and the cost analysis of railroad construction by the Siems-Carey-Kerbaugh Corporation, Airplane Spruce & Lumber Co., the Grant Smith-

Porter Bros. Co., the Warren Spruce Co., and the Portland Lumber Co.; also the rived spruce camp production, an analysis of cost of riving operations, log production, an analysis of cost logging operations, cost analysis construction operation, Vancouver cut-up plant; cost analysis of the sawmill construction Port Angeles mill, Lake Pleasant mill, and Toledo mill; statement of commissions paid to cost-plus contractors; statement of interest charges on advances to cost-plus contractors; a statement of salvage sales and cost of salvage sales. I ask that this go in the record, and then when your analysis is complete later it will be put in.

Mr. MAGEE. You haven't any idea what is the approximate total of this?

Mr. LEA. Fifty million.

Mr. MAGEE. I mean of these items which you are putting in?

Mr. LEA. These items here cover practically fifty million, don't they?

Mr. CAMPBELL. Well, they cover a good deal of it. There is some liquidation expense of course that is not included in here that did not pertain to these operations.

Mr. LEA. But this additional statement you will give us will make it complete.

Mr. CAMPBELL. It will give it all.

Mr. MAGEE. I think we ought to have a complete statement as of July or August 1.

(The statement referred to is as follows:)

Cost of railroads constructed by Spruce Production Division and United States Spruce Production Corporation.

No.		Mileage.	Construction cost.	Material furnished by Government.	Total.	Average per mile.
1	Siems, Carey-Clallam Co.	36	\$3,608,068.24	\$358,624.53	\$3,966,712.77	\$110,186.46
	Airplane Spruce & Lumber Co.: ..					
2	Merrill & Ring	6.83	36,099.50	.....	36,099.50	5,247.02
3	Quinalt	5.96	445,427.69	29,984.48	475,412.17	79,767.14
4	Elle River	3.25	197,525.82	45,719.19	243,245.01	74,844.61
	Grant, Smith-Porter: ..					
5	North Nemah	9.11	388,664.75	46,047.40	434,712.15	47,718.12
6	South Nemah	3.90	75,015.91	52,623.85	127,639.76	32,728.14
7	Nasal River	2.06	40,492.20	9,368.52	49,860.72	24,204.23
	Lewis and Clarke Narrow Gauge ..		20,468.50	.....	20,468.50	.....
9	Lewis and Clarke	20.36	511,446.80	30,355.26	541,802.06	26,651.10
	Warren Spruce Co: ..					
10	Toledo & Stietz	8.28	186,471.47	39,552.30	226,023.77	26,572.91
11	Yaquina Northern	15.66	1,443,931.29	109,734.04	1,553,665.33	99,212.34
12	Alsea Southern	25.99	1,899,632.25	186,528.73	2,086,160.98	80,267.83
13	Portland Lumber Co., Beaver Hill ..	1.79	86,770.06	2,533.27	89,303.35	49,890.13
	Total	139.24	8,934,034.50	911,071.57	9,845,106.07	70,706.01

COST ANALYSIS—RAILROAD CONSTRUCTION.

Siems-Carey-H. S. Kerbaugh Corporation.

Spruce production railroad No. 1:

Engineering	\$91,869.34
Land for transportation purposes	108,878.26
Grading	1,964,076.66
Tunnels and subways	111,496.19
Bridges, trestles, and culverts	244,899.42
Ties	205,795.60
Rails	13,218.40
Other track material	5,444.14
Ballast	42,690.69
Track laying and surfacing	215,432.44
Crossings and signs	630.63
Station and office buildings	11,456.04
Roadway buildings	38,959.93
Water stations	3,421.88
Telegraph and telephone lines	91,753.19
Revenue and operating expense	38,925.05
Other expenditures—	
Road	200,015.45
Unapplied construction material and supplies	131,171.11
Work equipment	11,795.00
Miscellaneous equipment	6,420.05
General offices and clerks	60,527.91
Legal expense	2,658.68
Interest during construction	34,983.10
Other expenditures—	
General	273,853.41
Stationery and printing	7,775.19
Total	3,849,367.71
Less materials salvaged from construction	241,279.47
	3,608,088.24
Rails and other track material furnished by Government	358,624.53
Total	3,966,712.77

Airplane Spruce & Lumber Co.

Spruce production railroad No. 2:

Engineering and superintendence	\$234.50
Grading	21,491.51
Bridges, trestles, and culverts	1,524.49
Ballast	681.87
Tracklaying and engineer house	4,361.89
General and administrative expenses: Contractors' commissions	7,543.34
Total	36,099.50

Spruce production railroad No. 3:

Engineering and superintendence	25,259.10
Grading	269,075.47
Bridges, trestles, and culverts	30,819.03
Ballast	10,624.58
Tracklaying and surfacing	15,179.93
Telephone and telegraph lines	1,369.70
General and administrative expenses: Contractors' commission	93,099.83
Rails and other track material	29,984.48
Total	475,412.17

COST ANALYSIS—RAILROAD CONSTRUCTION—Continued.

Airplane Spruce & Lumber Co.—Continued.

Spruce production railroad No. 4:

Engineering and superintendence.....	\$13,205.53
Grading.....	93,498.07
Bridges, trestles, and culverts.....	32,654.44
Ballast.....	5.80
Tracklaying and surfacing.....	15,099.67
Shops and engine houses.....	767.60
Telephone and telegraph lines.....	1,089.02
Rails and other track material.....	45,729.19
General and administrative expenses: Contractors' commission.....	41,205.61

Total.....243,243.21

Grand total.....764,796.60

Grant Smith Porter Bros. Co.

North Nemah River Railroad No. 5:

Engineering and superintendence.....	\$18,131.87
Clearing and grading.....	101,745.18
Bridges, trestles, and culverts.....	77,097.44
Ballast.....	33,744.59
Tracklaying and surfacing.....	1,544.50
Right-of-way fences.....	1,544.50
Water stations.....	2,232.87
Fuel stations.....	303.42
Shops and engine houses.....	23.00
Telephone and telegraph lines.....	1,683.40
Wharves and terminals.....	2,050.92
Fitting up pile driver.....	50.00
Hauling material.....	754.85
Hauling supplies.....	1,805.40
Rails and track material.....	28,014.19
Dock at 4-C.....	11.85
Right-of-way rights.....	2,718.20
Maintenance and repairs.....	595.59
General and administrative expenses and contractors' commissions.....	89,685.78
Rails and other material furnished by Government.....	46,047.40

Total.....434,712.15

South Nemah River Railroad No. 6:

Engineering and superintendence.....	8,527.48
Clearing and grading.....	13,629.20
Bridges, trestles, and culverts.....	18,464.10
Ballast.....	4,490.85
Tracklaying and surfacing.....	5,900.16
Right of way fences.....	14.85
Telephone.....	115.71
Unloading docks.....	635.05
Rails and track materials.....	6,841.85
Hauling material.....	304.37
Right-of-way rights.....	36.00
General and administrative expenses and contractors' commissions.....	16,856.29
Rails and other track material furnished by Government.....	52,623.85

Total.....127,639.76

COST ANALYSIS—RAILROAD CONSTRUCTION—Continued.

*Grant Smith Porter Bros. Co.—Continued.***South Nasel River Railroad No. 7:**

Engineering and superintendence.....	\$854. 61
Clearing and grading.....	16, 708. 92
Bridges, trestles, and culverts.....	3, 572. 28
Ballast.....	9. 92
Tracklaying and surfacing.....	3, 818. 14
Right-of-way fences.....	70. 00
Water stations.....	101. 64
Hauling supplies.....	722. 21
General and administrative expenses and contractors' commissions.....	10, 513. 46
Rails and track material.....	2, 004. 77
Unloading dock.....	113. 15
Maintenance and repairs.....	7. 15
Rails and track material furnished by Government.....	9, 368. 52
	49, 860. 72

Lewis & Clark railroad No. 8:

Engineering and superintendence.....	1, 053. 11
Clearing and grading.....	8, 240. 73
Bridges, trestles, and culverts.....	165. 72
Track laying and surfacing.....	3, 228. 70
Right-of-way fencing.....	44. 50
Water stations.....	140. 00
General and administrative expenses and contractors' commissions.....	7, 975. 26
Rails and track material.....	377. 52
Total.....	20, 468. 50

Lewis & Clark railroad No. 9:

Engineering and superintendence.....	13, 587. 38
Clearing and grading.....	127, 637. 23
Bridges, trestles, and culverts.....	42, 872. 35
Ballast.....	103, 631. 42
Track laying.....	83, 681. 47
Right-of-way fences.....	26. 00
Water stations.....	547. 88
Telephone and telegraph lines.....	1, 811. 49
Y and turnout at Clatsop.....	379. 33
Rollway at Camp 1-C.....	27. 14
Maintenance and repairs.....	10, 982. 27
Hauling supplies.....	1, 595. 05
General and administrative expenses and contractors' commissions.....	125, 188. 80
Rails and other material furnished by Government.....	30, 335. 28
Total.....	541, 802. 06

Grand total..... 1, 174, 483. 19

*Warren Spruce Co.***Spruce production railroad No. 10:**

Engineering and superintendence.....	\$4, 623. 40
Land for transportation purposes.....	716. 82
Clearing and grading.....	23, 511. 94
Bridges, trestles, and culverts.....	63, 868. 88
Ties.....	4, 711. 16
Rails.....	94. 40
Other track material.....	103. 25
Ballast.....	99. 00

COST ANALYSIS—RAILROAD CONSTRUCTION—Continued.

Warren Spruce Co.—Continued.

Spruce production railroad No. 10—Continued.

Tracklaying and surfacing	\$29,985.37
Crossings and signs	500.33
Water stations	551.96
Docks and wharves	126.22
Telephone and telegraph lines	800.04
Other expenditures, roads	9,839.38
Toledo spur C. & C	510.67
Temporary structures	3,360.66
General and administrative expenses and contractors' commissions	37,067.99
Rails and other track material furnished by Government	39,552.30
Total	220,023.77

Spruce production railroad No. 11:

Engineering and superintendence	92,902.05
Land for transportation purposes	23,429.23
Clearing and grading	368,543.61
Trestles, bridges, and culverts	277,340.26
Ties	60,512.71
Rails	2,991.98
Other material, track	121.40
Ballast	20,130.62
Tracklaying and surfacing	109,369.92
Right of way fences	82.12
Crossings and signs	806.33
Railway buildings	691.26
Water stations	16,329.95
Fuel stations	689.11
Shop and engine houses	7,942.65
Docks and wharves	20,171.53
Telephone and telegraph lines	8,170.49
Other expenditures—	
Roads	25,641.57
Temporary structures	111,487.78
General and administrative expenses and contractors' commissions	298,576.70
Rails and other track material furnished by Government	109,734.04
Total	1,553,663.33

Spruce Production Railroad No. 12:

Engineering and superintendence	\$39,997.37
Land for transportation purposes	13,254.15
Clearing and grading	607,233.97
Bridges, trestles, and culverts	358,011.93
Ties	78,844.51
Rails	4,839.78
Other track material	882.80
Ballast	11,928.51
Tracklaying and surfacing	164,894.73
Right-of-way fences	317.03
Crossings and signs	445.17
Roadway buildings	3,468.34
Water stations	7,900.81
Fuel stations	2,705.39
Shops and engine houses	14,345.05
Docks and wharves	16,830.85
Telephone and telegraph lines	6,476.47
Other expenditures—	
Roads	38,002.66
Temporary structures	91,887.29

COST ANALYSIS—RAILROAD CONSTRUCTION—Continued.

Warren Spruce Co.—Continued.

Spruce Production Railroad No. 12—Continued.

General and administrative expenses and contractors' commissions	\$390,175.64
Rails and other track material furnished by Government	186,528.73
Total	2,086,160.98
Grand total	3,859,850.08

Portland Lumber Co. (Beaver Hill).

Spruce Production Railroad No. 13:

Engineering and superintendence	\$5,946.32
Clearing and grading	6,004.87
Bridges, trestles, and culverts	49,442.34
Ballast	1,486.25
Tracklaying and surfacing	5,058.28
Roadway buildings	1,116.42
Telephone and telegraph lines	148.76
Transportation of supplies	3,312.84
Rails and other track material	6,722.09
Sidings and spurs	7,532.43
Total	86,770.08

Rived spruce cant production of cost-plus contractors.

Production.	To June 30, 1918.	July, 1918.	August, 1918.	September, 1918.	October, 1918.	November, 1918.	Totals.	Differences between production and shipments.
Grant Smith-Porter Bros Co....	5,609,842	386,307	569,199	187,491	238,746	122,770	6,391,323	550,832
Warren Spruce Co.....	2,575,514	932,449	331,643	.....	.....	.....	3,839,606	.....
Airplane Spruce & Lumber Co..	1,238,398	80,748	46,804	.....	.....	.....	1,272,342	.....
Total.....	.....	.....	.....	.....	.....	.....	11,503,271	.....

Riving.	Production.	Cost.	Average per M.
Grant Smith-Porter Bros. Co.....	6,391,323	\$996,098.15	155.85
Warren Spruce Co.....	3,839,606	481,518.26	125.41
Airplane Spruce & Lumber Co.....	1,272,342	179,820.44	141.33
Total.....	11,503,271	1,657,436.85	144.06

Shipments.	To June 30, 1918.	July, 1918.	August, 1918.	September, 1918.	October, 1918.	November, 1918.	Total.
Grant Smith-Porter Bros. Co....	2,732,953	1,380,017	848,859	449,937	277,234	151,491	5,840,491
Warren Spruce Co.....	2,032,372	904,365	902,869	.....	.....	.....	3,839,606
Airplane Spruce & Lumber Co..	941,398	255,286	75,658	.....	.....	.....	1,272,342

Sawed cant production: Airplane Spruce & Lumber Co., July, 1918, 233,030; amount August, 1918, 2,067.35; average per M, 8.87.

ANALYSIS OF COST—RIVED SPRUCE CANT PRODUCTION—COST-PLUS CONTRACTORS..

Operating Expenses.

Grant Smith-Porter Bros. Co.:

Stumpage cut.....	\$227,998.64
Riving.....	206,976.07
Woods transportation.....	160,898.84
Loading at final shipping point.....	11,271.91
General expense.....	11,474.55
Administration expense.....	42,854.09
Contractors' commissions.....	36,632.31
Construction and depreciation.....	298,791.74
	<u>996,098.15</u>

Warren Spruce Co.:

Stumpage cut.....	96,211.48
Riving.....	73,230.90
Woods transportation.....	78,330.92
Loading at final shipping point.....	6,742.13
General expense.....	19,474.24
Administration expense.....	18,555.85
Contractors' commissions.....	17,794.97
Construction and depreciation.....	171,177.82
	<u>481,518.26</u>

Airplane Spruce & Lumber Co.

Stumpage cut.....	28,106.41
Riving.....	29,906.63
Woods transportation.....	27,561.22
Loading at final shipping point.....	1,563.92
General expense.....	13,406.33
Administrative expense.....	8,807.72
Contractors commissions.....	6,449.15
Construction and depreciation.....	64,019.06
	<u>179,820.44</u>
Total	1,657,436.85

Log production of cost-plus contractors and Government operation.

Production.	To June, 30, 1919.	July, 1918.	August, 1918.	Septem- ber, 1918.	October, 1918.	Novem- ber, 1918.	Decem- ber, 1918.
Grant Smith-Porter Bros.....		9,796,145	5,110,329	5,842,740	8,828,072	4,993,396	8,304
Warren Spruce Co.....	7,103,928	5,948,526	8,120,611	7,000,765	6,563,651	5,039,892	679,778
Airplane Spruce & Lumber Co.....	4,736,042	1,829,250	4,953,428	573,511	4,004,163	2,732,102	434,229
Edward Murphy.....				7,228,284	3,836,468	36,021	

Production.	January, 1919.	Feb- ruary, 1919.	March, 1919.	April, 1919.	May, 1919.	Total feet.	Differences between production and ship- ments.
Grant Smith-Porter Bros.....	28,084					34,582,462	12,877,238
Warren Spruce Co.....	96,103					40,553,254	11,454,312
Airplane Spruce & Lumber Co.....	157					18,394,428	2,527,381
Edward Murphy.....						11,180,773	3,042,530
						<u>104,630,917</u>	

ANALYSIS OF COST—RIVED SPRUCE CANT PRODUCTION—Continued.

Log production of cost-plus contractors and Government operation—Continued.

Shipments.	To June 30, 1919.	July, 1918.	August, 1918.	Septem- ber, 1918.	October, 1918.	Novem- ber, 1918.	Decem- ber, 1918.
Grant Smith-Porter Bros. Co.....		1,168,681	1,539,564	5,359,581	5,257,449	3,280,636	4,191,377
Warren Spruce Co.....		4,118,347	4,439,429	2,678,346	3,539,968	3,144,212	8,492,438
Airplane Spruce & Lumber Co..	412,324	947,122	876,129	1,999,029	2,065,237	4,832,686	1,851,706
Edward Murphy.....				2,141,630	4,250,564	1,108,437	557,612

Shipments.	January, 1919.	Feb- ruary, 1919.	March, 1919.	April, 1919.	May, 1919.	Total feet.
Grant Smith-Porter Bros. Co.....	907,816					21,705,224
Warren Spruce Co.....	748,645	636,261		739,746	589,540	29,068,942
Airplane Spruce & Lumber Co.....	1,310,183	880,237			1,293,354	15,867,127
Edward Murphy.....						8,058,243

Logging.	Production.	As per M cost.	Average per M.
Grant Smith-Porter Bros. Co.....	34,582,462	\$1,234,987.93	\$35.71
Warren Spruce Co.....	40,553,254	1,442,886.31	35.58
Airplane Spruce & Lumber Co.....	18,394,428	715,010.99	38.87
Edward Murphy.....	11,100,773	244,921.81	22.06
	104,630,917	3,637,807.04	34.77

ANALYSIS OF COST—LOGGING OPERATIONS—COST-PLUS CONTRACTORS.

Grant Smith-Porter Bros. Co.:

Logging Operations—

Spruce stumpage cut.....	\$162,085.11
Fir stumpage cut.....	8,905.22
Miscellaneous stumpage cut.....	5,871.08
Felling and bucking.....	98,746.24
Yarding.....	145,580.06
Woods transportation.....	73,082.55
General expense.....	35,190.94
Loading at final shipping point.....	1,012.00
Administrative expense.....	39,938.05
Contractor's commissions.....	50,734.52
Construction and depreciation.....	613,842.16
	<u>1,234,987.93</u>

Warren Spruce Co.:

Spruce stumpage cut.....	249,412.63
Fir stumpage cut.....	12,725.89
Miscellaneous stumpage cut.....	13,456.31
Felling and bucking.....	125,178.33
Yarding.....	241,438.71
Woods transportation.....	119,269.63
General expense.....	62,423.53
Loading at final shipping point.....	3,826.48
Freight and towage.....	25.00
Administrative expense.....	53,371.63
Contractor's commission.....	54,817.75
Construction and depreciation.....	512,940.37
	<u>1,442,886.31</u>

ANALYSIS OF COST—LOGGING OPERATIONS—Continued.

Log production of cost-plus contractors and Government operation—Continued.

Airplane Spruce & Lumber Co.:

Spruce stumpage cut.....	\$114,213.45
Fir stumpage cut.....	7,899.88
Falling and bucking.....	56,496.70
Yarding.....	120,893.92
Woods transportation.....	60,809.24
General expense.....	28,277.39
Loading at final shipping point.....	106.40
Freight and towage.....	5,934.08
Administrative expense.....	28,801.99
Contractor's commission.....	37,071.89
Construction and depreciation.....	254,556.05
	715,010.99

Edward Murphy:

Spruce stumpage cut.....	66,973.00
Fir stumpage cut.....	3,298.17
Miscellaneous stumpage cut.....	650.55
Falling and bucking.....	21,700.31
Yarding.....	42,517.71
General expense.....	11,683.78
Loading at final shipping point.....	13,455.70
Freight and towage.....	11,260.00
Contractor's commission.....	4,031.13
Construction and depreciation.....	69,351.46
	244,921.81

Total.....3,637,607.04

Cost analysis, construction and operation—Vancouver cut-up plant.

Construction—cut-up plant:

Receiving yard.....	\$69,802.29
Mill.....	345,505.85
Storage yard.....	148,075.97
Dry kiln.....	221,099.15
Miscellaneous buildings and equipment.....	69,927.36
Planting mill.....	30,017.17
	884,427.79

Milling operations:

Cants and lumber received.....	10,551,892.87
Freight on cants and lumber.....	729,175.13
Receiving yard expense.....	90,598.09
Receiving yard maintenance and repairs.....	4,495.70
Milling expense.....	955,046.47
Maintenance and repairs—	
Buildings.....	16,310.10
Machinery.....	58,401.54
Storage yard expense.....	195,311.02
Maintenance and repairs, storage yard.....	16,089.56
Plant office expense.....	33,874.82
H. S. Mitchell, operating account.....	15,874.44
Machine shop expense.....	6,639.41
Storehouse expense.....	6,718.29
Truck expense.....	70,500.00
Operating expense not included in costs.....	383,320.33
Dry kiln expense.....	20,543.69
Dry kiln maintenance and repairs.....	203.99
Power-house expense.....	8,962.59

ANALYSIS OF COST—LOGGING OPERATIONS—Continued.

Cost analysis, construction and operation—Vancouver cut-up plant—Continued.

Power-house maintenance and repairs.....	\$32. 00
Shipping expense.....	278, 259. 41
Profits on commercial lumber shipped.....	83, 497. 18
Commercial lumber used.....	79, 836. 81
	12, 444, 354. 80
Liquidation of operations:	
Liquidation expense.....	6, 335. 49
Assembling expense.....	162, 529. 15
Operating expense not included in costs.....	422, 669. 54
Fire protection expense.....	146. 70
	591, 680. 88
Total.....	13, 920, 463. 47

COST ANALYSIS—SAWMILL CONSTRUCTION.

Siems-Carey-H. S. Kerbaugh corporation.

Port Angeles mill:

Mill site.....	\$213, 637. 44
Mill construction and machinery.....	491, 373. 43
Miscellaneous buildings.....	79, 070. 56
Olympic Hotel.....	48, 308. 64
Mess hall operations.....	14, 914. 94
Miscellaneous equipment and material.....	74, 270. 27
Cash discount.....	3, 101. 66
Camp operation expense.....	7, 511. 92
Adjustment account.....	55. 10
Total.....	926, 040. 64

Lake Pleasant mill:

Mill site.....	9, 999. 14
Mill construction and machinery.....	393, 582. 41
Miscellaneous buildings.....	177. 45
Miscellaneous equipment.....	120. 65
Camp operation expense.....	294. 61
Total.....	404, 174. 26

Toledo sawmill:

Receiving yard.....	\$60, 051. 04
Sawmill.....	361, 301. 32
Machine shop and roundhouse.....	73, 992. 02
Office.....	6, 434. 10
Supply and property.....	6, 062. 32
Miscellaneous buildings and equipment.....	99, 737. 61
Power house.....	154, 212. 92
Cut-up plant.....	130, 844. 09
General expenses.....	49, 352. 06
General supervision.....	7, 897. 16
Miscellaneous maintenance.....	4, 556. 00
Liquidation of operations.....	806. 79
Total.....	955, 347. 43

COST ANALYSIS—SAWMILL CONSTRUCTION—Continued.

Statement of commissions paid to cost-plus contractors.

Grant Smith-Porter Bros. Co.	\$203,498.26
Warren Spruce Co.	358,871.92
Airplane Spruce & Lumber Co.	100,148.86
Siems-Carey-H. S. Kerbaugh Corporation (railroad)	255,567.97
Siems-Carey-H. S. Kerbaugh Corporation (spruce)	329,268.25
Total	1,247,355.28

UNITED STATES SPRUCE PRODUCTION CORPORATION.

Statement of interest charges on advances to cost-plus contractors.

Grant Smith-Porter Bros. Co.	\$11,566.96
Airplane Spruce & Lumber Co.	14,925.54
Warren Spruce Co.	19,994.15
Siems-Carey-H. S. Kerbaugh Corporation (spruce)	205,175.90
Siems-Carey-H. S. Kerbaugh Corporation (railroad)	34,861.11
Total	286,523.66

Interest allowed as part of cost, but no compensation paid thereon to contractors.

Statement of salvage sales, cost of salvage sales, etc., to July 31, 1919.

	Salvage sales.	Cost of salvage sales.	Percentage salvage sales to cost of sales.
1918.			
December.....	\$48.00	\$47.50	101.05
1919.			
January.....	35,692.16	36,717.85	97.21
February.....	49,995.27	53,632.81	93.22
March.....	558,075.76	672,770.13	82.95
April.....	510,424.56	743,932.39	68.61
May.....	551,819.12	794,594.85	69.45
June.....	478,670.92	753,874.76	63.49
Total to June 30, 1919.....	2,184,725.79	3,055,570.29	71.50
July.....	567,386.41	793,960.38	71.46
Total to July 31, 1919.....	2,752,112.20	3,849,530.67	71.49
Undelivered sales under contract:			
Rail, A. C. Callan.....	579,550.96	625,932.50	
Logging bunks, Pacific Car & Foundry Co.....	24,800.00	37,200.00	
Logging trucks, Zimmerman-Wells-Brown Co.....	116,550.00	180,375.00	
Total.....	720,900.96	843,507.50	
Grand total to July.....	3,473,013.16	4,693,038.17	74.00

Siems, Carey—H. S. Kerbaugh Corporation (railroad contract), statement of construction—Railroad.

No. 1. Engineering:

A. Location—

1. Salaries.....	\$17,056.91
2. Traveling expenses.....	1,566.82
3. Haulage.....	211.20
5. Miscellaneous expenses.....	2,059.08
7. Transportation of men.....	473.37
8. Instruments.....	2,282.55
	\$23,649.93

¹ Final settlement not yet made and these figures are subject to adjustment.

UNITED STATES SPRUCE PRODUCTION CORPORATION—Continued.

Siems, Carey—H. S. Kerbaugh Corporation, etc.—Continued.

No. 1. Engineering—Continued.

B. Construction—

1. Salaries----- \$40,994.96

2. Expenses—

a. Structures----- \$1,176.48
 b. Traveling----- 1,269.72
 c. Miscellaneous----- 1,478.76
 d. Auto hire----- 443.16
 e. Tent houses----- 124.98
 f. Telephones----- 318.80

\$4,811.90

45,806.86

C. General—

1. Salaries----- 5,534.19
 2. Expenses----- 796.65
 3. Supplies----- 978.60
 4. Stationery and printing----- 882.61
 5. Postage----- 41.50
 6. Instruments and tools----- 1,380.20
 7. Camp equipment----- 3,781.52
 8. Repairs to buildings----- 8.96
 9. Maps----- 209.82
 10. Boarding houses—
 a. Labor----- 5,501.70
 b. Groceries, etc----- 15,169.64
 c. Expenses----- 138.52
 d. Meals furnished by outside
 parties----- 625.68
 21,435.54
 e. Pay-roll deductions----- 13,083.89

\$8,351.65

11. Haulage----- 446.85

22,412.5591,869.34

No. 2. Land for transportation purposes:

1. Right of way----- 99,043.20
 2. Salary of right-of-way agent----- 1,081.77
 3. Expenses----- 7,406.91
 4. Maps----- 106.18
 5. Scaling logs on right of way----- 1,240.22

108,878.26

No. 3. Grading:

A. Clearing—

1. Labor----- 250,149.58
 2. Material----- 121.97

250,271.55

B. Grubbing—

1. Labor----- 67,343.60
 2. Material----- 75.94

67,419.54

C. Excavation and embankments—

1. Rock----- 914,758.53
 2. Other materials----- 424,379.59
 3. Extra hauling----- 20,521.80

1,359,659.42

UNITED STATES SPRUCE PRODUCTION CORPORATION—Continued.

Siema, Carey—H. S. Kerbaugh, Corporation, etc.—Continued.

No. 3. Grading—Continued.

D. Removing slides—

1. Material-----	\$242. 13
2. Labor -----	26, 013. 94

\$26, 256. 07

E. Dry stone wall-----

1, 148. 00

F. Camp labor-----

2, 132. 52

G. Subcontractors' deficits—

1. Rumsey & Maguire-----	\$8, 655. 01
2. Palmer, Pearson & Woods-----	16, 789. 02
3. Johnson & McDermott-----	37, 116. 43
4. Dahlberg & Olsen-----	9, 021. 11
5. C. R. Schacht & Co-----	84, 847. 55
6. Pantellic & Benjamin-----	24, 329. 80
7. P. L. Crooks & Co-----	6, 649. 51
8. James H. Coyne-----	71, 728. 03

257, 527. 46

337. 90

Less credits-----

257, 189. 56

1, 964, 076. 66

No. 5. Tunnels and subways:

A. Tunnel No. 1—

1. Material-----	10, 250. 98
2. Labor -----	74, 389. 35

84, 590. 33

B. Tunnel No. 2—

1. Material-----	3, 984. 74
2. Labor -----	21, 862. 40
3. Camps-----	1, 058. 72

26, 905. 86

111, 496. 19

No. 6. Bridges, trestles, and culverts:

B. Bridge No. 1, Lyre River—

1. Material-----	1, 596. 36
2. Labor -----	3, 048. 39

4, 644. 75

B. Bridge No. 2, B. B. K.—

1. Material-----	16, 013. 85
2. Labor -----	983. 94

16, 997. 79

C. Temporary bridge, mile 9.—

1. Material-----	654. 88
2. Labor -----	1, 471. 49

2, 126. 37

D. Bridge No. 3, mile 12—

1. Material-----	377. 48
2. Labor -----	378. 58

756. 06

E. Bridge No. 4—Olympic highway crossing—

1. Material-----	10, 610. 52
2. Labor -----	6, 388. 78

16, 999. 30

UNITED STATES SPRUCE PRODUCTION CORPORATION—Continued.

Siems, Carey—H. S. Kerbaugh Corporation, etc.—Continued.

No. 6. Bridges, trestles, and culverts—Continued.

F. Bridge No. 5, mile 19—		
1. Material	\$24,067. 44	
2. Labor	16,821. 69	
		\$40,889. 13
G. Bridge No. 6, mile 28—		
1. Material	1,566. 11	
2. Labor	1,923. 15	
		3,489. 26
H. Bridge No. 7, mile 33 "B. K."—		
1. Material	38,201. 54	
2. Labor	43,997. 97	
		82,199. 51
N. Bridge No. 8, station 105—		
1. Material		91. 17
J. Log culverts—		
1. Labor		59,505. 73
K. Log crib work—		
1. Labor		14,458. 05
L. Inventory suspense		
		2,095. 95
M. Timber inspection—		
1. Labor		646. 35
		<u>244,899. 42</u>

No. 8. Ties:

1. Traveling expenses	61. 72	
2. Freight	8,681. 20	
3. Labor	7,288. 29	
4. Inspection	793. 23	
5. Ties purchased	144,736. 79	
6. Subcontractors' deficits—		
a. F. T. Kellogg	17,381. 04	
b. S. A. Dahlberg	26,670. 75	
		44,051. 79
7. Shortage in shipment		
		182. 53
		<u>205,795. 60</u>

No. 9. Rails:

1. Labor, handling	7,944. 35	
2. Freight	4,959. 65	
4. Small tools	314. 40	
		13,218. 40

No. 10. Other track material:

1. Labor, handling	1,887. 50	
2. Material	1,056. 26	
3. Freight	2,500. 38	
		5,444. 14

No. 11. Ballast:

A. General—		
1. Operation, gravel pit—		
a. Labor	21,292. 96	
b. Material	2,891. 40	
		24,184. 36

UNITED STATES SPRUCE PRODUCTION CORPORATION—Continued.

Siems, Carey—H. S. Kerbaugh Corporation, etc.—Continued.

No. 11. Ballast—Continued.

A. General—Continued.

2. Hauling and unloading—

a. Labor	\$2, 790. 29	
b. Material	61. 64	
c. Equipment, rentals	11, 659. 53	
d. Freight	3, 994. 87	
		\$18, 506. 83
		<u>42, 690. 69</u>

No. 12. Tracklaying and surfacing:

A. General—

1. Personal injuries		412. 25
2. Temporary buildings—		
a. Labor	3, 881. 05	
b. Material	3, 633. 08	
		7, 514. 13
3. Equipment and tools—		
a. General equipment	1, 975. 96	
b. Tools and supplies	4, 066. 93	
		6, 044. 99
4. Commissary operations—		
a. Labor	571. 40	
b. Merchandise	24, 241. 05	
c. Credit, common sales	16, 212. 00	
		8, 600. 45
5. Camp, boarding operation—		
a. Equipment	7, 375. 30	
b. Labor	19, 246. 11	
c. Supplies	87, 078. 94	
d. Credit, meals	54, 999. 56	
		58, 700. 79
6. Main line, tracklaying—		
a. Material	6, 763. 07	
b. Labor	51, 164. 96	
c. Other expenses	1, 675. 66	
		59, 603. 69
7. Sidings—		
a. Labor	6, 062. 34	
b. Other expenses	5. 64	
		6, 067. 98
8. Surfacing, main line and sidings—		
a. Labor		55, 845. 52
9. Equipment, rentals—		
b. Other expenses		7, 400. 10
10. Live stock—		
a. Rentals	483. 00	
b. Supplies	102. 13	
		585. 13
11. Delco light plant—		
b. Material	1, 364. 07	
12. Water system:		
b. Material	3, 313. 44	
		<u>215, 452. 44</u>

No. 15. Crossings and signs:

A. Crossings—

1. Material	669. 32
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B. Signs—

1. Material	11. 36
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688. 68

UNITED STATES SPRUCE PRODUCTION CORPORATION—Continued.

Siems, Carey—H. S. Kerbaugh Corporation, etc.—Continued.

No. 16. Station and office buildings:

A. Furniture and fixtures, Seattle—

1. Seattle main office-----	\$8, 113. 78
2. Seattle employment office-----	394. 15
3. Joyce—	
a. Office -----	\$2, 465. 32
b. Mess -----	144. 81
c. Warehouse -----	9. 35
d. Material yard -----	87. 71
4. Piedmont -----	240. 61
5. Port Angeles -----	100. 11
	2, 948. 11
	11, 456. 04

No. 17. Roadway buildings:

A. Temporary, Joyce—

1. Construction -----	4, 456. 29
2. Equipment -----	27. 39
3. Fire Protection -----	12. 82
4. Payroll -----	5, 227. 62
5. Bath house -----	942. 42
6. Tool house -----	4. 86
7. Lighting plants -----	2, 510. 61
8. Grading and graveling yard -----	5, 908. 51
9. Powder house -----	176. 46
10. Storeroom and office -----	41. 10
11. Warehouse—	
No. 1 -----	684. 65
No. 2 -----	459. 03
No. 3 -----	97. 26
No. 4 -----	153. 38
No. 5 -----	2, 352. 38
	3, 746. 70
12. Water stations—	
a. Supplies -----	280. 46
b. Construction -----	113. 46
c. Operations -----	1. 26
	395. 18
13. Stable—	
a. Construction -----	105. 06
14. Blacksmith shop—	
a. Labor -----	12. 50
b. Material -----	26. 03
	38. 53
15. Hospital—	
a. Labor -----	91. 00
b. Material -----	81. 65
	172. 65
16. Garages—	
a. Labor -----	929. 22
b. Material -----	36. 15
c. Equipment -----	32. 21
	997. 58
17. Miscellaneous structures -----	11, 529. 71
B. Temporary, Port Angeles—	
1. Material and labor -----	443. 35
2. Supplies -----	16. 53
	459. 88

UNITED STATES SPRUCE PRODUCTION CORPORATION—Continued.

Siema, Carey—H. S. Kerbaugh Corporation, etc.—Continued.

No. 17. Roadway buildings—Continued.

C. Temporary log cabin—		
1. Dock warehouse—		
a. Construction-----	\$142. 81	
b. Equipment-----	62. 82	
	205. 63	
2. Mess house—		
a. Labor-----	95. 75	
3. Bath house—		
a. Labor-----	54. 23	
b. Material-----	99. 82	
	154. 05	
4. Miscellaneous structures-----	216. 66	
		\$672. 09
D. Camp Equipment, Joyce—		
1. Equipment-----	918. 68	
2. Cartage-----	19. 84	
3. Signal Corps mess-----	100. 35	
4. Bunk house and supplies-----	22. 05	
		1, 060. 92
E. Camp equipment, Port Angeles—		
1. Steel bunks-----	66. 00	
2. Bedding-----	23. 40	
3. Linen-----	1. 50	
4. Various accessories-----	32. 50	
		123. 45
F. Camp equipment, Piedmont—		
1. Equipment-----	60. 72	
2. Material-----	9. 79	
5. Bath house-----	193. 71	
6. Miscellaneous structures-----	110. 04	
		374. 26
G. Temporary, Fairholm—		
1. Structures—		
a. Mess house-----	336. 12	
b. Dock-----	2. 19	
c. Hospital-----	40. 66	
f. Miscellaneous structures-----	213. 75	
		592. 72
H. Temporary, Whiskey Creek—		
1. Mess house-----		15. 10
2. Material yard—		
a. Office-----	7. 60	
b. Mess house-----	15. 20	
		22. 80
		38, 959. 93
No. 18. Water stations—		
A. Aero water stations—		
1. Material and equipment-----	2, 500. 00	
2. Labor-----	915. 70	
3. Freight-----	6. 18	
		3, 421. 88

UNITED STATES SPRUCE PRODUCTION CORPORATION—Continued.

Stems, Carey—H. S. Kerbaugh Corporation, etc.—Continued.

No. 28. Telegraph and telephone lines—

A. Temporary telephone lines—

1. Construction—

a. Labor	\$10,575.90
b. Material	14,197.08

24,772.98

2. Operations—

a. Labor	1,018.50
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\$25,786.48

B. Permanent telephone lines—

1. Construction—

a. Labor	28,366.28
b. Poles	11,111.86
c. Material	24,746.28

64,223.87

C. Boarding house operations—

1. Labor	346.93
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2. Groceries	2,702.64
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3. Credit meals	1,306.73
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1,742.84

91,753.19

No. 40. Revenue and operating expenses:

A. Boarding houses—

1. Mess, Piedmont and log cabin—

a. Groceries	10,196.00
b. Labor	3,429.64
c. Expense	1,699.70
d. Meals by outsiders	42.00
f. Equipment	1,159.62
e. Credit meals	7,651.07

8,875.89

2. Mess, Joyce and Signal Corps—

a. Groceries	58,963.67
b. Labor	13,680.27
c. Expense	2,926.19
d. Meals by others	677.05
g. Equipment	5,029.22
e. Credit meals	45,520.29

35,756.11

3. Fairholm mess—

a. Groceries	4,897.87
b. Labor	2,470.80
c. Expense	97.55
d. Meals by others	104.75
f. Equipment	1,809.85
e. Credit meals	4,025.54

4,855.28

49,487.28

B. Commissaries—Retail stores—

1. Merchandise	7,818.35
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2. Expense	1,099.25
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3. Equipment	90.69
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4. Tents	128.51
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5. Credits	7,378.01
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1,758.79

UNITED STATES SPRUCE PRODUCTION CORPORATION—Continued.

Stiems, Carey—H. S. Kerbaugh Corporation, etc.—Continued.

No. 40. Revenue and operating expenses—Continued.

C. Warehouse, office, and store expense:

1. Salaries of warehouse.....	\$15,271.02
2. Rent, light and heat.....	654.73
3. Telephone.....	212.81
4. Telegrams.....	1.07
5. Haulage.....	97.93
6. Traveling expense.....	327.98
7. Salaries of clerks.....	17,834.48
8. Miscellaneous.....	1,174.13
9. Small tools.....	1,736.51
10. Drag saw expense.....	9.92
11. Transportation of labor.....	61.10
12. Purchasing department pay roll—	
a. Salaries.....	\$8,514.57
b. Traveling expense.....	120.87
	8,635.44

46,017.12

D. Operation of work trains.....

27.50

E. Yard expense—Joyce—

1. Material.....	113.70
2. Equipment.....	37.13
3. Grading and miscellaneous expense.....	9,447.41
	9,598.24

G. Warehouse premiums discounted.....	54,854.56
Warehouse profits. (See "Exhibit A.").....	89,151.28
Unredeemed meal tickets.....	320.03
Petty profit and loss.....	326.18
Discount No. 200.....	1,161.93
	38,925.05

No. 43—Other expenditures, road:

A. Transportation—

1. Operation of motor trucks—	
a. Gasoline, oil, and grease.....	12,871.35
b. Salary, truck driving.....	51,818.77
c. Meals furnished drivers.....	250.42
d. Repairs and maintenance.....	7,508.09
e. Rental, trucks.....	3,497.24
f. Haulage.....	2,022.63
	77,468.50

2. Transportation expense—	
a. Pay roll, agent, and superintendent.....	6,891.74
d. Miscellaneous expense.....	2,103.89
	8,995.63

3. Operation floating equipment—	
a. Rent.....	6,091.95
b. Salaries.....	8,784.91
c. Gas, oil, etc.....	2,170.54
d. Repairs.....	827.31
e. Launches.....	398.88
f. Credits.....	35.00
g. Miscellaneous expense.....	1,602.01
h. Barges.....	8,637.11
	28,477.71

UNITED STATES SPRUCE PRODUCTION CORPORATION—Continued.

Siema, Carey—H. S. Kerbaugh Corporation, etc.—Continued.

No. 43—Other expenditures, road—Continued.

A. Transportation—Continued.

4. Transportation of employees—

a. Soldier labor	\$1,638.46
b. Employees	85.87
c. Equipment	8.84
d. Live stock	386.65
e. Material	19.44
	<u>\$2,138.06</u>

5. Wagon road maintenance—

a. Material and supplies	9,035.56
b. Labor	32,478.21
c. Groceries	7,814.97
d. Cookhouse and equipment	1,505.44
e. Equipment	2,991.20
f. Hauling	8,277.95
g. Boarding house operations	1,116.75
h. Credits	4,651.25
i. Meals by outsiders	7.50
j. Damages to county roads	10,000.00
	<u>68,576.39</u>

6. Dock equipment and construction—

a. Log Cabin dock—

1. Equipment	582.88
2. Material	695.73
3. Labor	1,158.75
4. Operation	2,535.40
	<u>4,972.76</u>

b. Fairholm dock—

1. Labor	644.65
2. Material	92.42
3. Expense	10.00
	<u>747.07</u>

c. Martin's dock—

2. Material	574.09
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7. Port Angeles forwarding office 50.37

8. Stationery and printing 514.83

9. Camp equipment—

a. Tents	\$1,073.75
b. Bedding	1,681.38
c. Tools and supplies	74.37
	<u>2,829.50</u>

10. Furniture and fixtures 29.52

11. Revenues from transportation 92,857.71

102,516.72

B. Field and paymasters' office expenses—

1. Executives	19,768.52
2. Clerks	3,017.33
3. Rent, light, and heat	807.97
4. Telephone	1,270.69
5. Telegraph	836.61
6. Miscellaneous	678.54
7. Haulage	26.40
8. Travelling expense, assistant superintendent	265.61
9. Hospital, Signal Corps	1,028.98
10. Payroll, watchman, and guards	2,523.94

UNITED STATES SPRUCE PRODUCTION CORPORATION—Continued.

Siems, Carey—H. S. Kerbaugh Corporation, etc.—Continued.

No. 43—Other expenditures, road—Continued.

B. Field and paymasters' office expenses—Continued.

11. Mail clerk-----	\$739.03
12. Freight and express-----	49.35

31,013.97

C. Fire protection—

1. Patrolling-----	14,287.05
2. Fire fighting-----	20.88
3. Incidental expense-----	1,437.02
4. Equipment-----	1,435.09

17,180.04

D. Maintenance of bunk houses-----

220.32

E. Headquarters yard—

1. General—

a. Expense-----	827.77
b. Material-----	59.76
c. Equipment-----	509.05

1,396.58

2. Livestock expense—

a. Feed and supplies-----	2,260.93
b. Miscellaneous-----	5,855.78
c. Shoeing and repairs-----	232.20

8,348.91

3. Blacksmith shop—

a. Material-----	325.59
b. Equipment-----	320.69
c. Expense-----	4.32

650.60

F. Liquidation expense-----

47,688.31

209,015.45

No. 47. Unapplied construction material and supplies (cost of material, yard operation):

A. Small tools and supplies-----

17,831.26

B. Work train expense—

1. Labor-----	2,506.23
2. Fuel oil and material-----	44,692.92

47,199.15

C. Office expense—

1. Labor-----	13,635.01
2. Expense-----	1,311.02

14,946.03

D. Temporary buildings—

1. Labor-----	4,326.27
2. Material-----	3,662.52

7,988.79

UNITED STATES SPRUCE PRODUCTION CORPORATION—Continued.

Siema, Carey—H. S. Kerbaugh Corporation, etc.—Continued.

No. 47. Unapplied construction material and supplies, etc.—Contd.

E. Boarding House Operations—

1. Equipment	\$1,666.76
2. Groceries and supplies	35,951.89
3. Labor	11,262.98
4. Credit meals	28,070.74
	20,810.89

F. Yard track-laying—

1. Labor	5,518.88
2. Material	78.73
	5,597.61

G. Loading and unloading—

1. Labor	2,424.58
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H. Miscellaneous yard material

14,872.80

181,171.11

No. 57. Work equipment

No. 58. Miscellaneous equipment:

A. Autos and accessories—

1. Cars	3,050.00
2. Accessories	103.80
3. Expense	5.25

3,159.05

B. Horses and harness

3,261.00

6,420.05

No. 72. General offices and clerks:

A. Traveling expense, officers and clerks

4,795.90

B. Head office expense:

1. Salaries of Executives	\$18,450.42
2. Salaries of office force	37,281.59

55,732.01

60,527.91

No. 73. Legal expense:

A. Fees

1,681.67

B. Expense

143.68

C. Right of way

833.33

2,658.68

No. 76. Interest during construction:

A. Interest on advance to contractors

34,861.11

B. Miscellaneous interest and exchange

121.99

34,983.10

No. 77. Other expenditures, general:

A. Insurance—

1. Fire	2,022.40
2. Industrial	2,527.11
3. Accident	2,573.77
4. Medical aid	229.30

7,352.58

UNITED STATES SPRUCE PRODUCTION CORPORATION—Continued.

Siems, Carey—H. S. Kerbaugh Corporation, etc.—Continued.

No. 77. Other expenditures, general—Continued.

B. Head office expense—

1. Rent, light, and heat-----	\$4, 197. 67
2. Telephone -----	1, 346. 30
3. Telegraph -----	941. 44
4. Miscellaneous -----	722. 31
5. Haulage -----	123. 47
6. Purchasing department -----	385. 71
	<u>\$7, 716. 90</u>

C. Expense traffic and employment office—

1. Rent -----	315. 00
2. Telephone -----	17. 15
3. Salaries -----	416. 67
4. Stationery and printing -----	122. 90
5. Advertising -----	28. 50
6. Miscellaneous -----	115. 74
	<u>1, 015. 96</u>

D. Rentals for leased property—

1. Log Cabin Hotel -----	1, 600. 00
2. Joyce headquarters site-----	450. 00
3. Fairholm camp site -----	150. 00
	<u>2, 200. 00</u>

E. Contractor's commissions -----	255, 567. 97
	<u>273, 853. 41</u>

No. 74. Stationery and printing:

A. General -----	7, 123. 64
B. Postage -----	651. 55
	<u>7, 775. 19</u>

	3, 849, 367. 71
Less materials salvaged from construction -----	241, 279. 47
	<u>3, 608, 088. 24</u>
Track materials, etc., furnished by Government -----	358, 624. 53
	<u>3, 966, 712. 77</u>

Mr. LEA. Now I understand you are preparing a statement of the number of soldiers employed, civilian labor and soldier labor.

Mr. CAMPBELL. On the cost-plus contract.

Mr. MAGEE. But they can't give that, as I understand, in the distribution of the soldiers to independent operators, but they can give us the soldiers and where they were distributed.

Mr. LEA. Yes.

Mr. MAGEE. And, as I understand, they will do that.

Mr. LEA. Before you entered into this contract with the Siems-Carey-Kerbaugh Co. what, if anything, did you ascertain as to their financial responsibility?

Mr. DISQUE. I ascertained that they were perfectly reliable from every angle that business men would think considering and within the limits of the contract that they were proposing to make.

Mr. LEA. What assurance did they give of the performance of their contracts, so far as the fitches were concerned?

Mr. DISQUE. They deposited with the War Credits Board, subcluding \$250,000 worth of Liberty bonds, a total of \$750,000 negotiable collateral.

Mr. LEA. Were these securities approved by the War Credits Board?

Mr. DISQUE. They were. In addition to that they gave their individual note for \$1,000,000.

Mr. LEA. And then some reference has been made here to a mortgage in Clallam County. What do you know about that?

Mr. DISQUE. That mortgage was required by the War Credits Board to protect the Government as additional security on the advances that were made to the contractors, and that was a mortgage on all the real or personal property that might be acquired or constructed under their operations.

Mr. LEA. That related to after-acquired property, did it?

Mr. DISQUE. After-acquired property. That was on the flitches contract, of course.

Mr. MAGEE. At the time it was given, of course, they didn't have any.

Mr. DISQUE. What?

Mr. MAGEE. At the time the mortgage was given they didn't have any property, as I understand.

Mr. DISQUE. No; they had no property then, nor had they had any advances. That mortgage was given to protect advances as they would be made.

Mr. MAGEE. It simply attached as they might acquire them?

Mr. DISQUE. As they might acquire them. And I want to say, as I have determined and learned, that the individuals who signed that note for a million dollars were personally responsible to that extent.

Mr. LEA. That is, they got parties other than themselves to sign this negotiable paper?

Mr. DISQUE. No. They signed it as individuals and jointly, and they were worth the amount of the note.

Mr. LEA. But what I mean is, was there anybody outside of their company that signed the notes?

Mr. DISQUE. I don't think so. I don't know, but I don't think so. They didn't sign that note as a company note; they signed it as individuals, against their own individual holdings.

Mr. LEA. Yesterday you referred to some resolution adopted by a lumbermen's association. What association was that?

Mr. DISQUE. You mean one I started to read and didn't read?

Mr. LEA. Yes.

Mr. DISQUE. That was not a lumbermen's association. I have been told by several men who were present, but a meeting of all lumbermen and loggers of the Northwest in Portland, after the armistice had been signed, at which they discussed the future of the industry, due to the changed conditions. Some 462 were present, I have been told by the man who acted as secretary.

Mr. LEA. Well, does the resolution have any relevancy to this investigation?

Mr. DISQUE. I think the resolution does, in that it was passed by the members present, without, as I understand it, any of my organi-

zation being present. I myself was in Washington, D. C., when this meeting was held, and a copy of it was mailed to me by the secretary of the meeting. Shall I read it?

Mr. LEA. I just wanted to see the general nature of it.

Mr. DISQUE. It starts at the bottom there [indicating to Mr. Lea.]

Mr. LEA. (after persuing the resolution). Now in reference to this resolution, ordinarily I think it would have no place in such an investigation as this, but in view of the fact that witnesses have come before this committee purporting to express the opinion of the loggers' association I would suggest that we simply put this in the record.

Mr. MAGEE. Put in anything that the General feels that he wants to go in. He will be given the fullest opportunity. If you want to put it in, or if the General does, why offer it.

Mr. LEA. Have you got any objection to this going in?

Mr. DISQUE. I have no objection to it.

Mr. LEA. Can the reporter take that and copy it?

Mr. DISQUE. I can give him a copy of it.

Mr. LEA. Very well. Then the reporter may insert that in the record.

Mr. MAGEE. Probably the better way would be to furnish him with a copy.

Mr. LEA. Yes. Mr. Disque, if you will, just furnish the reporter with a copy and the reporter can insert it at the proper place; or it will be all right to insert it in tomorrow's proceedings.

Mr. DISQUE. It is all ready. I can give it to him right now.

(Said resolution, pursuant to the foregoing direction, is set out herein as follows, to wit:)

RESOLUTIONS ADOPTED AT MEETING OF WEST COAST LUMBERMEN'S ASSOCIATION
AT HOTEL MULTNOMAH, PORTLAND, OREG., NOVEMBER 16, 1918.

Whereas we prepare now to sever our heretofore close associations with the Spruce Production Division of the Signal Corps, we desire most earnestly to give to the public a statement of commendation of the efficient and successful work of the division in the duty assigned it of securing the necessary quantities and quality of lumber needed for airplanes for all the allies. Far removed from the glamour and the glory that helps to alleviate the pains and suffering of the fighting front, the officers and men of this division have labored unceasingly, many of them realizing that in all probability the one opportunity for an active application of their chosen profession was being denied them while they devoted their ability and energies to the important work of supporting the fighting units. To Gen. Disque we reaffirm our many expressions of confidence, now proven undeniably justified, in his ability and integrity, and commend him and congratulate ourselves and our country that a man of such breadth of vision, such clear foresight, and such firm decision was placed in charge of this important work. We do not forget that it was necessary to prepare to an indefinite war and that all activities were planned to conform. The end was as sudden and unexpected as it was welcome. Closely allied to the Army, and as an absolutely necessary part of the organization that has made possible the accomplishment of these things, has been that body of men who have worked in the woods and mills, banded solidly and loyally together under the name of the Loyal Legion of Loggers and Lumbermen, and particularly to these men should be given the credit that they deserve. Now, therefore, be it

Resolved, That we, the representatives of a majority of the lumbering industry of the Pacific Northwest, in mass meeting assembled this 16th day of November, 1918, subscribe to the above as recognition of the faithful,

efficient, and valuable work of the department of the Government that have controlled the activities of this industry during that period of war in which the United States has been engaged.

The Loyal Legion having demonstrated its value in time of war, we favor its continuance in time of peace as a means of conference and understanding between all engaged in the manufacture of logs and lumber, provided it agrees to the principle of the open shop.

We request the continuance of the present military organization directing the Loyal Legion under General Disque during the reconstruction period.

Mr. LEA. Now if there is nothing further along this line I want to go to another subject. Have you any questions you want to ask about this particular subject?

Mr. MAGEE. No, I don't think so. I think this manner of asking questions will help us to get through.

Mr. LEA. Yes. In reference to the operations around Yaquina Bay and in that neighborhood, when did the Government, or, rather, the Spruce Corporation, begin operations in that vicinity?

Mr. DISQUE. It was in the spring of 1918.

Mr. LEA. And with what operation did it begin?

Mr. DISQUE. It began with the riving operation by the Warren Spruce Co.

Mr. LEA. And that was a cost-plus contract?

Mr. DISQUE. Cost-plus contract.

Mr. LEA. You referred to that yesterday, didn't you, in your testimony?

Mr. DISQUE. I think so.

Mr. LEA. You covered that subject yesterday?

Mr. DISQUE. Well, not to any extent. We merely brought it up that there was a cost-plus operation under way down there.

Mr. LEA. Was that your first cost-plus contract?

Mr. DISQUE. No. The first one was with the Grant Smith-Porter Bros. Co., and I believe they got under way first down at the mouth of the Columbia River, near Clatsop.

Mr. LEA. But this Warren Spruce Co. contract followed shortly after the other contract, didn't it?

Mr. DISQUE. Quite shortly afterwards.

Mr. LEA. And they went down there and began riving?

Mr. DISQUE. Began riving.

Mr. LEA. How did they ship out?

Mr. DISQUE. By rail over a branch of the Southern Pacific.

Mr. LEA. And when was that plan of operation changed?

Mr. DISQUE. That was changed possibly two or three months afterward as the spring developed, or the summer developed, after we had covered the emergency period and found it desirable to convert those operations into selective logging operations.

Mr. LEA. What side of the bay were they operating, to begin with?

Mr. DISQUE. On the north side.

Mr. LEA. In whose timber?

Mr. DISQUE. Well, I can not say; it was north of Toledo.

Mr. MAGEE. Is that what they call the Siletz country?

Mr. DISQUE. Up toward the Siletz country.

Mr. LEA. I would like to have you go ahead in your own way and tell what was done there and why you did it?

Mr. MAGEE. Let me see if I get that straight. When we speak of timber to the north it is in reference to what is called the Siletz

country, and when we speak of timber to the south it is with reference to the Blodgett tract.

Mr. LEA. Except, of course, there is timber along the coast that is not included in the Siletz country. But what I had reference to was the general area down there, including Alsea Bay and that whole region.

Mr. MAGEE. The Alsea Bay is to the south.

Mr. DISQUE. As these logging operations were contemplated we determined to drive our railway first from Toledo into what was reported to be some wonderful spruce around the Siletz River and along the slopes of the mountain range which parallels the coast there about two or three miles from the coast. We made our preliminary surveys and about that time had a complaint from the people down there that we were not taking the right route.

Mr. LEA. What route was this?

Mr. DISQUE. This is a route to get into the spruce north of Toledo. At that time we had no road in mind. There was a short railway which had been used as a logging road for some years, and I understand several people went broke trying to operate it. We took that over in our riving operations and at first considered extending that north, east of the range of hills, because it had been reported that that was the best route to acquire this timber for logging. Our own engineers recommended against the route east of the hills. The Toledo people and timber owners north of Toledo, including this Mr. Pendleton, by the way, who was here the other day, all insisted that we should build the road north from Toledo. I had several disinterested locating engineers go down there and report to me on the advisability of the railroad running over north of Toledo, east of the range or toward the coast, and then west of the range, and I found that the people of the district down there took such an interest in it and had run into a situation similar to that before, where you usually find local interests endeavor to outweigh efficiency methods. So I went down myself. I walked for two days over these routes. I found the stories that had been given to me about big quantities of spruce just north of Toledo and east of the range were not verified. I walked over that route, or rode over it on a horse, with several engineers and timber experts. We did not see enough fruit up there, as far as Otter Rock is concerned, to justify a donkey pulling it out, to say nothing of building a railroad. Furthermore, it was impossible to build a railroad.

Mr. LEA. How far is it above Toledo?

Mr. DISQUE. It is about 8 miles above the Toledo project, toward the coast.

Mr. MAGEE. How near the coast?

Mr. DISQUE. On the coast, but the range turns to the west.

Mr. LEA. You were north of Toledo, on a line with Otter Rock. Is that what you mean?

Mr. DISQUE. That is the point. Furthermore, you could not build a railroad east of the range along the slopes of that hill and expect it to operate at anything like the cost that we have put into the best of the roads we had built, nor could it have done so at any time. Those hills were just one big curve and trestle after another; the grade would have to be on the side of the hills and slides would have been continuous. So we went over and walked along the coast route clean

out through that north fork of Spencer Creek, and our engineers decided we could cross over the range on a $2\frac{1}{4}$ per cent grade and get down into the Siletz if we found next year, 1919, or 1920——

Mr. MAGEE. What grade was that?

Mr. DISQUE. Two and one-half per cent—if we found next year that there was any spruce over there; but for the current requirements there was enough west of the range and south of Otter Rock to take care of all immediate requirements that we had outlined. I walked, as I say, over both these routes, and it was perfectly apparent to me that the engineers I had sent ahead were correct.

Mr. LEA. Who were those engineers?

Mr. DISQUE. I can not tell you the names. They were officers of our division who were making surveys. One was Capt. Millar. I will say that one engineer was the engineer of the Simpson Logging Co., from Washington, asked because of the total impossibility of his having any interest. He went down and made a report. Capt. Harmon was another man from our own organization. Mr. Mark E. Reed sent his superintendent from the Simpson Logging Co. A. E. Hillier, a man from up in the State of Washington, who probably did not know anybody around Toledo, was another. We were trying to get an impartial report.

Then, after doing all of this getting that route picked out, the people of Toledo again sent a delegation up here and wanted us to go back over the subject. I asked Mr. Amos Benson to do that, just as a matter of leaving nothing undone, to be sure that we were correct. They promised to take him out and show him the feasible route to get over into the Siletz River from Toledo by going north. Mr. Benson is here in the city and can testify that he told me on his return that they took him out and walked him all day and ran into a mountain that you could not have climbed over with an inclined plane. Then he asked them where that route was, and they said, "Well, apparently, we have not found it." So he went back, and the next day, or the next night, they telephoned him at Newport and said, "Come over; we have another route," and he told them he had traveled over all the routes he was going over, and I certainly concurred in his action. They were trying to guess at a route to get us to build a railroad down there to help Toledo. That was the thought they had in mind. We were trying to get the spruce.

Mr. LEA. What did Mr. Miller have to do with that situation?

Mr. DISQUE. I do not know Mr. Miller.

Mr. LEA. The man who was a witness here the other day, who operated a railroad.

Mr. DISQUE. I think he was operating this little railroad down there when we first went in.

Mr. LEA. Was he connected with the mill at Toledo at that time?

Mr. DISQUE. I believe he was operating a small mill at Toledo.

Mr. LEA. And how near would this railroad that he wanted have come to his mill?

Mr. DISQUE. It ran right into it. That was the railroad that fed his mill.

Mr. MAGEE. Your mill is right next to his, is it not?

Mr. DISQUE. We did not have any mill at that time. The one we built was right next to his.

Mr. MAGEE. It would run right into yours, too?

Mr. DISQUE. Exactly.

Mr. LEA. So he would have made connections there.

Mr. MAGEE. I assume if they ran this road up it would have been the most feasible one, would it not?

Mr. DISQUE. As we found out the location of the spruce, and if the war had only lasted to the end of 1919, his route would have been worth nothing. We would have built for eight miles without justification.

Mr. MAGEE. I mean, if you could have got it you could have had a direct route?

Mr. DISQUE. No, we got into spruce by going in to the coast route much quicker than by going that way.

Mr. MAGEE. You have 26 miles, going up the coast route?

Mr. DISQUE. Oh, no; we get in the spruce going up the coast route in about five miles, I think.

Mr. MAGEE. I went over that route and I thought they told us 12 miles—

Mr. DISQUE. That road was not over $7\frac{1}{2}$ miles along the coast, and we were in spruce at least half the distance.

Mr. MAGEE. I mean, up to Otter Rock.

Mr. DISQUE. That is the one.

Mr. LEA. Can we not get the length of that railroad now?

Mr. DISQUE. Yes.

Mr. MAGEE. Then there was a rafting of 12 miles on top of that?

Mr. DISQUE. There was not any rafting on that line.

Mr. MAGEE. I mean, to get the logs down to where the mill was located.

Mr. DISQUE. Oh, no; we took them right over the road to the mill. There was not any rafting on the northern. That was the southern. Nobody in this investigation ever said that, nobody that could give competent evidence. The northern road including all its logging spurs was 10.83 miles.

Mr. LEA. Is that road completed for that distance, or not?

Mr. DISQUE. No, there was 1 mile and seven-tenths of that not completed.

Mr. MAGEE. Do I understand that over that road you said you get logs to your Toledo mill without putting them in the water?

Mr. DISQUE. Yes.

Mr. LEA. How?

Mr. DISQUE. That road connected with the Southern Pacific branch at Yaquina. It was just a few miles west of Toledo, and the Yaquina-Toledo section of that road was used once a day by trains of the Southern Pacific, I believe, and we had already entered into arrangements for trackage rights over that portion.

Mr. MAGEE. As I remember it, we went up from Newport and got on this road, and then rode up towards Otter Rock, and then went back on the spur; then came back and came down to the water and rode up around the water there two or three miles, or just a short distance, where a big trestle goes out into the water, and they told us that the logs go up there where they had a boom, and then they rafted to the Toledo plant. That is what they told us. Is not that what you understood, Mr. Lea?

Mr. LEA. That is what I understood. I think you are confusing the road north of Toledo with the coast road. I may be mistaken.

Mr. DISQUE. No. The logs from the operations north were to have come in by rail. They had physical connection right there.

Mr. MAGEE. That is impossible, I think. That ought to be a matter over which there could be no dispute, and it ought to be straightened out. If you will read Mr. Miller's evidence, and I think Mr. Morgan's evidence, I think you will see what I mean. I assume the men down there—we were in charge of Lieut. Patterson, the supervisor of the district, and Mr. Lawson—knew the situation, and I had the same impression that Mr. Lea got, and we rode over the line.

Mr. DISQUE. I do not know either of those folks. I do not know whether they were there when we were operating or had any knowledge of what we were contemplating doing.

Mr. MAGEE. But the road is constructed up around the water; that connects with a trestle. I do not know whether you call it a river or a bay; that connects with a trestle.

Mr. DISQUE. I will say here that the people you have just mentioned, Mr. Magee, do not know anything about this situation as it was planned and worked out during the war. They are new people, probably, or else were subordinates.

Mr. MAGEE. No; I am only speaking of the road as built. We went down and went over it, and we were under the charge of your people there, and it would seem as if they ought to know what the fact is.

Mr. DISQUE. I do not know who you were in charge of.

Mr. MAGEE. The district supervisor.

Mr. DISQUE. I will say that the physical connection of the north line with the southern railway permitted the logs to be hauled to our Toledo mill by rail, and I certainly had to get the idea as to how it was going to be done.

Mr. MAGEE. There was a great big trestle built up in the water.

Mr. DISQUE. That is to go to the Alsea track.

Mr. MAGEE. There are two of them, one on each side.

Mr. DISQUE. To afford a ramp for the railroad to go out to get on the ferry, because of the shallow water and tide movement. Mr. Holland, who is district supervisor down there, is in the room, and he can cover that subject if you desire.

Mr. H. H. HOLLAND. As we came down from Toledo, we came by boat, and I showed you the tie-up grounds above the Yaquina.

Mr. MAGEE. We took an automobile and went through the village, over a plank road a mile and a half or two miles, and found a platform up there. Then we got on the freight car with an engine and went up along the coast, up toward Otter Rock?

Mr. HOLLAND. Yes.

Mr. MAGEE. And then there was a spur that went toward the mountain?

Mr. HOLLAND. Yes.

Mr. MAGEE. And we went up that spur, and then we came back down over the same line when we got down to the starting point; we got down to the water. Is that Yaquina Bay? Then we went up around the water. Then it runs up around the water in a semi-circle up to a trestle, which we saw Sunday when we came up from the Blodgett tract. I understood that the logs coming from over

that road ~~and down over~~ this track to this water, went out on the trestle and were dumped.

Mr. HOLLAND. To be dumped thereon that side. The logs on the north side had a separate boom, and then the other pier came from the other side, and the logs were boomed and rafted. Then they were towed up to Toledo, and the idea was to get them up there.

Mr. MAGEE. That is the point exactly. In a case of getting out logs they were brought down over this railroad to the trestle and thrown into the water there where the pier was and then towed to the Toledo mill, a distance of 12 miles?

Mr. HOLLAND. Yes. You could, however, on the north line have taken the logs straight through on the C. & E. Railroad up to Toledo and dumped in the pond right there in the depot sloughs, where the other logs were that you saw dumped there.

Mr. MAGEE. If that was the plan, then there would be no necessity of building this road up to—what is it called, the bay?

Mr. HOLLAND. You had to build that road to get the physical connection with the C. & E. Your main line to the C. & E. ended at Yaquina. We made physical connection with that road and built that road up to a point 11 or 12 miles. It is about $3\frac{1}{2}$ miles up to that point on the railroad where you got the train that morning. It is $3\frac{1}{2}$ miles from Yaquina, you afterwards came down over that, a part of it.

Mr. MAGEE. Was it your intention to use the water at all in getting your logs to the Toledo mill?

Mr. HOLLAND. Yes; it could be done either way.

Mr. MAGEE. What was the intention of the company, and if that was not the intention, what was the purpose of building the road and trestle?

Mr. HOLLAND. You mean, coming around the bay?

Mr. MAGEE. Yes.

Mr. HOLLAND. The physical connection is worth more than the cost. There was always the chance of taking logs up on regular logging cars if you could produce logs faster than they could be cut up.

Mr. MAGEE. They had some logs cut up there.

Mr. HOLLAND. The logs that came over the north line; I do not know whether they are putting them into the water at Yaquina or taking them over this road. I know there we saw them.

Mr. MAGEE. They went around Yaquina Bay and onto the trestle and were then thrown into the water. They never took any logs over the Southern Pacific?

Mr. HOLLAND. No; it was only possible in case of rough water.

Mr. LEA. Then I guess we have gotten this straightened out beyond question. There is a railroad connection from the north coast line to the Toledo mill owned by the Spruce Production Corporation, and there is also—

Mr. MAGEE. As I understood Mr. Holland, he said there is a possibility of a connection with the Southern Pacific at Yaquina.

Mr. HOLLAND. There is a physical connection there.

Mr. LEA. So there is both rail and water connection along the bay there, as far as that is concerned. About how far south from the Toledo mill where you strike the Southern Pacific; how far did you use the Southern Pacific?

Mr. DISQUE. How far would we use the Southern Pacific?

Mr. LEA. Yes. Maybe Mr. Harrington can give you that.

Mr. HARRINGTON. About 8 miles.

Mr. LEA. And the Government road does not connect with Toledo, but with the Southern Pacific, which goes through Toledo?

Mr. DISQUE. The Southern Pacific, which passes right by Toledo and has a log boom right at the mill pond.

Mr. LEA. Now, will you go ahead with your explanation?

Mr. DISQUE. This may should be introduced, I think, as an exhibit to the committee's report, and is necessary to an understanding of this situation.

Mr. MAGEE. All right; that can be marked.

(The map above referred to was marked "Exhibit 12, Disque, September 5, 1919.")

Mr. DISQUE. This railroad that runs north is the Miller Road [indicating on map]. Here is a ridge running north and south at a point that is probably 7 or 8 miles above the river here. The ridge is defined by the numbers 23, 14, 11, 2, 35, 26, 23, and 14, and I will include it in a red loop. That is approximately the line of the ridge. Then this ridge had a point going to the west like that [indicating]. We determined after thorough surveys that it was not practicable to put a railroad along the east side of the ridge. Our information led us to believe, and we confirmed it subsequently, that spruce did not exist in the area east of the ridge until we reach section 25, except in such small quantities as not to justify any development that included railroads. We found approximately 150,000,000 feet of good spruce in the area west of the ridge between the coast and south of the Otter Rock Ridge.

Mr. MAGEE. One hundred and fifty million?

Mr. DISQUE. Approximately 150,000,000 feet.

Mr. MAGEE. I think that is what Mr. Morgan testified to.

Mr. LEA. He said one hundred and fifty or one hundred and sixty million.

Mr. DISQUE. We found we could not build a road east of the ridge at a reasonable cost, and after personal examination by myself and by engineers, that plan was abandoned. We found we could build a road from Yaquina north of Newport toward the coast and it would reach spruce of good quality at the end of the first 9 miles, and from there on for the next 3½ miles up past through what had been cruised and reported to be 150,000,000 feet of the quality of logs that we were interested in. We also found by surveys that we could cross along this north and south ridge first described here by going through from section 34 into section 26 and then descending down into the Jaybird Creek, through section 25 which, according to our cruises, began again a spruce area which followed the Siletz River to the north.

At this time and for 1919 we were not interested in anything north of the Otter Rock Ridge, and there was enough spruce west of the ridge, between that and the coast, to take care of our requirements. Now, there has been much talk to this committee about this eastern route, or the route north from Toledo. Let me show here; I have underlined in red the property which the principal witness, Mr. Pendleton, is interested in. You see that it lies east of the ridge. Only the people of Toledo wanted this timber to come out through

their town. It meant developing that harbor, it meant improving their properties, and is a laudable thing, of course, for any community to have in mind, but certainly not a thing for Government officials, under a war program, to consider.

Mr. MAGEE. Where was this possible connection with the Southern Pacific that you have been talking about?

Mr. DISQUE. Where was it?

Mr. MAGEE. Where is it?

Mr. DISQUE. Right at Yaquina. Locomotives have passed very many times from one to the other. That is the way we got our locomotives on that line. I have ridden right straight over it.

Mr. MAGEE. That comes up where, to Toledo?

Mr. DISQUE. Toledo is over here [indicating]. Here is the Southern Pacific. It stopped there [indicating]. We hook right onto it and go on up that way [indicating].

Mr. LEA. Now, did any of these engineers associated with the Spruce Production Corporation, or any practical loggers, make any reports to you as to the feasibility of these routes?

Mr. DISQUE. I had several reports.

Mr. LEA. Have you any with you?

Mr. DISQUE. I have.

Mr. LEA. Whose report have you?

Mr. DISQUE. I would like to read the report of Mr. Amos Benson, a man who had retired from the logging business, having made a success of it, and acknowledged in the community as a successful and experienced logger.

Mr. LEA. His residence is here at Portland?

Mr. DISQUE. Portland, Oreg. In a letter addressed to me on June 5 he says:

Monday morning, June 3, in company with Messrs. Morgan Hall and Derrick representing Siletz and Toledo people, Pvt. Ingram, whom I understand accompanied the party at request of Siletz people, and Messrs. A. J. McDonald, William Frost, two cruisers and loggers at my request and myself examined the proposed route for railroad connecting with Miller's railroad to Siletz River near tide water.

Their main contention was: This would be a direct and short route and in Spruce nearly all the distance.

I found they had not made any careful, intelligent examination of the ground from an engineering or logging standpoint, and the road would be impossible to build.

Starting from end of Miller's road at elevation of 230 feet it would need to raise to elevation 400 feet in three-quarters of a mile, then drop to elevation 200 feet on Siletz prairie, then raise to elevation 550 feet and drop to elevation 120 feet on Ludson's prairie, then raise to elevation 300 feet to cross ridge between Siletz and Jaybird, then it would take all the distance left to get down between there and mouth of Jaybird.

Between the 550-foot pass and 120-foot elevation there is not distance enough to get down on any grade that would be practical.

As to being in spruce all the way, it would not be in spruce any of the way. There is very little spruce between Siletz River and Jaybird Ridge, excepting probably 25,000,000 feet at head of Dewey Creek near top of main ridge, which could be taken over to ocean side of main ridge.

Tuesday Mr. Cobb, who is chief locating engineer here, and Messrs. McDonald and Frost examined Spencer Creek from top down. I did not accompany them, as I was sick. Mr. Cobb reports a very cheap line can be built down Speneer Creek.

All three report a large body of the finest spruce they have yet seen north of Yaquina, on head of Spencer Creek. At least 50,000,000 commercial cruise, on north fork of Spencer Creek.

Wednesday Messrs. Cobb, McDonald, Frost, and myself started at head of Jaybird Creek and run a reconnaissance down Jaybird. We found that it would be impractical, as the country is too rough.

Jaybird has a large amount of good spruce timber—probably 60,000,000 commercial cruise of good quality, but the average quality is not better than on ocean side of main ridge.

From what I have seen of this north country I have come to the conclusion that the spruce lays in three separate units that portion south of Otter Rock Ridge and west of main ridge, unit No. 1, North of Otter Rock Ridge and west of main ridge and south of Siletz Bay, unit No. 2. On Siletz River and east of main ridge, unit 3.

Unit No. 1 has largest amount of spruce, the best of which is as good as any in the Alsea or Siletz district.

I might say that Mr. Benson had also put in the Alsea.

Mr. MAGEE. Is he an engineer?

Mr. DISQUE. He is a logger, including every phase of it.

Mr. MAGEE. Not a civil engineer?

Mr. DISQUE. I do not know about that, but he is a man who has been handling logging operations, every activity connected with it.

Mr. LEA. Is he the son of the man who owns this hotel over here?

Mr. DISQUE. Yes.

Mr. LEA. How old a man is he?

Mr. DISQUE. About 40 or 42.

If a road is to be built from Toledo to tide water on the Siletz River it will have to follow down Siletz River all the way. About 18 miles of new construction and no spruce along same. I am convinced there is not enough spruce in Siletz River to justify this expenditure.

We have examined Spencer Creek and Rock Creek and can get a good line and not be out of spruce; in fact, if main line does not go this way it will be necessary to build branch lines to get spruce there, anyway. This would connect units No. 1 and No. 2. This road could be built along ocean to Siletz Bay and branch lines off same up adjoining creeks would tap all the spruce west of main ridge.

Then you could take machinery on scows up to head of tidewater on Siletz River about 18 miles to Big Bend and build cheap railroad up Jaybird Creek and adjoining creeks. And dump logs into water and tow or float them down to Kernville, head of Siletz Bay, and reload them on railroad and bring them down coast to Yaquina. This would avoid building a lot of dead line down Siletz River from Toledo, and this coast line has to be built, anyway, to get spruce on ocean side of main ridge.

Friday we are going to examine into feasibility of getting main line over 450 feet pass over Otter Rock Ridge so as to shorten main line. But if we find this impractical we know we can go up Spencer Creek and down Rock Creek.

Mr. Cobb had his preliminary line finished from Yaquina to Molack Creek (the first creek that has spruce), and it is $8\frac{1}{2}$ miles long.

Therefore, I would recommend that you proceed to build the coast line from Yaquina north at once while the good weather is on. And there is plenty of spruce in unit No. 1 to justify that expenditure if you went no further. This unit No. 1 can not go out any other way.

As to tree spotting and scaling at Toledo, and other operating and construction details in this district, I have not give them any attention at all, as I have devoted my entire time here trying to get the proper route picked out. So that after you get started you will have a practical operation.

Mr. MAGEE. As I understand, your line up along the coast, or rather up along the coast there isn't any spruce of any account there, to get into the spruce, as suggested in his communication, you have to angle off to the east?

Mr. DISQUE. His letter says that we get into spruce right here at Molack Creek.

Mr. MAGEE. You mean up along the coast road?

Mr. DISQUE. Yes; that is along the coast road.

Mr. MAGEE. I rode over it and I didn't see any, did you?

Mr. LEA. Where is that?

Mr. MAGEE. The coast road, right along the road we went over, on a spur, I guess a mile or 2 miles, up to a logging camp where there was some spruce. But I did not observe any spruce along the line of the road.

Mr. DISQUE. You will not find spruce fit for our purpose that close to the sea. Here is Molack Creek, the beginning of the spruce [indicating].

Mr. MAGEE. You ran your spurs in?

Mr. DISQUE. Like herring bones, in this direction.

Mr. LEA. The first of any quantity that we saw was where they were logging up there.

Mr. MAGEE. On that spur, a 7 per cent grade?

Mr. LEA. That is a 6 per cent grade.

Mr. DISQUE. That is the first place.

Mr. MAGEE. I thought that was grade enough so that if a train ever got loose it would not stop until it got into the Pacific Ocean.

Mr. LEA. Molack Creek is about how far from the end of this railroad up the coast?

Mr. DISQUE. From the end of it?

Mr. LEA. Yes.

Mr. DISQUE. About $3\frac{1}{2}$ miles.

Mr. MAGEE. I think it would be well to put that map in evidence. It is a pretty good map, it is the best map I have seen of the general location there.

Mr. LEA. That map is in evidence?

Mr. DISQUE. Yes, put that right in as an exhibit.

Mr. LEA. Have you a report of anyone else there?

Mr. DISQUE. On this northern route?

Mr. LEA. Yes. Now, Mr. Disque, did you see the report of A. E. Hillier on the examination of the Siletz River project of the Spruce Production Division?

Mr. DISQUE. I did. I was just looking for it here. Is that it?

Mr. LEA. Yes [handing document to witness].

Mr. DISQUE. Yes, I had that, or one like it in my hand just a minute ago.

Mr. LEA. I do not want you to read it all, but you can refer to some of the main features and we will put it in evidence. In the first place, who is Mr. Hillier and what is his experience and ability in this connection?

Mr. DISQUE. Mr. Hillier was at that time superintendent of the Simpson Logging Co.

Mr. MAGEE. Was he the one that you said Mr. Reed sent down?

Mr. DISQUE. Yes.

Mr. MAGEE. Is Mr. Reed connected with the Simpson Co.?

Mr. DISQUE. Mr. Reed is president of the Simpson Logging Co., and was one of the members of my advisory committee.

Mr. MAGEE. This is his superintendent?

Mr. DISQUE. This is his logging superintendent, whom he sent down there in order that he might have an intelligent idea of his

own when it came to vote on this problem. It was to assist Mr. Reed in giving his judgment, and he gave me a copy of the report.

Following you will please find the report on the Siletz River project of the Spruce Production Division of the United States Signal Corps, as per order received on the 8th instant. I found on examination that there were several features to be taken into consideration and on this account the report is more extensive than might have been expected.

The project under consideration is the advisability of building a railroad to take all the available spruce timber in townships 8, 9, and 10 south, range 11, and township 9 south, range 10, all west of the Willamette meridian, comprising that territory confined between the watersheds of the Siletz and Yaquina Rivers in proximity to the coast line.

The topography of this country is generally rough and broken. There is one main ridge starting in the south at the approximate center of townships 10-11, running practically due north through the center of 9-11, and from this ridge spurs run out on the west side to the coast and on the east side to the Siletz River, and between these spur ridges are small creeks. These ridges are not high, running from 300 to 700 feet in elevation, but they are extremely steep and the formation being of clay and soapstone makes a very unsatisfactory roadbed. There have been two preliminary surveys made in regard to opening up this territory for the production of spruce; one is known as the high line, the project of Mr. Von Arsdale, and the other the coast line, which is favored by the engineer in chief of this district, Mr. Cobb. It will be understood that it was impossible to make a close examination of this district in the time allowed, and on this account only the main features will be taken into consideration.

The high line as conceived and shown on the map here inclosed was to climb up on to this main ridge regardless of grades and alignment to procure an uphill haul for the timber tributary to it, with the idea of building branches west and east on these spur ridges as necessity required to reach the timber. Unfortunately the spruce does not lie on these ridges, but on the lower slopes and in the bottoms, and in many places it would require a mile of branch line to reach any considerable body of spruce. The necessities of the Government, as explained to me, require the full development of this territory in the least possible time and they desire to reach a daily output of 400,000 feet. This, as you know, is a large amount of timber to handle and requires a good roadbed and very fair alignment to be able to consistently operate without wrecks and breakdowns. I find on examination of this high line that the grades would be at least 5 per cent curvature in many places in excess of 40° and a line in general, that might answer the requirements of a two-sided camp, but under no consideration could it be regarded as a main line. The map inclosed with this report shows the locality and area of the spruce as given to me by their cruisers and engineers. In this it will be seen that practically all of the spruce lies west of the main ridge, except the timber lying along the Siletz River which will be considered later. The Spruce Production Division, United States Signal Corps, has extended a railroad line from Depoe Slough south to Toledo, and is at the present time operating two camps in section 24, 10-11, and expect to get all the spruce in sections 13, 14, 23, 24, 26, and 25 in this present high line.

A very fair explanation of this proposed high line would be to say that it would resemble very closely that line built by your company on the side hill in sections 10 and 15, 21-5, from Camp No. 2. The slopes would be approximately the same, and if anything the curvature would be more excessive; construction in volume would be very hard to maintain, and the feasibility of landing logs, ground-yarding, is very much to be questioned. In conclusion there would be no future for this road other than a logging road for this timber in this district only. In comparing this with the coast line later it will be borne in mind that the spur ridges running west would drop off in many places 4 per cent to 5 per cent, the construction would be the same in character as the main ridge, and the timber when loaded would have to be hauled up excessive grades.

In favor of this high line several points can be made; one feature being that they now are in spruce timber, and in a broad sense would continue to be so, and that they would have up-hill yarding.

Without digressing, I would like to point out that the difference in logging uphill and downhill in selective logging is not so great as if the whole tract was being handled. In selective logging, and in this locality especially, four

trees per acre would be a high average and, on this account logs would not necessarily run on a slope, as there would be no roads broken, the amount of trash pulled down to your donkey would be negligible. It would have to be ground yarding, it being impossible to use a high lead, and there are several points that Mr. Von Arsdale has brought up in this matter that I do not think should carry weight. As for instance, he claims that in yarding uphill, it would be much easier for the crew, as all lines would be run downhill. We surely must admit that in running out a straw line, or, without a straw line, a haulback, that it is immaterial where you take it, it has to be returned to the donkey before operations can commence; if you have to haul it down hill it must be hauled back up again, and if up, then down again to the donkey. This should not be taken as an argument in favor of downhill logging as it is conceded that uphill gives far more satisfactory results, but I do contend that in selective logging the difference is not so noticeable and is not great enough to compel construction of a main line in a locality where it is impossible to handle logs in volume.

In considering the coast line in relation to the high line, I should judge that the cost of construction per mile would be approximately the same. The cuts and fills, also bridging, may be a little heavier, but it is more accessible and can be carried on at as many different points as desired. There is a passable wagon road to the mouth of the Siletz that can be utilized for the transportation of material, supplies, etc., and a larger volume of work can be carried on at one time without interfering with the separate localities.

It is conceded that 8½ miles would have to be built before timber would be reached on this route (but bearing in mind that the Toledo Branch will be a producer for the next three months), this would take the line to a point on the map to a creek marked "Schooner." From there to the divide between Spencer and Rock Creek, which is marked 13½ miles, a large amount of spruce would be available. The several creeks marked between this area are small and very sluggish. They all have a fair-sized basin and apparently they gradually raise from 1 per cent to 3 per cent. These creeks could all be made quickly available to the road by building branch lines, although it is admitted that on nearly all of these creeks the timber of the first one-half mile is of too low a grade to meet the requirements of the Spruce Production Board's specifications. It is the intention of the engineers to build up these creeks. With this I do not agree, but would recommend holding on the high land wherever it is feasible and climb the ridges wherever possible and in this way get uphill logging, but taking the loaded cars down a 5 per cent grade in preference to hauling them up on the high line.

The contention of Mr. Van Arsdale that this road would have no future value is not justified by the facts at hand. By continuing the road from the Spencer Creek divide north to Kernville at the mouth of the Siletz River a vast amount of timber would be tributary to it. The Siletz River is a splendid logging stream and from all reports available is beautifully timbered. Tidewater extends back about 18 miles to Moury, in section 1, 9-11 and a boat drawing 6 feet of water can work at this point on the tide. Siletz Bay is shallow and not accessible to large ships, while Yaquina Bay on the contrary has possibilities of a deep-water harbor, and logs milled at Siletz Bay shipped over this proposed coast line would have the benefit of water transportation from Newport and interior markets east over the Corvallis & Eastern Railroad, of which this coast line would be a continuation.

The grades and alignment of this coast line are very fair and according to the figures given me by chief engineer, Mr. Cobb, would be less than 3 per cent, with a maximum of 16° of curvature. It is claimed that the first 8 miles to Schooner Creek will be in operation in 90 days.

If this road is considered purely as a logging road it is admitted that the initial cost is considerably higher than would be considered for a purely commercial enterprise. The length of the line would be approximately 27 miles and the estimated cost per mile \$30,000, making a total cost of the main line with the necessary switches, and without considering branch lines, of approximately \$900,000, but, as a matter of fact, it should be considered as an extension of the Corvallis & Eastern and as such I think would ultimately be a paying proposition. When it is considered that the spruce timber that the Government demands at this time is just as accessible to this road as the high line, that the cost of construction would be no more and that the output in volume will be more quickly reached, I earnestly recommend the building of this so-called coast route.

In regard to the timber in this area there is no question but that they are in a spruce belt, but the data at hand in regard to the amount, grades, etc., is wholly unsatisfactory. No systematic effort appears to have been made to determine the grades and volume suitable for airplane construction. The estimates have generally been taken from commercial cruises, which, of course, takes in everything, and I was unable to find any reliable data. In the limited time I spent in this locality I went over the high line into Jaybird Creek, down the Siletz to its mouth, back south along the coast, up Spencer 2 miles, went up Cold Creek and, while I saw a large amount of spruce, it is undoubtedly overmatured, very large, and low grade. The amount is variously estimated from two hundred to four hundred million and if from the 1st of February they have been unable to determine the amount it's an impossibility for me to try in a four or five day reconnaissance. I saw some very fine spruce on this tract mingler with a lot that was of low grade. The whole body can be considered tide-water spruce and there is no difference in quality between that lying east of the main ridge in Jay Bird Creek and on the Siletz than of that within a mile of the beach. There is good, bad, and indifferent amongst it all and of the whole body I should judge that of the standing spruce timber 75 per cent will be cut; of this 45 per cent will be realized in cants. There is also some beautiful old-growth yellow fir timber on the main ridge, notably in sections 26 and 35, 9-11 and 1, 2, 11, and 12, 10-11 that would make airplane stock. It is very long and clean, tight grain, and not overly large, averaging 50 inches at butt, and I have no doubt but that 25,000,000 feet of select airplane stock can be realized from this area as quoted.

I strongly recommend that the coast route be followed and built to the summit of the divide between Rock Creek and Spencer Creek, that branch lines be built into the timber east into the spruce area and developed as required. There is undoubtedly room for four or five separate camps in this locality that could get into action very rapidly, and I earnestly recommend that it be blocked out for separate individual contracts, estimates made on the amount available to each creek, that the topography be taken and some facts and figures be obtained to ascertain the amount of railroad construction that each one of these creeks should bear. It is unreasonable to expect the field force to put these branch lines in economically without knowing the volume of traffic expected to come over it, as a good deal cheaper line, heavier grades and more curvatures can be stubbed in for five million than for fifty, and I regret to say that I was unable to find any reliable data in regard to the amount of timber tributary to these creeks. These branches can all be built far enough east to reach to the top of the divide and over if necessary and by all means the fir airplane stock should be taken out with the spruce, as it is of fine grade, would make more timber tributary to a setting and lessen the cost of operation.

I recommend that the second unit to the mouth of the Siletz River be built and time taken to get the best possible location, that the country be blocked out and cruised, so that the branch lines will be built on locations most suitable for logging.

There is a new mill, just finished, at Kernville, mouth of the Siletz River, engage in cutting select spruce; it has a capacity of 50,000 per day and seems to be a very fair plant. They have a logging camp 1 mile above Maury and are dumping logs into the river with one donkey and sending them down on the tide, a distance of 16 miles.

There are several splendid chances to log into the river and there is no reason why there should not be twenty or thirty million feet in logs waiting for transportation when the road is completed. Machinery can be taken in this summer, pocket booms driven along the river and development started on a large scale. There is a good wagon road from Toledo to Mahoney's on the Siletz River in section 31, 8-10 and a truck can deliver supplies as desired. The river bottom is well settled and vegetables and meat can be produced in large quantities. While there is no question of the railroad building capacity of the organization established at Newport, known as the Warren Spruce Co., there is much to be desired in the handling of logs. In railroad construction they have a very capable body of men at the head, and while they can not build as cheaply as under private administration they are doing all that humans can do under the circumstances. They are badly hampered by red tape and inefficient officers although there are some very efficient men on the staff, but they are too few and it is a pity that more capable men are not sent there. Officers are in charge that have had absolutely no experience in railroad construction

or logging and when there are so many good men in the service it seems a pity that they are not better distributed.

If the logging camp located at Toledo and known as 3A is going to be a fair sample of the logging in this territory, it will be expensive and also a long time before maximum production is reached. The supply or purchasing department must be inefficient, as supplies are there in larger quantities than can be utilized and what is absolutely necessary is overlooked. As for instance, they are logging lare spruce and there is in stock 600 feet of 7/8-8 cut up in 20-foot lengths and shipped from Portland, out, for chockers. They are running two sides, 6-mile haul on the railroad, and have eight logging trucks to take care of the output. Building a 64-foot sled for a yarder and structurally weak at that.

It will be borne in mind that this examination was short and that means may have been taken to remedy these conditions, but one fact stands out clearly in all the operations in this district and that is that it is impossible to superintend the Siletz district from Portland as it is to run the Portland office from Washington, D. C.

I wish to report that every endeavor was made to facilitate my examination of this tract and that I received every courtesy that was possible and the co-operation of everyone in charge.

Trusting that this will give you the information requested in your order and prove satisfactory, I beg to remain,

Very respectfully,

A. E. HILLIER.

Mr. LEA. To what location does that refer?

Mr. DISQUE. To Jaybird Creek.

Mr. MAGEE. I suppose the only question, as I see it here, is whether it was feasible to get up from Toledo over this Miller line of road which you have described here?

Mr. DISQUE. The big question was if there was timber along here [indicating]. We would have preferred to have done it if construction was possible.

Mr. MAGEE. I say, it seems to me the only question is whether that was feasible?

Mr. DISQUE. Yes.

Mr. MAGEE. Because most of the timber is on the east side of the mountain.

Mr. DISQUE. Most of it is on the west.

Mr. MAGEE. The spruce?

Mr. DISQUE. Yes.

Mr. MAGEE. All the spruce is east, is it not, of this divide?

Mr. DISQUE. No.

Mr. MAGEE. I thought you said there was 150,000,000 on this side?

Mr. DISQUE. Yes; nothing over here to speak of [indicating].

Mr. MAGEE. And as I understood, on the other side, on the east side, according to the testimony of Mr. Morgan, I think it was, there was something like 550,000,000, as I remember it.

Mr. DISQUE. We have read these two statements of disinterested people, and I have been over that. There is no spruce in here to speak of that we could possibly touch. In here there is, after we get over this ridge.

Mr. MAGEE. That is east, is it not. However it may be, it is east of this mountain or ridge, or whatever you call it?

Mr. DISQUE. It is west of the ridge. Here is the ridge. The spruce that we were after was west of it.

Mr. MAGEE. How much do you claim was west of the ridge?

Mr. DISQUE. One hundred and fifty million feet.

Mr. MAGEE. That is what they said. Now, how much do you claim is east?

Mr. DISQUE. We do not know, and I do not think anybody does.

Mr. MAGEE. That is the point. They claim 550,000,000, as I recall, was east. In other words, they claim the bulk of the spruce is east, and that is the point. Now, assuming that the bulk of the spruce is east of the ridge and it was feasible to extend this Miller route, I presume that would have been the—

Mr. DISQUE. Yes, if the spruce was east, but it is not.

Mr. MAGEE. I am assuming that and trying to get at the facts if I can.

Mr. DISQUE. I intended to convey to you, Mr. Magee, that the spruce was east of the road, all right, but so far north that it would be farther north than we were interested in. There might have been a billion feet up in here. We had enough to satisfy us in there, so why build a road clear up into this country when we only had to go here to get it.

Mr. MAGEE. You mean you were after only the 150,000,000 feet?

Mr. DISQUE. That was enough for that year. Next year we would have been surveying and making our cruises and may have gone on. We were prepared to go on from that line with the least possible cost.

Mr. LEA. As I remember Mr. Morgan's testimony he said he had made some cruises of it here, but the body of this spruce in the Siletz is toward the northerly end, toward the tidewater.

Mr. DISQUE. Yes.

Mr. LEA. While it was said that there was 700,000,000 feet in this area we did not get it definitely located, except as Mr. Magee suggests, it was testified by Mr. Morgan that there was 150,000,000 to 160,000,000 feet on this area here.

Mr. MAGEE. There does not appear to be any difference there.

Mr. DISQUE. I do not know.

Mr. LEA. The other, he claimed, was on the other side, but he did not locate it.

Mr. MAGEE. I was simply assuming that if there was 550,000,000 feet east of the ridge and it was desirable to get at it, and it was feasible to extend this road, that would be the practical route.

Mr. DISQUE. We probably would have done that. I will say for your benefit that the cruises are printed upon this map, showing the amount of fir and spruce in each one of these sections, and it is a simple matter for anybody to find out how much spruce there is east of the ridge, west of it, north of it, by adding up those figures.

Mr. MAGEE. Suppose you extended this route here—I do not know what they call this road, what do they call it, the Miller road?

Mr. DISQUE. It has several names.

Mr. MAGEE. The Miller-Fischer road. Suppose that road was extended up into the spruce east of the ridge, what would be the length of the railroad?

Mr. DISQUE. We would have gone 10 miles before getting what they say is good spruce.

Mr. MAGEE. That is, you mean extending the road 10 miles.

Mr. DISQUE. We would have added 10 miles onto that line.

Mr. MAGEE. That line is now what?

Mr. DISQUE. About six.

Mr. MAGEE. It would make about 16 miles?

Mr. DISQUE. It would make about 16 miles before we would have gotten into what is reported to be good spruce. We do not know whether it is or not.

Mr. MAGEE. How much road would you have around the other way?

Mr. DISQUE. The other way we get into the spruce in $8\frac{1}{2}$ miles, that is, construction that was not one-fourth as difficult.

Mr. MAGEE. I mean if you went to the same place.

Mr. DISQUE. What same place?

Mr. MAGEE. Went over the ridge to get east of the ridge, if you wanted to get that spruce out east of the ridge and you went up the coast line how many miles of road would you have had?

Mr. DISQUE. To the same point it is 20 miles from Yaquina.

Mr. MAGEE. Then, from the Yaquina to Toledo how many?

Mr. DISQUE. From Yaquina to Toledo, 8.

Mr. MAGEE. That would be 28 as against 16 miles.

Mr. DISQUE. Yes; but it did not get you any place. There is no object in being there and you could not build a road up here anyway.

Mr. MAGEE. I was only assuming that the spruce was there and you wanted to get there. I do not know anything about it.

Mr. DISQUE. If we could have built along the east side of the ridge it would be the reasonable thing to do.

Mr. MAGEE. That is how it looked to me, if it was possible. It seems to me the only question here is whether it was to extend that Miller-Fischer road.

Mr. LEA. Now, do you have any other report there?

Mr. DISQUE. No, I have not on that. Mr. Magee, in connection with building that line; to have built the road east of the ridge, if you would walk along there. probably, instead of being 16 miles, as I told you, it would be probably 40, because you would be running back and forth, looping around the road. It its just like folding up a string and pulling it out.

Mr. MAGEE. I suppose it is an engineering problem.

Mr. DISQUE. Yes.

Mr. LEA. Now, is there anything else on this particular feature that you wanted to say.

Mr. DISQUE. I do not believe so.

Mr. LEA. Now, we will go to the question south of the bay. What was the necessity and justification for the building of the road south?

Mr. MAGEE. I do not think you showed what the cost of this road was.

Mr. LEA. Yes; the cost of this road; have you the figures available?

Mr. DISQUE. I think that statement has been introduced.

Mr. MAGEE. I do not recall it.

Mr. DISQUE. The general composite statement includes it, and I have no other copy here.

Mr. MAGEE. Well, how many miles of road were constructed, and what was the cost?

Mr. DISQUE. Do you want me to read that?

Mr. LEA. Yes, if you will give the facts there. What is the number of this railroad, to begin with?

Mr. DISQUE. No. 11.

Mr. LEA. How long, including all the spurs that were run off to the east, off up the various creeks?

Mr. DISQUE. Fifteen and sixty-six hundredths miles; the construction—cost was \$1,443,931.29.

Mr. MAGEE. What does that figure per mile?

Mr. DISQUE. \$99,212. That includes, of course, the entire terminal facilities there at Yaquina.

Mr. LEA. What do those terminal facilities consist of?

Mr. DISQUE. Train yards and repair shops; all the terminal facilities. The ferry is not included, but the ramp and entrance to it; the log dump, also.

Mr. MAGEE. Can we get in there a little more specifically just what it includes?

Col. STEARNS. Those in detail, Mr. Magee, were put in the record in the statement that went in.

Mr. LEA. That is right; I forgot about that.

Mr. MAGEE. Have you got separated there what the cost of the terminals and the yards, etc., and what the cost of the railroad proper was?

Maj. CAMPBELL. Docks and wharves, \$20,000.

Mr. MAGEE. At Yaquina?

Maj. CAMPBELL. Yes.

Mr. MAGEE. I want to see if I can get an idea of what the road cost, if you can tell us.

Mr. LEA. \$100,000 a mile.

Col. STEARNS. Part of the trestles were there, too; \$277,000 worth of trestles on the road.

Mr. MAGEE. What would you say would be the fair approximate estimate of the cost of the railroad per mile? Give us an approximate statement, if you can.

Mr. DISQUE. I think it is proper to include that entire cost and divide it by the mileage. That is ninety-nine thousand, that is what it is.

Mr. MAGEE. \$99,000 per mile.

Mr. DISQUE. Terminals, that is a part of the road.

Col. STEARNS. That also included liquidation expenses, though, and things of that sort.

Mr. CAMPBELL. I think probably the road itself didn't cost over seventy or seventy-five.

Mr. MAGEE. Will you get me an estimate of the cost of terminals, exclusive of the railroad property?

Mr. DISQUE. I can get that for you.

Mr. CAMPBELL. I said I thought probably that with this extra expense out of there, that the railroad itself would average about seventy thousand to the mile.

Mr. MAGEE. About \$70,000 to the mile?

Mr. CAMPBELL. I will get you the figures.

Mr. LEA. That will be better. If that is all, we will go to the subject of the railroad to the Blodgett tract. I wish you would briefly tell us about the purchase of the Blodgett tract, the amount of timber there, and why it was purchased?

Mr. DISQUE. The Blodgett tract, down near Alsea Bay, had been reported to us by the Federal Forestry Department as one of the finest stands of spruce out on the coast. It had been investigated

by their lumber engineer, or logging engineer, and that had been followed up by the reports of Mr. Benson, who spent, I think, several weeks in it, and other cruisers, indicating that it was, probably, for its size and quality, the best stand on the west coast.

Mr. LEA. Have you that report here?

Mr. DISQUE. We have the report here of the Forestry Service, Mr. Nelson's report.

Mr. LEA. How much spruce was there in there, according to that report?

Mr. DISQUE. Approximately 250,000,000 feet.

Mr. LEA. And how much timber in all?

Mr. DISQUE. Approximately 1,000,000,000 feet of timber.

Mr. LEA. And what amount was paid for the purchase of that tract?

Mr. DISQUE. In speaking of it as the Blodgett tract, I think we can save confusion by including some smaller areas that were purchased with it, that were right there adjacent to it. We paid, my recollection, \$675,000.

Mr. LEA. For all the tracts?

Mr. DISQUE. Yes.

Mr. LEA. And when was that purchased?

Mr. MAGEE. How much was it?

Mr. DISQUE. Six hundred and seventy-five thousand. That was purchased some time after the armistice was signed, the exact date I do not know.

Mr. LEA. Now, the suggestion has been made before this committee that Mr. Blodgett was bluffed or overawed in parting with this property, or that it was not gotten in just the way it should have been gotten. I wish you would give us the information you have about that.

Mr. DISQUE. Why, our office tried, for some time before deciding to build a road down to that property, to get Mr. Blodgett interested, either jointly with the Government or alone, in developing his property.

Mr. LEA. You might let the reporter mark the Nelson report now. (The report above referred to was marked "Exhibit 13, Disque, Sept. 5, 1919," and is copied into the record, in full, as follows:)

REPORT ON ALSEA TRACT.

FEBRUARY 4, 1918.

An examination of the timber on the "Alsea tract" was made at the request of Col. P. Disque.

In making this examination I ran compass lines once or twice through each section studying the quality of the timber, paying special attention to the spruce. At the same time I determined the feasibility of logging and riving operations. The results are embodied in this report. In the short time allotted it was impossible to make a detailed examination of all of the area, and the results indicate the conditions on the portions actually gone over; the remainder of the area was assumed to be similar.

LOCATION OF TRACT.

The timber known as the Alsea Bay tract lies in township 14 south, ranges 11 and 12 west, between the Alsea and Yachats rivers. The drainage is in three general directions, north into Alsea Bay, south into the Yachats River, and

west into the Pacific Ocean. The streams flowing north and south drain only a small portion of the area, while those flowing into the ocean drain the largest portion.

ACCESSIBILITY.

The north boundary is 4 miles distant from Waldport, Oreg., a town on Alsea Bay, the nearest seaport. Waldport lies 16 miles south of Yaquina, Oreg., the coast terminus of the Corvallis & Eastern Railway, a branch of the Southern Pacific Railway. Freight from Waldport is transported in two ways, by small steamer or gasoline schooner from Columbia River points and Yaquina, and from the latter place by wagon or auto truck along the ocean beach, which at low tide is a very satisfactory road. Freight from Waldport is handled in the same manner. Passengers are transported by the beach route. South of Waldport the beach is used in lieu of a road. Two roads from Alsea Bay terminate about 2 miles north of the tract, but these are not of a character to be considered in connection with the removal of the timber.

AMOUNT OF TIMBER.

Several estimates or cruises of the timber have been made. The results of two of them show a difference of about 4 per cent in the total of all species and 5 per cent in the spruce volume. The amount of timber by species as shown in both estimates follows:

	Acres.	Spruce.	Fir.	Hemlock.	Cedar.	Total.
		<i>Feet.</i>	<i>Feet.</i>	<i>Feet.</i>	<i>Feet.</i>	<i>Feet.</i>
Cruise No. 1.....	12,801	316,770,000	236,520,000	218,720,000	270,000	822,280,000
Cruise No. 2.....	12,760	332,305,000	255,892,000	177,832,000	15,484,000	793,134,000

There is other timber outside of and adjacent to this area on which there is reported to be about 2,000,000 feet, making a total of 1,000,000,000 feet.

OWNERSHIP.

Of the above 12,000 acres Mr. Blodgett owns about 11,000 acres and the C. A. Smith Lumber Co. the remainder.

The area outside of the above tract that contains commercial timber is owned principally by individuals.

TRANSPORTATION FACILITIES.

Farm products, fish, lumber and other commodities in quantity must be shipped by small power schooners from Waldport. The depth of water on the bar at the entrance to Alsea Bay at low tide is reported to be from 6 to 8 feet and at high tide from 14 to 16 feet, probably the two low figures can be taken as being about right. This depth prohibits the operation of boats of large carrying capacity. During the time I was in the region the power schooner *E. F. Smith* was in port; the dimensions of the boat are length 65 feet, beam 20 feet, depth 7 feet. Lumber-carrying capacity was given at 60,000 feet. This boat is the same type and size as the other boats trading to this port. Freight is also hauled in wagons and auto trucks along the beach, but this requires ferrying the freight across two bays, making excessive handling costs.

POSSIBILITY OF INCREASING PRESENT TRANSPORTATION FACILITIES.

There is a possible means of increasing the capacity without increasing the number of boats, but shipments by water are limited by the weather conditions which may hold up shipping for a week at a time. The cost of rehandling on both ends of a route where the commodity must be loaded on a boat at one end and unloaded on a dock and then on cars is considerable and should be a factor in determining the relative merits of the possible means of increasing shipping facilities.

Shipment can be made by barges of greater length and beam but the same depth as that of the power schooners, and by this greater size a greater

carrying capacity can be obtained. Large tow boats can not get into the bay but barges could be towed across the bar by small boats and delivered to the large towboats outside. The barges now used in transporting lumber between the Columbia River and California or Alaska would be the best type to use.

MARKETING THE TIMBER.

In determining the possibility of marketing the timber several factors must be considered. The big problem is the transportation of the product. There are two ways of shipping—one by water and the other by rail. The form in which the timber is to be marketed must be considered as it can be marketed in the form of logs, lumber, and some of the spruce is rived stock. The annual output is another factor having a direct bearing on the matter.

RAILROADS.

To market the timber on the Alsea tract to the best advantage necessitates the construction of and operation of railroad from the coast terminus of the Corvallis & Eastern Railway. (S. P. Ry.) at Yaquina, Oreg., to the timber. This railroad should be considered as two roads, the portion from Yaquina to Waldport as the main line, and from Waldport to the timber as a logging road. To obtain a relatively steady and certain shipment of commodities out of and into the Alsea Bay region such a road is necessary—boats are too uncertain. The construction of the road from Yaquina to Waldport is not a difficult matter. The work would be light and any gradient desired could be obtained. Construction from Waldport to the timber is light. The distance from Yaquina to Waldport is approximately 18 miles, and from Waldport to the timber 4 miles. From the logging road spur lines will radiate into the timber. Tentative routes have been outlined but not included in the report as they have no bearing on the desirability of the timber. The railroad should be standard gauge using standard equipment. A narrow-gauge road could be built at a lower cost, but operating costs would be higher and reloading necessary. The annual output of the camp and the mill must be sufficiently large to furnish traffic enough for the railroad to operate without loss at a reasonable freight rate per 1,000 feet of lumber.

RAILROAD CONSTRUCTION.

The main-line construction would conform to lines of the same character. Construction of the logging spurs would be of a temporary character. The soil is as a rule of a clayey nature and will not stand up under traffic without ballast, and as the latter is scarce piling must be resorted to in a great many places. This class of construction is the cheapest in point of first cost and in maintenance under conditions obtaining on the area.

COST OF PRODUCT.

Marketing the timber in form of lumber will entail the conduction and operation of a sawmill. The location of this depends upon procuring a suitable site. If the mill was to be located on Alsea Bay a very desirable site is available. The lumber from the mill would be shipped to Yaquina on proposed railroad and from there on the Southern Pacific Railway. If the mill was located on Yaquina Bay the logs would be transported by proposed railroad to that point and the lumber shipped on the Southern Pacific Railway. If the timber was to be sold in the form of logs they could be hauled on proposed railroad to Yaquina and from there on the Southern Pacific Railway to the mills. The rived stock produced would be shipped under the same plan as for logs.

QUALITY OF STAND.

Spruce.—This species is old growth. The trees as a rule are large, tall, and well formed, very close grained and long fibred. The greater portion of the trees have root swellings, but not excessive—a few of them have a decided flare. The quality differs with locality—that on the north slopes and on upper benches is the best; south and west slopes and exposed ridges contain the poorest quality. Recently wind-thrown trees were examined and in some of them ground rot was found. Several broken top trees were seen which undoubtedly contained

a large per cent of top rot. Wind shake occurs along the western course along the western border of the spruce area. In places spiral grain was very prominent while in others there were very few trees of this class.

Along the lines run through the area the trees were tallied as splitting and not splitting. This indicates that 20 per cent of the trees would be suitable for splitting, and these had a clear length of from 30 to 90 feet. In this determination trees less than 4½ feet in diameter were not considered as suitable for splitting, although some would produce good stock. Of the remaining 80 per cent of the trees tallied, 50 per cent had clear or particularly clear boles, but were under the diameter limit set for splitting trees. The other 50 per cent were either rough or had spiral grain, but would saw some clear lumber. On parts of the area the spruce occurs so scattered and the country is so rough that it is not economically possible to get it out in the form of rived stock, and therefore these portions must be eliminated in riving calculations. If only the trees suitable for riving are taken out it is believed that the percentage of rived stock produced will be about 4 per cent of the total stand of spruce.

With a stand of approximately 300,000,000 feet the rived stock volume on the above base would be 12,000,000 feet, which is the maximum of good quality that can be obtained. The spruce in this area will produce from 15 to 18 per cent of airplane lumber if sawed. With an output of 50,000,000 feet of logs per annum the output of airplane lumber would be from 7,500,000 to 9,000,000 feet. Based upon the same percentage the output from the 300,000,000 feet would be 45,000,000 to 54,000,000 feet of airplane lumber, or approximately six times as much as by riving.

A more detailed examination should be made and the areas containing trees suitable for riving should be mapped, so that whatever development can be made can be put in to the best advantage.

Douglas fir.—This species is generally of an exceptionally good quality. The trees are large but of extreme size, and have a clear length of 100 to 150 feet. The size and length of the trees make it very desirable for wooden-ship construction, as it will saw long, clear planking, decking, ceiling, and timbers.

Hemlock.—The quality of this species varies over the area, ranging from very good to very poor.

Cedar.—This species is a fair grade and will be suitable for the manufacture of shingles.

LOGGING AND MILLING POSSIBILITIES.

The tract is a good logging and sawmill proposition from an operating standpoint. The timber is of a good quality and the amount is large enough to supply a sawmill cutting 50,000,000 feet per annum for 20 years. The transportation problem is the only drawback, but with an output of 50,000,000 per annum a railroad is justified. Logging railroads are operated for greater distances than that from Waldport to Yaquina with a similar output per annum. The cost of the timber is less than \$1 per thousand feet, and at such a price transportation charges can be higher than if the price were \$2 per thousand feet. I believe that the cost of construction can be kept below \$1 per thousand feet for the entire railroad development necessary, main line and spurs. In the general run of similar operations this cost is between 40 cents and 60 cents per thousand feet. The cost of operation, maintenance, depreciation and interest on investment can be met with a freight rate of from \$1.25 and \$1.50 per thousand feet on the main line. Operation and maintenance on logging spurs will not exceed 50 cents per thousand feet. It is estimated that logs can be delivered at Alsea Bay at a cost of \$8 per thousand feet, without stumpage.

RIVED-STOCK OPERATIONS.

The possibilities of an economic operation depend upon the supply and cost of timber, cost of developing transportation, operating costs, and the market value of the product. The supply of timber suitable for riving is but a small percentage of the total stand, and if the cost of developing transportation must be carried by this small percentage, the cost per thousand feet of output will be excessive in comparison with the cost per thousand feet if carried by all of the timber tributary to the development. The same is true in a measure with operating costs; the cost of moving equipment from one setting to another is the same if a large or small amount of timber is removed, but the cost per

thousand feet is greater for the lesser amount. This obtains throughout each step of the operation.

The market value being sufficiently high to warrant high operating costs, the operation would naturally be feasible.

To carry on a riving operation in the Alsea tract would necessitate the construction of a railroad from Waldport to and into the timber as outlined under

Railroads—"Logging road."—Shipment of the rived stock from Waldport to the cut-up plant at Vancouver would be by barges either at Yaquina or Astoria and from these points by rail. Shipment could be made by barge from Waldport to the cut-up plant at Vancouver. Barge transportation would be possible during the summer months and during short periods during the remainder of the year. The movement would be very irregular, due to poor harbor conditions. The alternative shipping possibility is to construct a railroad from Waldport to Yaquina, connecting with the Southern Pacific Railway at the latter point. This appears to me the logical solution, but the small amount of rived stock that would come out does not justify the large expenditure.

If the Southern Pacific Railway could be induced to construct this railroad and transport the rived stock at a reasonable cost, the transportation problem would be solved. It appears to me that any railroad construction from Waldport to Yaquina should be private or corporation enterprise. Such a road has a future as a carrier of forest and farm products, fish, and other sea foods, and the commodities commonly used in community.

This railroad from Yaquina to Waldport will cost about \$300,000 without equipment. Under normal conditions this cost would be materially lower, the high price of labor and supplies making construction heavy and rails are nearly double in price. Based upon the 800,000,000 feet of timber in the tract, the cost would be 37.5 cents per thousand feet b. m. and less if all tributary timber was taken out over the road.

Based upon the 12,000,000 feet of rived stock that can possibly be obtained by taking practically all of the trees on the area suitable for riving, the cost would be \$25 per thousand feet. From Waldport the railroad development to log the timber will cost approximately \$350,000, or 44 cents per thousand feet b. m. based upon the 800,000,000 feet in the tract. Based upon the 12,000,000 feet the cost will be \$29.16 per thousand feet b. m. The entire cost of \$650,000 prorated over the 800,000,000 feet makes a charge of \$0.81, and over the 12,000,000 is \$54.16 per thousand feet b. m. From these calculations it is evident that the construction of the railroad for the rived stock alone would be too high to justify an operation. The railroad would open up the tract so that practically all of the timber can be logged without any further construction. All of the timber on the tract should bear its share of the cost of development. If in cutting the rived stock 7.5 per cent, or 60,000,000 feet, of the total stand is cut, it should stand 7.5 per cent of the cost of the railroad cost. The share then is 7.5 per cent of \$650,000, or \$48,750, or \$0.81 per thousand feet based upon 60,000,000 feet cut—or \$4.06 per thousand based upon 12,000,000 feet of rived stock produced. The method of payment for the timber remaining is a different problem to solve.

METHOD OF OPERATION.

There are two ways of skidding the rived stock to the railroad—one by sled roads using horses for hauling, and the other by skidding direct to railroad by donkey engines. Wherever the timber is scattered and the volume to be rived is small, horses will be the best method of moving it to the railroad or bunching for roading by donkey engine. A donkey engine mounted on a car will be the quickest and the cheapest way of making settings as it is easily moved from place to place. It can be set at any point on the track, guys set, and lines run to the rived stock in the woods. This can be decked along the track and loaded on cars with a locomotive crane of the Ohio or American type.

P. S. Brumby, Lumbermen's Building, Portland, Oreg., representative of J. W. Blodgett, owner of the area known as the Alsea tract, said that the company had contracted to sell the timber for \$575,000, the option expiring February 9, 1918. The tract contains about 690,000,000 feet—240,000,000 of which is spruce. The owner was willing to sell to any operator who would begin operations at once, but would not sell to anyone who wanted to buy to hold

for an advance in value. He believed that the owners were not averse to a riving operation at the price set—\$7.50 per thousand feet. On the base of 20 per cent of the timber being suitable for riving, 48,000,000 of the 240,000,000 on the tract will be cut for obtaining the rived stock. The company would receive \$360,000 for the timber cut. The timber left on the tract would be about 642,000,000, and although the best spruce had been removed would have a greater value per thousand feet as the railroad development put in to take out the rived stock can be used for removing the remainder of the timber. The price for the whole tract is \$575,000 and the amount that will be received if 48,000,000 is cut is \$360,000, leaving \$215,000 for the 642,000,000 feet remaining. Summed up, for 7 per cent of the stand they will receive 63 per cent of the price asked for the total stand at this time.

During the interview, Mr. Brumby, on ownership and estimates, the following statement was made. A representative of the Warren Spruce Co. called and presented an agreement to purchase the timber suitable for riving. Mr. Brumby would not sign or transmit it for signature, as he objected to certain wording about the timber becoming the property of the Warren Spruce Co. He requested a copy of the contract with the War Department and a copy of the articles of incorporation, and a statement of financial resources of the company which so far had not been furnished him for transmittal to Mr. Blodgett. Further, he said that he asked what the capital stock was and how much was paid in, the reply being capital stock now paid in \$200,000, and that the Government would finance the operation.

WARREN SPRUCE CO.

While at Waldport I met a representative of the above company who said that he was looking up railroad possibilities from Yaquina to Waldport. During our conversation I asked if they had looked over the timber as to quality and amount that would split, to which he replied that they had not. In so far as I could determine the company had not had any one look the tract over and their information must have come from others who had looked the proposition over from a logging standpoint. In conversation with the same man at Portland on February 2, he said that on Monday he was to start four survey crews on locating the railroad.

CONCLUSIONS.

The large amount of railroad development necessary to reach and open up the timber from present common carrier railroad makes a cost per thousand feet of rived stock produced that appears excessive and therefore not an economical operation. If the railroad was in as far as Waldport, it would be a different matter. A riving operation shipping from Waldport by barges would require less investment. The difficulties of crossing the bar at all times is a drawback. The tract as a whole can stand the cost of railroad development and would make a good logging and milling operation; if some plan could be evolved by which the timber on the tract would bear a portion of the railroad construction costs the operation would be more attractive.

In logging operation the No. 3 logs could be stored in booms and only those would produce airplane lumber shipped to the mills.

Mr. DISQUE. Mr. Blodgett came to Portland finally, I think, after some correspondence, and I only had an opportunity to have one conference with him, as I was leaving that night for the East, had some engagements there that had already been arranged. He carried on his negotiations with Col. Hitchcock, in our office, and it was apparent that they did not get anywhere.

Mr. MAGEE. When was this?

Mr. DISQUE. Sometime in the early summer of 1918, as I recall; maybe it was late spring. I think it was in May. We wanted to have some kind of a mutual agreement up there that would leave the timber and the railroad in the possession of the timber owner eventually, because the railroad unquestionably increased the value of the timber very materially, and we thought there was a means

through that method to reduce the cost to the Government, and that is why we endeavored to get him interested in bringing out his own timber; but it failed, and he offered us that timber, primarily, I think, I am sure—he voluntarily offered it to us in the early spring, and it was reported to me he offered it to some one else for even a figure less than we paid for it; but I think Mr. Blodgett misunderstood the motives of our office and became somewhat obstinate, and it became necessary for us to advise him that unless a mutual agreement could be made we would take advantage of the law which had passed that summer and condemn it in the Federal courts. It was then that he gave us an option for the timber, which was in August or September that he gave that option, and we took advantage of it in December, probably, after the armistice. The delay was only occasioned by the fact that we were rushed with business, were not quite ready to operate, and we were just converting from the Spruce Production Division into a corporation, and it was advisable to let those matters come out as corporate activities; and, in addition to that, the titles and abstracts that he furnished the corporation or division were such that we required time to check and verify and have them corrected. Had they been in such shape as to be acceptable by the corporation or the Government that purchase probably would have been made a month before the armistice, and it was made as soon as the deed was in such shape that we could accept it.

Mr. LEA. When did you start the construction of the railroad?

Mr. DISQUE. I would say we started some time in June.

Mr. LEA. And so this was eventually connected by the railroad with—

Mr. DISQUE. We were going toward it all the time while we were negotiating with Mr. Blodgett.

Mr. LEA. How long is that railroad?

Mr. DISQUE. Here is one of the official charts of it; 23.42 miles.

Mr. LEA. How much did it cost?

Mr. DISQUE. The cost of that road was \$2,086,160.98.

Mr. LEA. How much is that per mile?

Mr. DISQUE. That is a mileage cost of \$80,267.83. Now, it is only proper to say right here that in figuring the mileage cost of both this road and the road north we are including terminal facilities and a considerable amount of grading, in the way of logging spurs, that was done in preparation for logging operations which never were undertaken, because the armistice chopped off—there was several miles on both roads graded, ready for the track. That cost is included in here, and when we go to arrive at a mileage basis, it is a little bit unreasonable to mention the mileage cost without referring to the extra item of expenditure that is included there.

Mr. MAGEE. Can't you give the mileage cost?

Mr. DISQUE. I don't think that is possible, Mr. Magee. These spurs were being built at the same time of the other road; it is all included in the labor charge.

Mr. MAGEE. Approximately?

Mr. DISQUE. I think that you would get an approximation of those spurs' value.

Mr. MAGEE. Can you supply it?

Mr. DISQUE. It will be supplied.

Mr. LEA. Who built that railroad?

Mr. DISQUE. That was built by the Warren Spruce Co.

Mr. LEA. And on a cost-plus contract?

Mr. DISQUE. A cost-plus contract.

Mr. LEA. How long did it take to construct it?

Mr. DISQUE. Well, I don't know when it was started or when it was finished. It was done in a remarkable time I know, but the dates are matters that I have not any direct recollection of. We were carrying on too many activities for me to retain that.

Mr. LEA. Was that spruce intended to meet the immediate need, or at a more remote period?

Mr. DISQUE. That spruce was figured in as a part of the production that we depended upon, absolutely, without fail, commencing with December, 1918.

Mr. LEA. When you determined upon this plan of expansion by railroads, what was the demand according to the program of the Allies, for spruce?

Mr. DISQUE. Thirty million feet.

Mr. LEA. When did that demand come?

Mr. DISQUE. It came along in April or May.

Mr. LEA. April, 1918?

Mr. DISQUE. Yes, about the first of April.

Mr. LEA. What had been the program before that?

Mr. DISQUE. Ten million feet.

Mr. LEA. And what if any surplus was recommended for you to work on?

Mr. DISQUE. A factor of safety of 25 to 33 per cent was recommended by the Director of Aircraft Production.

Mr. LEA. That you procure 25 to 30 per cent in addition to the 30,000,000 feet a month?

Mr. DISQUE. Be ready to meet that increased demand.

Mr. LEA. That is, that means 30,000,000 feet of aircraft lumber?

Mr. DISQUE. Aircraft lumber.

Mr. LEA. What had been your total production per month prior to embarking on the railroad expansion?

Mr. DISQUE. We had just about got up to the 10,000,000 feet when this increased demand came on us, and it was then that we converted our rivers into selective logging contractors and railroad producers—builders. That demand was for spruce and not spruce and fir.

Mr. LEA. There is one other feature I wanted to find out about and that is about what necessity and justification was there, according to your information, for the construction of the Toledo mill? In the first place, when did you determine upon its construction?

Mr. DISQUE. I have a complete file on that here.

Mr. LEA. Before we get onto that subject there is a matter here to-day in which Mr. Magee and myself are both interested in getting a report of the disposition of the total number of troops in the Spruce Production Division, and, if I understand it, this is the report now. We will ask the reporter to insert this in the record.

(The report above referred to was marked "Exhibit 14, Disque, Sept. 5, 1919.")

Mr. LEA. Can you tell us the total number of soldiers employed in these operations?

Mr. DISQUE. Approximately 28,000 men, 28,121.

Mr. LEA. And how many were employed at the cut-up plant?

Mr. DISQUE. Four thousand three hundred and twenty-one. That is on August 19, 19—, or no, that is on November 1, 1918.

Mr. LEA. And how many in the logging and milling companies?

Mr. DISQUE. Logging and milling companies, 17,571; transportation, 349; medical department, 607; quartermaster corps, 46; disbursing quartermaster, 9; and in headquarters, Portland, 333, which included all those detached for inspection purposes over the entire district.

Mr. LEA. These soldiers were divided into what divisions?

Mr. DISQUE. We called them squadrons and detachments.

Mr. LEA. Of what did a squadron consist?

Mr. DISQUE. They had a variable number, depending upon the number required for a given operation. We had special authority to make those squadrons of any size.

Mr. LEA. How large were they in practice?

Mr. DISQUE. They average, I would say, in the neighborhood of 200 or 250 men.

Mr. LEA. And of what did a detachment consist?

Mr. DISQUE. Anywhere from three men up.

Mr. LEA. Up to what would probably be the limit of a detachment?

Mr. DISQUE. Up to what would become a squadron.

Mr. LEA. Now, going back to the question of the Toledo plant or sawmill, about when did you conclude to construct that mill?

Mr. DISQUE. My diary will show that exactly. I think it was about the middle of June somewhere. Approximately July 1. I think that would answer it, to save time.

Mr. LEA. What was its relation to these two railroads, the railroads No. 11 and 12?

Mr. DISQUE. It was to be what we considered a sort of a neck of the funnel there from the two railway lines running to the north and south, at a logical point to receive all logs from both operations.

Mr. LEA. In fact, it was the receiving point for all these three railroads that have been discussed here this afternoon?

Mr. DISQUE. For all three.

Mr. LEA. And what were the small establishments on Yaquina Bay at the time you determined upon constructing this mill?

Mr. DISQUE. Well, there were none there worthy of consideration. There was a little old mill with a possibility of cutting 50,000 a day, but it was not worth considering at all in connection with our operation.

Mr. LEA. What was the established transportation from Yaquina Bay to the market here, or to sawmills?

Mr. DISQUE. To the Portland market?

Mr. LEA. Yes.

Mr. DISQUE. There was a branch of the Southern Pacific Line, I think, built with 56-pound rails, several tunnels, and I believe 143 trestles, which the railway officials themselves said that could not handle any heavy traffic and if we contemplated bringing logs over that line they told us they would have to rebuild their line and bolster it up in many places.

Mr. LEA. About what distance did you say that is from Portland?

Mr. DISQUE. About 165 miles.

Mr. LEA. And what was the cost of this mill, that is, what is the estimated cost?

Mr. DISQUE. Of the Toledo mill?

Mr. LEA. Yes.

Mr. DISQUE. Approximately a million dollars.

Mr. LEA. And to what extent was it completed at the time of the armistice?

Mr. DISQUE. To what extent was it completed?

Mr. LEA. Yes.

Mr. DISQUE. I think about 90 per cent completed.

Mr. LEA. Was the machinery there for the mill?

Mr. DISQUE. Most of it; practically all of it was there.

Mr. LEA. As I understand it, this was to be a sawmill and cut-up plant combined?

Mr. DISQUE. Sawmill and cut-up plant.

Mr. LEA. And was it intended to handle the entire product of this timber area?

Mr. DISQUE. It had a capacity of from six hundred to seven hundred and fifty thousand a day, and according to our chartered plan of operations that would have handled the production from both areas.

Mr. LEA. That is on an eight-hour shift basis?

Mr. DISQUE. On three 8-hour shifts.

Mr. LEA. Three shifts?

Mr. DISQUE. Three shifts working. I would like to correct the statement about that being 90 per cent. It was 70 per cent completed.

Mr. LEA. Seventy per cent completed. Do you know whether or not Toledo has terminal freight rates?

Mr. DISQUE. I was told so by the Southern Pacific officials, that Toledo was a point that granted terminal freight rates across the continent.

Mr. LEA. In other words, the cost of transcontinental shipments was the same from Toledo as it would be from Portland?

Mr. DISQUE. Exactly.

Mr. LEA. Now, if you hadn't built any mill and had shipped the logs out to a valley mill or a Portland mill, what would have been the additional cost of freight, per thousand?

Mr. DISQUE. I might say that the board, which was advising me, and myself, spent about a month deciding—coming to a decision as to whether to build at Toledo or not, and the final result of our investigation was to the effect that we would save \$3.11 on every thousand feet of lumber by having the mill at Toledo.

Mr. MAGEE. How much was that?

Mr. DISQUE. \$3.11 freight, as against bringing logs to Portland and having them sawed by the mills here; and basing the operation of that mill on a cut of 600,000 a day, which is a conservative estimate, we would save \$1,866 a day by having the mill at Toledo, which we figured was the economic thing to do, if there were no other reasons. But there were other reasons for putting the mill at Toledo. One was that the branch railway, in order to haul logs, which, as I said this morning, is the most strenuous work that is given to railroads, would have had to have been rebuilt. The railway officials really were working on it all the time and would have changed all the rails and bolstered up the bridges if we had found

it necessary to bring logs. Another point that they brought out was that in loading these larger logs we would not be able to get a full capacity load on cars, frequently, because the customary method of loading two logs on the bed on the car and then a third on top of those two, could not be carried out, due to the size of the tunnels that they had to come through, and frequently logs would have to come only two on a car, sometimes only one—a haul of 165 miles.

Another point was that the mills wanted \$12 a thousand just to saw those logs up. We took all those figures, and the result—the net result—meant a saving of \$1,866 a day by putting the mill at Toledo.

Mr. LEA. That is on a basis of how many thousand feet of lumber?

Mr. DISQUE. Six hundred thousand a day.

Mr. LEA. Now, I understood that a little different from what you state. Your estimate is on the basis of the finished lumber?

Mr. DISQUE. Yes.

Mr. LEA. And how many thousand per car do you ship of finished lumber?

Mr. DISQUE. Approximately, of finished lumber, airplane lumber, where we strip it, we get around 17,000 on a car; commercial lumber not stripped you can get as high as 22,000 on a car.

Mr. LEA. Now, how many thousand feet of logs can you ship on a car?

Mr. DISQUE. An ordinary car loaded with logs, without regard to tunnels or bridges, ought to carry between seven and nine thousand feet.

Mr. LEA. In other words, you can carry two and a half times as much lumber on a car as you can of logs?

Mr. DISQUE. Is that about right, Mr. Reed, between seven and nine thousand, or is it less?

Mr. REED. On the transcontinental roads it is the general rule, 7,000 minimum; some roads 6,000 minimum.

Mr. DISQUE. We would have had to have paid for 7,000 minimum on this line. That fact was established.

Mr. MAGEE. Where would the market be from Toledo?

Mr. DISQUE. We would have brought them here and have dumped them just below Portland.

Mr. MAGEE. I mean, using your mill there, would the product pass through Portland on its way East?

Mr. DISQUE. It would have gone through Portland, or down to ward San Francisco.

Mr. MAGEE. What I mean to say is, you were speaking of freight from Toledo to Portland, if the lumber went through Portland, of course, there would be freight on that?

Mr. DISQUE. There is no additional charge for bringing lumber from Toledo to Portland if you sent the lumber straight through to Chicago.

Mr. MAGEE. That is what I was asking you.

Mr. DISQUE. It is the same rate as I have been given to understand.

Mr. MAGEE. They would ship from Portland or Toledo at the same rate?

Mr. DISQUE. Yes.

Mr. LEA. To follow up what I was driving at, I may be mistaken about this, but whatever freight you paid to bring either logs or lumber from there to here would be lost, provided you could ship from there instead?

Mr. DISQUE. Yes; because if you brought logs here that was a freight lost entirely, because the rate again on the lumber became the same.

Mr. LEA. Now, didn't it cost you just as much to bring a carload of logs from Toledo to Portland as it did a carload of lumber, or do you know?

Mr. DISQUE. I don't think so. I could not answer that off-hand now, but I don't think so. I will look here and see. I have got some of the figures that were made at that time.

Mr. LEA. I think I am mistaken about that, as Mr. Reed informs me, and so we won't go any further with it. Well, it was a difference then of a little over \$3 a thousand?

Mr. DISQUE. Three dollars eleven cents a thousand would be the difference in the cost to us to get it to Portland.

Mr. LEA. Then on the basis of your estimated production how long would it take to gain the price of the mill?

Mr. DISQUE. May I ask just one question? [Mr. Disque consults with Mr. Campbell.] That mill was only to have cost, and I don't think it would have cost a dollar more than \$750,000. There is a machine shop put in there that was intended to take care of the locomotives and rolling stock of both those railways, and if the mill had not cost more than we had allowed, and I don't think it would, we would have had seven hundred fifty thousand—roughly 400 days would have paid for the mill. Four hundred days' operation would have paid the entire cost on that mill.

Mr. MAGEE. Could you have had lumber enough to run 400 days?

Mr. DISQUE. Oh, yes.

Mr. MAGEE. I mean spruce enough.

Mr. DISQUE. Yes. We could have run there a thousand days on the spruce tributary to those railroads.

Mr. LEA. Do you know anything about the life of sawmill machinery?

Mr. DISQUE. I don't know much about that.

Mr. LEA. Perhaps I had better ask somebody else about that.

Mr. DISQUE. I have seen sawmill machinery around here, though, that looked like it had been in operation for a good many years—15 or 20. I don't know whether that is right or not, but the saw is about the only thing that wears out on that machinery, and you are replacing those every three or four hours by sending them into the filing room to have them sharpened up.

Mr. REED. Some of them have been running 50 years.

Mr. LEA. Fifteen hours?

Mr. REED. I say, some of them have been running 50 years.

Mr. LEA. Oh. Now, I believe that you started in to open up the Blodgett tract through the Warren Spruce Co., didn't you?

Mr. DISQUE. They built the railroad down there.

Mr. LEA. Did they have experience as road construction men before this?

Mr. DISQUE. That is their principal job or business, I think—road construction.

Mr. MAGEE. You don't mean railroad construction?

Mr. DISQUE. I don't mean railroad, although I think they have done some.

Mr. MAGEE. They are paving contractors, are they not—highway people?

Mr. DISQUE. Highway people, highway constructors.

Mr. MAGEE. I did know them before. They have laid some pavements in my home city.

Mr. DISQUE. Yes.

Mr. LEA. Did they engage in any logging down there?

Mr. LEA. They had been doing selective logging down there?

Mr. DISQUE. They had been doing selective logging from along about April, I think, when we converted their riving into logging operations.

Mr. LEA. What I really meant is, did they engage in any logging in the Blodgett tract?

Mr. DISQUE. None at all; and they never would have engaged in any logging there, because it was in connection with that Blodgett tract that I made the proposition to the Puget Sound loggers, who were becoming rather nonessential, to go down there with their machinery and equipment, and finally Mr. Frost did get together a few of those loggers in that area who had agreed to go down and put in the necessary number of sides to log the Blodgett tract on the basis, as I stated this morning, of a depreciation on their equipment of 15 per cent and a rental of 10 per cent, and a thousand dollars a month to the manager, Mr. Frost, which really was a very good contract for any man to make and a profitable one.

Mr. LEA. About what time was that contract made?

Mr. DISQUE. That was made I think in August.

Mr. LEA. And what equipment did they supply for that? Or had any of these spurs been constructed before they went down there?

Mr. DISQUE. The spurs?

Mr. LEA. Yes.

Mr. DISQUE. Yes; I think practically all the logging spurs had been laid out and graded by the Warren Spruce Co.

Mr. LEA. Were there a good many soldiers working there for the Warren Spruce?

Mr. DISQUE. Practically that entire personnel was soldier labor.

Mr. LEA. And were they turned over to—what is this—the Airplane or Aircraft Lumber Co., was it?

Mr. DISQUE. They were to have been. I don't think the actual turnover ever came.

Mr. LEA. Well, were any logs cut down there?

Mr. DISQUE. Not that I know of.

Mr. LEA. In the Blodgett tract?

Mr. DISQUE. Is Mr. Holland here?

Mr. H. H. HOLLAND. There was about 4,000,000 feet that was felled and bucked in various phases of the operations; that is, at least in seven or eight different places. We only saw one spur. There were four other spurs besides that opened up.

Mr. LEA. Did this Aircraft Lumber Co. do any of that logging?

Mr. HOLLAND. Just a little bit with men that—I think their men were all carried on the Warren Spruce pay roll, however, with the exception of very few heads of the departments.

Mr. LEA. About what per cent was done with the Airplane Lumber Co., or Aircraft Lumber Co., if that is the name?

Mr. MAGEE. Airplane Spruce Co., isn't it?

Mr. HOLLAND. No.

Mr. LEA. It is Aircraft Lumber Co.

Mr. MAGEE. What is it called?

Mr. LEA. There are two; there is an Airplane Spruce Lumber Co. and Aircraft Lumber Co.

Mr. MAGEE. Oh, yes.

Mr. LEA. Now, about what percentage was done by the Aircraft Lumber Co.?

Mr. HOLLAND. As I remember, about 25 per cent perhaps of the felling and bucking, and about—not over 10 per cent of the spur-construction work; but most of that spur-construction work was carried on the Warren Spruce pay roll. This division point, as I attempted to explain to Mr. Frear the other day, had never been made; this point where it was to be turned from the Warren Spruce over to the Aircraft Lumber Co., because the Aircraft Lumber Co. were not ready to take the accounts over. So the actual transfer had never been made.

Mr. LEA. So out of the 4,000,000 feet logged the Aircraft Lumber Co. probably cut 1,000,000 feet?

Mr. HOLLAND. Well, it was the same men that did the work.

Mr. LEA. Yes.

Mr. HOLLAND. Whether or not it was carried on the books of the Aircraft Lumber Co. or Warren Spruce, I am unable to say.

Mr. MAGEE. Well, it was connected with the Warren Spruce operation?

Mr. HOLLAND. Yes; it was connected, because it would have been taken over by the Aircraft Lumber Co. had that taking-over day arrived, but it did not.

Mr. LEA. What percentage, or what equipment, did this aircraft company furnish for this work?

Mr. HOLLAND. Well, they had a certain amount, but they would have required, I think, fully 80 per cent of equipment from the Spruce Production Division. That is, they had a certain amount of equipment, and a good deal of it was stuff that could not have been used down there. From talks I had with Mr. Frost I think fully 80 per cent would have had to have been furnished.

Mr. LEA. By the Government?

Mr. HOLLAND. By the Government. Is that right, Colonel?

Mr. DISQUE. I think the point is there that their equipment used up on the Sound, logging small fir trees, was not satisfactory or suitable for logging these tremendous spruce logs that are found in the Blodgett tract.

Mr. MAGEE. Is this the company that Mr. Frost was made manager of?

Mr. DISQUE. That is the Frost Company; yes.

Mr. LEA. Well, that equipment, I suppose, is largely sides, isn't it?

Mr. DISQUE. That makes up the logging sides: the donkey engines and the yarders that load and yard in the logs. That is the principal part of the equipment, and also, of course, the wire cable. The cable would be worn out and replaced. The donkey engines had to be of a certain capacity to handle those logs.

Mr. LEA. What was the plan for equipping these roads with rolling stock?

Mr. DISQUE. We had placed orders for logging trucks, and, if I am not mistaken, this Aircraft Lumber Co. were to bring in as many of their trucks as they could from their operations up in the Puget Sound district on a rental basis—depreciation basis.

Mr. LEA. That is, 15 per cent depreciation, 10 per cent rental?

Mr. DISQUE. Yes.

Mr. LEA. Is there anything else now you think of that you want to say about those operations down there?

Mr. DISQUE. One more point only, and that point is that the mill at Toledo gave us another point at which we were making aircraft lumber and was insurance against complete suspension of our production and shipments in case one or the other burnt down, and since the matter has been presented so many times that the Puget Sound loggers were equipped and ready to take over Siems-Carey's operations, I will say that this statement that Mr. Frost's company, which included the same loggers up there, was not even ready to furnish the 40 or 50 sides in the Blodgett tract, because their equipment is not the kind that is necessary, and our division would have and did prepare to furnish him approximately 80 per cent of what he would have needed down there to carry on that one operation.

Mr. LEA. Was this company, the Aircraft Lumber Co., composed of the same people that made the proposition to take over the Siems-Carey Co. contract?

Mr. DISQUE. It is the same group of loggers.

Mr. LEA. Proceed.

Mr. DISQUE. Some of them quit after they got started. They promised Mr. Frost they would do this thing, and he told me one day that about half of them reneged on him and failed to make good. I know he counted on several who did not eventually join him. May I, while we are referring to these Puget Sound loggers, state that it has come up here that one of their objections to the Siems-Carey-Kerbaugh operation was that Siems-Carey-Kerbaugh would have a monopoly and control over that timber out on the peninsula. I don't know whether they knew it in the Puget Sound district or not, but it never was contemplated nor agreed that the Siems-Carey-Kerbaugh Corporation should control or operate that railway line, and definite provisions had been made in our office for us to operate it ourselves, and it would have been available, and always was considered available, for any logger who wanted to go in there. There was no limit to the opportunity for any loggers who wanted to go in there, on the same kind of a flitch contract that Siems-Carey-Kerbaugh had. The railroad would have been just as available for them as it was for Siems-Carey-Kerbaugh, and was deliberately planned and contemplated that its operation would be in our hands, because I had repeatedly insisted that it should be a common carrier, and there never was any thought in the minds of our organization that the Siems-Carey-Kerbaugh Corporation should ever control that railroad, and they never suggested a desire or intention of purchasing it. I really thought the Milwaukee some day would buy it.

Mr. MAGEE. There is not any other buyer, is there, General?

Mr. DISQUE. What?

Mr. MAGEE. There is not any other buyer, is there?

Mr. DISQUE. Well, I am pretty sure there were four or five other possible buyers.

Mr. MAGEE. Well, it is an extension of the Milwaukee line. I think, you know, to be frank about the proposition, of course—

Mr. DISQUE (interrupting). Rates would have been the same whether it is an independent line or a branch of the Milwaukee.

Mr. MAGEE. But what I mean is, you can't get out over the line without using the Milwaukee to Port Angeles?

Mr. DISQUE. No.

Mr. LEA. Not without the physical severance of the connection with the Milwaukee and an extension in the line—

Mr. MAGEE (interrupting). What is that?

Mr. LEA. I say, not without the physical severance of the connection with the Milwaukee.

Mr. MAGEE. Yes. I don't see how it could be physically severed, unless they would build a parallel road, extending it, building a parallel road to Port Angeles. I don't know the other way. They might extend it down the other way, toward Grays Harbor. I don't know how that would be, whether they could get any connection out there or not.

Mr. LEA. Now, were there any further reasons—you are through with that subject, are you?

Mr. DISQUE. Yes.

Mr. LEA. Were there any further reasons that you cared to give for the civilian pay of soldiers? You spoke at some length on that yesterday.

Mr. DISQUE. Well, it was a matter of absolute necessity from every angle. I haven't heard anybody who knew the situation, who was familiar with it, that had any reason against it. There is not a man in the United States who regretted, or would regret such a measure more than I, and it was only through sheer necessity, in view of all the circumstances, that that was ever done.

Mr. MAGEE. Now, how do we—I don't see how we get the sheer necessity. If there were men in this locality, or along the coast, who were familiar with logging and getting out lumber, and they volunteered and went into the service—in fact, they were drafted into the service; not dependent upon what you did; but the Government had abundant means of getting them back into the work in which they were familiar; just as the English and French found they had made a mistake at first in sending their machinists to the front and afterwards recalled them, and I think in certain instances our Government did the same. In other words, I must admit I don't see the force of permitting men who were familiar with logging and lumbering to go from the States of Oregon and Washington to the front and then replacing them with doctors and lawyers and dentists and clerks. It seems to me the Government, if it had realized the condition of affairs, the War Department certainly had the power to remedy that, it would seem to me.

Mr. DISQUE. There was a great big problem, Mr. Magee.

Mr. MAGEE. Yes, I understand it was. For instance, take the case of young Pendleton. I understand he was an experienced man in the logging business and wanted to perform service here, but he was not permitted to. I must admit—

Mr. DISQUE (interrupting). Of course, young Pendleton's father had him working in Canada until he was due to be drafted; then he wanted him to get into the United States Army where it was not going abroad, and we didn't want that kind of man for any kind of a job.

Mr. MAGEE. Well, what I mean is that he was a good logger.

Mr. DISQUE. We don't know that.

Mr. MAGEE. And understood the industry.

Mr. DISQUE. We had no evidence of that.

Mr. MAGEE. Why he would be much more efficient than a dentist here forced to do logging.

Mr. DISQUE. I had been in the Army for eighteen years then. I had seen the general staff, year after year, beg Congress to lay the groundwork for a real efficient preparation for war. Year after year I had seen Congress ignore those recommendations of the military experts of this country. From the time of the Philippine insurrection up until the day this war was declared constructive measures were turned down repeatedly. Had the Congress of the United States listened to the experts who were recommending year after year, we would not have had a situation that confronted us when this war was declared.

Mr. MAGEE. I used to have that same view, too, and I made one or two speeches in the House along that line; but I must say, from my observation and knowledge gained since, that I was mistaken, and that in my opinion the safety of this country depended, and will depend in the future, where it has always depended, upon the citizen soldiery of this Nation.

Mr. DISQUE. Well, you were talking about something that I didn't refer to.

Mr. MAGEE. I thought you were telling the part of these military experts.

Mr. DISQUE. I never urged a big Army.

Mr. MAGEE. I think you know—well, I guess I won't say.

Mr. DISQUE. I am merely talking about the fundamental preparation. I don't believe we need a big standing Army.

Mr. MAGEE. Well, I would not advice anybody to follow the military expert too far, although I have great respect for the military expert. A great many of them are my very warm friends, and whom I respect most highly. Have you anything further there?

Mr. LEA. I am looking over my notes here to see if I have anything. Did you give us the number of contracts to furnish logs with mill men or loggers?

Mr. MAGEE. I think you got that.

Mr. DISQUE. That went in this morning. I have forgotten what the number was now.

Mr. MAGEE. Yes. I think you said 417 or 419, something like that.

Mr. LEA. Did the members of the Loyal Legion pay any dues?

Mr. DISQUE. Not during the war, unless it was merely locally in their own locals. I don't know but what maybe an impression got into this record that the Loyal Legion included those soldiers, or was these soldiers. The Loyal Legion of Loggers and Lumbermen was primarily the civilians scattered throughout the State here.

Mr. MAGEE. I think in all the States. I think the evidence is it went into the State of Idaho, even, I think.

Mr. DISQUE. Yes; that was at their own request; they came over here and asked for it.

Mr. LEA. Can you tell us the weight of fir as compared with spruce?

Mr. DISQUE. Roughly, I think it is about one-seventh heavier.

Mr. LEA. Have you got the figures of the weights per board foot?

Mr. DISQUE. We have that in detail. It depends on the degree to which it has been dried, of course. You can dry it down to any per cent. Well, the inspection officer here tells me that the specific gravity of fir is 52, and spruce 41. That gives you an idea of the relative weight at the same condition or degree of dryness.

Mr. LEA. Approximately one-fifth difference?

Mr. DISQUE. Approximately 25 per cent heavier.

Mr. MAGEE. That is, the fir is.

Mr. DISQUE. The fir over the spruce on that. But it all depends on how they are dried and how far it is dried, whether the log is a new tree or a dead one.

Mr. MAGEE. It doesn't need any comparison; I suppose the lumber of each would be practically in the same condition.

Mr. DISQUE. Exactly the same condition. You could dry them down to a certain percentage of moisture, but fir is considerably heavier.

Mr. LEA. Wasn't there a form of contract to be presented here this afternoon?

Mr. MAGEE. Yes.

Mr. DISQUE. That is a selective logging contract. It is not prepared yet. We will bring it in to-morrow morning.

Mr. LEA. Do you think of anything else now that you want to say?

Mr. DISQUE. I have one or two things here that I think ought to appear here. In October, 1917, the *Timberman*, a magazine published in the interests of the logging industry here on the coast, and the editor of which had been giving this subject a lot of consideration at that time, carried these remarks somewhat as an editorial. I would like to read them into the record as showing the condition and the frame of mind at that time.

Mr. MAGEE. October, 1917?

Mr. DISQUE. 1917.

Mr. MAGEE. Is it long?

Mr. DISQUE. Not very; one paragraph.

Mr. MAGEE. Go ahead.

Mr. DISQUE (reading):

The problem facing the United States Government in providing necessary spruce for the building of a great airplane fleet for itself and its allies has become acute. Despite all assertions to the contrary, the bald, naked truth is that not enough spruce logs are being put in the water. With the advent of winter the prospect for increasing the supply becomes appreciably less.

There has been both miscalculation and misinformation circulated regarding the physical ability to secure the necessary spruce logs. Flamboyant speeches in opera houses do not get out logs. It requires organization and men. The individual logging camp operator, combatting strikes and inefficient labor supply, is powerless to make much headway against the tide of unrelenting opposition which in some instances expresses itself in sabotage. The Government should step in at once and commandeer all the available spruce timber and conscript the necessary labor. It may be found that the men now enlisted in the forestry regiments for service in France could accomplish more real good for the Nation by being enlisted in a spruce regiment at home and producing spruce logs. One hundred million feet of airplane spruce, which is

the estimated requirements for 12 months, will demand the production of approximately 1,000,000,000 feet of logs. When we stop to consider that there are very few pure stands of spruce lumber adapted to airplane production, the problem of providing the Government with its estimated requirements of 100,000,000 feet within the time limit proves a task that is an utter impossibility under the conditions now obtaining, and the sooner the issue is faced the better for all concerned. This problem should be looked at squarely. The necessity for airplanes to win the war is conceded. Victory must come through supremacy in the air, and it is up to the United States Government to supply the needed spruce.

I would like also to read the remarks of Gen. Carmack, an officer in Washington representing the British high commission in the purchase of munitions, made at a dinner given in Washington December 21, 1918. [Reading:]

Gen. Carmack stated frankly that at times it appeared that they would be overwhelmed through lack of sufficient lumber; that through your resourcefulness, courage, perseverance, intelligence, and farsightedness you had developed a supply of material of a character unequalled heretofore; and that during the past two months of war you had actually shipped more material than the Allies and ourselves could use, which had resulted in a growing predominance of plane power.

Mr. LEA. Can you think of anything else that you want to say?

Mr. DISQUE. Am I to appear before the committee again or not?

Mr. MAGEE. Are you through with the examination?

Mr. LEA. I think I am.

Mr. MAGEE. I do not know as to that, except if there are any errors you want to correct or anything of that kind you will be given an opportunity to do so.

Mr. DISQUE. Mr. Frear yesterday, I think, told me I would have an opportunity to come back after some of these other witnesses that might be called had been heard.

Mr. MAGEE. He is chairman of the committee, and as far as I am concerned, speaking only personally, I think it is the desire of everybody that the fullest opportunity be given for a hearing. Of course we could not stay here a year.

Mr. DISQUE. If you will call the five or six gentlemen whom I have named this morning, who are here in Portland—you can finish in two hours—and I am not saying anything yet about Maj. Sligh's personal reference to me. I leave that to Maj. Eamon, whom the chairman said would be called.

Mr. MAGEE. He will be called. I will turn that over to Mr. Lea and he can arrange with the chairman to call them himself. I think we have a pretty good grasp of the situation here and we would like to get through as soon as we can reasonably, but we do not want to leave without every one having full opportunity to have his say. I only desire to ask the General a few questions, so that we will get through very shortly in the morning, and then we can go on with other witnesses. I do not expect to take up much time; there are just one or two questions that occurred to me.

Mr. DISQUE. I would like to put into your record as an exhibit a map similar to this which is before me showing the road into the Alsea Bay.

Mr. MAGEE. Yes, I would like to have you put that in.

(The map above referred to "Exhibit 15, Disque, Sept. 5, 1919.")

(Thereupon, at 5.50 o'clock p. m. an adjournment was taken until to-morrow, Saturday, Sept. 6, 1919, at 10 o'clock a. m.)

WAR EXPENDITURES.

SUBCOMMITTEE No. 1 (AVIATION)
OF THE SELECT COMMITTEE ON
EXPENDITURES IN THE WAR DEPARTMENT,
HOUSE OF REPRESENTATIVES,
Saturday, September 6, 1919.

The subcommittee met at 10 o'clock a. m., pursuant to adjournment, at the courthouse, Portland, Oreg., Hon. James A. Frear (chairman) presiding. Also present: Hon. Walter F. Magee and Clarence F. Lea.

TESTIMONY OF BRICE P. DISQUE—Continued.

Mr. MAGEE. I wanted to ask you a few questions, General. Can you give me the figures this morning of the cost per mile of the railroad from Yaquina north up along the coast?

Mr. DISQUE. I turned those in for the record last night.

Mr. MAGEE. As I recall, you were not in a position to give them last night but they were to be furnished; that is, what the cost was including the terminals, wharves, trestles, etc., and I wanted to see if you could get the items separated.

Mr. DISQUE. I do not think on that north line it is going to make a very great, material difference in the mile cost. I am informed that they are still working on those figures and will have them ready by noon and they can be put in.

Mr. MAGEE. As I understand, you stated you had 40,000,000 feet of logs in the waters of the Yaquina Bay?

Mr. DISQUE. No; that is throughout the entire operations of the cost-plus contractors, in Willapa Harbor, in the Lewis and Clark River and Yaquina Bay, Enumclaw and other places where cost-plus operators were working.

Mr. MAGEE. Whatever logs were cut were put in the waters of the Yaquina Bay?

Mr. DISQUE. I assume they are there now.

Mr. MAGEE. Was it your intention to take these logs to the Toledo mill by Yaquina Bay, or by connection with the Southern Pacific at Yaquina?

Mr. DISQUE. It had been my understanding all the time that they were to go over by rail. Mr. Holland, who is supervisor out there, however, had full control of that and would have acted in his own best judgment as to how to do it. It could have been done either way.

Mr. MAGEE. Would there have been any need of providing for both ways?

Mr. DISQUE. I do not know of any reason why there should be two ways.

Mr. MAGEE. And by rail would be much quicker than by water, would it not?

Mr. DISQUE. By Rail?

Mr. MAGEE. Yes.

Mr. DISQUE. The actual time consumed from Yaquina to Toledo would have been quicker by rail, but in an operation of that sort I should say that there would be no actual delay in the sawmill operation to have dumped them in the water. They would have been towed up, probably, by night.

Mr. MAGEE. If it was intended to take them by rail, the building of the terminals and wharves and that big pier out into Yaquina Bay would be a waste of public funds?

Mr. DISQUE. That was built primarily and almost entirely for the purpose of getting connection with the southern line that ran down to the Alsea tract.

Mr. MAGEE. That is on the other side of the bay?

Mr. DISQUE. On both sides. We had one out from the north side to get into water deep enough for the ferry, and also from the south, so that we had to run out to get into water that would take care of the ferry.

Mr. MAGEE. I understand that, but the building of the trestle on the north side would not have anything to do with the getting of logs from the Blodgett tract on the other side, would it?

Mr. DISQUE. I do not believe I know what trestle you refer to.

Mr. MAGEE. There were two independent operations, getting the logs from the Blodgett tract and from the Siletz Reservation?

Mr. DISQUE. Yes.

Mr. MAGEE. Either operation could be carried on independent of the other?

Mr. DISQUE. Exactly.

Mr. MAGEE. So that if it was the intention to make a physical junction with the Southern Pacific at Yaquina, then there would be no necessity for the creation of terminals and wharves and this trestle at Yaquina?

Mr. DISQUE. Is there a trestle at Yaquina that was unnecessary to the northern operation?

Mr. MAGEE. That is what I am trying to find out. In other words, I would like to know what your plan was; whether it was to take these logs to the Toledo mill from Yaquina by the Southern Pacific, or to take them down the river by rafting and towing?

Mr. DISQUE. Well, as I say, in the plan of the thing as it was understood in my office, they could have been taken over by rail and there was that physical connection made.

Mr. MAGEE. Then if that plan had been carried out there would have been no necessity for any additional construction at Yaquina?

Mr. DISQUE. None of any importance at all. I do not think there was.

Mr. MAGEE. That was the reason I wanted to know what the cost was of those terminals, and wharves, and trestles, and other connections referred to as a part of that operation, and that information, I understand, will be supplied?

Mr. DISQUE. That will be supplied.

Mr. MAGEE. Do you know how many trestles there are in the road from Yaquina up along the coast?

Mr. DISQUE. No; I do not know offhand.

Mr. MAGEE. Who would know about that—the character of that road?

Mr. DISQUE. Maj. Harrington; he would have complete information on that.

Mr. MAGEE. And would he have the same information with reference to the road from Toledo south into the Blodgett tract?

Mr. DISQUE. Yes, sir; I can refer to our report on that.

Mr. MAGEE. We would like to have a report as to the character of the construction, the length of the trestles, the depth of the ravines—or whatever you may call them—the grade, and all those things, and the spur extending out from up near Otter Rock into the logging camp. In other words, show the general construction and character of this road.

Mr. DISQUE. I will have the details inserted.

Mr. LEA. I think that is already in the table furnished to the committee, but if we can get any other paper, all right.

Mr. DISQUE. If it is not in the record we will give you a complete statistical chart to put in.

Mr. MAGEE. I think we ought to have in the record a statement showing the character and construction of the road and tunnels and trestles, etc., and Maj. Harrington knew the same facts in regard to the Blodgett tract?

Mr. DISQUE. All of them.

Mr. MAGEE. Then he can furnish a similar statement in reference to that. When was the road into the Blodgett tract started?

Mr. DISQUE. I would say in June, 1918.

Mr. MAGEE. Do you remember what time in June?

Mr. DISQUE. I can not tell you offhand what time.

Mr. MAGEE. When was the contract made with Mr. Blodgett for the purchase of the timber?

Mr. DISQUE. We received his offer; I think the first offer from Mr. Blodgett was probably in April.

Mr. MAGEE. And when was the time you said you had a contract with him?

Mr. DISQUE. Later on; it was in August or September that this thing came to a real document in which he offered to sell to the Spruce Corporation his property there, reserving the mineral and oil rights.

Mr. MAGEE. That is, you began to build your railroad before you got your contract?

Mr. DISQUE. Yes.

Mr. MAGEE. Perhaps two months before?

Mr. DISQUE. We had been negotiating with Mr. Blodgett from April on. He came out here in May.

Mr. MAGEE. What I was getting at was that there would be no purpose in building the railroad unless you could get the timber?

Mr. DISQUE. No.

Mr. MAGEE. So that the building of the railroad was clear notice to him that you intended to take the timber?

Mr. DISQUE. Oh, yes.

Mr. MAGEE. And every mile that the railroad came nearer to his tract was stronger notice to him of the intention to do so?

Mr. DISQUE. Yes.

Mr. MAGEE. Now, did he want to sell?

Mr. DISQUE. I could not say whether he was anxious to sell or not. He had offered it to us without any pressure.

Mr. MAGEE. Was any purchaser suggested to him, or any purchaser in sight for the property?

Mr. DISQUE. There was one possible purchaser who tried to buy in a private deal with Mr. Blodgett.

Mr. MAGEE. Who was that.

Mr. DISQUE. Mr. N. S. Potter, of Jackson, Mich., president of the City Bank, who had an interest in an abandoned logging railway in Washington and wanted to move it down there. He heard of this Blodgett timber and he desired to get it and came out here and tried to put his railway down there, put it into use, and was unable to make any agreement with us and went back and tried to make one with Mr. Blodgett whereby they could in combination put in the railway and open the timber jointly.

Mr. MAGEE. Had you talked with this party to know if he would buy it?

Mr. DISQUE. Yes. He was here about three weeks, as I recollect, two or three weeks, and we could not come to any terms with him and recommended that he confer with Mr. Blodgett and see if they could get together and make some terms.

Mr. MAGEE. At the time of the armistice the sale had not been completed?

Mr. DISQUE. No, it had not.

Mr. MAGEE. Do you know how long after the armistice it was that it was completed?

Mr. DISQUE. It was two weeks or more.

Mr. MAGEE. If he was not anxious to sell what was the object of the Government in buying the property after the armistice was signed?

Mr. DISQUE. Well, it was, first having built a railroad down there, just good business, in the minds of the entire organization to give that railroad the value that it had created through its construction in that timber, and we had an offer which was given us in August or September and which we were continually trying to make into a purchase, the delay being caused through errors in the abstract of title which were being cleared up, and that would have been purchased in September had the abstract been satisfactory to our legal officers.

Mr. MAGEE. After the armistice was signed of course the Government had no further need of getting spruce or fir out of the tract?

Mr. DISQUE. There was another reason in there. The military authorities in Washington at that time had a feeling that it would be in the interest of the War Department to have a fine stand of spruce to hold as a reserve for future use. Gen. Mencher, I think it was, and also Mr. Ryan, talked to me about that in Washington in November, and suggested that we keep that thought in mind.

Mr. MAGEE. Was that the purpose?

Mr. DISQUE. Not entirely. I say, it was one of the things.

Mr. MAGEE. Was it the main purpose?

Mr. DISQUE. No; I do not think it was.

Mr. MAGEE. I would like to know what the main purpose was.

Mr. DISQUE. The main purpose was to insure the value of the railway.

Mr. MAGEE. That is, you bought the land to sell the railroad. Is that what you mean?

Mr. DISQUE. No. Putting that railroad down there increased the value of that timber materially. We had paid for that increase. Mr. Blodgett had given us an option; and as a business proposition it seemed proper that we should take advantage of it in the interest of the Government.

Mr. MAGEE. Who was responsible for buying it after the armistice; who determined that?

Mr. DISQUE. Well, it was determined before the Board before the armistice, and never revoked.

Mr. MAGEE. The Spruce Production Board?

Mr. DISQUE. Exactly.

Mr. MAGEE. Did they take action on it after the armistice was signed?

Mr. DISQUE. I do not recall whether they did or not.

Mr. MAGEE. If they did, will you supply it?

Mr. DISQUE. We will look through the minutes and if there is anything there I will do so.

Mr. MAGEE. Well, now, this property was advertised for sale on September 2, 1919?

Mr. DISQUE. I understand so.

Mr. MAGEE. Then, what object would there be in the Government buying this property as a spruce reservoir and then immediately putting it up for sale on September 2?

Mr. DISQUE. I have been away from the corporation for six months, I do not know what directed their policy since I left.

Mr. MAGEE. There has been a change of policy?

Mr. DISQUE. There may have been. I have not been in touch with them at all.

Mr. MAGEE. Was there any talk about buying the spruce at Pleasant Lake reservation for future needs of the Government?

Mr. DISQUE. No; the spruce up there was owned by several interests, and it was an area entirely too large to consider for that purpose.

Mr. MAGEE. How much spruce did you estimate to be in the Blodgett tract?

Mr. DISQUE. In the neighborhood of 275,000,000 feet.

Mr. MAGEE. You built this mill at Toledo and, as I understand, you testified you built the railroad line up the coast to get at the 150,000,000 feet on the west side of the ridge?

Mr. DISQUE. And south of Otter Rock.

Mr. MAGEE. Taking in 150,000,000?

Mr. DISQUE. That was our judgment of what we would get out of there.

Mr. MAGEE. Then there was 275,000,000 in the Blodgett tract?

Mr. DISQUE. That was the total cruise of spruce.

Mr. MAGEE. That would make a total of something like 425,000,000.

Mr. DISQUE. The Blodgett spruce, 275,000,000, would not all be aircraft lumber.

Mr. MAGEE. Well, how much would be?

Mr. DISQUE. I would have to consult our records to find what we considered aircraft lumber in that tract.

Mr. MAGEE. What was the capacity of the Toledo plant?

Mr. DISQUE. Between 600,000 and 750,000 feet a day.

Mr. MAGEE. About how much aircraft lumber goes into an airplane?

Mr. DISQUE. I have never been able to find out. The actual lumber in weight in a one-seated fighting plane, they tell me, is around 300 or 400 feet; but, of course, that is after it has been routed out and webbed, and probably represents only half of the planks put into the machine. I think a bombing plane has as high as 5,000 feet, and I have never been able to get anybody, even in the factories, to tell me exactly what it takes to make any of these machines, Frenchmen, or Englishmen, or anyone else; they do not know.

Mr. MAGEE. Would you have any idea of how many airplanes could be manufactured from a day's output of this plant?

Mr. DISQUE. Well, the 600,000 feet through the plant would become 50 per cent fitches, which would become 180,000 feet of the material that we shipped East and was called aircraft lumber. That would make about 30 to 35 airplanes.

Mr. MAGEE. A day?

Mr. DISQUE. That is based on all the information I have ever been able to get on the amount that goes into one. I will say that is very crude.

Mr. MAGEE. How much have you figured on going into an airplane?

Mr. DISQUE. I figured here on the basis of 5,000 feet.

Mr. MAGEE. To an airplane?

Mr. DISQUE. Yes. It is anybody's guess.

Mr. MAGEE. Suppose you figured on a basis of 500 feet?

Mr. DISQUE. I do not believe they ever made one for that.

Mr. MAGEE. Will you figure out what they would amount to on that combination?

Mr. DISQUE. Capt. Walter gives me a statement from the Washington office which says the rough, the lumber that we shipped to make a D. H. Four took 1,600 feet of lumber that we shipped.

Mr. MAGEE. That is, you shipped 1,600 feet and those were the largest machines made by the American Government?

Mr. DISQUE. I do not know. I think our Government made some Handley-Pages that took 4,200 feet, according to this statement, and the Caproni took 3,600 feet.

Mr. MAGEE. That was the Italian plane?

Mr. DISQUE. Yes. We supplied, of course, the lumber for all these machines.

Mr. MAGEE. Sixteen hundred feet of lumber such as you shipped. You say you were turning out 600,000 feet a day?

Mr. DISQUE. That would make somewhere around 90 if they were of that size.

Mr. MAGEE. Ninety planes a day; that would be about 3,000 planes a month.

Mr. DISQUE. Yes, sir.

Mr. MAGEE. How long would this spruce have kept this mill going?

Mr. DISQUE. Estimating that 200,000,000 feet of the Blodgett tract was airplane material and 150,000,000 up north, we have 350,000,000, and a cut of 600,000 a day; that would be nearly 600 days. Of course there was a great deal of spruce reported north of Otter Rock which we were not interested in at this time, but which preliminary cruises had indicated would be available by the extension of our line.

Mr. MAGEE. Up in the Siletz Reservation?

Mr. DISQUE. In the Siletz Reservation. Perhaps I can get that airplane production thought a little clearer here by saying that in 1918 the first nine months of that year the French Government, using our spruce and fir, made 34,219 machines.

Mr. MAGEE. In what time?

Mr. DISQUE. In the first nine months of 1918, and at that rate they were building around 3,700 a month themselves. That is just one Government.

Mr. MAGEE. Well, you had a very large plant there at Toledo, did you not?

Mr. DISQUE. Yes; that was a good sized plant.

Mr. MAGEE. That is, as you planned it, it was the biggest plant, probably, of its kind in the country?

Mr. DISQUE. There is no plant of its kind anywhere else.

Mr. MAGEE. And is it too large a plant now for any firm or person ordinarily to operate?

Mr. DISQUE. I do not think so; I think it is a good property.

Mr. MAGEE. You think you could find someone who would develop sufficient capacity to keep this mill going?

Mr. DISQUE. I think so.

Mr. MAGEE. Did you get any bid on it?

Mr. DISQUE. No; but a plant of that sort there that would refine lumber built in connection with it ought to be a very good commercial proposition.

Mr. MAGEE. It would absorb all the lumber in that locality in a short time, a plant of that capacity?

Mr. DISQUE. I do not think so. I think the Forestry Department show enough lumber in that vicinity to keep a plant going for 30 or 40 years. That would be my guess from what I have heard of the timber in that vicinity. There is a tremendous lot of it around there.

Mr. MAGEE. The capacity was sufficient to supply planes enough, probably that plant alone, to meet the needs of the Government?

Mr. DISQUE. Oh, no.

Mr. MAGEE. You do not think 3,000 a month would be enough?

Mr. DISQUE. That would not do any more than meet the American Government requirements after their production got under way. And another thing, Mr. Magee, that plant—we are talking now about a three-shift run?

Mr. MAGEE. Yes.

Mr. DISQUE. A commercial operator would only run that one shift, and if he went in there today to reduce the timber that is immediately available to these railways it would take him, instead of, as I said, six hundred days, it would take him eighteen hundred days, which is in the neighborhood of six or seven years, just for the

timber that is right on our railway, and that does not include the fir, which is at least two or three times the amount of spruce that we have been figuring on. Yes, more than that; it is four or five times the amount of spruce.

Mr. MAGEE. Then there was some evidence here that the capacity of the plant was so large for ordinary operations——

Mr. DISQUE. No; I do not think, as a sawmill, that it is a plant of excessive capacity.

Mr. MAGEE. Of course, the English were getting a good deal of spruce from British Columbia.

Mr. DISQUE. Well, I have a telegram from Gen. Menoher this morning. He has checked up the British records, and I would like to read that, if you will permit.

Mr. MAGEE. Certainly.

Mr. DISQUE. In connection with the amount of spruce that came from British Columbia. This is actual shipments from the Vancouver cut-up plant.

Cut-up plant produced 36,159,143 feet airplane spruce, 37,504,851 feet airplane fir——

Mr. FREAR. Will you give those figures again, please. Spruce, how much?

Mr. DISQUE. 36,159,143 feet airplane spruce, 37,504,851 feet of airplane fir——

and 3,355,466 feet airplane cedar. Canadian Government produced in British Columbia 18,175,000 feet airplane spruce and 8,182,000 feet airplane fir. Approximately 98 per cent of cut-up plant airplane lumber consigned to factories in United States passed inspection at factories. No figures available as to per cent found usable abroad nor per cent of Canadian Government output found usable. England received 12,770,038 feet spruce, 11,597,630 feet fir, 2,100,695 feet cedar. Italy received 2,320,398 feet of spruce, 4,510,957 feet of fir. France received 9,722,025 feet spruce, 9,787,925 feet fir. Gen. Charlton has asked Capt. Hope of Royal Air Force stationed in New York to wire direct record of quality airplane stock produced at cut-up plant and furnished to the British Government. Menoher, director of air service.

Mr. MAGEE. Mr. Pendleton, as I understand, held the same position for the British Government in British Columbia that you held here for the United States?

Mr. DISQUE. I do not think so. A Maj. Taylor up there has a position similar to the one I had here. Mr. Pendleton, as I understand it, was assisting him in some way.

Mr. FREAR. Just in that connection may I ask you to read the telegram you got from British Columbia into the record there. Would that be a fair thing to do?

Mr. DISQUE. I think you read that yesterday.

Mr. FREAR. I did, but I want to see if it is accurate.

Mr. DISQUE. The one you read was accurate, all right.

Mr. FREAR. That is the only question.

Mr. DISQUE. Mine is practically the same, or is the same.

Mr. FREAR. That is all.

Mr. MAGEE. Well, Mr. Pendleton was the main man there?

Mr. DISQUE. I think so.

Mr. MAGEE. There is no question about that.

Mr. DISQUE. I think so, in the spruce.

Mr. MAGEE. Maj. Taylor, I think, lived in Toronto.

Mr. DISQUE. No; I think he was in Vancouver. He was stationed out there all the time. I had messages from him frequently.

Mr. MAGEE. The director of aircraft here was your superior officer, wasn't he?

Mr. DISQUE. In Washington, yes.

Mr. MAGEE. And Maj. Taylor was superior officer to Mr. Pendleton?

Mr. DISQUE. Well, Mr. Taylor had a man similar to the director of aircraft back in Toronto.

Mr. MAGEE. Well, perhaps I had better read the communication here from Maj. Taylor. It is already in evidence. There is no question about it.

Mr. DISQUE. I think those amounts that I read from the telegram, I am sure they are intended to be the amounts that these Governments received of the cut-up plant product, which is referred to in the first part of the message. The totals check on that.

Mr. MAGEE. Maj. Taylor writes to Mr. Pendleton under date of August 18, 1919:

MY DEAR MR. PENDLETON: The conclusion of settlement of contracts as an aftermath of our production campaign brings to a final termination the activities of this department, and the consequent dissolution of our organization.

Will you, therefore, permit me to record the deep appreciation I share with the chairman and officers of the Imperial Munition Board in your excellent contribution of service, to which is largely due the gratifying results obtained by this department.

In the early stages of formulating the best mode of procedure to obtain a rapid airplane spruce production your intimate knowledge of coast lumbering conditions allowed me to lean heavily on your judgment, my admiration and respect for which has grown greater as succeeding production and settlement difficulties were supervised by you.

I am sure you will always be able to look back with gratification on your intimate association with the work of producing airplane lumber to meet a national crisis. My regret at this, the termination of our daily personal association, is tempered with the pleasurable memory I shall always hold of the privilege of having you associated with the board in the production of this essential war material, and I am also deeply sensible of the sacrifice of your own business interests and home comforts to gratuitously devote your time and energy to important national work in the production of this essential war material. Assuring you of the board's and my own personal sense of deep obligation for a signal service well and faithfully performed by you.

Most sincerely,

AUSTIN C. TAYLOR,
Director.

So I assume from that there is no question that Mr. Pendleton was in charge of the spruce operations in British Columbia.

Mr. DISQUE. Well, I do not know a thing about it. I do not know about Mr. Pendleton's relations there at all.

Mr. MAGEE. Now, there is a small matter I wanted to ask you about. There was a young man in the service who has seen me once or twice and I told him that I would try and ascertain whether there was anything in the fact that he contends that 15 per cent of their wages was deducted semimonthly or monthly, for mess expenses, or something of that sort. Do you know anything about it, or what there is to it, or would anybody connected with the corporation know?

Mr. DISQUE. All I know about that is that Col. Reardon, who had command of the troops working in the cut-up plant, told me that they had a mutual agreement out there with all the men that they were going to do something of that nature.

Mr. MAGEE. What would the deduction be made for, do you know?

Mr. DISQUE. My recollection is that it was a deduction in the interests of the mess and the few men around the messrooms who were not drawing civilian wages, a thing that is done in nearly every regular army unit.

Mr. MAGEE. Do you know just exactly what it was?

Mr. DISQUE. I do not know the details of it, Mr. Magee.

Mr. MAGEE. Who connected with the corporation would know all about it, or just what was done, and why?

Mr. DISQUE. Capt. Walker here seems to know more about it than anyone.

Mr. MAGEE. I will ask Capt. Walker now, while he is here, if he will state.

Mr. WALKER. The cooks and men working in the kitchen police in the company administration, also the company clerks and the men who worked in the cut-up plant office in clerical capacities, they only got the regular army pay, and these other men, out of their wages, made this pot which was prorated among these men to equalize the amount they received to some extent with those who worked directly in the plant.

Mr. MAGEE. Was there any authority for deducting the 15 per cent from their wages?

Mr. WALKER. It was purely a voluntary matter on their part. As stated by Mr. French, a list was passed around for those who were in accord with it, and, furthermore, Mr. Mitchell told me personally that many of those checks were cashed by men direct at the bank and no contribution given to this pot that I speak of. If they wanted to they could go to any bank and get it cashed, but those that were cashed at the post exchange, when they had facilities for cashing checks, in most cases they contributed to this pot.

Mr. MAGEE. This complaint of this young man was that moneys were deducted against their will, that is, deducted and they had no redress.

Mr. WALKER. Here is the actual way it was worked out; these men were given their checks there and then 10 per cent was written—

Mr. MAGEE. Fifteen, he said.

Mr. WALKER. Well, whatever the percentage was, written on in pencil on the check, and the National Bank there at Vancouver advanced \$10,000 at the post exchange, and Capt. Nesbitt Col. Beardon's adjutant, I believe took ten per cent from the men when the check was cashed and put it in this pot, and that was handled by the officers there and distributed to the men.

Mr. MAGEE. Then I take it that if 15 per cent or 10 per cent was deducted from the wages of any man without his consent that he still has that amount coming to him from the Government.

Mr. WALKER. But do not miss the point, Mr. Magee. These men were not compelled to cash these checks there, but could go to the banks in Vancouver and cash them and get the full amount, which many did.

Mr. MAGEE. The claim is that the amount was deducted and they were told that it had been deducted and that they were entitled to only the balance.

Mr. WALKER. That was the general policy, and I believe if you interview the bulk of the men you would find it was voluntary on their part.

Mr. FREAR. May I ask a question; the difficulty of interviewing the bulk of the men—we have had that complaint come from a number of the boys, that they had no voice in regard to this deduction of 15 per cent of their wages. That was the amount, was it?

Mr. WALKER. Yes.

Mr. FREAR. Fifteen per cent. Now, as I understand you to state, the clerical men in Vancouver were given full pay, the same as civilians.

Mr. WALKER. No sir.

Mr. FREAR. Well, that is what I was going to ask, whether I understood that correctly.

Mr. WALKER. No, they only received, Mr. Frear, both those at work in the office of the cut-up plant and in the company administration, the company clerks, etc., they received only their regular army pay. This was a measure on the part of the bulk of the men who did receive civilian pay to give them some benefit, extra money.

Mr. FREAR. I was going to say, before I got through, that the men who were working in the Vancouver barracks, or the Vancouver cut-up plant, and getting the same pay as civilians, had this 15 per cent deduction made to in part bring up the pay of the clerks to full civilian wages, is that right?

Mr. WALKER. Well, it did not bring it up to full civilian wages, but it gave them more than their actual army pay.

Mr. FREAR. What was the amount of the increase?

Mr. WALKER. All I can say about that is that I was in the cut-up plant office one day when they were passing this around, and I noticed one sergeant by the name of—I can not recall his name right now, he was keeping commercial lumber books—I remember he got \$20 one month.

Mr. FREAR. Now, you had 9052 men, according to the summary, at Vancouver Barracks?

Mr. WALKER. Yes, but understand that these were only men stationed at the cut-up plant, Mr. Frear. There were a number of squadrons stationed right at the cut-up plant to supply men for the plant itself.

Mr. FREAR. This 15 per cent deduction, did that occur with everyone?

Mr. WALKER. No, no; only there in the plant, and, as I say, it was not a deduction that we had anything to do with as a corporation, or the disbursing officer as division disbursing officer.

Mr. MAGEE. I understood this young man was in a logging camp.

Mr. WALKER. He was later, but he was at this time stationed—

Mr. MAGEE. I mean at the time the deduction was made.

Mr. WALKER. No; I believe you misunderstood him. He was stationed at Vancouver Barracks, at the cut-up plant.

Mr. FREAR. How many men did you have in the cut-up plant about?

Mr. WALKER. I think about four thousand were stationed there all the time. I can determine that from the pay roll.

Mr. DISQUE. That is approximately right.

Mr. FREAR. That is close enough.

Mr. WALKER. It was a deduction made there at the post exchange. As I say, in many cases it might have been a personal misunderstanding on the part of the men.

Mr. FREAR. Could you give the approximate amount that would be deducted from the wages of the 4,000 men at 15 per cent?

Mr. WALKER. Well, I could determine that from the pay roll.

Mr. FREAR. Couldn't you give it approximately, knowing in a general way the amount that was paid to the men on the average?

Mr. WALKER. I do not think, Mr. Frear, that it was 15 per cent. I think it was 10 per cent. In fact I am positive of that. I could get some of those checks with those deductions marked on them for the committee, and I will get also some of those checks where they cashed them directly at the bank and no deduction was made, if you care to have them.

Mr. FREAR. That brings up the question of why the condition was made that they could not cash their checks over at Vancouver Barracks unless they made the deduction of 15 per cent. Who was authority for that, that they would not give them the full amount if they demanded it?

Mr. WALKER. As far as the convenience of cashing them was concerned, those men were willing to have it done and the checks cashed there, but they could walk down to the bank in 15 minutes and get them cashed.

Mr. FREAR. Down town?

Mr. WALKER. Yes.

Mr. FREAR. But why didn't you up there have an arrangement that they could get their money if they didn't want to make the deduction, that is what I was asking; why didn't you have such an arrangement at Vancouver Barracks where these deductions were made and where these checks were cashed? I am just asking as a matter of practice.

Mr. WALKER. As a matter of fact, the facilities for cashing those checks right at the barracks—this was entirely a matter of convenience that we arranged for the men. Many of them were cashed over here at Portland at the hotels, anywhere where any checks would be cashed.

Mr. MAGEE. I think this young man stated that there were some instances where they were cashed at banks, and he said the men who did that were sharp enough to take a lead pencil and erase the "deduct 15 per cent" so that the check they presented did not have any deduction on it.

Mr. WALKER. I do not know whether Mr. French was there at first when this list was passing around setting forth the facts.

Mr. FREAR. Several of the boys have spoken to me on the side that we have not put on the witness stand.

Mr. WALKER. I have had letters from men that have gone away that had money coming out of this pot too, and I have arranged to get it for them.

Mr. MAGEE. I think it should be stated here that if there was any young man whose pay was deducted without his consent thereto that he has a claim against the Government now for whatever the deduction was. That is right, isn't it?

Mr. WALKER. No, sir.

Mr. MAGEE. You do not think he has a claim?

Mr. WALKER. No, sir. He has endorsed his check. He might have a claim against the regimental fund.

Mr. FREAR. That would be much like the claim of Blodgett, it was rather commandeered.

Mr. MAGEE. I do not think I will modify the statement, because I think that he has a valid claim for that amount against the Government, and I assume that in any event the Government would be fair enough and equitable enough to pay it. Thank you very much, Mr. Walker. Now General, do you know whether the Milwaukee railroad is affiliated in any way with the Union Pacific?

Mr. DISQUE. I have not the slightest knowledge of it. I never heard that they were and I never heard that they were not.

Mr. MAGEE. Do you know whether they have the same terminals in any city?

Mr. DISQUE. I do not know a thing about it.

Mr. MAGEE. Or any interdependent contracts or railways.

Mr. DISQUE. No.

Mr. MAGEE. Do you know whether they occupy the same terminals in Seattle.

Mr. DISQUE. No, I do not.

Mr. MAGEE. You do not know anything about that?

Mr. DISQUE. Not a thing.

Mr. MAGEE. Now, in this Siems-Carey-Kerbaugh contract, who was sent out here as manager, who was the first manager here?

Mr. DISQUE. I think Mr. Carey managed the thing from the beginning.

Mr. MAGEE. Was there a man by the name of Donlin out here as manager at any time?

Mr. DISQUE. They had a Mr. Donlin with them who was in charge of some part of their operations I think he was connected with the spruce contract.

Mr. MAGEE. Was he manager of that, do you know?

Mr. DISQUE. I believe he was for a while.

Mr. MAGEE. Was he the first manager?

Mr. DISQUE. I think so.

Mr. MAGEE. Do you know where he was from?

Mr. DISQUE. Only in a general way; I understood he came from Montana.

Mr. MAGEE. Missoula?

Mr. DISQUE. I do not know what town.

Mr. MAGEE. How long was he here?

Mr. DISQUE. I do not know, but I would guess about two or three months, maybe.

Mr. MAGEE. Do you know who succeeded him?

Mr. DISQUE. I do not.

Mr. MAGEE. Now, I think you stated that Mr. Ryan did not sign the railroad contract, he refused to sign that?

Mr. DISQUE. That is my understanding of it.

Mr. MAGEE. Do you think his refusal to sign was the proper thing for him to do under the circumstances?

Mr. DISQUE. Well, I do not know that I could say he refused. He asked the Secretary of War to be excused from taking any part.

Mr. MAGEE. He did not sign it, there is no question about that.

Mr. DISQUE. That is my recollection of the way it turned out.

Mr. MAGEE. Do you think that was a proper action for him to take?

Mr. DISQUE. Well, I imagine it was, I would think so.

Mr. MAGEE. Now, he still continued as director of aircraft?

Mr. DISQUE. Yes.

Mr. MAGEE. He carried out the execution of the contract?

Mr. DISQUE. Yes, that really was executed under his——

Mr. MAGEE. To all intents and purposes the results were just the same as if he had signed it.

Mr. DISQUE. I would not say that, because the contract provisions were carried out to the letter and he did not make those terms. The execution of it became a mere matter of complying with conditions that had been set down without his control, and he could not control the execution of it, beyond seeing that it was carried out in accordance with its terms.

Mr. MAGEE. It would not make any difference, would it, so far as the contract was concerned, the execution of it, whether he signed it, or whether he did not. The contract was signed and executed in accordance with its terms and was signed and executed in accordance with the terms and conditions.

Mr. DISQUE. Yes. It would not have made any difference if Mr. Ryan had signed that after it had been drawn and he approved of its provisions. May I refer to Mr. Donlin, since you brought his name in?

Mr. MAGEE. Yes, for any statement you want to make.

Mr. DISQUE. I heard before I left New York that it had been said that Mr. Donlin was put in with the Siems-Carey-Kerbaugh Corporation from the Anaconda company's operations. I asked Mr. Ryan if he knew Donlin and he said yes, that he had been with his company some years ago.

Mr. MAGEE. When was this that you saw Mr. Ryan?

Mr. DISQUE. Just before I came out here.

Mr. MAGEE. You mean this year?

Mr. DISQUE. Just about two weeks ago.

Mr. MAGEE. Where did you see him?

Mr. DISQUE. In New York.

Mr. MAGEE. Where in New York?

Mr. DISQUE. In his office.

Mr. MAGEE. Do you know where his office is located?

Mr. DISQUE. 43 Broadway. He told me that Mr. Donlin had left their employ some years ago under circumstances which rendered it impossible for him to go back into their employ, and that when he heard that Donlin was employed by the Siems-Carey-Kerbaugh Corporation he had intended to bring this to the attention of Mr. Carey for reasons which he did not give to me, and apparently something that had occurred in the relations that they had had. He said that Mr. Donlin had ceased to be in the employ of the Kerbaugh Co. and he had never since returned to either one of them.

Mr. FREAR. Can you explain to the committee why it was that Mr. Kerbaugh, in the statement that he made while testifying in the Ray hearing, shortly after his talk with Pliny Fisk in New York City, stated that Mr. Donlin had been a Missoula, Mont., man, I

think it was, and was recommended to them and that they joined with him in coming out here. Have you any reason for that statement? That is Mr. Kerbaugh's statement, in substance, as I recollect.

Mr. DISQUE. I do not know a thing about it, Mr. Chairman.

Mr. FREAR. That is all.

Mr. MAGEE. The first you heard of the Siems-Carey-Kerbaugh Co., as I recall, was through Pliny Fisk.

Mr. DISQUE. Telegrams that came from both themselves and Pliny Fisk.

Mr. MAGEE. Now, did you think it was proper for Mr. Ryan to sign the spruce contract?

Mr. DISQUE. Perfectly.

Mr. MAGEE. You did not think it was proper for him to sign the railroad contract, but it was proper for him to sign the spruce contract?

Mr. DISQUE. I can readily see why he did not care to take part in the railroad contract. I think that was a conscientious effort on his part to refrain from allowing his interests to affect in any way his Government duties.

Mr. MAGEE. The spruce contract, I understood you to testify, was a twin sister of the railroad contract?

Mr. DISQUE. I never said that.

Mr. MAGEE. Well, it was, wasn't it?

Mr. DISQUE. No.

Mr. MAGEE. One was dependent upon the other?

Mr. DISQUE. Not in any way that made them twin contracts.

Mr. MAGEE. Was one dependent upon the other?

Mr. DISQUE. Not in any manner that you have in mind, I am sure.

Mr. MAGEE. What I mean is, could the spruce contract be carried out without the execution of the railroad contract?

Mr. DISQUE. Yes; it could.

Mr. MAGEE. Haven't you testified that you would not sign the spruce contract until the railroad contract had been executed?

Mr. DISQUE. Until a railroad had been arranged for, I said.

Mr. MAGEE. Well, that would be a contract, wouldn't it?

Mr. DISQUE. Not absolutely necessary. The Milwaukee could have extended their line without our interference in any way.

Mr. MAGEE. Well, if you testified that you refused to sign this spruce contract drawn up originally by you on or about the 12th day of April, 1918, until a railroad had been provided for by contract—

Mr. DISQUE. That is what I said.

Mr. MAGEE. You would not sign the spruce contract until the railroad contract had been provided for?

Mr. DISQUE. Not until the railroad had been provided for, but until a railroad had been arranged for.

Mr. MAGEE. Could that be arranged for in any way except by contract?

Mr. DISQUE. I think so.

Mr. MAGEE. Well, it wasn't, was it?

Mr. DISQUE. Not in this case.

Mr. MAGEE. It was arranged by a contract between the Government and the Siems-Carey Co., that is right, is it not?

Mr. DISQUE. That is how it turned out.

Mr. MAGEE. You would not think that a railroad could be provided in any other way except by contract, would, you, General?

Mr. DISQUE. Well, as I said before, the Milwaukee could have extended their line without any contract with the Government.

Mr. MAGEE. That was the only sensible, feasible, and safe way to do it, wasn't it?

Mr. DISQUE. How was that?

Mr. MAGEE. To have the Milwaukee extend its line.

Mr. DISQUE. That is the way it appealed to me.

Mr. MAGEE. And that was your decision?

Mr. DISQUE. We tried awfully hard to get them to.

Mr. MAGEE. Well, had the Government at this time taken over the Milwaukee?

Mr. DISQUE. At what time?

Mr. MAGEE. Oh, at this time.

Mr. DISQUE. They had not taken it over when I first asked them to consider an extension of their line.

Mr. MAGEE. Is it now under Governmental control?

Mr. DISQUE. I think so.

Mr. MAGEE. And it could have been placed under Governmental control by the mere scratch of a pen by the director of railways from the time the Government took control of them, couldn't it?

Mr. DISQUE. I guess it was.

Mr. MAGEE. Well, that was before this time, wasn't it?

Mr. DISQUE. That was before what time?

Mr. MAGEE. The spring of 1918.

Mr. DISQUE. Oh yes, they took them over, I think, in January.

Mr. MAGEE. Yes, long before that. So the Milwaukee was under the control of the Government, and so the Milwaukee could not dictate to the Government what it would do.

Mr. DISQUE. No, and the War Department could not dictate to the Railroad Administration what it would do. If they could, we would have had them extend that line.

Mr. MAGEE. I am assuming that the Railroad Administration is the Government?

Mr. DISQUE. Well, of course, that is an entirely separate department from the War Department.

Mr. MAGEE. If you had recommended the extension of the Milwaukee it would have been extended, wouldn't it?

Mr. DISQUE. No sir. I did recommend it and urged it for several months, and the final result was a refusal on the part of the Railway Administration to make the extension.

Mr. MAGEE. Haven't you testified here that you changed your mind, and by a change of your mind determined on the Lake Crescent-Lake Pleasant route, and that you took full responsibility for it?

Mr. DISQUE. Exactly.

Mr. MAGEE. Now, if you had not changed your mind, some other road would have been built?

Mr. DISQUE. Well, I do not know about that.

Mr. MAGEE. Well, you had to have a railroad to get into the tract?

Mr. DISQUE. There was a lapse of several months, and a radical change of conditions in everything surrounding that.

Mr. MAGEE. I understand, we have gone over that. What I mean to say is this, General, that the Government could have built a line of railroad from Deep Creek into this tract.

Mr. DISQUE. They could not have possibly done it after the Railway Administration refused to extend the line and get it there in time to accomplish our purpose, according to every report I received.

Mr. MAGEE. I am talking about the War Department. The War Department could build this railroad anywhere it chose, provided it had the money to pay for it.

Mr. DISQUE. I guess that is perfectly right.

Mr. MAGEE. It could have built the road from Deep Creek into this timber tract just as well as it could have built the road from Joyce Junction to Lake Pleasant.

Mr. DISQUE. Not to serve the purpose we wanted the road for.

Mr. MAGEE. I am talking about the power of the department.

Mr. DISQUE. As an abstract proposition, they could build the road anywhere that there is sufficient soil and——

Mr. MAGEE. As a practical, concrete proposition.

Mr. DISQUE. It was not practical in this case.

Mr. MAGEE. You thought it was at one time.

Mr. DISQUE. Never thought so at the time when the decision had to be made.

Mr. MAGEE. You changed your mind overnight, I believe you testified.

Mr. DISQUE. No; I never testified to that.

Mr. MAGEE. You had this meeting over here somewhere with the Milwaukee officials.

Mr. DISQUE. I changed my mind over a period of two weeks, after the most careful——

Mr. MAGEE. Well, you changed your mind.

Mr. DISQUE. Yes.

Mr. MAGEE. If you hadn't changed your mind, the road would have been built the other way?

Mr. DISQUE. Yes.

Mr. MAGEE. There is no question about that.

Mr. DISQUE. That is right.

Mr. MAGEE. That is all the facts I want, because members of the House are likely to quiz us. I am asking for information.

Mr. DISQUE. If I hadn't changed my mind, we would have built the road, or tried to have built it, from Deep Creek on.

Mr. MAGEE. And Mr. Roberts, the engineer of the Union Pacific, gave you figures as to probable cost of construction over that line. I think he placed it something like a million six hundred thousand dollars.

Mr. DISQUE. He stated definitely that those figures were not at all reliable.

Mr. MAGEE. Well, he gave an estimate.

Mr. DISQUE. Only for the purpose of comparing the two lines.

Mr. MAGEE. Well, I say he gave an estimate, didn't he?

Mr. DISQUE. As I stated, he gave the estimate for the purpose of comparison only.

Mr. MAGEE. Well, I will ask you whether or not he gave an estimate of probable cost of construction of this road from Deep Creek into the tract?

Mr. DISQUE. That can't be answered except by saying that his estimate was the most crude sort and merely for purposes of comparison.

Mr. MAGEE. He hadn't been down there much, had he?

Mr. DISQUE. He states that he spent three days there over the two roads, and I have been down and back over them in one day, so that he had a little time on the job.

Mr. MAGEE. That is, from Joyce Junction to Lake Pleasant is how many miles?

Mr. DISQUE. Thirty-six, I believe.

Mr. MAGEE. And to go over this line of road it would be necessary to go on foot before the road was built?

Mr. DISQUE. No; not in making a preliminary investigation. You would go by road and have your maps; you would take a ferry for 12 miles, looking at the character of the ground on the sides of the lake, and follow in an auto along the other roads, and, with a map, know just about what you were doing. An experienced engineer would be able to do that.

Mr. MAGEE. Now, this line of road from Lake Crescent to Lake Pleasant didn't follow the crest of the mountain?

Mr. DISQUE. There is not any mountain along that, except off to the flanks of it.

Mr. MAGEE. You have a rise of 1,100 feet, as I understand?

Mr. DISQUE. No; I don't believe that is right.

Mr. MAGEE. Well, whatever it is, it is in the evidence; a 3 per cent grade.

Mr. DISQUE. No; there is no 3 per cent grade on that road.

Mr. MAGEE. Well, whatever the grade is, it is in evidence, and the rise is there.

Mr. DISQUE. There is a summit on that line; it was not any 1,100 feet; nowhere near it.

Mr. MAGEE. Whatever the summit is, they went over it with the grade.

Mr. DISQUE. That summit was 1,100 feet above sea level, but nothing like 1,100 feet from where that road started to rise.

Mr. MAGEE. Whatever the summit is, it went over?

Mr. DISQUE. Yes.

Mr. MAGEE. And they didn't go along the base of the mountain; that is, along the shore of the lake?

Mr. DISQUE. Well, they went along the shore of the lake as close as good engineering would indicate that they should go.

Mr. MAGEE. It is some hundred feet, isn't it, from the shore of the lake up the side of the mountain?

Mr. DISQUE. Well, that is, of course, the natural grade adopted to reached the summit west of Lake Crescent.

Mr. MAGEE. What I meant is this: That they didn't go over the crest of the mountain—they didn't go along the shore, down around by the shore of the lake, at the base of the mountain, but they blazed a trail right across the side of the mountain, cut the timber down, excavated it, built a table-land, and built the road right across the side of the mountain, didn't they?

Mr. DISQUE. I don't know just what you mean. They certainly began to rise at the east end of Lake Crescent and gradually went higher toward the west side.

Mr. MAGEE. Along the side of the mountain?

Mr. DISQUE. Well, they followed the route that an engineer would take to put a road along there.

Mr. MAGEE. I am not talking about what he would take; I am talking about what they did do. They went along the side of the mountain. First they took down——

Mr. DISQUE. They were pretty close to the base of it.

Mr. MAGEE. How far from the lake shore?

Mr. DISQUE. I don't know.

Mr. MAGEE. You have been over the road?

Mr. DISQUE. Yes.

Mr. MAGEE. Isn't it several hundred feet from the water in the lake?

Mr. DISQUE. Up to the railroad?

Mr. MAGEE. Yes.

Mr. DISQUE. I think it is, in the west end of it. On the east end, I don't think it is even 25 feet.

Mr. MAGEE. This runs along the north side of the lake, doesn't it?

Mr. DISQUE. Yes, but runs from east to west and——

Mr. MAGEE. In the north side of the lake?

Mr. DISQUE. The first few miles of the lake, the railroad is right there as close down to the water as you can get it, and it gradually rises, as it had to do, to get over the summit west of the lake.

Mr. MAGEE. It could not rise until it reached the mountain, could it?

Mr. DISQUE. It would not have to unless there was a mountain there.

Mr. MAGEE. So that it would not rise until it reached that?

Mr. DISQUE. It didn't go over the mountain.

Mr. MAGEE. It didn't go over the crest, nor it didn't go along the base of it, but they blazed a pathway right along the side of the mountain, cut down the forest, then excavated, built a tableland, and then built the road on that.

Mr. DISQUE. Let me say that the cutting down of the forest was in compliance with regulations of the Forestry Department, which required us to clear a right-of-way 200 feet wide.

Mr. MAGEE. I am not complaining of that. You could not build the railroad until you got the way cleared, could you?

Mr. DISQUE. That is right.

Mr. MAGEE. So am just talking about the fact, what they did. They cut down the timbers there, 200 feet wide, along the side of this mountain. Of course, that necessitated excavations, throwing over the dirt, building up a tableland, and then they built the road; that is right, isn't it?

Mr. DISQUE. They did all the things that they had to do to put that road there.

Mr. MAGEE. Take in Lyre Canyon there, they cut through considerable rock there, didn't they?

Mr. DISQUE. I don't know. I didn't think so with the two trips I made over the road, I didn't think there was a great deal of cutting in that canyon.

Mr. MAGEE. It appeared to me when I went over the road there; we were estimating, giving different estimates. Some estimated 200 feet and some 250.

Mr. DISQUE. Are you an engineer, Mr. Magee?

Mr. MAGEE. No, I am not an engineer. It is only an estimate. I was wondering if you had anybody who could give us the depth of the rock there that they cut through in Lyre Canyon.

Mr. DISQUE. I think that can be furnished.

Mr. MAGEE. All right; I wish you would. Do you know how Brother Roberts went on this three-day tour in looking over the ground there for this 36-mile road?

Mr. DISQUE. No; but he is in the city. He can come in and tell you about that.

Mr. MAGEE. You don't know how he went?

Mr. DISQUE. No.

Mr. MAGEE. You don't know whether he tried it afoot, or whether he went by automobile, or otherwise?

Mr. DISQUE. No, I don't.

Mr. MAGEE. Now, what distance would he have to travel if he went over the other route there, from Deep Creek up into this timber?

Mr. DISQUE. How did he do it?

Mr. MAGEE. I said, what route would he have to travel, or what distance?

Mr. DISQUE. Well, I would say that about all he would have to do there would be to go into the difficult part of it, which is up the Pysht River canyon.

Mr. MAGEE. Well, how many miles?

Mr. DISQUE. That is probably 10 or 11 miles.

Mr. MAGEE. He would have 36 miles from Lake Crescent to Lake Pleasant, and you have 12 or 14 miles on the other route?

Mr. DISQUE. I don't believe he would necessarily go back over that part of the Milwaukee's proposed extension that was west of Deep Creek to the Pysht, because that, in there, was a known problem to everybody. The unknown part of it was up the canyon of the Pysht River, just like the unknown part of this other problem was probably four or five miles, and I doubt if he spent any time on the flat open areas that were simple problems to everybody.

Mr. MAGEE. How far would it have been necessary to have extended the road from Deep Creek up to the edge of this tract?

Mr. DISQUE. A total of 25 miles, I think.

Mr. MAGEE. That would be 11 miles less than the other route?

Mr. DISQUE. Yes.

Mr. MAGEE. Well, to make a survey to be worth anything, he would need to go over that 25 miles, wouldn't he?

Mr. DISQUE. To make a survey that would be worth anything, from the standpoint of estimates of cost, it would take a long time.

Mr. MAGEE. Yes.

Mr. DISQUE. But, for a locating engineer of experience and ability, with maps and information, it would not take any great time, in my opinion, to get information sufficient to make a broad recommendation as to choice of roads.

Mr. MAGEE. I think I absolutely agree with you. In other words, it seems to me that Mr. Roberts, sitting in his office, wherever he is,

could just as well have written that report as to have written the report after he was down there for two or three days.

Mr. DISQUE. Well, I don't think he felt that way.

Mr. MAGEE. Now, was Mr. Ryan out here at any time in the summer of 1918?

Mr. DISQUE. He came out here in the latter part of July, 1918.

Mr. MAGEE. After these operations were under way?

Mr. DISQUE. Yes.

Mr. MAGEE. And did he go over the ground?

Mr. DISQUE. He went over several of our operations, including the one in Clallam County.

Mr. MAGEE. Railroad operations?

Mr. DISQUE. Yes, sir.

Mr. MAGEE. And did he go over the spruce contract operations?

Mr. DISQUE. Yes.

Mr. MAGEE. Did you go with him?

Mr. DISQUE. Yes.

Mr. MAGEE. And how long was he here?

Mr. DISQUE. About a week. He also went over the Merrill & Ring operations out there; and there was no railroad in existence when he came; of course, we went over the routes in automobiles and went down into Grays Harbor and did the same thing, passed through our operations at different places.

Mr. MAGEE. These operations were carried on, under his directions, until the armistice was signed?

Mr. DISQUE. Yes.

Mr. MAGEE. When you decided to extend the railroad from Deep Creek up into this tract, if you had stuck by your decision, got busy and went right to work, how long would it have taken you to have extended that road up to the tract?

Mr. DISQUE. Well, the Milwaukee officers told us that if we could get—

Mr. MAGEE. I don't care anything about what they told you.

Mr. DISQUE. I don't know. I am frank to say that that is something I only act on on the recommendation of engineers.

Mr. MAGEE. What I want to know is how long it would have taken.

Mr. DISQUE. I know how long they told me it would take.

Mr. MAGEE. Well, you had 11 miles of railroad less to build.

Mr. DISQUE. Yes.

Mr. MAGEE. And when did you begin to build the Lake Crescent-Lake Pleasant route?

Mr. DISQUE. Pretty well onto the first of July when we started. I will tell you about that—

Mr. MAGEE. How much earlier could you have begun operations on the Deep Creek route, if you hadn't begun to wobble about your judgment on the matter, or decision on the matter?

Mr. DISQUE. I never wobbled on the decision.

Mr. MAGEE. Well, before you changed your decision.

Mr. DISQUE. Now, I will tell you—let me get you clear on this—

Mr. MAGEE. No; I want to get you clear.

Mr. DISQUE. No, sir. Well, I am perfectly clear; there is no doubt in my mind at all.

Mr. MAGEE. I have just asked a plain question—as to how long it would have taken you to have done it if you had stood on your first decision and gone to work?

Mr. DISQUE. Well, if we had stood on our first decision a road would never have been completed, in my judgment.

Mr. MAGEE. That answers it. I think that is all.

Mr. DISQUE. If you are really interested, I will tell you that the engineers of the Milwaukee said that they could not complete it unless we started in April.

Mr. MAGEE. Yes; I understand about the engineers of the Milwaukee; they are a lot of good fellows, and all that sort of thing, but they can't dupe everybody, you know.

Mr. FREAR. Did you tell them you were going to put 4,000 soldiers in the Siems-Carey-Kerbaugh road, and would do the same on their road if they wanted to start it?

Mr. DISQUE. I told them we would give them every help in the world that they wanted.

Mr. FREAR. Did you tell them you would give them 4,000 soldiers?

Mr. DISQUE. We never told any party how many we would give.

Mr. FREAR. So they had no way of estimating what unusual help they could secure; is that right?

Mr. DISQUE. Oh, I think they did. I think they knew that they could have everything that was useful.

Mr. FREAR. You mean to say that with 4,000 soldiers, in addition to what other help the Milwaukee could get, they assured you that they could not build the 25 miles, which you say is the line, in less than six months?

Mr. DISQUE. No. They told me it could not be finished before the winter rains of 1918-19 unless we got started immediately; that the dry weather came on in the spring.

Mr. FREAR. That would be about nine months, wouldn't it; or about six months?

Mr. DISQUE. About seven months.

Mr. FREAR. That they could not build it in seven months, then?

Mr. DISQUE. The point was, Mr. Chairman, they could not get gangs spotted along that route like you could on the other route; you could not start simultaneously operations in several places.

Mr. FREAR. But they could have gotten into Pysht Creek, and that would have been a place for general unloading, wouldn't it, in addition to Deep Creek and whatever places they chose, until they went up the hill?

Mr. DISQUE. They could not have moved supplies in to the road until you had moved it forward to certain points.

Mr. FREAR. As I understand you—and let me say this: As I understand, some comment occurred because I could not be here yesterday. I regret it very much, because I was interviewing a great many witnesses yesterday, and it is an absolute necessity for members to do that. We have been engaged Sundays and every other day, up to yesterday, and had no opportunity, excepting evenings, and we have as far as possible tried to eliminate many witnesses that it would seem to be useless to call. We have to interview many of those, and that was one of the reasons for my absence yesterday, and I trust that that is a fair explanation to those who are interested.

The Canadian production was twenty-six million and odd thousand feet according to your statement here from Menoher. That was from some time in the spring, I believe Mr. Pendleton testified that they started operations. The American production at your plant was something like 73,000,000; that is right?

Mr. DISQUE. At the cut-up plant.

Mr. FREAR. Was there other production?

Mr. DISQUE. We shipped 143,000,000 feet.

Mr. FREAR. There is no statement as to that, or no estimate as to that by Menoher.

Mr. DISQUE. Well, he is only referring to the cut-up plant, in the telegram.

Mr. FREAR. How did he know more about what was done by this cut-up plant than you people here in Portland knew?

Mr. DISQUE. Our orders passed through this office in Washington and them made the distribution to the Allies.

Mr. FREAR. So that they had better information there. Now, the English allotment was 12,000,000 feet of spruce, in round numbers, and 11,797,000 feet of fir, according to Menoher's statement. That would be approximately half and half of spruce and fir?

Mr. DISQUE. From the cut-up plant.

Mr. FREAR. From the cut-up plant. Italy, the spruce was 2,320,000, of fir 4,510,000, almost twice as much fir that went to Italy, according to Menoher's telegram.

Mr. DISQUE. The Italians favored that for the Caproni machine.

Mr. FREAR. Yes. The French had 9,722,000 feet of spruce and 9,787,000 feet of fir, which is practically half and half. That is the statement according to Menoher's telegram.

Mr. DISQUE. Yes.

Mr. FREAR. In other words, there was more fir shipped from your cut-up plant, during this period, than of spruce, counting the 73,000,000 feet. I am just quoting from Menoher's figures that you gave me.

Mr. DISQUE. He has not given you the figures to the American factories.

Mr. FREAR. No, no. Well, let's settle this, and then I will take the American factories afterwards. I am asking whether it is true, from the telegram you have in your office. Let's decide one thing at a time, and then we can take up American factories.

Mr. WALKER. We can check them right here.

Mr. FREAR. The spruce that went from Canada——

Mr. DISQUE. Do you want to——

Mr. FREAR. We will follow this back; you need not fear. I am going to go back. The spruce that went from Canada was 18,175,000, according to Menoher's telegram.

Mr. DISQUE. Yes, sir.

Mr. FREAR. And the fir was 8,182,000, making a total of twenty-six million and some odd thousand; that is true, is it?

Mr. DISQUE. That is correct.

Mr. FREAR. In other words, over two-thirds of the shipment of Canadian airplane finished product was spruce, whereas, with your shipments abroad, over one-half, or just slightly over one-half, was fir?

Mr. DISQUE. From the cut-up plant.

Mr. FREAR. From the cut-up plant. Now, as to the American shipments, have you anything there?

Mr. DISQUE. I have that.

Mr. FREAR. Now, let us know that, so as to complete the statement.

Mr. DISQUE. The American shipments from the cut-up plant to American factories, 11,129,534 feet of spruce, 11,480,479 feet of fir, 1,227,773 feet of Port Orford cedar.

Mr. FREAR. Well, according to that, more fir was shipped from your cut-up plant to American factories than of spruce; is that right?

Mr. DISQUE. That is correct.

Mr. FREAR. So that, counting all the fir and the spruce shipped to both the foreign governments and the American factories, there was more fir than spruce went out from the cut-up plant?

Mr. DISQUE. That is correct.

Mr. FREAR. And in the case of Canada, they shipped more than two-thirds, or 18,000,000 feet, of spruce compared with eight million and some odd thousand feet of fir; in other words, they were devoting their attention more particularly to spruce. That is true?

Mr. DISQUE. Of course, you are speaking of one part of our operations and all of theirs.

Mr. FREAR. Yes.

Mr. DISQUE. Now, if you take all of our operations, it will be a different picture.

Mr. FREAR. Let us get this settled first.

Mr. DISQUE. I would like to say, Mr. Frear, that the Port Orford cedar was considered by us and by the airplane factories as the equal of spruce and just as desirable.

Mr. FREAR. That was only 2 to 3 per cent, wasn't it?

Mr. DISQUE. There was a very small per cent of it.

Mr. FREAR. That is conceded, of course. The time of operation was no longer in Canada, at least, possibly shorter than it was here; is that true?

Mr. DISQUE. Well, I don't know when they started.

Mr. FREAR. Mr. Pendleton stated, I think, that they began about March, wasn't it, that is, to really begin producing. That is my recollection of his testimony.

Mr. DISQUE. I don't recall. They were under way, as I understood, for several months before that, and got into production about March, and of course we never did get into production as we had prepared for under our operations. They had about four years start on us.

Mr. FREAR. Well, they didn't have any four years start, because he said in the last month of operations, November or October, they produced, as I recollect the testimony, over 8,000,000 feet out of the 26,000,000 feet of finished product, so that shows nearly one-third was produced in that last month by them; that is his testimony.

Mr. DISQUE. I think you will find that his production included November, and ours does not. We didn't take figures for the month of November, and they continued right on through the month and included figures of shipments during that month.

Mr. FREAR. That may possibly be so. I don't remember.

Mr. DISQUE. And we stopped our operations, and bur reports include up to October 31.

Mr. FREAR. And then it shows this, that in the last month of their operations, if they produced over 8,000,000 feet of finished airplane stock, they produced nearly one-third of all the airplane—finished airplane stock that is mentioned in this 26,000,000; that is true, of course?

Mr. DISQUE. If they did that, that would be all right.

Mr. FREAR. That is the statement and that is the figures here. That showed the rapid increase that they were performing. The testimony of Mr. Pendleton is that they went 500 miles from Vancouver, off to Queen Charlotte Islands, to get this timber, and that the shipments by water, by rafting, were in the neighborhood of 175 miles, and that they had no Government cut-up plant, that it was performed by private operators, and, according to his statement, that they had not more than, as I recollect, over 10 per cent of the facilities that were had in this part of our country—Oregon and Washington. Is that right, as you understand it?

Mr. DISQUE. Well, I don't know a thing about that country up there, Mr. Chairman. I think it would be necessary, though, to a fair understanding of that, to have some American lumbermen who do know that country comment on it. I don't know it.

Mr. FREAR. But Mr. Pendleton gives you a full account, and you, in order to check him up, sent a telegram, and they replied in the exact statement that he furnished you, and presumably he is an American lumberman, well recognized in this part of the country, and I am just asking if those are the facts, if it was not doing pretty good work by the Canadian Government, with the ordinary facilities that were had? You can answer that, can't you?

Mr. DISQUE. Why, I am perfectly willing to concede that that was pretty good, but I think that it would not have been a spot on the map compared to what we would have been doing when we got under way, with the same time that they had had to prepare.

Mr. FREAR. Yes.

Mr. DISQUE. Another thing that should appear, Mr. Chairman, is that they were logging where all you had to do was cut a tree and snake it into the water with a donkey engine, around the edges of this island; and, according to reports I have, their spruce, I think, is a very high quality, and if you don't have to build railroads into isolated stands and merely fall them into the water and raft them, it is a comparatively small operation, and they were fortunate in having that.

Mr. FREAR. But they had to ship by water 175 miles, according to his statement, and he did build some railways in there, only a limited number, or limited mileage.

Mr. DISQUE. We had about 5 or 6 miles of a little logging road. We have instances where spruce logs were pulled 5 miles by donkey engines, in our own operations; we have instances, by the dozen, where spruce rafts were hauled 100 miles and more, and they can do it where the water will permit it.

Mr. FREAR. I was going to bring my next question almost to what you have anticipated, that with the amount, or even more railroad, a short road down to Clallam Bay, as you have suggested, you could have had rafting operations very speedily, or with a 6 to 10 mile

railroad up to the Toledo railroad you could have gotten right into active spruce operations there?

Mr. DISQUE. No; I don't agree with either one of those propositions.

Mr. FREAR. I know, but we are going to try to throw more light upon that before we get through. Now, it is true, isn't it, that Pendleton, according to his testimony, didn't have 30,000 soldiers to help him, or even 500, according to his statement?

Mr. DISQUE. I don't know what he had.

Mr. FREAR. Well, he stated that he didn't have any soldiers.

Mr. DISQUE. But he had a law up there which was so much more severe on the timber owners than what we asked our Congress to give us and which they refused to give us, that it was a great big help to him.

Mr. FREAR. What was that?

Mr. DISQUE. His law.

Mr. FREAR. And that we refused to give you?

Mr. DISQUE. We asked Congress and the Senate passed the bill; the House turned it down.

Mr. FREAR. What was that?

Mr. DISQUE. To give us permission to commandeer stands of timber, logging railway equipment, mills, and other things necessary to produce spruce. The Senate passed that bill and it went to the House and died. I was in to see Chairman Dent with Congressman Fordney one day several months after the Senate had passed the bill. Chairman Dent of the Military Committee told me that they could not get such a bill through the House.

Mr. FREAR. What power of commandeering did you have?

Mr. DISQUE. I didn't have any.

Mr. FREAR. Well, didn't the War Department commandeer?

Mr. DISQUE. Some things that were authorized in a bill in connection with the Ordnance Department.

Mr. FREAR. Then what was the meaning of the threats that you were sending to Blodgett, if this is the case, that you were going to commandeer his timber?

Mr. DISQUE. Later on Congress passed a bill which authorized us to condemn. That was the thing that we told Mr. Blodgett would be done.

Mr. FREAR. The term "commandeer" was used in the correspondence, though.

Mr. DISQUE. That didn't happen, though, until along in July.

Mr. FREAR. Until July?

Mr. DISQUE. I think that was about when the bill was passed. But in Canada, to show you the difference, the bill passed up there fixed the price of the stumpage and said that this price shall include everything—damage to timber, injuries to individuals working on the job; in fact, the only thing that the logger had to pay was a low price of stumpage. He only paid for the logs that he took out. He could knock down all the trees he wanted to and never pay a nickel on them unless he hauled the logs out. If we had asked for such a bill down here, why they would have laughed at us.

Mr. FREAR. You didn't need such a bill, did you, when, as you stated here on the first day of your examination, all the lumbermen and others agreed to the scale of prices that should be paid?

Mr. DISQUE. We had very little difficulty on that point.

Mr. FREAR. That is what I understand. So that that wasn't really a very great cause of difference between the conditions which confronted them in Canada and those that you had here?

Mr. DISQUE. Well, it would have helped us a great deal. I can tell you that we would have been under way a good deal sooner if we had had such a bill.

Mr. FREAR. I was just trying to make some comparison of the conditions. Now, the other lumber that was cut outside of your cut-up plant in this country, do you know what the division of that was between spruce and fir? And I speak of this because I don't think any member of the committee has had any information on this subject before; at least, it is all new to me.

Mr. DISQUE. The percentage of spruce and fir from outside operations?

Mr. FREAR. Yes; this about 143,000,000 feet.

Mr. DISQUE. Yes.

Mr. LEA. That is in the record already.

Mr. FREAR. What it has gone, and the amount of production?

Mr. STEARNS. That is all in the record.

Mr. LEA. You mean the distribution?

Mr. FREAR. No; I don't care about the distribution. I just want to know the amount and character of production.

Mr. DISQUE. I might as well state again, for I have it here.

Mr. LEA. It is in the record.

Mr. FREAR. I don't know. I never heard of it. When was it put in?

Mr. DISQUE. Well, I can give it to you right here.

Mr. FREAR. Yes; that is better.

Mr. DISQUE. And it is only fair to say that this includes shipments for several months prior to the time the cut-up plant was built.

Mr. FREAR. Oh, yes; unquestionably.

Mr. DISQUE. And they continued throughout the time of the cut-up plant's operation. Spruce, 43,481,976 feet; fir, 22,501,271 feet; Port Orford cedar. 372,285 feet.

Mr. FREAR. In other words, they were maintaining about the same average spruce production outside of your cut-up plant that was being maintained in Canada? That is, about two to one?

Mr. DISQUE. Pretty much the same.

Mr. FREAR. Yes.

Mr. DISQUE. You understand, Mr. Chairman, how the cut-up plant received its raw material?

Mr. FREAR. I was going to ask that as the next question. Whereabouts did all this product come from that went through the cut-up plant?

Mr. DISQUE. Originally it was intended that only spruce should go in there. We thought we would get enough cants from the different spruce sawmills to keep that plant busy. We found that the supply of logs did not provide enough, and the capacity of the cut-up plant was able to take on more work, and we then started a campaign through the fir mills through the Fir Board here, and added to our spruce receipts enough to keep the plant going to full capacity with fir cants. So that it was a fluctuating thing. Whenever we

would get the spruce, we would slow down on the amount of fir. They came from all the mills that handled the quality of logs that seemed to produce aircraft lumber.

Mr. FREAR. Well, this cup-up plant was cutting cants that came from all of the mills in this section?

Mr. DISQUE. Most all.

Mr. FREAR. Yes; so they were all shipping in there?

Mr. DISQUE. Yes.

Mr. FREAR. And the cut-up plant was simply doing what would have ordinarily been done by the various mills if it had not been shipped in here for the purpose, and, as you believe, with better results?

Mr. DISQUE. Well, the ordinary mill could never have done what the cut-up plant was doing, because they didn't have the equipment.

Mr. FREAR. Well, not many single mills; but do you mean to say it would have been very difficult or expensive to have improved the mills generally—the large mills?

Mr. DISQUE. It would have been quite a job. We asked one mill to do it, and the cost that they went to was out of all proportion to our cost of the cut-up plant.

Mr. FREAR. Then, why did Pendleton—why was he able, with just the ordinary lumbering conditions there, to provide practically over a third of what you were doing here—finished airplane product.

Mr. DISQUE. Well, to consider that properly, you would have to know what kind of material they were producing, and there is no limit to the variety, no limit to the kind of inspection. I don't know what kind they were shipping. I can't believe that an ordinary mill was shipping the quality that we were. I don't believe an ordinary lumberman who had seen our operations would believe that possible.

Mr. FREAR. That is, you people, who were not familiar with the lumber business, and Pendleton had been all of his life, or many years—you don't think it was possible to do it?

Mr. DISQUE. Well, I would be glad to read you forty or fifty letters of lumber manufacturers on the subject of our cut-up plant product.

Mr. FREAR. I am not questioning what your cut-up plant was doing.

Mr. DISQUE. I am only basing my opinion—

Mr. FREAR (interrupting). But the question is as to Pendleton.

Mr. DISQUE. I am only basing my opinion on what experienced lumbermen have told me.

Mr. FREAR. Well, that is his statement in the record, and of course we will have to let it stand as that, unless there is something further. Did you have anything that you wanted to offer? I didn't know but that something was handed to you that you wanted to offer.

Mr. DISQUE. Well, I would like to offer a couple of telegrams that I have asked for.

Mr. FREAR. Having a bearing on this question?

Mr. DISQUE. Not on this particular question.

Mr. FREAR. Well, on what question?

Mr. DISQUE. On the question of the Siems-Carey Co.'s connections in New York.

Mr. FREAR. Well, I don't know whether—signed by whom?

Mr. DISQUE. One of them is signed by Mr. Ryan, and the other one is signed by Charles A. Stone, president of the American International Corporation.

Mr. FREAR. Shall we let this go in?

Mr. MAGEE. Yes, anything he has.

Mr. FREAR. All right; put it in.

Mr. DISQUE. I want to get it clearly into the record just the relationship that existed. I wired Mr. Ryan September 4:

Important you wire me at once if you ever had any interest, personally or as director of American International Corporation, in any firms of Siems-Carey Co. or Siems-Carey-H. S. Kerbaugh Corporation.

Mr. FREAR. Did you mention Siems-Carey Canal Co.?

Mr. DISQUE. No, sir. That will be mentioned later here.

Mr. FREAR. All right.

Mr. DISQUE. I received a reply back, addressed to me at Portland: "I have not and never have had, directly or indirectly, any interest in any of the firms mentioned," and signed John D. Ryan.

This other will come up in just a minute.

Another telegram to Mr. Charles A. Stone, president American International Corporation, 150 Broadway:

Important you wire me at once has your corporation or did it ever have any interest in contracting firms of Siems-Carey Co., or Siems-Carey-H. S. Kerbaugh Corporation?

His reply, dated September 6, addressed to me at Portland, is complete:

American International Corporation is not nor has it ever had any interest of any description whatever in Siems-Carey Co. or Siems-Carey-H. S. Kerbaugh Corporation. In 1916 American International Corporation purchased stock in two American corporations doing business in China, namely, Siems-Carey Railway & Canal Co., and China Corporation, in which Siems and Carey were likewise stockholders.

Signed, Charles A. Stone.

Mr. FREAR. Yes.

Mr. DISQUE. The point that I thought ought to be cleared was that the connection of the American International with Siems and Carey was not in their regular permanent concern, but it was in a separate enterprise that they had joined together for just that one purpose in China.

Mr. FREAR. I believe that was the testimony, wasn't it, of—

Mr. DISQUE (interrupting). I don't think so, Mr. Chairman.

Mr. MAGEE. I think that is the same, or substantially so.

Mr. FREAR. Well, it is all right to clear it up, but, as I understand it, the American International Corporation to-day holds 50 per cent of the stock of the Siems-Carey Canal Co.; is that right?

Mr. DISQUE. That is as he says.

Mr. FREAR. Yes.

Mr. DISQUE. Siems-Carey Railway & Canal Corporation.

Mr. FREAR. Yes; the Siems-Carey Railway & Canal Co.; and there is no question, is there, but what they hold 100 per cent of all the stock of the Amsinck Co., of which you are president?

Mr. DISQUE. They do now, but when I joined the Amsinck Corporation the American International did not own 100 per cent; they owned two-thirds of it.

Mr. FREAR. When did you join? When did you get your appointment?

Mr. DISQUE. In April; and it was in July that they took over the other.

Mr. FREAR. When did you resign here?

Mr. DISQUE. March 10.

Mr. FREAR. Just prior. Some matters have been brought up about the Blodgett tract, and a letter has just been placed before me, or has just arrived, that has a reference to it, and I want to ask, so that as we may call other witnesses we may get the full information in regard to it.

Mr. DISQUE. Yes.

Mr. FREAR. It says that—

After the signing of the armistice Mr. Blodgett wrote either Gen. Disque or the Spruce Corporation that he would release them from the obligation and consummation of the purchase of his tract of timber and the payment of \$635,000 therefor, but they did not choose to avail themselves of this opportunity offered by Mr. Blodgett, and insisted upon the consummation of the purchase.

I guess there is no question about that.

Mr. DISQUE. I think that is perfectly right.

Mr. FREAR. That is substantially correct.

Mr. DISQUE. Would you like to introduce now these profiles showing the detail of the railways that you talked about?

Mr. FREAR. Well, mark them as exhibits; yes.

Mr. DISQUE. This exhibit shows the railroad No. 1 in Clallam County.

(The blue print referred to and so offered was thereupon marked "Exhibit 19, Witness Disque, September 6, 1919.")

Mr. DISQUE. This is railroad No. 11, the north line out of Yaquina.

Mr. MAGEE. Does that show the details?

Mr. DISQUE. And this is the south line out of Yaquina, railroad No. 12. It shows all the details, Mr. Magee.

(Thereupon the blue print so offered, showing details of railroad No. 11, was marked "Exhibit 20, Witness Disque, September 6, 1919.")

(The blue print so offered, showing detail of railroad No. 12, was thereupon marked "Exhibit 21, Witness Disque, September 6, 1919.")

Mr. MAGEE. When was it apparent to you, General, that Germany would be whipped?

Mr. DISQUE. What is that, sir?

Mr. MAGEE. When was it apparent to you that Germany was beaten?

Mr. DISQUE. I think I can answer that very definitely. I was en route to Washington when the armistice, or a few days before, the armistice was signed. I think it was on November 7 that I felt that she was whipped, and I wired to Col. Stearns to suspend certain operations.

Mr. MAGEE. After the Argonne?

Mr. DISQUE. How?

Mr. MAGEE. After the Argonne? You mean after the Argonne?

Mr. DISQUE. I was in doubt all along before that. There had been a lot of correspondence carried on during this war that was for one purpose and another, and you can never tell.

Mr. MAGEE. Well, I simply asked it, because I heard so much talk that the crisis would come in the spring of 1918, and if Germany did not succeed in that drive, why her force would be broken——

Mr. DISQUE (interrupting). I think the General Staff expected——

Mr. MAGEE (continuing). And that the Allies would probably win.

Mr. DISQUE. Well, everybody I talked to in our own General Staff—and I am well acquainted there, and I am a graduate of the Staff College—and it was the general opinion among those who should have known that that crisis would come in the spring of 1919, and we felt that June, 1919, would about be the peak, and from that time on we would have it our own way.

Mr. MAGEE. Well, there appeared to be a different atmosphere in Washington. That is the reason I asked you. In other words, that it was the opinion of a great many who appeared to be competent that after Chateau Thierry and Belleau Woods that——

Mr. DISQUE (interrupting). Well, I will tell you why we didn't think that. I don't believe any military man had any such idea.

Mr. MAGEE. Well, I just asked you to see.

Mr. DISQUE. I will tell you why. We all felt and we understood that Germany's line on her own boundary was practically impregnable. We never thought for a minute that she would lay down and quit on enemy soil. We thought she would back up against that line and stand there until there wasn't anything left.

Mr. MAGEE. You didn't reach your conclusion until after the Argonne?

Mr. DISQUE. No; I didn't.

Mr. FREAR. Well, I have talked with various soldiers, individuals who were in the Battle of Chateau Thierry and the first battles on the Marne, when they were driven back and when they broke through, and they said that from that time on there was very little doubt in their minds when Germany was on the move but what they were going right through; and it was only a matter of a short time, as it resulted, and their reason given for that was that once moving, they were continually being driven back, and the American troops were coming in so rapidly—we had about 2,000,000 troops over in France at that time and the others were coming.

Mr. DISQUE. Yes.

Mr. FREAR. That there wasn't any possibility for her to meet our advance. Now, speaking about any soldiers, I am speaking about that as those who were engaged.

Mr. DISQUE. Yes.

Mr. FREAR. And whom I saw afterwards, who said that was the impression very largely there. In the paper this morning I saw something regarding some statement that was made by the witness in regard to Mr. Sligh, and I don't care, and the committee is not interested in any difference between the witness and Mr. Sligh; but I believe, in fairness to him, there should be put into the record just a brief statement that he filed of a short interview with Mr. Coffin, who at that time was the head of the Aircraft Board, and I will just read it. It is brief.

Mr. LEA. Mr. Chairman, isn't that a waste of time, to be reading into the record again evidence that is already there?

Mr. FREAR. It would be.

Mr. LEA. When a large number of witnesses are to be called yet?

Mr. FREAR. It would be, I concede, but the time that the gentlemen of the committee and I will spend in arguing this will take as much time as it will to cause me to read this brief statement, which I have stated is brief, which is simply to meet the statement regarding Mr. Sligh. I don't care to enter into the differences between the two gentlemen; but a man who is one, as I understand, of the leading men of his city, a man who is a very high-class man in appearance, however much his differences and bitterness may be manifested toward the witness or the witness's bitterness manifested toward him, the committee has no interest in it whatsoever; but it is in the interest of stating what his position is, and I think we are entitled to know how he was regarded by Mr. Coffin and those with whom he was intimately associated. Now, this is a statement that was given in Chicago on August 13, I believe—long ago—buried up in the files, and it seems to me a short statement like this would be of value to have placed in the record here in justification of Mr. Sligh's position in Grand Rapids and in the Aircraft Co.

Mr. LEA. Well, of course, my point was that I can't appreciate the necessity or the orderly method of developing facts by rereading into the record evidence that is already there.

Mr. FREAR. I presume that is true, but I desire to offer it again. It is very brief.

Mr. LEA. Of course, if you think it is necessary, I don't object.

Mr. FREAR. I don't think it is necessary. I think it is fair to Mr. Sligh. It reads as follows:

• DECEMBER 10, 1917.

DISTRICT OF COLUMBIA, ss:

Edward L. Wallace, being duly sworn, on oath deposes and says:

That he is a citizen of the United States and a resident of the District of Columbia.

That on or about September 12, 1917, he was in the employ of one Rexford L. Holmes, a public stenographer of the city of Washington; that in the course of his duties he was directed by the said Rexford L. Holmes to visit the rooms of the Old Colony Club, Raleigh Hotel, for the purpose of reporting in stenographic notes a meeting of the board of directors of the Aircraft Manufacturers' Association; that in accordance with the said directions he reported at the said rooms of the Old Colony Club for the purpose aforesaid; that in the course of the said meeting one Howard E. Coffin made an address in which the following facts were in effect brought out:

Mr. Coffin at first made an address pertaining, among other things, to the general existing conditions of aircraft manufacture, during the course of which the matter of the production of spruce lumber for aircraft manufacture and the Government's commandeering of the same was brought up and Mr. Coffin voluntarily made these statements:

That the responsibility for the state and manner in which the production of spruce lumber for aircraft manufacture was being handled at that time was vested in one Charles R. Sligh, who, he stated, had accomplished wonderful achievements in the way of transforming the production of spruce lumber for aircraft purposes from a state of absolute chaos and uncertainty to an orderly condition, from which the very best results could be expected. The tenor of his remarks were to the effect that the said Charles R. Sligh was a very efficient man in his mind.

EDWARD L. WALLACE.

"Subscribed and sworn to before me this blank day of December, 1917, notary public." I don't believe that was ever read in the record. It was introduced with some other correspondence, as I recall.

Mr. DISQUE. Is that an affidavit, Mr. Chairman?

Mr. FREAR. What is that? ,

Mr. DISQUE. Is that an affidavit put into the record?

Mr. FREAR. I understand so.

Mr. DISQUE. Will the committee take such affidavits as I will present and enter them in the record?

Mr. FREAR. Well, I am not sure, because there might be a thousand affidavits, but here is an affidavit in regard to Mr. Coffin, who was the director, the man in charge of all aircraft proceedings, and this is a statement that he makes in public, and it is not a statement of an ordinary individual, and we are not entering into any differences between the witness on the stand and Mr. Sligh, but that was in the record and it seemed to me proper to read it.

Mr. DISQUE. May I ask, Mr. Chairman, when Maj. Sligh was testifying in what you must have considered a very derogatory manner toward me, did the committee seek to put anything into the record that would substantiate my decent character?

Mr. FREAR. Frankly, between ourselves, the committee was not interested in that particular part of any contention—

Mr. DISQUE (interrupting). I didn't think so.

Mr. FREAR (continuing). Between you and Mr. Sligh. Anything that you have, if there is any question that has arisen, and I don't know as it has, with the committee, as regards your own character, I would think that the committee would willingly accept it; but that was his testimony. It was not for that purpose.

Mr. DISQUE. Mr. Sligh was—

Mr. MAGEE (interrupting). I think, General, in that connection the record will show that I suggested that he confine himself to the facts and not indulge in personalities.

Mr. FREAR. Well, we both talked that way—we all talked that way.

Mr. MAGEE. I think the record so shows.

Mr. DISQUE. I don't know Maj. Sligh at all. I think I attended one luncheon he attended, and saw him two or three minutes at another time. But it is only fair to me that statements such as he has made in this record be answered, and that the committee give me an opportunity to answer them fairly. There are some very—I consider them the worst statements that can be made about a man.

Mr. FREAR. Well, I understood Mr. Eamon was going to have an opportunity.

Mr. DISQUE. Yes, sir.

Mr. FREAR. Well, we will have him.

Mr. DISQUE. And I was going to say a thing that Mr. Eamon don't know. In a part of his testimony he refers to a letter I wrote to the governor of Michigan. The governor of Michigan is the best witness, of course, but I never addressed any letter to the governor of Michigan that I have the faintest recollection of, and I will say here, without the slightest question in my mind, that I never asked the governor of Michigan for anything in my life, except an assignment with the Michigan State troops when they went to war. That is all the communications I have ever had with any governor of Michigan.

Mr. FREAR. I think that will be accepted by the committee as fully explanatory.

Mr. DISQUE. And may I read right now a statement of the governor of Michigan?

Mr. FREAR. Have you a copy of the letter in which you asked that?

Mr. DISQUE. Yes, sir. I haven't got it here. Heavens! It is in my—

Mr. FREAR (interrupting). If you have any statement from the governor of Michigan surely produce it. It is only fair, and ought to be put in the record.

Mr. DISQUE. This was a statement made by Gov. Sleeper, who is to-day governor of Michigan, and was at that time. Albert E. Sleeper. He is the Republican governor of the State, was not the governor when I was appointed to the Michigan State Prison, and came into office after I got the commission.

Mr. FREAR. Well, but he is the man to whom Sligh said you wrote some letter?

Mr. DISQUE. I assume so. He says it was to the governor. I don't know what governor he refers to.

Mr. FREAR. I haven't read the record recently.

Mr. MAGEE. S-l-e-e-p-e-r, is it?

Mr. DISQUE. S-l-e-e-p-e-r; Gov. Sleeper attended the last meeting of the board of governors of the Michigan State Prison that I attended as warden prior to my resignation, and in an interview the next day the following is quoted from the Jackson City Patriot, a local paper of the city.

Mr. FREAR. Well, it is a letter, is it?

Mr. DISQUE. It is his statement to the paper.

Mr. FREAR. Let us see it, please. If it is a reporter's statement, I don't know whether we care to put anything like that in of any statement he has made. [Laughter.] No reflection on the reporters, let me say. But placing that in evidence—the other was a sworn affidavit. Placing that in evidence might be questionable, unless it directly affects this matter.

Mr. DISQUE. If you wish to wait I will wire Gov. Sleeper and ask him to verify that.

Mr. FREAR. No. I don't think there is any objection to that. I don't see any.

Mr. DISQUE. I don't like to read it myself, but I guess I will have to.

Mr. FREAR. Oh, yes; you can read it; or I will read it for you.

Mr. DISQUE (reading):

Asked whether the affairs of the prison were satisfactory, Gov. Sleeper said: "The board of control and I have inspected the prison thoroughly to-day and found everything in apple pie order."

Mr. FREAR. What date was that?

Mr. DISQUE. September 27.

Mr. FREAR. What year?

Mr. DISQUE. 1917. [Continuing reading:]

"More satisfactory conditions could not be desired. Warden Disque deserves great credit for the progressive innovations he has introduced and for the efficient manner in which he has carried out the complicated affairs of such an institution. We have decided to give Warden Disque leave of absence for

the duration of the war, so that he may accept the commission tendered him as lieutenant colonel of the aviation section of the Signal Corps. We shall, needless to say, be very sorry to lose his highly competent services, but he feels that it is his manifest duty to go where he can be of greatest service to his country in this hour of trial.

"I firmly believe Mr. Disque will succeed in his new position as he succeeded before during the 18 years he was in the Army, and as he has succeeded here as warden. I hope the time will not be long ere he is again in charge of this penal institution and we wish him Godspeed and the best of luck. We feel he will play a big part, a man's part, in toppling the Kaiser from his throne and restoring democracy to an autocracy-hardened world."

Mr. FREAR. There is nothing the matter with that eulogy; we will all concede.

Mr. DISQUE. I do not like to bring up a statement of that sort, but it has been questioned.

Mr. FREAR. If Mr. Sligh referred to any letter that was found in the files of Gov. Sleeper I think that that ought to go in. That was September, 1917, and when did you go in the service?

Mr. DISQUE. The next day; my commission came to me on the 22d of September, I think. It was dated August 15.

Mr. FREAR. You left immediately?

Mr. DISQUE. I left right after this meeting. It took a few days to turn that prison over; it is a tremendous institution.

Mr. FREAR. Another statement as to the record—I was not here yesterday and might have asked one or two questions regarding the matter if I had been here. Was Mr. Frost given a contract for the logging of the Blodgett tract?

Mr. DISQUE. He was, with others.

Mr. FREAR. With Mr. Butler; and you approved this contract?

Mr. DISQUE. Several of those that promised to go in dropped out afterwards.

Mr. FREAR. He stated that Mr. Butler was one of those, and Mr. Butler so stated; and that was a contract approaching nearly \$5,000,000, and for only \$20 profit, or a voluntary contract. Was that all the amount stated that they were to get?

Mr. DISQUE. Mr. Frost, I think, was to draw \$1,000 or \$1,200 a month and all the parties participating in this contract were those who were to furnish equipment and get 15 per cent depreciation and 10 per cent rental, which made it a profitable contract.

Mr. FREAR. You considered it was no cost-plus contract, or anything of that kind, but that it was a contract substantially as good or better than many of the contracts that were made?

Mr. DISQUE. It would have cost us as much as any cost-plus contract.

Mr. FREAR. But you entered into it?

Mr. DISQUE. Oh, yes.

Mr. FREAR. I wish to ask in reference to another statement in the record [reading]:

Mr. LEA. They presented what was evidently a profiteering contract, and condemned you for not giving it?

Mr. DISQUE. It was the worst I ever saw in my life.

Mr. MAGEE. Mr. Butler is a brother of Dr. Butler, who is president of Columbia University, in my State.

Mr. DISQUE. The brothers of a lot of prominent men are the worst crooks that you meet.

That is testimony, I take it, which is undisputed?

Mr. DISQUE. I have not checked it over.

Mr. FREAR. That is the testimony as it appears in the record. During Mr. Butler's testimony his brother, Nicholas Murray Butler, one of the leading men of the United States, known as such, sat in our hearings. Mr. Butler is president of the First National Bank; he is a man connected with a good many operations, according to his testimony before our committee, and so far as we could learn he occupied a very high position as a citizen there. Would you care to have that statement of yours stand?

Mr. DISQUE. I will withdraw it; I do not know him.

Mr. FREAR. I think that is well, and I wanted to give you the opportunity.

Mr. DISQUE. I would prefer not to have that in there.

Mr. FREAR. A map was just handed me this morning, wherein it appears that the Spruce Production Division of the Army shows its assignments and the various places, and unless it has been put in the record I just want to ask one or two questions in reference to it. I am told it has already been introduced in evidence. There is a statement here gotten out by the Spruce Production of the Army showing that the total division here reached 1,222 officers and 27,661 men, and then it gives the various assignments at the different places of these officers and men, showing that in the Puget Sound district there were 140 officers and 4,736 men. Those were largely engaged in the Siems-Carey-Kerbaugh operations, were they?

Mr. DISQUE. Of course the larger part of those were the Siems-Carey; what the number was I do not know. That district included a great many operations.

Mr. FREAR. What other operations were there up in Puget Sound, Many?

Mr. DISQUE. I do not know off-hand. We furnished the committee a statement yesterday, showing that in detail.

Mr. MAGEE. He put in a detailed statement as to the entire number.

Mr. FREAR. The reason I asked this was that the statement of Col. Stearns was to the effect that 4,000 men were up here in those operations.

Mr. DISQUE. That was the peak, I suppose. It will clear up, Mr. Chairman, to say that the Siems-Carey-Kerbaugh Corporation got these men by our forcing them to take them from time to time. They would have employed civilian labor if we had not continually forced soldiers to them, to save that part of the industry being interfered with. That is why they had soldiers; it was not because they asked for them at all.

Mr. FREAR. I am just trying to get that into the record, as to the situation that developed. Grays Harbor included the Polson operations and others that were there of the Airplane Co.?

Mr. DISQUE. Yes, sir.

Mr. FREAR. They had 173 officers and 5,251 men.

Mr. DISQUE. Of course that was of some given date. The numbers were fluctuating and changing very materially throughout the period.

Mr. FREAR. The Clatsop district, which represents the northern part of Oregon north of the Lincoln County operations, had 90 officers and 3,252 soldiers. The Yaquina Bay operations had 72 officers and 3,298 soldiers. The Coos Bay operations were small

and had 31 officers and 839 men. Then in the summary it appears that the Portland headquarters had 132 officers and 404 men. Just a question as to what this body of men was doing at the Portland headquarters; what was the character of their duties generally?

Mr. DISQUE. Will you permit Col. Stearns to answer that?

Mr. FREAR. Yes.

Mr. STEARNS. The heads of departments, their assistants and their second assistants and, depending on the size of the department how far down it ran, were officers. The clerks, stenographers and others, messengers, etc., were enlisted men. The Portland headquarters were the division headquarters for the military headquarters, and the production headquarters of all our activities.

Mr. FREAR. Over 500 officers and men were kept at the Portland headquarters, according to the statement.

Mr. STEARNS. Yes, sir.

Mr. FREAR. That was approximately the number of men on duty there?

Mr. STEARNS. Yes; toward the end.

Mr. DISQUE. I think that included the auditors with the cost-plus contractors, and there were also a number of men who were traveling out back and forth as inspectors and sanitary officers.

• Mr. FREAR. These men reported at headquarters?

Mr. DISQUE. Yes.

Mr. FREAR. Then it shows that at Vancouver Barracks there were men. What were they doing?

Mr. STEARNS. You have a list here showing exactly where all those men were.

Mr. DISQUE. Approximately 4,000 men were working three shifts at the cut-up plant.

Mr. FREAR. Over in Vancouver?

Mr. DISQUE. Yes, sir. There was a regiment of troops which we kept constantly for any emergency, and they were also guards over the operations. They were about 2,000 men. Then there was a constant influx of new limited-service men which we were trying to get to replace our men who were satisfactory for overseas duty constantly coming in, and it took about a month to get through their typhoid and prophylactic treatments and vaccination.

Mr. FREAR. A sort of receiving camp?

Mr. DISQUE. A sort of receiving camp, and also the central hospital for the entire division.

Mr. FREAR. And they were sent out from Vancouver Barracks?

Mr. DISQUE. From Vancouver, and they all came into Vancouver when there were any transfers made.

Mr. FREAR. There was a recommendation, as I remember, that I want to inquire about briefly, but the first question has been asked, and I think it is just as well that you should place in the record for any explanation you desire, as to any relatives you had out here, officers or men in other positions. There have been statements made that out here there were relatives of yours out here.

Mr. DISQUE. There were four relatives of mine in this division. One of them was a brother, who was taken into the Army before I got back into it. He came here as a first lieutenant and, as the division was organized, really was one of the 8 or 10 senior first lieu-

tenants out of some 200 or 300. He went through the operations of this division. I do not know where he served, except incidentally, and he left it as a first lieutenant, having had probably a hundred of his juniors promoted over him.

Another officer was a fourth or fifth cousin whom I have not seen for 25 years, who was subject to rejection in his division, as I understood, because of physical condition, and applied for transfer here by telegraph, and I wired him that I would approve if his division commander approved. He eventually came and, according to the reports, performed very good service.

Mr. FREAR. What was his position?

Mr. DISQUE. He was a major when he came, and he died as a major here.

Mr. FREAR. He was a major when he came here?

Mr. DISQUE. Yes, sir.

Mr. FREAR. In the Regular Army?

Mr. DISQUE. No; he had been a National Guard officer in Pennsylvania, and went into the service as a major.

Mr. FREAR. How long was he major before he came here?

Mr. DISQUE. I do not know. He was commissioned a major for this war from the National Guard.

Mr. FREAR. Was he performing any other service before he was made major and sent here?

Mr. DISQUE. Oh, yes; he was attached to one of the divisions in Georgia, I think.

Mr. FREAR. Who else?

Mr. DISQUE. Another was a young fellow about 20 years old who applied for enlistment twice and was rejected because of flat feet, and after several applications I asked the draft board to accept him and send him here as a limited-service man. He came here as a private, and all I heard of his operations was from his mother, who complained that he was shoveling mud out of the bottom of a river somewhere here to make a roadway. I do not know where he served, or why the orders were issued. Eventually he was promoted, due to recommendations that came through from officers who were immediately over him, but did not know, as far as I am concerned, that he was any relative of mine.

Mr. FREAR. To what position was he promoted?

Mr. DISQUE. He ended up as a second lieutenant.

Mr. FREAR. You made a report recommending distinguished-service medals for some of the officers with you?

Mr. DISQUE. Yes, sir.

Mr. FREAR. Can you give us the names of some of the officers, as you remember them?

Mr. DISQUE. Have you got that report there?

Mr. FREAR. No; I have just got a statement handed me, from the "West Coast Lumbermen." This only mentions one officer, Lieut. Col. Bull. Can you state generally? You need not name them all.

Mr. DISQUE. I think the report included Col. Stearns, Col. Bull, Col. Reardon, and Col. R. C. Hill. Also, Capt. Harmon. I would have to get that list; some of them were recommended and some were not, and I do not want to name some that I did not recommend. That was several months ago, and I had a tremendous organization.

Mr. FREAR. Were Hitchcock and men like that recommended; was Morley?

Mr. DISQUE. I do not know. I think Morley was. We can get the list.

Mr. FREAR. Was Mr. Eaman?

Mr. DISQUE. I think so; yes, sir.

Mr. FREAR. Was Maj. Leadbetter?

Mr. DISQUE. I do not think so.

Mr. FREAR. Will you just file the list?

Mr. DISQUE. I will file that.

Mr. FREAR. What was the theory on which they were recommended for distinguished-service medals, and when was the recommendation made?

Mr. DISQUE. That recommendation was made, to the best of my recollection, sometime in February; possibly before that.

Mr. FREAR. February?

Mr. DISQUE. February, 1919.

Mr. FREAR. That is after the armistice?

Mr. DISQUE. And the basis of the recommendation is this: Congress provided that distinguished-service medal as a little token of appreciation on the part of the Government for especially meritorious services rendered by citizens of the country, either in the Army or out, but only away from the fighting line. They have the distinguished-service cross for marked bravery and conduct in actual battle. This distinguished-service medal is the only thing of its kind that the American Government awards to distinguish those who do something unusual and more than the average citizen, directly connected with the Government's war operations. Every person whom I recommended for this distinguished-service medal had during the war period made tremendous personal sacrifices, had given their entire self to the Government service, and to my mind did render a service to this Government that stood out as against that usually rendered by the average citizen as specially helpful and meritorious, as provided in the law which authorized the award of the medal. I have in mind several gentlemen who, enjoying prosperity with comfortable surroundings, could have remained just as the great bulk of our citizens did at their homes and continued in their ordinary way to make their business successful, to reap profits, who dropped them overnight and came here to help, and did help in the most unselfish, most efficient, and patriotic manner that I have ever seen. I appreciated it and I felt the Government could only do that little in showing appreciation.

Mr. FREAR. Well, it was true in a way that men certainly sacrificed their private business, and in fact every citizen of the country had to sacrifice in helping to maintain the war; but there were thousands of soldiers who were fighting in France who never received any crosses or distinguished-service medals or any other evidence, and yet they were giving the supreme sacrifice. Some did, it is true, but they were not given to all who were fighting, and, of course, I am speaking about both sides of the proposition of which you spoke. I am reading now from a quotation in the West Coast Lumberman of May 15, which is as follows:

The above service was rendered at a time when the division was being organized from raw recruits and untrained officers, for the purpose of securing a

1,500 per cent increase in production of airplane lumber. The operations of the division involved constant and intimate relations with 150,000 civilian lumbermen and over 500 lumber mill and logging-camp operations, over a mountainous country 500 miles long, in which the division was scattered in 234 different camps and stations, constructing railways, mills, etc., in a climate with an annual rainfall averaging over 8 feet. Through the exceptional and conspicuously meritorious service of such men the war period was passed without a single case of friction with civilian or civil authority and the mission of the division was accomplished in spite of continuous I. W. W. agitation and pro-enemy propaganda.

I have had approximately 30,000 officers and men under my command during the past 15 months and of them am recommending a total of 20 for this recognition of service. I sincerely believe in their award and regard it as a necessary mark of appreciation from our Government if in its next emergency we are to look for the same quality of service in the rear of active operations as we have had in this one, and a service which is so vital and to my own knowledge more heartbreaking than anything man is called upon to endure.

That was the reason, substantially, that you made the recommendations?

Mr. DISQUE. Yes, sir.

Mr. FREAR. Were they awarded?

Mr. DISQUE. I have not heard.

Mr. FREAR. When did you say Mr. Ryan was out here—about what time?

Mr. DISQUE. The latter part of July, 1918.

Mr. FREAR. When he was out here did he in the city of Portland attend a banquet given by the officers of your division?

Mr. DISQUE. Yes, sir.

Mr. FREAR. At that banquet did Mr. Ryan say, in substance, that he would do what he could, when he got back to Washington, to secure you a brigadier-generalship?

Mr. DISQUE. I think so; yes; he did. He was the natural man to make such recommendations; he was my next superior.

Mr. FREAR. And, pursuant to that, a short time afterward you were made a brigadier general—or state the fact.

Mr. DISQUE. Yes, sir; shortly after.

Mr. FREAR. I think that is all. There are some questions that can be taken up with other officers of the corporation themselves, direct, so far as computations are concerned. So we will not put you to trouble any longer.

Mr. LEA. One of your relatives died in the service here?

Mr. DISQUE. That major I was referring to.

Mr. LEA. What relation was he to you?

Mr. DISQUE. Well, let me see; I never figured it out. His mother is a second or third cousin of my mother.

Mr. FREAR. I thought it was well to put in the record your statement as to that, as it was fair to give you an opportunity to put it in.

Mr. DISQUE. I never took a bit of interest in any of those men while they were here.

Mr. LEA. Were any of those men drafted in the service?

Mr. DISQUE. Not one of them; all volunteers. In my old regiment, the Third Cavalry, we had three brothers from one family. It often happens in the service, but it was not brought about here through any plan, and I do not think anybody has ever accused me of favoring any of those men.

(Witness excused.)

(Thereupon, at 12.30 o'clock p. m., the committee took a recess until 2 o'clock p. m.)

AFTER RECESS.

TESTIMONY OF HENRY E. WALKER.

The witness was sworn by Mr. Frear.

Mr. FREAR. Your full name, Mr. Walker?

Mr. WALKER. Henry E. Walker.

Mr. FREAR. What is your position with the Spruce Corporation?

Mr. WALKER. I am now assistant treasurer of the corporation, and formerly had charge of the accounts in connection with our milling operations.

Mr. FREAR. The committee desires to obtain all the information that it can in regard to the distribution of aircraft materials, sent either through the Vancouver cut-up plant or outside sources, excepting that we do not care to enter into too much detail. What can you give us in totals?

Mr. WALKER. Well, briefly, I can give you the total spruce, fir, and cedar from both sources, or analyze it from the cut-up plant and the outside mills, to our Allies and the United States.

Mr. FREAR. If that is not too long you may begin reading it into the record, if you will, please.

Mr. WALKER. The total shipments to the factories in the United States: Spruce, 21,907,540 feet.

Mr. FREAR. Now, that was cut where?

Mr. WALKER. Well, I am giving the analysis. Of that amount, 11,129,534 feet came from the Vancouver Barracks cut-up plant.

Mr. FREAR. That is all the spruce that was allotted to this Government?

Mr. WALKER. Yes, sir.

Mr. FREAR. All right, now we understand it.

Mr. WALKER. Thirty-three million thirty-seven thousand and seventy-four came from the outside mills.

Mr. LEA. See if we have got that right; is that all that went to the United States, or is it simply the amount that went from the cut-up plant?

Mr. WALKER. I gave first the total, and then the amount from the cut-up plant and the amount from outside mills.

Mr. LEA. I understand.

Mr. WALKER. Fir shipped to the United States, 6,269,664 feet, of which 11,480,479 feet came from the cut-up plant.

Mr. MAGEE. What was your first item?

Mr. FREAR. You gave it as 6,000,000.

Mr. WALKER. Oh, I beg your pardon, I was reading them in reverse order—6,269,664 feet came from outside mills, 11,480,479 feet came from the cut-up plant, 17,750,143 feet came from both sources.

Mr. FREAR. That is, the fir was nearly twice as much as the spruce that came from the cut-up plant. The fir from the cut-up plant reached 11,000,000?

Mr. WALKER. Yes, sir.

Mr. FREAR. And the fir from the outside sources reached 6,000,000?

Mr. WALKER. Yes, sir.

Mr. FREAR. So that it was almost double the amount of fir that went into our local airplane factories, compared with that that came from outside?

Mr. WALKER. Yes, sir.

Mr. MAGEE. Just a minute, Mr. Walker—

Mr. WALKER. I made the same mistake in regard to the spruce. I will correct that. The spruce from the outside mills amounted to 21,907,540 feet, the spruce from the cut-up plant amounted to 11,129,534 feet, and the spruce from both sources amounted to 33,037,074 feet.

Of cedar there was 330,369 feet shipped from the outside mills, 1,227,733 feet from the cut-up plant, and 1,558,102 feet from both sources. As a matter of check the total aircraft lumber shipped to the United States from all sources and of all varieties, amounted to 52,345,319 feet.

Mr. FREAR. That is, out of the 143,000,000?

Mr. WALKER. Yes, sir. I might add that there were certain reinstated orders of which we have just a mere record. Of shipments to the French there was 8,761,210 feet of spruce from the outside mills, 9,683,236 feet from the cut-up plant, and 18,444,446 feet of spruce from both sources.

Mr. FREAR. Was that put in the record this morning?

Mr. WALKER. Not this distribution.

Mr. FREAR. Oh, we put it in from Menoher's telegram, which differs slightly from the figures you have given.

Mr. WALKER. I might state in that connection that this is compiled upon the individual tallies of the cafs shipped, and we have never reconciled with Washington yet, so there is some slight difference between the two figures.

Of the fir shipped to the French there was 6,261,839 feet from the outside mills, 9,889,416 from the cut-up plant, and 16,151,355 feet from all sources.

Mr. FREAR. In other words, about 50 per cent more of the fir was shipped from the cut-up plant than from the outside mills to France?

Mr. WALKER. Approximately; yes, sir. There was no cedar shipped to the French.

The shipments to the Italians of spruce from the outside mills amounted to 4,340,111 feet, spruce from the cut-up plant amounted to 2,284,277 feet, and the total spruce amounted to 6,624,388 feet. The fir to the Italians from the outside mills amounted to 3,537,697 feet, the fir from the cut-up plant amounted to 4,468,809 feet, the fir from all sources amounting to 8,006,506 feet. The total shipments to the Italians amounted to 14,630,894 feet. The Italians received no cedar.

Of the shipments to the British the spruce from the outside mills amounted to 8,473,115 feet, the spruce from the cut-up plant amounted to 12,787,485 feet, the spruce from both sources amounting to 21,260,600 feet. The fir to the British from outside mills amounted to 6,432,071 feet, the fir from the cut-up plant amounted to 11,566,709 feet. The fir from both sources amounted to 17,998,780 feet.

Mr. FREAR. Again the fir from the cup-up plant nearly doubled that that came from the outside sources?

Mr. WALKER. Approximately. The cedar to the British—

Mr. FREAR. I do not think we care for that.

Mr. WALKER. There are just three more figures to complete it, Mr. Frear.

Mr. FREAR. All right.

Mr. WALKER. The cedar from the outside mills to the British amounted to 41,816 feet, the cedar from the cut-up plant 2,135,751 feet, the cedar from both sources amounting to 2,177,667 feet. The total footage shipped to the British under our direction amounted to 41,437,047 feet.

Mr. FREAR. Was there received from the mills in the East and North any spruce and fir for shipment?

Mr. WALKER. I understand, Mr. Frear, that there was a small amount of spruce received. I believe some from Maine and also down South. I believe I have a photostat showing that.

Mr. FREAR. This includes all the spruce?

Mr. WALKER. From the Northwest.

Mr. FREAR. This does not include that?

Mr. WALKER. This is only the shipments we purchased from the outside mills, and also the shipment from our cut-up plant.

Mr. FREAR. This is from what time?

Mr. WALKER. From the outside mills it runs from August, 1917, to the signing of the armistice, and from the cut-up plant from February, 1918, to the signing of the armistice.

Mr. FREAR. This Government, of course—that is, by its individuals—was furnished with spruce and fir to the foreign Governments long before this date; that is, by private individuals?

Mr. WALKER. Yes, sir.

Mr. FREAR. They had contracts and were furnishing it under a different system?

Mr. WALKER. I might mention that during this period extending down as late as March there were some of those orders which they were allowed to complete, and the aggregate of them amounted to about 9,000,000 feet of spruce. However, that was old specification No. 1 and "G" list.

Mr. FREAR. Those were orders that were made prior to the beginning of the statement that you have here?

Mr. WALKER. Yes, sir. That appears in the complete shipment.

Mr. MAGEE. Probably contracts made prior to our entry into the war.

Mr. WALKER. A large part of them, Mr. Magee, were orders placed through Mr. Sligh and other sources. I would not say definitely.

Mr. MAGEE. Do you know anything about the deposit of moneys, about the moneys on hand and where they are deposited?

Mr. WALKER. I have not got the statement here. I will get it from the office, Mr. Magee.

Mr. MAGEE. That was going to be furnished. Do you know what the present monthly expenses of the Spruce Production Co. are, approximately?

Mr. WALKER. I do not know what that is right now.

Mr. MAGEE. Can you get that for me and put it in the record?

Mr. WALKER. We can get that.

(Witness excused.)

TESTIMONY OF WALTER E. BALL.

(The witness was sworn by Mr. Frear.)

Mr. FREAR. What is your full name, Mr. Ball?

Mr. BALL. Walter E. Ball.

Mr. FREAR. Where is your home, Mr. Ball?

Mr. BALL. Toledo, Oreg.

Mr. FREAR. How long have you lived there?

Mr. BALL. Thirteen years in Toledo.

Mr. FREAR. How long in the county of Lincoln?

Mr. BALL. Twenty-one years last April.

Mr. FREAR. What has been your business?

Mr. BALL. Well, I have a homestead on the Siletz.

Mr. FREAR. In the Siletz Reservation?

Mr. BALL. Yes; down near Siletz Bay. I have it yet. I was there eight years and I went to Toledo. I moved to Toledo as deputy sheriff of the county, and I was deputy sheriff two years. Then I was elected assessor, and I served as assessor of Lincoln County for nine years.

Mr. FREAR. Nine years?

Mr. BALL. Yes, sir.

Mr. FREAR. Do you hold any official position now?

Mr. BALL. No, sir.

Mr. FREAR. I desire to read into the record at this time some figures, to make clear a statement that appeared in the record yesterday on page 3335. Mr. Magee was asking in regard to the road leading north from Yaquina up to what is known as Otter Rock. Mr. Magee asks:

Mr. MAGEE. How many miles of road were constructed and what was the cost?

Mr. DISQUE. Do you want me to read that?

Mr. LEA. Yes; if you will give the facts there. What is the number of this railroad, to begin with?

Mr. DISQUE. No. 11.

Mr. LEA. How long, including all the spurs that were run off to the east, off up the various creeks?

Mr. DISQUE. 15.66 miles; the construction cost was \$1,443,931.29.

Mr. MAGEE. What does that figure per mile?

Mr. DISQUE. \$99,212. That includes, of course, the entire terminal facilities there at Yaquina.

The reason I refer to that is that while there may be sidetracks and spurs and other matter connected with this road or other branches, that this road No. 11 is given in the report of possibilities of utilizing properties of the United States Spruce Production Corporation, States of Washington and Oregon, under the head of "Properties of the United States Spruce Production Corporation" as 10.83 miles, and the spurs are given as 2.09 miles. In the report of the United States Spruce Production Corporation, issued by this company for the sale of September 2, 1919, appears the statement, on page 38, in relation to railroad No. 11:

This line, as shown on attached map and profile, starts from the end of Southern Pacific rails at Yaquina, running thence along the northerly shore of Yaquina Bay, and reaches in its present length 10.8 miles north, passing through Newport en route, thence along the coast; 1.7 miles additional grade is constructed with bridges to complete; 2.75 miles of sidings are completed; 2.9 miles of logging spurs are completed.

The amount of road as suggested here of 10.83 or 11 miles for the main track, at \$130,000 a mile, aggregates \$1,407,900, leaving a balance of \$36,000 for the additional amount. In other words, these spurs, of course, are separate from the main track and, I suppose, occur in every road, the Blodgett tract and all other tracts, and have been included in the statement of Mr. Disque, whereas the main line of road, if divided into the total, with a margin of \$36,000 for the spurs and the other tracks, makes the total \$130,000 a mile for this road. Now, I will say that is a subject of analysis for anyone as to which is the proper method of computation, but I believe that this method of computation should also be entered, and I will state further that when the committee endeavored to get to Otter Rock that we were unable to get the full length because of a slide, but we went down 6 or 7 miles, and I understand that the road ran in the neighborhood of a little over 10 miles from Yaquina Bay, and it is admitted that there are some sidings at Yaquina Bay, and there is a spur that is mentioned here.

Have you any knowledge of the Siletz Basin from any personal investigations in the past?

Mr. BALL. Yes, sir.

Mr. FREAR. Of the timber that grows there?

Mr. BALL. Yes, sir.

Mr. FREAR. Of the rights of way that are possible, and the surveys that have been made?

Mr. BALL. Yes, sir.

Mr. FREAR. Just tell the committee briefly, Mr. Ball, in your own way, as to those facts.

Mr. BALL. Shall I go to the start?

Mr. FREAR. Yes; I think that would be the shortest way to get at it.

Mr. BALL. In the beginning of the spruce operations in Lincoln County, I think everyone felt the same way, that they would like to be of service to the Government in their spruce operations. If I remember correctly, it was—well, it was early in the spring when they came down there.

Mr. FREAR. Of 1917 or 1918? —

Mr. BALL. 1918. And they started in their operations and, of course, so far as I know, the citizens down there were not very generally consulted.

Mr. FREAR. Just state what occurred, so far as you know; put it in concise form.

Mr. BALL. What I was going to say, we took no action, the citizens took no action until a time came when there was a change in the policy of procedure down there.

Mr. FREAR. By whom?

Mr. BALL. By the Spruce Division people.

Mr. FREAR. What was the change?

Mr. BALL. The change was that in the building of their roads into the timber it was suspended and we understood—that was the first intimation we had—we understood they were contemplating an entire change in railroad construction into the spruce. Also we understood they were contemplating building a road south into the Blodgett tract and north along the coast.

Mr. FREAR. Instead of saying what you understood, if there is anyone that told you, or anything like that, make it so that it will be testimony that will be admissible. Who told you that?

Mr. BALL. Well, that I can not say, but we understood that and from the movements it bore it out. The port district of Toledo—the Toledo port district comprises quite a territory there, all of the east end of the county.

Mr. FREAR. The east end of Lincoln County?

Mr. BALL. Yes, sir; and quite a bit of the north part. Through the representation of the citizens there the port commissioners, of which I was at that time one—

Mr. FREAR. Who were the others?

Mr. BALL. Mr. Lee Wade, Mr. R. S. Van Cleve—they have changed a good deal since then—Mr. Wiley Parish—

Mr. FREAR. That is sufficient.

Mr. BALL. And myself.

Mr. FREAR. What did you do?

Mr. BALL. We sent a committee. This committee was appointed by the port commission upon request of the citizens of that country.

Mr. FREAR. To do what?

Mr. BALL. To lay before the Spruce Division people our ideas about the proper proceedings in getting out this spruce and to try to show them that by building the road as proposed, if it was proposed, and to find out if it was—that they were making a mistake.

Mr. FREAR. What did you do?

Mr. BALL. A mistake both in time and money.

Mr. FREAR. What did you do?

Mr. BALL. We came to Portland. I prepared a map of all the timber cruises I could get hold of, and those cruises had been made in 1910 and 1911, long before this question ever came up. I prepared a plat so it could be laid before them, and we visited Portland. We were referred to Maj. Hitchcock as having charge of that district. We interviewed Maj. Hitchcock and told him what we came for and asked him if it was true that they were contemplating building up the coast and also down the coast, and he said they had that under advisement then.

Mr. FREAR. Who referred you to Maj. Hitchcock, if anyone?

Mr. BALL. The sergeant, I think, in charge, I think so—anyway, we inquired of who had charge of that district and were referred to Maj. Hitchcock. Maj. Hitchcock told us that he had charge of the district, but that the locating of the railroads—these proposed railroads—was under the direct direction or supervision of Amos Benson, of Portland.

Mr. FREAR. He lived here in Portland?

Mr. BALL. Yes, sir. Mr. Benson was called and, together with Maj. Hitchcock, we went over it.

Mr. FREAR. Over where?

Mr. BALL. We went over the situation there in the office.

Mr. FREAR. In Portland?

Mr. BALL. In Portland. It was agreed that in a few days—I think it was three days after that—the agreement was that Mr. Benson was to come down and go over this road that we proposed.

Mr. FREAR. When was that?

Mr. BALL. This was in about the 1st of June. I do not exactly remember the date.

Mr. FREAR. 1918?

Mr. BALL. 1918. He came down there—

Mr. FREAR. Who?

Mr. BALL. Mr. Benson, and Maj. Hitchcock was with him.

Mr. FREAR. Was Hitchcock with him?

Mr. BALL. Hitchcock was there at Toledo. I saw him in Toledo and talked with him. He was at Newport. Part of the committee—I did not go with the committee—Mr. Hall was on that committee—

Mr. FREAR. Mr. Hall, of Siletz?

Mr. BALL. Mr. Hall, of Siletz—Walter Hall, of Siletz—and Mr. Lee Wade; Mr. Jack Morgan, who was formerly a resident of Lincoln County, now of Portland; and our county surveyor, formerly county surveyor, Jim Derrick. Those three went with Mr. Benson into the woods, and I only know what they reported.

Mr. FREAR. Well, what was it, briefly?

Mr. BALL. The report was that so far as they went Mr. Benson expressed himself as well pleased with the situation.

Mr. FREAR. Do you know how far they did go?

Mr. BALL. Well, they went quite a ways, but they did not get all the way through.

Mr. FREAR. Well, how far—1 mile or 10?

Mr. BALL. I suppose they must have shown him over 3 or 4 miles, or maybe more.

Mr. FREAR. That is, north of Toledo or where?

Mr. BALL. All the difficult places, you know, that was all. There is quite a lot of that that there is no question of.

Mr. FREAR. What were they looking for?

Mr. BALL. For both timber and a location for a route.

Mr. FREAR. A route over the Divide or what?

Mr. BALL. A route from Toledo over the Divide into the Siletz.

Mr. FREAR. That is what I wanted to get.

Mr. BALL. Now, there was a part of this road that he had told me they had never quite located the proper way to go, but they knew about it, but they did not exactly know where to find it. He did not want to take up time, but they would find that spot and place, and a way to it, so they could take him over the rest of the way. He agreed, and they left it to me to find him.

Mr. FREAR. Find what?

Mr. BALL. Find Mr. Benson and notify him that we were ready. I endeavored to find him several days by telephone.

Mr. FREAR. That was for a second trip, was it, or what?

Mr. BALL. Yes; for a second trip that they had agreed upon. I failed to find him. This was on a Monday they made the trip, if I remember correctly, and on Saturday evening I met Mr. Benson in Newport, just accidentally. He told me he had been very busy.

Mr. FREAR. What did he say about going up there?

Mr. BALL. He said that he was willing to go any time, and my understanding was at that time that we made arrangements to go the next day, which was Sunday. And Saturday evening late I met

Mr. Benson between Toledo and Chitwood in a jitney coming to Portland. So we could not go Sunday; he was in Portland, and he never did go over the road, as far as I know.

Mr. FREAR. Did you ever have any communication from him afterwards?

Mr. BALL. Not on that point, but the first of the week the committee came to Portland to see about it, and while we were here we were informed that the road was settled, the location of the road was settled, up the coast.

Mr. FREAR. Where it now runs?

Mr. BALL. Where it now is.

Mr. FREAR. Who informed you?

Mr. BALL. Mr. Benson, Mr. Hitchcock, and Mr. Disque.

Mr. FREAR. Did you have any talk at that time?

Mr. BALL. We had several.

Mr. FREAR. Anything that relates to this subject?

Mr. BALL. Yes, sir.

Mr. FREAR. Just say what it was, briefly.

Mr. BALL. Maj. Hitchcock told us that while he directly did not decide the question, Mr. Benson decided it, and he was convinced that that was the proper route.

Mr. FREAR. That what was the proper route?

Mr. BALL. Where they located it.

Mr. FREAR. Where they located it on the coast?

Mr. FREAR. That what was the proper route?

Mr. FREAR. Yes.

Mr. BALL. Gen. Disque told me that he had sent seven different men in there, and that six of the seven reported in favor of the coast route.

Mr. FREAR. Yes. Well, what else?

Mr. BALL. Now, this map will show the location of the timber.

Mr. FREAR. Yes. What I am getting at is, what else occurred there as to the talks, anything? I don't know that there was, but I am just trying to find out.

Mr. BALL. I don't think so—in regard to the railroad; I don't think so.

Mr. FREAR. Well——

Mr. BALL. My statement to them was on that point at that time—both of them—was, I representing the people there, that if they built this road out on the coast for the purpose of getting spruce, for quick action, less cost, they were making a mistake.

Mr. FREAR. Why, did you tell them so?

Mr. BALL. Yes.

Mr. FREAR. Why?

Mr. BALL. Because the route was longer, the construction was greater—construction cost—and the result to them very materially less; also, that the value of the road would be less when it was done.

Mr. FREAR. Did you discuss with them the amount of timber they could get, or anything like that?

Mr. BALL. Yes.

Mr. FREAR. What did you say, or what did they say?

Mr. BALL. They claimed we didn't know anything about it; that they knew.

Mr. FREAR. They were up here in Portland; they ought to know. What was the rest of the conversation? Did they say what amount of timber there was there?

Mr. BALL. Mr. Benson claimed there was 150,000,000 feet on the coast side, where they would reach with this road.

Mr. FREAR. How much in the other part of the Siletz, where the Miller road ran?

Mr. BALL. And as to the other part of the Siletz, they didn't know what there was—Mr. Benson said they didn't. However, this committee—I might say, this committee that went with Mr. Benson—he had told them, so they told me—he made the remark several times that he never had seen that part of the country; didn't know the spruce was there that was there. He made that remark to them, I understand.

Mr. FREAR. That is when he made the first trip?

Mr. BALL. Yes. So I don't think he was ever over in there before.

Mr. FREAR. That was the conclusion of your discussion, was it?

Mr. BALL. Yes, sir; we represented to them that there was by the Miller road or the Depot route, as we call it.

Mr. FREAR. That is the Depot Slough route?

Mr. BALL. The Depot Slough route; that by building to the Siletz River, a distance from Toledo of 20 miles, they would have secured 550,000,000 feet of spruce, and the best spruce there is in Lincoln County is in there.

Mr. FREAR. Was there any discussion—you told them that at that time?

Mr. BALL. Yes, sir.

Mr. FREAR. Was there any discussion as to a route over the Divide to get over on the coast side? I don't know whether there was or not. I am asking you.

Mr. BALL. They claimed that the route was good, they had investigated it; it was good.

Mr. FREAR. That is, that you could go over there and get that additional amount?

Mr. BALL. Yes.

Mr. FREAR. And that is conceded to be how much over there?

Mr. BALL. On the coast side?

Mr. FREAR. Yes.

Mr. BALL. One hundred and fifty million feet is what they stated, and I think it is there.

Mr. FREAR. So that makes a total of how much spruce in there, if they built a road for 20 miles to the Siletz—along the Siletz.

Mr. BALL. Well, 550,000,000 we determined by the cruise—

Mr. FREAR. Yes.

Mr. BALL (continuing). Was there, and by securing this—

Mr. FREAR. Five hundred and fifty million inside, east of the Divide, and 150,000,000 west of the Divide?

Mr. BALL. Yes.

Mr. FREAR. That is 700,000,000 feet of spruce?

Mr. BALL. Yes, sir. Now, they can build over to this route just as easy as they can build here, if they need it, and a good deal easier, for the reason that they have got all, probably, they want in 550,000,000, which would be all they would want. There is 7,000,000,000 feet of timber to come out of there besides this.

Mr. FREAR. What kind of timber?

Mr. BALL. Spruce, hemlock, cedar, and fir; principally fir.

Mr. FREAR. Do you know anything about the subject of assembling and the opportunity for assembling on that route?

Mr. BALL. A wagon road.

Mr. FREAR. I have reference more particularly to the Siletz River. Was it ever discussed by you?

Mr. BALL. The Siletz River?

Mr. FREAR. Yes.

Mr. BALL. Yes, by building 20 miles of road, they would have had at least 40 miles of logging surface; some say 50, but at least 40, the year round. Wintertimes, the Siletz River—loggers tell me, and I think so, I have been all up and down it—there can be 60 or 70 miles of the Siletz River used easily—of the Siletz, wintertimes, logging.

Mr. FREAR. Will you get the map and just show where this is, and I will ask you afterwards if there was a route laid out up into the Siletz country from Toledo.

Mr. BALL. This is the property map. [Producing.] A map of what we call the Porter survey.

Mr. FREAR. Tell us what was the Porter survey?

Mr. BALL. This survey was made after this time.

Mr. FREAR. What time?

Mr. BALL. This survey was made in October and November, 1918.

Mr. FREAR. 1918?

Mr. BALL. Yes.

Mr. FREAR. What was the purpose of the survey?

Mr. BALL. To build a railroad.

Mr. FREAR. To build an independent road, or what, or to get the Government to build a road, or what?

Mr. BALL. The purpose was, the man who owned that timber in there—

Mr. FREAR. In the Siletz Valley?

Mr. BALL. In the Siletz country, requested to have a survey made. War was still going on then.

Mr. FREAR. And they requested that a survey be made by the people of Toledo?

Mr. BALL. By the port of Toledo, and if the Government did not build a railroad, they would; that was our agreement with them at that time.

Mr. FREAR. Tell us what was done.

Mr. BALL. The Porter survey shows two routes from Toledo. It does not go all the way to Toledo, because from here up to this point it is a water grade.

Mr. FREAR. What place is that? You say "From here to here"?

Mr. BALL. That is up the Olalla Slough; from Toledo up to this point is a water grade.

Mr. MAGEE. You will have to designate this point.

Mr. BALL. Section 21-10-10.

Mr. FREAR. How far is that, about 5 or 6 miles?

Mr. BALL. About 5 miles from Toledo, north.

Mr. FREAR. Then what?

Mr. BALL. This one made a connection—these two made a connection here in section 8.

Mr. FREAR. Connection with what?

Mr. BALL. The two routes made a connection there.

Mr. FREAR. What is the other route?

Mr. BALL. The other survey starts on Depot Slough—

Mr. FREAR. Wait a moment. There is another route running from Toledo north, known as the Miller Road.

Mr. BALL. Yes, sir.

Mr. FREAR. Now, you connect this second survey on this Miller Road at what section?

Mr. BALL. Our survey commenced in section 30 in 10-10.

Mr. FREAR. In township 10, range 10?

Mr. BALL. Yes.

Mr. FREAR. Then where?

Mr. BALL. And runs north—northerly direction over into section 8, making a junction with the Olalla route.

Mr. FREAR. Whereabout do both surveys, the Porter survey and this second survey of which you speak—whereabouts do they cross what is known as the Divide; about where?

Mr. BALL. In section 17, right at the corner there between 17—well, it is the center there; it is the center between 17 and 18, somewhere right here.

Mr. FREAR. On the west side of section 17 and the east side of section 18, what town and range—10-10?

Mr. BALL. Ten-ten.

Mr. FREAR. In 10-10 this second route of which you have spoken, crosses the Divide?

Mr. BALL. Yes, sir.

Mr. FREAR. Now, where does the first route that you spoke of, up there on Olalla Creek—where does that cross the divide?

Mr. BALL. That crosses the divide on the north line of section 21.

Mr. FREAR. Town 10, range 10?

Mr. BALL. Town 10, range 10.

Mr. FREAR. In other words, there were two routes provided over the divide?

Mr. BALL. Yes, sir.

Mr. FREAR. That were surveyed?

Mr. BALL. Yes, sir.

Mr. FREAR. And then where did the survey go?

Mr. BALL. Followed down Siletz River.

Mr. FREAR. In a northerly direction?

Mr. BALL. In a northerly direction. This is the Jaybird Creek country they are talking about. This is the pass between the Siletz—there is a hill there; that is where they found the pass through there.

Mr. FREAR. You say this is the place. Whereabouts, to make it a matter of record—about where?

Mr. BALL. Section 20, in 10-9.

Mr. FREAR. In section 20, in town 10, range 9?

Mr. BALL. Town 9, range 10, I mean.

Mr. FREAR. Now, that is what distance from Toledo—about?

Mr. BALL. That is about 12 miles from Toledo.

Mr. FREAR. About 12 miles.

Mr. BALL. Yes, sir.

Mr. FREAR. Was there timber along that route?

Mr. BALL. Yes, sir.

Mr. FREAR. How much, about, generally speaking?

Mr. BALL. Well, in here is a nice body of spruce.

Mr. FREAR. "In here" don't get it on the record. What sections are those?

Mr. BALL. Sections 20, 21, part of 29, there is a nice body of spruce. That is in 9-10.

Mr. FREAR. That is around the Siletz River?

Mr. BALL. Yes; which this road cuts through.

Mr. FREAR. Was that the road that you say you strike 570,000,000 feet of spruce in running up how far?

Mr. BALL. Twenty miles.

Mr. FREAR. Running up 20 miles.

Mr. BALL. Of course, it is not alone; they would have to build spurs. This is the main route.

Mr. MAGEE. Would there be any spruce before you reached the junction of the two surveys?

Mr. BALL. On this side of this side of the route there is very little.

Mr. FREAR. You say "this route"; you mean the Olalla survey?

Mr. BALL. On the Olalla survey; there is very little over to the junction.

Mr. MAGEE. Before reaching the junction of the two roads?

Mr. BALL. On the Depot Road.

Mr. FREAR. That is the present route?

Mr. BALL. That is the present route. There is spruce timber in the head of Mill Creek and Dewey Creek; which would be in section 7-6 and 7 and 18.

Mr. FREAR. Have you the cruises of those sections?

Mr. BALL. Well, the map that I have here was only what we could gather; it is not complete.

Mr. FREAR. Well, I mean—

Mr. BALL. And we explained to them at that time that that is all that we could get on that quick notice.

Mr. FREAR. As assessor of the county, you had occasion to levy the taxes?

Mr. BALL. Yes, sir.

Mr. FREAR. And in that way you had become somewhat familiar with the general cruisers in that county, I assume?

Mr. BALL. Yes.

Mr. FREAR. Now, what can you help the committee with in advising us about the amount of spruce that is in there, and whereabouts it is to be found?

Mr. BALL. With the exception of a space after we get to the Divide here—

Mr. FREAR. After you get to the Divide?

Mr. BALL. Yes.

Mr. FREAR. About 5 miles or 6 miles—5 miles north of Toledo, or 6 miles?

Mr. BALL. Five or 6 miles; about $5\frac{1}{2}$, I think. With the exception of the distance from the south boundary of section 5-10-10 to the west boundary of section 28 in 9-10, a distance of 4 miles, practically—with the exception of that distance, the entire route runs through timber, spruce timber.

Mr. FREAR. What kind of timber?

Mr. BALL. Spruce and fir and hemlock.

Mr. FREAR. Heavy timber or light timber?

Mr. BALL. Yes, sir; it is good timber most all the way; heavy timber.

Mr. FREAR. What is that timber, so far as the quantity is concerned, compared with the average timber on the west side of the Divide, where the road was constructed, if you know?

Mr. BALL. Well, along the road, the route on the coast side, there is practically no timber along the route.

Mr. FREAR. Yes.

Mr. BALL. Practically no merchantable timber.

Mr. FREAR. You say they have no timber along that line as it has been built up to Otter Rock?

Mr. BALL. By building spurs into the timber—

Mr. FREAR. Spurs in an easterly direction?

Mr. BALL. Yes, easterly or northeasterly direction.

Mr. FREAR. Up over the Divide?

Mr. BALL. Up the creek.

Mr. FREAR. We went up one of those spurs, that they said, I think, averaged 6 or 7 per cent?

Mr. BALL. Yes, sir.

Mr. FREAR. With a Shay engine? Now, what else is there that you have in mind there, Mr. Ball?

Mr. BALL. I am not an engineer—

Mr. FREAR. Have you the surveys here?

Mr. BALL. I have the surveys.

Mr. FREAR. Where is that?

Mr. BALL. I can show you what that shows. This survey was made for the port district.

Mr. MAGEE. Better put that map in evidence.

Mr. FREAR. Yes; I think so.

Mr. BALL. This was simply the profile. I didn't get—this is a property map, and this is the profile of the survey.

Mr. FREAR. I wish to ask you generally, and then we will refer to that. Do you know the elevations over the divides at these various places, and the amount of grades?

Mr. BALL. I only know what this profile shows.

Mr. FREAR. What does that profile show?

Mr. MAGEE. Who made that?

Mr. FREAR. Yes; who made that profile?

Mr. BALL. Mr. A. L. Porter.

Mr. FREAR. This man who made the survey?

Mr. BALL. Yes.

Mr. FREAR. Who is he?

Mr. BALL. A. L. Porter.

Mr. FREAR. I understand, but what is his position, or what has he done?

Mr. BALL. He is an engineer. He is a logging-railroad engineer.

Mr. FREAR. Where does he live?

Mr. BALL. He is now working, I think, for Hammond Lumber Co.

Mr. FREAR. Where does he live, Portland?

Mr. BALL. He lives in Albany.

Mr. FREAR. Albany, Oreg.?

Mr. BALL. Yes, sir.

Mr. MAGEE. Is he experienced?

Mr. BALL. He has had probably twenty-five or thirty years' experience.

Mr. FREAR. He builds roads down in that country, or makes surveys?

Mr. BALL. Yes.

Mr. FREAR. And the profiles for them?

Mr. BALL. Yes, sir.

Mr. FREAR. Estimates, and so on? Now, tell us, if you can, briefly about where that road extends, the elevations, etc.

Mr. BALL. On the Olalla route?

Mr. FREAR. That is the eastern route——

Mr. BALL. The eastern route.

Mr. FREAR. Running north; yes.

Mr. BALL. The beginning of his survey on the Toledo side showed an elevation of 220 feet above sea level.

Mr. FREAR. At what point is that, about?

Mr. BALL. That is in section 21, right here.

Mr. FREAR. That is where it crosses the Divide, is it?

Mr. BALL. No; that is at the beginning of his survey.

Mr. FREAR. The beginning of the elevation?

Mr. BALL. Where it began to climb.

Mr. FREAR. All right.

Mr. BALL. At the summit he shows an elevation of 325 feet.

Mr. FREAR. That is about 100 feet rise?

Mr. BALL. Yes; just about; 105-foot rise.

Mr. FREAR. One hundred and five feet rise in that distance?

Mr. BALL. Five thousand three hundred feet.

Mr. FREAR. That is 100 feet rise in a mile?

Mr. BALL. Yes, sir.

Mr. FREAR. What percentage do you call that?

Mr. BALL. He says it is 2 per cent.

Mr. FREAR. That would be going up the——

Mr. BALL. On the Toledo side.

Mr. FREAR. Going up from Toledo with empty cars——

Mr. BALL. Yes.

Mr. FREAR (continuing). If one is engaged in logging?

Mr. BALL. Yes, sir. And on the other side, going down hill on the Olalla route——

Mr. FREAR. That is, on the other side of this same route, running——still running north over the Divide?

Mr. BALL. Yes.

Mr. FREAR. Yes.

Mr. BALL. You find 1.66 per cent grade.

Mr. FREAR. One and sixty-six hundredths going south with a load?

Mr. BALL. Going north——yes; going south.

Mr. FREAR. Yes; going south with logs.

Mr. BALL. This note here says:

This profile is made on trial projection and can be materially bettered.

Mr. FREAR. Well, the trial showed that going from the south up to the Divide it would be 2 per cent, or thereabouts?

Mr. BALL. Yes, sir.

Mr. FREAR. And going on the south side it would be one and what?

Mr. BALL. One and sixty-six hundredths—

Mr. FREAR. One and sixty-six hundredths or $1\frac{2}{3}$?

Mr. BALL. Yes, sir. Now, the Depot route—

Mr. FREAR. Yes; let's go on with that. Were there any other heavy grades on that line north?

Mr. BALL. It doesn't show any heavy grading.

Mr. FREAR. Well, look further beyond here.

Mr. BALL. Oh, north.

Mr. FREAR. Going north.

Mr. BALL. To the junction, it shows—when we get down the hill it shows level.

Mr. FREAR. That is, to the junction of these two surveys?

Mr. BALL. Yes; shows level, and then it shows 0.85 per cent grade from the junction.

Mr. FREAR. Does it show over 2 per cent anywhere along the line?

Mr. BALL. It doesn't show any—

Mr. FREAR. What is this away over here?

Mr. BALL. That is the Depot route.

Mr. FREAR. Oh, that is the Depot. All right.

Mr. BALL. That is the Depot.

Mr. FREAR. Now, go back to the other route, that you call the Depot Slough route.

Mr. BALL. The Depot Slough route?

Mr. FREAR. Yes.

Mr. BALL. Beginning—the initial part of this where it began to climb is 132 feet above sea level.

Mr. FREAR. How far is that from Toledo?

Mr. BALL. That is about 4 miles, I should judge.

Mr. FREAR. About 4 miles it begins 132 feet. Now, where does it go and how?

Mr. BALL. Running north to the summit of the hill there, or divide, he has a 340-foot elevation.

Mr. FREAR. And what was the other?

Mr. BALL. One hundred and thirty-two.

Mr. FREAR. One hundred and thirty-two and three hundred and forty?

Mr. BALL. Yes, sir.

Mr. FREAR. Which is about 200 feet or a few feet over?

Mr. BALL. A few feet over.

Mr. FREAR. In what distance is that?

Mr. BALL. Eleven thousand feet.

Mr. FREAR. That is 11,000 feet, nearly 2 miles; it is over 2 miles, yes.

Mr. BALL. Over 2 miles.

Mr. FREAR. And that is a rise of a little over 200 feet?

Mr. BALL. A little over 200 feet.

Mr. FREAR. What grade is that?

Mr. BALL. His figures here are 2 per cent.

Mr. FREAR. Two per cent, approximately?

Mr. BALL. Two per cent.

Mr. FREAR. What is it over on the other side of the Divide there?

Mr. BALL. Going down on the north side of this Divide, he finds 1.21 per cent grade.

Mr. FREAR. Yes. This is the same Porter surveying this side on the Depot Slough.

Mr. BALL. The Depot Slough route.

Mr. FREAR. In other words, it would be going up there with empty cars on a 2 per cent grade.

Mr. BALL. Yes, sir.

Mr. FREAR. Going down on the north side, or coming south with loaded cars, it would be only a——

Mr. BALL. One and twenty-one hundredths. He also makes the same notation here, that this profile is a trial projection and it can be very materially bettered, he says here in his note.

Mr. FREAR. What kind of cuts—or do you know anything about in a general way what kind of construction that would require; would that be done with a logging road?

Mr. BALL. Well, not being an engineer, I can't tell you——

Mr. FREAR. I mean do you know anything about that question as to the amount of——

Mr. BALL. There has been estimates as low as \$15,000 a mile.

Mr. FREAR. On this road?

Mr. BALL. On this road.

Mr. FREAR. Well, then that would be a logging road, of course.

Mr. BALL. That is a logging road.

Mr. FREAR. Look north and along this same line of survey beyond where the junction comes; let us know if there are any other elevations that would require heavy grades? What is that grade you have your finger on?

Mr. BALL. One and a half.

Mr. FREAR. Whereabouts is that, how far north?

Mr. BALL. This is in section 33.

Mr. FREAR. That is one and a half grade?

Mr. BALL. That is one and a half, going down.

Mr. FREAR. That is going——

Mr. BALL. North.

Mr. FREAR. Going north, with empty cars?

Mr. BALL. Yes.

Mr. FREAR. That would be about 10 miles or 12 miles north of Toledo?

Mr. BALL. About 11 miles.

Mr. FREAR. Eleven miles.

Mr. BALL. Yes, about 11 miles.

Mr. FREAR. What is that grade there——

Mr. BALL. In section 28-9-10——

Mr. FREAR. What do you find there?

Mr. BALL. I find 1.25 per cent coming out of the Siletz.

Mr. FREAR. That is running south with loaded cars, it would reach 1.25 per cent grade.

Mr. BALL. Yes, and in section 29-20 and 29, going north empty, we find 1.93 per cent.

Mr. FREAR. 1.93 per cent. That would be about 13 or 14 miles by way of the survey, apparently?

Mr. BALL. About 14 miles, I should say.

Mr. FREAR. That is 1.93 going up with empty cars?

Mr. BALL. The same divide in section 17 and 20, we find 1.70 per cent grade.

Mr. FREAR. Going which way?

Mr. BALL. Going south.

Mr. FREAR. That would be with loaded cars?

Mr. BALL. Yes.

Mr. FREAR. Yes; all right. What is that grade there where you have your finger?

Mr. BALL. This is 2 per cent.

Mr. FREAR. Two per cent. What section is that?

Mr. BALL. Sections 16 and 17, one of the two, right on the line.

Mr. FREAR. Sections 16 and 17. That would be about 16 or 17 miles north of Toledo of this survey, would it?

Mr. BALL. Yes, sir.

Mr. FREAR. What is the grade there?

Mr. BALL. Two per cent.

Mr. FREAR. That would be 2 per cent going south with loaded cars?

Mr. BALL. Yes, sir.

Mr. FREAR. This last?

Mr. BALL. Further on than that there are no heavy grades, 1.12 to 1.56, just after crossing—

Mr. FREAR. That is with empties?

Mr. BALL. That is empties.

Mr. FREAR. So that the largest grade with loaded cars, on this whole line, is under two per cent, except at this one place?

Mr. BALL. This one place. This is where it comes down into the river. I had a talk with him about that when he filed his plat. He says "This grade here can be very materially lowered, because here is a small cut here on top, you see." That can be very—it is not very far, it is 4,000 feet.

Mr. FREAR. Now, this survey was made for your port there at Toledo?

Mr. BALL. Yes.

Mr. FREAR. That is, for the people of the county?

Mr. BALL. Yes, sir; this belongs to the port district.

Mr. FREAR. And how far was the survey made, for 30 miles, you say?

Mr. BALL. Twenty miles from Toledo, I think is what I said it would be.

Mr. FREAR. Twenty miles, and that covered this whole territory with the spurs.

Mr. BALL. Yes.

Mr. FREAR. Whereby you could bring out—it was estimated you could bring out the full 550,000,000.

Mr. BALL. Well, no; the spurs would be extra from that.

Mr. FREAR. I say, with the spurs you could bring it out?

Mr. BALL. Yes.

Mr. FREAR. And that would reach this fir timber as well, of which you speak?

Mr. BALL. Yes, sir.

Mr. FREAR. And what would be the amount of fir in there?

Mr. BALL. Estimated as 9,000,000,000 feet of fir.

Mr. FREAR. Nine billion feet of fir. The heaviest growth that is to be got anywhere between Marshfield and, probably Clallam County.

Mr. BALL. I think so.

Mr. FREAR. So far as is known.

Mr. BALL. I understood so.

Mr. FREAR. I will introduce both of these as exhibits.

(The maps above offered in evidence were marked, respectively, "Exhibits No. 23, Ball, Sept. 6, 1919," and "Exhibit No. 24, Ball, Sept. 6, 1919.")

Mr. MAGEE. It was testified yesterday by Gen. Disque, as I recollect, and if I don't state it correctly the record will show—but I understand it that Mr. Benson claimed to him that in his examination of this route which you have described, that he ran up against a perpendicular mountain. Is there any—

Mr. BALL. I was not with this party. Mr. Hall is here. He was.

Mr. FREAR. Mr. Hall is in the room?

Mr. BALL. Yes; he is in the room. He can tell better than me about that.

Mr. MAGEE. What elevation or hill projection along this route—you have been over the route, haven't you?

Mr. BALL. Yes; I have been—

Mr. MAGEE (continuing). Would be regarded or described as perpendicular mountain.

Mr. BALL. Oh, we have in that country brakes where—you can find them, you know—breaks where it is practically straight up and down for a ways.

Mr. MAGEE. I mean where they proposed to run the route for the railroad?

Mr. BALL. I don't know of any where they proposed to run the route along; I do not.

Mr. MAGEE. None that you know of?

Mr. BALL. None that I know of.

Mr. MAGEE. Even way up into the vicinity of the Jaybird River.

Mr. BALL. None that I know of, where a person would contemplate building a road. You can find them up in there, yes, sir.

Mr. MAGEE. I suppose you can find those perpendicular places anywhere in the mountains here?

Mr. BALL. Yes, sir.

Mr. MAGEE. But no such place along either of these routes which are shown on these maps?

Mr. BALL. No, sir; there is no such place along these roads.

Mr. FREAR. What is the name of the road that runs north of Toledo? That is, have you any name for it down there?

Mr. BALL. We now call it the Fisher-Storey road.

Mr. FREAR. The Fisher-Storey road. How far was that completed when you were having these negotiations?

Mr. BALL. Well, it is in the neighborhood of 5 miles, I should think.

Mr. FREAR. Running north?

Mr. BALL. Yes.

Mr. FREAR. Was that before the Wessels Creek branch was put in?

Mr. BALL. No, sir. They had put that in and was working there considerable time before we knew they were going to change it.

Mr. FREAR. They added that themselves?

Mr. BALL. Yes, sir.

Mr. FREAR. About what section is that?

Mr. BALL. Section 24, in 10-11. It is not on here [indicating blue print]. I can show you here [indicating another blue print].

Mr. FREAR. Whereabouts?

Mr. BALL. I will show you [producing blue print]. This is a map we will introduce. The Wessel place is here [indicating], where they built their road.

Mr. FREAR. The Wessel place is in 24; and about how far north of Toledo?

Mr. BALL. Well, it is north about 4 miles and west about 1 mile; about 5 miles from Toledo, I should say.

Mr. FREAR. That is in town 10 or range 10?

Mr. BALL. No; in town 10, range 11.

Mr. FREAR. Yes; in town 10, range 11. And the junction with the north branch occurs in section 30?

Mr. BALL. In section 30.

Mr. FREAR. Now, that was extended out by the Government how far?

Mr. BALL. Well, there were two branches up there. I should say there were, probably, altogether 3 miles of road up there.

Mr. FREAR. On the Wessels?

Mr. BALL. On the Wessels; yes.

Mr. FREAR. That is running in a westerly direction?

Mr. BALL. Yes, sir.

Mr. FREAR. And running in a northerly direction what was done? How far did that go? They started that at the same junction, didn't they?

Mr. BALL. I think not. The road wasn't completed from Toledo up 2 miles; the road wasn't completed when the Government started operations. They built the road from Toledo to this junction.

Mr. FREAR. Who did?

Mr. BALL. The Government; the Spruce Division.

Mr. FREAR. Oh, they built up from Toledo?

Mr. BALL. Up to the junction; yes.

Mr. FREAR. And the reason for that was what?

Mr. BALL. So they could operate this road to go into the Wessel place.

Mr. FREAR. Yes; and so that they could carry the logs down to Toledo, whereas formerly they were dumped—

Mr. BALL (interrupting). Into the slough.

Mr. FREAR. Into Depot Slough?

Mr. BALL. Yes.

Mr. FREAR. And they put in a construction there?

Mr. BALL. Yes, sir.

Mr. FREAR. A trestle work?

Mr. BALL. Yes, sir. The end of the road was about here, in the center of section 6 [indicating on blue print].

Mr. FREAR. Do you know, either from your own knowledge or from what has been stated to you, whether or not there were any bridges, or any very heavy or any very high bridges, or anything like that, that made any difficult construction, so far as was discussed there by your port commissioners, after this Porter survey was had?

Mr. BALL. No, sir. The only one bridge of any moment at all is right across the Siletz River at the mouth of Cedar Creek.

Mr. FREAR. That is the only bridge, and that comes at a distance of about 20 miles, or thereabouts—

Mr. BALL (interrupting). No; about 15 or 16 miles.

Mr. FREAR. Well, we had it before. About 16 miles?

Mr. BALL. Yes, sir; I think so.

Mr. FREAR. About 16 miles north of Toledo?

Mr. BALL. Yes, sir.

Mr. FREAR. Then that is the only bridge there is?

Mr. BALL. That is the only one that amounts to anything.

Mr. FREAR. How far would you have extended this Fisher and Storey road—that is the road running north, or known as the Miller Road?

Mr. BALL. Yes.

Mr. FREAR. How far would you extend that before you get over into the heavy spruce, do you know?

Mr. BALL. Before you get into heavy spruce you would have to go down in here [indicating on blue print].

Mr. FREAR. How far?

Mr. BALL. About 5 or 6 miles.

Mr. FREAR. Well, were they cutting spruce in there [indicating].

Mr. BALL. Oh, here?

Mr. FREAR. No; where they were.

Mr. BALL. Yes; there was some spruce there, and quite a little spruce over here.

Mr. LEA. Five or six miles from where?

Mr. FREAR. From the junction.

Mr. BALL. Before you get into the heavy spruce.

Mr. LEA. What section is that you get into heavy spruce?

Mr. BALL. Section 20 and 21, and some in 29.

Mr. FREAR. Now, what do you call heavy spruce, so that the committee will know?

Mr. BALL. Well, spruce that will run five or six million to the quarter.

Mr. MAGEE. Then, as I understand it, by extending what you call the Storey-Fisher road 5 or 6 miles they could have got into the Siletz country where there was a supply of 550,000,000 feet of spruce lumber?

Mr. BALL. Yes, sir; then you begin to get into it; they would come to it.

Mr. MAGEE. Yes.

Mr. BALL. Yes, sir.

Mr. FREAR. Have you any cruises with the amount of spruce and fir marked on the maps with you?

Mr. BALL. Yes, sir. But this is a very incomplete map. There is a better one. The Government had a better one furnished to them by the same people. This is the first one, and is not as good as the one they have already got.

Mr. FREAR. Did you furnish any of these estimates for the Government? I don't know whether you did or not.

Mr. BALL. No, I didn't, only as I gathered them from timbermen or timber cruisers.

- Mr. FREAR. Well, the spruce and fir appears upon about—
- Mr. BALL (interrupting). About every quarter.
- Mr. FREAR. About every quarter there, does it not?
- Mr. BALL. Yes, sir.
- Mr. FREAR. Running north from the junction; is that right?
- Mr. BALL. Yes, sir.
- Mr. FREAR. According to this map?
- Mr. BALL. Yes, sir. There is some spruce all the way.
- Mr. FREAR. Yes.
- Mr. BALL. But back there, talking about the heavy body of spruce, there is some spruce in here [indicating], in section 7 and section 6—some spruce.
- Mr. FREAR. Now here, for instance, is 13—what is that?
- Mr. BALL. Three million eight hundred thirty thousand fir.
- Mr. FREAR. Oh, yes.
- Mr. BALL. One million one hundred and seventy thousand spruce. That is in section 7.
- Mr. FREAR. What is this up here?
- Mr. BALL. That is fir; 1,600,000; and that is spruce 200,000.
- Mr. FREAR. Now in what sort of a tract is that? That all appears there in the same 40?
- Mr. BALL. That is two cruises.
- Mr. FREAR. Oh, two different cruises of the same 40?
- Mr. BALL. Yes.
- Mr. FREAR. Now that is right at the junction?
- Mr. BALL. Right at the junction.
- Mr. FREAR. Well, I guess that is all that we can show by this, and mark this as Exhibit 23. You have marked this already.
- Mr. MAGEE. Be sure and mark this, too.
- (The previous blue print referred to by Mr. Magee had theretofore been marked "Exhibit 23"; and the blue print referred to by Mr. Magee was thereupon marked "Exhibit 24, Witness Ball, September 6, 1919.")
- Mr. FREAR. No railroad was built except what was added there by the Miller road, and that was built by them—
- Mr. BALL (interrupting). The last of 1918 the Miller people extended their road; I don't know just how far, but they did make an extension on their road.
- Mr. FREAR. That is running north?
- Mr. BALL. Yes, sir.
- Mr. FREAR. And do you know how near they reached the divide? I think that is in the testimony as about—
- Mr. BALL (interrupting). It is not very far. I don't exactly know the distance.
- Mr. FREAR. What is it? A thousand feet? I think it was a thousand feet, wasn't it, or a quarter of a mile?
- Mr. LEA. I have forgotten.
- Mr. FREAR. Well, we can get that by somebody who knows the road. All right. Is there anything else you think of, Mr. Ball, to testify in regard to this information regarding this subject?
- Mr. BALL. No, sir; I don't remember anything else.
- Mr. FREAR. That covers the subject generally, does it?
- Mr. BALL. Yes.
- Mr. FREAR. And you say Mr. Hall was with that party?

Mr. BALL. I would like to state that Mr. Morgan, while I was assessor of Lincoln County——

Mr. LEA (interrupting). Mr. Morgan, who was before our committee?

Mr. BALL. Yes, sir.

Mr. FREAR. The other day?

Mr. BALL. Yes. He did considerable work for me in helping adjust the assessment of timber. I remember sending him down into the Blodgett tract to ascertain some information that was in dispute, and he furnished information on a great portion of the county.

Mr. FREAR. That is, you mean information by cruises that he made?

Mr. BALL. Yes; by actual knowledge and by the knowledge of others.

Mr. FREAR. Well, he was a cruiser, was he?

Mr. BALL. He was a cruiser; yes, sir.

Mr. FREAR. And were his cruises accepted by your people down there?

Mr. BALL. Yes, sir.

Mr. FREAR. As a basis?

Mr. BALL. Yes, sir. Only the county had no public cruise and this was simply about the amount of timber; the value of the land including the timber was what we were after.

Mr. FREAR. Yes; in your assessments?

Mr. BALL. Yes. And I handled those several years and naturally know where the timber lies.

Mr. FREAR. Yes. Anything further that you have in mind?

Mr. BALL. I might say that while we were before Maj. Hitchcock and Mr. Benson in our committee, one of the objections of Mr. Benson's building the road, extending the road through from the Wessel place, where the Government was all ready to operate to the coast, providing they wanted to go up the coast, was that he had an estimate of one mile of road, the first mile of road of extension would cost the Government \$58,000. That was one of his main objections for building that road.

Mr. FREAR. Now, let us make it as a matter of record.

Mr. MAGEE. Building what road?

Mr. FREAR. Building an extension of 1 mile beyond the terminus of the Wessel road?

Mr. BALL. Yes, sir.

Mr. FREAR. Now, the Wessel road runs about 2 miles, you said, from the junction of the two surveys?

Mr. BALL. I think it is about that; including the spurs they probably built 3 miles, but a straight line it would be about 2 mile probably, or a little better.

Mr. FREAR. And what have you to say about that?

Mr. BALL. And I understand, and I am a little surprised, too, that the road built from Yaquina, which was proposed or said to be easy of construction, has cost \$99,000; I mean an average.

Mr. FREAR. Yes. That was the statement given by Mr. Disque, and if you took out the spurs and figured on the main line, leaving \$32,000 for the spurs, it makes it \$130,000 a mile. Now, his figures were what?

Mr. BALL. Fifty-eight thousand dollars. He stated that he had information that is what it would cost to build that 1 mile.

Mr. FREAR. That 1 mile?

Mr. BALL. Yes, sir.

Mr. FREAR. And that was startling to him?

Mr. BALL. Yes, sir.

Mr. FREAR. So that he could not consider the matter?

Mr. BALL. Yes, sir.

Mr. FREAR. What was it; heavy grades, or what did he say?

Mr. BALL. Yes, sir.

Mr. FREAR. That was going from the Wessel road over across the divide toward the west?

Mr. BALL. Instead of abandoning their operations they already had; that is another phase of the question.

Mr. FREAR. Yes.

Mr. MAGEE. You haven't shown that.

Mr. BALL. He said abandoning that, if they wanted to go to the coast, then build the Wessel road instead of going to Yaquina.

Mr. FREAR. You would get the same results, would you? That is, in your judgment, you would have got the same results by going right over?

Mr. BALL. You could not help but get better results.

Mr. FREAR. Yes. Now, the cut up plant which they were building, which cost in the neighborhood of \$1,000,000, that was at Toledo?

Mr. BALL. Yes, sir.

Mr. FREAR. Well, that would make a direct route right out of Toledo?

Mr. BALL. Yes, sir.

Mr. FREAR. And even if you went the full 20 miles you would then reach the 550,000,000 feet of which you have spoken, of the spruce. As it is, when they got up to Otter Rock, on the road that is built, they have first nearly 11 miles of road construction, and they then have 12 miles more of rafting?

Mr. BALL. Yes, sir.

Mr. FREAR. That is right, isn't it?

Mr. BALL. Yes.

Mr. FREAR. To get around to Toledo?

[Mr. Ball nods his head.]

Mr. FREAR. Practically the same distance.

Mr. MAGEE. The stenographer can't get his nod on the record; unless he gives his answer so it can be understood you haven't got anything on the record.

Mr. FREAR. I am stating for him. What did you say about that?

Mr. BALL. It is about 12 miles. It might not be quite 12 miles from Yaquina to Otter Rock and it is 9 miles from Yaquina by rail to Toledo.

Mr. FREAR. No. This is taking it by water.

Mr. BALL. By water? Well, it is farther by water; probably 10 or 11 miles by water.

Mr. FREAR. Well, it is over 20 miles?

Mr. BALL. It is over 20 miles.

Mr. FREAR. Yes; by both roads?

Mr. BALL. Yes, sir.

Mr. FREAR. Whereas here you strike it, you say, within 5 miles of the end of this road you would have struck large timber?

Mr. BALL. It would have been 10 miles, practically, from Toledo.

Mr. FREAR. It would have been 10 miles from Toledo?

Mr. BALL. Ten or 11 miles from Toledo.

Mr. FREAR. And that would have been directly north and could have been brought right down to Toledo?

Mr. BALL. Yes, sir.

Mr. FREAR. I think that is all.

Mr. LEA. Do you know what curves were figured on for that road? You can sit down, if you like.

Mr. BALL. I do not.

Mr. LEA. I say you can have a chair there.

Mr. BALL. I do not, Mr. Lea. The map showing the curves is a large concern. I didn't bring it along, and not being an engineer I don't know about the curves. But his report was very favorable on the road, the whole construction.

Mr. LEA. What was the nature of this survey? Was it an exhaustive survey, or what they call a preliminary survey?

Mr. BALL. Preliminary.

Mr. LEA. Do you remember about how much it cost?

Mr. BALL. About \$3,000. I don't exactly remember the amount.

Mr. LEA. They paid the total cost, did they?

Mr. BALL. Yes, sir; they paid the total cost.

Mr. LEA. Now, you spoke about the timber, sections 20, 21, and part of 29; what township is that in, do you recall?

Mr. BALL. In 9, 10; township 9, range 10.

Mr. LEA. Was it that location known as? Is that Dewey Creek?

Mr. BALL. No. That is local, in what we call Alsea Prairie country. It is just south of Alsea Prairie.

Mr. LEA. That is on the north side of the river or the west side of the river?

Mr. BALL. It is on the south side of the river. The river bends there.

Mr. FREAR. The river bends there?

Mr. LEA. Yes.

Mr. BALL. It is on the south side.

Mr. LEA. About how far does tidewater come up the Siletz River?

Mr. BALL. It comes up to section 7, section 7 in 9-10.

Mr. LEA. About how many miles would that be?

Mr. BALL. From the mouth?

Mr. LEA. Yes.

Mr. BALL. By the river 30 miles, I should say; about 30 miles.

Mr. LEA. Did this railroad that you speak of reach tidewater?

Mr. BALL. It goes quite a ways below the head of tide. It goes down to where there is good water.

Mr. LEA. That is, practical logging water?

Mr. BALL. Practical logging and practical shipping.

Mr. FREAR. That is, you mean shipping on the Siletz?

Mr. BALL. Yes, sir.

Mr. LEA. At what point—I understood you to say that you could go over the Siletz River side to the west slope. I may have misunderstood you.

Mr. BALL. Yes.

Mr. LEA. At what point could you do that?

Mr. BALL. I should say that that would take the same point as they intended to take coming in.

Mr. LEA. That at the head of the Jaybird?

Mr. BALL. If it is practical coming in, it would be practical coming out.

Mr. LEA. Are you personally familiar with that country up there?

Mr. BALL. No; I am not. Well, I have been through the country, but not the survey, or not the elevation.

Mr. LEA. Did you go with Mr. Benson on the trip that day he went up there?

Mr. BALL. Yes, sir.

Mr. LEA. So you saw him after he returned, did you?

Mr. BALL. Yes; I got to see him a few minutes Saturday evening. This was a Monday.

Mr. LEA. Do you know why it was these men who went with him didn't find this pass when they went up there the first time?

Mr. BALL. Mr. Lea, if you have been in a country like that, you know that it is hard to locate yourselves right away; you know, in a definite way, just running through the country. These men knew of the pass, but they didn't find it in time. You see, they had made quite a travel in that day and they didn't have time to find it; but they assured Mr. Benson if he would come back, which he agreed to do, I understand through them, they would find it shortly, and they did find it, and they can probably tell you the elevations there.

Mr. LEA. Well, what I was getting at, were they men familiar with the country there or not?

Mr. BALL. Yes, sir; they are.

Mr. LEA. About how much timber is supposed to be tributary to Toledo as matters stand there now? That is, assuming that this country could be developed, as you have suggested?

Mr. BALL. We estimate in the county there is 18,000,000,000 feet of timber.

Mr. FREAR. Eighteen billion?

Mr. BALL. Eighteen billion in the county. Now, just how much of that would be tributary, or could be made tributary to Toledo, I don't know, but I should say considerably more than half of it.

Mr. LEA. There is enough there to occupy all the mills there for many years?

Mr. BALL. For many years; yes, sir.

Mr. LEA. Did you have any part in the endeavor of the Toledo people to get this mill located there?

Mr. BALL. I as a citizen there, yes; as a port commissioner I did.

Mr. LEA. Just, in substance, what did you have to do with that?

Mr. BALL. Well, I had really nothing to do with it, only this: If the Government decided to build a mill there we would do everything we could to help them get located.

Mr. LEA. Is Toledo an incorporated town?

Mr. BALL. Yes, sir. I think I signed a telegram to Maj. Hitchcock, myself and another one or two there, assuring them of a location; that is, ground and also water, if they wanted to locate their mill there, which they did.

Mr. LEA. You are not an officer of the port commission at present?

Mr. BALL. No, sir.

Mr. LEA. Are you living at Toledo now?

Mr. BALL. Yes, sir.

Mr. LEA. What is your occupation?

Mr. BALL. Well, just now I am not doing much of anything. I have been on the jetty construction work down there, but just now I am not there. I am not doing anything just now; nothing particular.

Mr. LEA. Do you have any property interests down there?

Mr. BALL. In Toledo?

Mr. LEA. Yes.

Mr. BALL. I have a house I live in, and that is all.

Mr. LEA. Or have you got any timber?

Mr. BALL. Why, I have a place, but it is down at the mouth of the Siletz River, all the way down to the mouth to the bay.

Mr. LEA. How far from Toledo is sections 20 and 21 that you speak of?

Mr. BALL. About 12 miles; 11 or 12 miles.

Mr. LEA. In an air line, you mean?

Mr. BALL. By this route?

Mr. LEA. Yes.

Mr. BALL. Yes, sir.

Mr. LEA. The spruce along that Miller route has been worked out, hasn't it?

Mr. BALL. Yes, sir.

Mr. LEA. Do you know anything about the timber above Otter Rock on the coast side?

Mr. BALL. Well, yes; there is some spruce there; principally spruce.

Mr. LEA. Have you any figures in reference to that, or do you recall about what there is of it?

Mr. BALL. Above Otter Rock?

Mr. LEA. Yes; on the coast slope.

Mr. BALL. Well, no; I haven't. I failed to get any cruises on that. That is, in from the coast, you know, it is an inferior grade in a way along from the coast, and the main dividing ridge narrows up toward the coast going north from Otter Rock, so there is not as great a territory between the ridge and the coast above Otter rock as there is below Otter Rock.

Mr. LEA. Which way do you get into your timber?

Mr. BALL. The road goes down the coast. I go down there.

Mr. LEA. You come north, then, to your property?

Mr. BALL. Yes, sir.

Mr. LEA. Are you personally familiar, then, with this country in between the Siletz River and Otter Rock on the coast?

Mr. BALL. Between the Siletz River and Otter Rock?

Mr. LEA. Yes.

Mr. FREAR. You mean the mouth of the Siletz?

Mr. BALL. Well, I have been through there.

Mr. LEA. The mouth of the Siletz between there and Otter Rock?

Mr. BALL. Yes; I have been up and down it a good many times, but not so much in the timber.

Mr. LEA. I see. Now, where is the main body of timber in the Siletz River basin?

Mr. BALL. You mean as a whole?

Mr. LEA. Yes.

Mr. BALL. Well, it has been computed, or it has been said, that township 8, range 8—range 9—was the heaviest timbered township in the county. That is principally fir.

Mr. LEA. Now, where is that located, in a general way?

Mr. FREAR. In reference to Toledo, for instance—

Mr. BALL. In reference to Toledo? Well, that is up the Siletz River, in what we term there the Sunshine country.

Mr. LEA. South of tidewater or not?

Mr. BALL. No, sir; way above tidewater.

Mr. LEA. How far from tidewater?

Mr. BALL. By the river, I should say 60 miles. Of course, straight through it is only a short distance. The river is very crooked there.

Mr. LEA. Which side of the river does that lay on?

Mr. BALL. The river runs through the township corner.

Mr. LEA. You mean it is 60 miles from the mouth of the river by the river?

Mr. BALL. I think it would be farther than that. I think it would be 60 miles from tidewater.

Mr. LEA. How far would that be from Toledo?

Mr. BALL. From Toledo by the road it is 25 to 30 miles. I don't know exactly. It is something like that from Toledo by the road.

Mr. LEA. You lived down in that country a good while, did you?

Mr. BALL. Yes, sir.

Mr. LEA. You are not a logger, though, I understand?

Mr. BALL. No; I am not.

Mr. LEA. That is all.

Mr. FREAR. Would it be any nearer to this Otter Rock, of which they speak—Otter Rock is way over west, isn't it?

Mr. BALL. Yes, sir.

Mr. FREAR. So that is over on the coast?

Mr. BALL. Yes, sir.

Mr. FREAR. So that is farther away—this is directly east of that, or northeast?

Mr. BALL. This township?

Mr. FREAR. This township 8 you speak of.

Mr. BALL. It is northeast; yes.

Mr. FREAR. Yes; it is northeast. What did your people do down there in regard to this mill? You say you offered the site?

Mr. BALL. Yes.

Mr. FREAR. Free?

Mr. BALL. Yes, sir.

Mr. FREAR. Was it given free?

Mr. BALL. Yes, sir.

Mr. FREAR. What about the water? I have forgotten about that.

Mr. BALL. The water was also free.

Mr. FREAR. What was the cost of that, do you know?

Mr. BALL. The cost of the water system was \$50,000; about that.

Mr. FREAR. Did your people make that provision for that?

Mr. BALL. Yes, sir.

Mr. FREAR. How?

Mr. BALL. Sold bonds. The city put in the waterworks.

Mr. FREAR. The city bonded itself for \$50,000 to provide the water?

Mr. BALL. Yes, sir.

Mr. FREAR. For the Toledo mill?

Mr. BALL. Well, they was to have 400,000 gallons a day, was the contract.

Mr. FREAR. The Toledo mill?

Mr. BALL. For 25 years free. That was the contract, as I understand it, between the city and the Spruce Production Corporation.

Mr. FREAR. That is, for 25 years the water was to be free?

Mr. BALL. Twenty-five years.

Mr. FREAR. For 25 years the water was to be furnished free?

Mr. BALL. Yes, sir.

Mr. FREAR. And the city put in the pipes—the mains?

Mr. BALL. Yes, sir.

Mr. FREAR. And what did you have; a pumping plant there, or what?

Mr. BALL. No; we got the water from Mill Creek, with a 12-inch main we put in. It is a low-water pressure system, supposed to supply 1,000,000 gallons a day.

Mr. FREAR. What was the expense of the location where they put the mill, the site?

Mr. BALL. Between sixteen and seventeen thousand dollars. I don't exactly remember.

Mr. FREAR. So that it was between sixty and seventy thousand dollars that Toledo was assuming in order to help?

Mr. BALL. Yes, sir.

Mr. FREAR. To help the conditions there of the mill, and so on?

Mr. BALL. Yes, sir.

Mr. FREAR. Was the plant put in? Was the water put in?

Mr. BALL. The water is there; yes, sir. The water supply is there.

Mr. FREAR. And the site has been taken for the mill?

Mr. BALL. Yes, sir. The mill has been constructed—well, not finished but nearly completed.

Mr. FREAR. All right.

Mr. LEA. Let's see. Is the city supplied by the same water source?

Mr. BALL. The city had a separate water system before. Of course, the city intended to use some of the water, as she needed it. Of course, we hoped she would.

Mr. LEA. That is, from a different source?

Mr. BALL. Well, it is from the same creek, but it is a different system altogether.

Mr. FREAR. That is all.

Mr. MAGEE. Wait a minute. Now, the old mill was burned up, wasn't it?

Mr. BALL. Yes, sir.

Mr. MAGEE. The other mill; that was called the Fisher mill?

Mr. BALL. Yes, sir.

Mr. MAGEE. The Miller-Fisher mill?

Mr. BALL. The Fisher-Storey mill is what it was known as at the time it was burned up.

Mr. MAGEE. Now, there is a mill being rebuilt there now, isn't there?

Mr. BALL. Yes, sir.

Mr. MAGEE. Where this mill burned up?

Mr. BALL. On the same property, only a little farther up.

Mr. MAGEE. That is being constructed now?

Mr. BALL. Yes, sir.

Mr. MAGEE. Do you know what would be the capacity of that mill?

Mr. BALL. They claim, they told me, 150,000 feet in eight hours.

Mr. MAGEE. Eight hours?

Mr. BALL. Yes, sir. That is the way I understand it.

Mr. MAGEE. That would be, on three shifts a day, 450,000 feet a day.

Mr. BALL. That is the way I understand it; yes, sir.

Mr. FREAR. The cut-up plant is only 600,000.

Mr. MAGEE. Well, that mill going up, being put in operation, what will become of the Government mill, this big Government mill there?

Mr. BALL. Well, we hope it will run; that somebody will get it and run it, but I don't know whether they will or not.

Mr. MAGEE. You don't see any prospect of it now?

Mr. BALL. Well, just now I don't.

Mr. MAGEE. Well, if it is not operated where does the city come in with its large obligations?

Mr. BALL. We lose heavily.

Mr. MAGEE. You put in how much there; seventy or seventy-five thousand dollars?

Mr. BALL. Yes, sir; something like that; about seventy thousand, I think.

Mr. MAGEE. There is some talk of dismantling the mill, isn't there, and selling the machinery?

Mr. BALL. Yes, sir; and I am wondering what will become of the land; if they will give it back to the port; when they take the machinery, if they should do that, I am wondering if that would not be the proper thing to do.

Mr. MAGEE. In whom is the title to the land, do you know?

Mr. BALL. The Spruce Division Corporation.

Mr. MAGEE. It has not been a very profitable investment to the city, up to date?

Mr. BALL. Well, Mr. Magee, we didn't really enter into it for profit. They proposed to build a mill somewhere on the bay for the purpose of getting out airplane spruce.

Mr. MAGEE. Well, by profit I mean to advance the interests of the Government as well as the growing needs of your city?

Mr. BALL. We think yet—I think that if the war had continued it would have been a profitable business for the Government.

Mr. MAGEE. If the war had continued how long?

Mr. BALL. Well, the man who had it under construction, or the foreman there, Lieut. Schaff, told me a short time after the armistice was signed that in three weeks it would have been ready to run and operate.

Mr. MAGEE. Yes; but I say how long would the war have to continue for the mill to become a permanent advantage to the city?

Mr. BALL. Well, that I don't know. As I say, we didn't think so much of it as a profit to the city. I never did, anyway, but as a means to help.

Mr. MAGEE. Has the city, do you know, made any claim for return of moneys, or amount invested, or anything of that sort?

Mr. BALL. No; I do not. I have heard some talk of it, but I do not know whether they have or not. I have not been favorable to that, myself.

Mr. MAGEE. What have you been favorable to?

Mr. BALL. To just letting it go.

Mr. MAGEE. Let it stay as a loss.

Mr. BALL. We put up our money and let it go.

Mr. FREAR. That is your contribution?

Mr. BALL. Yes, sir; that is the way I figure it.

Mr. MAGEE. How was it planned, if you know, to get logs from this coast road down to the Toledo mill?

Mr. BALL. I do not know. I have understood always that they were intending to raft it.

Mr. FREAR. You are familiar with that location there?

Mr. BALL. Yes, sir.

Mr. FREAR. You live at Toledo?

Mr. BALL. Yes.

Mr. MAGEE. Go on and tell us what works have been constructed at Yaquina which would apparently indicate that it was planned to raft logs from Yaquina to Toledo.

Mr. BALL. They built bunkers—they call them bunkers—to dump logs, and with all indications, so far as I can see, of dumping the logs into the bay, the same as they did on the other side.

Mr. MAGEE. Did they build a trestle out into the bay?

Mr. BALL. Yes, sir.

Mr. MAGEE. How far do you think that trestle extends into the bay?

Mr. BALL. I should say four or five hundred feet; I don't exactly know.

Mr. MAGEE. Have they built wharves there?

Mr. BALL. Yes, sir.

Mr. MAGEE. Have they created a terminal there?

Mr. BALL. I could not say just what preparation they made. They had a warehouse and such things as that there. I don't think there is any machine shops. I think those were to be at Toledo.

Mr. MAGEE. Is there any connection there or junction with the Southern Pacific up to date?

Mr. BALL. Yes, sir; the tracks going right in—the Southern Pacific.

Mr. MAGEE. There is a junction there?

Mr. BALL. Yes, sir.

Mr. MAGEE. Are there any logs there now?

Mr. BALL. Well, they have been logging; I think there are. I have not been to Yaquina for quite a while. I think probably there are.

Mr. MAGEE. Logs in the boom?

Mr. BALL. In the boom, yes.

Mr. MAGEE. Towed down to Toledo?

Mr. BALL. Yes, sir.

Mr. MAGEE. There is every evidence that they planned to get them to Toledo by rafting from Yaquina?

Mr. BALL. Yes, sir; that is my understanding and the understanding of everyone down there that that was the idea. We did not know anything different.

Mr. MAGEE. You never heard anything different?

Mr. BALL. Never heard of anything different.

Mr. MAGEE. In getting the logs down from the coast road they would bring them down for how many miles to Toledo?

Mr. BALL. It is about 12 miles from Yaquina to Otter Rock.

Mr. MAGEE. To get the logs they have to build spurs?

Mr. BALL. Yes, sir.

Mr. MAGEE. That would be approximately 12 miles?

Mr. BALL. Yes; at least.

Mr. MAGEE. How many miles of rafting or towing?

Mr. BALL. Probably 10 or 11 miles; probably 11 miles.

Mr. MAGEE. As I understand, over this Miller-Fischer route which you have described, if that had been built they could have transported the logs by railroad directly to the mill. Is that right?

Mr. BALL. Yes, sir.

Mr. MAGEE. What necessity existed for building these 24 miles of road into the Blodgett tract with 550,000,000 of spruce lumber up in that Siletz country available?

Mr. BALL. Well, I never would have done it, but I felt, and I have not and I did not at that time say anything in regard to that while we was before them, for the reason that I did not want to interfere with their plan, so far as I was concerned. If they wanted to build that road and had money enough to build it, I did not want to interfere, and the subject never came up to me personally.

Mr. MAGEE. But can you see any necessity for building the railroad?

Mr. BALL. I can not; no, sir.

Mr. MAGEE. Particularly until the supply of spruce in the Siletz country had been exhausted?

Mr. BALL. I think it was the wrong thing to do, from my standpoint.

Mr. MAGEE. A useless thing?

Mr. BALL. Yes, sir; useless.

Mr. MAGEE. And it would have taken more material and length of time to get out the 550,000,000 feet of spruce lumber than in the Siletz country?

Mr. BALL. Yes, sir.

Mr. MAGEE. How much fir did you say was up in the Siletz country?

Mr. BALL. That is estimated at 9,000,000,000 feet.

Mr. MAGEE. I think that is all.

Mr. FREAR. Both roads, the one that was built and the one projected, brought the logs to Toledo—that is, with about 12 miles of rafting from Yaquina Bay?

Mr. BALL. Yes, sir.

Mr. FREAR. The purpose was to bring them all to this cut-up plant?

Mr. BALL. Yes, sir.

Mr. FREAR. So there was no choice, so far as the people of Toledo were concerned?

Mr. BALL. I believe not.

Mr. FREAR. What have you to say about the road that ran 23 miles up to Otter Rock as a feasible or easy way to get the logs down there, compared with this road running north?

Mr. BALL. There is no comparison between the roads, so far as business was concerned, and so far as time saving would be concerned, with the situation as it was.

Mr. FREAR. Under any circumstances?

Mr. BALL. Under any circumstances.

Mr. FREAR. Which would be the better?

Mr. BALL. The route over from Toledo to Siletz.

Mr. FREAR. That is, running north?

Mr. BALL. Running north.

Mr. FREAR. What was the cost of this new mill, or about, if you know?

Mr. BALL. I do not know.

Mr. FREAR. Who would know?

Mr. BALL. Mr. Story, one of the owners.

Mr. MAGEE. That mill when in operation will meet all the needs of of the locality, you think, so far as taking care of the lumber is concerned?

Mr. BALL. Well, there is two other small mills there, I know. Yes; I think they will take care of it for some time to come.

Mr. FREAR. The situation is this: If they cut 150,000 in an eight-hour day that would be 450,000 feet for three shifts?

Mr. BALL. Yes, sir; that is the way I understand it.

Mr. FREAR. If the cut-up plant had been built at a cost of approximately a million dollars, that was for 600,000 feet a day?

Mr. BALL. Yes, sir.

Mr. FREAR. With three shifts. That was to reach just a third more than this?

Mr. BALL. That might be more difficult cutting; I do not know.

Mr. FREAR. You do not know what the Story mill cost?

Mr. BALL. No.

Mr. FREAR. That is all.

Mr. LEA. Mr. Ball, practical millmen do not figure they can cut three times as much with three shifts as they can with one shift in daylight?

Mr. BALL. I do not really know, but I do not think they could. I am not a millman.

Mr. FREAR. That is conceded.

Mr. LEA. I wish you would state the reasons why you think if the war had continued the mill would have been profitable to the Government?

Mr. BALL. That is a fine mill for the purpose, I think. I have been so informed. I had very much confidence in the men who were overseeing this mill.

Mr. LEA. Who was overseeing it?

Mr. BALL. Lieut. Schaff was overseeing it. I got well acquainted with him, and we used to talk about it. There is very fine machinery in that mill, they claimed, and, for the purpose, very well constructed. That is what he claimed.

Mr. LEA. Where was he from?

Mr. BALL. He was from the Canal Zone, I think. He used to be an engineer down there on construction.

Mr. FREAR. It would have been a better proposition to have built two small mills with a total cut of 300,000 feet a day than to have built one mill for 200,000 feet a day on an eight-hour shift, for

speed or economy, or for any other purpose of that kind; do you know?

Mr. BALL. I could not say.

Mr. FREAR. You are not putting yourself as an expert; but this is conceded, I think, that lots more could be cut in an eight-hour day than could be cut in proportion in a mill with three shifts. That applies equally to a mill of 200,000 cut a day as well as it does to a mill of 300,000?

That is all.

(Witness excused.)

TESTIMONY OF WALTER S. HALL.

(The witness was sworn by Mr. Frear.)

Mr. FREAR. Do you live in the Siletz country?

Mr. HALL. Yes, sir.

Mr. FREAR. Whereabouts in the Siletz country?

Mr. HALL. At the agency.

Mr. FREAR. How long have you lived there?

Mr. HALL. 18 years.

Mr. FREAR. What is your business?

Mr. HALL. General merchandise.

Mr. FREAR. I will not go into the examination of the map and the general conditions, excepting to ask if you heard the description that has been given by the last witness?

Mr. HALL. Yes, sir.

Mr. FREAR. Have you any particular corrections to make to that statement?

Mr. HALL. A few.

Mr. FREAR. In what respect?

Mr. HALL. There was a point on the railroad survey. We had a survey in there and we got approximately 2 per cent going in and 2½ per cent coming out.

Mr. FREAR. That is what he stated, as I understood. You had another survey?

Mr. HALL. Well, part of it was over the same route.

Mr. FREAR. That is Porter's survey?

Mr. HALL. We had an individual survey.

Mr. FREAR. And your survey over the divide was 2 per cent going north and 1½ per cent going south; to carry out logs loaded there is 1½ per cent. That is practically the same as the Porter survey?

Mr. HALL. Yes, sir.

Mr. FREAR. Is there any other correction that you have?

Mr. MAGEE. Is that all the same route?

Mr. HALL. No; over the Olalla route.

Mr. FREAR. Was not that the easterly route he described?

Mr. HALL. Yes. I think Mr. Porter formed a junction with the Olalla route on one survey, and the other went up from Miller's road.

Mr. FREAR. That led up into the Siletz country and down into Toledo?

Mr. HALL. Yes, sir.

Mr. FREAR. And it was on nearly the same survey, I assume?

Mr. HALL. Yes, sir.

Mr. FREAR. As to the stand of timber up there; you have lived there for a great many years?

Mr. HALL. It is very good. I was guide there for two years for the inspectors and went over the country with them.

Mr. FREAR. What would you say as to the stand of timber, spruce and fir, in that immediate section?

Mr. HALL. At this road that tapped the Siletz River at tidewater, it would tap 700,000,000 feet of the best spruce in the West.

Mr. FREAR. At what distance?

Mr. HALL. Fourteen miles from the end of Miller's logging road.

Mr. FREAR. Twenty miles from Toledo to the logging spur?

Mr. HALL. Yes.

Mr. FREAR. That takes the spruce west of the divide?

Mr. HALL. Yes, sir.

Mr. FREAR. And do you know whether that fir could be accessible by railway?

Mr. HALL. Very easy.

Mr. FREAR. You are familiar with that country?

Mr. HALL. The easiest route in that country is into the Siletz timber, and the best grades to be obtained, and only 3 or 4 small bridges.

Mr. FREAR. That is, you mean this route you speak of is an extension of the Miller road?

Mr. HALL. The same.

Mr. FREAR. They run up for a mile on each other's surveys.

Mr. HALL. Yes, sir; to come at the Siletz River.

Mr. FREAR. The stand of fir amounts to about what?

Mr. HALL. It is conceded to be 18,000,000,000 feet north of Yaquina there, and in that section there is about 10,000,000,000 feet of fir, I think. That entire route is a logging road, because they could use the Siletz River for 30 miles as a feeder.

Mr. FREAR. Could it be reached by way of the Pysht and Otter Rock?

Mr. HALL. No, sir. In going up to Otter Rock you run up against a bluff of 550 feet.

Mr. FREAR. They contemplated building a tunnel there?

Mr. HALL. Yes, sir; about 4,000 feet of tunnel.

Mr. FREAR. To go north?

Mr. HALL. Yes, sir.

Mr. FREAR. You were with a party that came up from Toledo to see Mr. Hitchcock?

Mr. HALL. Yes, sir.

Mr. FREAR. Please tell the committee just briefly what occurred on that trip.

Mr. HALL. Some time in April I was appointed on the committee from the port of Toledo to come into Portland and bring all the data we could get and explain to the Spruce Division the most feasible way we thought of getting spruce in the shortest time for airplane stock, and we went to the Yeon Building and met a Mr. Flannigan, I think, an officer inside the door, and we asked to see Col. Disque, and he sent us up to Maj. Hitchcock's office, and we asked for Col. Disque, and Maj. Hitchcock informed us that he was the man who handled that part of the proceedings, and that Col.

Disque was busy, but he would take the matter up with us. So we explained the situation in that country and our ideas about the railroad, and I made the offer of our survey and the line of the route, if they wanted it for the Government, for what it had cost us, up the Olalla into the Siletz country, and we did not have any cruises with us at that time, just approximately the amount of spruce that could be adjacent to this road. But they did not seem very enthused about building it, although they had soldiers in the Siletz and was building plank roads down the Siletz River.

Mr. FREAR. For what purpose?

Mr. HALL. To haul out rived spruce.

Mr. FREAR. With what kind of conveyances, what means?

Mr. HALL. Auto trucks, they was supposed to be.

Mr. FREAR. How many soldiers did they have up there?

Mr. HALL. 150 men. And then we explained this route from Miller's logging road and told him about how much spruce they could get out by building 14 miles of road, and how they would have the Siletz River to log on for 15 miles above this junction and use the tide coming up from Siletz bay for 15 miles to float the logs down to the railroad. Maj. Hitchcock said for us to go home and get detailed cruises or survey cruises of this spruce in that country and they might think it over, but, he said, all the information he had indicated there was no spruce in Siletz.

Mr. FREAR. No spruce in Siletz?

Mr. HALL. Yes.

Mr. FREAR. Where did Maj. Hitchcock come from, do you know?

Mr. HALL. I do not know; prairie country, I guess. He and Col. Disque came down to Toledo and hired an auto from Graham's livery barn and drove over the Siletz, down the Siletz River to Maury's place. They went along the banks of the Siletz River in the scrubby spruce where the road was and never got out of the auto to go into the timber, and they came out and reported there was no spruce here. We came home and Mr. Ball and Mr. Wade and I was on the committee, and we got busy with the timber owners on the cruises and got survey cruises and make a map which I think Mr. Ball showed a few minutes ago and then we returned to Mr. Hitchcock's office. He evidently had forgotten about us and when we came in he turned around and said, "What are you fellows doing here?"

Mr. FREAR. You were sort of interlopers?

Mr. HALL. Yes, sir; we were interfering with plans, it seemed like; and we took and showed him the map, and showed him the survey cruises. Meanwhile, he had sent Mr. Benson down to the Siletz, and I was on the committee that was out with Mr. Benson, and we showed him the route into Jaybird Creek, and we was out with him one day, and advised him to build the road around the Siletz River at a water grade, but he thought it was better to go up Jaybird Creek; but we had not investigated that route yet, and he left us, and said if we would investigate that the next day he would come back and go over it with us, and to report to him at Newport. Mr. Morgan and Jim Derrick and I went out the next day and ran levels over that, and found a pass of 450 feet with a cut through that shortened the road, where we could get about a 2

per cent grade. We went to Newport to find Mr. Benson, but we could not find him; he was not around the hotel there, and nobody knew where he was, and in a day or two we went down again to Newport and could not find him there, and he never called us up, or never said anything about it. We never saw anything more of Benson in that country.

Mr. FREAR. What was done then?

Mr. HALL. We came back to Portland, then, with our cruises and Mr. Benson, and took him before Col. Disque and asked him what decision they would make. We told him about our pass and what we had found there, and he said they could do nothing for us. He said they had decided to build that road from Yaquina Bay to Otter Rock.

Mr. FREAR. By Newport?

Mr. HALL. Yes, sir.

Mr. FREAR. Did he give reasons?

Mr. HALL. They told us their cruises had talked of 150,000,000 feet of spruce in there, and I said, "What is the reason of building 15 miles for 150,000,000 feet when you can build 14 miles and get 7,000,000,000, and you can use the Siletz River, and it is a hand job; you can set your donkeys on the edge, and you can put them in the water every way. Maj. Hitchcock said the people of Newport would wire the President if they did not have the road up to Otter Rock; that they had to build that road.

Mr. FREAR. That would be a pretty serious proposition, to wire the President.

Mr. HALL. I told him the people of Toledo and Siletz would wire the President, too; but that did not have any effect upon him. They said they had come to that decision, and there was no use arguing; that that was what Amos Benson had decided upon, and they had left it practically all to him.

Mr. FREAR. Was that country new to Benson, or had he been there frequently?

Mr. HALL. He had never been in the Siletz, to my knowledge.

Mr. FREAR. Had never been in the Siletz woods?

Mr. HALL. No, sir.

Mr. FREAR. And they sent him down on one trip to decide?

Mr. HALL. Yes, sir. He had been over on the coast side, for Otter Rock, but never in the Siletz, to my knowledge.

Mr. FREAR. Around the Newport side, where they were going to send a telegram to the President?

Mr. HALL. Yes, sir. Then this last trip was about the 1st of May, 1918, and in August, while I was at home, one day there was a big Cadillac eight drove up full of Army Officers, and a major jumped out and came over and wanted to know if my name was Hall, and I told him it was, and he said he wanted to interview me. In the meantime they had sent a private by the name of Davis to investigate the proceedings of the Warren Spruce Co., and it seemed like Davis had told so much truth that they could not stand for it and they wanted to check him up to see if he was lying or telling the truth, and they spoke with me an hour and a half on what Davis had done down there, and then he said he was from the Intelligence Office and wanted to find out what spruce there was in the country.

Mr. FREAR. Who was that?

Mr. HALL. Maj. Reardon, and I told him I would take him into the spruce tomorrow morning and stay with him as many days as he wanted to, that I was familiar with every section in that country and I have been over the four townships and every section in each township, and he said that Maj. Hitchcock and Col. Disque had went down to Mowery's but they came back and reported there was no spruce. So the next day my brother took Maj. Reardon and myself in the car and we went down the Siletz River, to what was known as the Chitwood camp, where the spruce division had built a big camp and brought the lumber down and built 25 houses and abandoned them. We got off at Chitwood camp, and I had Maj. Reardon back in the timber for a mile on the bench where that spruce grew, and showed him some nice spruce and took him down 2 miles and then brought him up the river about a mile this side of Mowrey's, where A. J. Johnson was logging with a donkey engine, and I took him out in the woods and they had two trees they had just felled, spruce trees, 8 feet through at the butt, and 200 feet to the first limb, and they had it sawed into 20 foot logs, a donkey engine was rolling them out, and Maj. Reardon got down and tried to count the rings, and they were so fine that he could not count them, and he said, "I wish we had such spruce as that at Vancouver to make airplane spruce out of it."

Then we hired a man with a boat and took him around the big bend in the Siletz River, and every mile I took him out of the boat and took him up in the timber and showed him spruce that stood as thick as any timber could stand, and ranged from 4½ feet in diameter to 14 feet. I brought him up as far as the Misc place and showed him along the river three or four different places each side that stand of spruce. Then we took the old mail carrier's trail from the Misc place out to Ojalla, out near Camas Prairie, as they call it, on a farm. We got out there about dusk and Maj. Reardon was all in.

Mr. FREAR. Were you walking?

Mr. HALL. Yes, sir. He said we would have to phone in town and get a car to come out and get him, he could go no further. So I phoned into town and my brother came out there and got us. Maj. Reardon said, "Hall, I have seen more spruce in this one day than any other Army officer that has ever been in the woods." He said, "You never told half the truth, as it appears to me." We went to the hotel and I ate supper with him that night, and he says, "Now, I don't know anything about what they will do here, I am under Col. Disque, but I am going to put in a report, and if they pay any attention to it they will be building a railroad in here before October to get some of this spruce out. That was Maj. Reardon's decision when he got through with me.

Mr. LEA. What date was that, do you recall?

Mr. HALL. That was in August sometime, I do not know the exact date. About the first of August, though.

Mr. FREAR. Did they ever build a road in there?

Mr. HALL. No, sir.

Mr. FREAR. What else have you in mind, Mr. Hall, if anything, along the same line? Was that the last you saw of any officer down there?

Mr. HALL. Yes, sir.

Mr. FREAR. You spoke about Davis, that he had made some report in the Intelligence Department about conditions that he found down there, and you say he did not—I did not quite get your reply—that he did not state it all.

Mr. HALL. Well, he stated so much truth that they wanted to investigate to see whether he was telling the truth.

Mr. FREAR. If he was telling the truth what is there that you have observed down there in regard to this operation by the Warren Spruce Co. or any other companies doing business down there in trying to get out spruce for the Government?

Mr. HALL. I observed that it was the most extravagant way they could possibly handle it.

Mr. FREAR. Just explain to the committee in what respect.

Mr. HALL. Well, in several respects. First, the first was when they first brought the boys in there to get out spruce they brought in 150 soldiers and encamped them near our store, about a mile from our store.

Mr. FREAR. Your store is at Siletz?

Mr. HALL. Our store is at Siletz, and they camped near the steel bridge on the bank of the Siletz River. They came and bought some tools there and started these fellows out to cut out trails. They was going west of Siletz over in 10-11 and put in a headquarters camp. That was Capt. Millar.

Mr. FREAR. How did they expect to get that timber out at that time without a railroad?

Mr. HALL. This was an engineering crew. That was the first bunch that came in there. They wanted to investigate our railroad proposition, so my brother and I went out and showed them the right of way, and that is how we became familiar with it.

Mr. FREAR. That is this survey of which you have spoken?

Mr. HALL. Yes, sir. We went over to the camp and the engineer from Portland, Capt. Millar, and us, we got out from camp about 200 yards and Capt. Millar wanted one of these small cruiser's axes that he had forgotten, and he yelled to a soldier there to bring him a hand ax. The soldier went into the tent and brought out a mattock and came half way out to where we was, and Capt. Millar says, "Say, that is not a hand ax; go back and get me a hand ax." He went into the tent again and brought out a double-bitted ax and started out with that, and then Capt. Millar yelled to the cook there to give that fellow a hand ax and send him out with it. So the cook gave him a hand ax and sent him out there. When he came up where we was this surveyor from Portland says, "You don't seem to know what a hand ax is." He says, "No; I do not." He says, "Where are you from?" and he says, "Philadelphia." That was the class of men they had, from South Dakota and the Middle West in there to survey—they did not know what a hand ax was. We had some of them stay with us overnight, and one of them was from Worcester, Mass., and one from Philadelphia, and one from Kentucky, and one from South Dakota.

Mr. FREAR. That is, there were not very many logs to be found in either one of those particular places; in South Dakota you have got to travel quite a good many miles for lumbering operations.

Mr. HALL. Exactly. The next day they started out with three crosscut saws to cut logs out of the trails, windfalls that fell over

the trails in the winter time, and at 10 o'clock McDonald, the cruiser, came into the store swearing and said they had every saw stuck in the logs and couldn't get them out, and he wanted to know if he could help hire some Indians to cut trails. We got about 10 boys to go and sent them out there and they cut all the rest of the trails and helped pack up to camp. Those fellows didn't know how to pack. We helped them secure 15 pack ponies and put Indian boys there that knew how to pack, and they packed the stuff out to camp. They packed oranges and everything else out there to feed those fellows on, cases and cases of oranges, and cases of eggs, etc. Well, I have been in the logging business since I was 18 years old, and I have never seen any oranges in a logging camp yet, and not very many eggs, where you have to pack them in on a pack horse.

Mr. FREAR. You were not used to the innovations that were brought about by a company that was working on a cost-plus basis?

Mr. HALL. No; I had to sell a lot of thrift stamps and war-savings stamps through the post office to help pay the bills.

Mr. FREAR. I think you are right about that. How about the road north from Miller's; how far would it have had to have gone to have reached a good supply of spruce and fir?

Mr. HALL. Well, if I had that map here I could show you.

Mr. FREAR. I can give you the map.

Mr. HALL (indicating on map). They would get in the spruce at the end of Miller's logging road, get some good spruce there, but it was not as thick a growth as stood farther down. If they went over the ridge three-quarters of a mile from the end of that road they would have got a good body of spruce.

Mr. FREAR. That is right beyond the end of where the Miller's road had been extended up near the top of the divide?

Mr. HALL. Yes, sir.

Mr. FREAR. Just give me the section there, mention the section, township, and range where they would have struck the place. I think that was in 17, the divide.

Mr. HALL. Yes; and section 17 is where they are now, I think, and if they just went over the divide into section 8 and right down Mill Creek to the Siletz River there is a million feet of spruce stands in on Mill Creek, and a million and a half on Dewey Creek. We showed Maj. Hitchcock this when we were up before and told him he could be logging spruce every day after he got over the divide clear down to Siletz River, until he struck the head of the tide. We showed him by our cruises of every one of these creeks, that by running short branches up the creek he would get a million and a half feet of spruce.

Mr. FREAR. How far is that from the Miller road extension?

Mr. HALL. About a mile and a half.

Mr. FREAR. About a mile and a half from the extension of the Miller road, and how much fir would you get in there?

Mr. HALL. Well, in that country about one-third of it is spruce and the other two-thirds is fir and a little hemlock mixed in with it.

Mr. FREAR. So that you would get a million and a half—how much spruce did you say you would get?

Mr. HALL. Two million and a half on these two creeks and about 10,000,000 feet of fir.

Mr. FREAR. Right there, within a mile and a half?

Mr. HALL. Right there, within a mile and a half; yes, sir.

Mr. FREAR. And then the spruce continues north?

Mr. HALL. Yes. There is a place here, by going up Dewey Creek. That was the road we tried to look out when Mr. Benson was there. If we followed the Siletz River around it would be about 2 miles and we wouldn't strike any spruce at all, but we would cross into Jaybird Creek, and we would strike several million feet in there. That was the contention when we went to look out this road, this lower pass, when Mr. Benson left us. If we could go up Dewey Creek we would get spruce and then follow in on this fork of Jaybird. We would have a continuous string of spruce all the way down there.

Mr. FREAR. I think you testified generally to the amount of spruce and fir up in the Siletz.

Mr. HALL. Yes.

Mr. FREAR. I thought I had asked you that. That is something like 700,000,000, counting that over on the divide.

Mr. HALL. Well, 700,000,000 feet is a low estimate. I claim, through cruising all through here and running compass, there is over a billion feet of spruce that can be brought out over that railroad from the Siletz River Valley, without counting this at Otter Rock at all.

Mr. FREAR. You have lived in there, as you say, a good many years?

Mr. HALL. Since 1901.

Mr. FREAR. That is practically the center of the spruce country, is it not?

Mr. HALL. Yes.

Mr. FREAR. And the fir is—

Mr. HALL. I ran compass in there for the different cruisers, and I led four different inspectors all through the woods.

Mr. FREAR. You made a statement in regard to the first party that came out there to your place. Did you observe other parties who came out there—what they were doing?

Mr. HALL. They were building plank roads there.

Mr. FREAR. For what?

Mr. HALL. They were going to haul this spruce out by truck—the rived spruce—and they came into Siletz and took over the sawmill and sawed out three or four million of plank and laid it down, and then they shipped stuff, thousands of feet of lumber, floated it, rafted it, down the Siletz River to the Chitwood camp, and made a big camp there, and sent 20 boys down that line to Chitwood camp to get things ready to move in there. And that night they got a telegram from somewhere, and they pulled them all out of there and took them out of Siletz and took them to Yaquina. They said they were going to start building a road from Yaquina.

Mr. FREAR. Did they ever use this plank road?

Mr. HALL. No, sir; they never hauled a truck over it that I know of.

Mr. FREAR. What was the general character of the work there—that is, I mean, was it constructive? Just explain to the committee what they were doing there, the Warren Spruce Co., and their operations around the Siletz that you observed.

Mr. HALL. Well, they did not do very much of anything for the amount of men they had in there.

Mr. FREAR. How many men did they have?

Mr. HALL. They had 150 men in there.

Mr. FREAR. At that time?

Mr. HALL. Yes.

Mr. FREAR. Did they have more later, or did you observe anything?

Mr. HALL. They planked a little road there; worked in the mud and planked it, and had men working in the sawmill.

Mr. FREAR. Where was the sawmill?

Mr. HALL. At the agency there on the Siletz River.

Mr. FREAR. They used that for making these planks?

Mr. HALL. Yes, sir; and then they had a sort of a logging camp there, as they logged about 500,000 feet, I guess.

Mr. FREAR. What did they do with that; saw it?

Mr. HALL. They sawed it into planks and built roads with it, and then they had a small crew of men there most all that summer sawing and logging and hauling it out to Miller's logging camp and shipping it to Yaquina for construction work on those other roads.

Mr. FREAR. This last summer; 1918?

Mr. HALL. 1918.

Mr. FREAR. Oh, during the war?

Mr. HALL. Yes.

Mr. FREAR. Did you ever see any other operations of these people up there; that is, as to the question of whether they were managing things right, in accordance with the ordinary business methods?

Mr. HALL. No; I did not. I did not get out in the woods and investigate anything.

Mr. FREAR. What would you say about the building of this road around by way of Otter Rock to have gotten into this spruce country, as a practical proposition?

Mr. HALL. It is the most impractical proposition you could imagine or could have figured out in that country. When we were in there before with Maj. Hitchcock we showed him where if he built a spur up from Wessels, the South Creek on Wessels's place, he could reach this same bunch of timber.

Mr. FREAR. You mean the same bunch of timber that they could reach from the coast line?

Mr. HALL. Yes.

Mr. FREAR. Over the Divide?

Mr. HALL. Over the Divide, running up over the Divide, and haul that up on top of the ridge there, within 2½ miles. He said that that was impracticable, because the first mile of road up that bluff would cost thirty-eight or forty thousand dollars. We offered, if he would go in there—he was on the wrong creek when he was talking that way—we offered to put a man in there, Jim Derrick, ex-county surveyor, and show him a road up the creek south of there where he would get in on a much lower grade and a much easier place to build, but I don't know as they ever investigated that.

Mr. FREAR. Forty thousand dollars a mile was enough to startle almost anyone who wanted to build a logging road up there, apparently, even to Col. Hitchcock?

Mr. HALL. Well, it seemed at that time it was.

Mr. FREAR. That was before they got the report on this road as built?

Mr. HALL. Yes, sir.

Mr. FREAR. I think that is all.

Mr. LEA. Were you ever engaged in the logging business?

Mr. HALL. Yes, sir.

Mr. LEA. Down in this section?

Mr. HALL. We had a Government sawmill at Siletz for five years, and we logged our own timber and run the mill. We had the first shingle mill in Lincoln County. Then my brother and I worked for Alexander & Edgar Logging Co., of Iron River, Wis., for three years before we came West.

Mr. LEA. Was your object in getting this survey with a view of trying to get a road into this timber?

Mr. HALL. No; not a particle. My main object was to come down here and tell these men——

Mr. LEA. I say, this survey that you spoke of.

Mr. HALL. The right of way we had in there?

Mr. LEA. Yes. I may have misunderstood you. I understood you to say you had a survey made in the Siletz Country.

Mr. HALL. Yes, we had; from Toledo into Klamath Creek on the Siletz River.

Mr. LEA. That was a railroad grade, wasn't it?

Mr. HALL. Yes.

Mr. LEA. What I meant was, what was the object of that survey; did you expect to build a railroad?

Mr. HALL. No, sir.

Mr. LEA. Or get somebody to do it?

Mr. HALL. We had a power dam at Klamath Creek on the Siletz River, and we were figuring on putting in electric power there and running a road out to Toledo.

Mr. LEA. Making an electric road?

Mr. HALL. Yes.

Mr. LEA. Rather a good many people live over there in Siletz?

Mr. HALL. Yes; that is a dairy valley and surrounded by timber.

Mr. LEA. A farming country in there, too?

Mr. HALL. Yes, sir.

Mr. LEA. Do you own any timber over there?

Mr. HALL. Yes.

Mr. LEA. How much?

Mr. HALL. We homesteaded in there, and altogether we own about 700 acres, my brother and I.

Mr. LEA. Is that in a timbered section?

Mr. HALL. Yes.

Mr. LEA. Approximately how much timber do you own?

Mr. HALL. I own about 27,000,000 feet in there.

Mr. LEA. That is, of various kinds, is it?

Mr. HALL. Yes.

Mr. LEA. How large was this Chitwood camp?

Mr. HALL. Well, it was built for 150 or 200 men, I think. There were about 20 buildings put up there.

Mr. LEA. What kind of buildings were they?

Mr. HALL. Made out of rough lumber.

Mr. LEA. Were they entirely of wood or did they have canvas tops?

Mr. HALL. Some of them had canvas tops. They were made of wood frames, and the cook house and dining room were made entirely of wood.

Mr. LEA. Ordinary logging cabins?

Mr. HALL. Yes.

Mr. LEA. What was the way of getting in there, was there a wagon road to this camp?

Mr. HALL. Yes, sir. There was a mail road that runs down to Maury. There was a star mail route down the Siletz.

Mr. LEA. They had to haul out by track or wagon?

Mr. HALL. Yes.

Mr. LEA. This was a riving operation, supposed to be?

Mr. HALL. That is what it was to be; yes.

Mr. LEA. That is all.

Mr. MAGEE. Were there any unusual difficulties in getting into the Siletz Reservation from Toledo, either over the Olalla route or the Miller route?

Mr. HALL. No, sir; nothing at all. Over the old Olalla route the divide was very sharp, and with a 60-foot cut there we would get in there on a 220-foot raise. That is the lowest pass in the Siletz Valley.

Mr. MAGEE. Now, are you speaking of your own observation and knowledge?

Mr. HALL. Yes, sir; of our own engineer's notes, and I was there when they were made.

Mr. MAGEE. I mean, you have gone over the country?

Mr. HALL. Yes; both routes.

Mr. MAGEE. You know just what you are talking about?

Mr. HALL. Yes, sir.

Mr. MAGEE. You have lived in that vicinity how long?

Mr. HALL. Eighteen years.

Mr. MAGEE. How far is Siletz from Toledo?

Mr. HALL. About 10½ miles north.

Mr. MAGEE. I think that is all.

Mr. LEA. Where does that main body of spruce begin, with reference to Siletz?

Mr. HALL. It begins in these two creeks here, the Dewey Creek and Mill Creek, right straight south of Siletz. They flow into the Siletz River.

Mr. LEA. How near to Siletz is that?

Mr. HALL. That is about a mile and a half south of Siletz, and from that on clear down the river.

Mr. MAGEE. You have estimated here a billion beet of spruce lumber?

Mr. HALL. Yes.

Mr. MAGEE. Do you think that is a high estimate?

Mr. HALL. No; I do not.

Mr. MAGEE. Others have estimated it here at 550,000,000 feet.

Mr. FREAR. Seven hundred million altogether.

Mr. MAGEE. On the east side. Are you speaking of the east side, or the total?

Mr. HALL. That is a billion feet the Siletz River would control, flowing down the Siletz River to this railroad junction up the river. They do not take any of this timber in here north of the Siletz River. They take in this square bunch in here, but there is lots of good spruce up Cedar Creek and Eucher Creek that they do not consider in all that.

Mr. MAGEE. You estimate a billion feet; do you take into consideration the 150,000,000 feet on the coast?

Mr. HALL. No.

Mr. MAGEE. Or within reach of the coast road?

Mr. HALL. No, sir; I do not consider that at all.

Mr. MAGEE. You think that is a fair and reasonable estimate?

Mr. HALL. I do.

Mr. MAGEE. Based on your own observation and knowledge?

Mr. HALL. Yes, sir. And another thing, these estimates, that is on these maps, was made by people that was buying timber, and they were made very low, because they was not giving the full value of the timber.

Mr. MAGEE. Have you been through this country yourself?

Mr. HALL. Yes.

Mr. MAGEE. You have seen the timber?

Mr. HALL. I homesteaded in there and I worked in there for two years with special agents that were investigating the homestead proposition in there, and I know every trail in there.

Mr. MAGEE. You have been over the whole ground?

Mr. HALL. Yes.

Mr. MAGEE. That is all.

(Witness excused.)

TESTIMONY OF B. GILDNER.

(The witness was sworn by Mr. Frear.)

Mr. FREAR. Your full name, please.

Mr. GILDNER. B. Gildner.

Mr. FREAR. Where do you live?

Mr. GILDNER. Portland.

Mr. FREAR. What is your business?

Mr. GILDNER. Well, I am in the timber business.

Mr. FREAR. How long have you been in the timber business?

Mr. GILDNER. About 20 years, or more.

Mr. FREAR. Have you lived here all that time?

Mr. GILDNER. Yes; all the time.

Mr. FREAR. You are familiar with the Siletz country, Toledo, and conditions down there?

Mr. GILDNER. I am.

Mr. FREAR. You have done business down there?

Mr. GILDNER. Yes; for about 20 years.

Mr. FREAR. Whereabouts?

Mr. GILDNER. Well, practically in the basin; that is, what we call the lower basin.

Mr. FREAR. You are familiar with this railroad known as the Miller road?

Mr. GILDNER. Yes.

Mr. FREAR. That runs north?

Mr. GILDNER. Yes.

Mr. FREAR. And with the condition of the timber north of that place?

Mr. GILDNER. Oh, yes.

Mr. FREAR. It has been described as a road running north about 5 miles, or thereabouts, to its northerly extension, 5 or 6 miles.

Mr. GILDNER. Yes.

Mr. FREAR. That is about right?

Mr. GILDNER. Yes.

Mr. FREAR. Then the Wessel line branches off a short distance above the north terminal; branches off to the left, about a mile or so?

Mr. GILDNER. Yes; it runs off. It was an old spur that run in there. They were logging in there and pulled out part of it.

Mr. FREAR. That was the Wessel spur?

Mr. GILDNER. That was the Wessel spur.

Mr. FREAR. The north line is extended up almost to the divide?

Mr. GILDNER. Yes.

Mr. FREAR. You are familiar with that; are you?

Mr. GILDNER. Yes.

Mr. FREAR. Are you familiar with the surveys?

Mr. GILDNER. Yes; I am quite familiar with them.

Mr. FREAR. What do you know about it; go on and describe in your own way your knowledge, and where you got it.

Mr. GILDNER. Well, in January, the latter part of January, or February, when the Warren Spruce Co. took the contract I was asked by them to act as kind of—to give them advice and information that I had regarding the Siletz and the conditions of getting things out of there, and advise them about what to do; what would be the best way.

Mr. FREAR. 1918?

Mr. GILDNER. 1918; about the latter part of January, I think. I think that is about the time it was. So I went in there and I asked a man to go along with me who was also very familiar in there, familiar with the locations, and that was Mr. Morgan.

Mr. FREAR. Mr. Morgan, who has testified before this committee?

Mr. GILDNER. A. W. Morgan; yes; he testified here. And the Warren Spruce Co.'s man, Dunkhill—he was their road man—he went with us. We went in there in regard to a road, so they could get out this timber, and I went to advise them. I advised also with Mr. Kumpe, their engineer; he was their head engineer; he had charge of the Warren Spruce Co.'s business. The Warren Spruce Co. was anxious then to make a report to the Spruce Production Board, to Mr. Hitchcock and Mr. Disque. So I gave my information regarding the quantity of timber and also the different routes that I had myself personally, and with the knowledge of other people, knowing how to get there—we were figuring on a railroad coming out of there. I was purchasing timber, I bought timber for a great many people, and it was one of the things that was in my line to know how we were going to get out of there. So I pointed out the different locations and how to get this spruce out, and if they wanted it immediately what to do. Then Mr. Kumpe made a full report of that, I think, to Col. Disque at that time.

Mr. FREAR. This was about January, you say?

Mr. GILDNER. The latter part of January, probably the 1st of February. So I gave him all this information, and a good deal of this information he put in this report, and, of course, it was—they were to build a road, that is, my plan was this, to go over from the Wessel spur, which was then, the rails were laid down, I should judge, half a mile, and then it was a very level road and they could have built a spur in there for an additional mile. That would have taken them right into the spruce.

Mr. FREAR. The Wessel route?

Mr. GILDNER. In the Wessel route. I figured that in 20 days we could be supplying any ordinary quantity of spruce from that place.

Mr. FREAR. What do you mean by any ordinary quantity of spruce?

Mr. GILDNER. I would judge it could have been coming out fifty, seventy-five thousand feet a day, because it was an easy matter; it was a simple proposition; the land was perfectly level—the road; there had been a road in there.

Mr. FREAR. That is, along Wessel's road?

Mr. GILDNER. Yes; and then extend that spur in there for another half mile, and then extend it on, extend it on for another mile, as you are getting the spruce out, and then go up to the divide, which runs then north and south; here is the main divide that divides between the coast and the east and west side; and there is a grade running up there—it is quite a little sharp grade—but they extended the spur up there to the top of the divide.

Mr. FREAR. Of Wessel's?

Mr. GILDNER. Yes; what we call the Wessel spur; yes. They logged up in section 23, and then over—well, I was over there a short time ago and I saw where they logged over on the other side of the divide, where they are building that road up the coast to get that, and they are getting it ahead of that; they are in there now.

Mr. FREAR. That is, this spur that runs 6 or 7 per cent—is that the spur you mean; comes from the coast line?

Mr. GILDNER. No. I mean the spur that runs through the Wessel's and runs right up there. It is quite a steep grade, too. I would judge it would go about 7 per cent.

Mr. FREAR. That is, going west there?

Mr. GILDNER. That is going west, and it goes right to the top of the divide, within, say, 50 yards.

Mr. FREAR. That is just a spur track?

Mr. GILDNER. That is a spur track; yes; and they logged then, pulling their logs up—which is the natural way for them to pull the logs—pull them up hill and then load them and bring them down.

Mr. FREAR. What about the north line; that is, that Fisher or Miller line? How far would that have to go through to strike spruce?

Mr. GILDNER. Of course, the Miller people would get us the spruce, but the quality on the lower part of this spur, starting out there in section 17 and so on, the spruce as a rule was not a good quality.

Mr. FREAR. But if they had run it—how far would they have had to run it to get good spruce?

Mr. GILDNER. They would run into 8.

Mr. FREAR. That was just suggested by Mr. Hall.

Mr. GILDNER. Well, I would say they could get quite a little quantity of spruce in 31 and 30, in the next township.

Mr. FREAR. How far would that be?

Mr. GILDNER. That would be about a mile and a half or 2 miles.

Mr. FREAR. That is, an extension of a mile and a half or 2 miles would have got it into good spruce.

Mr. GILDNER. That is tolerable good spruce, and then to take on further—would take another $2\frac{1}{2}$ miles, which would get them in, I presume, as fine spruce as grows. I think it was the highest percentage of spruce that was cruised by the Spruce Division, I think it was the highest percentage of riving spruce that was cruised.

Mr. FREAR. If they had extended the road up the Porter survey, with which you are familiar, I assume?

Mr. GILDNER. Oh, yes.

Mr. FREAR (continuing). Or other surveys that were brought up there, how far would they have had to have gone to get into this heavy spruce?

Mr. GILDNER. Well, I would judge they would have about 6 miles.

Mr. FREAR. About 6 miles?

Mr. GILDNER. I think so.

Mr. FREAR. Beyond the end of the Miller road.

Mr. GILDNER. Yes. Maybe 7, 6, or 7, I don't know. The curvature would have something to do with it; would be about 6 or 7 miles, would get them into sections 20 and 17 and 18, which is the very highest grade of spruce I think that there is—that you will find anywheres, that is down there, runs, I think, about 25 per cent—25 per cent of airplane stock.

Mr. LEA. Where is that, you say?

Mr. GILDNER. That is in sections 17, 18, and 20, up here in 9-10. You see it is right in here. The railroad survey, the Jaybird Creek runs right through that.

Mr. LEA. Is that a part of the Jaybird section that you refer to?

Mr. GILDNER. Yes; the Jaybird runs right through section 18.

Mr. FREAR. What is the amount of spruce, in your judgment of course, we have had other men that have testified, but what is your judgment of that, that could be reached by a 20-mile road from Toledo, of which 5 miles already has been constructed—a 20-mile line road up the Siletz, as has been pointed out here, as planned by Porter's survey and others?

Mr. GILDNER. Well, I am under the impression—the cruises that I have made on this line over here on this side of the divide—

Mr. FREAR. That is on the west side?

Mr. GILDNER. That is on the west side of the divide, which can be reached easily by this Wessel spur, that is an easy matter of two miles more, or a few miles, at the end of this Wessel spur, would have taken all this timber out.

Mr. MAGEE. That Wessel spur what is the source of it, where does it start off?

Mr. GILDNER. It starts in at the spur of the Miller-Storey Railroad as you go up about 4 miles, and then you come to a Y, and one goes to the Wessel spur and one goes—one goes to the right and one to the left, and that timber there could have been taken out there; I would imagine it would be about 150,000,000, possibly 175,000,000.

Mr. FREAR. That is on the westerly part of the divide?

Mr. GILDNER. Yes.

Mr. FREAR. And that would be near Otter Rock?

Mr. GILDNER. Well—

Mr. FREAR. Or up toward Otter Rock?

Mr. GILDNER. Now, the stuff that is near the coast, until you get over the first and second divide from the coast, you understand, is not merchantable spruce.

Mr. FREAR. Not for airplane purposes.

Mr. GILDNER. Well, for practically anything.

Mr. FREAR. They say they don't like the tidewater—that spruce.

Mr. GILDNER. No, it isn't tidewater in there; it is high. But the elements of the ocean have simply deteriorated the timber to such an extent, it is so spikey and limby that it is really not much merchantable stuff in it. Until you get back away from the wind and away from the elements of the ocean—you have got to get 2 miles or a mile and a half to 2 miles back before you really get good material, you see; that is, what I could call good spruce. All that spruce in there that this road taps—they don't tap spruce until they get back about a mile and a half.

Mr. FREAR. You are speaking about this road. You mean—

Mr. GILDNER. The road running up to Otter Rock and runs around Newport and comes up—comes in. They have got to build clear up to the divide. That was their intention, to build and log it up, you understand.

Mr. FREAR. That is, westerly across the divide?

Mr. GILDNER. Yes.

Mr. FREAR. I mean easterly.

Mr. GILDNER. No; logging easterly, and then log it and put it on the train and bring it down. They never had much serious intention of logging—pulling the logs down themselves, because that is not a very profitable way of logging it. The natural way would have been to log it right up to the divide and load it and take it out to the railroad, which is $4\frac{1}{2}$ or 5 miles.

Mr. FREAR. Four and a half or five miles?

Mr. GILDNER. It is a little more than that; it is about 4 miles to the spur, and it is out from there going up into 23, I would judge that would be $2\frac{1}{2}$, you see, and then run along the divide, which would be—well, running up to section about 11, 2 miles each way, that would have taken practically every foot of merchantable spruce out of that place.

Mr. FREAR. That is, within that territory—immediate territory?

Mr. GILDNER. Well, that is the only territory that is in there; it is kind of a—it all comes there into kind of a pocket.

Mr. FREAR. You have been familiar with this for how many years?

Mr. GILDNER. Well, something like 18 or 20 years.

Mr. FREAR. And you have been over there frequently?

Mr. GILDNER. Oh, yes.

Mr. FREAR. What would you say, as either a business proposition, from the standpoint of speed, economy, or any other idea, of building around by way of from Yaquina and Newport and then north to get at this timber that is to be found there?

Mr. GILDNER. Well, I will tell you what I would think it was: I think that it was a criminal waste of time, lives, and money.

Mr. FREAR. By lives you mean—

Mr. GILDNER. They were claiming that they needed that spruce, they claimed they needed the spruce immediately, and I say that it was a criminal waste of time and money in going into that thing, or whether it was needed or not, or that it was afterwards needed, but I say that the building of that line, instead of taking that spruce out as they could have taken it out, was a criminal waste of time and money.

Mr. FREAR. You said before that they could have gotten into spruce there within 20 or 30 days, I understood you, if they had gone north or gone over on the Wessel branch?

Mr. GILDNER. That is, if the Warren spruce had ever been given leeway to do things, you know. I think they tried to do things, too, but they were simply given orders, and then that would take two or three or four or five weeks to get them together, and then they were revoked.

Mr. FREAR. By whom, do you know?

Mr. GILDNER. Well, I think Maj. Hitchcock had the most of the charge of that.

Mr. FREAR. Have you ever met Hitchcock?

Mr. GILDNER. Oh, yes, yes.

Mr. FREAR. Now, go on and tell in your own way, if you will, please. I don't suppose we can get through to-night, but you can be here Monday, can't you?

Mr. GILDNER. Well, now, I don't know.

Mr. FREAR. It is to accommodate the other members.

Mr. LEA. I think we can get through here.

Mr. FREAR. All right.

Mr. GILDNER. What time do you have to leave?

Mr. FREAR. We will go on for a while, anyhow.

Mr. LEA. I thought maybe you could get through in a few minutes.

Mr. GILDNER. The people—of course the supposition was that the Warren spruce people got their contract—got the contract from Col. Disque to work in the Siletz, and of course they did work in the Siletz, of course; nobody ever had any other idea what it meant. The Siletz was the Siletz Basin, and that is when you go north from Toledo, and in that district, that is what is called the Siletz. And so that there was this time of delay and delay and delay, and there was a great deal of stirring—things stirring about building a line 25 miles down the beach.

Mr. FREAR. Oh, that is down—you mean down to the Blodgett—

Mr. GILDNER. Yes.

Mr. FREAR. Tell anything you know about that.

Mr. GILDNER. The committee from Toledo came over here, but they were not very successful.

Mr. FREAR. Came over to Portland?

Mr. GILDNER. Came to Portland. They had interviews over there with some of them, but they came over here with the data and one thing another, wanted to see about a coming conclusion, and, as I say that the word had been passed around that there was going to be no railroad into the Siletz, that that had been abandoned; so they came over here and they went at it kind of strong; they stayed here four or five days and called on Col. Disque and Maj. Hitchcock, but

the final upshot of it was that there was nothing doing. So then they came to me and I went——

Mr. FREAR. What were you doing at that time—did you have some business there?

Mr. GILDNER. Oh, yes. You know, in the first place I was asked to aid the Warren spruce, you understand, to go in there and give them this advice, and so they kind of thought I might bring this to the proper people's attention, to see if there could not be something in there, from my knowledge of the Siletz, the timber, and its resources, and this way of getting at that, I might put that into a report or keep a light of some kind that would receive its proper attention.

Mr. FREAR. I want to ask you, did you run a mill down there?

Mr. GILDNER. Yes; I did.

Mr. FREAR. At this time?

Mr. GILDNER. No; not just at this time, it was a little later than this. So I got this up and I went to Maj. Hitchcock and I took the matter up with him pretty thoroughly. And so I told him about this spruce and I talked to him on generally, and he, of course, told me that he and Col. Disque had gone down there, you see, and they had made an inspection of that, and they came to the conclusion that there was not sufficient spruce in that country to justify them building a railroad.

Mr. FREAR. That is, he meant—what country did he mean?

Mr. GILDNER. He meant this country north, you see.

Mr. FREAR. This Siletz country?

Mr. GILDNER. The Siletz country from the continuation of the Miller road, or the road that was going up in there. Well, I couldn't hardly believe it, and I told him that—I said "It looks to me—it sounds to me like a joke," I said, "I know, personally, this timber is there. If you haven't found it, you haven't looked for it; that is all I can say; you might think that you are right, or you might have got information from people, but it is not a truthful statement. I don't think that it is right," and I said, "it is not right to not give a country that is so available, so accessible for what they need, to ignore that and pass it up something that is, in my judgment—that you couldn't think of hauling a log over it for at least 8 months and possibly 12 months."

Mr. FREAR. What did you mean by that?

Mr. GILDNER. I meant that the road—that the fact was that they were building down to the Blodgett tract.

Mr. FREAR. You were then referring to the Blodgett tract?

Mr. GILDNER. Yes. So he said, "If you have anything about it." I said, "I have, I will get it up for you. I will get the cruises from the big owners that are in my territory"—a great many big owners, probably 20,000 acres. I got all the cruises, the detailed cruises that them people bought their lands on, and I brought them to——

Mr. FREAR. In the Siletz country?

Mr. GILDNER. Yes, sir; in the Siletz country, and practically everything that was cruised. So he looked over it, and he told me that he—he says, "That property is of no importance, because," he says, "you have many pieces of land there that there is no spruce on it." I says, "That is not right." I said, "The only difference in

that—of the accuracy of that cruise is this, that there is many of these cruises I have given you are of long standing, and those days we didn't cruise timber up to its actual amount that was there, nor at that time did we consider spruce much more than hemlock; consequently, if anything showed a defect of any kind, we simply threw it out, and that would bring the standing of the spruce up a little, probably—not much more than half what, if it was actually cruised, that would represent, as the cruises will show there that the land had been cruised in the last two years also almost double what they did before."

Mr. FREAR. Because spruce was not considered as being of exceptional value at that time?

Mr. GILDNER. No.

Mr. FREAR. You were all cruising for fir.

Mr. GILDNER. Well, we were cruising very moderately, understand, that it didn't have so much value, and so the cruise is light; that is all. So this is what he told me, and I didn't get anywhere with him. And about three or four days after that he was figuring on commandeering some timber over there, and he asked me to step in the breach and see if I could make a settlement between the Spruce Board and Mr. Whitmore, who was the Chautauqua Lumber Co. He was a man that lived in Santa Barbara.

Mr. FREAR. When was this?

Mr. GILDNER. On the Wessel spur, over there. So I suggested to Mr. Whitmore what to do—that is, I suggested to him, and he accepted the proposition that they made to go in there and cut the timber, and they could not agree on a price, leave it up to the war-fixing board to take the timber and go ahead, and if the two can't agree on a price—that is, both said that they let it go to the price-fixing board. So that that was all right to Hitchcock, and then he commenced telling me that he had got later reports on this spruce in there and that there was a lot of spruce in there, he says, "There is a great deal more spruce than possibly I had thought, but," he says, "it is absolutely eliminated, as far as building a railroad is concerned." He says, "We have run all kinds of surveys, and our engineers have been in the field, and I don't know how many crews we have had running up and down in that timber, and the best grade that they ever possibly could find was 7 per cent coming out against the load." I told major that I was not an engineer, but I had an aneroid, and we ran some levels, gears in there, and we found there that was less than 2 per cent grade. I said, "It might be two and it might be two and a half, but even if it was four," I said, "it would still be good enough grade to bring it out." And I said, "I am sure my eye is not as good as when you put on an instrument, but I know that such a thing could not be unless they were just trying to run their head right into a mountain." "Now," I said, "they might have to do it, but," I said, "at all events I am going to report this to the people that asked me to come here and intercede for them; I am going to report that to the port of Toledo, and I will suggest to them that they take up a practical man, a man that is known all over the country." I was the man that suggested Andy Porter to them, who was then working building railroads for the Hammond people. He was known all over this Pacific coast as a practical railroad engineer.

Mr. FREAR. That is, Porter?

Mr. GILDNER. Yes, as good as others; and they finally got him and he made the survey, and fortunately he came out a little better than what I told Maj. Hitchcock.

Mr. FREAR. That is the survey we have been discussing here?

Mr. GILDNER. Yes; that is the route.

Mr. FREAR. Not exceeding 2 per cent.

Mr. GILDNER. That is the one that goes up on Jaybird and comes out—

Mr. FREAR. The testimony here shows that that road only reaches a 2 per cent grade in one place.

Mr. GILDNER. A 1.66 coming against the loads and 2 per cent against the empties, which makes it exceptional, and very small curvature, and the expenditure; that is, I mean the expense of the building, it was a very, very cheap building.

Mr. FREAR. You are familiar with what they pay for logging roads?

Mr. GILDNER. Well, I know that the people down there building in that part of the country, it was not expensive building. Of course, I have seen a great many roads built, and when you are getting up to \$20,000 a mile, of course you are building a tolerably good road. Of course, you can go into bad places and sometimes you get a little short stretch, but after you get in over this divide, there are so many places that you can go that you are only coming out expensive if you want to come out so.

Mr. FREAR. Miller testified before the committee, I think, that his road, the spur of the road that he built in 1918, up toward the top of the divide, cost under \$15,000.

Mr. GILDNER. That was expensive because that was, I believe, about the most expensive part of their road that they built.

Mr. FREAR. He testified, as I recollect, twelve or fifteen thousand dollars.

Mr. GILDNER. I saw him build it; I was there when they were building it. I rather think it was pretty expensive.

Mr. FREAR. Did you have talks with Hitchcock again?

Mr. GILDNER. Oh, yes; yes.

Mr. FREAR. Was there anything more in regard to this matter?

Mr. GILDNER. When this proposition came up he simply told me that he would not recommend it, and he would not; that they had practically made up their mind to get their spruce somewhere else, but that he had now associated on this board Mr. Benson and I don't know who else; I thought it was Mr. Yeon, but I might be mistaken; but Mr. Benson anyway. But he says, "Now, I will get Mr. Benson so that he will go over there, and if he reports on that, and if they can show just where this route goes up there, we will build the road—we will build it." So I said, "Well, that is pretty good." So I did immediately—and I communicated with those people, and they got hot after Benson.

Mr. FREAR. By that you mean the Toledo people?

Mr. GILDNER. Yes; and they got him and they took him over there, but they couldn't tie him; that is, he stayed there for part of the day and then he got away from them, and they never could lasso him again, and so, of course, that settled that part of the road.

Mr. FREAR. That was all that you know about that particular part?

Mr. GILDNER. Yes, sir.

Mr. FREAR. That is, I mean that that covers approximately—

Mr. GILDNER. Yes; that covers that; yes.

Mr. FREAR. What do you know about the Blodgett tract?

Mr. GILDNER. Well, the Blodgett tract, of course, I knew that we have been in fact familiar to some extent—some very good timber down there.

Mr. FREAR. What do you know about the negotiation leading up to the Blodgett tract, and what was done?

Mr. GILDNER. Well, as I understand that, in the first place, several people here were figuring on buying it.

Mr. FREAR. Here in Portland?

Mr. GILDNER. Yes; who were, I believe—I don't know; they were employed or connected, I think, with the Warren spruce people.

Mr. LEA. Buying what?

Mr. FREAR. That is the Blodgett tract.

Mr. LEA. Oh, yes.

Mr. GILDNER. And they had, I think, a short option on it, as I understood it, and they were figuring on building a road in there.

Mr. FREAR. Into the Blodgett tract?

Mr. GILDNER. Yes.

Mr. FREAR. If they were connected with the Warren spruce people, who were they?

Mr. GILDNER. Well, do you mean who the people were that had the option?

Mr. FREAR. Yes.

Mr. GILDNER. Well, I think Mr. Monory, I think Jim Monory, and I don't know whether Mr. Davis—Harry Davis—had the option or not; I don't know whether Mr. Davis's name was in the option from Mr. Blodgett or not. I think Mr. Monory's name was, and I also think Mr. Davis was connected with it.

Mr. FREAR. Now, what was the situation with regard to this, so far as you understood it, in regard to this negotiation for the purpose of the Blodgett tract—who were the parties in interest?

Mr. GILDNER. Well, the parties in interest was Mr. Monory had the option.

Mr. FREAR. For whom?

Mr. GILDNER. And Mr. Davis; I think they were together. Well, they had it; I don't know as they had it for anybody.

Mr. FREAR. Were they connected with the Warren Spruce Co.?

Mr. GILDNER. Well, Mr. Monory was the superintendent down there at that time.

Mr. FREAR. Of what?

Mr. GILDNER. Of the construction and of the affairs in the Siletz country.

Mr. FREAR. Was Mr. Davis connected with the Warren Spruce Co.?

Mr. GILDNER. Well, he was the office—he was the head of—he had charge of the office, of all this cruising, and so on—of its timber contracts.

Mr. FREAR. They had an option for the purchase of this tract?

Mr. GILDNER. Yes, sir.

Mr. FREAR. What was done with regard to it?

Mr. GILDNER. Well, I think there was not anything done. I think that the option was allowed to lapse.

Mr. FREAR. For what reason?

Mr. GILDNER. Well, I don't think they could finance it.

Mr. FREAR. They were connected with the Warren Spruce people, you say?

Mr. GILDNER. Yes.

Mr. FREAR. And they were trying to put it over. Then that was allowed to go, and then what happened in regard to the line down there, if you know?

Mr. GILDNER. The line was built.

Mr. FREAR. By whom?

Mr. GILDNER. By the Warren Spruce Co.

Mr. FREAR. What did they build it for? They didn't have any option, did they?

Mr. GILDNER. Well, I think that the negotiations went on between the Government and Mr. Blodgett. Mr. Blodgett came out here and they made some kind of a deal, but they still—the great amount of spruce and so on was an incentive, and they had got orders to go ahead, and they put the road through just the same. The road was put through there just the same.

Mr. FREAR. The road was put through there before they had any timber?

Mr. GILDNER. Yes; yes. Well, they started the road when they had the option.

Mr. FREAR. Oh, when the Warren Spruce Co. had the option, then they started to build the road?

Mr. GILDNER. Well, I don't know as the Warren Spruce Co. had the option, as that was when Mr. Monory, at this time—

Mr. FREAR. When Monory and Davis had.

Mr. GILDNER. Yes.

Mr. FREAR. They had instructions to put the road down there, didn't they, from the spruce company here?

Mr. GILDNER. Oh, yes.

Mr. FREAR. That is, I mean the—

Mr. GILDNER. Mr. Disque and Mr. Hitchcock?

Mr. FREAR. Yes.

Mr. GILDNER. Yes.

Mr. FREAR. And what they depended upon, or do you know—the people here—in reference to the Blodgett tract, how were they going to—they were building a road down there.

Mr. GILDNER. Of course they had a right to commandeer this timber, and then Mr. Blodgett, too, I think was perfectly willing that the Government should build it; in fact I think Mr. Brundy was perfectly willing to sell it to them for 70 cents a thousand; that is, when the separate proposition came on that, I think—or 75 cents—I think Mr. Brundy was willing to let the government go down there and build the road and give it to them for 75 cents a thousand, the spruce that they wanted to take.

Mr. FREAR. But they changed their mind afterwards?

Mr. GILDNER. Well, then the proposition, I think was made to them that if the Blodgett people would build the road that they would buy the timber, and Mr. Blodgett came out here. The road

was built and Mr. Blodgett—and the Government now owns the land.

Mr. FREAR. The Government owns the land, because they threatened to commandeer Blodgett's interest?

Mr. GILDNER. Yes.

Mr. FREAR. According to correspondence, and I guess that is agreed upon. What else do you know about the Blodgett tract, if anything—anything that is important to the committee?

Mr. GILDNER. No.

Mr. FREAR. Well, now, what would you say as to the policy of building this 22 or 24 mile method of conveyance of the timber around by the way of the water route, and the rail—by water route I mean from Yaquina up to Toledo by rafting, and then this Otter Rock branch, compared with building from the Miller road right directly north?

Mr. GILDNER. Well, of course, there is a good deal to contend with; that is, now, from the lower road they have got a long trestle out there, and they have got a slip there for a ferryboat; that is, for a barge, that holds, I would judge, three cars, maybe four cars.

Mr. FREAR. You mean from the—

Mr. GILDNER. From the south road, that connects Yaquina to the south road.

Mr. FREAR. Well, you mean the Blodgett road?

Mr. GILDNER. Yes.

Mr. FREAR. The 24-mile road that runs north from the Blodgett land to the Yaquina Bay?

Mr. GILDNER. Yes. Well, now, if there is a tide running—if you were going to convey the logs on the railroad, on the cars, and then send them up by the railroad, as I understood here yesterday that such was the intention, why, the capacity of that road would be so insufficient, you understand, that it would not pay.

Mr. FREAR. Now you are referring to the Otter Rock?

Mr. GILDNER. No; I mean now putting it to the Blodgett tract as I—

Mr. FREAR. You still are talking about the Blodgett?

Mr. GILDNER. Yes. That this barge could not certainly make more than one trip in two or three hours, and I have seen it there when every tug in the bay was trying to fetch it in there, and no storm on either, perfectly calm. It is a serious matter down there; there is a big tide running.

Mr. FREAR. You are referring to the cars?

Mr. GILDNER. Yes.

Mr. FREAR. But it could be rafted there, I suppose?

Mr. GILDNER. Oh, yes. The proper way, of course, was to bring them up, and I think that really was the intention, and rafted them, and had their boats bring them up; and the same way with the Otter Rock road, they would have brought that down there. The trouble was their principal booming ground was—in a great measure it is a question whether it would ever stand; they started to drive the piling and they struck the soapstone, and they had nothing to hold them, and it is likely to go out any time.

Mr. FREAR. What would you say about the road when they left Miller's road into the Siletz, which has been spoken of, of the idea of constructing this over to Newport and then north?

Mr. GILDNER. I think the construction was—I say that I think that to think of taking it out the other way was a crime.

Mr. FREAR. That is, to take it out over this coast route?

Mr. GILDNER. This very piece here on the Wessel spur that they built, after they had built this road around here and had it all under construction, they went right up here on the divide, which Hitchcock said was impossible, and not only were figuring on logging it, but they actually did log it—they logged over the divide, and took them out of the very place—

Mr. FREAR. Their timber is over near the river, isn't it?

Mr. GILDNER. No; I am speaking about the Wessel.

Mr. FREAR. But I am trying to get at this great bunch of timber up here, which means upward of a billion feet, they tell us.

Mr. GILDNER. Well, I don't know as there is that much. Of course, estimating timber is a great deal what way that people look at it.

Mr. FREAR. Mr. Hall, who lived there a great many years, has estimated upward of a billion feet.

Mr. GILDNER. He may be right.

Mr. FREAR. But the other estimates run about 700,000,000, counting the coast—

Mr. GILDNER. I would think 550,000,000 or 600,000,000 in here would be good, and I think 150,000,000 or 175,000,000 here, I would judge.

Mr. FREAR. You figure that all that timber—you say that is the average?

Mr. GILDNER. Yes; this is a heavy stand of timber in here, in 9 and 11; the east part of that there will run 80,000 to 85,000 to the acre—that timber.

Mr. FREAR. Tell me what was the reason for building this coast road?

Mr. GILDNER. Well, I don't know; I couldn't—I think it was a sad mistake, I think it was an awful mistake. I don't know why they done it. Absolutely, you know, you come down to the thing in here, the only proper way to log this big timber is to log it up hill. The idea of logging it down on yourself when you are already up here, ready to log it—

Mr. FREAR. Tell me how much airplane stuff you cut at your mill?

Mr. GILDNER. We didn't cut no airplane stuff.

Mr. FREAR. Why?

Mr. GILDNER. I was cutting the stringers and the ties, etc., and that kind, for lumber to construct these railroads.

Mr. FREAR. Instead of cutting airplane stuff, you were building railroads, or cutting stuff to build railroads for these people?

Mr. GILDNER. Well, all the mills in that part of the country were cutting and shipping lumber in there.

Mr. FREAR. Some of them were building the big mill, weren't they?

Mr. GILDNER. Yes.

Mr. FREAR. They were using all small mills around there, that ought to have been cutting airplane stuff, to build—

Mr. GILDNER. The Storey mill was principally occupied with cutting lumber for that big mill at Toledo.

Mr. FREAR. The big mill at Toledo; the cost of that, I understand was approximately a million dollars, or thereabouts?

Mr. GILDNER. Yes.

Mr. FREAR. Finished. What would be the cost of, say, this Storey mill, if you know?

Mr. GILDNER. You know, the cost of building mills at this time, they vary so much that it is pretty hard to tell. Of course, as far as the mill—the big mill—I have gone through it, and hundreds of others have, and they are practically all of the same opinion, and I think the mill will be there until it is dismantled.

Mr. FREAR. What do you think of the nerve of a man who will build a 150,000-foot mill right at the side of that big mill, with the fear that he may be in competition with the big mill: do you think he runs any danger?

Mr. GILDNER. Oh, no. No; there is no chance of it.

Mr. FREAR. What would be the cost of building it; would it be up to two or three hundred thousand dollars? What would be the cost of this 150,000—

Mr. GILDNER. We went over the plans before they began. He was figuring on building a mill, as you know. We went over it. In fact, I was figuring on going in with him, and we went over those plans, and it was very good, and I think it would cost a hundred thousand dollars.

Mr. FREAR. Well, it would cost \$200,000 to have built two mills down there that would give 300,000 feet on one shift.

Mr. GILDNER. Well, yes.

Mr. FREAR. Well, they spent nearly a million dollars to build a mill that will cut 200,000 feet in one shift.

Mr. GILDNER. Yes; but you see, a great deal of the cost of that occurred from the—the big cost of those things runs up in a way like this: They had men there working at night. They delayed these things until it got to a rush order, you see, and then they worked them there Sundays, holidays, and nights. Some of those boys there made fifteen to eighteen dollars a day; you must remember that; that is the cost.

Mr. FREAR. What caused delay?

Mr. GILDNER. Well, they could not get together. These people had to have orders. The Warren Spruce were perfectly willing to do things, I am satisfied.

Mr. FREAR. If Hitchcock could have know that there was some timber in this Siletz region that has upward of 9,000,000,000 feet—and they were sawing fir over here; two-thirds of it was fir that was hauled—

Mr. GILDNER. Hitchcock had a report on that country—the first report he had—before he had this down here.

Mr. FREAR. But he didn't know it, did he; he didn't know until Benson went down there?

Mr. GILDNER. Well, I guess—I don't know that, but maybe Hitchcock was furnished this report with the stuff that I gave him and that Kumpe—Mr. Kumpe—wrote me a report and asked me what I thought of it.

Mr. FREAR. Benson was an old-time logger, who knew the conditions down there in the Siletz, or what was the reason that an intel-

ligent board up here at Portland turned all this matter over to Benson, have you any idea?

Mr. GILDNER. Well, Mr.—well, of course, Mr. Benson is a son of Mr. Amos Benson. Mr. Amos Benson, the old gentleman, has been a very successful logger for years, and made a fortune in it.

Mr. FREAR. But he didn't make his money down in the Siletz?

Mr. GILDNER. No, the Columbia.

Mr. FREAR. Hitchcock says, "Benson is going down there, and what he says when he comes back is going to determine it"?

Mr. GILDNER. Yes.

Mr. FREAR. That is the substance of it?

Mr. GILDNER. That is what I understood.

Mr. FREAR. And that was while this Government was needing airplane stuff and soldiers were needing airplanes over in Europe, they were waiting for Benson to go down there?

Mr. GILDNER. Yes.

Mr. FREAR. And make this investigation. Never had been there in his life before at all, I mean for the purpose of inspection?

Mr. GILDNER. Oh, no. He told me that he hadn't been, and he went over this road, and, as I say, he went over one day and they didn't finish the work, and they were to send for him when they got this pass, and when they established and found the place that he was to come back, and they were after him I think for two weeks or more, and then finally they came up here with a complaint to Col. Disque. I think they brought their trouble back here, and that is as far as—

Mr. FREAR. What further do you know about it?

Mr. GILDNER. Well, I don't know of anything particularly.

Mr. FREAR. Do you think you have given the committee the benefit of—

Mr. GILDNER (interrupting). Well, I think I have. I have tried to give it to you.

(Whereupon, at 5.20 o'clock p. m., the committee adjourned until 10 o'clock a. m. Monday, September 8, 1919.)

SUBCOMMITTEE No. 1 (AVIATION)
OF THE SELECT COMMITTEE ON EXPENDITURES
IN THE WAR DEPARTMENT,
HOUSE OF REPRESENTATIVES,

Monday, September 8, 1919.

The subcommittee met at 10 o'clock a. m., pursuant to adjournment, at the courthouse, Portland, Oreg., Hon. James A. Frear (chairman) presiding. Also present, Hon. Walter W. Magee and Clarence F. Lea.

TESTIMONY OF WALTER S. HALL—Recalled.

Mr. FREAR. You have already been sworn?

Mr. HALL. Yes, sir.

Mr. FREAR. I wish to ask you just one or two questions that occurred to me since you were on the stand in regard to the conditions that existed down there. You were discussing the question of waste and referred to the Chitwood Camp. What other matters do you remember that ought to be of interest to the committee in reference to waste?

Mr. HALL. Each camp had what they called its "graveyard" and they buried stuff that was spoiled in it. I know of one instance where a crate of hams came in and were spoiled, and they buried the whole crate. They bought a hog from Mr. Olson at Toledo, and hauled it out to the dump. It weighed 350 or 400 pounds. It laid on the dump for about two days before the train came down to take it up to camp 3-A, and when they got it up there the cook would not accept it. I saw it lying on the dump there and the flyblows were in it so bad you could pick them out with your hands. They hauled that back to the dump and sent it into the office at Toledo, and it was after closing time and the man that hauled it in was trying to make Olson take it back. He left it over at the railroad, so two men at the camp went to the dump and got it and hauled it back and told Olson his hog was spoiled.

Mr. FREAR. What things, in general, do you know in regard to what is called mismanagement that occurred down there?

Mr. HALL. These are two instances that I know.

Mr. FREAR. You spoke about a long plank road, about the Chitwood Camp, and some other matters; is there anything else that occurs to you now?

Mr. HALL. These are two instances that I have seen, and I have heard of a lot of others.

Mr. FREAR. Is there anything else that occurs to you along that line?

Mr. HALL. I do not think so.

Mr. FREAR. You said each camp had a graveyard where they buried things?

Mr. HALL. Yes, sir.

Mr. FREAR. Did you have any talk with Hitchcock about the reason why they put the road up the beach?

Mr. HALL. He said they could not get grub in to the soldiers to build that road down to the Siletz River; he said it was impossible. I told him he did not know what he was talking about; that he had already spent \$12,000 to build roads along this right of way and there was no place on the right of way where they had to go more than a mile and a half with the grub, and he came to me next morning and apologized and said he was mistaken about that, but he said in building the road from Newport up to Otter Rock they had a good hotel they could stay at and get in autos and go along the beach, and see the men working up the whole length of the beach.

Mr. FREAR. Was he up to Siletz?

Mr. HALL. He came twice, so far as I know.

Mr. FREAR. And you were there all the time?

Mr. HALL. Yes, sir.

Mr. FREAR. Is there anything else you think of that you care to present to the committee?

Mr. HALL. Not that I know of.

Mr. LEA. The graveyards you speak of were simply a sanitary arrangement to dispose of the waste and slops and spoiled food, were they not?

Mr. HALL. No, sir; not that I would call them that. The place where they hauled quarters of beef that would lay out in the sun before they would be taken to camp, and when they got up there the cook would refuse to use them and then they would take them out and bury them.

Mr. LEA. Did not every camp have what you call a graveyard for the purpose of disposing of insanitary things?

Mr. HALL. I do not know as to that; I suppose they did.

Mr. LEA. The refuse from the camps was all buried?

Mr. HALL. No, sir. The people around the camps went there and got it for their pigs and took it away. All the slop and things they gave to the people.

Mr. LEA. Whose fault was it that this hog laid out so long on the dump?

Mr. HALL. The man hauled it out there one day, and they did not come down from camp to get it until the next day.

Mr. LEA. That went out on the train?

Mr. HALL. Yes; from camp 3-A down to the dump, where they used to dump the logs at tidewater.

Mr. LEA. Do you know what time in the day it was taken out there?

Mr. HALL. In the morning, and it laid there all that day and the next day until the next evening.

Mr. LEA. What time did you see it there?

Mr. HALL. I saw it there about 3 o'clock in the afternoon of the first day.

Mr. LEA. Do you know who was in charge of camp 3-A at that time?

Mr. HALL. No; I do not.

Mr. LEA. And this man to whom they returned it was the man that sold the hog, was it?

Mr. HALL. Yes, sir.

Mr. LEA. I think that is all.

(Witness excused.)

TESTIMONY OF HON. OSWALD WEST.

(The witness was sworn by the chairman.)

Mr. FREAR. Governor, you were asked to appear before the committee, and we desire to accommodate you as to time. In reference to testimony you gave before the Military Committee of the Senate when this matter of aircraft spruce production was before the Senate a year and a half ago you gave reasons to the committee, very strong reasons, as appears from the record, why Mr. Long, representing the Weyerhaeuser interests, ought not to be left in a position of authority or control, which was then believed by you to be the case, and as I now recollect a change rapidly did occur in the method of administrating the Spruce Production Division. Will you please state just in substance what you did then give to the Senate committee and your reasons in regard to Mr. Long's position at that time?

Mr. WEST. Mr. Chairman, I will be glad to do that, and will; but in order that it might be better understood and that other matters that I am absolutely familiar with that I have seen by the papers you are trying to develop that I think you ought to know about, if you will let me go ahead and tell you how I came to take an interest in this and my connection with this, I can perhaps throw light upon this situation.

Mr. FREAR. Will you state now what you said before about Mr. Long?

Mr. WEST. In order to lead up to that it will be necessary—

Mr. FREAR. You can do that afterwards. The reason for that is Mr. Long's statement in which he has had an interview indorsing substantially everything that we are trying to investigate and anticipating the action of this committee, and we desire to know what you stated as to Mr. Long. Have you got a copy of the record here?

Mr. WEST. No; I have not.

Mr. FREAR. Then just state it briefly.

Mr. WEST. And afterwards I may be permitted to go on? I want that to be understood, because I do not want to be put in a false position here or have any misconception placed on my statement. I do not want to do an injustice to anybody, and there are things that have been charged to individuals here, directly and indirectly, that I know they had nothing to do with and I myself was responsible, and I want to go into the record and fix that responsibility on myself.

Mr. FREAR. The committee can not take any action until they know what the answer is to the question that is propounded, which was a request from you as to your previous attitude, when you made

a statement to the Military Committee in regard to Mr. Long. That is the statement we would like to have repeated. We ask if you will please make the same statement in substance that you made before the Military Committee of the Senate in regard to Mr. Long's activities and the reason why he ought not to be permitted to remain on that board.

Mr. WEST. Mr. Chairman, while I do not recollect and have not read my testimony that was given there——

Mr. FREAR. I mean just in substance.

Mr. WEST. I will say frankly that I can not recall now any change that I would make in the testimony that I would give if I were called upon to do it again; so why not let that go into the record as I stated it then?

Mr. FREAR. Because we have not that record before us, and we want to know what you said.

Mr. WEST. I can get that for you and send it over.

Mr. FREAR. Your statement was this, if I recollect, and correct me if I am not stating it correctly, that you objected as one of the citizens here interested in the production of spruce at reasonable prices, and that reasonable prices would depend on whether Mr. Long was continued on that board, on the ground that he was the secretary of the Weyerhaeuser interests, and in that position he had a large interest in determining the price of timber generally and, as you expressed it then, if I remember correctly, the Government in dealing with lumbermen of that type was like taking candy from a baby. That was your statement?

Mr. WEST. Won't you let me testify?

Mr. FREAR. That is your statement?

Mr. WEST. You are not going to testify for me.

Mr. FREAR. I am not going to testify.

Mr. WEST. Then, for God's sake, give me a chance to testify.

Mr. FREAR. You were subpoenaed to testify in regard to Mr. Long.

Mr. WEST. This is a matter of public interest. I know things that you are trying to develop, and I insist upon being given an opportunity to tell the people what I know about this.

Mr. FREAR. I do not think there is any question about that; you will be given an opportunity, but in order to save time——

Mr. WEST. But it seems to me a saving of time——

Mr. MAGEE. It seems to me the governor and the chairman do not understand each other. I understand you will have full opportunity to state anything you want.

Mr. WEST. But I want to do my own testifying.

Mr. FREAR. You can not in any court or any investigation determine the order of procedure.

Mr. WEST. But in no court does the judge testify for you; he gives you a chance to testify.

Mr. FREAR. I have several times asked you to state that, and I have attempted to state what your testimony was before the Military Committee and asked you if that was correct. You say I am trying to testify.

Mr. MAGEE. If the governor can furnish this statement, and he says he can, why not defer the examination until the statement is produced and then let the governor go on?

Mr. FREAR. You will furnish that today?

Mr. WEST. Certainly.

Mr. LEA. I presume it is agreed that when the governor furnishes this statement the reporter can set it forth in the record?

Mr. FREAR. That is quite long?

Mr. WEST. Not very long. I do not know whether it will be of interest. I want to say that your investigator called at my office and talked to Mr. McColloch, my partner, and outlined to him certain matters that had been brought to his attention—I do not know by whom—as to my connection with the spruce division, and Mr. McColloch's connection, and spoke of certain things that were brought to his attention. Undoubtedly they had been brought to your attention.

Mr. FREAR. I will be glad to have you make any statement in regard to this you wish.

Mr. WEST. I think it would be well for all concerned to know it. I have memoranda here and telegrams that will refresh my memory on things, and there are a lot of things that you folks should have and I know they would be of interest, and I want to tell you how I came to meet Disque and how I came to take an interest in this thing in Washington.

Mr. FREAR. The committee will be glad to extend you that opportunity.

Mr. WEST. I will do it briefly, and as I testify it will bring to your minds things that you want. The first time I met Col. Disque was along about the 23d or 24th of December, 1917. I heard—I did not know who Disque was, or anything about his past and where he came from—just knew there was such a man in town, and I heard he was having untold difficulties in the organization of his spruce division and in getting results, and I was going to Washington on a matter connected with the Pacific States Telephone, and knowing Senator Chamberlain quite well I felt it my duty to go over and introduce myself to Mr. Disque and inquire if there was anything that I might do at the Washington end to give him assistance. I dropped in there, I think it was, on a Saturday before Christmas, as I recall, and met Disque in his office with one of his assistants, Captain somebody, and told him why I was there. Well, Disque did not know me and naturally stalled for time to find out who I was, thinking perhaps I was trying to put something over on him, and the next day was Sunday, and I received a call from him and he told me that I could be of assistance to him, and his grief was this, and he had taken charge here and had made his wants known to Washington and he could not get any action whatever upon the requests he was making.

Mr. FREAR. Did he tell you what the requests were?

Mr. WEST. Yes; I am coming to that. He pointed out to me that there was a large number of men who were detailed for work in the woods, as I recall, about 9,000, over at Camp Lewis, and he could not get those men here. At that time I think perhaps a couple of thousand, or maybe 3,000, had just been detailed, and they had come over here, as I recollect, to Vancouver. The men were not properly equipped for the woods. Some were in quarantine, and the clothing that they were using in ordinary service was not adapted to the work in the woods in the rain at that time of the year, and the colonel

seemed to be having a great deal of trouble in getting quick action on the equipment necessary for them, the clothing; there was no much red tape. So that, and the necessity of having funds to carry on the work in some way, everything having to be submitted to Washington, resulted in not getting action on it; and then there was a question of commandeering the timber and trying to get into the woods with their railroad and other activities that were being held up on all sides by profiteers who were taking advantage of the situation, and he was afraid that they were going to be held up and the work in that direction would be blocked. Then I went over all these things with him and before I left town a lumberman—it was Mr. Hawkins, a lumberman of experience——

Mr. FREAR. Russell Hawkins?

Mr. WEST. Russell Hawkins, and it seemed that Hawkins had not yet been commissioned.

Mr. MAGEE. That was before you left Washington?

Mr. WEST. Before I left for Washington. Mr. Disque asked me if I was in a position to do something to hurry it along, and if I would not do it. I did not tell him what I would do. I asked him if he knew Hawkins and his connections, and he said he did not know a great deal about him; that he was on the job, and just so the thing would not be up in the air he ought to have his commission.

Mr. FREAR. Hawkins at that time was in authority here?

Mr. WEST. He was with Disque. He was East at the time, I think, but he had not received his commission. Now, I went on to Washington and got in there on the 31st day of December.

Mr. FREAR. 1917?

Mr. WEST. Yes. I brought these things to the attention of Senator Chamberlain. By the way, the colonel told me he had submitted to the War Department a detailed list of the things that he needed and he hesitated about taking them up with me. He said only the urgency of the thing and the great importance of it would cause him to do it, because those things were supposed to go through regular channels and he was really subject to court-martial if he would take action in other directions, but he felt these things were not reaching the proper authorities, and some one who did not realize the importance of them, probably some underling, was holding things up and they were not getting to Gen. Squier and the Secretary of War. So the first thing I did was to take up with Senator Chamberlain these matters, and the Senator said, "Now, I have had occasion to take a fall out of the War Department, and I do not want them to think I am petty in these things, and I think the fair thing to do would be to bring it to the attention of Gen. Squier and the Secretary of War and give them every opportunity to straighten this out." The Senator did not know Disque, did not know anything about him and had never heard of him until I took this matter up with him. So the Senator telephoned to Gen. Squier, or at least a little later the Senator telephoned to me and told me that Gen. Squier and Maj. Leadbetter were coming over to see me.

Mr. FREAR. Maj. Leadbetter was there, then?

Mr. WEST. Yes. That gets back into the politics of this State. He was supposed to be connected with the Oregonian crowd, and we were not on the best of terms, and I did not think very well of Leadbetter.

Mr. FREAR. You did not appoint Leadbetter?

Mr. WEST. No.

Mr. FREAR. By whom was he appointed?

Mr. WEST. Leadbetter was appointed by the governor of this State in connection with the National Guard, commissioned as major; then when the National Guard went to the front, Leadbetter was transferred into some other department and went in the spruce division at Washington. I do not know just how it came about, but when the Senator called up and told me that Maj. Leadbetter and Gen Squier wanted to see me I said, "I will not see Leadbetter. I will talk it over with Gen. Squier, but I do not want to talk to Leadbetter." So Gen. Squier came over and we sat in Senator Chamberlain's office and went over this whole situation, and I outlined to him the situation, and he seemed to be entirely ignorant of Disque's needs here.

Mr. FREAR. Leadbetter had been there some time as what they called the officer representing Disque, hadn't he?

Mr. WEST. No; not at that time. I do not know as there was any connection; he just happened in. But for some reason this stuff could never get up to him.

Mr. FREAR. Up to Squier?

Mr. WEST. At that time it did not. I found out afterwards it did not go to Leadbetter; it went to some other official. Gen. Squier did not seem to realize the importance of it, and I went over the whole ground and told him that he should, as I saw it, he should get in direct touch with that office and be in a position to have the requests that came from Col. Disque come direct to him in order that they would not get sidetracked. At first he thought the matters could be taken care of promptly by wire, and I insisted on telling him the story, telling him all about the situation. Then when we got through we sat there in the office and the general dictated this telegram. Would you like to have it read?

Mr. FREAR. I am perfectly willing.

Mr. WEST. This is on December 31. He dictated this telegram to Col. Disque.

Mr. FREAR. That is, Squier dictated it?

Mr. WEST. Squier, yes. [Reading:]

At the beginning of the New Year the responsibility for the allied airplane program is forcibly brought to attention. The production of spruce for ourselves and our Allies is absolutely vital to this program. Telegraph me direct without delay what further authority, means and measures, including personnel and material, not already provided which are necessary to insure the spruce program without fail. If any of your enlisted men are without clothing which is procurable in your vicinity, you will be authorized immediately to purchase the same in open market.

Now, that telegram was sent, and the next day a reply was received from Col. Dique, by him, outlining his needs and calling his attention to a letter that Col Disque had written, as I remember the date, on the 21st day of November, which was about five weeks prior to that, setting out what was necessary for the department to do in order to enable him to carry on successful operations here.

Mr. FREAR. Do you know whether Squier had seen that letter?

Mr. WEST. I think not. I think not. Now then, after getting rid of him I got to think about the Leadbetter matter—no; I am getting

ahead of my story. I went over the next morning, I think it was New Year's Day, and had an appointment—by appointment with the Secretary of War, and told him the story, and much of it was new to him. So he told me that he would call a meeting of this aircraft committee, made up of Squier, I think, was the chairman, and Saulsman, Mr. Howe. Mr. Coffin—Coffin was the chairman—and a man by the name of Montgomery, a bond—a fellow in the bond business from New York.

Mr. FREAR. Philadelphia.

Mr. WEST. He knew everything in the world except something about spruce. Well, this meeting was held. Now, at that time I might say—oh, after my conference with Squier I immediately wired out here to people in whom I had confidence. Among them was Mr. Cornwall, the editor of the *Timberman*. And as I recall it I wired to Mr. S. S. Gordon, of the First National Bank of Astoria, who is in close touch with the lumber situation.

Mr. MAGEE. Where is the *Timberman*; here?

Mr. WEST. The *Timberman* is here.

Mr. MAGEE. In Portland?

Mr. WEST. Yes. Mr. Cornwall, the editor, is probably better informed on this question than anyone; that is, in a general way, because he comes in contact with all the timbermen and knows their history. I had confidence in him, and I knew anything he would tell me could be relied on. I said, "Please wire me at once, care of Senator Chamberlain, names of several men peculiarly fitted to act in advisory capacity to Col. Disque, matter of obtaining spruce for airplanes. Must be men of highest type and not engaged in business in the line affected." I wired before I went over to see the Secretary of War, because I had discovered that there was a little hesitancy in giving Col. Disque the funds he needed, because there was a fear that he, not being an experienced lumberman, that he might get off into ventures that would be unwise. So I saw where it was leading, and it occurred to me that if he had associated with him men who knew something about the game, and had no selfish interest, that would meet the objection that they had back there. I felt that he had to have ample funds, almost without restriction, in order to carry out successfully his operations.

Mr. FREAR. Just by way of explanation to the committee, because I am not clear on it, was this before or after you appeared before the Senate committee?

Mr. WEST. Before. I am leading up to that now.

Mr. FREAR. I understand.

Mr. WEST. I want to tell you why I appeared before the Senate committee. So when I went over to the Secretary of War's office—it was on New Year's morning—we spent the entire morning together, and I outlined to him the situation, and talked about giving Disque additional authority and the funds that he needed, and this question of commandeering spruce. He raised that question, as I recall it, about the danger of placing too much authority and too much money at the disposal of any one individual. He asked me a good deal about Disque, which I was unable to tell, because I did not know anything about Col. Disque, absolutely nothing; I never saw the man before that time.

Mr. FREAR. He had just come out here?

Mr. WEST. Yes. I gave him a list of men that I had picked from the telegrams that I received. I probably received a half a dozen telegrams from men to whom I had wired, the same telegram I read to you. I eliminated some and selected some. I knew most of them myself, and I eliminated those that I thought their interests would prevent their being taken, and I submitted to the Secretary of War a list of 12. I can not recall them all. Some of them were interested and some of them were not.

Mr. FREAR. That is, you mean interested in the business, the logging business or lumber business?

Mr. WEST. Yes. It was almost impossible to find some who were not interested. Among them were Amos Benson——

Mr. FREAR. That is the old gentleman?

Mr. WEST. No; Amos is the young man. The old gentleman felt too old to go into the game. They had no interest and yet had wide experience. And J. B. Yeon, and James Bremner, who had just retired from the logging business, a very high class man who was mayor of Astoria at the time. I remember having on the list R. D. Inman—there was no politics in this. I called the attention of the Secretary of War to the fact that 11 of them were Republicans, not that I would not have selected more Democrats if the opportunity presented itself, but because in thinking of these men it just turned out that they were Republicans. So there was no politics in it. S. B. Cobb, a very high class man here in town, who was engaged in a box factory and lumbering here in the city of Portland, but he was not directly or to any great extent interested in that phase of it that would be affected by his work for the spruce division. I can not give you the rest of the names, but there were 12 of them. Well, the Secretary of War asked me, he says, "Why don't you accept an appointment on that?" I said, "Well, I will not accept appointment because I am not fitted for the place. I have told you a good deal about this and you folks think I know a good deal about it, but that is because you don't know anything about it yourself. And if I was appointed they would say it was politics." And furthermore, I told him, "If you would give me \$4,000,000 and a sawmill I would be broke in two years, because I do not know anything about the game, but there are men there who do know it, and who would be glad to help and without pay, and render you good service." Well, either on that day or a few days after—I am not just clear on that, but it seems to me it was that day, New Year's Day—well, I might be mistaken, it may have been a few days later—he told me that Mr. Hawkins and Senator McNary were in the outer room.

Mr. FREAR. Who is Senator McNary?

Mr. WEST. McNary is from Oregon.

Mr. FREAR. United States Senator?

Mr. WEST. Yes. He said the matter was coming up about Hawkins's commission. Now, it has been intimated that Col. Disque had something to do with the displacement of Hawkins. Now, Disque did not have any more to do with it than the Saviour of man. It has been intimated that Senator Chamberlain—there are parties here in town that seem to think Chamberlain had a hand in that; some of

the local politicians around here. I want to say at this time, for their benefit, that he didn't have any more to do with it than you had. The only thing that was mentioned by Senator Chamberlain, as I recall it, he said, "I have just got a telegram here from a friend, John Ainsworth, of the United States National Bank, asking me to do something for Russ Hawkins." He said, "What do you think about it?" I said, "You had better keep your hands off and let somebody else do that, because there are liable to be breakers ahead." So that is all the hand he had in it—was to tell me he had received a telegram. I am quite sure I am right in the party he received it from. So the Secretary of War asked me about Hawkins. I told him that Hawkins represented the Whitney Lumber Co., and that he was quite familiar with the lumber business. I said, "I do not know whether he is a practical lumberman himself, but the Whitney Lumber Co. has something to sell to the Government, and it would be unwise—I am not questioning his integrity, his ability, or anything of that kind; that is not necessary, and I could not if it was necessary—but he is a director in the Whitney Lumber Co., and he is manager for the Whitney Lumber Co., and I have here in my pocket a clipping that I have picked up which says that he has been in conference with his people in the East, agreeing upon the timber they are going to sell to the Government and the price they will accept for it. Now, in his capacity as advisor to Disque, being supposed to be an experienced lumberman, he would largely dictate the price that was paid, because Col. Disque would have to rely upon those who were familiar with the situation to advise me in that direction." The Secretary of War agreed with me that it would be unwise, because it would be pretty hard for a man to serve two masters, and he would be constantly open to criticism and his acts would be under suspicion. I said, "It is not necessary to go to any trouble to make an investigation of this; when Mr. Hawkins comes in you ask him about these things, and he is a truthful man and he will tell you frankly whether he is or not, and then you can decide whether it would be wise to appoint him."

So, after my going away on one of those occasions, I do not know which one it was, Mr. Hawkins came in and talked it over with the Secretary of War, and the Secretary of War told him he doubted the wisdom of making the appointment and could not make it.

So, on the day following New Year's Day this committee was called together, and the Secretary of War—

Mr. FREAR. That is, this committee you had suggested?

Mr. WEST. No, the Aircraft Board.

Mr. FREAR. Down there in Washington?

Mr. WEST. Yes, in Washington. They were called in to consider these things that I had taken up with the Secretary of war and Gen. Squier. And in the meantime I got to thinking over the Leadbetter proposition. There was a little feeling there and I thought it mighty small on my part, in a crisis of that kind, when I had discovered that there wasn't anybody back there that knew anything about this situation, and that Leadbetter was the only one—I knew he would know all about it, because he is a man of wide experience and has been successful in the lumber business. So I got in touch with him and told him what I had in mind, and I said that we ought to be big enough and broad enough to forget all these little

differences, that there was a crisis on and Disque was howling for help, and that the people back there did not understand the situation. I said, "You are on a job and the only one that knows anything about it, and we ought to work together." I want to say this in reference to Leadbetter. As I explained to you before, my feeling toward him was not the best in the world——

Mr. FREAR. That is all news to the members of the committee, I assume. It is to me.

Mr. WEST. All the time I was back there I had my eyes open. I did not know a great deal about Leadbetter, didn't know what he was trying to slip over and what his interest was in serving there. I can tell you frankly that I never missed an opportunity to get a line on him, and as far as my investigation went he came clean. I have absolutely no interest in him, but it is due to him for me to tell you that. I went back there hostile to him, and if when I arrived there I could have found something that would have scuttled him I would have done it in a minute.

Mr. FREAR. Are you attorney for him in any matters at the present time?

Mr. WEST. None whatever; absolutely not. I never represented him in anything, directly or indirectly, and never asked a favor from him in my life nor he of me.

So this Aircraft Board met the next day and this man Montgomery that I was telling you about, that knew everything in the world except something about spruce and who appeared to do all the talking at those meetings, got his oar in and decided that it should be done in another way.

Mr. MAGEE. Was he a member of this aircraft committee?

Mr. WEST. This board in Washington.

Mr. FREAR. He is from Philadelphia, isn't he? As I recall it, he is a bond dealer in Philadelphia.

Mr. WEST. He seemed to want to have control of those finances himself back there. That is what I figured out. I was not interested in that and I did not care who handled it.

Mr. FREAR. Was he on the finance board, or do you know?

Mr. WEST. I think he was. Anyway, he had a great deal to do about these expenditures, and he was an aristocrat of the first water. When they had this meeting he upset the program, and it was decided to send Gen. Saulsman and Mr. Howe. Mr. Howe was a member of that board. Mr. Howe was connected with the Harvester Trust; I think one of the directors of the Harvester Trust, wasn't he? He was a very charming man, who seemed to be afraid of hurting somebody's feelings. I had a talk with him about the men that ought to be selected. I discussed these 12 men I had spoken about to the Secretary of War. I was not present at this meeting. Mr. Howe kept bringing up all the time Mr. Long, Mr. Long.

Mr. FREAR. Of the Weyerhaeusers? Let me ask, Was Long down there at that time?

Mr. WEST. I never saw Long; I don't think I ever saw him in my life.

Mr. FREAR. Was he at that time connected with the Weyerhaeusers; he was in some capacity, wasn't he?

Mr. WEST. I think not.

Mr. FREAR. I supposed that he was.

Mr. WEST. No; he was in no capacity whatever, as I understand it. I don't know whether at that time Disque had ever heard of him, or had seen him. He could tell you.

Mr. FREAR. I do not mean with Disque, but wasn't he connected with this production of spruce?

Mr. WEST. No; I am leading up to that, to tell you how he got onto that. So Mr. Howe in that conference kept bringing up Long. When he first mentioned Long I did not know who Long was, but I saw what he had in the back of his head, and evidently he wanted him on the job. So I made it a point to find out who Long was. I really knew who he was, but had forgotten. Finally I got his connection with the Weyerhaeuser people, and it occurred to me that it would be most unwise, because it would be like the Hawkins situation, because the Government was going to be called upon to purchase, undoubtedly, if the war continued, large bodies of timber upon the Weyerhaeuser people, and Mr. Long was the manager. I think he is a high type of citizen, and no doubt would try to be fair, but, as you understand, Mr. Chairman, his interest would be under suspicion from the start, and it would be a most unwise thing to do.

Mr. FREAR. He was secretary of the Weyerhaeuser Co.?

Mr. WEST. I think he was manager, or secretary.

Mr. FREAR. You said he was with them.

Mr. WEST. Gen. Saulsman and Mr. Howe left for Oregon—I am getting ahead of my story—I saw Mr. Howe again and told him why I thought it would be unwise. I said, "I can not say a word against his honesty or his ability," but I pointed out why it was unwise. Now, I kind of think that probably there was friendly relations, probably with some people in the Harvester Trust—just friendly acquaintances, I suppose—and the Weyerhaeuser people, and I thought naturally that would suggest itself to Mr. Howe. I think Mr. Howe himself is a very high-class, honorable gentleman, and that he was making an earnest effort to get some results, which was impossible the way they had that board organized. Well, they came out here to Oregon—

Mr. FREAR. Saulsman and Howe?

Mr. WEST. They came out here to Oregon, and there happened just what I thought would happen. They wound up by selecting Mr. Long and Mr. Bloodell, both of Seattle.

Mr. FREAR. Of the Donovan-Bloedell Co.?

Mr. WEST. Yes. And it seemed to me at that time that Mr. W. M. Ladd, a banker here in Portland, was elected. The lumbermen looked on the situation as this, that those two men, who knew the game, living in Seattle, would dominate the situation, that Mr. Ladd at this end of the game, not knowing the business, would be helpless to protect the interests of Portland.

Mr. FREAR. They were to be named as an advisory committee?

Mr. WEST. As an advisory committee to Disque. The plan was, I think, that these men were to also take over the control of the fir production that was to come later. There was to be all of these committees in Washington brought together that had to do with the lumber situation in any way, and they were to select a chairman and then they were to operate, and these three men would practically have charge of all the activities. Well, after I came back I saw Mr. Howe and talked to several of them. I said, "You are making two

mistakes; the first is that you are not giving Oregon representation on that board through a lumberman, and, second, because of Long's connection with the Weyerhaeusers." I talked to some of my Democratic friends back there, and I said, "We are all interested in the success of this administration, and I think that it is asinine to select a man of that connection and put him on there; that nobody with a bit of political sense would do it from a political standpoint." Well, I could not get any action. This man Montgomery seemed to be running the show, and I thought that he would just need a little dynamiting. I did not go to Senator Chamberlain, I went to other members of the committee. I said, "I want to tell you something about this spruce situation, and I will be up there at your next meeting." Senator Chamberlain did not have any idea that I was going to appear before the committee at all, because on account of our relations I did not want to bring him into it. I told the story there, and while it had the effect—

Mr. FREAR. That is the testimony that I spoke about this morning?

Mr. WEST. Yes. I will get you a copy of that, and I can not recall any change that I would make in that testimony to-day.

Mr. FREAR. This explains why that appeared in the Military Committee record. It was a little hard to understand at the time. Your explanation brings it out clearly.

Mr. WEST. Now, understand there is one thing I forgot to mention. At the first time I met Col. Disque they were supposed to be getting out 11 to 14 million feet of spruce, and for the six months—

Mr. FREAR. That is, of lumber or logs?

Mr. WEST. No; this was spruce airplane stuff, and for the six months preceding my first visit to Disque they had only gotten out about 12,000,000 feet altogether.

Mr. FREAR. You are testifying, of course, to what you have heard. I do not know what the figures are.

Mr. WEST. Yes; at that time. I am testifying to what was brought to my attention at the time. Of course I have not seen the books, and those figures may be wrong, but that is in line with my testimony at Washington. There was urgent demand—now, understand that at that time I was there, as I told you, on the telephone business and not representing anybody directly or indirectly. The extra money that I spent outside of my actual expenses in connection with the telephone business I spent myself, or my firm spent it. I took the precaution at that time, while I was engaged in those activities, not to be connected in any way with anybody, because I knew it would be open to criticism. I had been there on a trip prior to that early in the month of December, and there was a good deal of agitation here in connection with having the aircraft parts, the wood parts, manufactured out here.

Understand, Mr. Chairman, that years ago all of the indoor finishings in houses used to be done in the East, but later on the West got into the game, and that is all done here now—sashes and doors—and shipped east, so that the mills here were all well equipped. When the war came on and building operations were stopped these mills were practically all idle. They were all splendidly equipped, and a great many of them had driers, and the people out here considered it foolish to send airplane stock in the rough east, particularly when there was such a car shortage and congestion of traffic,

and only a small part of it would eventually go into those parts, and in many places they have put in improvised dry kilns, and much of it was not properly dried, and this department out here got blamed for a lot of rejects which should not have been rejected—would not have been rejected if properly cared for at these different airplane plants. So the people out here were very anxious to have that work done, and while I was there on some other mission I took it on myself to bring it to the attention of Senator McNary and Senator Chamberlain. They had received word from people out here with reference to it, and Senator McNary and Senator Chamberlain and I, as I recall it, went over and had a conference with Col. Deeds and some of the authorities and brought to their attention the ability of the people out here to do these things. When I went on this second trip—

Mr. FREAR. Which trip was that and what time?

Mr. WEST. This second trip was the time that I met Gen. Squier, but when I took up this aircraft parts business that was early in December. This second trip was December 3. Before I left it was being talked of in the papers. Mr. Charles K. Spaulding, a lumberman and a very high-class man, who had a little side issue of—I do not think he has a box factory, but a planing mill—he dropped in on me and discussed the matter with Mr. McCulloch and me; that if anything was done in that line that his concern would be glad to participate.

Mr. FREAR. That was while you were back here in Portland?

Mr. WEST. It was while I was here, just about Christmas time. So I wired on December 31—when I got there I wired to Mr. McCulloch, my partner. I said, "Forgot to advise you Spaulding is business associate of Leadbetter. Please be careful not to get tangled up in any business transaction with anyone which would in any manner impair my usefulness here in speeding up spruce production." That was sent on December 31.

Mr. FREAR. To whom?

Mr. WEST. To my partner, and I am just reading that—

Mr. FREAR. That was sent from Washington?

Mr. WEST. That was sent from Washington.

Mr. FREAR. To him?

Mr. WEST. Yes; to him. When this matter of aircraft parts came up, why, they naturally called in Leadbetter, and we had not been talking very long until Mr. Leadbetter spoke up and said, "Now, I have a slight interest in a mill in the Charles K. Spaulding Logging Co., and they manufacture sashes and doors in a small way and would undoubtedly be one of the mills that would ask to manufacture these parts, and in view of that I do not feel free to participate in anything of this kind, and I want you gentlemen to know that, and all negotiations of that kind will have to be carried on with somebody else." Neither of them had any hand in it whatever.

Mr. FREAR. What was Leadbetter's connection with Spaulding, if you know?

Mr. WEST. I think a small stockholder.

Mr. FREAR. A director or officer of the company?

Mr. WEST. I do not know whether he is, but Spaulding did not participate in any of it. He just came in to say that if anything was done in that line his mill was equipped to handle it, but I do not

think he ever asked for any business after that, and I am sure he never got any, because it was only a small amount that was let. But I am stating that to show Leadbetter's attitude.

Mr. FREAR. In regard to that mill?

Mr. WEST. With regard to it. Now, Col. Disque wired me the outline of a bill that was needed to commandeer timber, and presented a draft of it, and I used it as a basis to draft a bill which was introduced by Senator Chamberlain, and he introduced it. Well, I came back here and went back on a second trip, and at that time I talked with some planing-mill people here and told them if they got anywhere they would have to send a representative there—somebody who could talk to those people and explain to them about the facilities and meet any objections they might raise.

So Mr. McIntyre, of the Oregon Planing Mills Association, went back, and wanted me to go back, and, as I recall it, they paid my expenses going back that time, and when we got back there I introduced Mr. McIntyre to them, and it was first suggested that until he would have an opportunity to go over these things with people that they give him a desk there somewhere where he could work, and they had a lot of papers, and these people were coming in, and that was about to be carried out, and then I think Mr. McIntyre said that it might be misunderstood what he was doing there, and he did not avail himself of it; but the purpose was because he had a lot of papers and many men that he was to meet who were coming in from the factories would come there, and he would have a chance to meet them during the two or three days that he expected to stay there.

So after that the matter was largely handled between the representative of the millmen themselves. If I was ever there in Washington, I used to go around occasionally and see if I could help jar some one loose. So that from that time on, in my activities there, it could be said I was representing the planing-mill men—not any particular ones, because it was supposed to be for everybody connected with the business.

Well, now, I drafted this bill which was introduced, and it was like a bastard child there, it had nobody to look after it. Senator Chamberlain was the only one who took any interest in it, and it seemed to me that it was absolutely essential that that bill pass, because the Government was being held up on every side, and when you are building a railroad through a country, unless you could get the right of way and had some authority for it—and I don't think they ever had any authority under the law for going out and taking that right of way—but Disque got by with it some way, I don't know how he did it, in the absence of the passage of this law. When the bill came up before the committee Senator Chamberlain was ill in the hospital, being operated on for appendicitis, so that left no one on the committee that was familiar with the situation. But he had a hearing, and I was the only one there to speak for this baby. It was of no more interest to me than it was to any other citizen, and there were a lot of men there in Washington that should have taken a hand in it; why they didn't I don't know. So I went before the committee and explained the necessity for it and finally they decided to report it out favorably. Senator Fletcher, of Florida, was

the acting chairman of the committee. And, of course, when it came to writing a report, he didn't know anything about the situation.

Mr. FREAR. That was the Committee on Commerce?

Mr. WEST. Oh, no; the Military Committee. And Senator Chamberlain, as I say, had been operated on and was in the hospital. So I got a telephone call from the clerk of the Senate Military Committee, a new man who had just come in there, because the old clerk had left and voluntarily gone into the service, and this man had only been on there a few days, and the committee instructed Senator Fletcher to write this report for the committee, and the Senator was up against it and he shoved the "buck" to the clerk. The clerk knew less about it than anybody, so he called me on the telephone, told me what he was up against. So I went up in my room and wrote the report on the bill, and I knew it would not be changed, because there was not anybody there who knew anything about it, and would not know how to change it if they wanted to.

Mr. FREAR. What did that bill provide, briefly? Just briefly give us the substance of it.

Mr. WEST. Well, it provided for giving the Secretary of War, or giving the President or Secretary of War, or any designated agent, power to condemn right of way, logging outfits, mills, or any other equipment necessary to enable the Government to carry on spruce production.

Mr. FREAR. Did not the Secretary of War or the President have any powers of commandeering or condemnation prior to that time. in any way?

Mr. WEST. Oh, yes; they did.

Mr. FREAR. I was wondering.

Mr. WEST. Yes.

Mr. FREAR. That was confusing to the committee.

Mr. WEST. Under the defense of the realm act, I think, or what do they call it? That is what the English call theirs.

Mr. FREAR. That was general power.

Mr. WEST. National defense act.

Mr. FREAR. That was general power.

Mr. WEST. General power; but it did not cover this situation. So when this bill—this bill, I think, passed or got through the Senate, but it became held up. To meet the emergency, I think, they got an opinion out of the Attorney General or Judge Advocate General, or some other general back there, that I think was founded on hot air, in order to give Disque a semblance of authority—

Mr. FREAR. Lawyers agree on that subject.

Mr. WEST. In order to give Disque a semblance of authority to get away with this, because he had to have it.

Mr. MAGEE. Didn't it seem to you, Gov. West, really, that probably under the sovereign power it could go on, in case of a great crisis, the emergency of war?

Mr. WEST. And then you passed an act, the national defense act.

Mr. MAGEE. Yes.

Mr. WEST. And it set out specific powers, gave specific powers to the President, but it did not make any provision for condemnation of this property and making provisions for paying for it.

Mr. MAGEE. What I mean is this, that if there were any question as to the power of the Government to do it, if the Government did

it—that is, the Government's sovereign power in case of war was absolutely justified in taking any steps—I am not criticizing anybody—but if the Government had decided to do it, it was justified in taking any steps for the protection of the country.

Mr. WEST. I agree with you, and that was Gen. Disque's attitude, exactly; and those are the steps that he took. As I recall his view of it, it was "I have got to go ahead with this, and if I don't get this authority I have got to 'bull' it through, so far as I can, in order to meet the situation."

Mr. MAGEE. I know of several instances where they have gotten particular acts finally, perhaps some time afterwards, not caring to take responsibility, wanted specific authority.

Mr. WEST. Well, there is no question about it being lacking in this; but they got by with it.

Mr. FREAR. The Judge Advocate supported that, didn't he, in an opinion that he rendered?

Mr. WEST. I think he did.

Mr. FREAR. That has been read into the record here.

Mr. WEST. I am not certain about that, but some one—and I think that Gen. Disque could tell you—rendered an opinion back there which—

Mr. FREAR. He rendered an opinion, didn't he? That is right, isn't it?

Mr. LEA. That is also in September—well, no; that is not the decision, either. There was a law finally passed—a modified law passed in the summer of 1918—that went further than what existed before that time.

Mr. WEST. Yes; but that never got through the House.

Mr. LEA. Yes.

Mr. WEST. The Chamberlain bill was killed.

Mr. LEA. Yes.

Mr. WEST. Somebody up in your neck of the woods got busy on it—Fordney, he put a crimp in it.

Mr. FREAR. Fordney is over in another State.

Mr. WEST. He was there at the behest of certain of the lumbermen that wanted it killed, and some of our Democratic brethren down in the South.

Mr. MAGEE. Well, I will have to say that brother Fordney is a very fine man.

Mr. WEST. Yes.

Mr. MAGEE. A very able and conscientious man. Of, course, he is firm in his convictions, but I don't think we have a better and more useful member of the House than Fordney.

Mr. WEST. Nevertheless, he killed the bill; and he killed the bill, as he said, because it was pointed out to him, by some of the people who had timber, that it was unfair; but he was the boy that did the job.

Mr. MAGEE. He is very practical, and always impressed me as a man who always wanted to do justice and equity with everybody.

Mr. WEST. Yes.

Mr. FREAR. I thank my colleague for stating my opinion of the gentleman who is chairman of the committee on which I am serving in the House.

Mr. WEST. I think Mr. Fordney will tell you, himself, that he killed the bill.

Mr. LEA. I do not take this to be any criticism of the integrity of Mr. Fordney.

Mr. WEST. No; I agree with you that he is a high-class man.

Mr. LEA. I regard him that way, myself.

Mr. FREAR. It is accepted that way.

Mr. WEST. But bills have been defeated by even high-class men. That is enough of that.

I have explained to you about the Hawkins matter. Nobody, outside of myself, had anything to do with the discharge of Hawkins. I brought that to the attention of the Secretary of War, and it happened right on the stand.

And about Mr. Long: Now, there were a number of—I received a number of telegrams just at the time Long was appointed, that got me active in it, and I was not representing any of these people. I received a telegram from St. Johns Lumber Co., saying that the appointments were unfair, and I received one from N. E. Ayer & Co., and one from Dant & Russell (Inc.).

Mr. FREAR. They are here in the city?

Mr. WEST. Yes; they are all here.

Mr. FREAR. Long acted for what period, about what period, in this position?

Mr. WEST. Oh, I don't think he ever got on the job.

Mr. FREAR. Wasn't he engaged, or was he engaged in fixing any prices for the airplane people?

Mr. WEST. He may have been connected with some of these lumber associations that were cooperating with the Government.

Mr. FREAR. I gathered that from your statement before the committee.

Mr. WEST. But he never got on this job. He was just told he was taking it and before he got ready he sent in his resignation.

Mr. LEA. Who was that?

Mr. WEST. Long.

Mr. FREAR. And then Allen succeeded him, did he not?

Mr. WEST. No. The committee was divided. Mr. Benson and—Mr. Ladd was retained on the committee, and Mr. Benson was put there with him, to handle or to advise with Disque as to the spruce situation. Mr. Bloedel was on the committee—a man from Seattle was retained on the committee, and, at my suggestion, Mr. H. B. Van Duzer, of this city, was put on there with him.

Mr. FREAR. Was not Allen connected in some way at that time; that is, following along? That is my recollection. I am just trying to get the thing clear in my mind as to the various committees that had charge.

Mr. WEST. Allen was on there about the time that Sligh was on there.

Mr. FREAR. That is prior to this time?

Mr. WEST. Yes, prior to that time. You see, there was one time that Mr. Sligh had—

Mr. FREAR. Was not Long connected with it prior to Allen's time?

Mr. WEST. Well, now—

Mr. FREAR. That is what I was inquiring about when I spoke to you first.

Mr. WEST. Probably in an advisory capacity, but there are others, I think, who could give you a better line on that.

Mr. FREAR. That is what I had in my mind when I asked you the question originally. It was my recollection that he was, as far as the record shows.

Mr. WEST. I remember seeing a letter from Long, written to some of the authorities back there, outlining a plan for their operations, and making certain suggestions, but I don't recall just in what capacity that was written, whether as a private individual or whether acting on some of these many advisory boards.

Understand that these committees were divided. Van Duzer and Bloedel were on the fir committee and Benson and Ladd on the spruce committee. Col. Disque was on both; he acted as chairman, as I understand, of those committees. I am not certain about that. But the purpose was to put Col. Disque on there because the activities of both branches were so interlaced—

Mr. FREAR. He was responsible.

Mr. WEST. He was responsible, and that would simplify that matter.

I want to say that when I took these matters up with the Secretary of War, I was fortunate in getting in touch with the people who were engaged in making investigation and got a pretty good line on the situation, so that I could talk intelligently to these people. For instance, on my way east—and this card is dated December 26—I ran onto President Suzzallo, of the Washington University, with whom I had had an acquaintance for a good many years, and he was on the Council of Defense over in Washington—

Mr. FREAR. Chairman.

Mr. WEST. Chairman; and he made an investigation of the spruce situation.

Mr. FREAR. That has been introduced in the record by him.

Mr. WEST. So I had a chance then to go over the whole matter, and I think Mr. Frankfurter, from the War Department, was out here.

Mr. FREAR. And Suzzallo's report was to Frankfurter.

Mr. WEST. Yes; it was to Frankfurter. Well, I had a copy of that report, and it seems to me that I had it with me, and, as I recall it, I gave it to Col. Squier; in other words, it got to him, through me, two weeks sooner than it did through his own department.

Now, here is another thing, just before I close. In talking with an investigator—who is it, Mr. —

Mr. FREAR. Gabrielson; he is one of our accountants from New York.

Mr. WEST. Gabrielson; he dropped over to see me when I was away, and he intimated that somebody had brought it to his attention that I was back there securing contracts for some of these logging outfits that were engaged in the logging of spruce.

Mr. FREAR. Let me say that hadn't been brought to the attention of this committee, so far as I know.

Mr. WEST. Well, it was brought to my attention.

Mr. FREAR. Yes.

Mr. WEST. And, while I didn't see Mr. Gabrielson, some one, I don't know who it was, said that that had been brought to their attention. So I think, in fairness to me, that that ought to be de-

veloped now; if anything has been brought to the attention of you gentlemen, it ought to be cleared up.

I never represented any concern in the securing of a contract of that sort. The only thing I did back there was in connection with this planing mill proposition, and later on these people took care of my expenses on the other trip.

Now, I was wired to by Mr. J. B. Kerr—I think it was J. B. Kerr, calling my attention to Porter Bros., contract that was made, said that it was—oh, he wired to Senator Chamberlain—I think he wired to Senator Chamberlain and called his attention to the importance of having this contract approved; and when I dropped into Senator Chamberlain's office, he showed me the telegram, and he said, "I am not in a position to go and recommend something that I don't know anything about," he says, "I don't know anything about this. I wish you would get a line on it and see what it is." I had never seen the contract. I had heard gossip around here that Porter Bros. were about to enter into a contract, and I also talked with Col. Disque about it, and a man, Polson, was discussed also; also the Warren Spruce Co.

Mr. FREAR. What is his name?

Mr. WEST. Polson, in Washington. But it seemed at that time the only contract that was up for signature was the Porter Bros. So I made inquiry over there about that contract, because I wanted to see just what was in it, and I learned that it had been approved. Well, later on, as I recollect, I got a copy of it? I don't remember the provision, but I just read it for my own satisfaction, and that is the only one of those contracts I have ever seen.

Now, as to the other two and the matter of getting the contracts. I had absolutely no hand in it, and that was all done here and none of it done in Washington, and I was not directly or indirectly—never talked with anybody connected with Porter Bros., did nothing for them, received no pay from anybody in connection with it, and the part that I took in it was just to gather certain information for Senator Chamberlain so that he might dispose of the request; and of course when they found it had been approved, he was relieved of advising the people that he was not in a position to take a hand in it.

Mr. FREAR. I will say to you, Governor, that every member of this committee is an experienced attorney, and we all realize that you, or anyone else, in a proper position of an attorney, has a right to act in the capacity of an attorney for any company, either in times of war or peace, as long as it is in a proper way, and that suggestion has been impressed upon everyone connected with the committee by the individual members and by the chairman, that no criticism could possibly arise from that. Having that said in connection with your testimony just here, I wanted to ask you if any member of your firm was connected with the Warren Spruce Co.?

Mr. WEST. In this way: Mr. McCulloch, long in—I don't just know the date, but he could tell you—did some work for the Warren Spruce Co. I was not in touch with it, but he was a member of the firm, and anything that he did, of course, I would have to assume responsibility for, I would not be in a position to say that I didn't know anything about it, because I knew that—this was along in 1918—that he was doing something for them—the examination of some papers; he made a trip over in the spruce country, and just

the nature of it—I was away most of the time—just the nature of it I do not know, but I know that he didn't do anything that he would not do to-day, because whatever he did was legitimate business. But there was no occasion, nothing in connection with their work, that called for any activity on my part there in Washington; there was no occasion for it; I was never called upon. But Mr. McCulloch, I don't think that—for services rendered, I don't think that they have ever been settled for. I do not know just the nature of the service, because I was handling the telephone business and certain other things that took me away. But all my earnings were divided with Mr. McCulloch, and anything that he would earn should go into the firm and I should share in it, and I just know that I have not, as yet, shared in anything for any work that he may have done for the Warren Spruce, and if he has done anything, I earnestly hope that he will get paid, and I earnestly hope that I will get what is coming to me.

Mr. FREAR. You certainly ought to, and that is one of the principles of business that actuates most men.

Mr. WEST. Yes.

Mr. FREAR. And I will say, of course, you understand that the relations of attorney and client are privileged, and, naturally, we are prevented, if we so desired, from making any inquiry into what occurred.

Mr. WEST. You need not hesitate, if there is anything that will throw any light about the activities of our firm, I want to lay that aside and tell you frankly that I know Mr. McCulloch would come over and tell you anything you want to know, so you don't need to stand on that at all.

Mr. FREAR. The reason why is that the suggestion is made that when the representative of this committee went to Mr. McCulloch, I understand that he did not show that spirit. There may have been a misunderstanding somewhere along the line. He certainly had a right, under the principles of law, to reserve any information that he desired.

Mr. WEST. I suppose that, my being absent, Mr. McCulloch was not fully advised as to my activities in it, and probably he thought it advisable to wait until I got home and he would inform me—

Mr. FREAR. You say you are not acquainted with any particular activities on his part, so that you would not be in a position—

Mr. WEST. No, and when the matter came up where he was going over some stuff, I dropped over and told Col. Disque, I said "Colonel, up to this time nobody connected with our firm has been representing anybody, directly or indirectly, in anything that I have discussed with you, and I just want to tell you that I find Mr. McCulloch is taking up a small amount of work for those people, and that you ought to be advised so that you will know how to catalogue our office," as a matter of protection to him. And all of that was handled by Mr. McCulloch, and I know that he would be glad to tell you anything, and it may be that I might be in a position to throw a little light on something that you have in mind.

Mr. FREAR. There are several matters we have in mind but of course we do not know how far they will be developed yet, and until we do have them, of course it is—

Mr. WEST. I want you to feel free to call him, and the question of attorney will be waived—rights of attorney will be waived, and I will tell you anything I know.

Mr. FREAR. I thank you very much. I think the committee is under obligations for your statement, and assure you, as I said at the start, that that has been the attitude of the committee from the start; that you certainly had a right to proceed in any legitimate way, as an attorney, in regard to advising the different people, clients who were employing you, and that statement has been made to the individual employees and this committee in advance.

Mr. WEST. And I want to tell you this: When this Long matter came up, I was detained there in Washington, I stayed on quite a while. I paid all my own expenses. I just got into it and hung on. And when I got home, some of those expenses were taken care of by lumbermen here, I don't know who—

Mr. FREAR. You claim at that time you were acting for them as a class, not for individuals?

Mr. WEST. Well, yes; but I never had any pay for that service. But at another trip—I made several trips back there—some lumbermen here, they made up a pot, I think took up a collection among themselves, and took care of the expense.

Mr. FREAR. What was the character of the service performed there, that is, in general?

Mr. WEST. Well, that is the lumbermen that were wiring back there to get Oregon representation on this board. You see, it was Long and—

Mr. FREAR. In reference to that?

Mr. WEST. Yes. But at that time that I first took up the activities, I never knew that anybody was going to take care of my expenses.

Mr. FREAR. As I recollect, you said that Long was placed there by Montgomery?

Mr. WEST. Mr. Howe, I will say.

Mr. FREAR. Or Mr. Howe, and that Montgomery was rather directing the actions. Long was displaced afterwards, I understand.

Mr. WEST. Yes.

Mr. FREAR. And succeeded as you have stated.

Mr. WEST. I will be in the city here all week, and any time that you gentlemen want me I will—

Mr. FREAR. We will try to accommodate you to-day.

Mr. LEA. Mr. West, I would like to ask you one or two questions. How long were you in Washington when you went there the first trip, that is, on December 31, 1917?

Mr. WEST. I can give you the exact date, but it seems to me that my first trip I was there probably a couple of weeks and—well, probably the greater part of January, and then I came home, and I went back, and I stayed about six weeks.

Mr. LEA. I see.

Mr. WEST. I have all of the dates. In nearly every instance I kept my berth slips and have that, probably.

Mr. LEA. I want to know the approximate length of time.

Mr. WEST. I made eight trips back there in 1918.

Mr. LEA. Where were these kilns which improperly dried the lumber—were they located in the West or in the East?

Mr. WEST. In the East.

Mr. LEA. And they were conducted by whom?

Mr. WEST. They were conducted largely by—I think some of them were by the companies that were manufacturing airplanes, and then small contractors who had the stuff farmed out to them—this work farmed out to them by the airplane factories; for instance the Curtiss people and the Wright concern.

Mr. LEA. None of them were under the charge of the Spruce Production Corporation?

Mr. WEST. Oh, none whatever; none whatever. And I would say, Mr. Congressman, that while I was there I was fortunate enough to come into possession of a most exhaustive report that was made by the Forestry Service. They sent out men to examine all of these dry kilns throughout the country and find out just how we were equipped to handle the situation, and there was a splendid report prepared by the Forestry Department that told just the situation, and that report was largely in harmony with what I had picked up from the side lines.

Mr. FREAR. Who signed the report, or do you know anything about it? I don't know whether we have seen that or not.

Mr. WEST. Some one in connection with the Forestry Department, but you could undoubtedly get a copy of the report.

Mr. FREAR. That is in relation to dry kilns?

Mr. WEST. Yes. I thought I had it in my file and was going to bring it over to you, but it occurs to me now that—I believe I know what I did with it; I think I loaned it to that man that created the furore back there about the aircraft work. What was that artist's name?

Mr. FREAR. Borglund?

Mr. WEST. Yes.

Mr. MAGEE. Borg, isn't it?

Mr. WEST. Borg; yes.

Mr. MAGEE. B-o-r-g.

Mr. WEST. Borg; yes. He came to me and asked me about the dry-kiln situation, and I didn't have the time to go into detail, and I had that report and that covered the ground and I loaned it to him, and I don't think I ever got it back.

Mr. LEA. Was that in Washington or here?

Mr. WEST. In Washington.

Mr. LEA. Now, as I understand, you recommended Mr. Yeon, Mr. Bremer, and Mr. Benson, and Mr. Cobb, among others?

Mr. WEST. Mr. Amos Benson; and how many have you down there?

Mr. LEA. Well, I only have—and I believe Mr. Van Duzer.

Mr. WEST. No; Van Duzer wasn't on that list. This is for spruce production only, you know. This was for spruce production. The question of fir production had not come up, but there were 12 on that list, and I just can't recall the others.

Mr. LEA. Well, as I get it, among those you recommended were Mr. Yeon, Mr. Bremner, and Mr. Benson?

Mr. WEST. Amos Benson.

Mr. LEA. S. P. Inman?

Mr. WEST. Yes.

Mr. LEA. And Mr. Cobb?

Mr. WEST. Yes. And did you get S. B. Cobb?

Mr. LEA. Were there more than one Cobb?

Mr. WEST. Yes; there was more than one Cobb. I want you to get the right Cobb.

Mr. LEA. There were two Cobbs. S. B. Cobb?

Mr. WEST. That is the one I recommended.

Mr. LEA. I wish you would tell the committee about the experience and qualifications of these men in reference to the lumber and logging industry?

Mr. WEST. Every man on that list had devoted almost his entire life right in this field, to logging and lumbering. That is, there is not a man on there but what had had from 30 to 40 years' experience, and they had all been successful and most of them had, after being successful, retired. There were some of them that were still engaged in business.

Mr. LEA. Were you more or less familiar with the activities of the Spruce Production Corporation here at Portland?

Mr. WEST. Yes, sir.

Mr. LEA. And Col. Disque?

Mr. WEST. Yes.

Mr. LEA. Now, the charge has been repeatedly made, and insisted upon, that Mr. Disque refused to hear or take the advice of lumbermen and loggers who were experienced, and refused to avail himself of the knowledge and experience of lumbermen and loggers in this section, and went ahead willfully and ignorantly to carry on this work. What, if any, information can you give the committee as to whether or not that is the fact?

Mr. WEST. Well, there was in Washington the representative of most of the lumbermen out here in this neck of the woods; these lumber associations had their representatives there, and I was in touch with them constantly, had lunch together, had daily consultations, and these people requested me to take a hand in keeping Disque on the job and getting him additional authority in order that this labor situation might be handled. It seemed that the lumbermen were all up in the air, and they were fearful of I. W. W. troubles and strikes, and for some reason Disque seemed to be able to meet the situation, and they were very—they urged me very strongly that if I was in position, to aid in getting him additional authority. In other words, in the settling of the troubles out here and their leaving it to Disque it was just a voluntary arrangement, but somehow he got by with it and settled it, but there was nothing binding upon the lumbermen, and a vast majority of them were in favor of the arrangement, but there were a few who appeared to want to get Disque's goat for some reason or other and who were about to kick over the traces; so they wanted to get definite authority for Disque. I have forgotten now just how they proposed to do it, but through the President and Secretary of War giving him additional authority as a war necessity to make this arrangement permanent. I don't think anything ever came of it, but I am merely stating that to show the feeling of the lumbermen.

I may have a telegram here that would give you a little light on that. [After looking through papers.] I don't seem to have it. If I can find that I have it I will be glad to bring it over. But some lumbermen here—I think it referred to a conference that they had here, and then there were men in Washington, there was a large num-

ber of Washington lumbermen in Washington about that time in connection with price fixing of both spruce and fir, and they were there at the Willard and Raleigh Hotels; I stopped down at the Continental, but I was in daily touch with them and I know their feelings in that direction.

Mr. LEA. Well, to what extent was he affiliated with these lumbermen that you have mentioned in conducting the operations in Portland?

Mr. WEST. You mean as to his cooperation with them?

Mr. LEA. Yes.

Mr. WEST. Well, he was in close touch with them all along, through the man that they had on the Fir Production Board, Mr. Van Duzer; and the appointment of Mr. Van Duzer seemed to meet with almost unanimous approval—there may have been some objection to it—of the lumbermen out here. He seemed to be the man that they wanted on it. And I know from my talks with Van Duzer that he was very strong for Disque. I don't know whether he ever came in contact with Disque before that. And their cooperation was of the best.

Mr. LEA. Do you know Mr. J. J. Donovan?

Mr. WEST. I know of him. That is Donovan over in Washington?

Mr. LEA. Yes; and Mr. Grammar?

Mr. WEST. Who?

Mr. LEA. Mr. Grammar?

Mr. WEST. I don't know Grammar.

Mr. LEA. Were you acquainted with the members of the board of directors of the Spruce Production Corporation at that time?

Mr. WEST. Could you give me their names?

Mr. LEA. Mr. Donovan, Mr. Grammar and Mr. Benson and Mr. Yeon.

Mr. WEST. Benson; I know Yeon and Benson.

Mr. LEA. Now, what do you know about the experience of those men as to the lumber industry?

Mr. WEST. Well, Yeon's first experience was driving a bull team for old man Callendar, who was manager of the Simpson Lumber Co., down the Columbia River, and he was first staked to a little outfit by my old employer, Mr. S. S. Gordon, down in Astoria. I suppose that was along about 30 years ago; and he had a little logging outfit of his own, and out of that he created his fortune and has been actively in the business for probably 30 years, I guess.

Mr. LEA. I believe Mr. Cobb was also on the board of directors?

Mr. WEST. Yes.

Mr. LEA. In what way was he associated with the lumber industry?

Mr. WEST. Cobb was a Republican member of our legislature here. He and his associates own a mill down here on the water front, and I consider Cobb one of the best citizens, one of the best men we have in the city of Portland, a very high class of man, and I don't know anything but good of him. He was a man that I would pick if I was selecting a board, and if I was doing it I would put Yeon on it.

Mr. LEA. I believe Mr. Yeon was on it?

Mr. WEST. Yes. And I would put Benson on. Now, I don't know so much about Donovan. Donovan is a man of years of experience and a very successful lumberman and has a big interest over on the

Sound, but I am not personally acquainted with him, so that I could not testify as to his integrity, but he unquestionably has ability, because he has been successful in the lumbering business.

Mr. LEA. Now, is there anything else that you think of at this time?

Mr. WEST. Yes. There is one thing.

Mr. LEA. Which you think the committee should know?

Mr. WEST. That I overlooked, that you ought to know. When I first met—this is just a little about this Clallam County matter.

Mr. FREAR. Yes.

Mr. WEST. When I first met Col. Disque, when he was talking about the necessities of the Government, the demands that were being made upon him for spruce; and I want to say at this time that I came in touch with that end of it when I got in Washington, because there I met some of the Italian representatives and the French representatives and the English representatives who were over here urging the speeding up of spruce production, and I had it brought home to me then the urgent need of that being done, because it appeared from their talks that the whole success of the war depended upon their ability to get airplanes over there.

Well, that seems to have been pounded into Col. Disque here, and he talked to me about this Clallam County situation. I have never been over there, am not familiar with it, never have seen the railroad; nor have I seen any of the railroads. I haven't been in Lincoln County in recent years, not since the Government undertook its activities, and so I don't know anything, except in a general way, about what they did down there, and I have not seen it and I have never been over in Clallam County. So I am ignorant of the activities over there. I have learned more about it since reading these reports in the newspapers of your investigation. And Col. Disque had gone into it and he told me that if the war continued any great length of time that from his viewpoint that was about the only salvation. There was an immense big body of timber over there; it would cost a lot of money to get it out; and he told me in a general way about it.

Now, I want to say I have no interest in Ryan. I met him on a couple of occasions, but have absolutely no interest in him. I guess he is able to take care of himself. His troubles are not mine. But at that time I don't think that Ryan was ever thought of, and I think that Col. Disque told the absolute truth when he said that that project over there was his baby and that he assumed the responsibility for it.

Mr. LEA. When was that, Mr. West?

Mr. WEST. That was—I think the first time that I met him it was talked of. That was in December, about the 23d or 24th of December, 1917. I think that on the first time that I met him that Col. Disque mentioned that to me, and the necessity of doing something over there, and I talked it over with lumbermen here who were familiar with it, and some of them thought it unwise, because they didn't think that the war would last that long and that it would be unwise to put that amount of money in it; and others thought that the project was a proper one, that you could not sit down and figure on the length of the war and you could not afford to take the chances; that eventually they would have to go there if the war continued any length of time.

While on one of my trips East, after Ryan got on the job, I met him, and sitting in his office talking it over, he said, "What do you know about that Clallam County situation?" I said, "I don't know anything about it." "Well," he said, "the people out there in your State, the Aircraft or Spruce Corporation have been urging strongly the construction of that road, and others"; and he said, "I am just on the job and that has come up to me for approval, but," he says, "I am not going to have anything to do with it." I said, "Why?" As I recall it, I think he told me that he was in some way connected with the Milwaukee road. I don't recall whether he said he was a stockholder or a director; if he was a director, he would have to be a stockholder; and I mentioned the fact that those that I talked with said that if the war continued any time that that road, that tract, would have to be opened up. Well, he said, "If it was opened up and it could be proved to the satisfaction of most everybody that the war was won by opening up that tract, why," he said, "I would come in for the damndest roast that a man ever got." He said, "Everybody who would want to take a fall out of me would find some way of connecting me up with it. Now," he says, "I am not going to have a hand in approving that tract." And he said, "They can take it some place else; and," he said, "I don't care whether it is done by the President or the cook in the White House, or somebody else in the War Department"; he said, "They will have to take it somewhere else to approve it." He said, "I am not going to do it." So he asked me considerable about Disque. Some time after that I dropped into Senator Chamberlain's office and Mr. Ryan was there. I told him—I had before told him what I knew about Disque. I knew nothing of his past history.

Mr. LEA. Now do you recall about when these conversations occurred?

Mr. WEST. Well, shortly after the—the first one a short time after Ryan went in—oh, by the way—

Mr. LEA (interrupting). Do you remember when he was appointed?

Mr. WEST. No. But then you can get that date.

Mr. LEA. I understand it was in April, wasn't it?

Mr. WEST. I was back there in April.

Mr. LEA. So this Clallam County proposition came up with Disque four months before Ryan was appointed?

Mr. WEST. No; longer than that. Let me see. No, it was in 1918. I talked with Disque, oh, months before I ever heard of Ryan. I didn't know who Ryan was, and Ryan's name wasn't brought into it at all. Well, Ryan said to me, when that came up, he said, "I felt that that was a matter that might with propriety be taken care of with the Railroad Administration. I thought that was one way of getting it off of my hands; and I see no reason why they should not take care of it. It was put up to them and they turned it down; so it has come back here and has got to be taken care of." He says, "I am not going to take a hand in it."

So then I met Mr. Ryan over in Senator Chamberlain's office a short time before he came to Oregon, and he said in his talk about Disque, he said, "I didn't know much about him;" and he said that they had made an investigation, made a pretty careful investigation. He said, "I wanted to get a line on him, because I believe in

giving him pretty wide powers." And he said, "I think we have made a pretty careful investigation." And he said, "He has come clean." And he said, "I am going to play his game." Now he told me that in confidence. It don't do any harm to tell it now, and I think the committee ought to be given the benefit of it.

Now, in saying I don't know anything about Disque's past, and I don't know anything about whether money has been wasted over there, or whether anything has been stolen. I don't know anything about it. That is a matter for accountants. But I am telling you now of my contact with it, and I will tell you frankly that I never saw anything in my dealings with Disque or any inquiry that I made into that department, that did not show, as far as his honesty and integrity are concerned, that he was as clean as a whistle.

And in closing I want to say this: That I think there are very few men in the country that came into that job, knowing absolutely nothing about the spruce game—and there is where I always contended the wrong was done. These matters should have been in the beginning turned over to men who knew something about the business. But Disque was picked, and, fortunately, he was a man of capacity, but they surrounded him, outside of the few men that he was able to select himself, they shipped in here—I don't know who was responsible for it, whether it was just accident—counter jumpers, and bond salesmen, and God knows what, from all over the country. It seems that they picked a lot of people who knew the least about lumbering. Now it was that that Disque had to work with, and how he ever got by is a mystery to me. Nobody but God knows. But I was in close touch with the situation, and I knew what a heartbreaking proposition he had. And I want to say to you that, knowing the situation as I do, I believe that that man did the best that was possible to bring order out of chaos and to perform the service that he was sent out here to perform.

And about Disque not going overseas. I know that the only favor he ever asked of me, the only personal favor—the first of it all had to do with the business of his office. The only personal favor he ever asked me, he said, "There is just one thing I want you to do for me, if you are in position to do it. It is this: That as soon as this thing is organized it will take care of itself. I want to get overseas." He says, "I don't want to stay here."

And I tried to horn in back there and do something, and they said, "We need Disque out here."

Mr. LEA. You did try to help him get overseas?

Mr. WEST. I felt out some of my friends over there, and talked to some of them that I thought might help, and they said, "We need him on the job out here."

Mr. LEA. That is all.

Mr. FREAR. When did you try to get Disque overseas, and whom did you ask about it?

Mr. WEST. Oh, let me see. I dropped it to quite a number of those that I came in contact with that I thought might lend me a hand in it.

Mr. FREAR. Whom, among others? The Secretary of War?

Mr. WEST. I don't remember whether I brought it to his attention or not, but it seems to me that I did tell the Secretary, in talking of Disque, that he was anxious to get overseas.

Mr. FREAR. When was that?

Mr. WEST. During one of these conversations.

Mr. FREAR. That is when he was colonel, or what position did he occupy then?

Mr. WEST. He was a colonel then. He was a colonel.

Mr. FREAR. When was it that Mr. Ryan said to you, "I am going to play Disque's game"?

Mr. WEST. That was just before he went out.

Mr. FREAR. Before Ryan went out?

Mr. WEST. No; just before Ryan came out here. Now, I might just add a word. What he said was that he was going to—there had been some criticism of him, and lots of words of praise, but they had made this investigation, that he had come clean, and he was going to stand by him, or words to that effect.

Mr. FREAR. When do you mean that Ryan came out; that is, in July or thereabouts?

Mr. WEST. He only came out here once. He came out here to look over the situation.

Mr. FREAR. Just before that time, then?

Mr. WEST. Yes. I would say it was probably two weeks before he arrived here.

Mr. FREAR. And at that time he told you he was going to play Disque's game?

Mr. WEST. Well, I won't put it in those words.

Mr. FREAR. That is your words?

Mr. WEST. Well, that he was going to stand—that he had investigated him and he had come clean in their investigation; therefore he was going to stand by him.

Mr. FREAR. That was before he had come out here?

Mr. WEST. Yes.

Mr. FREAR. That he had come to that conclusion?

Mr. WEST. I should not have said—I was using my own lingo when I said "he was going to play his game."

Mr. FREAR. He said he wasn't going to take a hand in this railroad matter?

Mr. WEST. That he wasn't in position to do it, because it would lead to embarrassments; might be misunderstood; that he was in an unfortunate situation that he could not help.

Mr. FREAR. When did he say that, as nearly as you can remember?

Mr. WEST. That was not long after he went on the job. Very shortly after.

Mr. FREAR. Did he say to you then that at that time he had already approved the contract for getting out between fifteen and twenty-five million dollars' worth of spruce, and it required the building of some railroad in there?

Mr. WEST. No, no; that wasn't discussed at all.

Mr. FREAR. His approval shows upon the contract of May 12 that he had approved it?

Mr. WEST. Let's see. When did he go on the job?

Mr. FREAR. Some time in May, but his approval shows, on the contract of May 12, that he approves a contract of from fifteen to twenty-five million dollars' worth of logs, depending upon the amount of the various grades that had to be shipped.

Mr. LEA. But in that connection that contract of May 12 was dated here and was not seen by Ryan until some time later?

Mr. WEST. Well, I could not say anything about that. I don't know anything about that at all—any contract.

Mr. FREAR. The contract may have been dated here, but it was made in Washington, D. C., according to the testimony, as far as the testimony is concerned.

Mr. LEA. The final contract. There were two.

Mr. FREAR. This is the contract of May 12, the one signed and approved by Ryan. That is the one that I mean. You don't know anything about that, I assume?

Mr. WEST. No; absolutely not.

Mr. FREAR. It is a rather remarkable fact, is it not, that at that time that Ryan should be discussing with you the fact of his connection with the Milwaukee road and the situation it left him in, providing he had approved that contract between fifteen to twenty million dollars, or \$25,000,000, for getting out spruce which required a railroad.

Mr. WEST. Well, as the matter came up it was led to by matters that I was discussing with Mr. Ryan, giving him some general information as to the situation out here, and it naturally led into all of their activities out here. It was not—

Mr. FREAR (interrupting). Did you have any particular work with Mr. Ryan? You say you had never met him before, I understood.

Mr. WEST. No; I never saw him before.

Mr. FREAR. Did you have any particular duties to perform with him?

Mr. WEST. No.

Mr. FREAR. This wasn't in Oregon; it was up in northern Washington?

Mr. WEST. Yes; but we were talking about Oregon matters, and we just drifted over onto this, and he asked—I suppose he thought that I might know something about the situation, and asked me what I thought of it, and I told him I didn't know anything about it, only I was just—that I had talked it over with Col. Disque to a small extent, but I didn't know anything of the merits of it, didn't know where the railroad ought to go, where it ought to be built, or anything about it.

Mr. FREAR. Of course, you didn't know what kind of a railroad was contemplated being built?

Mr. WEST. No; nothing whatever.

Mr. FREAR. That wasn't discussed at that time?

Mr. WEST. No, no, no. I was in total ignorance of that.

Mr. FREAR. The question has been asked of you about Mr. Benson whether or not he is an experienced logger and lumberman, and I understood you to say that he was. If the testimony here shows that Benson was given by Disque the determination of where a railroad should go that cost nearly a million and a half dollars, in order to get spruce out of the Siletz reservation, and that Benson made one trip to ascertain the situation, and the determination was based upon that one trip, notwithstanding five witnesses have already testified that a railroad could have been put in there running 6 miles, at \$15,000 a mile, would you say that Mr. Benson or Mr.

Disque exercised the ordinary business judgment that should be called upon in determining the location of that road?

Mr. WEST. Well, now, I will tell you. Before I could answer that question I would want to find out whether those gentlemen who testified here from Lincoln County had a piece of timber that they wanted to tap, or that they had a piece of railroad that they wanted to sell to the Government, and any other selfish things, because there is a little selfishness in this world and a man might be sore because he could not shake the Government down for something. But Mr. Benson might go over there in one trip; whether he would be able to locate that road and select the road would depend upon what previous investigations had been made by engineers and how carefully the investigations had been made. There is no question about Amos Benson's ability to locate a logging road, because from the time he was able to walk the old man had him "punching the bulls" down in the woods, and when it came his day for logging he was in the backwoods building logging roads. He is no high-brow logger, but a real logger, and I would not trade his opinion for a tribe of those birds that were in here testifying from Lincoln County, and I know them all, and I know some of their interest, and I know what they have got in their nest.

Mr. FREAR. You think he is a high-class man, and you think they are "birds" because they testified to facts and know the facts, and Amos Benson went out and found by an examination of one day that a road could not be built there, and you would think that from that examination he would know more than these "birds" who have presented facts, who you say can not be relied upon?

Mr. WEST. Somebody would have to convince me that he did not know more than those men. That territory looks flat on a map, and I would want to find out. I know Mr. Ball down there who testified. He is a fine fellow; he was assessor of that county, and they sat around the hotel down there. They do not have very much to do, and they gossiped about this, and everybody who had a timber claim over in that country feels that just over the ridge they might put in a road to get to the 160 acres that he owned. I do not know whether Ball has any timber over there or not; but in a community of that kind that is an ideal place for a lot of gossip. I do not know, Mr. Chairman, but I think you will find that if Amos Benson recommended that the railroad should be placed in any particular place he did it only after securing the data upon which to base his decision.

Mr. FREAR. You have brought Mr. Ball into the question. Mr. Ball, I believe, had no timber anywhere around where this railroad was to be located; I do not remember whether he has any.

Mr. WEST. I will say that he is an honorable man.

Mr. FREAR. Mr. Ball represents a community which raised between \$60,000 and \$75,000 in bonds to put water there, to put an establishment there, for the benefit of the Government, and he has testified that they asked for nothing back. So that shows a pretty good spirit of patriotism where people will buy liberty bonds in order to help finance the Government.

Mr. WEST. There is no question about it.

Mr. FREAR. If Mr. Ball, who is experienced as an assessor, says that practically 700,000,000 feet of spruce were to be found there and

Disque testifies that he knows nothing about spruce that was merchantable there, would you take Ball's statement in preference to Disque's on that proposition?

Mr. WEST. I will answer that in this way: In the first place, Ball was assessor over there. I do not know whether that county had a cruiser in that field to go out and cruise this timber, and that is the only way you can find out.

Mr. LEA. He said they did not have a county cruise.

Mr. FREAR. He said they had cruises, but they had not had county cruises.

Mr. LEA. He said they had no county cruise.

Mr. WEST. Then Ball would not know anything about it, except from people who had been out in the timber, and he would only have had general knowledge as to the actual merchantable timber they had on this quarter, how much of it was spruce, what percentage of the spruce was adapted to aircraft lumber, instead of the knowledge from a cruise that would be required to determine where that road ought to go, because, Mr. Chairman, you understand in those sections there is only a certain amount of spruce. The spruce belt follows the coast. A certain per cent is spruce, and then there is a certain per cent of that spruce that is fit for aircraft lumber. You might go into a spruce section and it might be of such a type that a very small percentage of it would be available, and you might think it was "a peach of a tract; here is where the railroad ought to be." But men who understand the business would go in there and make their cruise and find that it was the wrong place. So when these gentlemen come in and testify, I would rather believe the judgment of Amos Benson.

Mr. FREAR. He never made any cruise. His work was altogether with reference to the location of the road.

Mr. WEST. Amos Benson has not testified?

Mr. FREAR. No. We would be glad to have him do so.

Mr. WEST. Mr. Ball and this other gentleman, who had a little jerk-water road he wanted to get extended—and I suppose those gentlemen may have a grievance—I know them, and they are good fellows.

Mr. FREAR. They are "birds"?

Mr. WEST. But, as I say, some of these might have a selfish interest.

Mr. FREAR. Of course it is not possible that Amos Benson could have had any selfish interest? Is not human nature much the same the world over?

Mr. WEST. Absolutely.

Mr. FREAR. When both men come in and testify—we will take the case of Hall after passing Ball, who had no selfish interest; he was assessor and had lived there 18 years and certainly had as much information regarding that tract as Mr. Benson. You will concede that. Mr. Hall testifies he had some timber up near the mouth of the Siletz that was not touched by this road. Now, Hall says that in his judgment—and he is familiar with that because he has lived there for years at Siletz—he testifies before the committee that the approach to a billion feet on beyond this road that was contemplated could be reached, and he testifies that is as fine spruce as could be

had, and would you take his word as against Mr. Benson's word, who was up there only one day?

Mr. WEST. I will answer that in this way. Understand me, I do not know whether the railroad is built in the right place or not, because I have never seen it.

Mr. FREAR. I am just testing Mr. Benson.

Mr. WEST. But I want to say to you in answer to your question, that if I had money to put into logging, and you should go and bring in a flock—

Mr. FREAR. Of birds?

Mr. WEST. Yes, of birds of that type; bring in a flock and put their judgment up against the judgment of Amos Benson on placing a logging road I would say, "Amos, I will put my money on you."

Mr. FREAR. If another man, Morgan, who has cruised up there for years and is recognized as one of the best cruisers so far as logging goes, testifies that in the immediate vicinity that may be reached by this logging road over 550,000,000 feet of spruce is located of as fine spruce as any that could be had anywhere along the coast, and he has no personal interest, would you say that he is a man, one of the birds, whose judgment could be accepted equal with the judgment of one man who had only made one trip over that country?

Mr. WEST. I would say to Amos, "This man, Morgan, thinks you know nothing about it, but I have got confidence in your judgment."

Mr. FREAR. You would follow his judgment if he did not think there was any spruce in there?

Mr. WEST. Yes; because I know Amos Benson knows spruce and fir, and he knows how to locate a road, and he knows how to build logging roads, and he knows the quality of timber, and he has no selfish interest in this, and I would be very much surprised if his judgment was wrong. He might have been wrong. There may be a billion feet of that over there, and these fellows may be right and they may be giving you what is the truth; but I am telling you what my judgment is about Amos Benson.

Mr. FREAR. I am trying to ascertain your judgment about Benson.

Mr. WEST. You could add to them a few more Morgans and Balls, and I would still believe in Benson.

Mr. FREAR. If it was brought out in the testimony that Benson's road cost in 10.8 miles \$1,440,000, or approximately \$130,000 a mile, for bringing out a small percentage of logs on the western slope, would you still believe that that was a right judgment?

Mr. WEST. How much a mile?

Mr. FREAR. In the neighborhood of \$130,000 a mile; \$36,000 for the spurs.

Mr. WEST. I would not think that possible, but if that railroad cost \$130,000 a mile, well, I would say: "Amos, you are fired." [Laughter.]

Mr. MAGEE. You would say he had not carefully investigated the proposition?

Mr. WEST. Do you mean to tell me that careful investigation shows that line of railroad cost \$131,000.

Mr. FREAR. He means to tell you that Disque testified on the stand—we have not seen the figures and we have to depend upon what we get from the corporation—he has testified in the examination of Mr. Lea that the railroad cost \$1,440,000.

Mr. WEST. That is the 25 miles of road that runs from Yaquina down to the Blodgett tract?

Mr. FREAR. Unfortunately, it is not; it is for a short road of 10.8 miles and a spur of 2 miles, and then, he claims, I think, there are some terminals. He did not know anything about the terminals. That is right down in Yaquina Bay.

Mr. WEST. Well, I do not see where the cost would go for \$131,000 a mile.

Mr. FREAR. I have allowed something for the spurs. I allow \$80,000 for the spurs.

Mr. WEST. I do not just see where the cost would come in. I do not believe that road going to the Blodgett tract cost over \$50,000 a mile.

Mr. FREAR. Yes; that cost nearly \$90,000.

Mr. WEST. I think you will find they have got a long spur on that.

Mr. FREAR. And there would be slides on that road.

Mr. WEST. But you can not blame Disque for the slides.

Mr. FREAR. I am not trying to blame anyone; I am trying to ascertain the judgment you formed about it.

Mr. WEST. I had known of some people who were thinking of purchasing this property for a paper mill.

Mr. FREAR. Which was that?

Mr. WEST. The Blodgett tract, and the railroad to the Toledo mill, and I understood that was to go in, and they asked me to make an investigation for them and I did not go over there myself; I had not seen it, but sent some one to look into the water power end of it and found it was not available, and the information I got was that it cost the Government \$50,000 a mile.

Mr. FREAR. I am afraid you have not acquired the information that comes to the committee. Let me hand you a report that was given to the committee. It is the Spruce Corporation's report that they have gotten on this matter. I refer more particularly to the railroads in the first part. No. 11 is the logging road that Disque testifies cost \$1,440,000 [indicating].

Mr. WEST. Over here?

Mr. FREAR. That is a publication they have gotten out and handed to us.

Mr. WEST. It says, "Page 3337, Disque, 550 miles." If you divide that up you get \$90,000 a mile.

Mr. FREAR. There are sidings, and they would not cost as much as the main road.

Mr. WEST. In that type of railroad it would not make any difference whether it was a siding or not. In ordinary railroad building they would use old relayers.

Mr. FREAR. You are familiar with railroad construction, are you, Governor? Would you say that railroad construction of sidings cost as much as the main track; do you want to be understood as saying that?

Mr. WEST. In that territory over there?

Mr. FREAR. Any territory, excepting where you have cuts and bridges.

Mr. WEST. What I understand about that kind of sidings is that as they were put in there there would be very little difference in the cost.

Mr. FREAR. Who told you about the kind of sidings? Let us see what your understanding is.

Mr. WEST. Judging from the way the Government carries on work of that kind, they generally put in a pretty good class of construction. You know more about that than I do; I have not been over the road.

Mr. FREAR. I have been all over the road.

Mr. WEST. But you could not spend \$90,000 on a railroad per mile if you did not do some work on a siding, and I do not see where that money would go?

Mr. FREAR. This is \$130,000, not \$90,000.

Mr. WEST. Of course, you have got to allow for your sidings on a road of that kind. There would not be as much as on the main line in the case of a road like the Southern Pacific, putting a siding into a warehouse.

Mr. MAGEE. Make a computation there, even putting sidings on the same basis as the railroad bed proper. I think, then, the figures, Gen. Disque testified, were 99,000.

Mr. WEST. I can see at a glance that it would run something like 90,000.

Mr. FREAR. \$90,000 was the Blodgett road.

Mr. WEST. But not being familiar with that, and just at a glance, I just do not see where they would get \$100,000 in a road of that kind.

Mr. MAGEE. I think your revision is pretty good.

Mr. FREAR. Here is the testimony, I think, which is unquestioned, that this railroad was built up there to reach in the neighborhood of 150,000,000 feet of spruce that grew along the road and was near the ocean. The timber on the other road, according to several witnesses, is 550,000,000 feet, and could have been reached by this "jerkwater" road of which you spoke, with the addition of 6 miles at a cost of \$15,000 a mile. As a business proposition, if you were going to act for the Government and get spruce and wanted to get spruce at the best figure for the Government, what would have been your judgment as to which road you would build?

Mr. WEST. My judgment would have been to make a careful investigation of the timber that was in there and get the most feasible road that could be obtained, taking into consideration the cost of construction and the grades, because it costs money to build over mountains, and while I was doing that I would not have paid a bit of attention to anybody who was sitting around a stove in Lincoln County, whether he had been assessor, or expected to be assessor, or anybody else; I would not have paid any attention to them, because when you do the chances are they have an axe to grind; but I would have made a careful investigation and then built the road where I thought it should have been built.

Mr. FREAR. You at least would have made a careful investigation?

Mr. WEST. Absolutely.

Mr. FREAR. Because you represented the Government and it was Government money you were using and money that was raised to carry on the war?

Mr. WEST. Yes; I would have made a careful investigation; but don't understand me to believe that these people did not make an investigation. If they did not I am very much surprised. I have great faith in what Benson would have done.

Mr. FREAR. Would it have affected your great faith in Disque if he said there was no spruce available there for airplane purposes, in this particular instance?

Mr. WEST. Well, I think, from what I know of it, that Disque had men in this field. Of course he could not go out himself with a pack on his back and go around and cruise all that timber; but I happened to know the head man in the field was getting the information, and that everybody who wanted to take advantage of the situation and get a railroad built in their tract was advising Disque that there was splendid timber near here, and saying, "If you get this railroad in here we will win the war." He had that to come up against—a lot of these so-called patriots talking about doing their bit for the Government, and yet they were touching the Government, and their advice was for the purpose of favoring their own ends.

Mr. FREAR. Several of the cost-plus contractors that had control of the railroad might come under that classification.

Mr. WEST. It might reach anybody.

Mr. FREAR. So, in reaching human nature everywhere you are liable to run across the same conditions. Now, here is an illustration of what the Government was paying for a road along the edge of the ocean to reach approximately 150,000,000 feet, at the outside, of spruce that was there lying near the ocean, some of which it has been testified was not usable. In order to reach that it required the construction of spurs, one of which we went up into, with an elevation which practically was a 7 per cent grade, whereas the Story road, or the Wessels road, or the Miller road, or the Porter survey, that would have been put through there, according to the survey that has been placed before the committee, at an elevation of not to exceed 2 per cent, in carrying out the loaded cars. Now, would that influence your judgment in determining the location of the road?

Mr. WEST. That road might be in the worst possible location; I do not know.

Mr. FREAR. Would that influence your judgment in determining the location of the road?

Mr. WEST. The only thing that would influence my judgment is what was stated before. I would not put men in the field unless I had absolute confidence in them, and in that way I would have found out where the spruce was, in the first place.

Mr. FREAR. That is important.

Mr. WEST. That is the first thing, and I would not take anybody else's word for where the spruce was, either. I would put cruisers in there in whom I had confidence, and when they told me so much spruce was in there the best plan would be taken up to get where the spruce was, and the next move would be how to get in there with the least possible expense, and then when I had disposed of that and one of these fellows told me I was doing wrong I would pay no attention to him.

Mr. FREAR. Whether they were birds or not?

Mr. WEST. Whether they were birds or lumbermen, or engineers.

Mr. MAGEE. That is what any reasonably practical man would have done, is it not—just what you have described here?

Mr. WEST. There could not be but one answer to that.

Mr. MAGEE. And if they did not do that, you would call them inefficient and incompetent?

Mr. WEST. I will put it this way: If that railroad was put up there without proper investigation of the territory——

Mr. MAGEE. For the determination of the facts?

Mr. WEST. If it was just thrown in there and the money expended, undoubtedly those people are open to censure, but I would have to be shown that those were the facts, because somebody who might have had a grouch might come in and say so. He might be right, but I would want to satisfy myself before I would feel that either Disque or Benson—because what would it buy them? Nothing but grief, if the railroad was not to do anything—but good. It didn't make a particle of difference to Benson where the railroad was located; he does not have to work for a living.

Mr. MAGEE. I think Gen. Disque testified that if 550,000,000 feet of spruce was the amount that would be reached if it were feasible to get over the divide on the Miller-Fischer railroad; that it was the only feasible means and the only sensible way to get at it, but he said that the spruce was not there and you could not get over the divide. So it is a question of fact.

Mr. WEST. If the railroad is in the wrong place, I do not know. If they have thrown away money, they are open to censure, and if they have gotten the right place, they are to be commended.

Mr. FREAR. We all agree as to that.

Mr. WEST. I have been up there, but not for two or three years, and I have not seen any of these lines and can not discuss that question intelligently.

Mr. FREAR. My only reason for asking the question was because on the inquiry of Mr. Lea you testified regarding Mr. Benson's experience as a logger, which I assume to be correct, and I was stating the facts as presented before the committee, which I have tried to do so that we could understand them. If Mr. Donovan testified in effect that he did not feel the mill up at Port Angeles was necessary—did he say——

Mr. LEA. He said he did not at the time it was built, but after it was built he did.

Mr. FREAR. Would you take the judgment of a man like Donovan as to that?

Mr. WEST. I would not take the judgment of anybody outside of the Saviour himself who I had not been in close contact with and knew all about and unless I had an opportunity to find out what he had based his statement upon. That is the only individual on earth, outside of my wife, until I had an opportunity to find out. Of course, there are men that I have had an opportunity to learn about and their word would go with me.

Mr. FREAR. You spoke very highly of Disque, and there is no criticism of that; but I am speaking about his judgment in this particular case.

Mr. WEST. I will say this, that Mr. Donovan is undoubtedly a man of ability because he has been engaged in big operations, but what his motives would be I do not know, and so I would not know whether to take his word or not.

Mr. FREAR. Mr. Van Duzer had charge of the fir. Was there not some controversy before Van Duzer was given control of the fir?

Mr. WEST. Up to that time?

Mr. FREAR. Yes.

Mr. WEST. Yes; because of the fixing of authority at opposite ends. I do not know just what it was. It was all brought to my attention at the time, but the question of priority in shipments and the furnishing of cars and all those things, and there was a contract between the two sides, the two committees, and the purpose of getting Col. Disque on both committees was that he met with both of them and could get them together and iron out their differences and there would be more harmonious action.

Mr. FREAR. Mr. Van Duzer was given charge of the fir?

Mr. WEST. I do not know whether he was with Mr. Bloedel or not.

Mr. FREAR. And is it a fact—it has not appeared in the testimony, but it has been stated and I do not know where we can get the figures—that when Van Duzer took hold of operations the production was about 3,000,000 feet of fir a month, and that within three months or thereabouts it had increased to about 18,000,000 feet of logs?

Mr. WEST. I understand there was quite a large increase; they speeded it up.

Mr. FREAR. He apparently was a very capable man when he was finally put in charge?

Mr. WEST. I heard nothing but words of commendation for him, the way he handled that end of it.

Mr. LEA. There is just one question I want to ask. I understand that when you used the words attributed to Ryan that he would play Disque's game, you were using your own words?

Mr. WEST. They were my words. He said in substance, not to make any misinterpretation of that, that in coming into this work he was suddenly called upon to give wide authority to Disque, for which he in the end had to assume a large responsibility, and that they had made a pretty careful investigation and that Disque had come clean and that he was going to stand by him.

Mr. FREAR. Who made the investigation that he spoke of?

Mr. WEST. I do not recall who made it; I do not know whether it was the intelligence department or the War Department, or whether Ryan did it himself.

Mr. FREAR. That is all.

Mr. WEST. You expect me to get a copy of that testimony?

Mr. FREAR. Yes.

Mr. WEST. I am quite sure I have a copy and will give it to you for the record.

Mr. FREAR. When it is received we can insert it to be included in the printed record.

(The statement above referred to is copied in the record as follows:)

Mr. WEST. The Government has paid a high price for Col. Disque's education, but he is getting it and, I think, making much progress. I do not think

that it could improve the situation by making a change. I have come in contact with the members of the board here in my endeavor to explain to them the situation out there, and while I find them—Col. Montgomery, Col. Deeds, and others—earnestly endeavoring to get results the seriousness of the situation out there forces me to say that the people here don't know anything about the situation out there on the coast, and thus the trouble. They are trying to carry on logging operations from Washington. To succeed in your airplane program you must have at least 11,000,000 feet of spruce per month, and I understand it is also claimed that you must have as much as 14,000,000 feet.

A committee from the Aircraft Board has just recently returned from Oregon and Washington, where it was looking into the situation. It seems they have provided Col. Disque with an advisory board. One man, a Mr. Long, is manager of the Weyerhaeuser Lumber Co., the largest single timber owner in the world. They own an acreage of timber as great as the acreage of some of your Eastern States—yes, two or three of them. Mr. Long is the manager for that concern and is selling large amounts of spruce to the Government. Contracts have recently been entered into by the Government with large logging outfits—outfits well able to produce results—and the territory has been divided between them. One outfit, I understand, will be told to log here, another there, and another over there; so there will be no overlapping. One outfit, or perhaps two of them, will work largely in the Weyerhaeuser timber. Mr. Long is, therefore, in the position of serving two masters, and he can not do it.

Now, if Col. Disque is given the authority that he needs, these gentlemen back here who are holding the purse strings may wish him surrounded by men who will protect him against our own people out there, because it is like taking candy from a baby when you are dealing with the Government on this timber proposition. The Government does not know the game, and they do. The prices which have been paid through the mix up in the past have been unfair to the Government.

Mr. WEST. I have seen Secretary of War Baker; I have seen Gen. Squier; I have seen Col. Montgomery; I have seen Col. Deeds; I have seen Maj. Shepler, Maj. Horner, Maj. Leadbetter—everybody, clear down to the colored elevator man.

Senator HITCHCOCK. Have you been unable to get anyone who would decide the question you put up to them?

Mr. WEST. Nobody.

Senator HITCHCOCK. They could not decide it?

Mr. WEST. No.

Senator HITCHCOCK. What did Secretary of War Baker say?

Mr. WEST. Why, Secretary Baker could not say anything, because he did not understand the situation.

Senator HITCHCOCK. Did he refer you to some one?

Mr. WEST. He made an honest effort to straighten the matter out, and I think gave me all the cooperation that was probably in his power to do.

Senator WEEKS. Would you call Mr. Long a practical logger?

Mr. WEST. I do not know that he is. He is a high-class lumberman, but he has got timber to sell to the Government. If the Savior himself came down here I would not approve of his going on the Advisory Board if I learned he had timber to sell.

Senator WEEKS. We have a good many instances of that kind that are under consideration. How about the third man—the Seattle man who is on the board?

Mr. WEST. You understand there are just two men on that board, on the spruce section of it. That is Mr. Long and Mr. Ladd. Now, Mr. Ladd is all right. It is all right to put Mr. Ladd on there, but in Mr. Long's place, coming from Seattle, put another Seattle man on there, either a practical logger or a practical lumberman, and then go to Portland, or go somewhere else, and get another practical man. The other man that you mentioned, Mr. Blodell is a personal friend of Mr. Long's. Now, he has charge of the fir section. He will tell the Oregon Mills what they shall saw in the way of fir and what orders they shall get. There is an intense rivalry between the mills of those two States. It is hard to explain the situation to you people, but anything that a

Portland man does is under suspicion by the Seattle crowd, and anything that a Seattle man does is under suspicion by the Portland crowd. Now, the Portland lumber people are up in arms over the appointment of this man, who will have control over their industries. All of that control should go into the hands of a board, so that each State may be fairly represented, and no one with timber or lumber to sell should be permitted to go on that board.

Senator McKELLAR. What do you conceive to be the duties of this board?

Mr. WEST. Unless they can carry to Col. Disque some practical knowledge that will be helpful to him, and will protect the Government from being robbed, it is absolutely useless. You had far better turn him loose.

Senator McKELLAR. Do they recommend the persons from whom the Government buys material?

Mr. WEST. Oh, the Government does not care from whom it buys material. It is willing to take all it can get.

Senator McKELLAR. Do they recommend the price at which the Government shall buy?

Mr. WEST. They would have to do with the price that the Government would pay. Col. Disque would no doubt consult with them as to what is the proper price. What is the proper price depends on logging problems. Col. Disque must have authority to expend money for logging railroads, open up new sections. It might be proper to go into some tracts, whereas if he went into others it would be very poor business. Here is where his advisors would be helpful.

Senator McKELLAR. What is the extent of Mr. Long's holdings out there that would be involved in this matter if you were to sell to the Government?

Mr. WEST. As I stated before, there are Eastern States which could be dropped down in the Weyerhauser timber and lost. Mr. Long's interests are the Weyerhauser interests, and they are very extensive.

Senator McKELLAR. Is he selling to the Government now?

Mr. WEST. Yes, sir.

Senator McKELLAR. And they are interested in present contracts?

Senator WEEKS. Did they ask for a hearing? Did these men that you introduced to Mr. Howe ask for a hearing?

Mr. WEST. They are selling timber to concerns logging for the Government.

Senator McKELLAR. And then he is selected upon the board to pass upon the prices to be paid.

Mr. WEST. The Government is going into Mr. Long's timber—into the Weyerhauser timber—and saying that it needs this and it needs that, and that it is going to pay them so much for it. Now, Mr. Long is the man who will advise Col. Disque how much he will pay Mr. Long for his timber * * *

(Witness excused.)

(Thereupon, at 12.30 o'clock p. m., the committee took a recess until 2 o'clock p. m.)

AFTER RECESS.

TESTIMONY OF JOHN PATTERSON.

(The witness was sworn by Mr. Frear.)

Mr. FREAR. State your name, please?

Mr. PATTERSON. John Patterson.

Mr. FREAR. Where do you live, Mr. Patterson?

Mr. PATTERSON. Portland.

Mr. FREAR. How long have you lived here?

Mr. PATTERSON. About 15 years.

Mr. FREAR. What is your business?

Mr. PATTERSON. Manufacturing, selling, and dealing in logs and lumber.

Mr. FREAR. And that has been your business throughout that period?

Mr. PATTERSON. Yes; and previous to that time in Michigan.

Mr. FREAR. How long were you engaged in that business there in Michigan?

Mr. PATTERSON. About 15 years.

Mr. FREAR. Have you ever had any work in Lincoln County, that is, either in logging and lumbering and manufacturing, and if so, what; please go on and state your experience there.

Mr. PATTERSON. I went down there in 1918 for the Thorsen, Hendricksen Lumber Co., with the understanding that we were to make airplane lumber. We had had a number of interviews with Capt. Marvin, who seemed to be the guiding wheel at that time. There was a tract of timber down there known as the Wessel tract, section 24, about a mile from the Miller railroad that the Thorsen, Hendricksen people had contracted for at \$20 a thousand.

Mr. FREAR. The Miller road is the road that runs north from Toledo?

Mr. PATTERSON. Yes; the road out of Toledo into the Siletz country. They had tied up the quarter section by an agreement with the owner, Wessel. They had not paid the money on it, and they had a contract with the Government to cut the selected trees and to receive \$7 per thousand for those trees, the logs. While they were getting around there and getting ready to start the Warren Spruce showed up.

Mr. FREAR. About what time was this?

Mr. PATTERSON. That was in January.

Mr. FREAR. 1918?

Mr. PATTERSON. Yes; or the first part of February. And Wessel decided that he would not take the \$20,000 from Thorsen, Hendricksen. I interviewed him and he said he had been offered more money from the Warren Spruce, therefore, he would not sell to Thorsen & Hendricksen.

Mr. FREAR. Thorsen, Hendricksen were trying to buy for the purpose of developing aircraft material, you say?

Mr. PATTERSON. At that time they owned the Miller Road and sawmill at Toledo, and they were going to manufacture airplane as well as other stuff.

Mr. FREAR. Now, what happened?

Mr. PATTERSON. Well, we were promised then, when we did not get the timber, that we would get all the logs we wanted to cut airplane stock. I commenced operating in February.

Mr. FREAR. Where?

Mr. PATTERSON. At Toledo. We did not have very many logs on hand, and it was understood that we would get the logs from the Wessel tract at once. Therefore, we let up on logging with the Miller outfit and was promised from day to day that the logs would be coming from the Wessel tract, before we were ready.

Mr. FREAR. Now, from whom were they to come?

Mr. PATTERSON. The Warren Spruce were to do the logging. I would occasionally get a wire from Disque's office, from some one, or from Disque, asking me to hurry the airplane.

Mr. FREAR. In Portland?

Mr. PATTERSON. In Portland. I wired back that we had no spruce, it was all turned over to the Warren Spruce people and that we had no spruce logs to cut.

Mr. FREAR. Did the Warren Spruce buy or contract—in what form, do you know anything about that?

Mr. PATTERSON. I do not know. I don't know how they got it, but I found out from Maj. Hitchcock that they had cut everything on the section, or the quarter section, and that the cost to the Government was some \$38,000 for the timber.

Mr. FREAR. That is, quarter section 24?

Mr. PATTERSON. The quarter section we had bought for \$20,000.

Mr. FREAR. That was on section 24?

Mr. PATTERSON. Yes.

Mr. FREAR. And it would cost how much?

Mr. PATTERSON. He said they figured on \$38,000. They had not yet paid anybody, but that is what it amounted to. I told him that was robbery, that the timber was really worth about \$10,000, that Torsen-Hendricksen were paying too much for it, because in the tract there was probably from two and one-half to three million feet—

Mr. FREAR. Of all kinds?

Mr. PATTERSON (continuing). That you would dare to take out and figure that it was selective logging.

Mr. FREAR. That is all kinds of timber, you mean?

Mr. PATTERSON. No; the whole stand was some five or six million feet, but we were only to take the best logs to cut for airplane and do what we liked with the rest afterwards.

Mr. FREAR. Was this to be spruce entirely?

Mr. PATTERSON. Spruce was the only thing talked about then. There was a little fir there that was afterwards logged. All the low grade logs were to be left as far as we were concerned, and we were only to take the good ones and get the \$7 for them.

Mr. FREAR. That was the price fixed by the Government?

Mr. PATTERSON. That was the price fixed. Maj. Hitchcock came down there in the meantime and howled around about getting no airplane. I told him it did not look as though they wanted any airplane; we had been there some time and had not had any logs yet, and wouldn't be allowed to cut any. We offered to turn the Miller outfit over to the Wessel tract and commence logging that spruce at whatever it would cost. Miller was then logging at about \$8 a thousand in fir, this same ground. I left there the 1st of May and there had been no logs come in yet. They had built a city of tents up there, and I went up one day to look at the timber and I found a lot of nice trees down, with five or six or eight or ten soldiers on them busting them up with wedges and axes.

Mr. FREAR. That is, riving them?

Mr. PATTERSON. It was what they called riving; I called it butchery.

Mr. FREAR. When was that?

Mr. PATTERSON. That was along, oh, it must have been in March, I think.

Mr. FREAR. 1918?

Mr. PATTERSON. Yes. I said to Hitchcock that it was a disgrace and an outrage to butcher timber that was within a stone's throw of a mill. I told him that we could have had the mills in and part of them in France if they had let us go when I came down there.

He thought I was a fine fellow, from his remarks that day, but I never could get anywhere near Hitchcock any more.

Mr. FREAR. Hitchcock was the only man you met in these negotiations?

Mr. PATTERSON. Except Capt. Marvin. Marvin did not stay very long, and he really acted like a fellow that wanted to do something. They have from that tract now, I believe, some 8,000,000 feet that is in the water at Depot Slough.

Mr. FREAR. That was from Wessel's?

Mr. PATTERSON. From Wessel's, and a little of the surroundings, and probably half of them are logs that would produce some airplanes. The others are box logs, of low grade.

Mr. FREAR. Now, what would you say about the proportion of airplane stuff, or what have you to say in regard to that?

Mr. PATTERSON. From the stand of the timber as I saw it, and from the report on the scale it would be probably 50 per cent that you would take a chance on getting aircraft out of. There would be a small portion out of some, and some of it was better, of course. They hauled a few here to Portland.

Mr. FREAR. What about the other half, first.

Mr. PATTERSON. Oh, that is box logs, what we call box logs, low grade, full of knots, it could be cut up into small pieces.

Mr. FREAR. That was the timber that was supposed to be selected. That was on the Wessel tract.

Mr. PATTERSON. That was on the Wessel tract that we were to cut as selected when we had the proposed contract.

Mr. FREAR. Have you seen the grades,

Mr. PATTERSON. No, but I know about the scale.

Mr. FREAR. I mean the scale. Who scaled them?

Mr. PATTERSON. My son scaled them for the bureau. The bureau has the scale here in detail. It is on exhibition at any time.

Mr. FREAR. What were you saying about some that were brought to Portland?

Mr. PATTERSON. They brought some up here that was selected. They hauled it some 150 miles and dumped them in as selected logs, and they were culled by the scaler, part of them.

Mr. FREAR. How many cars were brought up here?

Mr. PATTERSON. They did not bring very many. I think they brought a couple of rafts, and they got tired of that and quit it.

Mr. FREAR. A couple of rafts?

Mr. PATTERSON. A couple of rafts. A raft would hold maybe 300,000 feet.

Mr. FREAR. How did they come up?

Mr. PATTERSON. They would haul them up here on cars and dump them in the river, and then tow them to some mill.

Mr. FREAR. You mean they were hauled from Toledo here?

Mr. PATTERSON. Yes.

Mr. FREAR. That is, down this railroad?

Mr. PATTERSON. They came on the Southern Pacific.

Mr. FREAR. But they came down on the Miller Road, I mean?

Mr. PATTERSON. Yes.

Mr. FREAR. They were pulled out from the Wessel tract on the Miller Road?

Mr. PATTERSON. Yes.

Mr. FREAR. Now, they were put in and hauled how far?

Mr. PATTERSON. It is about 150 miles, I think, from here to Toledo, by Albany and down through there.

Mr. FREAR. What was done?

Mr. PATTERSON. They dumped them in the river here.

Mr. FREAR. You mean at Portland?

Mr. PATTERSON. Yes; and they were sent to some mill. They seemed to arrive at that decision after they had been there a while. They built a trestle to connect with the Southern Pacific, and the only need of building that trestle was to connect with the Southern Pacific to haul logs from that country, and that was the expensive part, as I say, of going onto the Miller Road was building this trestle. This trestle was not needed, as far as logging to Toledo was concerned, because we brought them down and dumped them into Depot Slough, and that slough brought them to the mill.

Mr. FREAR. That had been done for years, had it?

Mr. PATTERSON. Yes. The trestle was not a necessity only to connect with the Southern Pacific. There was a piece of track from the Miller Road into the Wessel tract. There was about a mile of grade that had an old road there and they had abandoned the spruce because there wasn't any demand for it. All they had to do was lay a track in there, and it looked to me as though they could get logs in a very few days. In fact, I thought 30 days would be the outside. the time we would get logs into the mill.

Mr. FREAR. What position did you have there?

Mr. PATTERSON. I was manager for Thorsen-Hendrickson.

Mr. FREAR. Where was their mill?

Mr. PATTERSON. At Toledo.

Mr. FREAR. Was that the mill that was afterwards owned by Mr. Storey?

Mr. PATTERSON. Yes.

Mr. FREAR. And formerly the Miller mill?

Mr. PATTERSON. Yes; the same mill.

Mr. FREAR. You are familiar with the timber up there in the Siletz region?

Mr. PATTERSON. Well, I did not go very far back of what they call the elephant to get over into the Siletz. I went over that region a number of times with Miller and other people into the Siletz country.

Mr. FREAR. For what purpose?

Mr. PATTERSON. To look at timber.

Mr. FREAR. What would you say as to the timber over—the stand of timber?

Mr. PATTERSON. Well, as far as I went, I found very nice timber. It was a mixture of spruce and very fine fir, and we were being pressed for fir at that time as well as spruce. There was timber all the way as far as I went. They did not have to go any distance.

Mr. FREAR. You have been up the Siletz, haven't you, or have you?

Mr. PATTERSON. I was over in the Siletz Basin.

Mr. FREAR. I mean, up to the village of Siletz?

Mr. PATTERSON. No; I never went that far. No; I was more interested in manufacturing the logs than in getting them.

Mr. FREAR. What were you sawing there while you were there?

Mr. PATTERSON. Well, while I was there I sawed a great deal of lumber for the trestle for the Government. I suppose it was for the Government.

Mr. FREAR. That was to complete the road over to the Wessel tract?

Mr. PATTERSON. That was to build the road over to the Wessel tract, and I also furnished lumber to go to the south tract, as they called it.

Mr. FREAR. Is that a railroad?

Mr. PATTERSON. South Bay, I think, is what they call it. It was across from Yaquina where they landed the lumber to go to the Blodgett tract.

Mr. FREAR. Did you saw any lumber for this big mill?

Mr. PATTERSON. No; I was out of there before that.

Mr. FREAR. How much sawing did you do for airplane stock?

Mr. PATTERSON. Well, I sawed everything that would make airplanes. I had a few spruce that we got along with the fir.

Mr. FREAR. What proportion of your work was sawing for airplane stock, after this experience of which you speak with Mr. Hitchcock?

Mr. PATTERSON. Well, in all the time I was there I do not think I got over five or six cars of airplane, out of a cut of sixty or seventy thousand on it.

Mr. FREAR. All the rest was commercial sawing?

Mr. PATTERSON. Yes. The specifications were so strict that it was hard to get any lumber. There wasn't any cants.

Mr. FREAR. You cut it up into airplane stock, did you?

Mr. PATTERSON. Yes.

Mr. FREAR. You did not stop at the cants?

Mr. PATTERSON. No, I did not get to cutting any cants.

Mr. FREAR. Was that inspected up here, sent up here and inspected?

Mr. PATTERSON. No, the inspector came down there and passed on it, and took what he wanted and left the rest there.

Mr. FREAR. I mean that it was taken?

Mr. PATTERSON. Oh, yes.

Mr. FREAR. How many cars?

Mr. PATTERSON. I think about five cars was all I got.

Mr. FREAR. In what period?

Mr. PATTERSON. Three months.

Mr. FREAR. What proportion had been cut before, can you say?

Mr. PATTERSON. That was the only airplane I cut.

Mr. FREAR. Did you have anything to do with another mill there, the proposed other mill?

Mr. PATTERSON. Well, I was called on a conference there at the request of Amos Benson, I think—I do not know of any other man that would call me; I know Hitchcock wouldn't call me—and his aim was to build the mill at Yaquina. Yaquina was very near Newport.

Mr. FREAR. What kind if a mill?

Mr. PATTERSON. Well, the first proposal was a mill that would cost about \$250,000 to \$350,000. It was to be what was called a bust-up mill more than a real merchantable mill.

Mr. FREAR. What do you mean by that?

Mr. PATTERSON. Well, their talk was to take the big logs in particular and cut off all the good lumber in cants, or some dimension—they had not arrived at the dimension; in fact, they did not until

Mr. Breeze arrived here. They were to take that lumber and bring it up to the cut-up plant. They already had the cut-up plant here.

Mr. FREAR. That was at Vancouver?

Mr. PATTERSON. Yes. All they wanted was to bust it up, and then they proposed to sell the low grade to the pulp mill. I think the pulp mill was at Oregon City, or Camas, Wash. Hitchcock said that that could be disposed of. I told him I knew it could because they had been down there trying to buy slabs for pulp, and if he cared I would take it up with the officials and see what we could get for the heart of the logs and what was not good for airplane. He seemed to sanction it all right, but in a few minutes he called again and said that "I think I had better take that up with Mr. Leadbetter, because I am well acquainted with him, and you had better not interfere." I said "All right." Mr. Hitchcock knew so much about sawmilling that it was a joke to talk to him. Going across Yaquina Bay one day we were talking about steaming a sawmill there, and I told him they would have to have some hogs to grind up the fuel to steam the spruce for cutting with a band. "My God," he says, "I hope we don't have to ship any coal here to fire a sawmill, because it is very scarce." I said, "My God, they don't steam a sawmill with coal." Another joke along there was Capt. Brown. He was a fellow I had to deal with.

The water question came up and he decided they would get a condensing plant to take care of the water, condensing the steam, instead of going over the hills into a stream of water and getting water. So to a man that had followed lumbering any time to talk to two men like that, he became disgusted.

Mr. FREAR. They were the men that were put between you and Mr. Disque to negotiate, were they, in regard to the production of airplane stock?

Mr. PATTERSON. I never got next to Mr. Disque only once, on the auditorium steps. I ran across him there one night accidentally, and being interested in his work I talked to him a few minutes. I told him that his organization was rotten, as far as manufacturing spruce in Lincoln County was concerned. Of course, I do not think it sat very well, and I didn't know but what I might be in the jug.

Mr. FREAR. That was during the war?

Mr. PATTERSON. Yes; that was during the war. I tried to get him to permit us to run 10 hours a day. We were cutting the lumber for the trestle and Mr. Yeon was down there and crowding us very hard for lumber. I told him I couldn't do any more than I was doing in 8 hours, and I was not allowed to run 10, so his clerk wrote me a permit to run 10 hours a day.

Mr. FREAR. Whose clerk?

Mr. PATTERSON. Well, he was the Warren Spruce clerk at that time, or an official of that concern. I thought to be sure about it I would wire Disque, and I did, and I asked him—I told him it was an emergency case and that the men were satisfied to run 10 hours on a flat per hour pay, if it was all right with him; that we would be glad to do it as it was an emergency case in war time. I got a very tart reply that I could not run anything over eight hours without paying time and a half, so I gave that up.

Mr. FREAR. What was the capacity of the mill that was sawing there?

Mr. PATTERSON. Well, in 10 hours we got up to 70,000 or 75,000. It depended on the logs. Sawing spruce is a little slower. Then we got down to eight hours and we only got about 50,000.

Mr. FREAR. In three shifts that would be 150,000?

Mr. PATTERSON. In three shifts you would get 150,000, and with the proposed contracts containing cants we could have got a good deal more timber than that. I told Maj. Hitchcock we would run the mill three shifts there if he would furnish the logs, that we would cut the airplane for \$15 a thousand and the box lumber for \$9, and they could do what they liked with it afterwards, and if that did not suit and they found we were making too much money, or more than anything reasonable, we would let them set the price. All we wanted was what was fair. He thought I was too high, but they afterwards let a contract to the mill at about the reverse of that.

Mr. FREAR. How?

Mr. PATTERSON. They paid \$9 for airplane and about \$13 for box, giving the mill an advantage on cutting box instead of airplane.

Mr. FREAR. How did that come about?

Mr. PATTERSON. I don't know; I can not explain.

Mr. FREAR. Who was that contract made with?

Mr. PATTERSON. That was made with the people I was working for when I left there—the Fischer-Storey or the Yaquina Bay Lumber Co.

Mr. FREAR. Did the Spruce Production Corporation make that?

Mr. PATTERSON. Some official, I understand, made that.

Mr. FREAR. What was the purpose of making a higher price for box?

Mr. PATTERSON. I could not see any purpose. It came about in a peculiar way. They paid them \$9 for the whole log for sawing. They took away what airplane they wanted and left the rest there with the mill. The mill was to sell the lumber then and give them \$3 stumpage, as it were. The box lumber was bringing about \$16 at that time, so it left the mill about \$13 for the box.

Mr. FREAR. Did you have anything to do with another mill proposition there? I do not remember whether you had or not—another proposed mill.

Mr. PATTERSON. That was a band-saw mill.

Mr. FREAR. Was that during your time?

Mr. PATTERSON. I made an offer to Maj. Hitchcock for the company the day he was there on the bank of Depoe Slough that if they would extend to the company a credit, or some means, of about \$50,000 that we could set up a band mill to take care of the large logs. Some of them were too big for the circular mill. They could have their hand on the throttle all the time, and the money could not get away. I told him that would take care of all the logs that were coming off the Wessel tract. At this time they had about abandoned the Miller Road. After they got the trestle built, for some reason or other they quit it.

Mr. FREAR. What would have been the capacity of that band saw?

Mr. PATTERSON. Oh, that mill would bust up 100,000 a day. It was to be a bust-up mill.

Mr. FREAR. That is, on eight hours?

Mr. PATTERSON. Yes.

Mr. FREAR. How much on 24 hours?

Mr. PATTERSON. It would be three times that.

Mr. FREAR. What would have been the cost of that mill, approximately?

Mr. PATTERSON. Well, we estimated that that mill could be put up there for \$50,000. They had an electric plant there where they claimed they could furnish electric power enough to run a band mill without any commercial department to it.

Mr. FREAR. Then the mill that you were operating—about what was the value of that mill?

Mr. PATTERSON. Well, that was not a valuable mill. It was an old mill, and probably was not worth over twenty-five or thirty thousand dollars, maybe \$35,000.

Mr. FREAR. So that with an investment of approximately \$100,000 you could have had a production on three shifts of how much—600,000?

Mr. PATTERSON. No; I would not figure to get away with that much, and I never saw the necessity for getting that much.

Mr. FREAR. How much would you say? One mill would produce 150,000.

Mr. PATTERSON. Well, it would have produced about an equal amount. Of course, as I say, in cutting cants they would get away with more lumber, because they were going to send the heart of the log to the pulp mill.

Mr. FREAR. What would have been the lumber cut of this sawmill at eight hours?

Mr. PATTERSON. Well, that band-saw mill would cut as much lumber as either one of the band mills that they have now set up.

Mr. FREAR. I know; but how much—let us get it definite—how many thousand feet a day?

Mr. PATTERSON. I would figure it would bust up 100,000 feet, easily.

Mr. FREAR. That is, in eight hours.

Mr. PATTERSON. Yes.

Mr. FREAR. Then if it would do that in 8 hours it would do three times that amount in 24 hours?

Mr. PATTERSON. Yes, sir.

Mr. FREAR. And three times that would be 300,000, which, added to the 150,000, would make about 450,000 feet. Is that right?

Mr. PATTERSON. That is right. The time they were out there they only got 800,000,000 feet of logs into the water.

Mr. FREAR. So you had about enough there to have kept them busy for a couple of weeks or so?

Mr. PATTERSON. They could not have kept us in logs at all at the way they were logging.

Mr. FREAR. Now, they were building a mill there to cost about a million dollars, were they not?

Mr. PATTERSON. I understand that is what it stands at now, but the proposed cost was about \$350,000.

Mr. FREAR. That was the original cost.

Mr. PATTERSON. I have been with them a number of times, and I remember one meeting Mr. Leadbetter was there and he was very

much against the building of a mill. He told them they had mills enough now, to take the logs to the mills.

Mr. FREAR. That is, he was opposed to the mill down there, the building of it?

Mr. PATTERSON. Yes.

Mr. FREAR. Were you present then?

Mr. PATTERSON. Yes.

Mr. FREAR. But they went on and built it, seemingly?

Mr. PATTERSON. Yes, they started to build it.

Mr. FREAR. What were they going to do with the mill, what is its commercial use at the present time?

Mr. PATTERSON. I do not think it is a commercial mill, that it has any value more than the machinery which could be taken out and set up somewhere else. The harbor is not a harbor that would take care of a large cut of lumber. It would be rail shipping mostly.

Mr. FREAR. Have you been over that coast line road?

Mr. PATTERSON. No, I have not been over the road. I was over the proposed road before it was started.

Mr. FREAR. Along the coast. You have no interest in the Siletz country, have you?

Mr. PATTERSON. Not a penny.

Mr. FREAR. You have none direct or indirect?

Mr. PATTERSON. I never had any.

Mr. FREAR. Do you know anything about the locality of the timber, that is, where the timber stands, and the cruises; have you examined maps or anything of that kind?

Mr. PATTERSON. I looked over a great many cruises, connecting with the Miller Road. At that time there was a man there every day to dispose of a tract of timber, and they brought cruises, and of course on paper they looked very good. I never saw any of them, only a short distance from the end of the Miller Road into the Siletz country.

Mr. FREAR. Well, if, as has been testified here—can you give any opinion yourself in regard to the comparative stand of spruce on the east and the west sides of the divide?

Mr. PATTERSON. Only what I saw at the end of the Miller Road, and what I saw on the Otter Rock road.

Mr. FREAR. What was your judgment, so far as you saw?

Mr. PATTERSON. So far as I saw I thought that the Miller Road was the only road to go, and I never could see why they abandoned it after building the trestle that they had to go in there. They sure intended to go in there when they built the trestle, because that was the extensive part.

Mr. FREAR. What would you think of their building a road from Yaquina Bay around to Otter Rock?

Mr. PATTERSON. Well, it did not look good to me the day I went over it.

Mr. FREAR. That is, I mean as an expeditious way of getting the spruce down for use.

Mr. PATTERSON. Well, that is the only way they could get on that shore, was to go around Yaquina Bay, unless they took it over the ridge to the Miller Road, which I understand was the first proposition. was to take that that was on the west side of the hill and take it over to the other side and bring it down the Miller Road.

Mr. FREAR. Was there very much there, comparatively?

Mr. PATTERSON. The best estimate that I ever heard on it, and that was from parties that wanted to build the road, was 150,000 of all kinds of spruce. I do not think there was any fir in that country to speak of. It was too near the ocean.

Mr. FREAR. That is, all kinds of spruce?

Mr. PATTERSON. There was a great deal of that that was box spruce, small brushy stuff.

Mr. FREAR. What was the estimate, if you know, on the other side of the divide?

Mr. PATTERSON. Well, I had estimates into the billions on that side. Of course, I could not say they were correct.

Mr. FREAR. I mean spruce.

Mr. PATTERSON. Spruce and fir—well, I have had people talk about about a billion feet of spruce on the east side. I could not say that that is correct.

Mr. FREAR. You do not know?

Mr. PATTERSON. No; I do not know.

Mr. FREAR. And when your people sold out they sold out to Storey, did they?

Mr. PATTERSON. Well, there was a continuation of part of the company at that time. Some of them remained and some of them went out.

Mr. FREAR. What else is there that you have in mind, Mr. Patterson, that would be of interest to the committee?

Mr. PATTERSON. I think the cost-plus operations in Lincoln County were outrageous.

Mr. FREAR. In what way?

Mr. PATTERSON. It looked to me like a bunch of men down there, with a few exceptions, that were there to spend money and not to get spruce. I questioned myself, sometimes, as to whether they wanted any spruce or not. A strong evidence of that was the fact that this quarter section, with a mile of track leading to it, could have been put in in from 30 to 60 days, and lumber could have been cut or taken out and moved somewhere.

Mr. FREAR. Are you speaking of section 24?

Mr. PATTERSON. Section 24. To-day it is laying in the Depoe Slough, and probably would bring \$10 or \$11 a thousand.

Mr. FREAR. What did it cost?

Mr. PATTERSON. I have no doubt it cost \$100 a thousand feet, from the amount of men that I saw there, and the way they were handling it. I am not giving these as correct figures, because they can be verified by real figures.

Mr. FREAR. How far would they have had to go to have constructed the Miller line over the divide, as has been testified, or do you know about getting spruce there; airplane spruce?

Mr. PATTERSON. We would have got spruce all the way from where the Miller Road started; there was a continuation if scattered spruce among the fir, and the fir was exceptionally good.

Mr. FREAR. Criticism came this morning from the ex-governor of the State to the effect that there were, as I recollect, profiteers down there. What profiteers do you know about?

Mr. PATTERSON. I never saw a man that wanted to profiteer. I know that the Miller Road was offered to the Government on any

terms they wanted it. I heard it offered that they could take it and if it was worth anything the Government could pay it when they got through with it.

Mr. FREAR. You do not come to the same conclusion regarding profiteering that he did; that those people around Toledo were profiteering?

Mr. PATTERSON. I never saw a man there but what was patriotic and for the good of the Government. Several of them showed that by their offers in helping to get a mill there.

Mr. FREAR. That is all.

Mr. LEA. How far up the Otter Rock Road did you go?

Mr. PATTERSON. Well, I went very close to Otter Rock, as I remember it.

Mr. LEA. That was before there was any construction work?

Mr. PATTERSON. They were just talking about it at that time.

Mr. LEA. You were simply going over the route of the proposed railroad; is that the idea?

Mr. PATTERSON. We were taken out in an automobile and horse teams on one Sunday.

Mr. LEA. Who did you go with?

Mr. PATTERSON. I went with Maj. Hitchcock, Capt. Brown, Amos Benson and two or three cruisers and engineers.

Mr. LEA. Was that up the beach?

Mr. PATTERSON. We went on the beach part of the way where we could get on the beach, and part of the way on the land.

Mr. LEA. Was there a wagon road along there or not?

Mr. PATTERSON. Well, as I remember it, there was a wagon road part of the way. The last end of the road we had to go by wagon, it was too rough for automobiles.

Mr. LEA. What I mean is, whether you were trying to locate the road for the railroad?

Mr. PATTERSON. We went out to find timber, in particular. Of course we saw the route, part of it, as we went over it, the part that was pointed out. In fact, there were some stakes there.

Mr. LEA. Now, in estimating the quantity, or the production of a mill, do you figure that the capacity of three shifts, 24 hours, would equal three times the capacity of an 8-hour shift?

Mr. PATTERSON. Well, there is a question about that. That will depend on your crew, whether you have as good a crew on one shift as you have on another. There is no reason why they would not get as much on the second shift as on the first one, if they have crews that are equal.

Mr. LEA. Do you think they can accomplish as much at night as they can in the day time?

Mr. PATTERSON. I would not say that to be a fact; no.

Mr. LEA. Ordinarily mill men figure otherwise, do they not?

Mr. PATTERSON. Well, they do not always operate the same at night as they do in the daytime. For instance, they do not use as many men in the yard, and they get their cut at night ready to take care of the next day, to a certain extent.

Mr. LEA. How far from Toledo did you go toward the Siletz country—how many miles?

Mr. PATTERSON. Oh, I probably went 8 miles from Toledo.

Mr. LEA. That was up this Miller Road, and beyond?

Mr. PATTERSON. Beyond past the Miller Road and into the Siletz country. Over into what they call the hill.

Mr. LEA. What was the name of this company that you were interested in?

Mr. PATTERSON. I went down there for Thorsen-Hendrickson.

Mr. LEA. In what capacity?

Mr. PATTERSON. Manager.

Mr. LEA. You didn't have any interest in that company?

Mr. PATTERSON. Not any.

Mr. LEA. Or the mill down there?

Mr. PATTERSON. Not a bit.

Mr. LEA. You were not associated with Mr. Miller at any time, were you?

Mr. PATTERSON. Not at all.

Mr. LEA. While you were down there they kept logging for this mill?

Mr. PATTERSON. Miller was logging. He was part of the concern.

Mr. LEA. What was your capacity a day at that mill at that time?

Mr. PATTERSON. When we first started the 10-hour shift, we got around 70,000.

Mr. LEA. Mr. Miller testified here that he got out 80,000 feet a day of logs.

Mr. PATTERSON. Yes, sir.

Mr. LEA. Wasn't that sufficient to meet your capacity?

Mr. PATTERSON. That was sufficient, and if there had been no Warren spruce down there Miller would have continued to supply the mill, but with the understanding that the Warren spruce would furnish the logs for the mill and that they were to be spruce largely. Miller let up on logging and he let his logs run back to the extent—

Mr. LEA. Didn't he continue to log?

Mr. PATTERSON. He continued to log until he got all the timber cut he had. He decided all the while that he was going to be through logging for a time until the Government got through with cutting their spruce, so he let up on logging.

Mr. LEA. How long after you went down there were you provided with plenty of logs?

Mr. PATTERSON. Until I left there, but was always ready to start one or two more shift when we got more logs.

Mr. LEA. Do you recall what date you went down there?

Mr. PATTERSON. I went down there in January, commenced getting the mill ready for operation in February.

Mr. LEA. And came back when?

Mr. PATTERSON. I came back the fore part of May.

Mr. LEA. What are your initials?

Mr. PATTERSON. John Patterson.

Mr. LEA. Now, there were a good many people in that country trying to sell their timber when it became known that the Government was going to operate there?

Mr. PATTERSON. Yes, sir; there were people there trying to sell their timber.

Mr. LEA. Do you know of any people who made a special effort to get options up ahead of this Miller road?

Mr. PATTERSON. No; I don't, but there was timber on that road that I could have options on myself, if I had wanted it.

Mr. LEA. Do you know whether or not Mr. Gildner was trying to get options for parties, ahead of this Siletz road?

Mr. PATTERSON. I don't know that. I know I was offered good stands of timber for two to three dollars a thousand.

Mr. LEA. Was Mr. Gildner at work in that country at that time?

Mr. PATTERSON. I think he was over somewhere in the Siletz. I saw him there occasionally, but I was not acquainted with him, nor I didn't talk to him.

Mr. LEA. The location of the Government's activities there started a kind of boom of interest, didn't it?

Mr. PATTERSON. Oh, yes; people were interested, and they were interested in furnishing spruce. Mr. Dant over here had a section up there that he offered very reasonable, and I told him that he had better sell it, that the Government would take it. He said, "All right, if the Government wants it, they can have it."

Mr. LEA. At what rate did the Government pay for the timber in section 24, do you know?

Mr. PATTERSON. They were to pay the Thorsen-Hendricksen Lumber Co. \$7 per thousand for the selected trees. In time, the other officials changed that so you cut that tree out up as near—stump, top and all, at \$7 a thousand.

Mr. LEA. And they took other timber. Do you know what they were paying?

Mr. PATTERSON. There was a lower price for other timber, if they destroyed it, but if in felling a tree you destroyed a good tree, it was to be paid \$3.

Mr. LEA. It was to be paid on a thousand basis?

Mr. PATTERSON. On a thousand basis. That was the first arrangement.

Mr. MAGEE. What has this trestle that you have described—where is it?

Mr. PATTERSON. The trestle connects the Southern Pacific out of Toledo with the Miller road; the Miller logging road goes over into the Siletz.

Mr. MAGEE. That was built by the—

Mr. PATTERSON. Warren—

Mr. MAGEE. Spruce production division?

Mr. PATTERSON. The Warren Spruce built that.

Mr. MAGEE. I mean under the supervision of the spruce production division; that is, built by the Government.

Mr. PATTERSON. That is the understanding; they were working for the Government and building this trestle.

Mr. MAGEE. Where does this trestle begin, as compared with the location of the mill?

Mr. PATTERSON. Well, it is not near the mill. You still have to dump into Depot Slough to get any logs to the old mill. I don't know what provision they have made for taking logs on to the new mill—

Mr. MAGEE. Does this trestle connect with the land upon which the mill is located?

Mr. PATTERSON. Well, it could be connected by going across the slough, passing on the other side of the slough, and could be bridged

across and go on over to the new mill. I don't know that that was the intention, because figured on taking the logs from Yaquina up in rafts to Toledo for the mill.

Mr. MAGEE. How long was this trestle?

Mr. PATTERSON. I would say a mile and a half or two miles.

Mr. MAGEE. That is really made a part of this Storey & Miller Railroad which you have described?

Mr. PATTERSON. It is now a part of that road; yes.

Mr. MAGEE. That is all.

(Witness excused.)

TESTIMONY OF J. O. STOREY.

(The witness was sworn by Mr. Frear.)

Mr. FREAR. Where do you live, Mr. Storey?

Mr. STOREY. I live at Toledo for the present.

Mr. FREAR. How long have you lived there?

Mr. STOREY. Why, a year last April.

Mr. FREAR. What is your business?

Mr. STOREY. I am the manager of the Fisher-Storey Lumber Co.

Mr. FREAR. Where did you live before that?

Mr. STOREY. I lived at Tacoma.

Mr. FREAR. And engaged in what business?

Mr. STOREY. Lumber business.

Mr. FREAR. And before you came out to this country where did you live.

Mr. STOREY. La Crosse, Wis.

Mr. FREAR. And engaged in what business?

Mr. STOREY. Lumber business.

Mr. FREAR. So you have been engaged in the lumber business for how many years?

Mr. STOREY. Forty years.

Mr. FREAR. You are now engaged in a mill down in Toledo?

Mr. STOREY. Toledo; yes.

Mr. FREAR. You are engaged with whom in that business?

Mr. STOREY. Mr. Fisher.

Mr. FREAR. Fisher and you own the mill, do you?

Mr. STOREY. At the present time.

Mr. FREAR. And the mill has been burned and you are building a new mill; is that it?

Mr. STOREY. Yes.

Mr. FREAR. Did you own the old mill?

Mr. STOREY. Yes.

Mr. FREAR. What was the capacity of the old mill?

Mr. STOREY. About 60,000 in eight hours.

Mr. FREAR. And that would make, with three shifts, about 175,000 or 180,000?

Mr. STOREY. Yes.

Mr. FREAR. And you are building another mill now?

Mr. STOREY. Yes.

Mr. FREAR. Of about what capacity?

Mr. STOREY. One hundred and fifty thousand.

Mr. FREAR. On an eight-hour shift?

Mr. STOREY. Yes, sir.

Mr. FREAR. About what will be the cost of building that mill?

Mr. STOREY. We are building an up-to-date electric-driven mill that will cost about \$150,000.

Mr. FREAR. \$150,000; and 150,000, or that would be 450,000 cut on three shifts?

Mr. STOREY. Yes.

Mr. FREAR. You are building right near the cut-up mill there, are you, or the big sawmill that was constructed there?

Mr. STOREY. Yes.

Mr. FREAR. How far distant?

Mr. STOREY. About 1,000 feet apart.

Mr. FREAR. About 1,000 feet apart. Well, with that mill there in existence, are you afraid it will interfere with your operations?

Mr. STOREY. No; I am not.

Mr. FREAR. That mill cost nearly \$1,000,000, according to the evidence, and on three shifts was to be a 600,000 cut. That is slightly more, or a little more, than the mill you are putting up—150,000; is that right?

Mr. STOREY. Well, they have got a good deal bigger mill than ours.

Mr. FREAR. But it was not much different in its capacity; if so, what?

Mr. STOREY. That depends upon what you figure—what they have there now or what they had, or what they intended to have. You see, they have taken away a part of the machinery of this mill.

Mr. FREAR. Yes.

Mr. STOREY. They had laid it out for a great big plant; but I think now, with the size mill they have got now and the size mill we are building, that we will cut equally as much lumber.

Mr. FREAR. You will cut practically as much lumber with your mill at the price that this cost you? What will be done with that mill, in your judgment as a business man in the community and a logger lumberman?

Mr. STOREY. I advised with Maj. Hitchcock at the time of the signing of the armistice, before they had unloaded any of the machinery or placed any of the machinery in the mill. He asked me what I thought they had better do with it. I said, "You will get more money for it right now if you stop right where you are. The machinery is all new, not unpacked, and sell the machinery," because at that time there hadn't been any machinery installed.

Mr. FREAR. That was when?

Mr. STOREY. That was the signing of the armistice—a day or two after that.

Mr. FREAR. It was installed, was it, some of it?

Mr. STOREY. No; not at that time.

Mr. FREAR. Or was it afterwards?

Mr. STOREY. They worked about two months afterwards, and I think installed possibly 60 per cent.

Mr. FREAR. And what time was the fire?

Mr. STOREY. At our mill?

Mr. FREAR. Yes.

Mr. STOREY. The 18th of June.

Mr. FREAR. 18th of June, 1919?

Mr. STOREY. 1919.

Mr. FREAR. You continued in business right along with your mill. You are starting to build a much larger mill now?

Mr. STOREY. Yes.

Mr. FREAR. Without any reference to the big mill which stands over a thousand feet distant?

Mr. STOREY. Yes.

Mr. FREAR. You own the road, that is, your company owns the road that has been spoken of as the Miller Road at that time?

Mr. STOREY. Yes.

Mr. FREAR. And that road now connects with the Southern Pacific, due to the trestle that has been built by the Government; is that right?

Mr. STOREY. Yes, sir.

Mr. FREAR. That road has been extended up, according to the testimony, to section 17, which is close to the ridge, and how far is it from the peak of the ridge, so far as you know?

Mr. STOREY. About a half a mile, probably not that far. I would rather say I think 1,500 feet to the peak of the hill.

Mr. FREAR. Have you looked at the surveys and studied this country?

Mr. STOREY. Yes, sir.

Mr. FREAR. You were the ones who were to put up the money for this mill—

Mr. STOREY. We were the ones.

Mr. FREAR. Or for this railroad?

Mr. STOREY. Yes.

Mr. FREAR. So that you are financially and otherwise interested in this operation?

Mr. STOREY. I am; yes, sir.

Mr. FREAR. Do you know what the percentage of grade is?

Mr. STOREY. The steepest grade that we have is the grade that we have now built. For about three-quarters of a mile we have a 3 per cent grade—

Mr. FREAR. As the road is now built?

Mr. STOREY. As the road is now built.

Mr. FREAR. Running which way?

Mr. STOREY. Running north.

Mr. FREAR. What?

Mr. STOREY. Running north.

Mr. FREAR. That would be empty cars?

Mr. STOREY. Empty cars, yes. When we get over the top of the hill, we have from $1\frac{1}{4}$ to $1\frac{1}{2}$ per cent. You see, the tidewater on the Depot Slough side is about 100 or 150 feet lower than the water on the Siletz River side, and we climb a hill there of 235 feet above tidewater.

Mr. FREAR. That is the divide that they speak of that you get over?

Mr. STOREY. Yes, sir.

Mr. FREAR. What is the grade, with loaded cars, coming up from the north, running south on that river?

Mr. STOREY. Our survey we get by—one survey we had was $1\frac{1}{2}$ per cent, and one could shave it down to about $1\frac{1}{10}$ per cent.

Mr. FREAR. That is, bringing down loaded cars from the Siletz region down into the—

Mr. STOREY. Toledo mill.

Mr. FREAR. Down to the mill. How far has your survey gone, or do you know?

Mr. STOREY. We have gone about $3\frac{1}{2}$ miles beyond where we have built now—about $3\frac{1}{2}$ miles.

Mr. FREAR. Are you familiar with the cruises of the timber up in the Siletz region, right north of you?

Mr. STOREY. Yes.

Mr. FREAR. What do you know about it, generally speaking?

Mr. STOREY. Well, I have heard the testimony of the gentlemen here as regards to 550,000,000 to 700,000,000, but I have taken some of them to task. I have looked over that timber two or three different times, and I consider it a great deal more timber in there than they claim; and I asked some of them, and they said they left out two or three of the creeks; so that they didn't figure much timber in which ought to have been. I figure there is a billion feet of spruce in there if there was any.

Mr. FREAR. A billion feet of spruce in this Siletz region?

Mr. STOREY. Yes, sir.

Mr. FREAR. Running up to what distance would that be?

Mr. STOREY. That would run it up to probably 15 miles.

Mr. FREAR. Fifteen miles beyond what?

Mr. STOREY. Our road.

Mr. FREAR. Beyond your road?

Mr. STOREY. Yes, sir.

Mr. FREAR. That would make it about 20 miles from Toledo?

Mr. STOREY. Well, probably 24 or 25 miles.

Mr. FREAR. Well, how far is your road now?

Mr. STOREY. We are about 6 or 7 miles.

Mr. FREAR. Oh, are you? Where would you strike spruce first—going north on your road, how far?

Mr. STOREY. We strike the first spruce in Mill Creek. That is about a mile and a quarter from our road now—strike the first good spruce in there.

Mr. FREAR. And then it continues on?

Mr. STOREY. We have some spruce right where our camp is now, but not of high quality; the same quality of spruce as is found on the Wessel tract; not high-quality spruce.

Mr. FREAR. That is where you are working now?

Mr. STOREY. Yes; right where our camp is now.

Mr. FREAR. And this other spruce you speak of—

Mr. STOREY. The high-grade spruce is about a mile and a quarter.

Mr. FREAR. And from that up how does it run?

Mr. STOREY. It is continuous; makes good spruce all the way.

Mr. FREAR. What of the fir in that valley?

Mr. STOREY. Of course, there is a tremendous body of fir in there; very high-grade fir.

Mr. FREAR. Where does it run—into what figures?

Mr. STOREY. Oh, ten or twelve billion feet.

Mr. FREAR. Up in that same region?

Mr. STOREY. Up in that region.

Mr. FREAR. How far does it extend, I mean—would you say that it reached 10,000,000,000 feet up within 20 miles?

Mr. STOREY. Oh, yes; 20 or 30 miles, probably 30 miles.

Mr. FREAR. So that there was an inexhaustible supply of fir, providing it was being used for airplanes, to have been brought down; is that right?

Mr. STOREY. I think that is one of the best stands of good timber, uncut, in the State of Oregon to-day, without a doubt.

Mr. FREAR. What would you say compared with any other State?

Mr. STOREY. Any other State?

Mr. FREAR. What do you say compared with anything in British Columbia, so far as you know?

Mr. STOREY. There is nothing in British Columbia that is any better.

Mr. FREAR. Now, tell the committee, please, what you think of the place where the British were cutting their airplane stuff at the time of the signing of the armistice, on Queen Charlotte Island, if you know anything about it?

Mr. STOREY. I examined the Queen Charlotte Island timber six or seven years ago for some people who were interested there and have a sawmill at Skidegute, about halfway up the island, and I found a very good stand of spruce, of very high quality, and hemlock; not any fir; and I reported to the people who wanted me to become interested that I would not have anything to do with it, on account of the condition of getting to the mainland. The island is out from the mainland about 80 miles, and it is quite shallow, the ocean water in there; and it is about the roughest piece of water between Puget Sound and Alaska. So that the difficulty that they were having was to get logs to the mill. Now, I heard it stated that they could put logs into the ocean there, or set their machinery out there and log right into the ocean. It is a physical impossibility.

Mr. FREAR. Who stated it?

Mr. STOREY. I heard Col. Disque state that the other day.

Mr. FREAR. You say it is physically impossible?

Mr. STOREY. A physical impossibility.

Mr. FREAR. Go on as to the method of logging that must be pursued.

Mr. STOREY. They have to put the logs into the bay there just the same as we have to put them in the bays here.

Mr. FREAR. How?

Mr. STOREY. And they have to build ocean rafts to tow them over to Prince Rupert to cut into lumber there, or wherever they could cut them. But it is a very difficult piece of water, and I refused to go into the proposition on account of that.

Mr. FREAR. How would you have to log up there on the island to get the logs into the water?

Mr. STOREY. Have to use railroads and donkey engines.

Mr. FREAR. The same as any other place?

Mr. STOREY. The same as any other place.

Mr. FREAR. Were there railroads built in there?

Mr. STOREY. Not at that time they weren't.

Mr. FREAR. Did you ever discuss this matter with Mr. Pendleton later on, who built in there?

Mr. STOREY. Yes; I have talked with Mr. Pendleton three different times about the progress up there and about other timber. He asked me about certain tracts of timber there that he wanted to become familiar with, and discussed about getting in there and getting the

timber out, and I said, "How are you getting along on Queen Charlotte Island?" "Well," he said, "we are getting along very well." Then he got to talking about prices, etc., and I said, "Well, we ought to be able to get logs out to our mill for one-half what you can get them there," and he described the method of getting them out.

Mr. FREAR. And what was the method—rafting, etc.?

Mr. STOREY. He told me they had to build rafts and so on and have very good ocean-going boats, but they were fairly successful in getting over to the mainland.

Mr. FREAR. Did he say anything about his experience on this side of the line in endeavoring to help?

Mr. LEA. Well—

Mr. FREAR. I don't know that that is really admissible in evidence, if there is any question about it.

Mr. LEA. He has gone over that.

Mr. FREAR. Yes; I think Pendleton stated that fully himself. You have talked with him about the general subject?

Mr. STOREY. Yes.

Mr. FREAR. How far is it, generally speaking, from Queen Charlotte Island down to Vancouver?

Mr. STOREY. Oh, it must be six or seven hundred miles.

Mr. FREAR. How far did they carry—well, how far would you have taken logs in order to have gotten them to the mills, if you know, there?

Mr. STOREY. The nearest point they could cut them is about 80 miles—Prince Rupert.

Mr. FREAR. That would have been right across?

Mr. STOREY. Right across, right straight across.

Mr. FREAR. There were some mills there, were there?

Mr. STOREY. He told me there was a mill. I didn't know at the time. He said they were taking some of them there, and some to Port Essington.

Mr. FREAR. His testimony was, I understand, that there was 175 miles they were brought, on an average, to get to the mills.

Mr. STOREY. Well, they brought them to Vancouver.

Mr. FREAR. No; Vancouver is over 175 miles, isn't it?

Mr. STOREY. Oh, yes; 600 miles; must be five or six hundred; but there may be other mills around the mainland, I don't know.

Mr. FREAR. You say they only had spruce and hemlock there?

Mr. STOREY. Yes.

Mr. FREAR. And there was no fir to speak of?

Mr. STOREY. No.

Mr. FREAR. About how large a stand of spruce did they have.

Mr. STOREY. I haven't any idea.

Mr. FREAR. Was it as large as that in the States?

Mr. STOREY. It was not as large trees, but it was rather tall, cleaner timber.

Mr. FREAR. What portion, as to amount, so far as you knew, or do you know anything about it? Did you make sufficient investigation? I mean, would it run into a hundred million or five hundred million?

Mr. STOREY. Oh, yes; they had more than that. I would rather say they had billions of it there.

Mr. FREAR. So they had a sufficient supply when they once got into it?

Mr. STOREY. They had a sufficient supply.

Mr. FREAR. But they would have to log it just the same as you would down here?

Mr. STOREY. Oh, yes.

Mr. FREAR. Did you make any effort to assist down here in getting—at your place in Toledo, in getting out spruce for airplane stuff?

Mr. STOREY. Why, yes.

Mr. FREAR. What did you do?

Mr. STOREY. I first came out there about the middle of April. Capt. Brown came to me and suggested he was green at the lumber business and wanted to know if I could not assist him in some manner in getting out airplane spruce and fir, and I told him I was at his service any time, and I told him we had previously been negotiating with Maj. Hitchcock; they were going to take over the railroad and take the mill and operate it themselves. And he said, "Well, we seem to be getting along rather slow. I wish you could some way kind of get in with me and give me what advice you can and help me as much as you can," and I told him I certainly would do that. And we had previous to that entered into a tangible contract with Maj. Hitchcock. They wanted to take our railroad over. And I want to say a word in going into that: It has been stated that a good deal of this business was profiteering, so I want to kind of nip that in the bud right here. We owned the railroad, and I bought the road rights of way for all of the railroad which they built this trestle on, and was agreeing to furnish our rights of way. We offered to turn the railroad over to them for the price of \$100 a month, which would be just about half of the taxes that it would cost us to carry it.

Mr. FREAR. What is the cost of the railway generally?

Mr. STOREY. We valued the railroad at \$100,000, what was there. We offered to let the Government have it for \$100 a month. We had a logging outfit that was capable of putting in 150,000 a day; offered to let them have that in any way they wanted it.

Mr. FREAR. Were you one of those men described as a "profiteering bird," or something like that, down there?

Mr. STOREY. Yes; I am one of the "profiteering birds."

Mr. FREAR. Here is what purports to be a railroad lease, entered into the blank "day of April, 1918, by and between the Toledo & Siletz Railroad Co., an Oregon corporation, and the Yaquina Bay Railway & Lumber Co., an Oregon corporation, parties of the first part, hereinafter referred to as the 'lessors,' and the United States of America, party of the second part, hereinafter referred to as the 'Government,' represented by J. Van D. Crisp, captain, Signal Corps, U. S. A., hereinafter referred to as the 'contracting officer,' witnesseth." And then it goes on and described that you are the owners of a certain railroad located in Lincoln County, Oreg.; that said line "owned by the lessor is hereinafter referred to as the 'Old Line' * * *; it is the desire of the parties hereto that the Government shall lease said Old Line and it is contemplated that the Government will make certain improvements on said Old Line and will, in addition thereto, probably make extensions," and so on. "It is, there-

fore, agreed by and between the parties hereto as follows: The lessors hereby lease, let, and rent unto the Government all the right of way, fixtures, and improvements located on or which are a part of the Old Line Railroad above described and the right of way on the new line as well. * * *

5. The Government agrees to pay for the use of the property included in this agreement the sum of \$100 per month. If the use of this property shall start in the middle of any calendar month, a pro rate of any payment shall be made to cover the use of the balance of said month, and thereafter the rent due for any one month shall be paid on or before the 15th day of the next succeeding month.

6. This lease shall terminate on the 30th day of June, 1918.

7. The Government shall have the option of renewing this lease from year to year, by giving the lessors 30 days' written notice of its election to do so, such renewals to be made upon the same terms and subject to the same conditions as set forth herein.

Now, that lease purports to be an agreement offered by your company to the United States Government to lease a railroad owned by your company for \$100 a month. What did you state was the value of your road, as nearly as you could estimate?

Mr. STOREY. Well, there were 5 miles of road at that time, and we had bought about 3 miles of right of way. Probably at that time it was about \$125,000.

Mr. FREAR. \$125,000 of railway you were offering to the Government for \$100 a month, which you say was about one-half of the taxes?

Mr. STOREY. Yes, sir.

Mr. FREAR. That was one of the profiteering propositions that came from your people down there, did it, these "birds" that they speak about down in Toledo?

Mr. STOREY. Yes; I am one of the "profiteering birds" in Toledo.

Mr. FREAR. Now, what was the reason that you made such an agreement with the Government?

Mr. STOREY. Well, we were all more or less interested in getting out spruce. They were making the greatest effort of not getting out any spruce that I have ever seen attempted by anybody.

Mr. FREAR. In what respect?

Mr. STOREY. That they had an opportunity to have gone in there, and any logger could have gone in there, after 15 days of arriving on the ground, and had spruce logs coming in, fit for airplane stock; and the people were more or less disgusted, more or less disappointed. Capt. Brown came to me one day and he said, "Storey, we are in such a deuce of a mess here, we are not accomplishing anything, and we are getting into a bad way. We have decided we are going to take your mill here and railroad here and operate them ourselves." He said—

Mr. FREAR. When was that, about?

Mr. STOREY. That was about the latter part of April.

Mr. FREAR. 1918?

Mr. STOREY. 1918. And he said, "We don't want you to do any more with your road, or do any more with your logging companies; we are going to take your logging outfit." "Well," I said, "we have a few logs in the water; what are you going to do with them? Will you let us saw them up?" "No," he said, "I will buy the logs from you. What are they worth?" And I said, "The logs are worth

about \$10 or \$12 a thousand." "How many have you got?" I said, "About a million feet." "Well \$10 or \$12 a thousand is a fair price?" "Yes." "We have to use the logs; we might just as well buy them of you, but we have got to get some spruce. Now, I am telephoning a contract to Maj. Hitchcock."

Mr. FREAR. That is, Brown said that?

Mr. STOREY. Capt. Brown. He said, "I am telephoning a contract to Maj. Hitchcock, and I am sending it to him in writing to-morrow. I want you to go to Portland and enter into this contract and fix it so that we can commence to get this spruce, get it converted into airplane stock." And I told him I could not go—I could not do it—and he said, "Well you will have to go, there is no way out of it, you have got to go." I came to Portland, and I stayed here five days. Maj. Hitchcock telephoned me every day for five days that he was ready to see me each one of the days, but he didn't see me, and finally—

Mr. FREAR. Why?

Mr. STOREY. They were busy. He asked me to go away until he saw me. I stayed five days, and on the sixth day he finally told me to come in, and I told him I came down at the request of Capt. Brown to enter into that contract. "Well," he said, "Capt. Brown is getting entirely too fast. I am not ready to enter into any kind of a contract of that kind at all. So you go back and run your own mill and get along as best you can. We are getting all the airplane stock we want, anyhow." And I started back to Toledo. I met Capt. Brown, and he said, "Well, that is the way it goes," he said, "if you try to do anything they won't let you, and the great petty jealousy among the officials is such that you can't accomplish anything that you want to."

Mr. FREAR. Then what did you do after that?

Mr. STOREY. We kept right on operating our mill. We got back into the work again.

Mr. FREAR. Did you get any airplane stock?

Mr. STOREY. Then Maj. Griggs came down there. He came down there along in June, I think it was.

Mr. FREAR. Mr. Griggs was connected with the spruce production?

Mr. STOREY. Mr. Griggs was connected with the spruce production division. He is president of the St. Paul & Tacoma Lumber Co., and a man that I knew very well. He came down there one time and visited for a couple of days. He said, "Say, I came down here quietly to have a talk with you. What is wrong with this outfit down here?" "Well," I said, "I don't know"—

Mr. FREAR. What was he referring to when he spoke of "this outfit?"

Mr. STOREY. Well, getting out the spruce. He said—I made the statement to him that "If Kaiser Bill had been getting out this spruce, he couldn't beat these fellows a bit."

Mr. FREAR. What?

Mr. STOREY. If Kaiser Bill had been getting out this spruce, he couldn't have beat those fellows a bit—he would not have gotten any spruce; these fellows hadn't either. He says, "Can't we do something about this? What was wrong?" He says, "Will you go with me to-morrow and look this thing over?" I said, "Yes." He says,

"I will be back to-morrow morning, and I want your time and attention." "I will be, sir, altogether at your service."

We went over our logging works and all through the country, stopped and looked at our logs. We had men back into the woods again. This was after they had commandeered our plant, and they let us go back to work. So we were starting to build our road, and we had about 1,000,000 feet of fir, and he stopped and looked at the fir, and he said, "Well, what magnificent fir stock that is for airplane stock; why can't we have it?" I said "We can, but they have headed us off here." "Well," he says, "what is there about this idea that you can't get into the Siletz Basin with this railroad?" "Well, I will sell it to you." So we got into his automobile and we went over the pass.

Mr. FREAR. Who is this?

Mr. STOREY. Maj. Griggs.

Mr. FREAR. With Maj. Griggs?

Mr. STOREY. Yes. He was a practical lumberman and a very good man. And we went over the pass, and so he said, "What is the obstacle here?" "Why, I don't know; this is the only obstacle there is here." "What is the height of this hill?" I said, "235 feet. Here is where our survey runs. We have a survey mark right on the road. Here is where our road will run, and this is the worst obstacle that you have got." "Well," he said, "you know where we are logging up there at Capowsin," he said "no such country as this at all; we would think this was a picnic."

Mr. FREAR. Up at what?

Mr. STOREY. Capowsin is where the St. Paul & Tacoma Lumber Co. operate. Then we went over into the Siletz Basin and looked that over, and I showed him about where the timber was, as far as we could see, looked at it there for 20 or 25 miles, and he was rather disappointed, and so he went back.

Mr. FREAR. Disappointed in what respect?

Mr. STOREY. That they had made an adverse report as to going in and cutting that timber.

Mr. FREAR. Yes.

Mr. STOREY. And he was surprised about having heard about the obstacle in getting in to get this timber—the spruce and fir. He was as much interested in the fir as the spruce. And he saw fir logs cut in our camp which he thought was the nicest fir logs he had ever seen, and on the way back he said, "What would you fellows put these logs in for? Can't we make some deal with you to log this?" "Why, I don't know." "What is your logs costing you?" I told him they cost us—that the month before they cost us—\$6.61 a thousand outside of the stumpage. Well, he said, "Wouldn't you enter into a contract with the Government to put out logs?" I said, "Why, yes; we will do anything." Well, he said, "What do you figure it would cost to put out these logs?" Well, we talked about selective logging—to pick out airplane logs; No. 2 and No. 1 logs. I thought probably about \$12.50 a thousand. And he said, "Isn't that pretty steep if you can put yours out at \$6.61?" I said, "Well, they put so many obstacles in the way now—probably so many inspectors—that you would have to get that." Well, he said, "What would you want to saw this lumber?" I told him we would put the

logs out at \$12.50 and saw the airplane lumber for another \$12.50, making it \$25. Well, he thought that was too high, and he went away, and he said, "Now, I want to keep in touch with you from day to day." I said, "I am mighty glad of that—to have a lumberman on the job; somebody I can talk to." He said, "I want you to wire or phone me every day they don't get spruce here. I want to know what their trouble is."

Mr. FREAR. Where was he to be when he asked you to wire him?

Mr. STOREY. He was to go back to Portland that night.

Mr. FREAR. I see.

Mr. STOREY. I wired him from day to day about the spruce. There was none coming. Then he came down there, he and several officers, and he said, "We are about ready to get spruce. Now, you have got to put this mill of yours cutting spruce." "Well, all right. Do you want to operate it or do you want us to operate it?" "No; we want you to operate it. What will you cut this spruce for?" We figured around and I told him I had asked him 12½, but we figured around and we finally made a contract to cut the airplane spruce, to cut the spruce for \$9.50 a thousand. "Now, then," he said, "I want you to get off of your own work right away and get to cutting this spruce." "Well," I said, "We will never get any logs. We don't get any logs." "We will furnish you the logs. We will furnish you the logs, if I have got to come down here and stay here." He went back to Portland and we were to get logs in two days. They had been in there then six or seven months. There were no logs. We reported each day, "No logs." I don't know how many days, six or seven days we reported that. Finally I reported to him and he said, "I am coming down, and if I don't warm up somebody it is because I haven't the authority."

Mr. FREAR. You said they had been down there six or seven months and no logs; what did you mean?

Mr. STOREY. Well, that was the people getting out the spruce.

Mr. FREAR. Who were they?

Mr. STOREY. The Warren Spruce Co.

Mr. FREAR. And who were they employing; who were working for them?

Mr. STOREY. Who were working for them?

Mr. FREAR. Yes; soldiers or what?

Mr. STOREY. Oh, they had soldiers and they had civilians. They picked up everybody.

Mr. FREAR. Were they working up there in the woods?

Mr. STOREY. Yes, yes; there was an army of men.

Mr. FREAR. But no logs, you mean, had been brought down to the mill?

Mr. STOREY. None had been brought down. Finally it was reported Maj. Griggs was coming down, so they finally succeeded in getting two logs down. They brought them down and tied them up to the dump so everybody could see them. He got there the day before, and he said, "How are they getting along?" I said, "They finally have got some spruce. We have got two logs in the boom. I will take you up and show them to you." And we went up and looked at the logs. Then it ran along—

Mr. FREAR (interrupting). How long would that keep your saw-mill going?

Mr. STOREY. About two hours. Then they came back again and wanted to know how we were equipped about getting out this airplane stock, and I showed him through the mill. Finally, after we could get some logs, we finally got to cutting airplane stock. We cut about 2,500,000 feet. Then they told us to quit cutting spruce. They wanted to build this sawmill and wanted to build a railroad up the north bank, or north of Newport, and wanted us to get into our own logs and furnish them with lumber. Then in the meantime they got to talking about the mill, and Maj. Griggs came to me then and he said, "Storey, they want to build a big sawmill down here. Now, I am not in favor of a big sawmill. Now, isn't there some way you fellows can get into some kind of a contract with us and build a sawmill?" I told him yes; we had already made a proposition to Maj. Hitchcock, but we would build a sawmill of a hundred thousand capacity.

Mr. FREAR. That is, an eight-hour shift?

Mr. STOREY. An eight-hour shift; yes. Speaking about capacity we always figure on one shift.

Mr. FREAR. Yes.

Mr. STOREY. Providing they would advance us \$75,000, and we would return that \$75,000 by allowing \$5 back on lumber as we got it; that we would build the mill on ground that belonged to us, but they could own the mill until such time as we paid for it. And that seemed to please him very much. So he asked me then to come over to Newport, that all the officers were going to be there who had had charge of this; and I went over to Newport at 6 o'clock in the evening and went in consultation with Col. Disque, Maj. Hitchcock, Maj. Griggs, Capt. Grant—oh, I think there were five or six more; and we went into a discussion of this sawmill, and they said, "Now, we want a bigger mill built than that. Won't you enter into an agreement to build a bigger mill?" I said, "No, we don't want to enter into an agreement for a bigger mill, because we don't want a bigger mill. If we build a mill we will have to buy it back at the end of the time, and we could not use a larger one."

Mr. FREAR. That was in addition to the mill you were then operating?

Mr. STOREY. Yes; that was in addition to the mill we were then operating. I told him we had a power plant there with a 450-horsepower engine, which Maj. Griggs looked at, and he figured that was capacity enough to drive this mill for the time being, and we could have that running in 30 days. They said they could have got the saw machinery by express and we could have it running in 30 days, and he was determined that we should start on that. Then they asked me to come over there and we went into a discussion of these mills, and so Col. Disque said, "Now, we want a mill of larger capacity;" and he outlined the capacity of the mill. "What in your opinion would that kind of a mill cost?" And I said, "A mill of that kind would cost a million dollars." "You think it would cost a million dollars?" "Yes, sir." "What makes you think so?" Well, I gave my reasons for it in various ways. "Well," he said, "supposing now that the war is over; what could we do with that mill?" "Why, you would have to junk it."

Mr. FREAR. That was your answer?

Mr. STOREY. That was my answer. "Well," he said, "what do you mean by junking it?" "Well, you would have to sell it or let the people take the machinery out of it and build a mill, because that kind of a mill you are talking about now does not fit this territory. The unit is too large. It is absolutely fatal." He said: "What do you think that kind of a mill would bring? Supposing, now, your contention is all right and we built that mill, what could we get for it at that time?" "Well, if you would get 10 per cent for that mill, Colonel, you would be doing mighty well."

Mr. FREAR. You said this to whom?

Mr. STOREY. To Col. Disque.

Mr. FREAR. Col. Disque?

Mr. STOREY. All of these men; they were all sitting in a circle. He said, "You mean to tell me we could get only 10 cents on a dollar for an operation of that kind?" I said, "Yes; because no sane lumberman would ever tackle that to operate that as a commercial mill. The unit is too large for this country." I said, "Now, don't think of that kind of a mill. You build mills of a size that you can operate, and if you want more capacity add more mills, and they are commercial mills as fast as you leave them. You can get men or people like we are, little one-horse lumbermen, and each one of them will build a mill and go on and operate it for you." "Well," he said, "can you operate a 300,000-capacity mill for us, or something of that kind?" I said, "No; we can not. We don't want a mill any larger than a hundred or a hundred and fifty thousand capacity, because," I said, "they are burdensome to handle." Then they came back over to Toledo——

Mr. FREAR (interrupting). Let me just ask this: With this mill, with 100,000 capacity and the mill that you had of 50,000 capacity and three shifts it would average about——

Mr. STOREY (interrupting). Four hundred and fifty.

Mr. FREAR. Four hundred and fifty thousand capacity a day?

Mr. STOREY. Yes. Now, I heard Mr. Lea ask about, "Could you cut as much lumber in the night as you can in the daytime?" I want to say that the largest cuts that we had—we run night and day last summer—was night cuts. You can usually get more cut out of the machinery nights. All machinery runs better nights than daytimes. Our biggest cuts were night cuts.

Mr. FREAR. I interrupted you there as you were talking, as you were discussing the thing.

Mr. STOREY. Well, the officers went back. Then they were discussing about the various kinds of logs. I said, "Colonel, you can't get logs to that mill to stock it the way you are talking about, if you are going to have select logging." Why, he said, "We are going to use"—he said, "What do you mean?" I said, "You get such a percentage of No. 3 logs." "But," he said, "we are going to cut our No. 3 logs." "You are going to cut your No. 3 spruce logs?" "Yes." "Well, what for?" "Why," he said, "into airplane stock." I said, "Do you mean to tell me you are going to cut airplane stock out of No. 3 spruce logs?" Well, he said, "Isn't it airplane stock in a No. 3 log?" I said, "Absolutely not. I will refer you to Maj. Griggs," I said, "here. The reason that a log is a No. 3 log is because there is not a foot of airplane stock in it."

If you are going to cut No. 3 logs you are going into the lumber business, not into the airplane business, Colonel." And at that, it was getting along midnight, so I left and went home. They went back to Portland. They came, that is, a committee, again, consisting of Maj. Bresse; I don't think Col. Hitchcock or Col. Disque was along; but Maj. Hitchcock, Maj. Griggs, and several others came there, and they called on us again, and they said, "Now supposing we let you have \$75,000, you take us out here and show us where you would build that kind of a mill that you are talking about." All right. I took them out and showed them the piece of ground where I would build that kind of a mill. It fitted right into our boom, just about where we are building this new mill now. And they asked about our buying it after it was done, and all these things. Well, he said, "We have had a committee look over a mill site here for a long time. Now," he said, "supposing that you—supposing we could make some kind of a dicker with you that you would build a big mill, couldn't you make some kind of a dicker of that kind?" I said, "Not with me, absolutely; I don't want anything to do with it." Well, he said, "Supposing we are going to put in 300,000 or a 500,000 capacity mill, where would you build that mill?" I said, "Gentlemen, if you have got a half an hour's time I will walk you right over to the spot where I would build that mill." And we walked over the bridge, went right over to the spot where this present mill is located at the present time, and I showed how I would build that mill, load the stuff into the water, and the kind of a mill I would build. And they asked about how we would make some kind of a combination to build a mill that might suit us in some manner, and in some manner they might help us out; but we could not agree. I refused to have anything to do with a mill of any larger capacity than we could handle after the war was over, because I didn't think I was in the profiteering business and I expected to buy the mill afterwards, or buy it then. About 4 o'clock in the afternoon there was the naptha launch drew up, a gasoline boat; they got into the boat, went to Newport, and announced that night that that mill would be built at that exact spot the following day.

Mr. FREAR. They determined to build it at once?

Mr. STOREY. Yes; and they proceeded.

Mr. FREAR. I have here the letter of transmittal, dated April 3, 1918, to Maj. Reuben P. Hitchcock, United States Signal Corps, Yeon Building, City, signed by Thorsen Hendricksen Lumber Co., Siletz Logging Co. and Siletz Railroad Co., with the offer to rent your road for \$100 a month. What was the answer received to that by Mr. Hitchcock?

Mr. STOREY. Why, they had that under consideration for a month and they didn't do anything with it.

Mr. FREAR. Did you ever get any response to it?

Mr. STOREY. No; none that was direct.

Mr. FREAR. Well, they never accepted the proposition?

Mr. STOREY. No.

Mr. FREAR. In view of the fact that your people have—here is another letter of April 17 in relation to the same matter, which is addressed to Maj. Reuben P. Hitchcock, United States Signal Corps, Portland, Oreg., signed Yqauina Bay Railroad & Lumber Co., by the

secretary. This is mentioning the last proposition: "Our proposal is that you take over the railroad and equipment on a lease at \$100 a month, you to maintain and operate it, delivering our logs at the pond or Depot Slough for \$1 per thousand, furnishing all the equipment for transporting the logs. We will further agree that one year after the war is over, at that time we will purchase all permanent betterments added to the railroad at an appraised valuation, and we will pay you one-fourth the appraised value as soon as the property is appraised," and giving the particular terms. Did you get any response to that letter?

Mr. STOREY. Not to that; no. We did afterwards enter into a contract with them where they paid us \$250 a month for the use of the road.

Mr. FREAR. How did that come about that this proposition wasn't accepted, or what was the basis?

Mr. STOREY. Well, they were abandoning that entirely, that one road then. They wanted to operate it just temporarily, and I met Major Hitchcock one day and he said, "Well, we will have to give you a little something for running over that road;" and we decided he would pay us \$250 a month; he may want it a month or two, or three; and so we entered into a contract at \$250 a month and entered into a contract we would buy the road, whatever was left of it outside of our own, at the expiration of that time.

Mr. FREAR. Would that have more than paid the taxes, and if so how much?

Mr. STOREY. No. We figured that would about pay the taxes.

Mr. FREAR. Now, as long as you people down there, it has been suggested that you were profiteering birds, it seems to me that these things ought to be entered into the record as a matter to show the disposition you were disclosing to the people here and the country at large, of your desire to help. These are all offered to be copied into the record. They are not very long.

(The two letters referred to, together with copy of proposed "Railroad lease" were thereupon, pursuant to directions of the chairman, set out in full as follows:)

PORTLAND, OREG., April 3, 1918.

Maj. REUBEN P. HITCHCOCK,

United States Signal Corps, Yeon Building, City.

SIR: The Toledo & Siletz Railroad Co., in Lincoln County, Oreg., is an Oregon corporation capitalized for \$300,000. All of its capital stock has been issued and is owned by the Thorsen Hendricksen Lumber Co., also an Oregon corporation.

The Thorsen-Hendricksen Lumber Co. owns all of the capital stock of the Bade Lumber Co. and of the Siletz Logging Co. This proposal is made in the name and behalf of all three of the said companies which, therefore, makes it the proposal, not only of the corporations themselves, but of all their stockholders as well.

The Siletz Logging Co. owns the logging equipment which supplies the logs for the said mill, the said equipment to be more particularly referred to hereafter.

The railroad is carried at a book value of \$96,000 and its owners would not be disposed to sell this property at the present time for less than \$100,000. Upon this value a reasonable rental of the road would be \$6,000 per year, or \$500 per month; but, in order to dispose of any question of value that should be placed on the road for purposes of Government use, we are willing to consent to the use of the road by the Government at purely a nominal rental of \$100 per month.

Our proposal: (a) That we will lease the railroad, including right of way not built upon and inclusive of motive equipment, should paragraphs C' and D hereinafter to be accepted or without the motive equipment should such paragraphs not be accepted, to the Government for the period of the war and one year thereafter, at the rental of \$100 per month; but, that, for any improvements to the road or the right of way not now built on, we will reimburse the Government at the conclusion of its lease, the sum to be paid by us by way of such reimbursement to be fixed by appraisal, one appraiser to be chosen by us, one by the Government, and if they are unable to agree, the two to choose a third.

(c) That we will want to use the road with our own motive equipment during the period of its use by the Government, to the extent required to haul our own logs to our mill at Toledo or such other mills as may be constructed there by us.

(C') In the event that it is more satisfactory to the Government (which we suppose that it will be) that the Government during the period of its lease shall have exclusive use of the road, that the Government will haul our logs to our mill or mills now maintained or to be hereafter constructed at Toledo, Oreg., at the rate of \$1 per thousand, and,

(D) In the latter event, it would be to our advantage to discontinue all logging operations in connection with our mill and to concentrate solely on milling, and we would want the Government to take over our logging and railway equipment at a price to be agreed upon (schedule of said attached with tentative values) and to log for us from our own stumpage, in connection with its other logging operations, we to reimburse the Government for its said services at the rate of \$7 per thousand.

Respectfully submitted.

THORSEN-HENDRICKSEN LUMBER Co.,
SILETZ LOGGING Co.,
SILETZ RAILROAD Co.,

By _____,
Secretary.

SIGNAL CORPS, UNITED STATES OF AMERICA.

RAILROAD LEASE.

These articles of agreement, made and entered into at Portland, Oreg., this _____ day of April, 1918, by and between the TOLEDO & SILETZ RAILROAD Co., an Oregon corporation, and the YAQUINA BAY RAILWAY & LUMBER Co., an Oregon corporation, parties of the first part, hereinafter referred to as the "Lessors," and the UNITED STATES OF AMERICA, party of the second part, hereinafter referred to as the "Government," represented by J. Van D. Crisp, captain, Signal Corps, United States Army, hereinafter referred to as the "Contracting officer," witnesseth:

1. The lessors are the owners of a certain railroad located in Lincoln County, Oreg., and running from a point near the center of section 7, township 11 south, range 10 west, west meridian, in a northerly direction to a point near the north line of section 30, township 10 south, range 10 west, west meridian, from which latter point the railroad branches in a northwesterly and in a northeasterly direction for a distance of about a mile in each direction.

2. Said railroad, owned by the lessor, is hereinafter referred to as the "old line," and its location is more particularly shown on a blue-print map attached hereto and made a part hereof.

3. It is the desire of the parties hereto that the Government shall lease said old line, and it is contemplated that the Government will make certain improvements on said old line and will, in addition thereto, probably make extensions connecting the southern terminal of the old line with Toledo, Oreg., along a right of way laid out and now being acquired by the lessors, such extension being hereinafter referred to as the new line.

4. It is, therefore, agreed by and between the parties hereto as follows:
The lessors hereby lease, let, and rent unto the Government all the right of way, fixtures, and improvements located on or which are a part of the old line railroad above described and the right of way on the new line as well.

4a. The lessors will forthwith acquire a right of way on the new line.

5. The Government agrees to pay for the use of the property included in this agreement the sum of \$100 per month. If the use of this property shall start

in the middle of any calendar month, a pro rate of any payments shall be made to cover the use of the balance of said month, and thereafter the rent due for any one month shall be paid on or before the 15th day of the next succeeding month.

6. This lease shall terminate on the 30th day of June, 1918.

7. The Government shall have the option of renewing this lease from year to year by giving the lessors 30 days' written notice of its election to do so; such renewals to be upon the same terms and subject to the same conditions as set forth herein: *Provided, however*, That this lease shall not extend for a longer period than one year after the termination of the present war between the United States of America and Germany.

8. Within one year after the expiration of the present war between the United States of America and Germany the value of the improvements made by the Government to the old line and the extensions, if any, made on the new line shall be fixed by appraisement of the board, one to be named by the Government, one by the lessors; the two, in case they are unable to agree, to choose a third.

9. The lessors shall pay the Government the value so appraised as follows:

One-eighth of the said amount within 30 days after the appraisal has been completed and the balance in seven equal installments, payable every three months. Interest at the rate of 5 per cent shall be charged on all deferred installments, payable semiannually.

10. If the lessors shall fail to make any payment on account of said purchase price when due, then the Government may sell the entire system, including the old line, the new line, and all improvements and extensions for such figure as can best be obtained. The proceeds received from such sale shall be applied, first, to pay the cost and expenses of the sale; second, to repayment of the Government of its actual expenditure by way of the improvements and extensions described in paragraph 8 and 1, the surplus, if any, to be paid to the lessors.

11. During the life of this lease the lessors shall have the right to use the railroad tracks and right of way for hauling their own logs and logging supplies with their own equipment, and they shall operate their trains over the road under Government orders at all times.

PORTLAND, OREG., April 17, 1918.

Maj. REUREN P. HITCHCOCK,

United States Army, Signal Corps, Portland, Oreg.

SIR: The Toledo & Siletz Railroad Co., in Lincoln County, Oreg., is an Oregon corporation, capitalized for \$300,000; all of its capital stock has been issued and is owned by the Thorsen-Hendricksen Lumber Co., also an Oregon corporation.

The Yaquina Bay Railway & Lumber Co. owns all of the capital stock of the Bade Lumber Co. and the Siletz Logging Co. This proposal is made in the name and behalf of all three of the above companies, which therefore make the proposal not only of the corporations themselves, but of all their stockholders as well.

The Siletz Logging Co. owns the logging equipment, which supplies the logs for the mill, said equipment to be more particularly referred to hereafter.

The railroad is carried at a book value of \$96,000, and its owners would not be disposed to sell this property at the present time for less than \$100,000. Upon this value a reasonable rental of the road would be \$6,000 per year, or \$500 per month, but in order to dispose of any question of value that should be placed on the road for purposes of Government use, we are willing to consent to the use of the road by the Government at purely a nominal rental of \$100 per month until the war is over with Germany.

Our proposal is that you take over the railroad and equipment on a lease at \$100 a month, you to maintain and operate it, delivering our logs at the pond or Depot Slough for \$1 per thousand, furnishing all the equipment for transporting the logs. We will further agree that one year after the war is over, at that time we will purchase all permanent betterments added to the railroad at an appraised valuation, and we will pay you one-fourth the appraised value as soon as the property is appraised, one-fourth in 6 months, one-fourth in 12 months, and the balance in 18 months, and if we fail to comply with the payments, then, and in that event, we will join in an appraisal of all the property and take our portion in a sale that you may make to other people. We will also want a clause that you are to deliver

our logs without delay; and failing to do so, we will have the right to use the road jointly with you in operating our trains for the purpose of getting logs to our mills.

Yours, truly,

YAQUINA BAY RAILWAY & LUMBER Co.,
By _____ Secretary.

Mr. FREAR. You were familiar with the timber in the Siletz country north of section 17 where your road stops at the present time?

Mr. STOREY. Well, I am quite familiar. I haven't gone and made a detail cruise of anything.

Mr. FREAR. You have seen the cruises, have you?

Mr. STOREY. Oh, yes.

Mr. FREAR. I mean the maps?

Mr. STOREY. Yes.

Mr. FREAR. And cruises that have been shown on the maps?

Mr. STOREY. Yes.

Mr. FREAR. And so on?

Mr. STOREY. Yes, sir.

Mr. FREAR. I don't remember whether you testified to the amount of timber there or not; did you?

Mr. STOREY. Yes.

Mr. FREAR. I think you did.

Mr. STOREY. I figured there was more timber than they got.

Mr. FREAR. Yes; and did you state to the committee the amount of grade that would be encountered?

Mr. STOREY. Yes.

Mr. FREAR. You stated that, too?

Mr. STOREY. Yes; already.

Mr. FREAR. Now, do you know where that road has been built up on the coast line from Yaquina Bay around by Newport, that road that has cost the Government, 11 miles or a little less, with its sidings, it has cost now \$1,440,000. What have you to say about that road as being a proper way in which to get into this Siletz timber?

Mr. STOREY. Well, when they started to talk about that road I didn't want to say much about it. There was several came and asked me to go around and have a talk with Benson, and have a talk with Maj. Hitchcock. I talked with Maj. Hitchcock two or three times about it, but inasmuch as if you would mention anything of that kind they would tell you immediately you had an ax to grind, why I kept away from them entirely.

Mr. FREAR. That is, that you were a profiteer?

Mr. STOREY. I was a profiteer. I am a little bit talkative anyhow, and I generally got into trouble when I get to talking down there. So the least said the better. I will make the statement, now that the thing is over, that the man that located that railroad to get that timber out that way was either grossly incompetent, or had an ax to grind, or was intoxicated.

Mr. FREAR. How much timber is adjacent to that road on the westerly slope of the divide?

Mr. STOREY. Well, I only went up there twice. Before the road was built in I went up with an automobile; that is, I went up as far as the river and went back the river up as far as Mowrey's and worked

back to the Siletz in that way; and one time I started from Newport and went north and kept up the ridge. But I was rather surprised there was as much timber, good spruce, as they spoke about on that side. I didn't figure there was as much spruce as they claim there was.

Mr. FREAR. What kind of spruce was it?

Mr. STOREY. Oh, it was pretty good quality, what I saw. I saw it from the ridges.

Mr. FREAR. Well, would it reach 50,000,000, or 150,000,000, or what, as has been testified? Would you say those figures are substantially correct?

Mr. STOREY. Well, I don't know. I rather figure probably 10 to 15 per cent as much on that side as there was on the other.

Mr. FREAR. Ten to 15 per cent on the west side of the divide, as much as on the other?

Mr. STOREY. As was on the east side.

Mr. FREAR. As was on the east side of the divide?

Mr. STOREY. Yes.

Mr. FREAR. Which was the region that would have been tapped by a road running north from Toledo?

Mr. STOREY. Yes, sir. That was merely guesswork largely.

Mr. FREAR. Have you anything further to say?

Mr. STOREY. I want to say a little further, before I get off of that subject, the building of that road became quite a subject, and they all got rather tired of it, and as it appeared from time to time that it was not the proper thing to have done they all wanted to shirk the responsibility. Maj. Hitchcock came to me one day and he said, "Say, Storey, we have got to take that damned railroad of yours off of your hands yet and go up that way." He says, "This Benson Road, I am afraid, is not going to do the business." He said, "I don't know; Benson located it and we call it the Benson Road." We found that after they all got along with that road they discovered that they had made quite a mistake, and they all wanted to lay it on somebody, so they finally called it the Benson Road.

Mr. FREAR. What mistake was there in it, so far as you gathered from his statement?

Mr. STOREY. Well, I don't know.

Mr. FREAR. That is, as far as his judgment, he didn't say beyond that?

Mr. STOREY. He didn't say; no. They were going to take our road over about the time the armistice was signed. They figured on going back there again.

Mr. FREAR. You people were acting in accordance with the correspondence here on that subject?

Mr. STOREY. Absolutely. The road was at their disposal at any time.

Mr. FREAR. And how about the mill?

Mr. STOREY. The mill was at their disposal. There wasn't a thing at Toledo that wasn't at the disposal of this Government—not one thing. We furnished the electric lights, the machine shop, and everything that they wanted. The orders were that there wasn't a thing there we had that they could not have.

Mr. FREAR. I believe that is all.

Mr. LEA. What are your initials, Mr. Storey?

Mr. STOREY. J. O.

Mr. LEA. J. O.?

Mr. STOREY. Yes.

Mr. LEA. And how long have you resided at Toledo?

Mr. STOREY. A year last April. It will be about a year and a half.

Mr. LEA. That is April, 1918?

Mr. STOREY. Yes.

Mr. LEA. That is when you began to operate at Toledo, is it?

Mr. STOREY. Yes; yes.

Mr. LEA. And just what was your connection with this mill?

Mr. STOREY. Well, I was a part owner and the general manager.

Mr. LEA. Was that a corporation?

Mr. STOREY. Yes.

Mr. LEA. Or a partnership?

Mr. STOREY. No; a corporation.

Mr. LEA. You were president and part owner?

Mr. STOREY. No; I was vice president and general manager.

Mr. LEA. You were vice president. Now, at that time you took a contract for cutting timber for the Government, did you, or shortly after that?

Mr. STOREY. Yes.

Mr. LEA. Now, did you have any objections to doing that work for the Government?

Mr. STOREY. No.

Mr. LEA. I understood there was some suggestion here that you took work that you didn't want?

Mr. STOREY. Oh, no.

Mr. LEA. There is nothing to that?

Mr. STOREY. No; no.

Mr. LEA. Is your knowledge of the timber up in the Siletz based on personal knowledge or on your inspecting these cruises?

Mr. STOREY. Why, I didn't inspect cruises, but I have personally gone over clear as far as Taft; that is, at the extreme end of the Siletz River; and I worked back again the other way. I have gone through it two or three times, but not as a cruiser.

Mr. LEA. Is Taft on the tidewater?

Mr. STOREY. Yes, sir; Taft is at the mouth of the river.

Mr. LEA. And have you been up the river to its mouth?

Mr. STOREY. Yes.

Mr. LEA. Been up the Siletz River?

Mr. STOREY. Yes. I made one trip from Newport, went right down the backbone and worked back through this big body of timber they were telling about. I was looking over the Pendleton & Gilkey timber. They had a thousand acres in there.

Mr. LEA. That is on the south?

Mr. STOREY. They are on both sides.

Mr. LEA. Or the east slope of the mountain, is it?

Mr. STOREY. Principally on the east slope of the mountain.

Mr. LEA. You went up Jaybird Creek, did you?

Mr. STOREY. Yes; yes; and Dewey Creek, and Mill Creek; but I didn't go into the cruises, you understand; I just gave it a general look.

Mr. LEA. Now, your knowledge as to amounts is based principally on the cruises, is it—the totals?

Mr. STOREY. Well, largely; and my observation in general. I made another trip that I went clear across the county and came clear out to Willamina, clear north.

Mr. LEA. Did your company own the timber up there, or did it just buy stumpage?

Mr. STOREY. No; it just bought the stumpage. We have some little timber, where we have about 40,000,000 right where our railroad is now.

Mr. LEA. Is the timber up there mostly in small holdings?

Mr. STOREY. Why no—yes; there is quite a lot of small holdings, and I think about the largest block is held by Pendleton & Gilkey; that is, about 800,000,000.

Mr. LEA. That is, Mr. Pendleton who was a witness here?

Mr. STOREY. Yes, sir. That is the largest holding.

Mr. LEA. Did you see him while he was down there?

Mr. STOREY. Yes—when he was down there, no; I did not.

Mr. LEA. Did you know of his coming to your mill?

Mr. STOREY. At that time?

Mr. LEA. Yes.

Mr. STOREY. This last time?

Mr. LEA. Yes; some time ago.

Mr. STOREY. No.

Mr. LEA. Now, about this British Columbia spruce, do you know how much railroad was built to get out the spruce they did get out in British Columbia?

Mr. STOREY. No, I don't know anything about it.

Mr. LEA. There are streams that run into the island similar to the streams here from the ocean, aren't there?

Mr. STOREY. Not many streams there. No. There is a stream right through the middle of the island, and there is a stream runs north down in this manner [illustrating], taking that as the island. But I didn't go down through this stream, but I went out through this one [illustrating]. But there are small harbors all along, and you have to put the logs in them similar to what we do down here, excepting the harbors are smaller.

Mr. LEA. Do you know how much railroad they had to build to carry on the operations up there?

Mr. STOREY. I do not.

Mr. LEA. Now, this contract, or proposed contract that was put in evidence was never entered into, was it?

Mr. STOREY. No.

Mr. LEA. And what are those companies, the railroad companies, referred to? Is one the company that owned this road that you had?

Mr. STOREY. Well, when I went in there they had them all in various companies. They had a railroad company and then they had a timber, a logging company, and a sawmill company. We have combined them all into one company.

Mr. LEA. The only railroad was known as the Storey road?

Mr. STOREY. Yes.

Mr. LEA. And the Miller Road?

Mr. STOREY. Yes. We bought it from Mr. Miller.

Mr. LEA. Well, that contract refers to the improvements that were to be made in the road for the Government, in case the Government took it?

Mr. STOREY. Yes.

Mr. LEA. What were those improvements?

Mr. STOREY. Well, there was two ways of going into that. If they had improved upon the Wessel spur we would not have been interested; if it went the other way we would have been interested. Now, supposing that they had gone on to reach this body of timber on this main line, why we would have had to buy that part of the road from the Government when they were through with it.

Mr. LEA. Well, but what were the improvements to be? Any difference in the rails?

Mr. STOREY. No. Well, they were to extend the railroad; that is all.

Mr. LEA. The Government did extend the railroad?

Mr. STOREY. Yes.

Mr. LEA. About how far?

Mr. STOREY. Well, they just built their own line up to Wessel spur. That didn't interest us. We ran up the Wessel spur about a mile and they attached onto us and went up there.

Mr. LEA. Were there any rails to be placed on your road?

Mr. STOREY. Yes, sir.

Mr. LEA. What sizes were substituted?

Mr. STOREY. Fifty-six pounds.

Mr. LEA. What were those that were there?

Mr. STOREY. Forty and forty-five.

Mr. LEA. Was there any change in the ties?

Mr. STOREY. Well, they may have put in some ties. I don't know. I guess they did.

Mr. LEA. They prepared the road for heavier rolling stock, didn't they?

Mr. STOREY. Well, they used that heavier rail. They took our rail—I don't know why they did it; they were to put on 56 to 60 pound new rail, but their own tally of it is that they put on about a dozen different kinds of rail. They took rail off of about 3 miles of our line and put their own rail back and took our rail on the Wessel spur and used it up there.

Mr. LEA. Your expansion there depended on extensions of this road, didn't it?

Mr. STOREY. Yes, sir.

Mr. LEA. So whatever improvement was made in the road you would have gotten the benefit of it?

Mr. STOREY. Yes.

Mr. LEA. And there was to be an appraisalment of how much you were to pay for that?

Mr. STOREY. Yes.

Mr. LEA. But was there any settlement of that kind finally?

Mr. STOREY. We have a settlement now in vogue. Of course, they didn't build onto the end of the line that we wanted. We wanted to go on up. We didn't want the connection between our log dump and the Southern Pacific, because we reached tidewater with our road and we didn't want to have to maintain that extra road to get logs in there.

Mr. LEA. So there is a difference between you and the Spruce Production Corporation at this time about the settlement for the railroad?

Mr. STOREY. No; we have come to a conclusion as to the settlement of the railroad.

Mr. LEA. You have agreed on the terms?

Mr. STOREY. Yes, we have agreed on the terms. We have been ready to sign up a contract on it.

Mr. LEA. Now there has been some difference between you about the payment for soldier labor, hasn't there?

Mr. STOREY. No, not that I know of.

Mr. LEA. Don't your company still owe the Government about \$1,600 for soldier labor?

Mr. STOREY. I don't know. That is the old company. I don't know. Mr. Wehrung, a member of our company, has that under settlement. I don't know about that.

Mr. LEA. That was before your connection, wasn't it?

Mr. STOREY. No; it was during my connection, but the old company—Mr. Fisher and I went in and bought up the old stockholders. The Fisher-Storey Lumber Co. is a separate corporation. The settlement of that whole affair remained with one of the directors of the company, which is Mr. Wehrung, of the Hillsboro National Bank. I don't know whether that has been settled up or not.

Mr. LEA. Is your present company liable for whatever amount is due on that?

Mr. STOREY. No; not this present company.

Mr. LEA. You have been a stockholder in both corporations, though?

Mr. STOREY. Yes.

Mr. LEA. I see. So it is really up to the stockholders of the other corporation to settle that debt?

Mr. STOREY. Yes.

Mr. LEA. Well, how long has that matter of adjusting been up?

Mr. STOREY. I don't know. Probably six months or three months.

Mr. LEA. The time that you spoke of seeing Breese down there, was that the first time you ever saw him?

Mr. STOREY. I think it was.

Mr. LEA. Do you remember what month that was?

Mr. STOREY. Why, I would rather guess in June. I could not say.

Mr. LEA. Was Mr. Holland down there at that time?

Mr. STOREY. No; he wasn't there at that time.

Mr. LEA. Do you know when Mr. Holland came there?

Mr. STOREY. I don't think Holland came on until some time in July. That is my recollection.

Mr. LEA. Is this road by Yaquina the proper way to reach that spruce on the coast below Otter Rock?

Mr. STOREY. Sir?

Mr. LEA. Is this road that runs up the coast the proper way, in your judgment, to reach the spruce along the coast?

Mr. STOREY. No; I never thought so.

Mr. LEA. How did you think that should be reached?

Mr. STOREY. When you were up on the ridge going from the Wessel tract, you go northwesterly and you keep getting closer to the ocean. When you are at the Wessel tract you are within 3 miles of

the ocean, and by following along that ridge there is no timber down to the ocean; it is only timber a mile or a mile and a half.

Mr. LEA. Then you thought what was known as the high-line road would be the preferable way?

Mr. STOREY. They were already up there, and keep on going they could have reached all the timber on that as well as the other.

Mr. LEA. I believe that is all.

Mr. FREAR. I didn't notice this letter dated April 17 from the Yaquina Bay Railway & Lumber Co. to Reuben P. Hitchcock, Portland, Oreg. You say, "Sir: As per our conversation, we will lease you our present mill at Toledo and furnish all the machinery for the second mill, including the 9-foot new band saw, you to furnish the money to set it up with, and lease you the use of both mills for the period of the war, for \$9,000 a month, or we will furnish the mills and cut cants under your instructions for \$15 per thousand, and you own all the lumber that the mills cut. Yours truly, Yaquina Bay Ry. & Lumber Co., by the Secretary."

Mr. LEA. Let me see that.

Mr. FREAR. I just saw that. What was done with that, and what kind of an offer was that to Hitchcock? Just explain to the committee.

Mr. STOREY. We had a power plant there that we could put that band mill in and they were anxious to have this increased output, so we made that proposition. But they never entered into that. When Maj. Griggs came on the scene why he took that matter up and we did enter into a contract with Maj. Griggs that we would cut all of this. They were to furnish the logs and we were to use the old mill.

Mr. FREAR. Just the old mill?

Mr. STOREY. At that time. At that time he was in hopes that we would build the new mill. He wanted us to build the new mill, and they disagreed on that, and when they were up there Maj. Breese and Maj. Hitchcock and Maj. Griggs—Maj. Griggs wanted us to build that mill at that time, and the termination of the whole contract was that they would build their own mill and we could go on and cut spruce for \$9.50 a thousand, which we did, and we bought the side cuts off the mill.

Mr. FREAR. This at \$9,000, what would you say as to that as a reasonable price, or what was there to it? It was not accepted, I understand?

Mr. STOREY. No; it was not accepted. We figured by furnishing the power and everything that was a quite reasonable figure.

Mr. FREAR. Oh, I see. You were to furnish power and all?

Mr. STOREY. To furnish power and all.

Mr. FREAR. I neglected to ask you, did you build part of the railway? I think Mr. Miller testified they built part of the railway up there in 1918. Did you build any of the railway up there at that time?

Mr. STOREY. Well, on our own line?

Mr. FREAR. Yes.

Mr. STOREY. We built 1 mile and 100 feet.

Mr. FREAR. At about what cost?

Mr. STOREY. It cost a trifle over \$16,000. It was about the worst railroad building that we will have on the entire line, excepting the

next mile. Building this mile there wasn't a foot of ground it was built on that wasn't either a cut or a fill, and one of the cuts was solid rock 350 feet long and 35 feet deep, and that cost us a trifle over \$16,000. The next mile we have to build will have a big cut that we call it going through the pass. That will be probably 500 feet long and probably 35 feet deep. That next mile we figure on will cost us \$25,000. Now, these 2 miles will be the most expensive miles of railroad we have if we keep on going for 40 miles.

Mr. FREAR. Then what would be the cost of the next few miles, so far as you can judge, of logging road, as it is ordinarily built?

Mr. STOREY. At the present prices?

Mr. FREAR. At the prices that were in vogue at that time.

Mr. STOREY. We figured at from \$12,000 to \$15,000 a mile.

Mr. FREAR. And that would be the average cost, you believe, even at that time?

Mr. STOREY. After we passed the next mile.

Mr. FREAR. After you passed these 2 miles, one at \$16,000—

Mr. STOREY. I figured the next one at \$25,000; there was a big cut.

Mr. FREAR. Did you have an logging road in mind that in your judgment would cost up to \$100,000 or \$130,000 a mile?

Mr. STOREY. No.

Mr. FREAR. What would you say of the proposition of building a road that would require logging 12 miles from Yaquina Bay to Toledo, and the building of a logging road from Otter Creek to Yaquina Bay, approximately 10 or 11 or 12 miles of railway, we will say, on the north road of your road?

Mr. STOREY. It looks to me that building our road should cost naturally just as much money; our territory is just as bad to build in.

Mr. FREAR. You could have built a dozen miles of road, say, up into the heart of the Siletz region, for how much?

Mr. STOREY. I would be glad to take a contract for \$15,000 a mile to-day.

Mr. FREAR. For building 12 miles north?

Mr. STOREY. Yes, sir; about 20 miles north.

Mr. FREAR. And that was how far from Toledo; I mean, the extent of your road?

Mr. STOREY. The extension of our road runs up 6 or 7 miles, and we could build that 15 or 20 miles, 25 to 35 miles.

Mr. FREAR. And that would run up directly to Toledo without rafting?

Mr. STOREY. Yes, sir. What we figured was this: When we got to tidewater on the Siletz you have about 27 miles of tidewater and you could put the logs into tidewater from both sides and you could bring logs from there to Toledo, and I do not think you would have over 9 or 10 miles to reach tidewater.

Mr. FREAR. Would that condition exist over on the coast road?

Mr. STOREY. No; they would have to cross the mountain.

Mr. FREAR. So that you could build 8 or 10 miles of railway for the cost of building 1 mile of the other road?

Mr. STOREY. If that is what it cost them.

Mr. FREAR. Well, all we know is the testimony here. I think that is all.

Mr. LEA. What was that point where you constructed a railroad 15 to 20 miles; what road; where was that road?

Mr. STOREY. That would reach pretty well past where Maurey's is; just about tidewater; a little below tidewater.

Mr. LEA. On a good floating tide, is it?

Mr. STOREY. Yes; but we had that railroad laid out not entirely for a logging railroad, but to make a commercial railroad. We are working on that now, and we had this survey run clear on through to Willamina. We could construct a railroad cheaper for logging purposes temporarily.

Mr. LEA. Where is Willamina?

Mr. STOREY. North of Siletz about 50 miles.

Mr. LEA. On the bay?

Mr. STOREY. No; inland; it connects up with the Southern Pacific and makes a short cut into Portland.

Mr. LEA. That is all.

Mr. FREAR. That is a short cut from Portland down to Yaquina Bay?

Mr. STOREY. Yes, sir.

Mr. FREAR. And you have a survey up there?

Mr. STOREY. We have a survey.

Mr. FREAR. From Willamina down?

Mr. STOREY. Yes. We also have a survey as you get down in our road, running down to Toledo, and there is a kind of slough that runs down toward Yaquina. We also have a survey running from our road here that connects up with the Yaquina Road, also connecting the south beach; we had a survey there.

Mr. FREAR. If any railroad wanted to connect from Portland down to this Blodgett tract, that road could be used?

Mr. STOREY. It would be a short cut.

Mr. FREAR. And that would run through the Coos Bay country?

Mr. STOREY. Yes.

Mr. FREAR. You say you are building your line in a substantial way, so that it could eventually be a part of such a system as you contemplated?

Mr. STOREY. Yes.

Mr. FREAR. The testimony, I believe, is that at Otter Rock, the north extremity of the road that has been built, there would be required a tunnel of 400 feet in that grade. Do you know anything about that?

Mr. STOREY. I have heard one man say 4,000 feet.

Mr. FREAR. That is nearly a mile.

Mr. STOREY. But I know nothing about that. There are some bad obstacles; it is pretty mountainous.

Mr. FREAR. That is the north extremity of the road that was built up along the coast instead of this road into the Siletz?

Mr. STOREY. Yes.

Mr. MAGEE. Is that the survey which has been put in evidence here, Mr. Storey, that you mentioned?

Mr. STOREY. Well, we have a survey, but it is practically the same; they come out within 24 or 26 feet of our road with their survey, but we made one ourselves.

Mr. MAGEE. Did you find any difficulty in getting over the divide into the Siletz reservation?

Mr. STOREY. No.

Mr. MAGEE. What is the steepest grade under your survey?

Mr. STOREY. Our steepest grade is $1\frac{1}{2}$ per cent, but if we went a little farther we could get up in $1\frac{1}{10}$ per cent, but we would have to go a little farther with the road.

Mr. MAGEE. As I understand, Gen. Disque testified that it was impossible to get up from your road over the Siletz country, over this divide. Have you gone over that ground yourself, so that you know?

Mr. STOREY. I have probably been over it 50 times.

Mr. MAGEE. Is there any question about it?

Mr. STOREY. No. I was up there with Maj. Griggs and he says "That is all there is to it." I said, "Here is the summit, 275 feet high."

Mr. MAGEE. You are testifying from your own knowledge and observation?

Mr. STOREY. Yes, sir; my own observation. I saw the measurements on the trees and went through while the fellows were running the surveys.

Mr. MAGEE. You spoke about being afraid of competition from the Government mill. What did you mean by that?

Mr. STOREY. I do not know what was meant by asking the question.

Mr. MAGEE. You were asked the question and said you did not fear any competition. What did you have in mind, that the Government mill would not be operated, or what?

Mr. STOREY. I do not know whether the Government mill would be operated. I have made the statement to the officers of the Government mill that if they will take half of the machinery out of it, it will cut more lumber than with all the machinery, because the machinery is so constructed from a commercial standpoint that it can not be operated. I will prove that mill will cut more with half that machinery out. I could take that mill and tear out part of it and make a good mill.

Mr. MAGEE. It is too unwieldly for commercial purposes?

Mr. STOREY. To a certain extent it is too unwieldly, too large.

Mr. MAGEE. When do you expect to get your mill completed?

Mr. STOREY. Within two months or two and a half months.

Mr. FREAR. I did not think to ask if you have any timber up there?

Mr. STOREY. Yes; we have about 40,000,000 where our road is now.

Mr. FREAR. And that is the timber that you are going to cut for this mill?

Mr. STOREY. Yes, sir.

Mr. FREAR. And bought other timber around there to keep the mill going?

Mr. STOREY. Yes. There is timber offered to us every day. I suppose there are four or five hundred million feet of timber surrounding, that we could buy. I have an agreement with one concern that every time we get to a forty, I pay \$2 a thousand.

Mr. FREAR. How long would that keep you running?

Mr. STOREY. A couple of years.

Mr. FREAR. Is there anything more you have in mind, Mr. Storey?

Mr. STOREY. Not that I can think of now.

(The witness was excused.)

TESTIMONY OF MR. LEE WADE.

(The witness was sworn by Mr. Frear.

Mr. FREAR. Where is your home, Mr. Wade?

Mr. WADE. Toledo, Oreg.

Mr. FREAR. That place has been under some criticism here today. Do you live there?

Mr. WADE. Yes, sir.

Mr. FREAR. Is that the town that put up between \$60,000 and \$70,000 in order to supply water and a site for a Government mill?

Mr. WADE. Yes, sir; it is.

Mr. FREAR. And bonded itself for that purpose?

Mr. WADE. It did.

Mr. FREAR. That is the kind of place that is occupied by what a distinguished governor called "birds"?

Mr. WADE. Yes, sir.

Mr. FREAR. Will you please tell the committee whether you are familiar with this Siletz—or, first, what has been your occupation?

Mr. WADE. Logging and cruising timber.

Mr. FREAR. For how many years?

Mr. WADE. I have been in the logging business 30 years, and cruising for 15 years.

Mr. FREAR. Are you familiar with the Siletz region north, what is known as the Siletz Basin, running up to the village of Siletz and beyond?

Mr. WADE. Yes, sir; I have cruised in every township.

Mr. FREAR. Have you examined the cruises that have been made by other cruisers and made comparisons with your own after your cruises were made?

Mr. WADE. Yes, sir.

Mr. FREAR. What has been your observation as to the comparative cruises which you have made with those of previous cruisers?

Mr. WADE. They appeared very well. Probably there would be a difference in some pieces of 10 per cent.

Mr. FREAR. That would be about the average difference?

Mr. WADE. Yes, sir.

Mr. FREAR. So you can estimate fairly that not more than that would be the average difference of the cruise as it goes through the district there?

Mr. WADE. Yes, sir.

Mr. FREAR. About what is the estimate of spruce up in that country east of the divide?

Mr. WADE. I should judge there is 750,000,000 feet.

Mr. FREAR. Of spruce?

Mr. WADE. Yes.

Mr. FREAR. And what amount of fir, generally?

Mr. WADE. There would probably be better than 10,000,000,000 feet.

Mr. FREAR. It appears in evidence here that over at the Newport plant they were cutting more fir than spruce, so that in territory, if that region had been developed, there would have been possibly two or three billion feet of spruce and fir, in any event, that could have been used up there for airplane stuff. Is that right?

Mr. WADE. Yes.

Mr. FREAR. You know about their trying to get clear stuff for airplane purposes?

Mr. WADE. Yes, sir.

Mr. FREAR. You have been an estimator and cruiser sufficient to know the difference between No. 3 and No. 1 stock?

Mr. WADE. Yes, sir.

Mr. FREAR. You are familiar with the railroad that Mr. Storey has testified to?

Mr. WADE. Yes, sir.

Mr. FREAR. Just give a brief statement as to that road.

Mr. WADE. It is a very good logging road all the way up to what is called the divide between Depoe and Siletz. The survey over the divide shows that loaded cars coming out would have about a 2½ per cent grade and empties going up about a 3 per cent grade.

Mr. FREAR. That is the highest grade, as far as you know?

Mr. WADE. The highest as far as I know.

Mr. FREAR. Have you made an examination of the surveys?

Mr. WADE. I have gone over two surveys very thoroughly. The one I paid the most attention to was made by Andrew Porter.

Mr. FREAR. That is not the Miller survey?

Mr. WADE. No.

Mr. FREAR. What did the Porter survey show?

Mr. WADE. It showed 2½ per cent for loaded cars and 3 per cent for empties.

Mr. FREAR. The testimony of Mr. Storey, who was just on the stand, in regard to his own road is that it will take less than 2 per cent with loaded cars. Is that testimony right?

Mr. WADE. I do not know; I have not seen the survey.

Mr. FREAR. But you say the Porter survey would bring it in on a 2½ per cent grade with loaded cars. That would be running south toward Toledo beyond the basin, and how long a road would be necessary to build north of the Miller road to reach this quantity of timber which you have spoken about?

Mr. WADE. Between 11 and 12 miles.

Mr. FREAR. An ordinary logging road?

Mr. WADE. An ordinary logging road.

Mr. FREAR. Are you familiar with the road over on the coast?

Mr. WADE. Yes; I have been over it a hundred times.

Mr. FREAR. Over it a hundred times?

Mr. WADE. Yes; I went over it twice a day for three months last winter.

Mr. FREAR. What were you doing?

Mr. WADE. Working for the Government, cleaning up camps, putting in fire protection, working there with a crew of men.

Mr. FREAR. What about that road being a proper means of getting into the Siletz timber?

Mr. WADE. I do not think it is the proper road to touch the Siletz timber.

Mr. FREAR. Why?

Mr. WADE. There is not enough timber on the road to the coast to pay for its construction.

Mr. FREAR. You have cruised in there?

Mr. WADE. Yes.

Mr. FREAR. About what amount of timber would you say was over there that can be used for airplanes stock?

Mr. WADE. I should judge on that road running from where they first strike timber to Otter Rock, although the road is not completed, they probably would get a hundred million of spruce, but it would most of it be back a mile from the coast and they would have to put spurs in to get to it.

Mr. FREAR. In an easterly direction up the divide?

Mr. WADE. Yes, sir.

Mr. FREAR. The testimony here is that estimates place it at nearly a hundred and fifty million.

Mr. WADE. Possibly they might be able to get that much.

Mr. FREAR. They did not estimate that it was airplane stock, but what was the general character of the spruce along the coast there; is it different from what it is inland?

Mr. WADE. Oh, yes; that is what we call box spruce.

Mr. FREAR. What is the difference between box spruce and airplane spruce?

Mr. WADE. Well, the box spruce is full of black knots.

Mr. FREAR. And there is what proportion, would you say, there of spruce on the westerly divide of that box spruce?

Mr. WADE. It would be possibly 75 per cent of it.

Mr. FREAR. A large per cent of it?

Mr. WADE. Yes; a large proportion of it.

Mr. FREAR. Have you any maps?

Mr. WADE. No; I have no maps with me.

Mr. FREAR. You live in Toledo?

Mr. WADE. Yes, sir.

Mr. FREAR. You people, as you say, provided the water and the site for the mill?

Mr. WADE. They did.

Mr. FREAR. What else are you acquainted with down there as to the general conditions regarding the building of the road and the mill that will enlighten the committee?

Mr. WADE. Well, I don't know as there is anything more in particular that I could state to throw any more light upon this subject.

Mr. FREAR. Have you talked with any of these officers here at any time?

Mr. WADE. Yes; I made three trips down here and talked with them.

Mr. FREAR. Tell the committee, please, what your experience was.

Mr. WADE. I came down here three different times.

Mr. FREAR. To Portland from Toledo?

Mr. WADE. There was a committee of us up there that came down and tried to persuade them to build in near the Miller Road, and we furnished copies of maps and cruises showing the road, the amount of spruce, and that in building the road they could have got more or less spruce all the way building it; every mile of the road would

have more or less spruce in it; if they went up the coast they would have to build 12 miles before they got into any spruce.

Mr. FREAR. They would have to haul the logs 12 miles?

Mr. WADE. We talked to them and they said we would have to talk to Mr. Benson.

Mr. FREAR. What Mr. Benson?

Mr. WADE. Mr. Amos Benson. We talked to Mr. Benson and he told us he did not believe we had any spruce east of Toledo.

Mr. FREAR. Had he ever been up there?

Mr. WADE. Once we got him to go up there.

Mr. FREAR. Had he ever been there prior to that time?

Mr. WADE. He had not been up in the Siletz country prior to that time, but he did promise and he went down once later on.

Mr. FREAR. With whom did he go down there?

Mr. WADE. Mr. Hall, who testified here, and Mr. Morgan, and our county surveyor, Mr. Derrick.

They went into that country and saw the spruce and he only spent one day. He said if they would go next day and locate a route for the railroad that he would give them another hearing, and he came back to Toledo, and after we had located the route we found Mr. Benson at Newport, but he was always busy and we could not get to talk with him.

Mr. FREAR. Did he ever go through that section again?

Mr. WADE. Not that I ever heard of.

Mr. FREAR. What of Mr. Morgan's standing as a cruiser?

Mr. WADE. He is a cruiser.

Mr. FREAR. He has testified before the committee?

Mr. WADE. Yes, sir; he is a cruiser, and we never did get a hearing with Mr. Benson after that.

Mr. FREAR. Did you ever get a hearing with Mr. Disque?

Mr. WADE. No; I never could get to Mr. Disque; I always went before Mr. Hitchcock.

Mr. FREAR. He was the man to whom you were referred?

Mr. WADE. Yes.

Mr. FREAR. What else have you in mind regarding the situation down there, if anything, with reference to this railroad or the building of the mill?

Mr. WADE. I do not know that there is anything else. I might state that I learned my logging the same way Mr. Benson did, by punching bulls. I worked from the ground up.

Mr. FREAR. In other words, you do not think there is any difference or improvement because a man lives in the atmosphere of Portland than there is in a man living down in Toledo, where they are spoken of as "birds"?

Mr. WADE. I understood the witness, Mr. West, to say that Mr. Benson was a good man, because his father had taught him to punch bulls.

Mr. FREAR. What does that mean?

Mr. WADE. Oxen for hauling logs.

Mr. MAGEE. That is the way you began?

Mr. WADE. I began that way 30 years ago.

Mr. FREAR. You have been engaged in the business since?

Mr. WADE. I have more or less ever since.

Mr. FREAR. Up to what time?

Mr. WADE. Well, I was a logger for about 10 years, and after that I done some clerical work in an office, and the last 15 years I have been cruising out more or less all the time.

Mr. FREAR. Whereabouts?

Mr. WADE. In the Siletz country, almost all the time.

Mr. FREAR. And your judgment is based upon your experience there and what you have done in that section as well as elsewhere?

Mr. WADE. Yes, sir.

Mr. FREAR. That is all.

Mr. LEA. You are a cruiser now; that is your business now?

Mr. WADE. Yes, whenever there is anything to do. There is not very much cruising in that country, but whenever there is any to do.

Mr. LEA. Do you hold an official position at Toledo or not?

Mr. WADE. I am a member of the board of commissioners at the port there.

Mr. LEA. You authorized the Porter survey; were you a member of the commission then?

Mr. WADE. Yes, I was one of the commissioners.

Mr. LEA. And what other business have you besides cruising?

Mr. WADE. I have been operating a logging camp for the last two years.

Mr. LEA. Where is that?

Mr. WADE. Down below Toledo, on the Yaquina River.

Mr. LEA. On the Yaquina?

Mr. WADE. On the river, going down to Newport.

Mr. LEA. Where do you log from?

Mr. WADE. I get out piling for the building of that south jetty, and logs for those tie mills.

Mr. LEA. You do not own any timber in that country, do you?

Mr. WADE. No.

Mr. LEA. Do you know how long the Porter survey is?

Mr. WADE. No; I do not remember, but I think it is in the neighborhood of 11 or 12 miles. He started from the end of the Miller Road.

Mr. LEA. How many miles from Toledo?

Mr. WADE. Possibly 6 or 7 miles.

Mr. LEA. That would be 16 or 17 miles from Toledo then?

Mr. WADE. Yes, sir.

Mr. LEA. And at what point does it terminate?

Mr. WADE. It terminates down on what is called good tidewater on the Siletz River. It is about township 8, range 10.

Mr. LEA. That is all.

Mr. MAGEE. Do you know how it happened that they built this road around by Newport and up the coast?

Mr. WADE. No, sir; it has always been a mystery to me. I do not know why it happened.

Mr. MAGEE. Just how far is Toledo from Newport?

Mr. WADE. By wagon road it is about 8 miles, and by way of the river and railroad it is 12.

Mr. MAGEE. Was there any rivalry between Toledo and Newport with reference to the building of this railroad?

Mr. WADE. None that I knew of.

Mr. MAGEE. There was not any arrangement by which Newport was to get the railroad and Toledo the mill?

Mr. WADE. No; no such thing.

Mr. MAGEE. There was no such discussion or anything of that kind?

Mr. WADE. No, sir, not that I know of.

Mr. MAGEE. You do not know of any? There was not anything in the way of rivalry between the two places that had anything to do with the construction of the road, so far as you know?

Mr. WADE. No.

(Witness excused.)

TESTIMONY OF ALEXANDER JAMES McMILLAN.

(The witness was sworn by Mr. Frear.)

Mr. FREAR. What is your business?

Mr. McMILLAN. Civil engineer.

Mr. FREAR. How long have you been a civil engineer?

Mr. McMILLAN. About 12 years.

Mr. FREAR. Where do you live?

Mr. McMILLAN. At Toledo.

Mr. FREAR. Where have you been during the past year?

Mr. McMILLAN. Well, I was discharged from the Army June 26. Before that I was in France.

Mr. FREAR. You were in France?

Mr. McMILLAN. Yes, sir.

Mr. FREAR. How long?

Mr. McMILLAN. About a year.

Mr. FREAR. What division were you with?

Mr. McMILLAN. The 32d Engineers, unattached.

Mr. FREAR. You were with the 32d Division?

Mr. McMILLAN. No, sir; they were unattached.

Mr. FREAR. And you returned when?

Mr. McMILLAN. I was discharged June 26.

Mr. MAGEE. This year?

Mr. McMILLAN. Yes, sir.

Mr. FREAR. What has been your experience in engineering?

Mr. McMILLAN. I had six years in railroad work and location and construction in Canada, and since then I have put in the time on highway work and river and harbor work for the Government, and bridge work, and also some construction work.

Mr. FREAR. You are familiar with the district north of Toledo, running into the Siletz country, and have made surveys in there?

Mr. McMILLAN. Yes, sir.

Mr. FREAR. Have you your maps with you?

Mr. McMILLAN. I have an alignment map. This runs from Toledo to the Siletz River.

Mr. FREAR. That runs from Toledo north of Siletz?

Mr. McMILLAN. Yes, sir; showing the actual road as located [indicating on map].

Mr. FREAR. That is the actual logging road that now exists, known as the Miller Road?

Mr. McMILLAN. Yes, sir.

Mr. FREAR. And the survey runs on how many miles from Toledo?

Mr. McMILLAN. About 8 miles, I believe.

Mr. FREAR. That would be how far beyond the end of the road that now exists?

Mr. McMILLAN. Well, at the time the survey was made it would run about $2\frac{1}{2}$ miles.

Mr. FREAR. Would that take it over the divide?

Mr. McMILLAN. Yes, sir; that takes it to the river.

Mr. MAGEE. Over this divide or ridge that has been spoken of here as being impracticable to build a railroad over; is that what you mean?

Mr. McMILLAN. Yes, sir.

Mr. FREAR. That is the only obstacle, there, I assume, in the further extension of the road?

Mr. McMILLAN. Yes, sir.

Mr. FREAR. Will you briefly explain to the committee in general terms, that we can have placed in the record this survey that exists there to the end of the Miller Road and also, generally, the character of road that leads up from Toledo to the Siletz.

(The map above referred to was marked "Exhibit No. 25," for identification; blue print to be furnished for the record.)

Mr. McMILLAN. At the time the survey was made, why, the logging road was at the head of tidewater.

Mr. FREAR. On Depoe Slough?

Mr. McMILLAN. On Depoe Slough.

Mr. FREAR. How far was that from Toledo at the time the survey was made—what section, can you tell?

Mr. McMILLAN. It was about 6,500 feet from the connection with the Southern Pacific Railroad.

Mr. FREAR. That is following this trestle work.

Mr. McMILLAN. Yes, sir; following this trestle work. Then from there on the roadbed up to section—to within a quarter of a mile of the reservation line, up to this point in here [indicating].

Mr. FREAR. That is, you constructed to a point in the southwest quarter of section 19?

Mr. McMILLAN. That would be in the northeast quarter of section 19.

Mr. FREAR. Yes; that is right.

Mr. McMILLAN. Then the preliminary line extended all over the summit.

Mr. FREAR. The summit is in what?

Mr. McMILLAN. The summit is in section 17.

Mr. FREAR. In the northwest quarter of 17?

Mr. McMILLAN. Yes.

Mr. LEA. In what township?

Mr. McMILLAN. In 10-11.

Mr. FREAR. When was this survey made?

Mr. McMILLAN. In May, 1917.

Mr. FREAR. And for what purpose?

Mr. McMILLAN. For the J. B. Miller Logging Co.

Mr. FREAR. For the purpose of an extension of this railway and showing them the conditions that have to be met in extending the road?

Mr. McMILLAN. Yes.

Mr. FREAR. Now, what is the rise or the grade of this road, up to the top of the divide?

Mr. McMILLAN. That is located on a 3 per cent grade.

Mr. FREAR. From which way?

Mr. McMILLAN. Going north.

Mr. FREAR. Three per cent going north.

Mr. McMILLAN. And $1\frac{1}{2}$ per cent down on the other side of the mountain.

Mr. FREAR. That is, $1\frac{1}{2}$ per cent would be the grade at which the logs would be brought from the Siletz down to Toledo.

Mr. McMILLAN. Yes, sir. That was a preliminary survey to find out what the actual conditions were there, and it can be changed to slightly over 2 per cent.

Mr. FREAR. That is, going north.

Mr. McMILLAN. Yes; going north, and slightly over 1 per cent going south.

Mr. FREAR. Going south slightly over 1 per cent with loaded cars?

Mr. McMILLAN. Yes.

Mr. FREAR. Now, have you anything to show the amount of curvature of the road? In a general way, what is it, so far as you saw on the survey?

Mr. McMILLAN. I judge that the largest degree of curvature would be some place near 12 per cent in one place.

Mr. FREAR. And that would be only in one place?

Mr. McMILLAN. In one place.

Mr. FREAR. And that would be where?

Mr. McMILLAN. That would be right in section 17, on the north-west quarter.

Mr. FREAR. Where you say that the elevation would be between 1 and one-half per cent?

Mr. McMILLAN. Yes.

Mr. FREAR. On the corrected survey; that is, you say it can be improved?

Mr. McMILLAN. Yes, sir.

Mr. FREAR. Now, is there any other elevation above those?

Mr. McMILLAN. No, sir; not that I know of.

Mr. FREAR. What have you to say as to its being a practical route for a logging road? You have done other surveying and engineering.

Mr. McMILLAN. That is perfectly practical in every way.

Mr. FREAR. It is perfectly practical for a road for that purpose?

Mr. McMILLAN. Yes.

Mr. FREAR. For commercial purposes?

Mr. McMILLAN. Yes.

Mr. FREAR. And it could be extended up beyond the Siletz River to have joined on with any other commercial road, and with proper equipment and proper building, it could have been used for any road, the same as the Southern Pacific?

Mr. McMILLAN. Yes.

Mr. FREAR. I mean, so far as the elevation or grades go?

Mr. McMILLAN. Yes, sir. There is also this way here; there is another way in here.

Mr. FREAR. What is the other way that you speak of?

Mr. McMILLAN. Up through the Olalla.

Mr. FREAR. What about that? State briefly.

Mr. McMILLAN. I have never made any actual surveys through there, but positive statements of two or three different engineers—one of them was my father.

Mr. FREAR. One of them was your father?

Mr. McMILLAN. Yes, sir. They say that there is a way into the Siletz Basin from up the Olalla, running from above Toledo, and that would join in the Siletz about somewhere in section 8.

Mr. FREAR. What was the character of that survey? That survey was east of this, was it not?

Mr. McMILLAN. Yes.

Mr. FREAR. And about what distance across, or between the two railroads—how far east?

Mr. McMILLAN. That I could not say—just what the distance would be.

Mr. FREAR. Of course, it varied, I understand, but I mean it started out from Toledo and ran in a northerly direction and joined the Miller Road where?

Mr. McMILLAN. It would join the Miller Road in the southeast quarter of section 8.

Mr. FREAR. In the southeast quarter of section 8 of this survey and then extended on north?

Mr. McMILLAN. Yes, sir; it extends on north.

Mr. FREAR. I was going to ask you about the elevations of that road.

Mr. McMILLAN. I understand that the elevation on that road, the grade, would be slightly heavier than on this here.

Mr. FREAR. What would you mean by slightly heavier?

Mr. McMILLAN. It would run some places—in some places they have to go up about 35 feet higher, I believe, in that hill; and they have a little harder place to climb.

Mr. FREAR. What would be the difference in bringing down the loaded cars, what would it approach?

Mr. McMILLAN. The grade coming down, there would be very little difference.

Mr. FREAR. That is, it would be under 2 per cent, would it?

Mr. McMILLAN. Yes, sir.

Mr. FREAR. On the Porter survey?

Mr. McMILLAN. Yes, sir.

Mr. FREAR. That is all.

Mr. LEA. You made this survey yourself, did you?

Mr. McMILLAN. Yes, sir.

Mr. LEA. For whom did you make it?

Mr. McMILLAN. J. B. Miller Logging Co.

Mr. LEA. That was in May, 1917?

Mr. McMILLAN. Yes, sir.

Mr. LEA. How old are you?

Mr. McMILLAN. Twenty-six.

Mr. LEA. How many miles is this road from Toledo?

Mr. McMILLAN. About eight miles and a half, I believe. It has been two years since I have had the absolute distances on that.

Mr. LEA. At what point did you say your survey terminates?

Mr. McMILLAN. In section 18.

Mr. FREAR. How far beyond the divide, to identify it?

Mr. McMILLAN. Eight thousand six hundred and twelve feet.

Mr. FREAR. Beyond the divide?

Mr. McMILLAN. Beyond the divide.

Mr. FREAR. That is a little over a mile, a mile and a half?

Mr. McMILLAN. Yes, sir; a mile and a half.

Mr. FREAR. That is all.

(Witness excused.)

TESTIMONY OF JOHN PATTERSON—Recalled.

Mr. FREAR. Do you know anything about any rejected lumber, Mr. Patterson, which came from selected logging?

Mr. PATTERSON. Well, they sold what wouldn't make aeroplanes from the cut-up plant from time to time, and after they got tired selling they sold about 27,000,000 feet, I think, in a lump.

Mr. FREAR. Twenty-seven million feet of rejected airplane lumber?

Mr. PATTERSON. It was not good enough for airplanes.

Mr. FREAR. Had it been taken from selected trees, or what?

Mr. PATTERSON. It had been taken from the cants and stuff that was shipped to the cut-up plant.

Mr. FREAR. That was sold here at the cut-up plant, was it?

Mr. PATTERSON. It was sold at the cut-up plant for \$17.10 a thousand.

Mr. FREAR. To whom, or do you know?

Mr. PATTERSON. I think to the Willapa Lumber Co.; I think they bought it.

Mr. FREAR. About what time was that?

Mr. PATTERSON. Oh, that was after the armistice was signed.

Mr. FREAR. But it was from the selective logging that had been done?

Mr. PATTERSON. Yes.

Mr. FREAR. That is all.

(Witness excused.)

TESTIMONY OF FRANK D. EAMAN.

(The witness was sworn by Mr. Frear.)

Mr. LEA. State your full name.

Mr. EAMAN. Frank D. Eaman.

Mr. LEA. Where do you reside, Mr. Eaman?

Mr. EAMAN. Detroit, Mich.

Mr. LEA. What is your occupation?

Mr. EAMAN. I am a lawyer by profession. In the last four years I have also been interested quite largely in manufacturing. Two years before I came here I was operating the Reliance Engineering plant at Lansing, Mich.

Mr. LEA. For what purpose did you come to Portland?

Mr. EAMAN. Why, I came here because I received a letter from Gen. Disque stating that he expected to lose some of his officers. Mr. Ryan had promised to release those that had had military training for service overseas. I had known the general there through his work with me in Jackson, Mich., and he knew that if there was something here that he felt I could do to help that all he had to do was to say so. I got a letter from him in August, and took my examination in Chicago, and shortly afterwards I came out here.

Mr. LEA. That was in August, 1918?

Mr. EAMAN. Yes, sir.

Mr. LEA. How long did you remain here?

Mr. EAMAN. A little over six months.

Mr. LEA. What was your work while here?

Mr. EAMAN. My first assignment was as assistant to the president. The general was president of the corporation and I was an assistant to the president, a sort of floating aide, I suppose, to do such things as I was told or asked to do.

Mr. LEA. How long did you remain in that position?

Mr. EAMAN. Why, that virtually describes my duties, as far as they can be described. Under their organization chart, they had provided for an assistant general manager, and I think just prior to the armistice that an order had been issued and I was designated as such.

Mr. LEA. You are acquainted with Gen. Disque, are you?

Mr. EAMAN. I am.

Mr. LEA. When did you become acquainted with him?

Mr. EAMAN. The first time I saw Gen. Disque was—I have forgotten the exact date, but I should say the 20th of December, 1916—when he got off the train in Jackson, Mich.

Mr. LEA. What, if any, official position did you hold in Michigan at that time?

Mr. EAMAN. I was a member of the board of control of the Michigan State prison, at Jackson, Mich.

Mr. LEA. For how long had you been a member of the board of control?

Mr. EAMAN. In 1916, you mean?

Mr. LEA. Yes.

Mr. EAMAN. I had been a member about a year and a half.

Mr. LEA. What is the method of selection of the board of control in Michigan?

Mr. EAMAN. Appointed by the governor, a nonpartisan board, no salary.

Mr. LEA. Were you on the board at the time Mr. Disque was selected as warden of the penitentiary?

Mr. EAMAN. I was.

Mr. LEA. I wish you would tell the committee what information you have as to his selection, the manner of his selection, and why.

Mr. EAMAN. The former warden of the prison, Mr. Nathan E. Simpson, who had been there then, I think, about five years, and had made a very great record and done a lot of good in building up the industries, and in other ways, announced that he was to leave to engage in private business. There was some controversy about the matter of salary. We voted Mr. Simpson, after his showing year in and year out of the large earnings, we raised his salary. The auditor general contended that under one construction of the law we had no such power. We had to take the matter before the supreme court and in the meantime Mr. Simpson left. The supreme court later determined that we had the power. The board consisted of three men—Mr. Edward Frensdorf, of Hudson, Mich.; Mr. O. H. L. Wernicke, formerly of the Globe-Wernicke Co., then living in Grand Rapids; and myself. We discussed several men. Those that we wanted we could not get, and finally we asked the

papers if they would announce the fact that we were looking for a warden. The appointment could not be made on political grounds, of course, because we had a business then of approximately \$3,000,000 a year. We had about nine separate industries, and of course, the man we had to have was a man of organizing ability and some business experience. Of course, along with that was the problem of discipline. So a friend of Gen. Disque came into my office, a man that I had met, but did not know, and he had a copy of then Capt. Disque's military record from the time he enlisted in the Army as a private, together with every letter of commendation from all of his superior officers from 1899 on to the final letter that Gen. Leonard Wood had. In that record it appeared that he had been assigned, usually, by his officers to not only military duties, but in the construction of camps, and had run the factory at Manila, where they made military supplies, a considerable sized factory. He had had some experience in the military prison at San Isidro, or some place over there. He was a man of about the right age. We found that he had had an application with the Ford Motor Co., and others had looked him up. My next door neighbor had known him, and Mr. Booth, of the Detroit Graphite Paint Co., knew him very well. We made an inquiry among others that had known him or known of him, and we sent him a cablegram asking if he would consider the position. He sent back an answer, "Is it a political job?" We sent back an answer, "It is not. It is a life appointment; depends entirely on yourself. You can only be removed under the law for cause." He then said he would come, but he had not resigned and would not resign until he came and looked into it.

Why, he reached Jackson—I have forgotten the exact date—along the latter part of December, and asked the permission to get a leave of absence from the Army. He said that that would give him an opportunity to find out whether he wanted to stay in the position and whether we wanted him. I told him that, if he had in mind the idea of taking this position, it was my judgment that he should resign, but I didn't want him to have any strings out; take plenty of time to look into the position and what it offered, and if he wanted it to burn his bridges and start in, because it was a tremendous—it is the biggest job, to my mind—that is, requires more varied qualifications of a man than any other public position that I know of in Michigan—not that there are not others just as responsible. It is a big prison; and with the things that Simpson had inaugurated there and work that we had attempted, to say nothing about the business problems, I didn't want any man feeling that he could take the position and step out.

Mr. LEA. At that point, will you briefly explain what was the nature of these operations carried on in that penitentiary in Michigan?

Mr. EAMAN. The biggest industry, in dollars and cents, is the twine factory—not in numbers employed. Most are employed in the chair shop. It had a farm of, I think, a thousand acres, a cannery, and stock raising, dairying, all the allied agricultural industries, bee-keeping, etc.; has a stone shop where they make monuments. They had at that time a tannery, which was discontinued, however, and a very large brick and tile plant.

Mr. LEA. That was all conducted by the penitentiary?

Mr. EAMAN. All conducted by the Michigan State prison, on State account. The contract labor was abolished and the State runs the industries.

Mr. LEA. About what is the average number of inmates of the penitentiary in Michigan?

Mr. EAMAN. Well, this is only one of—there are two other prisons in Michigan. This is the large prison.

Mr. LEA. How many are there there?

Mr. EAMAN. The average during the year, I would say, would be about 1,100; there was when I left. Of course, I resigned when I came out here. Sometimes would be as low as 900, again as high as 1,400 inmates.

Mr. LEA. What did you learn as to Mr. Disque's work in the Army, of a civilian character, before his appointment as warden?

Mr. EAMAN. The assignments that he had had, particularly of that nature, were what interested us instantly. I may say that Warden Simpson had had Army training—had been in the Army in the Philippines, had been a captain in the Army—and, I suppose, as much as anything, it was our thought that a man's military training would be, on the disciplinary end, of great help; if you could find such a man that possessed organizing ability and business judgment besides; and this seemed to us to be a man that had those qualifications.

Mr. LEA. What was the nature of this plant in Manila?

Mr. EAMAN. Why, it is so long ago I have forgotten. As I remember, it was a general repair shop, and they made a lot of military supplies; I think they made harness, saddlery. The general can tell you in detail. I have forgotten. It was a manufacturing plant; not a large one, of course, like an eastern factory, or anything of that kind, but was a plant in which things were made and manufactured, and he could get on to manufacturing methods and processes, etc.

Mr. LEA. Well, return to his appointment.

Mr. EAMAN. So at that meeting each member of the board expresses their opinion on the subject of his resignation from the Army, and upon our urging he resigned. He remained as warden of that prison until he accepted his commission, in September, I think it was, the following year, 1917.

Mr. LEA. At the time you cabled Mr. Disque offering this position were you personally acquainted with him, or had you had any previous connection with him?

Mr. EAMAN. No; not at all. Never heard his name within—well, within a comparatively few hours before the cable was sent. That is, I mean by a comparatively few—a day or so, giving us time to check up on the man and find out those that did know him. Incidentally I may say that Gov. Ferris was then governor of Michigan. He had appointed me on the board, and strenuously objected to our—although he didn't assume to have any voice in the appointment of a warden, felt that that was the obligation of the board—it so happened that Disque had been an inspector for the Regular Army in Michigan, and a few years back had rated the Cavalry troop at Detroit, I think, as 2 per cent efficient and unless they came up to a certain grade recommended that the Government allowance be cut off. That report, of course, made him some enemies, including the then

highest military officer of the State. That gentleman happened to be a friend of—he is a friend of mine, personally—but he told Gov. Ferris that Disque was a martinet, and the governor was afraid that our methods down there of the honor system and other things that we were trying to put in might be harmed. I may say that later he was criticized for being too lax in his discipline, but not by us.

Mr. Disque was not appointed through any political reason or any personal reason or anything else.

Mr. LEA. When did he assume his duties at the prison?

Mr. EAMAN. He qualified at once, took the oath, filed his bond.

Mr. LEA. And how long did he remain warden?

Mr. EAMAN. Until September of the following year, I think it was, or latter part of August. The exact date of his going I do not remember.

Mr. LEA. And what, if any, information can you give the committee as to whether or not Gen. Disque sought to enter the military service of the United States?

Mr. EAMAN. He did everything that a man could possibly do to get into the service. I felt a personal responsibility in having been the first one to suggest his resigning. If he had taken his leave of absence, as he had asked, he would automatically have gone back to his rank as captain in the Cavalry. He wrote a letter tendering his services. I saw the letter at the time. I have forgotten the date—shortly after war was declared. Senator Townsend, whose home was in Jackson, introduced a bill in Congress to restore him to his former grade, and I personally went to Washington to see Mr. Doremus, who was Congressman from my district, asking him to introduce a similar bill. They got word—I think in the meantime Senator Townsend said that the matter had been referred to the War Department and they were not in favor of it and could not see—and, of course, upon their stating that, it was withdrawn.

Mr. LEA. He asked to go back with the rank of captain?

Mr. EAMAN. That is all.

Mr. LEA. On which he had retired?

Mr. EAMAN. That is all. I think the suggestion was made by somebody in the War Department, while he was there, that he go over to Fort Sheridan, as they asked some other Army officers to do, in a civilian training camp, and work for a commission. He asked myself and other members of the board about that, and I told him not to do it; that a man that had been an officer in the Army for 17 years and was so lately out of it, was a graduate of the War College and the college of the line, I didn't think that really they wanted him to go to a civilian training camp to see whether he could qualify as a second lieutenant. That worried him a little bit. I told him that. In the meantime he was bombarded with letters—Gen. Wood. Gen. Bell, a lot of colonels that I don't know—and each time he would get one, of course, he—finally he almost was frantic, that is the truth of the matter. And finally then over—I think there was some—he had been in Ohio at one time, I think there was some talk of making him a colonel of a colored regiment, but I think that never materialized, because the draft law came along and they didn't have volunteer regiments.

Mr. LEA. And when he finally resigned, it was for what purpose?

Mr. EAMAN. From the prison?

Mr. LEA. Yes.

Mr. EAMAN. To accept his commission as an officer in the Army.

Mr. LEA. Was he in any way urged or requested to resign by the board of control?

Mr. EAMAN. He was not. He was voted a leave of absence. When, of course, it was—the war was going on for a considerable period of time, after he got out here and got in his duties, I think it was May of the following year, he wrote us a letter and said that, which was true, we needed a warden. It is hard to run a prison without a permanent head. We could not do anything else, however, but give him a leave of absence, and then when we got his letter, I think it was May of the following year, we began our search for another.

Mr. LEA. How familiar were you with the management of the prison during his administration of it?

Mr. EAMAN. Very familiar.

Mr. LEA. And I wish you would tell us about his administration, what you know about it.

Mr. EAMAN. Warden Disque, as would be expected, had some things to learn by way of adapting himself to the industry. The first thing he did—I think the problem that was before us was that the State of Michigan only gave us \$160,000 revolving fund, as they called it; in other words, the capital account of the prison was only \$160,000. There had been some legal question as to our right to borrow money. We were at once confronted, in the buying season of 1917, with the price of sisal going up from 6 cents to 16, 17, and 18 cents. That is the raw material out of which binder twine is made. We had a credit in New York, for instance, of about \$300,000, but our first purchases that year ran 986, and so the general's immediate problem was to extend that credit. He made several trips to New York—I went with him once—with the result that he secured for Jackson prison, with some question of its legality—I mean raised by the attorneys of the bank, not that there was any question—a credit that year, I think, of \$1,500,000. He reorganized the twine shop. I may say that it is not all through the general's year, because it went into—the selling season went into the next year, but, in a general way, during the months the general was there, plus the three or four months following. That prison not only paid us all its expenses, but showed a net profit, as our auditor said, of \$300,000. There was some question about that for a time when they had the legislative committee looking into the affairs of the prison, but, as perhaps you gentlemen know already here, when the auditor of the Detroit Trust Co. went on the stand, he admitted he had overlooked what was due us of \$260,000, so that now the audit of that prison shows an accumulated surplus, in a little over five years, of a little over \$2,000,000.

Mr. LEA. I wish you would state to the committee how the report of a shortage originally came and how it was subsequently dispelled.

Mr. EAMAN. I only know of that from what I have heard and read. The Detroit Trust Co.—unfortunately Mr. Frensdorf became a candidate for governor while he was acting warden of the prison, after Gen. Disque left. Of course, that threw the institution into politics for the first time in seven years. I don't mean unfortunately for him or for the State, but I mean for the institution, as I viewed it. Mr. Simpson, the former warden, was also considered a farmers'

candidate for governor. He was then head of the Gleaners and, of course, immediately the prison became involved in some of the political controversies of our State. They had an investigating committee that rendered some adverse criticism. Then, simultaneously with that, the Detroit Trust Co. reported that there was an apparent shortage of \$750,000. The State accountant went down, by the way, after that, and in less than half a day found that there was not any shortage at all, but instead of that they had given us less credit than we were entitled to, and the Trust Co. very frankly and in a manly way admitted their mistaken audit. So that part was cleared up, I guess, to the satisfaction of everybody in our State.

Mr. LEA. Now, what was this alleged shortage, in whose administration?

Mr. EAMAN. In the administration of Mr. Simpson, former warden. The only thing that in any way, in any part of the testimony, as I remember it, or even in the legislative report, was that some thought that the general's discipline had been too lax. Of course, that was not the general's fault. That is the board's fault. We were trying to run a prison where a man don't have to cringe every time an officer comes around. The general also has the same idea of a guard's duty that he has of an officer on duty, that he has no right to take advantage of an inmate and curse him, swear at him, and yet he had as hard a punch as any man when the inmate was unruly. And that is the way that prison has been run. Extending now over a considerable period of time, we have a good number of our men out on the farms. I say "our men"; I am not on the board any more. We have some escapes, but most of them don't.

Mr. LEA. You are familiar with the finances of that prison. Is there anything in the history of Mr. Disque's administration of that penitentiary that in any way reflects upon his financial management of the institution or upon his integrity?

Mr. EAMAN. Not at all, nor has he ever been charged with it by anyone. There was some talk, I think, at the time that legislative committee was on that one of the farms had been bought too high. That was part of a program, however, on the part of some of the gentlemen to force the prison to sell this farm. There are people in Michigan who do not believe that men should be punished by having them go out on farms; their idea of prison punishment is to be in a cell. That is for them to settle, but Jackson has figured the other way, as practically all other States, buying more and more and more farm land, instead of having all the work done under the contract system inside of a prison.

Mr. LEA. Have they continued to expand in the purchase of farms since that time?

Mr. EAMAN. Yes, sir. The legislative report on that subject, when it was finally given, was that you not only do not sell the farms but buy more.

Mr. LEA. That is all, I think. Is there anything else that you think of that you want to say?

Mr. EAMAN. There was some statement—I don't think Mr. Sligh intentionally made it—he said something about my being warden of the prison. Of course, I never was warden of the prison.

Oh, there was another thing: I never knew or heard of any—this letter that was spoken of in the testimony, having been sent by the

general to the governor. I don't know about that. I certainly do know that no governor of Michigan, either Gov. Sleeper or Gov. Ferris, ever handed me any letter that had been written him by Gen. Disque. A statement to that effect is mistaken.

Mr. LEA. Do you know any reason on earth to justify any witness for making such a statement?

Mr. EAMAN. I do not.

Mr. LEA. You never made any such statement to anybody?

Mr. EAMAN. No, sir. I suppose I am the gentleman who is referred to. It is quoted in the testimony as Heyman, but I suppose that is merely because the stenographer didn't understand my right name. It must have been me that was referred to, because the other two gentlemen were Mr. Wernicke and Mr. Frensdorf. Mr. Frensdorf was the acting warden.

Mr. LEA. But you never knew or heard of such a letter as was stated was handed to you?

Mr. EAMAN. No, sir; and it never was.

Mr. LEA. That is all.

Mr. FREAR. When were you appointed a member of the board of control of that State?

Mr. EAMAN. 1914, I think.

Mr. FREAR. So that you had been in about a year and a half?

Mr. EAMAN. Yes, sir.

Mr. FREAR. Before Mr. Disque came what was Simpson's salary?

Mr. EAMAN. Mr. Simpson's salary was \$5,000 a year, until we raised it to \$7,500, which the court finally said was proper. In addition to that, under the law he got a home, all of his living expenses for himself and family, machine and other things that go with the job—servants and all that.

Mr. FREAR. What was the salary paid Disque when he went in?

Mr. EAMAN. The salary paid Disque was \$5,000, because that lawsuit was pending, but with the understanding that if our powers were held to be proper by the supreme court, that it would be increased.

Mr. FREAR. And did you ever pay him more?

Mr. EAMAN. No, sir; he left.

Mr. FREAR. So that he received \$5,000?

Mr. EAMAN. Plus all of his living expenses and everything of that kind; yes, sir.

Mr. FREAR. What were those estimated to be?

Mr. EAMAN. Well—

Mr. FREAR. I mean by your board. Of course, you had an accounting system there.

Mr. EAMAN. I suppose a man drawing \$5,000 salary would not live in as large a place as such a man may live in. Of course, a home such as he got, with the servants, and everything that goes with it, and automobile, would cost him money, possibly six or eight thousand dollars.

Mr. FREAR. Would you say his living expenses were six or eight thousand dollars?

Mr. EAMAN. I would not say that; no, sir.

Mr. FREAR. How much, two or three, three or four?

Mr. EAMAN. I would figure—I can only figure for myself in my own family, which is a little larger than the general's—that I

would figure easily I would be saving five or six thousand dollars a year, that is with everything, laundry and machine, the use of it for himself and family. The depreciation, and upkeep, and cost alone of that is eleven or twelve hundred dollars a year, and there is no getting away from it. Of course, it was also used in the business of the prison. I don't say that he merely had a machine to run around in, but that is worth something to a man. Maybe that figure is too high, Mr. Frear; I don't know.

Mr. FREAR. When did you come out here?

Mr. EAMAN. I came out here—I took my examination in August. I think my commission was dated the early part of September, and I left a week after that.

Mr. FREAR. September of what year?

Mr. EAMAN. 1918.

Mr. FREAR. September, 1918?

Mr. EAMAN. Yes, sir.

Mr. FREAR. What time in September?

Mr. EAMAN. I think I got here the 20th.

Mr. FREAR. And the armistice was signed November 11?

Mr. EAMAN. November 11, about six weeks after.

Mr. FREAR. So you were here about six weeks?

Mr. EAMAN. Six or seven weeks; yes, sir.

Mr. FREAR. Were you recommended for distinguished service by—

Mr. EAMAN. I don't know.

Mr. FREAR. I believe he testified you were.

Mr. EAMAN. I heard that testimony.

Mr. FREAR. Your six weeks' service here was not during the rainy season nor during the time when—

Mr. EAMAN. No, sir.

Mr. FREAR. Your six weeks' service here entitled you, in the opinion of Mr. Disque, and he was the officer—

Mr. EAMAN. You will have to ask him about that. I think my duty was an ordinary one. I think that I had some qualifications for the job. I know I left an income, sir, in an industrial employment, of pretty close to two or three thousand dollars a month, and I don't think that I was entitled to it, nor do I think I would have received it. I think probably that recommendation, not being a medal that is awarded men in the fighting line, I suppose it is to be explained largely by the feeling of loyalty of the general to his organization.

Mr. FREAR. And personal friendship for you?

Mr. EAMAN. Not at all. I don't think, sir, in my case, that Gen. Disque—that personal friendship ever influenced that man in one single act.

Mr. FREAR. Then you think in six weeks' time that you were there that he gave you this or he recommended you for a distinguished-service medal because of the record you made here?

Mr. EAMAN. You will have to ask him what his reasons were.

Mr. FREAR. But you say that it was not on account of any personal relations. You had known him before you had appointed him as warden, hadn't you?

Mr. EAMAN. No, sir.

Mr. FREAR. Your board didn't?

Mr. EAMAN. Our board did; yes, sir.

Mr. FREAR. There are three members of the board?

Mr. EAMAN. Three members of the board.

Mr. FREAR. Well, that is what I assumed; and, of course, you didn't think that had any connection with it at all?

Mr. EAMAN. I think it had nothing to do with it, sir.

Mr. FREAR. Do you know of any other officer in the United States that recommended for distinguished-service medals, unless some man was on the fighting line, a man who had been in service just six weeks?

Mr. EAMAN. I don't know, sir.

Mr. FREAR. Well.

Mr. EAMAN. Of course, I was here in a fairly responsible position. I don't think that had anything to do with the recommendation, and yet it may have had.

Mr. FREAR. What was the position?

Mr. EAMAN. I was chairman of the contract board—passed on some \$20,000,000 worth of claims. I don't understand—maybe my position—I asked nothing, I asked for no glory. I certainly have asked for no medals; wouldn't want any.

Mr. FREAR. This is the position that confronts us—

Mr. EAMAN. All right.

Mr. FREAR. When I asked him the names of those whom he recommended for distinguished service he stated your name, and I didn't know the length of service, so I could not have examined him on it, and when you said that you were in six weeks I asked what there was in your record that in your judgment—you say that you don't base it on your judgment, you leave it entirely to him.

Mr. EAMAN. I consider my duty an ordinary one, sir.

Mr. FREAR. You say he was bombarded with letters by Wood and Bell and others?

Mr. EAMAN. He showed me a series of letters—naturally other men that had been in the service with him wanted to know, and I think Gen. Foulois, with whom he was finally assigned. They had been lieutenants together down in Texas, I understand.

Mr. FREAR. Gen. Wood was bombarding this captain with letters; is that the fact? I don't quite get it—the suggestion that you make there. Gen. Wood and Gen. Bell, were they writing him to come back to the service?

Mr. EAMAN. Gen. Leonard Wood, sir, has made the statement in Michigan in several places—of course, his purpose was criticism of the War Department—that it was a consummate outrage to have taken a man of Gen. Disque's ability and with his standing in the Army and in the colleges and have sent him out here to get out spruce.

Mr. FREAR. Well, whereabouts is that letter to be found?

Mr. EAMAN. Probably the gentleman has it in his file. I, perhaps, should not even refer to it. These statements I am making can easily be verified as having been made to several people in our State.

Mr. FREAR. What was Wood's experience with him?

Mr. EAMAN. I don't know.

Mr. FREAR. Had he ever been intimately associated with Wood?

Mr. EAMAN. I don't know. I think they were acquainted.

Mr. FREAR. Where?

Mr. EAMAN. Some place in the Army. I don't know about that.

Mr. FREAR. Down in the Philippines—

Mr. EAMAN. Whether that or in the States, I don't know.

Mr. FREAR. It is rather an unusual statement. That is the reason I was inquiring.

Mr. EAMAN. I think if you are interested, sir, in Gen. Wood's estimate of this man's ability as a soldier, he would be very glad to give it to you.

Mr. FREAR. I don't know that I am, particularly.

Mr. EAMAN. I don't know.

Mr. FREAR. But when the recommendation comes in here that Disque was bombarded with this proposition—

Mr. EAMAN. When it is stated that that man in any way, even for a moment, as far as anything I could see, did other than try to get back and render service in the line of his profession, for which he had been in training for years, that statement, in my judgment, sir, ought never to be made against that man.

Mr. FREAR. Let me say I don't think the committee has taken that into consideration at all; and, frankly, in this examination we are not considering it.

Mr. EAMAN. Those things hurt, and I admit I am prejudiced on that; but I think it is due that man, sir, that left our State with not enough money to ship his furniture out here—that man has some rights. Maybe his judgment was wrong, all right, too, but his reputation and his honor and his ability as a man are there, and I think a man that was down in several engagements in the Philippine Islands and risked his life for our flag is entitled to some consideration.

Mr. FREAR. What was his record there? Perhaps you know.

Mr. EAMAN. The list of his engagements were in the military record, sir.

Mr. FREAR. Was he ever wounded?

Mr. EAMAN. I don't think he ever was.

Mr. FREAR. He never stated much about it. I don't know but what you might know.

Mr. EAMAN. In this military record that I have home in my office I know the list of his engagements are mentioned in there. They are small, I suppose.

Mr. FREAR. In the Philippines?

Mr. EAMAN. Yes, sir; it is a part of the insurrection. No large engagements.

Mr. FREAR. You came out from Michigan here?

Mr. EAMAN. Yes, sir.

Mr. FREAR. To testify in this case?

Mr. EAMAN. I did.

Mr. FREAR. Five thousand miles here and back?

Mr. EAMAN. Yes, sir.

Mr. FREAR. At your own expense?

Mr. EAMAN. Yes, sir.

Mr. FREAR. Well, that is an evidence of friendship, anyhow.

Mr. EAMAN. Yes, sir.

Mr. FREAR. We have got to concede that.

Mr. EAMAN. And I would have gone farther, if anything I could say would help clear the man's reputation as to honesty and honor in the time I have known him.

Mr. FREAR. Well, that is praiseworthy, surely. Simpson was in five years, you say?

Mr. EAMAN. No; about four, I think.

Mr. FREAR. You stated five. I was wondering.

Mr. EAMAN. Well, let's see, I was not on the board—it was between four and five years.

Mr. FREAR. And he made a good record, according to your statement?

Mr. EAMAN. He was a good warden.

Mr. FREAR. And then he went out?

Mr. EAMAN. Yes, sir.

Mr. FREAR. And Disque came on by reason of correspondence or cables between your warden——

Mr. EAMAN. Board.

Mr. FREAR. Between your board and Disque in Manila?

Mr. EAMAN. Yes, sir.

Mr. FREAR. And how long after you undertook this correspondence was it that he came on?

Mr. EAMAN. I think it was about—it took a whole month to get here, I know—my recollection is that he left about two or three weeks after the first cable was sent him, and it took him 30 days.

Mr. FREAR. Who was it that knew him?

Mr. EAMAN. Who was it?

Mr. FREAR. Yes; on the board or in connection with your board?

Mr. EAMAN. No member of our board had known him or ever heard his name.

Mr. FREAR. Who was it outside of the board?

Mr. EAMAN. A man named Kearney.

Mr. FREAR. Who was it, a friend?

Mr. EAMAN. He is a friend of the General's, and has been, I believe, for sometime. He was an officer in a Cavalry troop and had met the General when he was there in Michigan as an inspector.

Mr. FREAR. Originally; before he had gone to Manila?

Mr. EAMAN. Yes, sir.

Mr. FREAR. Or the Philippines. I speak of that because it is a rather unusual proceeding to send 9,000 miles for a man——

Mr. EAMAN. It is; very. I don't suppose it would be a part of the record on that, but in justice to the man—when he left—not that you want to cumber the record with what a lot of editors thought, but we thought it was a fine thing to do—we were very highly commended by practically every newspaper in Michigan—because it was a nonpartisan thing—and we picked the man on what his record seemed to us to be, and particularly was it pleasant to have them say that his record there for nine months had vindicated our judgment in him.

Mr. FREAR. You are acquainted, of course, with this investigation that was held in Michigan?

Mr. EAMAN. Yes, sir; in a very general way. I was not present in Michigan; I was out here.

Mr. FREAR. But you were a member of the board that appointed Mr. Disque?

Mr. EAMAN. Yes, sir.

Mr. FREAR. Who was appointed in your place?

Mr. EAMAN. Mr. Mark Merriman, I believe.

Mr. FREAR. There was a committee of the legislature which was appointed to make an investigation there, was there not?

Mr. EAMAN. Yes, sir.

Mr. FREAR. That reported to the Senate on April 1, 1919, and I hold a copy of the report which you mentioned a few moments ago.

Mr. EAMAN. Yes; I think I have seen the one that is inserted in the record.

Mr. FREAR. On page 895 of the report—let me see; you were there in 1914?

Mr. EAMAN. Yes.

Mr. FREAR. It says: "At the time this act became effective," referring to an act of the legislature in 1909, "the Jackson prison had a contract with the Michigan Seating Co. to furnish it inmate labor, which contract expired in 1915." That was after you came in?

Mr. EAMAN. Yes.

Mr. FREAR. "After its expiration the prison officials continued to furnish contract labor to the Michigan Seating Co. on a per diem and piecework basis. This was not only in violation of the express provisions of the statute but our investigation disclosed that there was no one representing the prison who knew or understood what the arrangement really meant. No investigation had ever been made to determine whether the rates paid were just or not, and there was absolutely no supervision of the work performed for this company by anyone connected with the prison. We found that the method employed in keeping track of the large amount of work performed for this company was the following: At the end of each month the company would submit its own statement of the amount due the State which was accepted without question." You were a member of the board during this period when this refers to?

Mr. EAMAN. I was; yes, sir. And they had no different system then, sir, than they have now; nor has it ever been held by any court—we were told over and over again that our acts were illegal; that we had no right to increase Warden Simpson's salary, and three different times we were told certain things we did were illegal, and the Supreme Court of our State in every instance yet has found that we were within our legal rights and that it was not an illegal contract.

Mr. FREAR. You are a lawyer?

Mr. EAMAN. Yes, sir.

Mr. FREAR. You are a business man, naturally?

Mr. EAMAN. I have been; yes, sir.

Mr. FREAR. Is it true that this statement of the legislative committee, which is signed by Charles O. Blynn, Fred B. Wells, Robert B. MacDonald, and George W. Millen, members of the special joint legislative committee to investigate the State prison at Jackson. Those were all senators, were they?

Mr. EAMAN. I think they were representatives. I am not sure.

Mr. FREAR. It appears in the Journal of the Senate?

Mr. EAMAN. Maybe there were some of both; I don't know.

Mr. FREAR. Yes. Is it true that at the end of each month the company would submit its own statement of the amount due the State, which was accepted without question?

Mr. EAMAN. No, sir.

Mr. FREAR. Well, that is their findings.

Mr. EAMAN. I can't help that, sir.

Mr. FREAR. That was under paragraph 8 of their report.

Mr. EAMAN. Why, just an illustration, Mr. Frear.

Mr. FREAR. Yes, make any statement. I will be glad to have you to.

Mr. EAMAN. And it bears upon the question of Gen. Disque. The record is absolutely plain that Disque—one of the first things he did was to take up the question as to the amount being paid by the Michigan Seating Co. That is a matter of record, and in the auditor general's office and the State treasurer's office and the books of the prison, that that man increased the amount that we received from the prison, and yet that report says nothing was done.

Mr. FREAR. I see. I am just reading from the report.

Mr. EAMAN. Yes, sir.

Mr. LEA. Well, this period covered by the report, isn't this before Gen. Disque?

Mr. EAMAN. This is before the Detroit Trust Co. made any audit—

Mr. LEA (interrupting). Wait a minute.

Mr. EAMAN. And what we are entitled to have in the record—I think it is already in the evidence.

Mr. FREAR. Of course, you were a member of this board at this time?

Mr. EAMAN. Yes, sir.

Mr. FREAR. Of course, it gives you an opportunity to justify yourself?

Mr. LEA. Wasn't this before Disque became warden?

Mr. FREAR. How is that?

Mr. LEA. Wasn't this before Disque became warden?

Mr. FREAR. It may have been.

Mr. EAMAN. Yes, sir.

Mr. FREAR. It says, "at the end of each month."

Mr. EAMAN. But apart from that, I am also interested in the prison. I claim nothing for myself—

Mr. FREAR (interrupting). When was this last contract to expire with the Michigan Seating Co.?

Mr. EAMAN. With the Michigan Seating Co.? Before I went on the board.

Mr. FREAR. What?

Mr. EAMAN. Before I went on the board.

Mr. FREAR. Why, no. It says here the contract expired in 1915, and it says after the expiration the prison officials continued to furnish contract labor to the Michigan Seating Co. on a per diem and piecework basis. You went in in 1914?

Mr. EAMAN. Yes, sir.

Mr. FREAR. So they continued on the same contract basis?

Mr. EAMAN. The contract, sir, I am telling you—you are asking me, and I am getting into the record, and I am on oath—

Mr. FREAR (interrupting). Yes.

Mr. EAMAN. There was a contract originally with the Michigan Seating Co.

Mr. FREAR. Yes.

Mr. EAMAN. That contract had expired.

Mr. FREAR. Yes.

Mr. EAMAN. One of the first matters that came up when I became a member of the board was a matter of renewal of that contract. I gave them a legal opinion; perhaps it was wrong as a matter of law; I still think it was right then, and until the court says otherwise I maintain it, that it is not an illegal contract to have a bailment relation where they bring in material. We have just as much right to charge them for fabricating it into a finished chair as they have, and they say there is no objection to that in the stone shop, and that a man can come in with a boulder out of the field and we can make a monument out of it and charge him for the time and labor that goes into it; that that is perfectly proper. Of course, you are not interested in Michigan politics; neither am I, because that happens, that I don't want to be interested except as a citizen. The real interest there was that a certain gentleman who had a contract over in Ionia prison was not quite friendly with some of the present Michigan officers.

Mr. FREAR. Well, the committee is not interested, I think——

Mr. EAMAN (interrupting). No; I don't think you ought to get into that.

Mr. FREAR. The committee is not interested in the local questions.

Mr. EAMAN. No, sir.

Mr. FREAR. None of us. But the point I had in mind is this last paragraph, which is very significant, while you were a member of this board.

Mr. EAMAN. What I am interested in here is when they go before the grand jury, before the circuit court of the county of Jackson, which lasted about an hour, and the judge's finding that there was absolutely no evidence of anything illegal or of anything wrong in that prison, then I don't care about a report of the legislative committee.

Mr. FREAR. Of course not; but here is the question that I desire to have a little light about.

Mr. EAMAN. Yes, sir.

Mr. FREAR. Because you were a member of the board at that time. It states here, "At the end of each month the company would submit its own statement of the amount due the State, which was accepted without question."

Mr. EAMAN. You have asked me, and I think I have already said that is not so.

Mr. FREAR. Yes. Now, was there any finding anywhere——

Mr. EAMAN (interrupting). They submitted a statement which was checked up.

Mr. FREAR. Then that statement of this legislative committee, you say, is not true.

Mr. EAMAN. But if you want to know our method and system, and why the prison could not possibly lose a cent under our system, I will be glad to explain that to you. I don't care whether they submit the bill or whether I submit the bill. Where it is figured under a system and an accounting method that can't determine but one thing, it is immaterial to me whether their stenographer writes out an estimate, or whether our men that were on the books checked them up; and in addition to that, every inmate that worked in the chair

shop was an auditor for the prison in this way. That every man in that institution is paid overtime, and the amount of his payment for overtime is determined, of course, upon the quantity of work that he does. So that every man working in that chair shop, independent of what the Michigan Seating Co.'s statement may make or show, if that is not correct it means that the inmate does not get as much as he is entitled to. The more the inmate gets the more we get, because even with the overtime the prison shares in it 20 per cent of the amount paid as overtime; the rest goes to the inmate.

Mr. FREAR. Then your statement is that there was a check kept upon that?

Mr. EAMAN. Yes, sir, indeed.

Mr. FREAR. Now the next statement under section 9, or paragraph 9, is, "About two years ago the A. W. Ehrman Co. was employed to devise a system at an expense of approximately \$2,500, but through lack of cooperation on the part of the prison management and laxity of method, that system was not kept up. In fact, the accounts could not be kept in a more lax, incorrect, and improper manner than they have been for years. This applies to all departments, and the loose methods employed are not only adverse to sound business principles, but would wreck any ordinary business in a very brief period." Was that true?

Mr. EAMAN. No, sir. I would like to state there—

Mr. FREAR (interrupting). Surely. Go on and make any statement.

Mr. EAMAN. A. W. Ehrman Co.—well, first, Warden Simpson had been a farmer. His problem was to establish industries under the State account system. All the State law of our State requires that institution to furnish its auditor general is a statement of the moneys received and merely a cash statement, the amount received, from whom received, for what purpose paid, etc., and a statement of all moneys spent, to whom paid, for what purpose, etc. Further than that the State law of Michigan did not require any system. One of the first things Disque did when he came there was to get A. W. Ehrman Co. to come out there and put in this system. We were interested in costs. We wanted to know how much to sell our monuments for, and we could not tell without knowing what they cost us. Further than that, he was finding what it would cost to maintain a man inmate in the prison. It is true that after the general left some of the men that he had appointed were removed, and shortly, I think—Mr. Le Claire had been his chief accountant, and they got another, and he had a different system; thought the Ehrman system wasn't good. Ehrman says it is. He is one of the leading expert accountants. The next man says it is not.

Mr. FREAR. This statement is made—in fact, the accounts could not be kept in a more lax, incorrect, improper manner than they have been for years, and this was in 1919?

Mr. EAMAN. I think, Mr. Frear, in fairness now, right while we are on that subject in the record—

Mr. FREAR. Yes.

Mr. EAMAN (continuing). That the legislative committee that went out of existence, of course, with the adjournment of the legislature, might be warranted in making a finding upon a report of a trust company that they were \$750,000 short, where they would not

make any such report when at the conclusion of their duty the trust company admits they are all wrong. Now, any auditing company that will overlook what is openly on the books of \$1,260,000, as they admit they did, can't pass for me upon any question of good or bad accounting.

Mr. FREAR. I understand. Let's admit, for the sake of argument, that they were misled by this committee.

Mr. EAMAN. All right.

Mr. FREAR. Which I presume is true from what you said.

Mr. EAMAN. Yes, sir.

Mr. FREAR. But when they state that through lack of cooperation on the part of the prison management and laxity of methods that system was not kept up—"In fact, the accounts could not be kept in a more lax, incorrect, and improper manner than they have been for years. This applies to all departments and the loose methods employed are not only adverse to sound business principles, but would wreck any ordinary business in a very brief period"—that, of course, is a very positive statement.

Mr. EAMAN. It is.

Mr. FREAR. Now take paragraph 10; that is on page 896 of the record. It says: "We regret exceedingly being obliged to report that the discipline of this institution is far from ideal. During the last few years it has steadily gotten worse. This has been the case since Warden Simpson resigned in December, 1916." That is since he resigned. He was Disque's predecessor?

Mr. EAMAN. Yes, sir.

Mr. FREAR. "And the responsibility therefor must be placed on those who have acted as wardens since that time. Among other things, we found that prize fighting between inmates was encouraged and approved, card playing and gambling a common practice, and crap games a pastime. Men with bad records both in and out of the prison were named as trustees and allowed unrestricted freedom." That is true or not true?

Mr. EAMAN. To say that boxing was not allowed in the institution—it was. Of course, boxing used to be tabooed in every State in the Union, but when the war came on it was encouraged, and now pretty near every State in the Union allows boxing and have boxing laws and allow them. To say boxing was allowed in Jackson prison, it was, when I was a member of the board, in a regular, orderly way. About once in two weeks they would have athletic stunts, and among other things they had boxing. That is true. Some of the gentlemen from up State objected to that. To say, I suppose there is crap shooting in the prison; not with the warden's knowledge, or with the knowledge of any of the guards. There are lots of things that take place in a prison. To say that was allowed or tolerated, or encouraged, is not true, either under Warden Simpson, Warden Disque, or Warden Hurlburt.

Mr. FREAR. They say this occurred after Warden Simpson resigned. They say it was "encouraged and approved, card playing and gambling a common practice and crap games a pastime."

Mr. EAMAN. Unfortunately, there is a lot of practices worse than that going on in Jackson prison; immoral practices. Does that mean that the management, because you could have testimony that it had occurred, that we encouraged it, or allowed it, or tolerated it?

Mr. FREAR. Well, I don't think—

Mr. EAMAN (interrupting). There is a lot of things that take place with 1,200 men, every one charged with crime; but the criticism is, if it is justified, as to whether any member of the board or the warden or guard allows it knowingly; and that is not so.

Mr. FREAR. Well, but it says it was approved, and, of course, if the legislative committee stated a falsehood, why that is the result of your statement.

Mr. EAMAN. People in Michigan, sir, don't believe that of Jackson prison.

Mr. MAGEE. Does that report say what kind of card playing?

Mr. FREAR. Crap shooting and card playing.

Mr. MAGEE. I know; but does it say what kind of card playing?

Mr. FREAR. No; that is all.

Mr. MAGEE. It may have been whist.

Mr. FREAR. Well, they usually play whist, I suppose.

Mr. LEA. Is there any law against playing cards?

Mr. EAMAN. There is no law in the State, I believe, that cards should not be played in my house.

Mr. FREAR. Card playing and gambling a common practice.

Mr. EAMAN. I have no doubt, sir, every colored man of the Jackson prison, if he could get hold of some bones, will shoot craps behind the brick pile, but that does not mean that Warden Disque, Warden Hurlburt, or any guard ever tolerated it. It exists in the Army in spite of an absolute regulation. I don't think that it ought to be held up against a State prison.

Mr. FREAR. Well, I am asking for an explanation and taking your explanation.

Mr. EAMAN. All right, sir.

Mr. FREAR. Well, under the same paragraph: "While there has been numerous escapes both from the prison itself and the farms, it is only fair to state that the inmates themselves deserve considerable commendation for observing the law against such practices and for not having availed themselves of the opportunities offered for leave-taking. We found bad feeling and petty jealousies existing among many officers and employees, which were permitted to continue with the knowledge of the warden in charge, and which in considerable measure accounted for the conditions recited.

Our investigation has met with the hearty cooperation of the present board of control and we feel confident that from now on there will be a great change for the better so far as prison discipline is concerned.

What is there about that statement?

Mr. EAMAN. I think undoubtedly the discipline wasn't as good for a time after Disque left. We appreciated that. That is not anybody's fault. I greatly regretted, not that we could not give Disque a leave of absence because he asked for it, and, of course, going back in the Army he was entitled to it. If there is anything bad around the prison it is not to have a permanent head. Unfortunately, there was an interregnum there of about 10 months; the inmates didn't know who was really boss. There was no warden, and finally we appointed a warden.

Mr. FREAR. Well, this suggests, since the resignation of Warden Simpson, as I recollect back there—I may have misread it.

Mr. EAMAN. I think some of the gentlemen from out in the State objected to some of the methods of discipline.

Mr. FREAR. Getting back, it says, "We regret exceedingly being obliged to report that the discipline of this institution is far from ideal. During the last few years it has steadily gotten worse. This has been the case since Warden Simpson resigned, in December, 1916, and the responsibility therefor must be placed on those who have acted as wardens since that time."

Mr. EAMAN. I don't think you ought to blame the warden, if the board will assume full responsibility for the methods of discipline, we do not, did not have—and, by the way, I suggested the name of Warden Hurlburt, a contractor of Detroit, who is present warden in the prison, who has the same methods. We believe that the old prison methods employed for 150 or 200 years, perhaps, can be improved upon. We believe in allowing men, after they have been lodged over in that institution, to go out on a farm. The average life, including all the lifers, of the men in the institution, their average period in prison, is only two years. The average age, even with all the old men in our prison, is steadily going down and down and down. We don't allow brutal conduct on the part of the guards if we can help it. Some of the gentlemen feel that if a man is convicted of a crime, and one of the attorney generals so stated, that it should be the obligation of a warden and a board of control to make a man feel punishment from the minute he enters our door. We may be wrong. If we are, we assume full responsibility for it. We don't believe that is the duty of a warden.

Mr. FREAR. That is not very different in some respects from that of the average institution throughout the country, is it?

Mr. EAMAN. No; there are a lot of prisons that—

Mr. FREAR (interrupting). That the average institution does let out its men?

Mr. EAMAN. Yes, sir.

Mr. FREAR. Have their trustees?

Mr. EAMAN. Yes, sir.

Mr. FREAR. They are employed on the farms surrounding. I know that; or some institutions, at least.

Mr. EAMAN. There are some prisons of that type.

Mr. FREAR. Yes. So your institution is largely managed on the same plan in that respect as others?

Mr. EAMAN. Yes. But in that same State, Mr. Frear, you will find a lot of people—for instance, farmers that are living near the farms—they object to it. They say, "We don't want a prison farm next to mine;" but they have got to be some place.

Mr. FREAR. Well, that same situation arises in every State.

Mr. EAMAN. That is true. And those people criticize the discipline of a prison. They say, "How is a man punished when you send him out on a farm and let him live in a farm house and sleep there at night?"

Mr. FREAR. When Hurlburt was appointed he took away the cards and the dice?

Mr. EAMAN. Who?

Mr. FREAR. Hurlburt, of whom you spoke?

Mr. EAMAN. Most of the trouble, unfortunately, seemed to come after poor Hurlburt got started. They demanded his resignation before he was there 24 hours; but he is there yet.

Mr. FREAR. They say here—that is, in the minority report, it says—“The former acting warden, Edward F. Frensdorf, encouraged prize fighting and tolerated card playing and gambling between inmates, and it is to the credit of Warden Hurlbut that he immediately upon assuming control eliminated, as far as possible, all gambling within the walls. No cards or dice are now allowed in the institution.” That is the minority report signed by Harvey.

Mr. EAMAN. Yes, sir.

Mr. FREAR. Another provision, paragraph 12: “Section 1720 of the C. L. of 1915 prohibits any member of the board of control from being directly or indirectly interested in any business carried on in the prisons of the State, or from being interested directly or indirectly in any contract, purchase, or sale for or on account of any such prison.

“We find that this statute was violated in a number of particulars by Mr. Edward Frensdorf, a member of the board of Jackson prison, as follows:

“(a) While a member of said board, he engaged in the binder twine business as a silent partner with John Hawkins, of Rollin, Mich., and also with Frank Bradstreet, of Rollin, Mich.; that such business was carried on in the names of the two last-mentioned parties, and that the moneys to finance the same were advanced by Mr. Frensdorf, and the profits derived from such transactions were divided equally between the parties forming the partnership.”

Is that a fact?

Mr. EAMAN. I don't know of Mr. Frensdorf doing that.

Mr. FREAR. You were a member of the board at that time, were you not?

Mr. EAMAN. I certainly know that there was never any contract entered into with any concern, to my knowledge, in which Mr. Frensdorf was interested. Mr. Frensdorf was criticized, I believe, because a bank in which he owned some stock loaned some money at one time to the prison. I didn't even know at the time the loan was made that he was. Mr. Frensdorf will have to answer these questions. I will certainly say never to the knowledge of the board, nor do I believe it is true. Mr. Frensdorf is a man of large business connections. He has been a member of that board, or was, eight or nine years, and never a breath against him until he assumed to run for the office of governor of Michigan. There has been no prosecution or no demand for return of anything. But what he did, Mr. Frear, he will have to answer for; I can't.

Mr. FREAR. That is the same kind of a charge under which Judge Hughes recommended a court-martial of Deeds, is it not?

Mr. EAMAN. If that is true; yes, sir.

Mr. FREAR. Yes; if that is true.

Mr. EAMAN. Yes. Frensdorf will have to answer that. I can't answer it for him.

Mr. FREAR. And there are provisions in here relating to Frensdorf where other charges were made.

Mr. EAMAN. Yes, sir.

Mr. FREAR. But as far as I can understand, they came subsequent to the time you were a member of the board.

Mr. EAMAN. I can only say about Mr. Frensdorf, although we have disagreed on many things, I know he is a clean, honest, able man; nor do I think he ever did otherwise than to render the State of Michigan services which you could not buy for hundreds of thousands of dollars.

Mr. FREAR. The statement made in the city of Washington by the National Council of Defense and others was that men ought not to be permitted to contract with their own companies, because it encouraged not only a lax system, but a man can't serve two masters, as has been repeated so frequently.

Mr. EAMAN. Yes; a very proper law.

Mr. FREAR. Yes. Now, if this condition did exist there, he was put in the dual position of carrying on business where he had contracts?

Mr. EAMAN. That is true.

Mr. FREAR. Where he exercised authority, or your board, or the warden of the penitentiary?

Mr. EAMAN. If he did.

Mr. FREAR. I don't believe these other questions you are familiar with. What was your work here?

Mr. EAMAN. Well, after the armistice, of course, in point of time most of my duty was as president of the contract board. Before that, one of the first things I was assigned to, I believe, was the matter of commercial sales. There had been some little question as to the moving of this large accumulated lot of side cut, and there were several problems there. Then there was this wing-beam contract over here, and they wanted an extension of that, and a whole lot of miscellaneous things. Did you want the detail of my duties?

Mr. FREAR. No. I was wondering of some matters I wanted to inquire about, and I don't believe that you had really the information, because you came in at such a late date; practically all the large contracts had been made.

Mr. EAMAN. Well, yes. And I think it ought to appear, Mr. Frear, in the record. I know it certainly is one of the first things I tried to become familiar with here in a general way; Col. Hitchcock, of course, was in direct charge of Government operations. I had occasion to go over some of them, and the contracts were then being classified and made up to see exactly where we stood on a lot of things. It always seemed to me that if contracts had been let out here on the basis—now, I am only speaking on the basis of the total claims as filed—if this work had been done here by guaranteeing to the industry, whether it was one or twenty, or a hundred or a thousand, the building of these roads would have to have been amortized, either by them or the Government. What difference does it make whether the Government conducted its operations where it could stop immediately or whether it entered into definite contracts with a lot of individual mills, to whom it would have to advance money, or to whom it would have certainly to repay if railroads were built and the war ended; and on the basis of the total amount of claims filed with the contract board if all the spruce lumber of the Northwest had been—if its production had been guaranteed by private contract, I think it is an absolutely truthful statement to say that I

think your claims would have been about sixty or seventy or eighty million dollars.

Mr. FREAR. Well, that is not the history of other countries, is it? And isn't this true—do you mean to say the claims as testified to have been adjusted?

Mr. EAMAN. Yes, sir. Take the Willapa Lumber Co., though, for illustration, the one large mill out here, which furnished more than any other one; I guess more than any other two or three—

Mr. FREAR (interrupting). Whereabouts is that located?

Mr. EAMAN. Over on the harbor, in the Grays Harbor district.

Mr. FREAR. Yes.

Mr. EAMAN. It furnished more, on an average at the last, with the two mills running night and day, I believe, of a million feet, on the basis Col. Breece was then producing aircraft lumber. About 600,000 of that went into finished airplane stock. Of course, the amount as finally paid was not as much as the gentlemen thought they lost. This question has never been determined yet, however. We did not allow profits in the industry very generously. In most instances waived it rather than have a lawsuit; but you have got a private corporation here; whether they are entitled to profits or not has never been determined by a court.

Mr. FREAR. Your cost-plus operations?

Mr. EAMAN. What?

Mr. FREAR. In your cost-plus operations; there were profits in those?

Mr. EAMAN. There was a profit paid to the contract; yes, sir; upon the amount expended. But what I am getting at is this: What difference does it make who builds the railroad, whether the Government or somebody else, if the private individual builds it, and it is there, and it is not needed, and is not an operation that he can work commercially—and certainly all the testimony before the contract board was that these big spruce operations were not needed commercially—the Government has got to pay them? That is all there is to that.

Mr. FREAR. That is, you don't see any difference between an individual building an ordinary logging road at \$15,000 a mile, as is done here generally, and the Government—

Mr. EAMAN (interrupting). Oh, no, Mr. Frear.

Mr. FREAR (continuing). And the Government under a cost-plus contract building a railroad at over \$100,000 a mile?

Mr. EAMAN. You say as was done generally?

Mr. FREAR. Yes.

Mr. EAMAN. I can only say this: Maj. Eastman was in charge of the logging operations. He is a man of very broad experience. He owns railroads himself. I know Maj. Eastman says that he has main line road that the Western Cooperage Co. owns that you could not possibly build to-day with the war over—

Mr. FREAR (interrupting). With what?

Mr. EAMAN (continuing). With the war over for less than \$90,000 a mile. Now, to say—

Mr. FREAR (interrupting). Now, we have put a great many witnesses on the stand already who say that logging roads ordinarily cost about \$15,000 a mile.

Mr. EAMAN. Well, sir; I would perhaps think they are true, but in the statement—

Mr. FREAR (interrupting). Yes. They are loggers.

Mr. EAMAN. Yes.

Mr. FREAR. They are men of knowledge, integrity, and reputation.

Mr. EAMAN. Yes. But does that mean that the operation here is to be criticized when men like Mark Reed and Watson Eastman, and certainly the big operators—certainly would the general be criticized if he picked as his advisers some of these men that have been before you? He would have been court-martialed if he had spent a million dollars on their advice, and you know it.

Mr. FREAR. I will say this—

Mr. EAMAN (continuing). And if you won't recognize the judgment of men like Reed, Benson, and Yeon, and these men that say it was the way to do it—

Mr. FREAR (interrupting). Yes; Benson says it was the way to do it, and he was only once in the Siletz country, and he built a road that cost in the neighborhood of \$130,000 a mile. Do you understand that the people who are contributing the money, by means of the sale of bonds and war stamps, expected their money was to go into such a railroad?

Mr. EAMAN. I think they expected their money to go into that kind of a railroad that the men of the biggest experience said was warranted, and in the place where they said it was warranted.

Mr. FREAR. And you approve of these expenditures, do you?

Mr. EAMAN. I am not familiar with all of them, sir. I won't say that. I do say this: Now, I have had a little experience in some ways. I know that 90 per cent, sir, of the men out here in this division hated to be here. I know that the men down there—

Mr. FREAR (interrupting). That has nothing to do with this question.

Mr. EAMAN. Yes; it does, sir.

Mr. FREAR. Well, let's see.

Mr. EAMAN. You are talking about costs. You are talking about costs.

Mr. FREAR. Yes.

Mr. EAMAN. You know, sir, and I am sure other gentlemen in Congress know, that a railroad, built as these railroads were built out here—where was there ever a railroad built as Siems-Carey built that railroad, in six months time? Where has it ever been built in the world?

Mr. FREAR. Well, do you want to say—

Mr. EAMAN (interrupting). Now, maybe it cost us too high.

Mr. FREAR. Of course, the committee can take that matter up for discussion.

Mr. EAMAN. Yes, sir; that is true.

Mr. FREAR. Knowing that a railroad is not built only in the regular course of business, and consider it so far as speed and so far as cost is concerned, if it so finds.

Mr. EAMAN. Yes, sir.

Mr. FREAR. Yes. There are a lot of questions involved.

Mr. EAMAN. But to hold up a railroad built exactly on the same theory that you build a railroad in France—what did it cost to

build the railroad back of the first or the second or the third line in France? It seems to me the test is: Was that road necessary?

Mr. FREAR. Yes.

Mr. EAMAN. If it were built in the wrong place, why, somebody is due to be criticized.

Mr. FREAR. Well, the further question—

Mr. EAMAN (interrupting). But to say that these roads could be built with such men as were available—

Mr. FREAR (interrupting). The question under a cost-plus contract of building a railroad out there at \$115,000 a mile, through tunnels and through big cuts, is a pretty large sum of money, apparently, for a logging road, no matter who sat on this board of conferees, is it not?

Mr. EAMAN. I am not an engineer, sir; and whether—

Mr. FREAR (interrupting). You are presuming to pass upon this question, as I understand it, which had not been carried in here at all, under your examination.

Mr. EAMAN (continuing). I do not pretend to be an engineer and be able to say which is the most practicable route, but I know that in this operation or anything else—you talk, for instance, about men drawing \$3,000 a year and suddenly getting \$30,000 a year. I put Jim Mulford at running the Reliance engineering plant at \$300 a month. I then paid him \$7,500 a year, and in less than two years' time the General Motors Co. took him away and put him in their plant at \$2,000 a month. Now, if he demonstrates his ability in knowing certain things—

Mr. FREAR (interrupting). Surely, if he is worth it.

Mr. EAMAN (continuing). I am not bound to do what Mulford—

Mr. FREAR (interrupting). If he is worth that to his contractor, unquestionably that is proper. The committee had simply stated the fact, and leaves the fact to stand for itself. That is all we have done. You are running from railroads to the salaries paid an individual. What we want to know is if you have had any railroad experience.

Mr. EAMAN. Two years' railroad experience in Arizona.

Mr. FREAR. What was your position there, and did you build any logging railroads?

Mr. EAMAN. I have not built any logging railroads.

Mr. FREAR. But this is a logging railroad.

Mr. EAMAN. I helped to build a series of five switchbacks into the Crown King mine.

Mr. FREAR. Those are expensive and are in rock.

Mr. EAMAN. They were in rock, and they had a little of it up there. I know this—

Mr. FREAR (interrupting). Have you ever been over the road there?

Mr. EAMAN. Yes, sir; I have.

Mr. FREAR. How many times?

Mr. EAMAN. I do not expect to qualify as an engineer and pass upon the wisdom of that road being built, but I do know, and that I know from the testimony that came up before the board in the matter of allowing some of those contractors, that haste and speed were demanded of them; that they had to shove those camps by pack trains in any way they could to get them in there when there was not a

wagon road. That is something that does not come in commercial operations.

Mr. FREAR. Oh, no, of course not.

Mr. EAMAN. The thing Disque was up against was to get the stuff and get it quick, and it always seemed to me——

Mr. MAGEE (interrupting). What did he get?

Mr. EAMAN. What is that?

Mr. MAGEE. What did he get?

Mr. EAMAN. The record shows that—143,000,000 feet, sir.

Mr. MAGEE. How much spruce?

Mr. EAMAN. About half of it.

Mr. FREAR. Did he get 143,000,000 feet?

Mr. EAMAN. The justification for most of those large expenditures, to my mind—I will state that one of the first things that interested me was why all these railroads, and why this mill and that mill. Why, at the very last month, with all of the shipments that were made, half of it was fir. Only 12,000,000 feet of spruce was actually produced in October, and yet Disque was told to get as high as 50,000,000 feet of spruce.

Mr. FREAR. Do you mean to say——

Mr. EAMAN (interrupting). And with all his railroads and all his mills, if he had been held to that 50,000,000 feet of spruce it would have taken all of them and more to get it.

Mr. FREAR. Just a minute; do you mean to say——

Mr. EAMAN (interrupting). Yes, sir.

Mr. FREAR. Just a minute, please. Do you mean to say that Disque produced 143,000,000 feet of spruce?

Mr. EAMAN. I do not mean to say that Disque produced it. I say——

Mr. FREAR (interrupting). I understood you to say that in the record.

Mr. EAMAN. No; half of it was fir.

Mr. MAGEE. Do you mean to say he produced it?

Mr. EAMAN. I do not mean to say he produced it.

Mr. FREAR. The mills produced it, as I understand it. The amount that was produced by the Government was about 7 per cent.

Mr. EAMAN. About how much?

Mr. FREAR. Seven per cent.

Mr. EAMAN. I think the figures went in here yesterday. I have forgotten them, but the figures were put in what the cut-up plant——

Mr. FREAR (interrupting). Oh, the cut-up plant was bringing it from private sources all around and cutting it up. They had the finished produce up here. The forms and cants came from all over, and they simply ran that through the mill.

Mr. EAMAN. Was that before Col. Breece came out here and before Disque's organization that they were doing otherwise than try to produce this stock. Do you know that the only mill in the Northwest, down here at Coos Bay, that was doing anything——

Mr. FREAR (interrupting). That is a different question, regarding the methods that were advocated later. The fact is, and if not I want you to correct me, because you have been here, the fact is that the cants were shipped in from the various mills that had taken the logs, where the logs had been cut by private parties, where the

mills cut these logs, and private individuals provided capital, and all that, and they shipped part of it into the cut-up plant and there it was finished, and you take the credit for all this work by the cut-up plant. The testimony, as I understand it, of Col. Disque, is that only about 7 per cent of the product was produced by the Government, and I think that is accurate and shown by the testimony.

Mr. MAGEE. 7.4 per cent.

Mr. FREAR. 7.4 per cent was produced by the Government, isn't that true?

Mr. EAMAN. 7.4 per cent of what?

Mr. FREAR. Of the product as it was gotten out by the mills.

Mr. LEA. That was only the rived stock.

Mr. FREAR. Oh, no.

Mr. EAMAN. These cost-plus contractors were not engaged to get out lumber. I know the figures show. This department certainly has those figures, and with all the impulse and all the drive and everything that was being done to urge the private loggers to extend their organizations, they did not get out any more in 1918 than they did in 1914 and 1915. If that be the fact, and the figures show it is, is that justification of these large operations on the part of the Government or not?

Mr. FREAR. Well, the situation is just this that confronts the committee, frankly—

Mr. EAMAN (interrupting). Yes, sir.

Mr. FREAR. That the complaint comes continually that men tried to get to Disque, and were always held off by Hitchcock, in their efforts to cut airplane material in the various mills, and there were many of them that were offering to do so, endeavoring to do so, and when their testimony is brought in here they are called sore-heads or profiteers by men who can not afford, it seems to me, to criticize others that way who were willing to do their best in a patriotic way.

Mr. EAMAN. I am willing to have any man disagree with my judgment, but I do not want him to question my honesty.

Mr. FREAR. That was the case here this morning with a very prominent witness on the stand.

Mr. EAMAN. Take, for instance, a sawmill man. If there is any sawmill man that is conceded to be a sawmill man—Howard Jayne, of the Willapa Lumber Co.—would Jayne say that Breece's method was wrong? You speak of testimony; of course, that means Col. Breece, and Griggs, head of the St. Paul & Tacoma Lumber Co., and all those other men. Maybe it was their suggestion and maybe it was suggested by somebody else.

Mr. FREAR. Breece did not suggest the building of the mill. He was opposed to it. Breece did not suggest the building of the railroad.

Mr. EAMAN. I don't know.

Mr. MAGEE. Take the evidence here this afternoon. There was a witness here who appeared to be a very substantial man, and he said he offered his road down there for \$100 a month, \$1,200 a year, which was half the taxes on the road, and it was turned down.

Mr. EAMAN. I guess the contract was finally entered into for \$250, which was much more than anything that he was getting.

Mr. FREAR. You shut him out.

Mr. LEA. I do not see that any good is coming from arguing these things.

Mr. FREAR. We are trying to find out from the officers who managed the company.

Mr. EAMAN. A lot of this talk we have been having is largely argument, I know that, but I am interested in some of these propositions out here as to whether they were properly done or not.

Mr. MAGEE. That is what we are interested in. We are interested only in the facts, and will be controlled only by evidence submitted at these hearings. We will go over the evidence and be controlled not by arguments or by opinions, but by evidence, and that is all.

Mr. EAMAN. Argument when it is made on the basis of known facts is not always impossible and becomes of some assistance. If it was not for my interest I would not enter into it at all.

Mr. FREAR. We haven't brought out these different questions, you have volunteered them, the running of railroads, and so forth.

Mr. EAMAN. The one proposition of the stabilization of the labor situation here—

Mr. FREAR (interrupting). We have not suggested that, either.

Mr. EAMAN. If you have not suggested it, yet it is part of the whole thing.

Mr. FREAR. That has been discussed by witness after witness here.

Mr. EAMAN. You say the spruce was not produced, and the Government—

Mr. FREAR (interrupting). You were not here, you did not come until August, way after the end of that time, and why should you argue that question here, when you had nothing more to do with it than you had to do with the building of the railroad?

Mr. MAGEE. Is there any further evidence; if there is, let us take it?

Mr. FREAR. I want to ask one question. I do not know whether you know in regard to this, but did you know Crisp, Capt. Crisp who was here?

Mr. EAMAN. No; I did not.

Mr. FREAR. He signed the contracts. He is from Detroit, I understood.

Mr. EAMAN. Is he?

Mr. FREAR. I have understood so. I wanted to enquire, because you said you were from Detroit.

Mr. EAMAN. He left a little early. He was the first contracting officer out here. I did not know him.

Mr. FREAR. Well, that is not important. All right.

(Witness excused.)

(Whereupon, at 5.55 p. m. the committee adjourned until tomorrow, Tuesday, September 9, 1919, at the hour of 10 o'clock a. m.)

SUBCOMMITTEE NO. 1 (AVIATION) OF THE
SELECT COMMITTEE ON EXPENDITURES IN THE
WAR DEPARTMENT, HOUSE OF REPRESENTATIVES,
Tuesday, September 9, 1919.

The subcommittee met at 10 o'clock a. m., pursuant to adjournment, at the courthouse, Portland, Oreg., Hon. James A. Frear (chairman) presiding. Also present Hon. Walter W. Magee and Hon. Clarence F. Lea.

TESTIMONY OF A. WELCH.

(The witness was sworn by Mr. Frear.)

Mr. FREAR. Where do you live, Mr. Welch?

Mr. WELCH. In Portland.

Mr. FREAR. You have lived here for how many years?

Mr. WELCH. About 12 years.

Mr. FREAR. What is your business?

Mr. WELCH. I am in the light and power business, operating electric light and power properties.

Mr. FREAR. Are you acquainted with Mr. Story?

Mr. WELCH. Yes, sir; I was associated with him in a mill at Toledo last year.

Mr. FREAR. You have been associated how long?

Mr. WELCH. About a year and a half, I guess; 18 months.

Mr. FREAR. Do you know where his mill was located before it was burned?

Mr. WELCH. Yes.

Mr. FREAR. And a new mill is being built?

Mr. WELCH. Yes, sir.

Mr. FREAR. Are you connected with that?

Mr. WELCH. No, sir; not directly.

Mr. FREAR. Are you interested in any of the timber in that section?

Mr. WELCH. No; not now. I was at the time of the spruce production.

Mr. FREAR. So you have no interest in the matter now?

Mr. WELCH. No.

Mr. FREAR. Do you know where the Miller Road, so called, is located?

Mr. WELCH. Yes, sir.

Mr. FREAR. That was the road you owned in part with Mr. Story?

Mr. WELCH. Yes, sir.

Mr. FREAR. You know in a general way about the conditions down there as to the timber, the amount of timber that was there?

Mr. WELCH. Yes, sir; I know approximately.

Mr. FREAR. Will you please tell the committee briefly as to your own knowledge of conditions down there, your meeting with any of the officers of this spruce corporation, or of the division before that, and anything that will serve to enlighten us about the conditions?

Mr. WELCH. When the war started I took options on that road and the sawmill and the logging equipment, and took a ten million contract with the Government for cutting spruce, and was getting started on it when they put in Disque and Hitchcock and that Spruce Board, and they came to see us and wanted to cut the spruce. We had a branch line running to the spruce belt, and the other line straight ahead part spruce and part fir—the biggest part fir. They took over the operation of the railroad and put a camp in there to rive spruce, which did not prove to be a success. We had about 60,000,000 of spruce in there ourselves.

Mr. FREAR. That is, of timber?

Mr. WELCH. Yes. A 20-mile road there will get fir and spruce, about 20,000,000,000 feet; that is, it will tap that. You would have to have branch lines.

Mr. FREAR. Did you have cruises?

Mr. WELCH. I have cruises on all the timber down there.

Mr. FREAR. Whom did you meet down there, any one of the officers of this spruce corporation?

Mr. WELCH. I was here in Portland; I did not have charge of the mill. Mr. Story had charge of the mill.

Mr. FREAR. Whom did you meet here?

Mr. WELCH. I had my business usually with Mr. Hitchcock.

Mr. FREAR. What was your experience with Mr. Hitchcock in regard to getting out spruce?

Mr. WELCH. He stopped us from sawing spruce to saw fir for the railroads.

Mr. FREAR. That is at the time you were sawing spruce?

Mr. WELCH. Yes, sir.

Mr. FREAR. And what railroad was that?

Mr. WELCH. That was one that was built south of Toledo and also north up the beach from Newport.

Mr. FREAR. What did you do with your mill?

Mr. WELCH. We cut fir.

Mr. FREAR. Fir for ties?

Mr. WELCH. Ties and stringers, and the like of that.

Mr. FREAR. How long did you engage in that?

Mr. WELCH. We were still engaged at it when the war ended.

Mr. FREAR. And had been for how long a period?

Mr. WELCH. We started in, as I remember, about November and were still cutting in August.

Mr. FREAR. The war closed in November.

Mr. WELCH. We cut up to that time, because the railroad was not finished.

Mr. FREAR. Do I understand that from April to November you were still cutting for the supplies for the railroads there?

Mr. WELCH. Yes, sir.

Mr. FREAR. And were taken off of the spruce at that time?

Mr. WELCH. Yes, sir.

Mr. FREAR. By whom?

Mr. WELCH. Hitchcock.

Mr. FREAR. He was in charge?

Mr. WELCH. Yes, sir. He was charged with milling and logging.

Mr. FREAR. What talks did you have with Hitchcock about things in general there, if anything; just briefly?

Mr. WELCH. Well, of course, we first had talks about leasing of the railroad; he wanted to lease the railroad and wanted to buy it at one time. I think we made him a price of a hundred thousand.

Mr. FREAR. That was to sell it?

Mr. WELCH. Yes. Afterwards he wanted to lease it and we asked him \$500 a month, and he said that was entirely too much; so we told him to take it for a dollar, and he did not want to do that, and I think we finally agreed on \$100 a month.

Mr. FREAR. What was the railroad worth?

Mr. WELCH. About a hundred thousand dollars.

Mr. FREAR. And you sent him a contract to that effect, did you not?

Mr. WELCH. Yes; we had two or three contracts. We finally had one signed after I got out of the company.

Mr. FREAR. Did you ever talk to him about the way the spruce business was being handled down there?

Mr. WELCH. Oh, yes; I had a great many talks with him about the spruce business. We tried to let him have that mill. We bought another mill, at a cost of \$40,000, and moved it down there, and did not have the money to set it up, and tried to get him to take the two mills, including a new band saw we had, and cut the spruce with that; but I think that at that time they leased the Monarch mill, in Portland, and shipped some logs down here and tried that.

Mr. FREAR. How many logs did they ship?

Mr. WELCH. I do not know, but about three carloads. He may have shipped more.

Mr. FREAR. Three carloads of logs were shipped from Toledo up here?

Mr. WELCH. Yes, sir; to the Monarch mill, and we offered at that time to give him the two mills, including the force we had there, for \$9,000 a month, running 24 hours a day, including the lighting plant for power.

Mr. FREAR. You furnished the power and the mill force for \$9,000 a month?

Mr. WELCH. The two mills.

Mr. FREAR. What would have been the ordinary cut of those two mills on an eight-hour shift?

Mr. WELCH. The one we had there was about 50,000, and the one we were building with the band saw would have been 125,000 for eight hours.

Mr. FREAR. That would be 175,000 feet for eight hours, and could have been tripled, of course, with three shifts?

Mr. WELCH. Yes, sir.

Mr. FREAR. What was done by him with reference to that, if anything.

Mr. WELCH. He finally built a mill there.

Mr. FREAR. What did he say about your proposition?

Mr. WELCH. He wanted it for about \$9 a thousand; I think it was \$9.

Mr. FREAR. He did not accept the proposition of the two mills?

Mr. WELCH. Oh, no.

Mr. FREAR. They started their own mill?

Mr. WELCH. Yes.

Mr. FREAR. Did you ever talk with him about building the mill?

Mr. WELCH. Yes, sir.

Mr. FREAR. What was the general character of the conversation?

Mr. WELCH. I thought he could have gotten the spruce a good deal faster with the two mills than he could by building the big mill, and they had lots of logs in that pond; they did get in finally about eight million.

Mr. FREAR. What kind of logs were those?

Mr. WELCH. Spruce; part of them first class and part of them box lumber.

Mr. FREAR. What proportion of each?

Mr. WELCH. Probably 40 per cent of airplane and 60 per cent box lumber.

Mr. FREAR. Do you know whether those were selected logs or not?

Mr. WELCH. No; they started in to cut the Wessel tract that we had bought on a selective scale, but I think afterwards they took everything clean.

Mr. FREAR. So that included all kinds of logs and they were taking them generally?

Mr. WELCH. Yes, sir.

Mr. FREAR. What about their logging operations down there, if you know, as to the comparative results that were produced on the Wessel tract and your own?

Mr. WELCH. I do not know anything except what the Warren Spruce Co. man told me what it was costing them to log, and he told me they were logging cheaper than anybody else that had a cost-plus contract. He said it cost about \$89 a thousand.

Mr. FREAR. Was that cheap?

Mr. WELCH. Well, I don't know; it would not have been considered so for a milling concern.

Mr. FREAR. What would have been a reasonable price?

Mr. WELCH. Well, I imagine we were logging at that time for about \$6. Of course that would not include the stumpage. Including the stumpage we would be about \$8.

Mr. FREAR. Who was it that told you that?

Mr. WELCH. A man by the name of Kumpies, a logging engineer.

Mr. FREAR. I have a memorandum in reference to something said about the Kaiser could not do more. What was that, in your talk with Mr. Hitchcock?

Mr. WELCH. He finally wanted to force us to saw for \$9 a thousand, and I told him we could not do that, that he should commandeer the mill, and that I thought the Kaiser could not do any better job than he was doing by not getting out spruce.

Mr. FREAR. That is, they were not proceeding in a way to get results from your mill?

Mr. WELCH. No, sir. When we bought the mill down there we had two carloads of airplane lumber on the yard. That was in December, and we never got an inspector and shipped out until sometime in April.

Mr. FREAR. What was the reason for that; do you know?

Mr. WELCH. They did not have an inspector; they did not get it inspected.

Mr. FREAR. Did anyone ask for an option on your railway?

Mr. WELCH. Well, of course, not the Government direct.

Mr. FREAR. What was the conversation, or what was done in regard to that question of an option; what was the proposal?

Mr. WELCH. I think we did give an option one time to a man by the name of McColloch, on the railroad.

Mr. FREAR. When was that?

Mr. WELCH. Sometime in June; maybe May.

Mr. FREAR. How did that come about?

Mr. WELCH. He came to me and asked me for an option on the railroad.

Mr. FREAR. Did that include the mill?

Mr. WELCH. No; just the railroad.

Mr. FREAR. What was the reason for giving the option at that time?

Mr. WELCH. He said they might want to make extensions there and wanted to get an option on it.

Mr. FREAR. Who did he represent, if you know?

Mr. WELCH. I do not know who he represented. He told me he represented Mr. Olmstead.

Mr. FREAR. Of where?

Mr. WELCH. Of Portland.

Mr. FREAR. What was the reason for his coming to you? What interest did Olmstead have?

Mr. WELCH. I do not know.

Mr. FREAR. How did you happen to give the option there?

Mr. WELCH. They were threatening to take the railroad anyway, Hitchcock was, and we thought that if there was any way to keep peace and keep the sawmill we would like to do it.

Mr. FREAR. They had closed your sawmill for commercial sawing?

Mr. WELCH. That is for spruce.

Mr. FREAR. Were you doing commercial sawing outside of that?

Mr. WELCH. No; nothing except what they could not use.

Mr. FREAR. What was the spruce bought for here, do you know; what was the price of the spruce, the lumber?

Mr. WELCH. Our contract, I think, averaged about \$105 for the three grades.

Mr. FREAR. That was the general price that was made?

Mr. WELCH. Yes.

Mr. FREAR. Do you know anything about what was billed out to factories?

Mr. WELCH. Nothing excepting what I heard. I heard it was billed out at \$625.

Mr. FREAR. That is what you heard from whom?

Mr. WELCH. I heard that from some of the people around the building connected with the spruce department. I do not remember the men, but some of the officers there.

Mr. FREAR. What would be the reason for buying it at \$105 from your people and billing it out for \$625, if you know, if that was the fact?

Mr. WELCH. I do not know.

Mr. FREAR. If that was true that would leave a profit of over \$500 per thousand to the Spruce Corporation?

Mr. WELCH. Yes, sir.

Mr. FREAR. Did you ever have a talk with Disque about what they could get it for?

Mr. WELCH. No; never with Disque; my business was always with Hitchcock.

Mr. FREAR. Did you have a talk with Hitchcock about what he could get this spruce for?

Mr. WELCH. Of course, when they first came out his idea was that they were going to rive spruce for about half what they would be able to saw it for; but then, of course, that failed; in fact, they made a great deal of expense down in that country to rive spruce. They broke a plank road for eight or nine miles.

Mr. FREAR. Do you know what it did cost the Government for the spruce down there?

Mr. WELCH. You mean, for what lumber they got?

Mr. FREAR. Yes.

Mr. WELCH. I would imagine all told, logs and lumber, they got about 11,000,000 feet.

Mr. FREAR. And about what did it cost, do you know? I have a memorandum here of \$267. I do not know what that refers to.

Mr. WELCH. I think the Warren Spruce Co. must have spent \$5,000,000.

Mr. FREAR. Do you know anything about the amount per thousand?

Mr. LEA. Does the witness know that? There is no use getting a lot of stuff in the record.

Mr. FREAR. I am trying to call his attention to something else. I have a memorandum of \$267 a thousand. Do you know what that refers to?

Mr. WELCH. I think that was what Mr. Disque claimed he was getting the spruce out for.

Mr. FREAR. That is the point. To whom did he claim that, or do you know?

Mr. WELCH. I have seen it in the newspapers, and I also heard Mr. Hitchcock say so.

Mr. FREAR. And what did it cost, as near as you could ascertain?

Mr. WELCH. I would say \$1,000 a thousand.

Mr. FREAR. Taking what matters into consideration?

Mr. WELCH. Taking into consideration the amount of money they got and the amount of lumber they produced.

Mr. FREAR. Money spent for mills and railways?

Mr. WELCH. I would not take that in; it would cost \$5,000 if you took that into consideration.

Mr. FREAR. For the actual amount they produced down there?

Mr. WELCH. Yes, sir; there was at least \$5,000,000 spent in that district, and they got 11,000,000 feet of spruce; 8,000,000 of the logs are in the pond right now; the rest was in lumber.

Mr. FREAR. A question that I have not touched and I think it may be of some importance is regarding that road that runs from Corvallis or Albany down to Toledo. Do you know the amount of grade there is on that; is it 3 per cent, or do you know as to that?

Mr. WELCH. Yes; there is some 3 per cent on that.

Mr. FREAR. Near the summit?

Mr. WELCH. Yes, sir.

Mr. FREAR. What about curvature?

Mr. WELCH. Well, I have had all of that information——

Mr. FREAR. I mean, does it have curves?

Mr. WELCH. Oh, yes; it has some very abrupt curves.

Mr. FREAR. Do you know anything about the railroad that was proposed above the Miller road, north of the Miller road?

Mr. WELCH. Well, we had preliminary surveys there for an extension of our road.

Mr. FREAR. Did you have surveys that would take over 2 per cent?

Mr. WELCH. No, sir.

Mr. FREAR. And here was 3 per cent upon what was called the main line that ran from Toledo over to Albany?

Mr. WELCH. Yes, sir.

Mr. FREAR. On a road that had been in existence for how many years?

Mr. WELCH. About 17 or 18.

Mr. FREAR. So that the road as you had it surveyed, this proposed logging road, if logs were to be brought down that to be sawed at Toledo, it would have been a much less task so far as grade and curvature were concerned than was on the main line?

Mr. WELCH. Yes, sir.

Mr. FREAR. That is something that was not brought out before. You know of the road that is built over on the coast line, that coast road?

Mr. WELCH. Yes, sir.

Mr. FREAR. It is in the testimony here that that road up to Otter Rock cost \$1,440,000, and I saw the figures, that it cost over a million and a half, this morning. I do not know what was considered there.

Mr. WELCH. I judge it did. It has got some very deep canyons and lots of grading.

Mr. FREAR. What would you say as to that being a proper road for getting out the timber in the Siletz?

Mr. WELCH. It is not a proper road at all. It only taps a little bit of wind-shaken spruce along the coast; I would say at the outside 300,000,000 feet.

Mr. FREAR. When you spoke about the amount of timber out in the Siletz you referred to all kinds of timber?

Mr. WELCH. Yes, sir; principally fir and spruce.

Mr. FREAR. Fir is being used; it is discovered that practically one-half of the airplane stuff that went out from this cut-up plant here was fir?

Mr. WELCH. Yes, sir.

Mr. FREAR. But down there the proposition to your people was entirely for spruce, was it?

Mr. WELCH. Yes, sir.

Mr. FREAR. You were not asked to figure on fir, or to cut fir?

Mr. WELCH. No; our contract was entirely for spruce.

Mr. FREAR. On the building of the road and things like that?

Mr. WELCH. We were not cutting fir on that, at their request.

Mr. FREAR. What about a big mill down there, as a practical proposition?

Mr. WELCH. I do not know as I want to pass upon the mill. I would say it was pretty large for that district. I do not believe it could be used commercially.

Mr. FREAR. And all you have to say about that is as to your conversation with Hitchcock about the two mills which would cut as much as the one mill, at what cost?

Mr. WELCH. We offered to furnish everything for \$9,000 a month.

Mr. FREAR. What would have been the expense of building those two mills?

Mr. WELCH. To set up that mill would have cost about \$70,000 or \$75,000.

Mr. FREAR. And what was the investment in the mill you had there?

Mr. WELCH. About \$50,000 or \$60,000.

Mr. FREAR. So it would have been less than \$150,000?

Mr. WELCH. Yes, sir.

Mr. FREAR. Whereas this large mill is reputed to have cost in the neighborhood of a million dollars?

Mr. WELCH. I judge it would cost all of that.

Mr. FREAR. You know where it is located and have seen it?

Mr. WELCH. Yes, sir.

Mr. FREAR. Is there anything else you think of that would be of help to the committee in giving them an understanding of the situation?

Mr. WELCH. I do not know.

Mr. FREAR. I think that is all.

Mr. LEA. What was your interest down there at the time you bought the options?

Mr. WELCH. I was interested in that mill and the logging road and some of the timber.

Mr. LEA. Did you own some timber?

Mr. WELCH. Yes; about 60,000,000.

Mr. LEA. Did you have options on more timber?

Mr. WELCH. Well, at one time we had a few other options, but I do not think after the Government came in with their outfit.

Mr. LEA. Where was your timber located?

Mr. WELCH. It was located right at the end of the line.

Mr. LEA. Of the Miller line?

Mr. WELCH. Yes, sir; well, we had two branches on that.

Mr. LEA. How far would that line have had to be extended to reach into your timber.

Mr. WELCH. We were in the timber at both ends then.

Mr. LEA. You had reached the edge of it?

Mr. WELCH. Yes, sir.

Mr. LEA. You were a stockholder in the mill, were you?

Mr. WELCH. Yes, sir.

Mr. LEA. That was the same mill Mr. Miller was interested in?

Mr. WELCH. Yes; Mr. Miller was interested in the railroad.

Mr. LEA. That is a mill which you say would cost about \$75,000, or your investment there was about \$75,000?

Mr. WELCH. No; about fifty or sixty thousand dollars in the present mill, but it would take about \$75,000 to set up the other mill.

Mr. LEA. You had been engaged in the milling business for some-time, had you?

Mr. WELCH. No; only a short time, a few months.

Mr. LEA. When did you first go into the lumber business as a miller or logger?

Mr. WELCH. I have been interested in a mill as a stockholder, but not as an operator.

Mr. LEA. What was your knowledge of the Siletz timber; has it been from personal observation, or based on reports?

Mr. WELCH. On personal investigation.

Mr. LEA. What part of the Siletz Valley have you personally investigated?

Mr. WELCH. I have investigated the entire Siletz country. At an earlier date than this I had options on nearly all the timber in there.

Mr. LEA. How big a country is that, the Siletz area?

Mr. WELCH. A railroad north about 14 or 15 miles would practically get into the timber in the Siletz Basin.

Mr. LEA. By reaching the river?

Mr. WELCH. Yes; by going north.

Mr. LEA. How big is that watershed?

Mr. WELCH. You mean square miles?

Mr. LEA. Yes; or, for instance, how many miles long, just to get a general idea?

Mr. WELCH. Eight miles wide and 14 miles long.

Mr. LEA. How long is the Siletz River?

Mr. WELCH. I don't know. That is so crooked I could not tell you. It is probably twice as long as that; more, too. Of course it runs back where there is very little timber on the far end of some of the streams.

Mr. LEA. Did you have anything to do with the Portland & West Railroad Co.?

Mr. WELCH. No, sir.

Mr. LEA. Now, that company in planning to drain this country of timber ran its line down the coast, as I understand it. Do you know who were the engineers of that company?

Mr. WELCH. Well, there was a man by the name of—there was a man named Haak interested in it, but he was not the engineer. I could not call the engineer's name now. I know him.

Mr. LEA. Did you have any personal knowledge of that enterprise?

Mr. WELCH. Yes. I had another survey to make in there, another road. Mine was on a different line, in a different place. Mine went down through the Siletz Basin, and his went over on the coast.

Mr. LEA. Was your road to run from Portland or up the other way?

Mr. WELCH. No; from Willamina to Toledo. His was from Newport to Willamina.

Mr. LEA. Yours was to terminate at the Siletz Basin?

Mr. WELCH. At Toledo.

Mr. LEA. And run into the Siletz from the north?

Mr. WELCH. Yes, sir.

Mr. LEA. To what stage of promotion did you get with that plan?

Mr. WELCH. Well, I raised \$400,000 for it. I tried to get the Government to let me build it to get out spruce and fir, but failed.

Mr. LEA. What length of road did you propose?

Mr. WELCH. The mileage?

Mr. LEA. Yes.

Mr. WELCH. Well, with the 10 miles that we had there, it would have been about 48 miles or more.

Mr. LEA. On what plan did you propose to build the road into the Siletz—by the Government financing the road or on the basis of so much timber at so much?

Mr. WELCH. We did not have any proposition with the Government at all. We just asked the Government to allow us to build it. We asked both the spruce and the fir board.

Mr. LEA. Did you ask any contract with the Government?

Mr. WELCH. I did not. I don't know what other people might have done.

Mr. LEA. You mean your company. I just wanted to get at it.

Mr. WELCH. I did not have any company.

Mr. LEA. You did not organize?

Mr. WELCH. No.

Mr. LEA. How much ties and timber did you saw for the Government in 1918 down there?

Mr. WELCH. I could not give you the exact amount. We sawed principally all the time on ties and timber, and stuff like that.

Mr. LEA. For what length of time?

Mr. WELCH. Well, as I say, I think we started sometime in March or April, and we were still sawing when the war was over, for some little time after the war was over, finishing up.

Mr. LEA. You sawed spruce cants, did you?

Mr. WELCH. I think we sawed for a while on a contract. I was East at that time. Mr. Storey, I think, sawed for the Government at so much a thousand for a while. It was a very short time.

Mr. LEA. Do you know about how much spruce lumber you sawed for the Government?

Mr. WELCH. Well, I would judge not to exceed 2,000,000, maybe less than that. I did not pay any attention to that part of it.

Mr. LEA. How much ties and other timber?

Mr. WELCH. Ties and other timber?

Mr. LEA. Yes.

Mr. WELCH. Oh, we sawed several million feet of ties and other timber.

Mr. LEA. That was used in the construction of these railroads and the mill?

Mr. WELCH. Yes, sir.

Mr. LEA. Are the logs on hand down there near Toledo better or poorer than the average spruce logs in this area?

Mr. WELCH. Well, I do not believe they are as good as the average. It was a good piece of timber, very large trees, and where you get overly large spruce you do not get as good spruce as you do in the others.

Mr. LEA. Is there any difference in the quality of those you did get and those north of there in the Siletz Basin?

Mr. WELCH. Yes; the timber north of there is better than it is right there. This is just the edge of the spruce timber.

Mr. LEA. Now, information about costs is largely guesswork on your part, isn't it?

Mr. WELCH. About what costs?

Mr. LEA. The cost of operating down there by the Spruce Co. and the Spruce Production Corporation?

Mr. WELCH. Well, one of the Warren Spruce Co. engineers told me what it was costing and said that that was less than any other camp that was producing that was working on a cost-plus contract.

Mr. LEA. What I mean is, you have not had access to the books?

Mr. WELCH. No.

Mr. LEA. And you haven't any information upon which a business man could rely about these matters?

Mr. WELCH. I have just as much information as you would have if you came in here and saw a man build a desk, you could guess what it was costing him if he had 40 men or 1 man working.

Mr. LEA. You would get an idea; but I mean, you haven't any information on which a business man would rely as to that actual cost?

Mr. WELCH. You could not get down to cents.

Mr. LEA. You might determine that there was a wasteful proceeding—

Mr. WELCH. Yes.

Mr. LEA. But as to the exact extent of it, you are not able to tell us of your own knowledge?

Mr. WELCH. Yes; I am able to tell you that it was a very wasteful operation.

Mr. LEA. Yes; but as to dollars and cents, you do not know, do you?

Mr. WELCH. Well, I know approximately; yes.

Mr. LEA. But it is your judgment from what you have seen, and not the actual figures, on which you give your information?

Mr. WELCH. I have not seen any figures at all. I am simply making my statement from what I know of costs.

Mr. LEA. Those figures are available, and there is no doubt about what it cost; but you are not able to give us those figures?

Mr. WELCH. Well, it is more than \$267 a thousand.

Mr. LEA. I do not dispute that; but I simply want you to admit what is manifestly true here, that so far as actual figures are concerned—

Mr. WELCH. I can't give you the exact figures; but if they spent \$5,000,000 down there, and they got about 11,000,000 feet of spruce, you can figure it out for yourself.

Mr. LEA. What is the source of your information as to the \$5,000,000?

Mr. WELCH. The Warren Spruce Co. have made statements that that was about the expenditure on what they done down in that district, and I can tell within \$100,000 of it, anyway, on the cost of building that much railroad and the amount of men they had in the district.

Mr. LEA. I think that is all.

Mr. FREAR. The facts show that the Warren Spruce Co. did receive over \$5,000,000, according to the reports that have been published or furnished the committee.

Mr. WELCH. Yes, sir.

Mr. FREAR. That is for all purposes, which includes railroads, and spruce, and everything?

Mr. WELCH. Yes.

Mr. FREAR. But I understand you took all that into consideration when you made this statement as to the costs, so far as the real production went?

Mr. WELCH. Well, I did not take into consideration the cost of the railroad and everything. If you did that it will run into more money than what I figured. I took the cost of the labor. You take \$5,000,000 for 11,000,000 feet of spruce, and you can figure out what it would be.

Mr. LEA. That \$5,000,000 covered operations in other locations besides, and besides these railroads. There is no use to argue about it, but I want to get the facts.

Mr. FREAR. I was going to ask this question: Is there any method known by which you can ascertain the exact cost of getting out timber under those circumstances? I call your attention to this because the question was asked here; here were railroads being built, here were spruce contracts being let, here were overhead charges up at Portland, so many different propositions, and cost-plus contracts, with various subcontractors; would it be possible, under the circumstances, to tell exactly what the cost of that timber was?

Mr. WELCH. No; it would not be possible, and I do not imagine they can tell themselves.

Mr. FREAR. It is doubtful if anyone could, under any circumstances, because it would be an arbitrary method of determining it, basing it upon what they chose to take for the overhead charges.

Mr. WELCH. Yes. They had enough men in their office here in Portland to get out all the spruce, if they had been loggers, that was gotten out.

Mr. FREAR. This Portland road that has been spoken about, that has been a project that has been up for a number of years, hasn't it; that was a line that was projected from Willamina?

Mr. WELCH. You mean the Haak road?

Mr. FREAR. Yes; the Haak proposition.

Mr. WELCH. Yes; they have been working on that for six or seven years.

Mr. FREAR. That was long before the war?

Mr. WELCH. Yes.

Mr. FREAR. That was a road to go down——

Mr. WELCH. It was a commercial road.

Mr. FREAR. A commercial road?

Mr. WELCH. What they wanted was a road from Newport to Portland.

Mr. FREAR. I do not know whether you know about it or not, but was that understood to be part of the road that was to be carried on down the coast?

Mr. WELCH. They claimed it. I do not know anything about what it was, but they claimed that was what it was.

Mr. FREAR. I think that is all.

Mr. MAGEE. What do you mean by more help here in Portland than was necessary to get out all the spruce produced there?

Mr. WELCH. I said if they had been loggers out in the woods they could have got all the spruce produced.

Mr. MAGEE. Describe what you saw to make the basis of that statement.

Mr. WELCH. Well; I don't know as I know the exact amount of men, but I would say—the amount of men connected with this office and going back and forth between here and Vancouver—but there was in the neighborhood of between 600 and 700 men. There might have been more. There was that many, anyway.

Mr. MAGEE. In the Portland office of the Warren Spruce Co.

Mr. WELCH. No; I mean of the Government—the Government's force.

Mr. MAGEE. The whole force?

Mr. WELCH. Yes. I don't know how many the Warren Spruce Co. had.

Mr. MAGEE. What do you mean when you say that you asked the Government to allow you permission to build the road up through the Siletz country?

Mr. WELCH. Well, you could not build any—you could not do any improvements without getting the consent of the Government.

Mr. MAGEE. Yes; but I mean were you going to build it yourself?

Mr. WELCH. Yes—well, I and my associates.

Mr. MAGEE. With capital raised by you?

Mr. WELCH. Yes, sir.

Mr. MAGEE. And without any expense to the Government?

Mr. WELCH. As far as I was concerned I never put anything up to the Government that way. When the option was out to the other people I don't know what they might have done.

Mr. MAGEE. I am getting at the proposition that you spoke of; you spoke of some proposition here in which you asked the Government to be allowed to build a road?

Mr. WELCH. Yes.

Mr. MAGEE. I want to know whether you were going to build the road with moneys raised by you and your associates, or whether you were to be financed by the Government?

Mr. WELCH. We had \$400,000 raised to put in the road.

Mr. MAGEE. That is, the road was to be built without any expense to the Government?

Mr. WELCH. Yes; but we could not get permission from the Government to make the expenditure.

Mr. MAGEE. That is the point I am getting at. Now, when did you make this proposition to the Government?

Mr. WELCH. I think that we took those committees out there some time in June or July—June, I guess it was.

Mr. MAGEE. What year?

Mr. WELCH. Last year.

Mr. MAGEE. Was that prior to the beginning of the construction of the coast road?

Mr. WELCH. You mean the one that they built up the coast?

Mr. MAGEE. Yes.

Mr. WELCH. No; it was after they had that started.

Mr. MAGEE. How far had they gotten along with that at this time?

Mr. WELCH. Well, they were grading in there; I was not on the ground at that time. I could not tell you exactly how far, but they were grading in that district.

Mr. MAGEE. Had they laid any rails yet?

Mr. WELCH. No.

Mr. MAGEE. Had they begun the construction of the road south into the Blodgett tract at this time?

Mr. WELCH. Oh, yes; that was begun long before that.

Mr. MAGEE. How far along had they got with that?

Mr. WELCH. Well, I could not tell you that. I was not in there to see. I could not tell you, but they had been working on it some little time.

Mr. MAGEE. Do you know whether they had laid any tracks there at that time or not?

Mr. WELCH. I do not think they had laid any real rails, because the rails were later, but I imagined there was some grading or trestle work done.

Mr. MAGEE. Had some committee representing the Spruce Production Division gone down there to look the ground over?

Mr. WELCH. Yes, sir; and also the Fir Division, too.

Mr. MAGEE. Who went down there?

Mr. WELCH. Mr. Van Duzer and a man by the name of Walsh, with the Government—there were three or four, a committee of three or four, with each crowd—the Spruce and the Fir Divisions.

Mr. MAGEE. What did they do?

Mr. WELCH. They looked over the timber and over the route.

Mr. MAGEE. What did they say as to your proposition?

Mr. WELCH. Well, they said that they did not consider it was necessary.

Mr. MAGEE. That is, the extension of what has been designated here as the Miller-Story Railroad?

Mr. WELCH. No; we go from the other end. It would eventually hook up with that road, but it would go from Willamina south.

Mr. MAGEE. You were going from the north toward the south?

Mr. WELCH. Yes, sir.

Mr. MAGEE. To join with that road?

Mr. WELCH. Yes, sir.

Mr. MAGEE. Nothing ever came of your effort?

Mr. WELCH. No, sir.

Mr. MAGEE. That is all.

Mr. FREAR. What is the cost of a logging road, on an average, according to your experience down there, if you know, like what would have been extended on the Miller road?

Mr. WELCH. Our extensions there now must have cost about \$12,000 a mile, I imagine.

Mr. FREAR. What would be the cost of a real commercial road running from Willamina down, would you estimate?

Mr. WELCH. About \$20,000.

Mr. FREAR. About \$20,000 for a commercial road?

Mr. WELCH. Yes, sir.

Mr. FREAR. What would you say of a road that cost from \$100,000 to \$130,000 a mile, as the figures are presented to the committee, depending upon the method of computation, a road that runs from Yaquina Bay up to Otter Rock?

Mr. WELCH. I would say that I would like to have the contract.

Mr. FREAR. Well, what would you say as to its being fair or reasonable cost?

Mr. WELCH. I would say it is out of all reason.

Mr. FREAR. In times of war?

Mr. WELCH. Any time.

Mr. FREAR. Do you know anything about the Blodgett road? That has just been suggested here.

Mr. WELCH. I know it is there, that is all. I have seen some of it.

Mr. FREAR. You have not been over the road?

Mr. WELCH. No, sir.

Mr. FREAR. So you do not know as to that?

Mr. WELCH. No, sir.

Mr. FREAR. That is all.

Mr. LEA. What would have been the increased value per thousand of the timber in the Siletz country if it could be tapped by a railroad, for instance, such as you projected?

Mr. WELCH. Why, I would imagine a dollar a thousand.

Mr. LEA. How many miles of railroad did you say your road would have been?

Mr. WELCH. Well, if you would hook up with the Story road it would have been at that time approximately 48 miles.

Mr. LEA. Now, did you have the capital to supply the additional amount of funds required to build the road?

Mr. WELCH. We were only going to build 20 miles, to start on. That was all we asked the Government for permission to build.

Mr. FREAR. That was from Willamina?

Mr. WELCH. Yes, sir.

Mr. LEA. That was all?

Mr. FREAR. That would not have tapped the timber, would it?

Mr. WELCH. Yes; it would not have tapped the timber that the Government did with the road on the outside there, but it would have tapped the district where there was spruce and fir.

Mr. FREAR. Where there was spruce?

Mr. WELCH. Yes.

Mr. FREAR. Were you actuated by selfish motives, as has been suggested by the question, in building this road, or by the fact that it would connect up—I mean so far as any spruce of your own was concerned, or by the fact that it would connect up and make a good business proposition?

Mr. WELCH. Not with any property of mine, no; that is, not with the timber I owned in there. The road was not built with that in view; no.

Mr. FREAR. That is the suggestion. If you had had a cost-plus contract given to you by the Government where you could build a road at \$100,000 a mile, there might be something in that suggestion.

Mr. WELCH. I think so; yes, sir.

Mr. FREAR. And yet you lived down there where people were designated as "birds" by an ex-governor of this State.

Mr. WELCH. He should not limit it to Toledo.

Mr. FREAR. Now, my point is, was there any profiteering proposition that you ever put up to the Government, in this respect, you offered your railroad down there far \$100 a mile?

Mr. WELCH. Yes, sir.

Mr. FREAR. That was a \$100,000 railroad?

Mr. WELCH. Yes, sir. It ought to have been; it was 10 miles.

Mr. FREAR. You tried to get an extension from Willamina down in a southerly direction for 20 miles?

Mr. WELCH. Yes.

Mr. FREAR. And you did not ask any help from the Government?

Mr. WELCH. I did not ask any help from the Government.

Mr. FREAR. Was there any profiteering suggestion there?

Mr. WELCH. No, sir.

Mr. FREAR. There might have been an incidental benefit, like any other man in a business proposition would assume might extend to this, but there was no ulterior motive, that is what I mean to say?

Mr. WELCH. No.

Mr. FREAR. That is all.

Mr. LEA. Now, your company still owes the Government \$1,600 for a refund on soldier pay that has never been paid to the Government.

Mr. WELCH. I do not know anything about what it was. When I quit there the books showed that the Government owed something like \$30,000, but I do not know how near a settlement they have got. I do not know about that at all.

Mr. LEA. And the Government in taking over that road largely rebuilt the road and put in heavier rails, didn't it?

Mr. WELCH. Mr. Miller and Mr. Story could tell you more about that. They put in some rails, but they built an extension, you know, on the end of it, about 2 or 3 miles. They built an extension at the lower end of, I would say, three-quarters of a mile.

Mr. LEA. Yes; and your company would have got the benefit of the connection at the lower end.

Mr. WELCH. They built the lower end; they built the lower connection.

Mr. LEA. You would have the connection of the lower end.

Mr. WELCH. It was no benefit to us at all.

Mr. LEA. You would have better rails and better ties.

Mr. WELCH. Anything that the Government did there was of absolutely no benefit to this company, because this company was logging and was not hampered before the Government came in there, and would have all the spruce that they have got there in France if they had stayed out of there.

Mr. LEA. Well, you would have got the benefit of any improvement of that road, wouldn't you, that the Government put in?

Mr. WELCH. They have not given us anything yet.

Mr. LEA. You use that road still, do you?

Mr. WELCH. It is not necessary, the logging around there now does not require the use of the Government's end of it; no.

Mr. LEA. Will that mill use that road in the future?

Mr. WELCH. It will if it goes up into that spruce district. That is, it will if it pays for it. The Government has taken up part of it already and piled the rails up there. Them rails that they used on those extensions, half of them belonged to the company and the company never was paid a cent for them, not even paid for the use of them.

Mr. LEA. Your company will use the line that the Government built, will it, if it goes up into the timber?

Mr. WELCH. We might use what they have left there if they leave it there, but they have taken half of what they built up.

Mr. LEA. I mean the grade, would you use the grade?

Mr. WELCH. No, because that grade has been logged off. We want to go some place where there is timber.

Mr. LEA. That is what I meant—that extension.

Mr. WELCH. That is not the main line.

Mr. LEA. That is all.

Mr. FREAR. That refers to the Wessel line.

Mr. WELCH. Yes.

Mr. FREAR. I understood yesterday they had removed some of those rails from the north line and put them over on the Wessel line.

Mr. WELCH. Yes.

Mr. FREAR. The Government did that so they simply replaced the rails—

Mr. WELCH. Yes; and as I said a moment ago, they took them rails up and piled them up there. They were our rails all the time, and they never paid anything for them.

Mr. FREAR. Maybe this will explain the situation; your system of logging operation, as we get it, was that you dumped the logs into this slough.

Mr. WELCH. This river.

Mr. FREAR. So that you did not use this extension.

Mr. WELCH. No; we did not use it.

Mr. FREAR. And that is what has just been referred to.

Mr. WELCH. We had a log dump and everything there, and of course they took that log dump and brought it further down afterwards.

Mr. FREAR. For years the company had always been using the slough?

Mr. WELCH. Yes, sir.

Mr. FREAR. Just to raft their logs down, because it was only a question of carrying them a mile or so, or how far was it?

Mr. WELCH. About a mile.

Mr. FREAR. So that is what you mean when you say that that extension was of no particular value, because you were using the slough?

Mr. WELCH. Yes, sir.

Mr. FREAR. And you always have?

Mr. WELCH. Yes, sir.

Mr. FREAR. That is what we understood when we saw it there.

Mr. MAGEE. How long have you been in business there?

Mr. WELCH. You mean how long had the mill been there?

Mr. MAGEE. Yes.

Mr. WELCH. Ten or fifteen years. I was not interested that long, I was only interested in it four or five months before the war started.

Mr. MAGEE. You were endeavoring to engage in the logging business during that period?

Mr. WELCH. Yes.

Mr. MAGEE. That is all.

(Witness excused.)

Mr. LEA. I would like to place in the record Articles II and III of a contract entered into the 25th day of May, 1918, between the Yaquina Bay Railway & Lumber Co., and the United States of America for spruce cants and lumber for the manufacture of airplanes, and the said articles read as follows:

ARTICLE II. The Government agrees to pay the mill for sawing such spruce logs the sum of \$9 per thousand feet sound scale in the log boom at the mill, such measurement to be made inspectors authorized by the Government.

ARTICLE III. All cants, rough or finished lumber or other output shall be inspected, upon the sawing of said logs, by inspectors authorized by the Government, as to compliance with the specifications furnished by the contracting officer, and such part of said cants, rough or finished lumber or other output as shall be accepted as complying with said specifications shall be delivered by the mill, f. o. b. cars, or dock, at the mill, in accordance with the direction of said contracting officer and consigned to parties designated by him. All material not so accepted by the Government shall be converted by the mill into the most profitable lumber possible and sold by the mill, which shall account therefor to the Government at the rate of \$12 per thousand board feet when said rejected material is sold. Until such material is sold by the mill, title thereto shall remain in the Government and the Government shall have the option at any time after 60 days after the sawing thereof of disposing of said material in any manner that it sees fit; but the mill shall be released from accountability for any material so disposed of by the Government. The amount of such rejected material shall be computed by deducting the total scale of the product accepted by the Government from the total scale of lumber sawed.

TESTIMONY OF H. E. WALKER—Recalled.

Mr. MAGEE. Will you go on and state, as of September 1, the amount of moneys on hand of the United States Spruce Production Corporation, and where those moneys are deposited?

Mr. WALKER. I have a statement here of the bank balances as of September 3, 1919.

Mr. MAGEE. I suppose they are substantially what they have been for some time prior to that time.

Mr. WALKER. Well, in that connection I have also a table here showing our monthly totals and the average bank balances in the Northwestern Bank, by months.

Mr. MAGEE. All right; just give us that.

Mr. WALKER. On September 3, 1919, our total bank balance was \$11,825,510.30. Of that amount, \$5,704,046.60 was deposited in the Northwestern National Bank of Portland; the First National Bank of Portland had \$1,532,062.51; the United States National Bank of Portland, \$1,817,441.90; the Ladd & Tilton Bank, of Portland, \$2,274,325.65; the Vancouver National Bank, of Vancouver, Wash., \$12,330.66; the Seattle National Bank, Seattle, Wash., \$101,194.07; the Dexter Horton National Bank, of Seattle, \$153,663.99; the First National Bank, Seattle, \$100,000; the National Bank of Commerce, Seattle, \$101,444.92; the American National Bank, Pendleton, Oreg., \$25,000; the Ladd & Tilton Bank—that is the pay-roll account—Portland, Oreg., \$4,000. The total bank balance was \$11,825,510.30.

Now, the statement giving the average daily bank balances, by months, the amount in the Northwestern National Bank: October, 1918, we had total deposits of \$14,988,126.08, of which \$8,628,061.93 was in the Northwestern Bank. November, the total deposits—

Mr. MAGEE. What year is this, 1918?

Mr. WALKER. 1918; yes, sir.

Mr. MAGEE. You see, this statement here is from the corporation account. Formerly it was a Government disbursing officer, and I have no record of his bank balances.

Mr. FREAR. That first item that you have is deposits in October?

Mr. WALKER. Of my own knowledge; but I might say, in that connection, that prior to this the disbursing officer's account was in most cases practically drawn out at all times. You see, this \$14,000,000 here was when we got the payment on the debenture bonds—that is, the bulk of it.

Mr. FREAR. What was the total amount received from the debenture bonds?

Mr. WALKER. I would have to have Mr. Campbell to give that.

Mr. FREAR. Just generally, if you know.

Mr. WALKER. Something over \$20,000,000. There was a balance that we owed there after severing the connection. There was an account between us and the bureau that reduces that amount somewhat. I do not know what it is.

Mr. FREAR. That is the amount you are referring to now, when you start out with the October statement?

Mr. WALKER. Yes, sir.

Mr. FREAR. As having added to the original assets.

Mr. WALKER. Yes, sir. November, 1918, \$12,380,025.99, of which \$4,764,017.04 was on deposit in the Northwestern National Bank; December, 1918, \$6,559,643.92, of which \$2,148,613.96 was on deposit in the Northwestern National Bank; January, 1919, \$7,298,633.01, of which \$4,721,483.34 was on deposit in the Northwestern National Bank; February, 1919, \$8,876,496.57, of which \$5,856,332.93 was on deposit in the Northwestern National Bank; March, 1919, \$10,293,966.48, of which \$4,146,528.52 was on deposit in the Northwestern National Bank; April, 1919, \$10,998,665.90, of which \$5,661,693.40 was on deposit in the Northwestern National Bank; May, 1919, \$10,793,634.44, of which \$5,309,069.63 was on deposit in the Northwestern National Bank; June, 1919, \$10,696,343.51, of which \$5,076,208.09 was on deposit in the Northwestern National Bank; July, 1919, \$10,541,142.07, of which \$4,855,652.50 was on deposit in the Northwestern National Bank. August is practically the same as the September 3 statement here. If you want me to tell how this fluctuated—you will notice that in December and January—

Mr. MAGEE. Do you know of any facts in connection with the deposits, any particular reason why more moneys were deposited in one bank, or a substantial portion of the moneys deposited in one bank rather than another bank?

Mr. WALKER. Yes. I may say this, Mr. Magee: You notice that in this daily statement the Northwestern Bank deposits fluctuated up and down considerable from month to month. Of course, lately we have not been drawing out so much money, but we have aimed to keep approximately 50 per cent of our deposits in the Northwestern Bank for the reason that that is our active account; that does all our checking. These other banks that I read off—these Seattle banks—their account has not been drawn on at all, and neither has the First National Bank of Portland, the United States National Bank, or the Ladd & Tilton Bank. We have one little account with the Ladd & Tilton account where they pay our pay-roll checks. That is a matter of convenience. We deposit the amount of the pay roll there

and the checks are drawn against it; but all these other deposits, outside of the Northwestern Bank, are stable accounts. They pay us 2 per cent interest on the daily balances, and the Northwestern Bank does the same, but the Northwestern Bank account was subject to large calls at any time when we had occasion to make payments.

Mr. LEA. Does the Northwestern Bank pay interest on a checking-account balance.

Mr. WALKER. On the whole amount; they pay it on the daily balance.

Mr. MAGEE. What per cent of interest do the banks allow you, Mr. Walker?

Mr. WALKER. Two per cent on all these accounts.

Mr. MAGEE. On monthly balances?

Mr. WALKER. No; on the average daily balance for the month.

Mr. FREAR. Have you the pay roll convenient?

Mr. WALKER. No, sir, I have not, Mr. Frear. Mr. Magee spoke about getting the present expenses; Mr. Gabrielson and Maj. Campbell are getting that up at the present time.

Mr. MAGEE. In addition to that, in reference to the present operating expenses, I would like to get evidence as to the title to the road leading into the Blodgett tract, and also the coast road, the condition of the title.

Mr. WALKER. All right, sir.

Mr. MAGEE. And the right of way.

Mr. WALKER. Yes, sir.

Mr. MAGEE. And I think we omitted also to show whether the railroad, Lake Crescent to Lake Pleasant, was authorized by the Railroad Administration. Do you know anything about that?

Mr. WALKER. I think the testimony has been that they did not authorize the Milwaukee to build it. It was purely one of our operations.

Mr. MAGEE. In other words, I do not think it appears clearly whether the Railroad Administration ever authorized the construction of that road?

Mr. WALKER. I do not think we have had any—it is brought out in the testimony, I believe, of Gen. Disque that he failed to get the approval of the extension by the Milwaukee Railroad.

Mr. MAGEE. That was about the Deep Creek route, as I understand.

Mr. WALKER. Yes.

Mr. MAGEE. The extension of the Deep Creek route; but I mean the road actually constructed, whether any authorization was ever obtained.

Mr. WALKER. That is something I am not competent to testify to.

Mr. LEA. I understand that the Railroad Administration did not exercise any jurisdiction over War Department construction.

Mr. MAGEE. Well, I think the fact ought to appear.

Mr. LEA. I do not think there is any doubt about it, that it was not approved. That is the way I understand it.

Mr. WALKER. I think the real truth of the matter is that it was neither approved or disapproved. I think when they refused to sanction the Milwaukee building it as part of the regular railroad construction they did no further on it.

Mr. MAGEE. That was not the request; the request, as I understand it, was to extend the Milwaukee from Deep Creek. That is an en-

tirely different proposition. I am talking about the Lake Crescent-Lake Pleasant road that was constructed.

Mr. WALKER. I see.

Mr. MAGEE. From Joyce Junction to Lake Pleasant, along the north side of Lake Crescent.

Mr. WALKER. I think when they disapproved that Deep Creek—

Mr. MAGEE. Well, you get the facts and put them in the record. I am only after the facts, because there are questions likely to be asked the committee by our colleagues, and unless we have the facts we can not answer those questions.

Mr. FREAR. In the testimony of Gov. West yesterday he said, as I now remember it, that in conversation with John D. Ryan he said the Milwaukee was not granted the extension by the Railroad Administration, and it did not define just where the extension was granted. I assumed, like my colleague, that it was to be the extension from Deep Creek that he had reference to.

Mr. LEA. Yes; I think there is no doubt about that.

(Witness excused.)

TESTIMONY OF COL. C. P. STEARNS—Recalled.

Mr. FREAR. There has been called to the attention of members of the committee a telegram apparently quoted in a newspaper, dated Portland, Oreg., August 6, 1919, addressed to Lieut. W. K. Patterson, Toledo, Oreg.

Please thank Mayor Jones and through him the Council and citizens of Newport for passage of our franchise last evening, and congratulate them upon the spirit of honor in their city which has manifested itself in this act. We trust this is only a step toward the realization of years of hope for industrial prosperity in the community which our railroad will undoubtedly foster and thereby having been constructed expedited by several years. United States Spruce Production Corporation, by Col. Stearns.

And attached to this was what purported to be an ordinance.
[Reading:]

The city of Newport does ordain as follows:

This telegram was dated August 6, 1919, and refers to a franchise given the day before. I don't understand whether this is the franchise passed, or not, because this apparently relates to some other term of years, but this franchise reads:

That a right-of-way is hereby granted to the United States Spruce Production Corporation for Spruce Production Railroad No. 11 (also called the Yaquina Northern Railroad) and to its successors and assigns, over and across the following named streets within the corporate limits of the city of Newport, Oreg., to wit: Ninth Street in Fredericksburg Addition to the city of Newport; B Street in Baker's Addition to the city of Newport; Glen Street, A Street and Royal Street in Baker's Second Addition to the city of Newport at the place where the said Spruce Production Railroad No. 11 now crosses said streets, and as said streets are laid out and shown on the recorded plats of said city of Newport and the additions thereto.

Sec. 2. This franchise is granted to United States Spruce Production Corporation, its successors and assigns, and shall remain in full force and effect for the period of 99 years from the date of its enactment.

Sec. 3. The franchise herein granted to United States Spruce Production Corporation, its successors and assigns, is conditioned upon the payment to the city of Newport of the annual sum of \$1, payable upon demand upon the first day of each year during the entire time of the franchise herein granted, and upon the further condition that United States Spruce Production Corporation,

its successors and assigns shall improve the streets where their railroad crosses the same between the two outer rails of its track and for a distance of one foot on each side of said outer rails in the same manner, and at their own expense, as the streets shall be improved by the city.

Following "Approved": "(Turned down by the council of Newport, Oreg.)" That is apparently some memorandum of some one else. Will you please tell the committee what that has reference to?

Col. STEARNS. Yes, sir. The railroad was built, but arrangements hadn't been entirely completed for the securing of the franchise over those city streets, although effort had been made, while under construction, I understand, to have that done, and this was the final winding up necessary to secure the franchise for the crossing of those streets, as you know, outside of the city.

Mr. FREAR. The road at present runs outside of the city from Yaquina.

Col. STEARNS. Yes.

Mr. FREAR. What was the purpose of securing the franchise?

Col. STEARNS. So that we would have complete title to that right of way.

Mr. FREAR. In the city, over the streets?

Col. STEARNS. Yes; where it crosses those streets.

Mr. FREAR. It is not up in the city?

Col. STEARNS. No.

Mr. FREAR. It is not up in the city of Newport?

Col. STEARNS. No. You know—if you remember the map, the road crosses—the railroad crosses the outskirts of the city and crosses those streets that are mentioned there, and it was necessary to get a franchise—

Mr. MAGEE. The road must go through the corporate limits to some extent, or otherwise—

Col. STEARNS. Yes; that is what I say. It is just what was along the outskirts of the city, it just crosses those streets, still within the city limits.

Mr. MAGEE. Within the corporate limits?

Col. STEARNS. Yes; still within the limits.

Mr. FREAR. Well, that is practically to fix the right of way.

Col. STEARNS. Yes.

Mr. FREAR. That is to practically secure to the Government the right of way as the road is at present constructed.

Col. STEARNS. That is right.

Mr. FREAR. That is all.

Col. STEARNS. That is right.

(Witness excused.)

TESTIMONY OF CAMERON SQUIRES.

(The witness was sworn by Mr. Frear.)

Mr. LEA. What is your name?

Mr. SQUIRES. Cameron Squires.

Mr. LEA. Where do you reside, Mr. Squires?

Mr. SQUIRES. In this city.

Mr. LEA. How long have you resided here?

Mr. SQUIRES. Nearly three years.

Mr. LEA. What is your occupation?

Mr. SQUIRES. Assistant cashier and director in the Ladd & Tilton Bank.

Mr. LEA. You are acquainted with Mr. Disque, are you?

Mr. SQUIRES. Yes, sir.

Mr. LEA. And what if any connection did you have with the Spruce Production Corporation during the war?

Mr. SQUIRES. I enlisted as a private in the Spruce Production Division, in December, 1917, and served with that division in various capacities until the signing of the armistice.

Mr. LEA. And did you have any promotion during your service?

Mr. SQUIRES. Yes, sir.

Mr. LEA. What was your rank at the time of your discharge from the service?

Mr. SQUIRES. Captain.

Mr. LEA. Were you here at the time Mr. Ryan visited Portland?

Mr. SQUIRES. Yer, sir.

Mr. LEA. Attended a banquet, did you?

Mr. SQUIRES. Yes, sir.

Mr. LEA. Did you hear Mr. Ryan make an announcement that he proposed to promote Col. Disque? I believe he was colonel at that time, was he?

Mr. SQUIRES. Yes, sir.

Mr. LEA. Now, what do you know as to what caused that, and whether or not Col. Disque had anything to do with that?

Mr. SQUIRES. Prior to Mr. Ryan's coming to Portland, Col. Stearns called me to his office one day and asked me to take the chairmanship of a committee to give a banquet for Mr. Ryan at the Arlington Club. The banquet was given in the form of a grid-iron up there, strictly informal, and any proposition with regard to rank and military discipline was to be obviated for the evening. The rest of the committee and myself got up a program, more or less taking raps at everybody concerned, creating good fun for the evening. And two or three days prior to the serving of the banquet it was suggested that we bring forth in our program some fact to put before Mr. Ryan that we would like—the officers of the division would like—to see Col. Disque made a brigadier general, the thought being that at the time there were upward of 28,000 men in the division and it was hardly in conformance with the usual military procedure for that many men to be under a colonel. The members of the committee were afraid to tackle it alone, because we didn't know whether we would get it over, and we consulted with some of the senior officers in the division—majors and lieutenant colonels—and there was a diversity of opinion at first, and then when we suggested how we would handle it, it was allowed that it would be all right.

So at that banquet that night one of the members of the committee got up and sang a song, in which there was a very delicate but pointed inference to Mr. Ryan to the fact that the officers of the division would appreciate it if Col. Disque was promoted. Col. Disque knew nothing about it. In fact, when the song was being sung I think he sort of—his jaw dropped, because I think he thought it was going pretty strong. But Mr. Ryan, being a good fellow and a good fellowship evidenced at the banquet that night, showed that there was no offense taken by him as a result of that song and that

request, which was made entirely without Col. Disque's knowledge or permission. Mr. Ryan got up and made the statement which you have just referred to.

Mr. FREAR. What was the statement?

Mr. SQUIRES. The statement was that he appreciated—in substance only, Mr. Chairman, I don't remember the exact words—but that he appreciated everything that Col. Disque had done; that he thought, too, that he was entitled to a promotion, and that he assured the officers at the banquet that he would do everything in his power to secure that promotion.

Mr. LEA. That is the substance of all there was about that, is it?

Mr. SQUIRES. Yes, sir.

Mr. LEA. That is all.

Mr. FREAR. Upon his return to Washington—that was his statement?

Mr. SQUIRES. Yes.

Mr. FREAR. Why were you all sworn to secrecy, or were you sworn to secrecy on that occasion, at the request of Col. Stearns; was that a fact—

Mr. SQUIRES. What secrecy?

Mr. FREAR. That Col. Stearns asked that that whole meeting be a matter of secrecy?

Mr. LEA. You must have misunderstood the witness.

Mr. FREAR. No; I am not misunderstanding the witness. I am speaking of further information that has come to me in regard to the meeting—some other matters. But I was just asking if Col. Stearns at that time asked that the members who were present should not communicate what had occurred there to anyone else?

Mr. SQUIRES. Yes, sir; obviously for the reason that in case that kind of information gets to Washington prior to the suggestion for promotion, it certainly will create sort of a commotion in Washington. You gentlemen who live in Washington know that just as well as I.

Mr. FREAR. I didn't know what the reason was, and I was asking you because I knew that was coupled in somewhere in the meeting.

Mr. SQUIRES. Yes, sir.

Mr. FREAR. That is all.

Mr. MAGEE. As I understand, you don't think that the general took offense at the suggestion in the song that he be promoted to be a general?

Mr. SQUIRES. Not offended at the suggestion of the song, but at the fact that some of the junior officers had the temerity to suggest that to his superior, Mr. Ryan.

Mr. MAGEE. I wanted to get clean, if I could, the suggestion. That is all.

Mr. FREAR. The full list of those recommended for distinguished service was not furnished us. Was your name among them, or do you know?

Mr. SQUIRES. No, sir. May I further answer that it has been recalled to my memory, which is a fact, that Col. Stearns didn't know anything about this particular song that we were going to sing? When I say the committee consulted some of the senior officers, we didn't go as high as Col. Stearns.

(Witness excused.)

TESTIMONY OF P. S. BRUMBY.

(The witness was sworn by Mr. Frear.)

Mr. FREAR. Where do you live?

Mr. BRUMBY. City.

Mr. FREAR. How long have you lived here?

Mr. BRUMBY. Seventeen years.

Mr. FREAR. And your business?

Mr. BRUMBY. Timber business.

Mr. FREAR. You have been representative of the Blodgett interests for how long?

Mr. BRUMBY. Going on 17 years; in the seventeenth year.

Mr. FREAR. Will you please state to the committee about this Blodgett tract, how it was acquired by Mr. Blodgett, and lead up then to the facts as they have been developed in the hearings?

Mr. BRUMBY. Mr. Blodgett acquired that tract, known as the Alsea Bay tract, with—

Mr. FREAR (interrupting). That is the tract about 20 miles or 25 miles below Yaquina Bay?

Mr. BRUMBY. Yes; the Alsea Bay tract, in Lincoln County. He acquired that with a larger tract of timber in California, from the C. A. Smith interests.

Mr. LEA. When?

Mr. BRUMBY. In 1917, the latter part of 1917.

Mr. FREAR. That came about by what means?

Mr. BRUMBY. He held bonds against the property and took this as part payment. These bonds that he held against the property—

Mr. FREAR. That is, he held bonds against the Smith Corporation?

Mr. BRUMBY. Corporation.

Mr. FREAR. And these lands were turned over to him—this land and other lands. Where were the other lands?

Mr. BRUMBY. In California.

Mr. FREAR. They were turned over to him as security for the bonds; is that right?

Mr. BRUMBY. He purchased them outright.

Mr. FREAR. He purchased them outright?

Mr. BRUMBY. Yes, sir.

Mr. FREAR. Well, now, when was that, as nearly as you can remember?

Mr. BRUMBY. Well, it was in 1917.

Mr. FREAR. What time?

Mr. BRUMBY. I believe in the latter part of 1917; in the summer of 1917, I believe it was.

Mr. FREAR. Were there any options discussed between you and other parties, in regard to the Blodgett tract?

Mr. BRUMBY. There was. We gave an option to C. H. Davis, January 9, 1918; we gave a 30-day option.

Mr. LEA. What year?

Mr. BRUMBY. 1918.

Mr. FREAR. Who is C. H. Davis?

Mr. BRUMBY. He is a Portland man, timber owner, timber operator. We gave this Mr. Davis a 30-day option on the timber only, the timber to be cut and removed from the land in 20 years, he to pay the taxes until the timber was removed and land surrendered.

We gave this option on the strength of Mr. Davis agreeing to operate the spruce and turn it over to the Government for war use.

Mr. FREAR. That was a condition that was made at the time?

Mr. BRUMBY. Yes, sir; that was the condition made at the time.

Mr. FREAR. How much was that option? Have you got the option there?

Mr. BRUMBY. No; I haven't; I haven't got the option.

Mr. FREAR. You haven't a copy of it?

Mr. BRUMBY. No; I haven't.

Mr. FREAR. Will you produce that, please? You have it in your files, have you?

Mr. BRUMBY. No; I think not. It was only just a letter.

Mr. FREAR. Then give the contents of it, as nearly as you remember it.

Mr. BRUMBY. Well, it was a 30-day option, given to C. H. Davis; the price was to be \$575,000 for the timber only, with 20 years to remove the timber, he to pay the taxes until the timber was removed and the land surrendered.

Mr. FREAR. How many acres of land?

Mr. BRUMBY. 10,985.64 acres.

Mr. FREAR. You have the plat there, have you?

Mr. BRUMBY. Yes, sir. I have a plainer map than that. It does not show it distinctly.

Mr. FREAR. Do you know the cruise that was on that timber?

Mr. BRUMBY. I know about the cruise. I haven't got an exact cruise here. That is a plat of the land. [Witness producing plat.] That red shows the Blodgett lands, and those figures there show the estimate of the spruce on these lands—the spruce alone. It doesn't show the other timbers. That was an estimate that was not made by—

Mr. FREAR. Have you totaled the amount of timber? You have not that, have you?

Mr. BRUMBY. I think I have got the total amount here, or about the amount, in round numbers. [Witness referring to paper.] In round numbers, 250,000,000 feet of spruce, 260,000,000 feet of fir, and about 160,000,000 of other mixed timber. That is not an exact estimate, it is round numbers.

Mr. FREAR. That option was for how long?

Mr. BRUMBY. Thirty days.

Mr. FREAR. Did Mr. Davis, so far as you know, take anyone else in with him in handling that option?

Mr. BRUMBY. He represented to us that he was—or to me, that he was going to have a partner who was a practical operator.

Mr. FREAR. Who was that party?

Mr. BRUMBY. James Manary.

Mr. FREAR. Was anything paid for the option?

Mr. BRUMBY. No, nothing.

Mr. FREAR. The option was in writing?

Mr. BRUMBY. Yes. It was just a—

Mr. FREAR. That option extended for how long a period?

Mr. BRUMBY. Thirty days.

Mr. FREAR. And what was done, if anything, before the conclusion of the 30 days?

Mr. BRUMBY. Well, Mr. Davis surrendered the option before the 30 days, but—now, this is information that I got away from Mr. Davis: That he, immediately after he got the option, assigned it to James Manary, and Manary assigned it to D. A. Donaldson, and D. A. Donaldson assigned it to a man named Rossman, and Rossman assigned it to the Western Spruce Co. I got this information from Mr. Rossman.

Mr. MAGEE. What was the Western Spruce Co.?

Mr. BRUMBY. The Western Spruce Co., as he told me, was a Chicago corporation, and they were to turn it over to the Warren Spruce Co. to operate, get the spruce for the government, But in doing this, after C. H. Davis had given the option to Manary and Manary to Donaldson, Donaldson—he got options on a 5,000 acres—added about 5,000 acres to our acreage, and tried to sell that to the—he gave an option on the whole tract to this Chicago corporation, to the Western Spruce Co.

Mr. FREAR. Now, this option was then in the hands, last, of this Chicago concern?

Mr. BRUMBY. That was what Mr. Rossman told me. In giving the option to Mr. Davis, I gave Mr. Davis an option for the timber only, and with 20 years to remove the timber. Mr. Davis gave to Mr. Manary an option for the entire property.

Mr. MAGEE. For the ownership of it?

Mr. BRUMBY. The ownership, land and, all. Before that I had agreed to—why we didn't give the option to Davis on the land, or wasn't selling the land, we had an application and I agreed to give—an application for an oil lease, and had agreed to give this oil lease to parties here who were going to drill for oil. That is why we were reserving the land—not selling it.

Mr. FREAR. When was this option released that you speak of?

Mr. BRUMBY. The Davis option released?

Mr. FREAR. Yes.

Mr. BRUMBY. It was released, my recollection is, the 27th day of January. I gave them the option the 9th for 30, and the 27th he wired Mr. Blodgett he would surrender the option, on account of taking up work with the Government.

Mr. MAGEE. Hadn't he assigned it prior to that time?

Mr. BRUMBY. Yes; he had.

Mr. MAGEE. So he hadn't anything to surrender?

Mr. FREAR. That is the inquiry. Did he have anything to surrender

Mr. BRUMBY. No; he didn't have anything—

Mr. FREAR. What work had he undertaken for the Government?

Mr. MAGEE. No; he didn't get that answer. You interrupted with another question and he didn't get the answer.

Mr. FREAR. Give the answer.

Mr. BRUMBY. He could not give what he did not have.

Mr. MAGEE. He didn't have anything to surrender, when he wired Mr. Blodgett that he would surrender the option; is that right?

Mr. BRUMBY. He surrendered the option to Mr. Blodgett, but, in giving this option to Mr. Manary, he gave an option that he could not—he had no right to give.

Mr. MAGEE. You mean he gave an option for the ownership to buy the land?

Mr. BRUMBY. On the land and all.

Mr. MAGEE. When he had only an option to remove the timber, and he must do that within 20 years.

Mr. BRUMBY. He gave an option that he could not deliver; he gave an option on property that he could not deliver.

Mr. FREAR. As a matter of fact, he had also assigned this option to Manary, and Manary to Donaldson, and Donaldson to Rossman, so that——

Mr. BRUMBY. Donaldson to Rossman.

Mr. FREAR. So that, as a matter of fact, he had no option, if that was a genuine assignment, at this time.

Mr. BRUMBY. No, no. But this is all information that I got from Mr. Rossman.

Mr. FREAR. Yes; I understand. Now, what position did he take—what position was he given, so far as you understand?

Mr. BRUMBY. Well, he was connected with the Warren Spruce Co. is my understanding.

Mr. FREAR. What position, do you know?

Mr. BRUMBY. I don't know what his work was.

Mr. MAGEE. At the time he got the option?

Mr. BRUMBY. No.

Mr. FREAR. No; at the time he said he surrendered it.

Mr. BRUMBY. At the time he surrendered the option he said he had taken up work for the Government, and he could not carry the option out.

Mr. MAGEE. He had taken up work for the Government?

Mr. BRUMBY. Yes.

Mr. MAGEE. I thought you said he was connected with the Warren Spruce Co.

Mr. BRUMBY. Well, he called Mr. Blodgett—he wired Mr. Blodgett that he had taken up work for the Government for to——

Mr. MAGEE. With the Government?

Mr. BRUMBY. With the Government——

Mr. MAGEE. He was not in the employ of the Government, was he?

Mr. BRUMBY. Only with the Warren Spruce Co.

Mr. MAGEE. You understand, then, to get the record clear, that between the time when he took this option and January 27, when he surrendered it, he entered into the employ of the Warren Spruce Co.?

Mr. BRUMBY. That was my understanding; yes, sir.

Mr. FREAR. Now, when this option was surrendered was a new option made with the Warren Spruce Co.?

Mr. BRUMBY. No.

Mr. FREAR. A new contract made?

Mr. BRUMBY. No.

Mr. FREAR. What offer did they make?

Mr. BRUMBY. They sent for me to come to their office.

Mr. MAGEE. The Warren Spruce Co.?

Mr. WARREN. The Warren Spruce Co.—a man named Tobias came to me and——

Mr. FREAR. When was this?

Mr. BRUMBY. That was in January.

Mr. FREAR. The same month?

Mr. BRUMBY. The same month. I have forgotten the date. It was in January, and they gave me an agreement—this was the agreement

that they gave me that they wanted that I should have my company sign.

Mr. MAGEE. When they what?

Mr. FREAR. They wanted them to sign—his company to sign.

Mr. BRUMBY. My company to sign.

Mr. MAGEE. Mr. Blodgett to sign?

Mr. BRUMBY. Yes; the Blodgett Co.; yes. This is the agreement.

Mr. FREAR. Let me see the agreement, will you, please?

Mr. BRUMBY. That writing was done in my office, or in our office. That is the original agreement. [Producing paper.]

Mr. FREAR. Who did you say came to you—Mr. Talbot?

Mr. BRUMBY. No; Mr. Tobias. And I went to the Warren Spruce Co. office and met—

Mr. FREAR. Mr. Tobias was in the employ of the Warren Spruce Co., was he?

Mr. BRUMBY. Mr. Tobias has been in the employ of Mr.—in fact, he was a partner of Mr. Manary prior to this.

Mr. FREAR. Of Mr. Manary?

Mr. BRUMBY. I was acquainted with Mr. Tobias; that is why he came to me.

Mr. FREAR. Was he connected with the Warren Spruce Co.?

Mr. BRUMBY. He told me he was going to be, or he was going to be associated with them through Mr. Manary.

Mr. FREAR. This proposed contract was handed to you by him—

Mr. BRUMBY. No; that was handed to me by Mr. Kumpie.

Mr. FREAR. Was Mr. Tobias there?

Mr. BRUMBY. Yes, sir.

Mr. FREAR. Mr. Tobias was present?

Mr. BRUMBY. Yes.

Mr. FREAR. And he called you over. Now, who is Mr. Kumpie?

Mr. BRUMBY. Mr. Kumpie was the—as I understood it—was the engineer, and was going to be the general manager of the field work for the Warren Spruce Co.

Mr. FREAR. What was Mr. Tobias's position later with the Warren Spruce; do you know?

Mr. BRUMBY. I never have heard that Mr. Tobias was employed by the Warren Spruce Co.

Mr. FREAR. What was Mr. Manary's position with the Warren Spruce Co.—Mr. James Manary's position?

Mr. BRUMBY. He went into the woods. He went over in Lincoln County and made a reconnoissance of the country there; didn't stay a great while. After that he went down to Clatsop County. I wasn't acquainted with his work.

Mr. FREAR. You don't know what his position was?

Mr. BRUMBY. No; I do not.

Mr. FREAR. Do you know what his salary was?

Mr. BRUMBY. No; I do not.

Mr. FREAR. He was connected with the Warren Spruce Co. Was he an officer?

Mr. BRUMBY. I could not say that.

Mr. FREAR. Now, this contract was not executed?

Mr. BRUMBY. No.

Mr. FREAR. It was brought to you in January, 1918?

Mr. BRUMBY. Yes.

Mr. FREAR. In brief, will you state to the committee—I haven't read it—what this contract provided?

Mr. BRUMBY. It gave us the prices; established the prices that they were to pay for the timber taken from the lands; but in the contract there was a clause that I have underlined there that I was not real satisfied with. It states there that the timber, when fallen—it is understood when the timber was fallen it would immediately become the property of the operator, and I didn't think that that should be in there, and we did not sign it.

Mr. FREAR. There have been written corrections in 10.

Mr. BRUMBY. That was done in our office.

Mr. FREAR. That was done in your office?

Mr. BRUMBY. Yes.

Mr. FREAR. With the thought of eventually entering into some contract—that it was among the possibilities?

Mr. BRUMBY. That was done because I had other contracts, a contract that was given by the Government in Washington and in Oregon, that I had compared and was just making these notations on that.

Mr. FREAR. Now, what negotiations occurred in regard to this contract, or what was said or done in regard to it, please, with the Warren Spruce Co. or its agents?

Mr. BRUMBY. There was nothing done with it. They told me that we would sign this contract; Mr. Kumpie told me that Col. Disque at that time had given him the contract, asked him to give it to the timber owners for their signature, and if they would not sign it that they would commandeer the timber and take it.

Mr. FREAR. That Col. Disque had taken this action?

Mr. BRUMBY. That the Government had; that he had got—this was given to him by Col. Disque or by the Government for to give to the timber owner for to sign, and if they would not sign it the timber would be commandeered.

Mr. FREAR. What did that relate to; to this Blodgett tract?

Mr. BRUMBY. Yes.

Mr. FREAR. What occurred after that in regard to this timber? Was Mr. Blodgett communicated with?

Mr. BRUMBY. Yes; I took it up with Mr. Blodgett. I first took it up—I was sent for by Maj. Hitchcock. This is Maj. Hitchcock's letter [passing letter to Mr. Frear].

Mr. FREAR. This is a letter dated March 27, 1918, from Maj. Hitchcock asking you, as the representative of the Blodgett tract, to call him up so that he could make an appointment?

Mr. BRUMBY. Yes.

Mr. FREAR. Yes. I offer it. Copy it in the record.

(Said letter, pursuant to the foregoing, is set out in full, as follows:)

WAR DEPARTMENT,
SPRUCE PRODUCTION DIVISION,
UNITED STATES SIGNAL CORPS,
Portland, Oreg., March 27, 1918.

From: Rived Spruce Department.

To: Mr. P. S. Brumby, Lumbermen's Building, Portland, Oreg.

Subject: Blodgett tract.

1. I am informed that you are the local representative of the Blodgett tract, and I wish you would be so kind as to call me up in the morning so that we can make an appointment.

By direction of Col. Disque:

REUBEN HITCHCOCK,
Major, S. C., A. S., U. S. A.

Mr. BRUMBY. I went and seen Maj. Hitchcock, and on the strength of the talk that I had with him I went East.

Mr. FREAR. What was the talk that you had with Maj. Hitchcock?

Mr. BRUMBY. They wanted to buy the stumpage. They had made plans for to put in a railroad and wanted to buy the stumpage, and I went to Grand Rapids and took the question up with Mr. Blodgett. They had made two propositions, or they asked for two propositions; one was on a selective-cutting basis and the other was for a straight purchase of all the timber, and I talked this over with Mr. Blodgett, and he wrote—

Mr. FREAR (interrupting). Could you make it a little more definite to the committee what Hitchcock's proposition was to you on Blodgett?

Mr. BRUMBY. He wanted to buy the tract of timber and made me an offer on it.

Mr. FREAR. Hitchcock did?

Mr. BRUMBY. Yes.

Mr. FREAR. Now, what was his offer?

Mr. BRUMBY. Four hundred and fifty thousand dollars.

Mr. FREAR. Four hundred and fifty thousand dollars?

Mr. BRUMBY. Yes.

Mr. FREAR. And how many million feet of timber did you say was on that?

Mr. BRUMBY. In the neighborhood of about 650,000,000, round numbers; between 650,000,000 and 675,000,000.

Mr. FREAR. And you had made previously a contract, or an option, with Davis for \$575,000?

Mr. BRUMBY. Yes; for the timber alone.

Mr. FREAR. For the timber alone. This was for timber, land, and all, or what?

Mr. BRUMBY. That is what he wanted to buy.

Mr. FREAR. That is what Hitchcock wanted?

Mr. BRUMBY. Yes.

Mr. FREAR. Now, what occurred?

Mr. BRUMBY. I went to Grand Rapids and took it up with Mr. Blodgett, and this is a copy of a letter that he wrote to Col. Disque. [Mr. Brumby here passed said letter to Mr. Frear.]

Mr. FREAR. That included the same area, did it, as the option that Hitchcock was talking to you about?

Mr. BRUMBY. That included all the Blodgett lands. It gives the acreage there, nearly 11,000 acres.

Mr. FREAR. This letter is dated April 11, 1918, to Col. Brice P. Disque, Signal Corps, United States Army, Portland, Oreg.:

MY DEAR SIR: Referring to your telegram to me of March 28 relative to the—

that was the day following your discussion with Hitchcock? Your letter from Hitchcock was of the 27th, and he asked you to call him up in the morning; that would be on the morning of the 28th?

Mr. BRUMBY. Yes.

Mr. FREAR. To discuss the Blodgett tract?

Mr. BRUMBY. Yes.

Mr. FREAR. Now, on the same day—oh, this other is April 11.

Mr. BRUMBY. I had been to Michigan.

Mr. FREAR. Yes. I was going to say Blodgett's letter refers to "your telegram to me of March 28"; that would be the same day on which you had your discussion with Hitchcock?

Mr. BRUMBY. Yes.

Mr. FREAR. Now, you can just please state what you did with Mr. Blodgett.

Mr. BRUMBY. I went over and took the question up with Mr. Blodgett, and that is the decision we arrived at in our talk over the property. I also had this agreement—

Mr. LEA (interrupting). Couldn't we just put that in the record?

Mr. FREAR. I am going to. I am just waiting until he finishes. You may go on.

Mr. BRUMBY. I had this agreement, that agreement that Mr. Kumpie gave me, with the prices established by the Government on timber on the coast country.

Mr. FREAR. Well, did you give Mr. Blodgett any advice in regard to the prices?

Mr. BRUMBY. I did.

Mr. FREAR. Yes. And you gave him your judgment, or your statement, in regard to your interviews with Hitchcock, and so on?

Mr. BRUMBY. Yes.

Mr. FREAR. This letter is to Col. Disque:

In reference to your telegram to me of March 28 relative to the 11,000-acre tract of timber south of Alsea Bay, owned by Blodgett Co. (Ltd.):

From your telegram and from Mr. Brumby's report of his conversation with Maj. Hitchcock, I infer that you want a proposition from the owner that will warrant the construction of a railroad from Toledo into this timber, so that the timber can be made available for governmental purposes.

This tract of timber was purchased for investment and has never been offered for sale by Blodgett Co. (Ltd.). An option, however, was given to a party with the understanding that the timber thereon was to be immediately operated for the purpose of aiding in supplying the needs of the United States Government. Except for this purpose, the property is now for sale.

Mr. BRUMBY (interrupting). Is not for sale.

Mr. FREAR. "Is not now for sale." Yes. That was the day of this option that was referred to?

Mr. BRUMBY. Yes.

Mr. FREAR. Yes.

In compliance with your telegraphic request, I herewith submit two propositions, under either of which the Government can acquire the timber on this tract suitable for its needs:

(1) In consideration of the Government beginning the construction of a common carrier railroad from Toledo into this tract on or before July 1, 1918, and its completion on or before July 1, 1919, the owner will sell to the United States

Government all or so much of the timber on this tract as the Government may desire to take at the following prices, namely :

	Per M feet.
Aeroplane spruce.....	\$5
Other spruce.....	3
Fir and cedar.....	2
Hemlock and all other woods.....	1

All according to Spaulding's log-scale rule; Columbia River log-scaling rules to govern in case of dispute.

These prices, however, are to be subject to the following changes:

If the United States at any time during its operations on the Blodgett Co. (Ltd.) lands under any contract based on this offer pays any other owner more than \$7.50 per thousand feet for spruce suitable for aeroplanes or more than \$4 per thousand feet for other spruce or more than \$3 per thousand feet for fir and cedar or more than \$1.50 per thousand feet for hemlock and other woods, then the United States Government shall pay the owner in addition to the prices offered above an additional proportionate price for the class of timber the price of which is raised.

In order to minimize the fire hazard and conserve the remaining timber, the timber shall be cut and all lumbering carried on by or under the direction of the Government according to the rules enforced by the United States Forestry Department for the cutting and lumbering of Government timber on forest reserves.

The prices named in this proposition are for the United States Government only, and not for any operating company.

The right of the Government to operate upon this timber shall terminate with the declaration of peace between the United States and Germany.

(2) The owner will sell to the United States only all the timber on this tract for \$635,000, with 20 years' time for the removal of the timber. Payment may be made either in cash, Liberty bonds, or Treasury certificates of indebtedness.

The price of \$635,000 is based upon the following:

Two independent timber estimates, made for former owners and for former mortgagees by expert timber cruisers well known in Oregon, show these lands to contain 250,000,000 feet of spruce of superior quality. I have priced this spruce at \$1.50 per thousand feet, or \$375,000. The same estimates show 260,000,000 feet of fir of fine quality suitable for ship timbers and aeroplane stock. I have priced this fir at \$1 per thousand feet, or \$260,000; making a total of \$635,000.

In addition to the spruce and fir timber, the estimates show 160,000,000 feet additional timber, of cedar, hemlock, and other woods. Upon this 160,000,000 feet I have placed no value in this proposition, as these woods are not extensively used by the Government, though valuable for lumber and wood pulp.

The owner has had no detailed estimates made, but checked the previous estimates before making the purchase.

Very truly, yours,

That was signed by Mr. Blodgett?

Mr. BRUMBY. Yes, sir.

Mr. FREAR. Could you come here this afternoon, Mr. Brumby? Would it be convenient for you to come this afternoon?

Mr. BRUMBY. I can come. I have got a very sick wife. She is very ill, and I don't want to be away from home longer than it is really necessary.

Mr. LEA. Would there be any other time that would be more convenient for you?

Mr. BRUMBY. Well, I try to stay at home as much as I can.

Mr. MAGEE. Why can't we finish with him?

Mr. FREAR. I think we can finish in just a minute. Mr. Brumby, what was done under this letter of Mr. Blodgett's?

Mr. BRUMBY. There was nothing done.

Mr. FREAR. Nothing followed. Mr. Disque did not send word—or did he reply? Do you know, did Disque reply to this letter of Blodgett's?

Mr. BRUMBY. I think that he replied to it.

Mr. FREAR. What?

Mr. BRUMBY. Yes, I believe that he—I don't recollect. They replied, but they claimed that the price was too high; they would not—

Mr. FREAR (interrupting.). Then what next occurred regarding this tract?

Mr. BRUMBY. Later on they said they would take the timber, paying the \$635,000 for it, and we gave them—I gave them an abstract of title to examine and placed a deed in the United States National Bank for them to take up.

Mr. FREAR. When was that, about?

Mr. BRUMBY. That was, I think, early in October of 1918.

Mr. FREAR. And when was the deal consummated, if at all? Did Mr. Blodgett write back to them anything in regard to it, that they need not take over this tract, or anything to that effect?

Mr. BRUMBY. No. I was on the lands when the armistice was signed, or when they discontinued cutting. They started cutting on the timber and cut about, probably, 4,000,000, or in the neighborhood of 4,000,000, right along in the front of this tract of timber, and I was there when they discontinued cutting. I came back to Portland—in fact, first I went to Newport, and I told Mr. Howard Holland, who was then general manager of the operations there for Gen. Disque, that as the armistice was signed I didn't suppose they were going to take over our timber. We were going to ask them to pay us for the timber cut, and for them to clean up the fire hazard that they had created in cutting, slashing in the front of our timber. And Mr. Holland said that he thought that was right, and he would so advise Gen. Disque. I came to Portland and I went to the office; I went to Lieut. Murphy. He was assistant to Maj. Morley, who had this deal in charge, and I asked Lieut. Murphy for the abstract. He says, "We are going to take the timber." Well, I says, "We want you to take the timber—we want the pay for our property or we want our property." I says, "We can take care of it. You have created a fire hazard there that we can wipe out, but you have got to do something to take care of it." And he took me to Maj. Morley, who stated that they were going to take over the property, which I believed was the best thing they could do.

Mr. FREAR. They did take it over eventually, and the deed was signed on December 2; is that right?

Mr. BRUMBY. Yes, sir.

Mr. FREAR. And the deal was closed then. When was the railroad begun?

Mr. BRUMBY. When was the railroad begun?

Mr. FREAR. Yes.

Mr. BRUMBY. Well, early in 1918. I could not—

Mr. FREAR (Interrupting). Early in 1918?

Mr. BRUMBY. Yes.

Mr. FREAR. Do you know about the time?

Mr. BRUMBY. I could not state the exact time from memory.

Mr. FREAR. I think that is all, for the present, anyhow, unless we recall you.

Mr. LEA. Is this Blodgett Co. (Ltd.) a corporation that owns this property?

Mr. BRUMBY. Yes, sir.

Mr. LEA. But Mr. Blodgett is the principal factor in it, is he?

Mr. BRUMBY. Yes; sir.

Mr. LEA. And Mr. Blodgett himself recommended that it would be better to sell it, or for them to take the whole thing, didn't he; that it would be better for the Government to buy?

Mr. BRUMBY. Yes; he thought it was better for the Government; I thought it was better for the Government. We thought they made a good trade. We thought it would help them sell the road.

Mr. LEA. And the price paid was \$635,000, was it?

Mr. BRUMBY. \$635,000.

Mr. LEA. That was \$60,000 more than the option that had been given in January?

Mr. BRUMBY. The option was given on timber only.

Mr. LEA. Yes. Well, this was for the whole tract. The price paid was reasonable, wasn't it?

Mr. BRUMBY. Yes; yes; the price paid was very reasonable.

Mr. FREAR. It was bought to sell the railroad?

Mr. BRUMBY. I was against Mr. Blodgett selling the property, unless it was really forced on him.

Mr. LEA. Yes. The construction of the railroad to that tract increased the value of all the timber on it, didn't it, by making it accessible to market?

Mr. BRUMBY. I would say yes, although we didn't care anything about the railroad. It was a good tract of timber, and on account of its inaccessibility it was one of the lightest fire hazards and the lightest carrying property that Mr. Blodgett owned. I had stated to Mr. Blodgett at different times that I thought \$600,000, the price that he asked, \$635,000, was a low price for it, and that if he held that 10 years that it would be worth \$2,000,000 to him.

Mr. LEA. What quality was this spruce?

Mr. BRUMBY. It was an excellent quality of spruce. There is no such stand of timber on the Pacific Coast country that I have ever seen, and I have seen a great deal of it; most of it.

Mr. LEA. Well, what was it?

Mr. BRUMBY. As the map will show you there, there were sections there that will cut more than 40,000,000 feet of spruce alone, all excellent quality.

Mr. LEA. How does the spruce down there compare with other sections in proportion to the amount of other timber? You see, as I understand it, ordinarily there is a small percentage of spruce and a larger percentage of fir.

Mr. BRUMBY. Yes.

Mr. LEA. And hemlock, etc. Now how does the spruce, where it is located, compare with the other quantities of timber?

Mr. BRUMBY. It was an excellent quality of spruce.

Mr. LEA. Much more available for selective logging purposes, wasn't it?

Mr. BRUMBY. Yes, sir.

Mr. LEA. Than the ordinary tract?

Mr. BRUMBY. Yes. Where you have got 40,000,000 to a section it is a much better logging chance, and could be operated at a good deal less expense or cost than if there was 8,000,000.

Mr. LEA. Yes.

Mr. BRUMBY. About 25 per cent of it.

Mr. LEA. Just one other question. Can you tell me whether James Manary is any kin to Robert Manary?

Mr. BRUMBY. I believe he is a brother.

Mr. LEA. I see. That is all.

Mr. FREAR. About when was that railroad—you said that he had to start in the spring; when did your negotiations begin with the Government for taking over, when it eventually resulted in a sale on December 2? About what time was that that they began, that they wrote that they wanted it, or threatened to commandeer, as I remember?

Mr. BRUMBY. Well, I believe they had the abstract. I gave them the abstract five or six weeks before the trade was consummated, and it probably was in—oh, probably in August, I would say.

Mr. FREAR. August?

Mr. BRUMBY. Yes; I would say about that time.

Mr. FREAR. That is the first that you started negotiations for this sale, this final sale?

Mr. BRUMBY. No. This letter gave them the price and it was up to them. They told us later, I would say in August, that they would take it, notified Blodgett Co. that they would take it.

Mr. FREAR. Yes; but the railroad had been building long before that?

Mr. BRUMBY. Yes.

Mr. FREAR. For the Warren Spruce Co.?

Mr. BRUMBY. Yes.

Mr. FREAR. Without any intimation to you as to what was to be done, or to Mr. Blodgett?

Mr. BRUMBY. Yes.

Mr. FREAR. All right.

Mr. MAGEE. As I understand, Mr. Brumby—

Mr. LEA (interrupting). Just a second.

Mr. MAGEE. Can't I ask a question?

Mr. LEA. Excuse me for going. I don't mean any discourtesy by it.

Mr. FREAR. Yes. Mr. Lea has an appointment. That is the reason I shortened my own examination.

Mr. MAGEE. The position of Mr. Blodgett was that he was not willing to sell this tract, or the timber on it, unless it was for the benefit of the Government?

Mr. BRUMBY. Yes.

Mr. MAGEE. And the Government got title to the timber?

Mr. BRUMBY. Yes.

Mr. MAGEE. Is that right?

Mr. BRUMBY. Yes, sir; that is right.

Mr. MAGEE. Now, when was this proposed contract given to you by the Warren Spruce Co.?

Mr. BRUMBY. In January.

Mr. MAGEE. After Mr. Davis had surrendered his right?

Mr. BRUMBY. No; during that time.

Mr. MAGEE. His right to the option?

Mr. BRUMBY. During the time that Mr. Davis had the option.

Mr. MAGEE. Now, did you understand that if he executed this contract that the title to the timber would be vested in the Warren Spruce Co.?

Mr. BRUMBY. No, no.

Mr. MAGEE. Here is section 5:

It is agreed that the title to all timber cut hereunder for aeroplane stock or in connection with the operations of the operator hereunder, for which payment is hereby agreed to be made, shall, as soon as cut, vest in the operator and its assigns, but no interest in such timber or timber products shall be transferred or assigned by the operator to any person except the United States until the same shall be removed from the lands covered hereby.

Mr. BRUMBY. It was for that clause that we didn't find in any other agreement that was given out, that we would not sign that agreement.

Mr. MAGEE. Well, I say it was because it would vest the title to the timber, as you understood it, in the Warren Spruce Co., wasn't it?

Mr. BRUMBY. Yes, yes.

Mr. MAGEE. And not in the Government of the United States?

Mr. BRUMBY. No.

Mr. MAGEE. And whatever you signed you were going to sign——

Mr. BRUMBY (interrupting). Going to sign to the Government.

Mr. MAGEE. To the Government?

Mr. BRUMBY. Yes.

Mr. MAGEE. For the benefit of the Government?

Mr. BRUMBY. Yes.

Mr. MAGEE. Is that right?

Mr. BRUMBY. Yes; that is right. That is correct. If it hadn't had that clause, it would have been as other contracts, and we would have accepted it.

Mr. MAGEE. I offer this proposed contract in evidence. Mark it as an exhibit for identification and copy it in the record. Copy the typewritten part and leave out the interlineations in ink, and return it to the witness.

(Pursuant to the foregoing the copy of proposed contract was thereupon marked "Exhibit 26 for identification, Witness Brumby, September 9, 1919," and is set out in full, as follows, said copy being returned to Mr. Brumby, to wit:)

This agreement, made this —— day of ——, 1918, between ——, hereinafter called the owner, and Warren Spruce Co., an Oregon corporation, hereinafter called the operator, witnesseth:

Whereas the operator is engaged in riving spruce splits for delivery to the United States for use in the manufacture of aeroplanes pursuant to a contract held by said operator from the United States, and the owner holds title to lands hereafter described, upon which are standing certain spruce trees suitable for such riving operations, and the operator desires authority to enter upon such lands and to carry on such riving operations and the owner is willing to grant such authority upon the terms hereinafter mentioned:

Now, therefore, in consideration of the mutual agreements herein contained, it is hereby agreed between the parties, as follows:

1. The owner hereby grants to the operator the right and privilege of entering on any of the lands described in Schedule A, hereunto attached and made a part hereof, and grants to the operator the right and privilege of fell-

ing and removing therefrom such spruce trees as may be designated by the United States or its authorized representative for aeroplane stock.

2. The owner hereby grants to the operator the right and privilege of constructing and maintaining all trails, wagon roads, tote roads, and logging railroads which the operator shall find necessary or convenient over and across said lands in carrying on operations hereunder, for the purpose of removing spruce trees cut for aeroplane stock; transporting men, equipment, and supplies; and removing spruce logs and rived spruce and other merchantable timber authorized herein to be cut from said lands.

31. The owner hereby grants to the operator the right and privilege of establishing and maintaining camps on said lands for the accommodation of men employed in the operations contemplated hereby.

The operator shall in building trails, wagon roads, tote roads, and logging camps select and cut down, so far as is reasonably practicable, only the poorer grades of timber, and in the construction of any logging railroad no merchantable timber other than spruce or hemlock shall be cut unless it is necessary to remove the same in order to construct the railroad grade.

4. The operator hereby agrees to pay to the owner for all spruce trees cut from said lands which shall have been designated for aeroplane stock by the United States or its authorized representatives, the sum of \$7.50 per thousand feet log scale.

The operator agrees to pay to the owner for all other timber cut from said lands for the purpose of carrying on the operations contemplated hereby, including the building of trails, roads, logging railroads, and camps, and for all merchantable timber destroyed, or broken in such operations, on the following basis:

For merchantable spruce, the sum of \$4 per thousand; for merchantable cedar, the sum of \$3 per thousand; for merchantable fir, the sum of \$3 per thousand; for merchantable hemlock, silver and white fir, the sum of \$1.50 per thousand; all according to log scale.

All spruce trees upon said lands desired to be cut for aeroplane stock shall be selected and marked by or under the direction of a representative of the United States Signal Corps and the owner shall be entitled to have a representative present when such trees are so marked, and no tree shall be cut for aeroplane stock unless it has been first so selected and marked.

All spruce trees felled by the operator shall be scaled in lengths not exceeding 32 feet by a scaler or scalers nominated by First Lieut. J. Van D. Crisp of the Signal Corps of the United States Army, or his successor in office. The owner may have a representative present when said scale is made, for the purpose of checking the same, but the scale made by the representative of said Crisp, or his successor in office, shall be in all events final.

In making said scale calipers shall be used to determine the diameter and a steel tape to determine the length, and Spaulding's log scale rule shall be used in computing the contents of each spruce tree. Immediately upon making the scale of any tree, such tree shall be suitably marked or stamped indicating that the same has been scaled and no tree shall be rived or split without having been so scaled and marked.

All trees, other than spruce, felled by said operator shall also be scaled in the manner hereinabove provided for, and the contents of all merchantable timber broken or destroyed not agreed upon between the parties hereto shall be determined by some disinterested third party.

Said operator shall furnish to said owner within five days after the receipt by it from the United States of any scale, made as herein provided, a copy of such scale.

In the event that any trees shall be felled by the operator and not removed from the said lands within one year from the expiration of this contract, said tree or such part thereof not so removed shall, one year after the expiration of this contract, revert to and become the property of the owner, but at any time within such period the operator may remove such timber, not, however, interfering with the logging operations of the owner.

Payments from the operator to the owner on account of timber cut, broken or destroyed and scaled or estimated as above provided, shall be due and payable on the 15th day of each calendar month for timber scaled or estimated during the proceeding calendar month, according to the quantity thereof determined by said scale or estimate made as hereinabove provided for.

5. It is agreed that the title to all timber cut hereunder for aeroplane stock or in connection with the operations of the operator hereunder, for which

payment is hereby agreed to be made, shall, as soon as cut, vest in the operator and its assigns, but no interest in such timber or timber products shall be transferred or assigned by the operator to any person except the United States until the same shall be removed from the lands covered hereby.

6. The operator shall, during the dry season of each year, where there is any danger of fire, at its own expense, maintain a fire patrol upon the above-described premises, and shall be liable to the owner for all damage to timber caused by fire resulting from the operator's carelessness or negligence, and said operator shall also be liable to the owner for all damage to any property of the owner resulting from the operator's carelessness or negligence in conducting its operations under this contract. The operator shall, at its own expense, take every reasonable care and precaution to prevent fires on any of the above-described premises.

The operator agrees to comply with all laws of the State of Oregon, and with all rules and regulations of the officers of the State of Oregon relating to the disposition of tree tops, limbs, debris, and other inflammable material necessarily accumulating in such operations, and shall clean up according to the Government regulations regulating the cutting of timber in national forests, excepting, however, that said tree tops, limbs, debris, etc., shall not be burned, unless required by law or lawful regulations.

7. It is further agreed that if the operator shall construct any logging railroad or railroads on, over, or across any of said lands under the authority hereby granted, no title to any of the rails or fastenings used in the construction of any such railroad shall vest, except as hereinafter provided, in the owner, and the operator shall be entitled to remove all such rails and fastenings at any time within 1 year from the expiration of the term hereof, but the operator in so doing shall not unnecessarily disturb the ties, grade, or roadbed of any such railroad, nor remove any culvert, trestle, or bridge forming a part thereof, and the ties, culverts, trestles, and bridges shall, at the expiration hereof, become the property of the owner. If said rails and fastenings shall not be removed from said owner's premises by said operator within one year from the expiration of the term hereof, all such rails and fastenings not so removed shall be and become the property of the owner.

8. It is further agreed that this contract and all rights granted hereby shall, unless sooner terminated by the completion of the work contemplated herein, continue during the period of the present war between the United States and the Imperial Government of Germany, and in any event until July 1, 1919. The owner shall have the right to carry on logging operations on the lands covered by this contract, but not in such a manner as shall interfere with the operations of the operator in getting out aeroplane stock. No rights granted to the operator hereby shall be assigned without the written consent of the owner.

9. It is further agreed that if the operator shall fail to comply with the conditions and obligations hereby imposed upon it shall fail to remove such default within 30 days from written notice of such default, the owner shall have the option forthwith of canceling this contract and excluding the operator from the lands covered hereby.

10. This contract shall not take effect or be binding upon either of the parties hereunto until the same shall have been approved by indorsement hereon on behalf of the United States by First Lieut. J. Van D. Crisp, Signal Corps, United States Army, or his successor in office.

In witness whereof, the parties hereto have executed this instrument the day and year first hereinabove written.

_____,
Owner.
By WARREN SPRUCE, Co.
_____,
President.
_____,
Secretary.

Attest:

The foregoing contract is approved:

_____,
First Lieutenant, Signal Corps, United States Army.

Mr. FREAR. We will adjourn until 2 o'clock.

(Thereupon, at 12.15 p. m., September 9, 1919, a recess was taken by the subcommittee until 2 o'clock p. m.)

AFTER RECESS.

The committee met, pursuant to the taking of recess, at 2 o'clock p. m.

Mr. LEA. Mr. Chairman, we have a cable showing the shipments of lumber to the Allies and the United States. It is simply a table of what is already in the record, and I would suggest that we put it in.

Mr. FREAR. All right.

(The statement above referred to is copied in the record, as follows:)

Statement showing shipments of lumber to the Allies and the United States.

	Spruce.	Fir.	Cedar.	Total.	Reinstatement— spruce.
	<i>Footage.</i>	<i>Footage.</i>	<i>Footage.</i>	<i>Footage.</i>	
Cut-up plant.....	35,844,532	37,405,413	3,362,484	76,653,429	
Outside mills.....	43,481,976	22,501,271	372,285	66,355,532	
Total.....	79,386,508	59,906,684	3,735,769	143,008,961	
BRITISH SHIPMENTS.					
Outside mills.....	8,473,115	6,432,071	41,916	14,947,102	2,255,103
Cut-up plant.....	12,787,485	11,566,709	2,135,751	26,489,945	
Total.....	21,260,600	17,998,780	2,177,667	41,437,047	2,255,103
FRENCH SHIPMENTS.					
Outside mills.....	8,761,210	6,261,839		15,023,049	1,804,848
Cut-up plant.....	9,633,236	9,889,416		19,572,552	
Total.....	18,444,446	16,151,255		34,595,701	1,804,848
ITALIAN SHIPMENTS.					
Outside mills.....	4,340,111	3,537,697		7,877,808	4,033,442
Cut-up plant.....	2,284,277	4,468,809		6,753,086	
Total.....	6,624,388	8,006,506		14,630,894	4,033,442
UNITED STATES SHIPMENTS.					
Outside mills.....	21,907,540	6,269,664	330,369	28,507,573	1,320,834
Cut-up plant.....	11,129,534	11,480,479	1,227,733	23,837,746	
Total.....	33,037,074	17,750,143	1,558,102	52,345,319	1,320,834

TESTIMONY OF MAJ. F. W. LEADBETTER.

(The witness was sworn by Mr. Frear.)

Mr. LEA. Where do you reside, Mr. Leadbetter?

Mr. LEADBETTER. In Portland.

Mr. LEA. How long have you resided here?

Mr. LEADBETTER. About 30 years.

Mr. LEA. What is your business?

Mr. LEADBETTER. I am a manufacturer of lumber and of paper.

Mr. LEA. And where are your plants?

Mr. LEADBETTER. My original plant was at Camas, Wash., about 2 miles east of Vancouver, and by the process of consolidation this plant has gone into a very large concern, which operates mills all over the coast and in British Columbia.

Mr. LEA. You have had a business familiarity with the logging business?

Mr. LEADBETTER. I might say I have; yes, sir.

Mr. LEA. About how many years?

Mr. LEADBETTER. About 25 years.

Mr. LEA. Are you familiar with the timber conditions at Queen Charlotte Island, Canada?

Mr. LEADBETTER. Only in a general way. I have been up in that country. We have a large paper mill at Ocean Falls, 150 miles south of Prince Rupert.

Mr. LEA. On the mainland?

Mr. LEADBETTER. On the mainland. There are long inlets running in for miles, and so it is exposed there.

Mr. LEA. Here is what I want to know, and I do not care for you to answer unless you have a knowledge of the matter. What are the conditions in reference to the production of spruce on Queen Charlotte Island, as far as logging is concerned?

Mr. LEADBETTER. They are very different from what they are here.

Mr. LEA. Briefly state in what respect.

Mr. LEADBETTER. The timber in that British Columbia country up north grows very close to the water. It is very easily logged, and we operate up there in an entirely different way. We have an original method of logging in that country called hand logging. The shores are more or less precipitous, except where there is an occasional stream coming in, and the operators go along the shores and cut down their trees and just dump them into the water. It is a comparatively cheap method of logging and a rather, you might call it, scattered method of operating. We are probably the largest operators up in that country, because the mill we took over, a paper mill, was an enterprise that was projected by some Englishmen, and they built probably the largest sawmill in the world up there, but it never was operated as a sawmill, because the timber existed in the way I have described, and it could not be logged profitably with that mill, although this mill was largely, I think, through my own efforts, started up by the British Columbia people and the logging method I have described produced a very large proportion, I would safely say, more, perhaps, than they got from any other mill, following the methods, if you will allow me, that were shown to be so productive of results; in other words, selective logging. Prior to the time that Mr. Disque started selective logging operations here the British Columbia operations had been an absolute failure. The war had been on about three or four years, and they had produced practically nothing during all this time, the English and British Columbia people; but upon Col. Disque taking charge here and demonstrating the method by which this material could be obtained, they profited by his work and came down here and found out how he was operating, and followed largely his methods of selective logging.

Mr. LEA. Had selective logging been carried on there before?

Mr. LEADBETTER. They had never heard of it.

Mr. LEA. You were in Washington part of the time during the war, were you not?

Mr. LEADBETTER. Yes, sir

Mr. LEA. Will you state your relations to spruce production in Washington?

Mr. LEADBETTER. Well, I entered the Army as a captain of Cavalry, or, rather, as a private and was elected captain of Cavalry, and when the Cavalry were not needed for war purposes I was made a major and sent to Washington to get guns for the State here for their militia which had been organized to take the place of the National Guard which we were sending to the front.

Mr. LEA. When did you enter the service?

Mr. LEADBETTER. Immediately after the declaration of war my father-in-law, Mr. Pittock, and myself were at Santa Barbara and offered our services, and when we came north and saw the governor, he said to report to the adjutant general, Gen. White, as he had charge of that. I had never met Gen. White, but that was my initiation into the Army, and he said "We need here a Cavalry regiment," and I joined the Cavalry regiment, and when the Cavalry were not needed I was sent to Washington to get these guns, and I think Oregon was only one of two or three States that ever got any guns.

Mr. LEA. Had you ever had any connection with military affairs before that time?

Mr. LEADBETTER. No, sir.

Mr. LEA. How old were you?

Mr. LEADBETTER. I think when I went into the Cavalry I was entered on the records as 48.

Mr. LEA. Will you briefly relate your relation to the spruce-production section?

Mr. LEADBETTER. Well, in Washington, I ran across, purely by accident, Col. Thompson. Col. Thompson was a financial genius, the head of the finance department, and he said he wanted me to come into the aviation section, that he had been put in charge of all finances connected with the Aviation Service and wished me to go with him, and if I would he would have me commissioned a major in the Regular Army. I wanted active service, but he seemed to think my knowledge of the Northwest country might be of more service there, so I entered the service at his request; and some time after that, I think about the 1st of October, I entered the service, and some time after that I was told that there was great difficulty over the spruce situation, and having been in the business here in the Northwest practically all my life, they wished I would go down and talk to the man who had that in charge. I did this and found there an elderly man by the name of Sligh. I introduced myself to him and he said, "You don't need to introduce yourself to me, because I know you." He said, "Don't you remember me?" I said, "No, I don't." He said, "I bought \$200,000 worth of timber from you." I said, "I guess you are mistaken; I never sold you \$200,000 worth of timber." He said, "I bought it from Spaulding." I said, "You must be the man who bought that Lebanon tract of timber from the Spaulding Logging Co. I am very glad to meet you." I immediately thought here was a man who would be of assistance, possibly on account of knowing the conditions out there.

Mr. LEA. We would like to get at this as briefly as we can; yet we want the facts.

Mr. LEADBETTER. I notice in this testimony a statement——

Mr. LEA. Before we get to that point, you were in the finance department first?

Mr. LEADBETTER. I was in the finance department.

Mr. LEA. And subsequently in what department?

Mr. LEADBETTER. I was ordered—you know in military matters you are simply ordered; you get a notice on your desk to do something, and you do it, and you do not know where it came from and you do not know anything about it. You are ordered to do it and you do it. One day I received an order to report to Maj. Sligh's department and take charge of his work; that he was temporarily absent; and I went down there and found a lot of telegrams that were unanswered, and they had been bothering the chiefs of the department. Maj. Sligh was a man who trusted nobody; he had no organization whatever in his office. If he went away everything stopped, and I found everything in chaos down there, with these wires coming in. I was ordered to step in and handle them, just exactly as if I had been always there.

Mr. LEA. How long did he remain away?

Mr. LEADBETTER. He remained away. I should say, about a week. It was probably in the latter part of October. I straightened out affairs as best I could.

Mr. LEA. Did you have any trouble with him about that on his return?

Mr. LEADBETTER. Not at all. He thanked me for it, and I would like to introduce a letter from him, on the old theory that liars should have good memories, and he had forgotten that he ever wrote me this. I would like to read this letter if I may.

Mr. LEA. Yes; it is short, and you might just as well read it.

Mr. LEADBETTER. This is headed "Equipment Division, Woods Section, CRS-ELW," the stenographer's initials, dated November 5, 1917, from Maj. Charles R. Sligh, to Maj. Fred W. Leadbetter.

Mr. FREAR. What date was that?

Mr. LEADBETTER. November 5, 1917, just prior to his being relieved. The letter says:

MY DEAR MAJOR: I desire to express to you my appreciation and tender you my thanks for the work which you did during my absence from the city. Since I have had an opportunity to go over the correspondence, I find that your messages meet absolutely with my approval, and I desire to assure you of my appreciation. If an opportunity offers I shall be very glad to reciprocate.

He certainly is reciprocating.

Mr. LEA. I did not intend to get into this phase of it now, and I wish you would tell us briefly what if any knowledge you have about the demand of the Allies upon the United States for the production of spruce.

Mr. LEADBETTER. Well, it is almost impossible to tell you the chaos and the pressure that was brought to bear upon us there. The Allies were in such dire distress for materials that they not only came after us to furnish it to them, but had grabbed it wherever they could; they took it from each other; they simply were expecting at any time that all their factories would be closed down and it was only by most extraordinary efforts that we were able to satisfy them at all. They required a very large amount of material, running into the millions of feet per month. I might say in this con-

nection that the British were so frightened that they bought 11,000,000 of southern cypress, which had never been used for airplanes, not a stick of which could be used, and they simply sent it over there because they thought they might be forced to use it. They were after everything they could get their hands upon because they were afraid they could not get materials.

Mr. LEA. To what extent did your duties bring you in contact with foreign Governments on the spruce question?

Mr. LEADBETTER. That was entirely in my hands. I met with the representatives of the different Governments and attempted to satisfy them to the best of my ability. I found that the English were getting the major portion of the stuff, and the French, who were building our battle and fighting planes for us and repairing all the planes for all the Allies there on the field, were getting very little; they made an insistent demand for material, and I allotted them a larger proportion, whereupon the English took the matter right over my head to Col. Deeds, going to Col. Deeds, and he did not know anything about it, and then they took it to Gen. Squier, and the same thing happened with him, and then they took it up with the Aircraft Board, and in a general meeting of the Aircraft Board, in which I personally participated, representatives of Italy and France were present, and the thing was thrashed out, and they were made to take such an allotment as we could give them.

Mr. LEA. You finally agreed on a proportionate allotment to the Allies?

Mr. LEADBETTER. No, sir. I cabled Gen. Pershing abroad as to his idea regarding the proper allotment. He was there on the field, and I got back a cable telling us to send this material in certain percentages to each of our Allies, and we endeavored to follow that as closely as possible. But the distress was so great that at one time while I was here the English—Lord Reading, I think, himself, went with them—said that owing to the drive at Amiens so much of the material had been taken that unless they got a million feet of aircraft material immediately they would lose control of the air. On my return I found that this million feet had been taken away from the other Allies and even transferred in transit. I thereupon took the matter up—the French took the matter up with me, wrote me a letter saying that they had not received the replies. I had inaugurated a system of daily telegrams from here, sending the numbers of the cars shipped; it was so absolutely essential to have answers to them every day I sent the allied nations statements that such and such a car was shipped, and I furnished the statements whenever they asked for them in regard to conditions.

Mr. LEA. Have you figures to show the amount of demands on the different dates?

Mr. LEADBETTER. I suppose I might be able to pick up the figures, but I have it very well in my head.

Mr. LEA. Then just give us that.

Mr. LEADBETTER. Because we had many terrific battles and controversies over this matter. I remember distinctly Gen. Carmack coming into a meeting and insisting that the English requirements alone were 15,000,000 feet of airplane material per month, and I took issue with him on the matter and said, "General, that means so many planes per month. What is your present output of planes?"

And he explained to me at that time that my figures were incorrect because they needed to have a spare plane of wood for each complete plane they made. In other words, whenever they got out 7,500 planes it meant 15,000 complete wooden parts so that they would have duplicates.

Mr. FREAR. That is true of all the parts, engines as well?

Mr. LEADBETTER. I do not know as regards that. We found it took a great deal more lumber to make a plane than the ordinary man would figure. For example, I see in Maj. Sligh's testimony that he says 269 feet to a plane. That is nothing more nor less than ridiculous. I presume there is only 25 feet of wood in that chair [indicating], but you can readily see that in cutting the timber to the small dimensions that are necessary to make that chair five times that amount of material would be consumed; whereas literally he might have been correct, that in a plane there was only 269 feet of spruce in some particular plane.

Mr. LEA. So the amount of timber spoiled is one question and the amount of timber in the machine is another?

Mr. LEADBETTER. An altogether different question; yes, sir.

Mr. LEA. What have you in mind in reference to the totals demanded?

Mr. LEADBETTER. The English finally diminished their demands to 10,000,000 feet of our spruce and fir; that is, our airplane material, agreeing to get elsewhere, from British Columbia and other places, some additional places to get out their requirements. The French, as I remember it, required 5,000,000 a month, and the Italians about the same, making a total of 20,000,000 a month that our Allies alone needed; nor would they say that was all they needed. That was what they needed then and there.

Mr. LEA. About what period was that?

Mr. LEADBETTER. I should say that was quite early in the game, Mr. Lea; I do not recollect exactly. These meetings were occurring weekly, sometimes almost daily.

Mr. LEA. Do you remember what the demand was in the spring of 1918?

Mr. LEADBETTER. That was about the time they were making their demands.

Mr. LEA. Coming to the question of Mr. Sligh's testimony in Chicago, you have read over his testimony, have you?

Mr. LEADBETTER. Yes, sir; I have a copy of it here.

Mr. LEA. I understand there are certain matters there that you would like to testify to before this committee.

Mr. LEADBETTER. Yes; very much.

Mr. LEA. Now, referring to page 574 of the record, where the lumber committee is referred to as profiteers, what, if anything, is your reply to that?

Mr. LEADBETTER. Well, I never saw a harder working crowd of men in my life than those lumbermen. We had some from here, and they worked day and night. Mr. Ransom was on here, and Mr. Downman, the chairman of the committee supplying lumber for Government purposes, became sick entirely from his efforts. I rather think he is dead. He looked so sick I did not think he had long to live. And these men, as far as my association was concerned—and I want to tell you that my association went very far

with them before I left there, because my duties with Col. Disque were only a small portion of my work and got smaller and smaller as time went on.

Mr. LEA. Did you sell any lumber to the Government yourself?

Mr. LEADBETTER. Not at all; not a stick.

Mr. LEA. Did you make any profit whatever on any lumber sold to the Government while you were in the employ of the Government?

Mr. LEADBETTER. Not a dollar. I have an interest in the Spaulding Logging Co., which probably supplied some material for Government needs, but if it has I know nothing about it and it was just in the ordinary order of business.

Mr. LEA. What kind of lumber were they supplying?

Mr. LEADBETTER. They have no spruce whatever; they have not a stick of spruce in any of their holdings.

Mr. LEA. Were you in any way responsible for the discharge of Sligh, or the cause of his removal?

Mr. LEADBETTER. Not in the slightest degree.

Mr. LEA. What, if any, reason has he got for laboring under the impression that you caused his removal?

Mr. LEADBETTER. I will tell you if you wish to know just what my connection with Mr. Sligh was upon his removal. I never spoke to Col. Deeds nor to Col. Montgomery in regard to Sligh's position. Col. Thompson was my chief, and my relations in the finance division were very happy, and I presume the reason I was sent there was because I had taken charge of his office for a week in that way, and they were looking for somebody that knew something about the actual operations, and so it dropped upon me. Upon my receiving the order I went immediately to Maj. Sligh and said to the major, "Here is my order to take over the spruce and fir department of your business, leaving you the hardwoods, with which you are familiar; you are the hardwood man. I don't want it, and you are familiar with this work." He was an egotistical man; he liked to prowl around with gorgeously dressed foreigners, and I had seen him and knew that was the case, and he liked that work and I care nothing about it, and I said, "Major, I am willing to help all I can, and you put a little desk in the corner of the room and I will come down and help in this business, and I can fix it up some way." He says, "Major, would you do that?" I said, "I certainly would. You come and dine with me tonight, Major, and we will talk this whole thing over and we will get along very comfortably. All I wish to do is my little bit for the Government, and I am sure we can get along." He said, "All right, I will do that gladly, and I thank you very much."

He came to my house that night, and there were other friends invited. I had as guests Mr. and Mrs. Weatherwax. He seemed to be very friendly. We talked about things in general. Of course other guests were present and we could not talk privately about it; but I supposed everything was sweet, and the next morning I went in and he says, "Major, this job is not big enough for you and me, and I have written a letter to Col. Deeds asking him to relieve you of these duties." I said, "Let me see the letter." He showed me the letter, and there was nothing in it except a formal request, and I said, "Now, you will have a fine chance to get this back, because

I am going to the coast and I will be gone three or four weeks, so you will have no interference in any way in regard to getting your office back, because I don't care anything about it." At the end of three weeks I returned, and was peremptorily ordered to assume those duties.

Mr. LEA. Did he ever use any unkindly language to you at any time before his removal?

Mr. LEADBETTER. None the slightest. You can see his letter that is in evidence here. We had nothing but the friendliest relations.

Mr. LEA. I want to get at the substance of this as rapidly as we can. On page 577 Col. Sligh speaks slightly of—

Mr. LEADBETTER. Col. Harris.

Mr. LEA. Of Col. Harris.

Mr. LEADBETTER. Col. Harris was Mr. Coffin's representative, legal representative, on the Aircraft Board, a very able, exceedingly patriotic man, and one of the hardest working men in Washington. In several places here Mr. Sligh makes slighting references to him as delaying the work and impeding his progress. I found him just exactly the opposite. Col. Harris facilitated my work in every possible way, as did his offices, and it was always a pleasure for me to have any business relations with Col. Harris in the very arduous duties he was performing in Washington.

Mr. LEA. Now, on page 584, Mr. Sligh accuses Mr. Allen of being drunk most of the time. What do you know about that?

Mr. LEADBETTER. He accuses him of being drunk most of the time and incompetent all of the time. I saw Mr. Allen frequently in Washington, and I never saw him in the slightest degree under the influence of liquor. I never met him here and never saw him since. I thought him an exceedingly reasonable and competent man, and Mr. Coffin was of that opinion, and the letters written cover that situation.

Mr. LEA. At any time during your associations with Sligh before his removal did he ever intimate to you any unfriendliness toward Mr. Allen?

Mr. LEADBETTER. Well, I don't know; as regards that, I do not remember. I paid no attention to it, if he did. Mr. Sligh says here that the Italians were the only Government conducting their affairs intelligently. Well, that is so ridiculous that it goes without saying that these great Governments that had been in the war four years, and that the Italians were the only ones that knew anything about the business. The English had been in the timber business, and had been traders and traffickers since the year 1, and I found them not only conducting their affairs very intelligently but grabbing everything in sight. I had great difficulty in restraining them from taking our own stuff. In fact, the only trouble I had at all with the English was at the start, getting them to give us an opportunity to distribute this stuff fairly. I did not tell him that at all, because things were in such a chaotic condition, they were so frightened with the possibility of getting no material at all, that they were forced to do it; but after we got things adjusted and they found that Col. Disque's operations was going to give them the stuff, I found them very reasonable, and I became very friendly with them. I dined with Gen. Carmack.

Mr. LEA. What is the next item you want to take up?

Mr. LEADBETTER. On page 585, this miserable liar speaks of my father-in-law's will. Pittock and myself were close business partners for 25 years, and appraised in his will was over a million dollars worth of my property—I mean that we were jointly interested in. He left his money to his children. He never left me any \$500 or any other amount; that would be highly improper for him to have done so; and this man deliberately testifies under oath that in Mr. Pittock's will he left me \$500, and that I was now contesting his will. Well, I have no interest under his will, and, therefore, of course it would be foolish for me to say that I am contesting it in any way, shape, or manner. My wife was his daughter, and she owns a fifth of his estate. Now, why this man should just deliberately falsify under oath—

Mr. MAGEE. There is no contest of this will pending?

Mr. LEADBETTER. There may be a contest of the will, but I have nothing to do with it. I am not contesting the will in any way, shape, or manner.

Mr. MAGEE. Do you know whether there is any contest pending or threatened?

Mr. LEADBETTER. Oh, I would not be surprised if the will was contested. In fact, it will be contested; but he makes the statement here that I was a beneficiary of \$500 under the will and contesting it, with the evident intention of belittling me.

Mr. LEA. Are you a beneficiary under the will?

Mr. LEADBETTER. Not the slightest.

Mr. LEA. What is the next point? I would like to get along as fast as we can.

Mr. LEADBETTER. On page 586 he speaks of Disque's interview. I will say with regard to this interview that I met Col. Disque by accident, purely. I was introduced to him by Col. Seoane, a Cavalry officer. Being a horseman and coming in from the cavalry, a cavalryman who came in there, we always met each other; it is a habit they have, you know. One day Col. Seoane said, "Here is another cavalryman that has come in, Col. Disque." I met him and Seoane asked me afterwards "What do you think of that man?" I told him he did not impress me one way or the other. He says, "You want to have another interview with that chap, he has had one of the most remarkable careers in the Army." He said, "He was over in the Philippines, and caused—I do not know—several hundred Moros to surrender to 36 men after several days, tracking them day and night," and he said, "Then he was in charge of a great big Government plant there employing about 1,500 men. Being a long way from the base of supplies they make everything in the world. You can get them a few parts and they will make an automobile."

Mr. FREAR. Who said this?

Mr. LEADBETTER. Col. Seoane—C. A. Seoane.

Mr. FREAR. I thought you were referring to Sligh?

Mr. LEADBETTER. No. I met Col. Disque, and following Col. Seoane's advice, I questioned him about these enterprises, and was very much impressed with the man's business career in the Army, which was very unusual.

Mr. LEA. Now, on page 587 a reference is made to Disque's desire to get in the service, and the statement is made that he spent nights and days trying to get this appointment on the Pacific coast. What do you know about that?

Mr. LEADBETTER. The appointment came about in a very funny way. I do not think Col. Disque even knew that the appointment was up. I was summoned willy-nilly to the Aircraft Board; they were worried to death about the spruce situation and wished me to give them some ideas, make any suggestions that I could. I told them that I thought the only method to get spruce was to put the soldiers into the woods; that the draft had taken all the loggers out of the country. In addition to that the forestry regiments and the engineer regiments were actively recruiting these logging men to take them over to France, and it had taken out of the logging industry several thousand men. The only method by which this great industry could get started again was to put the men back in the woods, and I advocated taking them out of the encampments before they got overseas and slapping them back in the woods where they could do more work than they could abroad.

They asked me how many men it would take, and I told them I did not know exactly. They wanted to know who could do it, and I told them it took a military man. I could not do it, because I had no military training. It took a military man with a business training, if such a man could be obtained. They said, "Well, where can we find such a man?" I said, "Well, I don't know, gentlemen, but it seems to me that Providence has put such a man across our path." They said, "Who is that?" I said, "A chap by the name of Disque, Lieut. Col. Disque." Gen. Foulois was present at the meeting in place of Gen. Squier, who was absent that day, and he said, "Well, I can not spare him, he is one of my best men. I am going to take him overseas with me. He would not stay anyway." Whereupon they all said that if this man was essential that he would have to let him go. I said, "Well, I do not think he will go there. You will have to make it an object to him. General, if you will authorize me to tell him that you will give him a colonelcy, that you will recommend him for a colonelcy, and will take him overseas the minute he gets this work done, I will see what I can do with him." He says, "I will do that to-morrow, Major," and he did. I then went to Col. Disque, and he wanted to go overseas. All of his life he had been a soldier. He was a graduate of the Staff College, and he thought he had ideas that would assist materially in helping out the situation over there. He had come back into the service for that purpose, and it took all my persuasive powers to interest the colonel in this new departure.

Mr. LEA. Well, finally he was appointed to come here?

Mr. LEADBETTER. Yes. This luncheon at which Maj. Sligh makes these remarks in regard to Col. Disque occurred at my house. I got the different people together there—Col. Harris, principally—as representative of the Aircraft Board. I invited Maj. Sligh to the luncheon purely through courtesy. He had no interest at all in the matter. When I got these people at luncheon I endeavored to pull out from the general—he was always very close-mouthed—the work that he had been doing. The general never claimed to have inaugurated all these industries in the prison. He simply, as I would question him, stated the experiences he had in running these different things. There were a large number of them, a sisal factory, different canneries, a foundry, a stone-working plant, some sort of a little wood-working plant, very many things there, and the thing

that impressed us more than anything else was his ability to get along with those prisoners while there. We knew that the labor situation out here was a very, very ticklish situation, with sabotage and I. W. W. troubles out here. Those men were putting lime in workmen's shoes, so that when a man would go to work in the morning he would not know there was any lime in his shoes, don't you see, and he would be out of commission for a week or ten days, and there were all sorts of things that they were doing. We thought a man that was familiar with conditions and had succeeded so admirably in the administration of his prison would be a very good man for us.

Mr. LEA. Were such circumstances as you have just related common occurrence or isolated cases?

Mr. LEADBETTER. They were very common. They were making all sorts of trouble for the operators.

Mr. LEA. Now, on page 587, the testimony of Mr. Sligh states "Mr. Leadbetter came to me and asked me to recommend Col. Disque in place of Mr. Allen on the coast." Is that true or not?

Mr. LEADBETTER. Not at all. I would not go to Mr. Sligh; I had no authority to go to Mr. Sligh. I was in the Finance Division, and he did not have anything to do with Col. Disque's appointment. All those matters were handled by the Aircraft Board. Maj. Sligh eventually in some of these cases might have issued the actual order as representative of the board. I think he may possibly have done that in the case of Mr. Hawkins, but these appointments were made after threshing around with the Aircraft Board and various people, and they were generally handled by Col. Harris.

Mr. LEA. Now, on page 581, what is the point that you want to make there?

Mr. LEADBETTER. Well, the point that I want to make there is in regard to these charges of profiteering. I was in Washington for quite a period of time, and the only profiteering that I know of was the profiteering of Col. Sligh himself, according to his own testimony. According to his testimony he was ordered to purchase furniture for part of the Air Service, and he makes the silly plea that he gave an order—I think it was for a considerable amount of money—to his own furniture factory, because they wanted odd pieces and no other factory could supply the goods. This was a direct order to Maj. Sligh himself, according to his testimony. We have no testimony as to the amount of furniture that may have been sold to this Government while Maj. Sligh was in uniform there in Washington, and since reading this testimony that may account for the animus this man seems to display. He accuses everybody in Washington of being profiteers and being crooked except himself, and he seems to take great umbrage at being removed from duty. Anybody else would be glad to get away from such a duty if they felt their conscience would not allow them to remain.

Mr. FREAR. Isn't that going a little too far? I am perfectly willing to allow you to pass judgment upon him and all that, but these continual arguments in regard to him, his mental condition—

Mr. LEADBETTER. You have read his statement in regard to myself?

Mr. FREAR. They were very broad, comparatively, and you are making a summary of his whole record constantly as you go on and that is not necessary.

Mr. LEADBETTER. Don't you think it is necessary for me to show the motives by which this man might be actuated in making these accusations against myself?

Mr. FREAR. I think you should make your own statements to the committee and let the committee determine the motives, if any existed, and if the committee is interested, which I doubt very much if they are, in your accusations against him or his against you. That is rather a personal matter. You are endeavoring to pass upon his mental processes that determined his actions. That is not necessary; the committee can do that fully as well as you. You should state the facts.

Mr. LEADBETTER. How can the committee determine that if it does not allow me an opportunity—

Mr. FREAR. State the facts, that is what we are asking.

Mr. LEADBETTER. Is this not a fact, that he ordered this furniture?

Mr. FREAR. That is true. Now we know that. That is right here and we know it. That is your statement. You see, here is the difficulty that it brings up—it necessitates, if we attempted to take up every page that you have been discussing here about Harris and everything else, there would be an infinite amount of discussion in order to determine it, either in justice to you or Sligh. That is all I mean. Just hold it down to some reasonable extent. I do not object to you passing your opinion on Sligh or anything like that.

Mr. LEA. See if we can not get the facts here and get through as hurriedly as we can. On page 589, referring to you, Sligh says: "He said, 'Sligh, I have got an option to buy 4,100 acres of spruce land in the Siletz Basin,' and he said 'I want you to come in with me, and we will organize a company and take over Spalding's two mills, one at Newburg and one at Salem.' He said that Spalding was in the hospital," etc.

Mr. LEADBETTER. That is an absolute lie. I never had an option on 4,100 acres of timber in the Siletz Basin in my life. I never had any, I never owned any timber in the basin, and did anybody even come to me with a proposition, and Maj. Sligh never even—this was entirely an emanation of his own brain, and he never had these thoughts up to the time he was dismissed, because he wrote me this letter and he dined at my house after he was dismissed from the service. He never made the slightest recommendation along those lines to his superiors.

Mr. MAGEE. When was this letter written, Major? After his resignation?

Mr. LEADBETTER. No; this letter was written just before his resignation. His resignation, I think, was about the 8th, and this letter was about the 6th.

Mr. MAGEE. About the 8th of November, 1917?

Mr. LEADBETTER. The 8th of November, 1917.

Mr. LEA. I think I can straighten that out; his removal was on the 8th, but he actually turned in his resignation on the 22d of the following January. This was two days before he was ordered removed.

Mr. LEADBETTER. He dined with me after he was removed, at my house, as my guest, with my wife and family and my guests. He wrote this letter after he had been removed from the service, when I told him I would be glad to help him.

Mr. MAGEE. Do I understand that he was removed on November 8, 1917?

Mr. LEA. That is the way I remember the date.

Mr. FREAR. I do not remember.

Mr. MAGEE. And then afterwards that he resigned?

Mr. LEA. His resignation, technically, was turned in on the 22d day of January.

Mr. LEADBETTER. He had other duties, Mr. Magee; he had other duties in the hardwood section.

Mr. LEA. He was not actually removed; he remained in charge of the hardwood section.

Mr. LEADBETTER. He was removed from performing certain services, but remained for other services. As to those other services he sent in his resignation January 22, 1918.

Mr. LEA. Now, on page 590 he says:

His proposition was to organize a company, buy in the 4,100 acres, buy the mills owned by C. K. Spalding & Co., of which Leadbetter and his father-in-law had 51 per cent interest—

Mr. LEADBETTER. An absolute lie.

Mr. LEA (continuing):

And that we would cut spruce and sell it to the Government.

Mr. LEADBETTER. I never had a 51 per cent interest in the Spaulding Co., nor did my partner's interest and my own ever amount to 50 per cent.

Mr. LEA. Did you propose to him to organize a company?

Mr. LEADBETTER. I never did. The only conversation I had with Mr. Sligh along that line was when he was trying to find some method by which supplies could be increased, and I said—this was early in the game—"There is only one way, in my judgment"—he is a man of no vision at all, and when I told him that the only method was to put the men out in the woods he said, "You can not use soldiers." I said, "The Government has got to get in and log and do it." He said, "They can not do it, the Government can spend no money." I said, "The only other way I can figure out is to take some of these mills up the valley that are not sawing any spruce whatever and transport spruce logs to them from some other place and put them to work, the Booth-Kelly mill at Eugene, the Hammond mill at Mill City could get logs from the Siletz country, the Spaulding mills in which I am interested, at Salem and Newburg, and the Dallas mill could get logs from either the Siletz or Tillamook country, and the Silverton mills can be supplied—and the Charleton mill, which had been burned, but it was in a good location—could be supplied from the Tillamook country." He said, "Well, the operators will not do that." I said, "If they don't, take over the plant, organize a company, and get out this stuff for the Government." That is all the conversation I had with this malicious old liar.

Mr. LEA. He says, on page 590, referring to you, "I treated him rather brutally, and he never spoke of it afterwards."

Mr. LEADBETTER. There never was any mention of it, only in this casual way. He immediately said—as I say, he was a man of no vision, he was just—

Mr. LEA. "I characterized his efforts to me as nothing more or less than attempted bribing." Did he ever say anything of that kind?

Mr. LEADBETTER. Nothing whatever; nor did he ever say that until he was removed from his office, and I was trying to hold his job for him. He never even thought of that until some time afterwards, and then in searching his mind for some method to throw dirt upon somebody he evolved this purported interview out of his own mind and proceeded to spread it upon your records.

Mr. LEA. Upon page 591 he testifies about a copy of a letter that Mr. Leadbetter wrote to Mr. Howe, of the Aircraft Board, in which he made the statement that Col. Disque's appointment was made by the Secretary of War after Disque and Leadbetter had had a conference with Samuel Gompers, in which they had made satisfactory arrangements with him. What is there about that?

Mr. LEADBETTER. Well, there is this: When Col. Disque decided to take on this work, the matter of getting soldiers into the woods was the first consideration, getting somebody to help cut this material. I do not exactly remember who he went to first, probably the Secretary of War, but he was told to see Mr. Gompers and see if it would be a satisfactory proposition, could be worked out, to consult with him; that he was there as a labor representative and we were having a great deal of trouble with labor on the coast, and to get his advice and see what he thought about such a proposition. Col. Disque visited Mr. Gompers and I was with him. Mr. Gompers did not like the idea of it very much at first. Col. Disque explained to him his own ideas, that he was a poor man—he entered the Army as a news-boy, I think, or something in the first place, he entered the Army and worked his way up through the staff college. Mr. Gompers seemed to feel that if the soldiers went in there and the laborers did not like anything they might be lined up and shot. Col. Disque said there was nothing of that kind could take place; that they simply wanted to get this material out.

Mr. LEA. Now, on page 593 he states that it involved an investment; that is, referring to this—

Mr. LEADBETTER (interrupting). I can state, Mr. Lea, that there was no agreement with Mr. Gompers at all, no arrangement, no agreement whatever with Mr. Gompers in regard to the labor.

Mr. LEA. Passing on to this question about the investment referred to on page 593, "It involved an investment of several hundred thousand dollars, but he assured me it would not cost me a cent."

Mr. LEADBETTER. He is just simply a malicious malignant liar, safely ensconced 3,000 miles away from where we are talking to-day, and devoting his energies, after he was dismissed from the service, to impeding and hurting those of us who were doing our best to help the Government and get a lot of this wood.

Mr. LEA. I would suggest this: I do not blame you for calling him a liar, but I think we had better leave that out of the record. Just try to cut out the personalities and try to get at the facts. Now, was there something on page 597 that you wanted to refer to; a change of price, is that material?

Mr. LEADBETTER. Well, he said that Leadbetter changed the price on fir, aircraft material, from 55 to 65.

Mr. LEA. Did you have anything to do with that?

Mr. LEADBETTER. Not the slightest; no, nothing in the world. I was simply there in Washington; I made no contracts; I had no real authority; Col. Disque was the head of the Spruce Production De-

partment. His headquarters were here and I simply carried out his wishes in so far as I was able to do so. He changed the price from 55 to 65, and the first I knew of it was when I got the telegram that the price was changed.

Mr. LEA. What is the note you have there at the bottom of page 5?

Mr. LEADBETTER. That is in regard to the letter of the American export. That is immaterial.

Mr. MAGEE. The price was fixed here by Gen. Disque?

Mr. LEADBETTER. The price originally was fixed in Washington at a meeting of the manufacturers, Mr. Sligh, and the British and French representatives, and it was found so difficult—the contracts not being filled at all—it was found so difficult to get the material out that Gen. Disque raised the price, thinking that might help a bit.

Mr. MAGEE. He telegraphed you?

Mr. LEADBETTER. After it was raised he telegraphed me that the price of fir would be so much from now on. Whereupon I had to take the matter up with the foreign Governments and explain to them why it was raised. They were satisfied.

Mr. LEA. Do you know on what ground Sligh was removed from the service?

Mr. LEADBETTER. Only Col. Disque's statement that it was incompetency.

Mr. LEA. Do you know if that is on the records of the War Department?

Mr. LEADBETTER. I really don't know. He was not removed from the service, you understand, but he was removed—

Mr. LEA. From this particular branch?

Mr. LEADBETTER. He was removed from the duties as far as—

Mr. LEA. Now, unless there is something else you think of that is material, that is all.

Mr. LEADBETTER. This statement in regard to this Vancouver mill.

Mr. LEA. What is that?

Mr. LEADBETTER. Well, I think it is on page 590 that he says, "Yes; and the property upon which Col. Disque established this cutting-up plant." Of course, I think, that was an error on his part, I do not think he intended to say that, because I have no property on which Col. Disque established any cut-up plant. He says, "The old mill; it had been abandoned for 10 years, but as soon as Disque got in there Leadbetter attempted to sell it; he offered it for \$150,000."

Mr. MAGEE. What mill is this?

Mr. LEADBETTER. The Pittock & Leadbetter Lumber Co. at Vancouver, Wash. He testified on another page that he visited the mill himself, and the property over there was not worth over \$10,000. Now, the book value of the plant is over \$300,000.

Mr. FREAR. What page is that, do you know?

Mr. LEA. There is a reference to it on page 590, about the middle of the page.

Mr. FREAR. But I mean about it being worth \$10,000?

Mr. LEADBETTER. I think it is in the latter part. I will find it for you.

Mr. FREAR. Well, it is immaterial.

Mr. LEADBETTER. I have it right here, sir. Probably it is that place about that export.

Mr. LEA. Well, we need not wait.

Mr. LEADBETTER. Well, I will get that for you directly.

Mr. FREAR. I have not seen it. It may be in the record.

Mr. LEADBETTER. Well, if you will allow me a second, I will find it for you. [Examining papers.]

Mr. LEA. You mean the offer that you made?

Mr. LEADBETTER. Yes.

Mr. LEA. Well, that is on page 590:

The old mill had been abandoned for 10 years, and as soon as Disque got in there Leadbetter attempted to sell it. He offered it for \$150,000.

Mr. FREAR. Well, that part I saw, but I mean the part where it was not worth over \$10,000.

Mr. LEADBETTER. Yes; there is another place here. I will get it in a second. He testifies himself that he is a practical man. [Examining papers.] Yes; on page 688.

Mr. FREAR. 688?

Mr. LEADBETTER. Yes.

Mr. FREAR. That was in the afternoon. I was not there then.

Mr. LEADBETTER. Let me say, Mr. Chairman, in regard to this letter, that you will find here on page 687—

Mr. FREAR. I left earlier in the day.

Mr. LEADBETTER. This is a letter that Maj. Sligh offers in evidence as showing the charge of profiteering that I defy anybody to see anything in it other than a simple effort on my part to have this mill operated for the benefit of the great emergency existing for spruce and fir rather than to see it dismantled and sold for \$150,000, when I had here and have a telegram in my pocket offering me that sum of money. Now, you gentlemen have a legal trend of mind, and if you can find anything in that letter that inferentially even savors of profiteering I would like to know where it is. I wrote it in the office at Washington. It was a personal letter, kept in official files, and this rascally old fellow stole it, evidently; he couldn't get those letters out of the archives at Washington except by stealing them himself or having them stolen by somebody—

Mr. FREAR. Isn't that a violent accusation?

Mr. LEADBETTER. Yes, sir; it is.

Mr. FREAR. Those are public records, and you have charged this man with practical theft. I don't think this committee ought to sit and listen to it. Every Government record in Washington is a public record, and anyone has access to them.

Mr. LEADBETTER. How do you mean?

Mr. FREAR. Because this committee has letters of yours that they surely never stole.

Mr. LEADBETTER. Do you mean anybody can go into our office down there in Washington and get papers they kept under lock and key most of the time?

Mr. FREAR. They can secure access so far as copying.

Mr. LEADBETTER. I would like to have the chairman, if he wishes the facts in this case, send a telegram to Maj. Sligh, and I will answer—I will sign it.

Mr. FREAR. But I think the statement that this committee is guilty of stealing—

Mr. LEADBETTER. Not at all.

Mr. FREAR. You say these records could not be had or be found without stealing them?

Mr. LEADBETTER. I say he could not get them.

Mr. FREAR. Any man can get access to the records.

Mr. LEADBETTER. Do you mean to say any man can walk up there into my office in Washington and take my records out of my files and do with them as he pleases?

Mr. FREAR. That is not what is the matter.

Mr. LEADBETTER. That is what this man did. He has stolen—he has taken out records out of my files there.

Mr. FREAR. That is a question that you can't decide here or any other place. Maybe he had access to those records, which are public records. Your records, if they were left there in Washington, we have access to all those records there.

Mr. LEADBETTER. For that purpose?

Mr. FREAR. We certainly have.

Mr. LEADBETTER. My private letters left there, for the purpose——

Mr. FREAR. Wasn't it left there?

Mr. LEADBETTER. Not for the purpose of this man, to go up and put in evidence here as testimony——

Mr. FREAR. Strike out that part of that. I asked was it left there? Strike out the rest. Was your letter left there?

Mr. LEADBETTER. What do you mean?

Mr. FREAR. Just what I say. Was your letter left there in the records?

Mr. LEADBETTER. Certainly.

Mr. FREAR. You charge this man with stealing it.

Mr. LEADBETTER. I charge him with stealing all those papers.

Mr. FREAR. Was your letter left in the records?

Mr. LEADBETTER. Certainly it was left in the record.

Mr. FREAR. Well, that is all there is to it. It is a public record.

Mr. LEA. Well, to clear the air a little bit here——

Mr. FREAR. This personal abuse, either by you or Mr. Sligh, neither one is——

Mr. LEADBETTER. You told Mr. Sligh, when he was testifying against me, that you were interested in this Mr. Leadbetter, "Go on." You have it in his testimony, "I am interested in this man Leadbetter."

Mr. FREAR. This is all news.

Mr. LEADBETTER. It is right here. You were encouraging him to talk against me.

Mr. FREAR. No; I didn't have that idea in the world.

Mr. LEADBETTER. It is right there in your record: "I am interested in this man Leadbetter."

Mr. FREAR. I don't see what it is. Give me the page.

Mr. MAGEE. I want to get straightened in my mind this other matter and I want to see if I got this straight. What is it we have been talking about, some communication that has been lost?

Mr. LEADBETTER. Not lost at all, sir.

Mr. MAGEE. Or some communication——

Mr. LEADBETTER. There is nothing lost in our records. Stolen, I said. I make the charge, designedly and freely.

Mr. FREAR. But he had this back there.

Mr. LEADBETTER. That he could not have got it in any other way.

Mr. LEA. If you will allow me, I think I can explain this.

Mr. FREAR. Well, so far as that is explained——

Mr. MAGEE. I want to say——

Mr. LEA. It is in the testimony already. Sligh in effect confessed that he stole those letters from the files of the War Department.

Mr. FREAR. Where does he state it?

Mr. LEA. On page 687.

Mr. FREAR. That is another thing I didn't see.

Mr. LEA (reading):

Mr. LEA. From whom did you get this letter—from Mr. Johnson?

Mr. SLIGH. I would not dare to tell you who I got it from. I had several sources of information after I left there. I had several loyal friends, who were very much incensed at the action taken, not only one but several of them, and they gave me a great deal of information afterwards. They thought it might be useful at some time.

Mr. FREAR. Was this the original letter that he was reading from?

Mr. LEA. This is the letter.

Mr. FREAR. Is this a copy?

Mr. LEA. This is the letter inserted (reading):

Mr. MAGEE. We will put this letter in the testimony——

Mr. FREAR. I was not there.

Mr. MAGEE. It was something that was produced at the hearing.

Mr. LEA. Yes.

Mr. MAGEE. And it is in evidence.

Mr. LEADBETTER. And I deny any living——

Mr. FREAR. Here we have it. You should have read on beyond.

Mr. LEADBETTER. Undoubtedly handed to him by someone he paid to hand it to him.

Mr. FREAR. On page 688 (reading):

Mr. SLIGH. When I received a copy of that, I wrote to several friends of mine on the coast.

It was a copy of the original that was introduced. It was not the original letter. No original letter could have been taken from the file. I admit that there is a grave question against anyone who takes a letter from a public file, but he says a copy.

Mr. LEADBETTER. Do you mean a man can go into a public office and take a copy of it and not be equally guilty?

Mr. FREAR. Unquestionably, if he goes through the proper authority having charge of public records.

Mr. LEADBETTER. I say I was in charge. No one ever came up there. I was the man who had the letters in custody.

Mr. LEA. We are wasting time.

Mr. FREAR. I think decidedly so, but I object to a man being called a thief and having this language put in the record, when every member of this committee and every private individual who has any semblance of authority——

Mr. LEADBETTER. He is not a member of your committee.

Mr. FREAR (continuing). Who has any semblance of authority has a right to go to a public officer and ask for an inspection of records, which apparently was done here, because he states a copy.

Mr. LEADBETTER. Not at all. He never came to me. I was in charge of it.

Mr. FREAR. Don't keep using this language. We know your opinion of Mr. Sligh, and I presume anyone present around here does. I know nothing about this testimony at all.

Mr. MAGEE. Anything that was offered, I presume I suggested, as I do usually, state that any papers presented go in evidence, no matter what the paper is or what it is about.

Mr. LEADBETTER. My activities were only partly in connection with the spruce production department. I had other duties there. We found as many in the South as they already had here. Col. Disque had nothing to do with it. I had charge of all the southern mills. I had charge of the New England mills operated through the Navy, and I was chairman, before I left, of the lumber committee of the Army and Navy, furnishing all the lumber for this country, for all of the needs over there.

Mr. LEA. Well, now, is that in substance what you want to say?

Mr. LEADBETTER. I wish to say—yes—this man Sligh testified he is a practical man, and that he visited my Vancouver mill, and the property was not worth over \$10,000. Now, of course, you gentlemen are not practical millmen, but I will tell you that there is 1,200 horsepower of boilers there, 1,500 horsepower of engines, and an electrical plant of 350 horsepower, all in good shape, alone worth \$50,000. The real estate—according to his own testimony I was endeavoring to sell this real estate alone for \$150,000, and I have telegrams in my pocket which I would like to submit to you, in regard to the matter.

Mr. LEA. That is only an incidental question.

Mr. LEADBETTER. I want to say that that plant now is in operation, under lease, and is bringing in \$1,000 a month. This man who accused me of profiteering—Col. Disque wired me that he needed my trucks and my machinery out of the mill and to set a price upon it, and I wired him that I didn't wish him to use any of the machinery or my trucks at all. He then wired back that unless I would let him have them he would commandeer and set a price on it. I then wired him that if the Government needed them, to take them; that I would accept no rent for it; that he was to take it out of the mill and do as he pleased with it, and replace it when he was through with it, and I would not only accept no remuneration, but would not ask any remuneration and would not accept it. He took these trucks, 275 of them, and took my planers and stuff out of the mill. These same trucks, I will say, I have rented since they were returned to me—a portion of them, at least—for a dollar a month apiece; and he kept them during all the period of time that he was operating his plant.

This man testified this, further, that he is a practical man, and this property here is worth \$10,000, when I have given pretty indisputable evidence here that it is worth probably \$300,000.

Mr. LEA. Now, that is all.

Mr. FREAR. I have just looked over this testimony, much of which is due to me, and let us say that so far as your differences with Mr. Sligh are concerned, that the committee is not interested, excepting that each witness should have a fair opportunity of stating his own position, and without unnecessary abuse, so far as this record is concerned, because this is a public record that we are making here.

But I notice this is a statement. I just saw this by accident, looking over page 586, and it is in reference to what you have been saying: Sligh says: "Nearly all the statements that he made to me at that time were absolutely false."

Mr. LEADBETTER. Is he referring to me?

Mr. FREAR. Yes.

Mr. LEADBETTER. What statement is he referring to?

Mr. FREAR. I was just going to see. [Reading:]

Mr. FREAR. That is the statement made by Leadbetter?

Something he is discussing; I don't know what it is, but that the following may explain something. [Reading:]

Mr. SLIGH. Yes, sir; at that time I did not know anything of Disque's management there; he was over there about nine months and, of course, being a guest of Leadbetter's, I would not have been discourteous enough to accuse him of dishonesty at that time—

Mr. LEADBETTER. He is referring to Col. Disque.

Mr. FREAR. Well, I saw it there, and I suppose it was at your house.

Mr. LEADBETTER. Yes; at our house. He says that Col. Disque made these statements, and I was there and my guests were there. Col. Disque never claimed to have initiated these things there at all; he never claimed to have stated anything; he simply said—we asked him about the operation of them—I was anxious to bring out the facts that he had had unusual training—an Army man—and I enumerated the different plants, asked him how he handled the canning industry and the size of the industry.

Mr. LEA. We don't care about that. What the committee is interested is particularly is if there was any irregularity by you or Mr. Sligh or anyone else in their actions there. Those are matters of public moment, and only those.

Now, I notice here—and I don't care to discuss the other matters, because that is a matter between you and him—but I notice here a matter that is of very much moment, and in which he makes certain charges, and you are entitled to specifically deny those, and should do that, if they are not true. He says, on page 589—I recollect that testimony—he says:

Before Disque had gone to the coast Mr. Leadbetter came to me. He says, "Sligh"—

Mr. FREAR. About what month was that?

Mr. SLIGH. This was in October, 1917, he said, "Sligh, have got an option to buy 4,100 acres of spruce land in the Siletz Basin," and he said, "I want you to come in with me, and we will organize a company and take over Spaulding's two mills, one at Newberg and one at Salem." He said that Spaulding was in the hospital.

What is your answer to that?

Mr. LEADBETTER. Absolute falsehood. I never had an option on 4,100 acres of timber over there in my life. I don't know of any tract of 4,100 acres of timber. I don't know to what he refers.

Mr. FREAR. Tell me what option did you have over there, or on what land.

Mr. LEADBETTER. None whatever.

Mr. FREAR. You have never had any—

Mr. LEADBETTER. During the war I have had no options of any description upon any piece of property. I have been busy back there in Washington.

Mr. FREAR. Have you owned any property over there?

Mr. LEADBETTER. None whatever. I haven't any—

Mr. FREAR. None in the Siletz Basin?

Mr. LEADBETTER. None whatever—no timberlands of any description. The Spaulding Co. own no spruce whatever in any of their operations.

Mr. FREAR. Any other land?

Mr. LEADBETTER. Oh, well, they have some fir lands.

Mr. FREAR. Where is that fir land?

Mr. LEADBETTER. The fir land is situated in the Willamette Valley.

Mr. FREAR. Whereabouts is that?

Mr. LEADBETTER. Toward the coast line, up toward the—well, they have timber in Marys River country, they have timber at the headwaters of the Luckimute—the Big Luckimute and the Little Luckimute.

Mr. FREAR. Can't you think of anything further than—

Mr. LEADBETTER. They haven't bought any timber at all.

Mr. FREAR. Do they hold any? Were they holding any that you—

Mr. LEADBETTER. The Spaulding Lumber Co., as I say, I think has tracts of timber in the Marys River country, has tracts of timber on the Big Luckimute River and on the Little Luckimute River.

Mr. FREAR. Was there any tract of timber of approximately that amount?

Mr. LEADBETTER. None whatever; no, sir.

Mr. FREAR. None of that kind?

Mr. LEADBETTER. None whatever. Never heard of it before, and it is made out of whole cloth.

Mr. FREAR. Sligh says that it is within 40 or 50 miles of Portland. That identifies the distance, apparently, that he had in mind.

Mr. LEADBETTER. Pure imagination.

Mr. FREAR (reading): "He said: 'Poor old Spaulding is in the hospital, and we can buy those two mills awful cheap and we will organize a company and make a lot of money out of it.'" Your answer is that that is not true?

Mr. LEADBETTER. My answer is just exactly as I have stated heretofore, that the only conversations I had that described at all with reference to any of my own holdings up there was when he wanted to know how we were to increase the spruce supply, and I said "These valley mills," mentioning our own mills in connection with them.

Mr. MAGEE. What mills?

Mr. LEADBETTER. The valley mills. You see, the valley mills don't cut any spruce at all. They are mills here, mills operating in the valley.

Mr. MAGEE. What valley?

Mr. LEADBETTER. Willamette Valley. They have no spruce contiguous to them, but it was quite possible to bring this spruce in from the coast and put them to cutting spruce?

Mr. FREAR. And the next was: "And he was in charge of the wood section, but I was making the contracts." Was that true?

Mr. LEADBETTER. At that time he was, after—

Mr. FREAR. He was making the contracts?

Mr. LEADBETTER. He was in charge of the wood section. I had nothing to do with it.

Mr. FREAR. He said "he was in charge of the wood section"?

Mr. LEADBETTER. No; he meant himself.

Mr. FREAR (continuing reading): "But I was making the contracts."

Mr. LEADBETTER. No; he meant himself. I had nothing to do—

Mr. FREAR. Was he making any contracts at that time?

Mr. LEADBETTER. I think he was. He was in charge of the woods section and I was in the finance department.

Mr. FREAR. Trying to get—

Mr. LEADBETTER. Just making him a friendly visit.

Mr. FREAR. I am trying to find a point of agreement between you.

Mr. SLIGH. Maj. Leadbetter.

Mr. Lea asked "Who was this?"

Mr. SLIGH. Maj. Leadbetter. I said, "No, I am not doing that kind of business; I have acquired a competency, I don't need the money, and I am trying to be of some service," and passed it off. He came in a few days later and said "I have sent for the blue prints and will have them in a few days."

Did he make any such statement?

Mr. LEADBETTER. It is a tissue of lies, Mr. Chairman.

Mr. FREAR (reading):

Mr. FREAR. What was he referring to?

Mr. SLIGH. He was referring to buying Spaulding's tracts.

Mr. FREAR. The Siletz Basin is near Toledo?

Mr. SLIGH. It is southwest of Salem, and the timber in that region is tributary to Newberg and Salem. The basin extends over a territory east and west of there, I should say, probably 75 miles.

Mr. SLIGH. I was in that region 9 or 10 years ago. I turned him down in the same way, tried to be courteous about it; he came to me the third time and I became so incensed—

Mr. FREAR. He came to you the third time in regard to this Spaulding proposition of those mills and the timber in the Siletz Basin?

Mr. SLIGH. I did not know whether it was a scheme of his to trap me or get hold of something cheap in which there would be a large profit, but I became very much incensed, and I told him I was not a grafter, that I was trying to be of service, and I would not touch it with a 10-foot pole, and he said, "Well, it won't cost you a cent."

Your statement is that there is no truth to that?

Mr. LEADBETTER. After this, he wrote me this letter and dined at my house—after all this time, after having made these statements that he attributes to me—and does it look very reasonable that this arch liar would dine at my house and write a letter after I had, according to his theory, tried to bribe him?

Mr. FREAR. It would be very unusual for a man to do that.

Mr. LEADBETTER. Very unusual; yes, sir.

Mr. FREAR. The committee will admit that. Mr. Sligh says:

His proposition was to organize a company, buy in the 4,100 acres, buy the mills owned by C. K. Spaulding & Co., of which Leadbetter and his father-in-law had 51 per cent interests, and that we would cut spruce and sell it to the Government.

You say there is nothing to that at all?

Mr. LEADBETTER. We never had 51 per cent.

Mr. FREAR. How could he imagine all that? What occurs to you?

Mr. LEADBETTER. God only knows. He never imagined it until after he was dismissed, and he never thought of it until after—because he never mentioned it to my superior officers when he was trying to retain his position. And probably some night when he was worrying over his troubles—I have always thought the old man was crazy.

Mr. FREAR. He says, on page 587, at the bottom, speaking of Disque:

He had evidently impressed Leadbetter with the fact that he was a wonderful man. I said to Leadbetter—I had bought over \$200,000 worth of timber from him about two years before, and when I came to Washington—

And so on. He had bought some timber from you?

Mr. LEADBETTER. No, sir; he never bought any timber from me.

Mr. FREAR. What was it, then?

Mr. LEADBETTER. He had purchased—when I came to see Mr. Sligh, he said, “I bought some timber from you.” I said, “No; you never did.” “Well,” he said, “I bought it from Spaulding, from your people.” I didn’t remember him at all. I was not a party to that transaction, except to the extent that I was a holder of stock in the——

Mr. FREAR. Did he buy it from Spaulding?

Mr. LEADBETTER. He bought it from that company, through Spaulding.

Mr. FREAR. That was not entirely false?

Mr. LEADBETTER. No; only to the extent that he states there that he bought it from me, which he did not at all.

Mr. FREAR. He may assume, as long as you were connected with the concern——

Mr. LEADBETTER. No; he knew perfectly well.

Mr. FREAR. You think he had a motive in stating he bought it from you?

Mr. LEADBETTER. Yes.

Mr. FREAR. What could have been the motive?

Mr. LEADBETTER. God only knows. If I would attempt to find out what this man’s motives were in his malicious lies that he has circulated I——

Mr. FREAR. He did concede that there was money. Of course, you have read this record here—that he took up himself, in his own business there, certain money.

Mr. LEADBETTER. He showed a certain sum of money—I think it was \$1,200—that he admits having placed with his own company.

Mr. FREAR. Twelve hundred out of seventy-five to eighty thousand dollars?

Mr. LEADBETTER. Yes; but, mind you, this was on a direct order from his own superior officer—chiffoniers and odd pieces that could not be obtained elsewhere, I think, isn’t it?

Mr. FREAR. We will agree to this, that a man who does business with the Government——

Mr. LEADBETTER (interrupting). Should not purchase from his own concern.

Mr. FREAR. Yes; that is right.

Mr. LEADBETTER. And he testifies, himself, that he did, on his direct order.

Mr. FREAR. If it is any considerable sum, if it should amount to 200,000, Mr. Sligh would be entitled to be under considerable criticism, wouldn't he?

Mr. LEADBETTER. Do you mean to say that because it was \$1,200 he would not? Is not the principle the same?

Mr. FREAR. I say if it was \$200,000—

Mr. LEADBETTER. Not a particle. He is entitled to just as much, just exactly, if it was only 5 cents.

Mr. FREAR. What is your interest in the Crown Willamette Paper Co.?

Mr. LEADBETTER. Crown Willamette Paper Co?

Mr. FREAR. Yes.

Mr. LEADBETTER. Well I—what do you mean; my interest in it, the amount of stock I own?

Mr. FREAR. Financial interest?

Mr. LEADBETTER. Financial. Oh, probably a half a million dollars.

Mr. FREAR. What is the total interest?

Mr. LEADBETTER. The total interest—the total value of the paper company?

Mr. FREAR. Yes.

Mr. LEADBETTER. Oh, I think the property is worth about—I think the capital of the Crown Willamette is \$13,000,000, and they own the Ocean Falls, which has about \$10,000,000 of assets.

Mr. FREAR. What is the stock?

Mr. LEADBETTER. What do you mean, the stock, in stock—what stock?

Mr. FREAR. How much stock is there in the company?

Mr. LEADBETTER. For the Crown Willamette Co., there is \$13,-000,000 of stock issued.

Mr. FREAR. \$13,000,000?

Mr. LEADBETTER. \$13,000,000 of stock issued.

Mr. FREAR. There are two items here, one of \$29,119, and \$125,664, that were bought by your company—or sold by your company, was there not, to the Government?

Mr. LEADBETTER. I don't know anything about it.

Mr. FREAR. For stumpage. Well, that is in the neighborhood of about a hundred and between fifty and sixty thousand dollars. That is quite an item.

Mr. LEADBETTER. Not at all. All mills and all loggers were forced to sell their supplies.

Mr. FREAR. This is an item. Sligh presumably was connected with a company and there was \$1,200 that he says here that he sold. Now here is an item of between one hundred and fifty and one hundred and sixty thousand dollars to this company. The stumpage was sold. You would not feel but you were perfectly honorable because of that transaction?

Mr. LEADBETTER. Those materials, the lumber and logs, of all the different concerns in this western country, were sold to the Government because the Government insisted upon buying them, you had to sell them; they commandeered them, if you didn't. I know nothing

whatever of the transaction. My interest is very small in the company.

Mr. FREAR. Well, \$500,000 is a considerable interest, isn't it?

Mr. LEADBETTER. It is a small interest as compared with the total of \$23,000,000.

Mr. FREAR. What is your interest in the C. K. Spaulding Co.?

Mr. LEADBETTER. Well, I have an interest in the C. K. Spaulding Co. of less than a quarter in the concern.

Mr. FREAR. How much is that?

Mr. LEADBETTER. What do you mean; how much?

Mr. FREAR. In money?

Mr. LEADBETTER. Probably \$225,000.

Mr. FREAR. Two hundred and twenty-five thousand?

Mr. LEADBETTER. Yes.

Mr. FREAR. What is that capitalized at?

Mr. LEADBETTER. Oh, \$150,000.

Mr. FREAR. I don't understand. It is capitalized at 150 and you own 225?

Mr. LEADBETTER. Yes.

Mr. FREAR. What is your share of stock?

Mr. LEADBETTER. Less than one-quarter.

Mr. FREAR. Less than one-quarter. Well, according to this statement, the C. K. Spaulding Co., of which you are a member, owning a quarter of the stock, owning over \$200,000, was paid by this spruce company, according to the statement before me, \$29,094.98 in one item and \$16,609.60 in another item.

Mr. LEADBETTER. I don't doubt it at all. They were furnishing airplane material, as were all the other mills on the coast.

Mr. FREAR. I am not criticizing it, but I am saying in that respect that is quite a large amount of money, \$40,000 and over, or about—

Mr. LEADBETTER. I might add, if you will allow me, that the British Columbia mill was instrumental in getting the English to operate the mill so that they could help out the spruce situation also; a large amount of timber was cut for the English up there at the Ocean Falls mills owned by the Crown Willamette. You haven't been able to dig that item out. I will provide you with that.

Mr. FREAR. These items have been given me by the man who is looking after the records there and finds these contracts. And Governor Hughes recommended that a man who was in the military service and who was making contracts with himself, directly or indirectly, should be court-martialed, so that it is not entirely unusual that these items should be called attention to.

Mr. LEADBETTER. Very silly, because there is not a single man—lumberman connected with this whole institution—

Mr. FREAR. That is your answer. That is enough—it is “very silly.”

Mr. LEADBETTER. Not at all.

Mr. FREAR. No, no; but this committee can form its own judgment and it don't need to have you take up the legal question which is before us.

Mr. LEADBETTER. I am not trying to determine the legal question. I am saying that all lumbermen connected with the spruce production, in getting out this stuff—you would send a blacksmith to get lumber, would you, unless they sold their interest or gave it away—

are connected with institutions that furnish lumber to the Government.

Mr. FREAR. Are you interested in any townsite at Otter Rock?

Mr. LEADBETTER. Otter Rock. I believe that about 12 or 15 years ago I did buy an interest in 160 acres of land around there with a man named Jones. I didn't take a deed to it. The deed to it is in the name of a man who was formerly my secretary, Mr. Price.

Mr. FREAR. You both own half interest?

Mr. LEADBETTER. No; Jones owns a half interest and I own a half interest; yes, sir.

Mr. FREAR. Otter Rock is just at the north extremity of the 10-mile road that has recently been built from Newport up to Otter Rock, isn't it?

Mr. LEADBETTER. How extraordinary.

Mr. FREAR. Yes.

Mr. LEADBETTER. I suppose that road, that cost a million and a quarter, has been built there to benefit a tract of land that I paid \$3,000 for.

Mr. FREAR. I don't know the purpose. I am not arguing that. I am asking if it is true that you own that townsite there. Perhaps this railroad by pure accident came there from Newport.

Mr. LEADBETTER. I should think you would be ashamed to ask it, sir.

Mr. FREAR. I ask to have that stricken out.

Mr. LEADBETTER. I insist that it shall not be stricken out.

Mr. FREAR. Strike that out. Is it true that you own a half interest?

Mr. LEADBETTER. I have already told you it was true.

Mr. FREAR. That is sufficient. Do you own any timber anywhere around Otter Rock?

Mr. LEADBETTER. Not to my knowledge; not a cent, outside of maybe a few straggling trees that might be on that property.

Mr. FREAR. Are there any other lands around there that you own?

Mr. LEADBETTER. None whatever that I can think of right now. You may dig up something else that I had forgotten.

Mr. FREAR. Of course, you are a man of large property and you are very fortunate that you are in that position.

Mr. LEADBETTER. Never having visited the place since I bought it, I might be excused. The taxes have been paid by my agent. I never have taken title to it.

Mr. FREAR. The name that Sligh brought in question was the same man that appears here, Mr. C. K. Spaulding, isn't it?

Mr. LEADBETTER. Yes.

Mr. FREAR. Did your company—this mill company—have contracts with the Government?

Mr. LEADBETTER. I don't know a thing about it. I didn't have anything to do with the management of the company.

Mr. FREAR. Did they buy cars of spruce from the company?

Mr. LEADBETTER. I have nothing whatever to do with the management—haven't had for some time—don't know a thing about it. I presume, like all other mills on the coast that were patriotic, they tried to get out stuff for the Government. If they didn't, the Government would commandeer the plants and get it out themselves.

Mr. FREAR. But the Government never did commandeer your plant or any other plant, did it?

Mr. LEADBETTER. I don't know whether they did or not. Probably they did.

Mr. FREAR. There was no authority to do that, so far as you know, at the time?

Mr. LEADBETTER. I don't know. There was a good deal of talk about it—about commandeering these different plants—if they did not produce stuff enough for them. I don't doubt that they would have if they had to.

Mr. FREAR. I believe something was said about Mr. Gompers, and that letter was read in the record the other day, as I now remember, up in Seattle. I had forgotten about it until you called attention to it; just as a part of the record in regard to the bringing about of the labor situation here. Now, here is a letter. I don't believe it was stolen from the files. It is a copy.

Mr. LEADBETTER. I think you gentlemen had a right to take anything from the files that you wanted to.

Mr. FREAR. Well, that is a generous admission. This is a letter, I think, from Col. Disque to Maj. Leadbetter, dated December 10, 1917: "There is a persistent rumor here that Maj. Sligh is being considered for a position on the Aircraft Board. Possibly you already know of it." Now, I don't care as to the differences between you, but I am presenting this as a letter that appears in the record. "Possibly you already know of it. You will agree with me that it must not happen. I understand that he has been highly recommended by many organizations in many States." Which reminds me of a statement you made about his office being in chaos when you went there.

Mr. LEADBETTER. Well, I took it over. I ought to know.

Mr. FREAR. Yes; you ought to know; unquestionably so.

Mr. LEADBETTER. It took me weeks to straighten it out. I had a half dozen—let's see; I think, four or five clerks in there.

Mr. FREAR. Was Mr. Coffin your superior officer?

Mr. LEADBETTER. Yes; he was; and a very capable man.

Mr. FREAR. Yes; and this affidavit—

Mr. LEADBETTER (interrupting). Yes; I read that. That was before Mr. Sligh's activities.

Mr. FREAR. Yes; in which it was said, "And the manner in which the production of spruce lumber for aircraft manufacture was being handled at that time was vested in one Charles R. Sligh, who, he stated"—that is, Coffin stated—

Mr. LEADBETTER (interrupting). You are not reading the records again, are you? This is the third time.

Mr. FREAR. Yes. Just a moment. "Had accomplished wonderful achievements in the way of transforming the production of spruce lumber for aircraft purposes from a state of absolute chaos"—this is the word you used—"and uncertainty to an orderly condition, from which the very best results could be expected." Did Mr. Coffin state that?

Mr. LEADBETTER. That was before—what was the date of that?

Mr. FREAR. That is September 12, 1917.

Mr. LEADBETTER. Yes. That is about the time that they started in work there—in the spruce end of it.

Mr. FREAR. And he had brought order out of chaos, according to Mr. Coffin?

Mr. LEADBETTER. There was nothing to do. There was no office. He established it.

Mr. FREAR. Mr. Coffin, of course, must have been wrong?

Mr. LEADBETTER. Oh, I don't know. I read that thing with a great deal of interest, because this man Wallace evidently was this man Sligh's stenographer he had there, and he does not state that Mr. Coffin said that absolutely.

Mr. FREAR. Do you say that Mr. Coffin said it or did not say it, or do you know whether he did say it?

Mr. LEADBETTER. No. I say it says in that communication that "the sense of the language." You read it over carefully. I read it quite carefully.

Mr. FREAR. Yes; I have. I read it carefully.

Mr. LEADBETTER. But he would not say——

Mr. FREAR (interrupting). He established order out of chaos.

Mr. LEADBETTER. Well, I think he meant——

Mr. FREAR. We will have Mr. Coffin on the stand.

Mr. LEADBETTER. I hope you will, sir.

Mr. FREAR. To ascertain whether you are right or Sligh is right. That will be the best way to determine that.

Mr. LEADBETTER. I hope you will, sir.

Mr. FREAR. That will be the best and the easiest way, because I have more questions to ask.

Mr. LEA. Did you have some statements by Mr. Coffin about Maj. Sligh?

Mr. LEADBETTER. Maj. Sligh, when he was dismissed for incompetency from this section, consumed a great deal of time in writing to everybody, making all sorts of ridiculous charges.

Mr. FREAR. Well, what is the answer?

Mr. LEADBETTER. Well, I am going to say.

Mr. FREAR. Yes.

Mr. LEADBETTER. And among these people that he wrote to was Mr. Coffin, and Mr. Coffin would call me in and say, "Leadbetter, what is there to this fellow Sligh's talk?" Whereupon I would take the letter and make a memorandum on it.

Mr. LEA. Well, I didn't intend to interrupt.

Mr. LEADBETTER. Just a second, now.

Mr. FREAR. Just get to the answer, because I want to examine you some more.

Mr. LEADBETTER. I would show Mr. Coffin where Maj. Sligh's letter was a direct lie, and then those memorandums must be in the office. You can get them.

Mr. FREAR. Well, we don't care about them.

Mr. LEADBETTER. Well, you raised this question of Mr. Coffin.

Mr. FREAR. No; I didn't. Mr. Lea asked the question. I know nothing about Coffin and your correspondence. Answer, did you get such letter from Mr. Coffin?

Mr. LEADBETTER. I say I received a communication from Mr. Coffin to come down there.

Mr. FREAR. Did you get a letter from Coffin in regard to Sligh?

Mr. LEADBETTER. I got an order from Mr. Coffin to come down to the Aircraft Board.

Mr. FREAR. That had nothing to do with or regarding Sligh?

Mr. LEADBETTER. Yes; indeed.

Mr. FREAR. What was it?

Mr. LEADBETTER. In regard to Sligh's communications to Mr. Coffin and to look them over and make a memorandum on them, and I made a memorandum on them to show him where Maj. Sligh was lying in his communications, and they are a matter of record there, and these particular letters are in Mr. Coffin's office, you see; so Maj. Sligh wasn't able to get them from my files.

Mr. FREAR. Did Mr. Coffin write you in regard to Maj. Sligh?

Mr. LEADBETTER. I told you he ordered me to come down there.

Mr. FREAR. I understand. But I mean in regard to Sligh? That is what I assume Mr. Lea meant when he asked the question whether he wrote any opinion in regard to this matter.

Mr. LEADBETTER. I don't remember whether he ordered me in writing or telephoned me to come down there and attend to this matter.

Mr. FREAR. I understand. "There is another rumor"—getting back to the letter from Disque to Leadbetter—"There is another rumor that English brokers have been trying to arrange through diplomatic channels for a concession of spruce timber in Washington, and the papers say that a \$5,000,000 concern has been organized under five names to open mills in Puget Sound country. The story is that Douty is engineering the whole thing. I hope there is nothing to it, and if there is, it should not go on. We need all the spruce and English concerns should go into British Columbia, where they can get it off their own land. Douty's mill is butchering logs to such an extent that I am about to take away all they have in the river and send them to another mill."

Mr. LEADBETTER. I think he did do that afterwards.

Mr. FREAR. "He accumulates a large amount of rejects in this way which English brokers are willing to pay \$90 for and his game is to sugar rejects. I do not like his ways." Apparently you are not the only one in this country that has differences with some one else. "I sent you a wire in regard to Vancouver Barracks to-day"—

Mr. LEADBETTER (interrupting). I have no differences with Maj. Sligh, Mr. Frear.

Mr. FREAR (continuing reading). "And I am hopefully waiting result. I never got into such a mess of petty doings. We are just completing a plan for extensive logging on an extensive plan and promises over fifty million a year, and Washington must get out of the way with a red flag." Signed, "Yours, truly"; signed "Disque." That was a letter sent by Mr. Disque or Col. Disque, I suppose; that is right, isn't it?

Mr. LEADBETTER. You say it is. I was getting dozens of them every day, and telegrams.

Mr. FREAR. Well, I am questioning you.

Mr. LEADBETTER. Yes. I don't question it at all. If it is I have forgotten it.

Mr. FREAR. And here is another telegram, and just simply to make the record, not for anything beyond, which I think the committee ought to have:

PORTLAND, OREG., December 16, 1917.

MAJ. F. W. LEADBETTER: Regarding your telegram Saturday, I am not acting for the effect that may be produced in Washington. Troops are only arrived here Wednesday night and one-third still in Camp Lewis, because no quarters available here. All are quarantined until December 27; came here under same. I will not ruin my plans now by a spectacular rush into camps. Have begged for these men for six weeks. They were held that long after volunteering and the best material weeded out. Had my requests been heeded, the men would have been at work in November and effect actually felt in deliveries about February 1. Do not let us fool ourselves. Men going into camp now will not be felt until March. What you are now getting started from camps in September and I acknowledge absolutely no responsibility for it.

I assume that these stops have been improperly placed by the operator.

Paragraphs 4, 7, and 8 of my memorandum to you not complied with. Mediation commission contrary to Coffin's advice went into situation, failed and left things in very delicate shape. I would have had it solved by February 1. My letter to Chief Signal Officer November 27 in regard to labor situation unanswered. Clark was allowed eighteen thousand for inspection, and now that his expenses come in under general office, ten thousand is allotted for the whole and original authority curtailed by removing incidental expenses. Authority I asked for cut up plant November 16 granted only on December 5. Construction delayed by commanding officer, Vancouver Barracks, until December 12—

Mr. LEA. Why not just let the reporter put this in?

Mr. FREAR. Well, I want to get this. I am going to introduce them.

Secretary Wilson, Gov. Lister, lumbermen, State Council of Defense, labor heads, business men, and every one else out here who knows about this work have appealed in vain that this office be given money and absolute authority with no strings. Washington had better take immediate heed or failure is certain. By authority, I mean right to commandeer stumpage and logs, mills and machinery, as well as an absolute free hand at Vancouver Barracks, and an immediate supply of men and officers. By money, I mean all that I call for without qualifications as to how it must be expended. Please remember that I am an experienced officer and have handled Government funds for years. Am just as jealous of my reputation and the Government's interest as anyone at Washington.

My message regarding dry kilns not a misprint. Estimate may be 20 per cent over, but times and prices justify such margin. I have the best men in the United States on the job, and the entire resources of the University of Washington are behind me. My plan for kilns is the result of a composite idea gained from recommendations, experience of Curtiss, Wright, and other big manufacturers in the East; and Mr. Goss, who is assisting me, has spent time in all their factories, has their confidence, and that of scientific men and practical men in business more, as well as my own. It is considered very naturally by experienced men here that kilns should cost more than the mill. I agree that no one ever heard of kilns of such magnitude, but neither did we hear before of an order for 109,000,000 feet of straight-grain clear spruce at the rate of 11,000,000 feet a month. Won't attempt further explanation. I have recommended it and know what I am doing. Do not know anything about Keating's telegram. We control shipping from here, and it won't affect destination. Will see him and call him off now. We have arranged to place every man in our command in camps at work, and soon as their quarantine is over the 2,400 will be cutting logs. I could use 6,000 in addition if I had them. A man, Douty, has been at Washington for some time. He is generally considered here as questionable. His mill is up to some queer work, which I am investigating, and if my suspicions prove well founded I am going to take all his logs. There has been [blank] of cunning at work for months undermining spruce production. Sligh has either been fooled or is a party to it, and Douty knows that I will not spare him if I get the absolute evidence. I believe that both are trying to embarrass this office and am prepared for a show-down if it must come. I want this telegram read to the Aircraft Board and immediate assurance that there will be no more efforts or insinuations about the failure of this office until it has had a chance to fail.

Signed "Disque." I will not read the memorandum, unless you desire it, that was attached to that. He speaks of the memorandum here, but it is really a part of the condition as he found it or as he described it when he came here. That was a telegram received, was it not?

Mr. LEADBETTER. I used to get four or five of those a day.

Mr. FREAR. I mean, was this a telegram received by you?

Mr. LEADBETTER. I presume it was. You say so.

Mr. FREAR. Yes; it is familiar.

Mr. LEADBETTER. I was under instructions by the Chief Signal Officer to answer them all in 24 hours and get the matter settled; so my life wasn't a particularly happy one.

Mr. FREAR. Well, I will introduce this; and there is a memorandum here that is connected with it, as showing the record, to be copied in as part of the record.

(The memorandum attached to the copy of said letter and telegram last hereinbefore read by Mr. Frear, pursuant to the foregoing, is set out in full as follows:)

Memorandum from Col. Disque.

WAR DEPARTMENT,
SPRUCE PRODUCTION DIVISION,
UNITED STATES SIGNAL CORPS,
Portland, Oreg., November 29, 1917.

Memorandum for Maj. Leadbetter.

1. When I left Washington I was impressed with the seriousness of the aircraft lumber situation, and thought that it was the intention of all interested to cut this work off from Washington and hold this office responsible for results.

2. I had authority of the War Department to organize 60 construction squadrons and 6 supply squadrons. To date I have one enlisted man in Vancouver Barracks—he enlisted here. There are some 110 officers and 32 medical officers, all waiting for the soldiers. Two thousand men volunteered for transfer from Camp Lewis, but have not yet been ordered transferred.

3. I have tried in vain to get these men, and logging companies to whom I promised relief in the way of labor are daily calling on me.

4. I have also asked that cantonments be canvassed for 4,000 additional men, who are urgently needed for general labor work building roads and railroads. To date I have nothing on this.

5. We must have cooks and squadron clerks, and I have authority to hire them as civilians; but this can not be a permanent arrangement, because we must be protected against the possibility of such important men quitting us.

6. The depot quartermaster in Portland, Col. Wallace, is prepared and willing to issue on our requisition. He is in Portland with a complete office staff and should act directly upon my requisition calling upon San Francisco depot directly for which he can't supply.

7. I understand that Vancouver Barracks was vacated by the Fourteenth and Forty-fourth Infantry to accommodate my squadrons, and upon my arrival here I found the Fourth Engineers moving from their cantonment into the barracks.

8. We require every available building at post for our men and equipment, and the control of the post must be in my hands in order to expedite the details of supply of scattered squadrons and to build and operate cutting-up plant mentioned later.

9. If it is necessary to retain an Engineer force here, they should remain an independent unit in the cantonment previously occupied by them and which seemed to be large enough for their requirements.

10. Recruiting in this vicinity by Engineer Corps should be stopped at once. It is nothing short of the two branches of the Government competing, and is taking men away who must be replaced from some source. The people here question the sincerity of our efforts when they see one branch of the War Department taking away the very lumbermen and loggers required to produce spruce and fir, especially when there is a shortage of 15,000 laborers in these industries in the two States.

11. Maj. McCammon has been working in Washington as my assistant since October 12 trying to get officers. He has secured something like 50 very desirable men who have applied. We have carefully investigated every one of them and require all in this work. Practically all of them have gone to Washington at our request for examinations, etc., and all have made arrangements to leave their business. To date only one officer secured by Maj. McCammon has reported. The remainder should be appointed at once and sent to Portland. I have held all grades to a very low rank pending better knowledge of the men, and to leave incentive of possible promotion, and practically all were to be lieutenants.

12. By the very nature of things all Signal Corps officers in Portland must operate around one central authority. This is in accordance with Gen. Squier's instructions to me, but it seems difficult to convince the section heads in Washington that this must be so. I realize fully that in all matters pertaining to their own sections solely the officers should be in direct touch with the section heads in Washington, but in every matter that in any way is related to another section's work this office must be supreme. We have hourly examples of the necessity of this, and every officer here realizes it.

13. The task of securing the spruce and fir required is monumental. I fully appreciate it and realize probably better than anyone what heroic measures are necessary to accomplish what is required. I have visited logging camps and mills, and have come to very definite conclusions which I am happy to say are concurred in by practically all the loggers and mill men in our territory. In the light of my knowledge of the situation I am prepared to guarantee the output required if prompt action and compliance with my recommendations is forthcoming.

14. We have already lost a month because nothing seems to respond to our telegraphic requests. It can not be expected that busy Washington—3,000 miles away—can or will realize our requirements. This is too big and important to permit of delays.

15. The solution and only one is to grant me unlimited authority to carry on this work according to good business methods and allot funds as requested.

16. Railroad extensions are urgent and ordinary road building must be done.

17. Our force must be recruited to full strength, and then this office relieved from all minor Washington control.

18. A cut-up plant must be built to manufacture the dimensioned lumber. This will cost less than \$200,000, and I have learned it can be operating in 60 days. Through such plant we will save an amount of spruce equal to what is now obtained, but which is now lost through the butcher methods of the existing mills. Lumber mills here are not equipped to cut to grain and neither are they able to run at the careful speed required to follow grain in timber. We propose to have the mills cut the cants out of the logs and send them to our mill, where we will work them into straight-grained dimensioned pieces to fill orders as placed. Orders should then come for lumber in exact dimensions. We propose to dry this lumber before shipment and it will then only require a warming up at the factories. Airplane factories are all drying in different and very unsatisfactory ways. Some are trying to dry large timbers in the kilns containing small pieces.

19. This cut-up plant will open the way to our purchasing thousands of pieces of split or "rived" spruce which will come to us from small owners, farmers, etc., which we can not handle at present and which source is estimated will give us 2,000,000 to 3,000,000 feet per month during the winter season while farmers are not otherwise busy. The moment this plant is started we will send out the word and will begin accumulating rived pieces at the site of the plant.

20. I propose to locate the cut-up plant at Vancouver Barracks along the railroad siding in the drill grounds below the post. It is an ideal location, with ample room and handy to the barracks in which the men will live for three eight-hour shifts in the mill.

21. There will, of course, be a considerable byproduct from this plant. This can be sold at auction, or arrangements made to turn it all over to some local box company, or we can arrange to produce ammunition cases for Ordnance Department by adding the box-making machinery.

22. All orders for spruce and fir must be placed by this office. Everybody is confused now, and inefficiency is the result everywhere. In saying "all," I

mean fir, Signal Corps, Quartermaster, Shipping Board, Allied Governments, and Navy. This is very important.

23. All payments for aircraft stock must be made by this office for material supplied, except those already paid. To arrive at an accurate list of our accounts payable, a list must be prepared in Washington showing all shipments since August, noting the lines that have been paid and which are brokers' orders. All reinstated brokers' orders to be paid for direct by the Allies. The preparation of this statement should be expedited, as prompt payment by this office is vital and becoming critical. No payments should be made in Washington after statement is prepared.

24. It is very important that all lumber agents going to Washington from this section be referred to this office. We are in close touch with the situation and must be better equipped to handle their troubles than people 3,000 miles away. Too many schemers go to Washington, present a plausible story, and mislead the man in Washington. We have daily evidence of this.

25. Everyone here must know that there will not be any increase in price. If this is done, it will not only result in adding to an already very high profit but will cause a slowing down in production to await the next increase.

26. All manufacturers must be given definite instructions not to order direct from producers. I saw two orders yesterday—one from Fisher Body Co. and one from Dayton Wright Co.—for spruce at \$250 per thousand. I need not explain what this will lead to. Those companies, as I understand it, are working on a cost-plus basis, and their action in those cases is little less than original indifference to the Government's interests.

27. Changes in specifications should be few and not distributed till this office has a chance to look them over, and then only through this office.

28. Last Monday I had all the principal officers of the inspection bureau in for an all-day conference. We ironed out all annoying questions and printed an intelligible interpretation of specifications for use of the inspectors. To-day a new printed set of specifications arrived from Washington, and already there are a dozen interpretation of them by experts in this office. The inspectors and mills must not be further confused—some already muddled.

29. Priority of shipment should be determined by the central war council in France, and it is formed. This is the only way we can meet war requirements.

30. There should be a regular order blank for all fir and spruce ordered. Orders now come in all kinds of ways, as parts of telegrams and paragraphs of letters; some to us and some direct to the lumber associations and some direct to mills.

31. Finally permit me to say that in September about 2,000,000 feet of spruce left this section. There was 3,354,000 feet shipped in October. This month—November—we will ship close to 4,000,000 feet of spruce, and in December, January, and February you can not expect more than 2,000,000 feet per month as things are now geared up. Everything slows down in those months, due to weather conditions and lack of logs. We have already lost much time. If the items above covered are given immediate and complete approval, we will treble the output for January, and from then on give all that is required. This I will guarantee. But authority must come which will be equal to my responsibility.

32. I will hereafter address all my communications to you in Washington, and ask you to represent me in presenting them to the proper office, and depend upon you to secure immediate action. I will not telegraph you without the conviction that prompt action is necessary, and I hope that this won't be often.

BRICE P. DISQUE,
Colonel Signal Corps.

TILLAMOOK, OREG., December 23, 1917.

SECRETARY OF WAR BAKER,
Washington, D. C.:

I am told that spruce lumber for the manufacture of airplanes is to be one of the deciding factors in winning the war; that the present production of spruce is but 40 per cent of the amount required by the Government; and according to a public statement made on December 17 by Col. Disque on the spruce condition the above percentage is likely to be very much reduced. As a producer of spruce lumber I am prepared to say that the only obstacle in the way of you getting all the spruce you need for the manufacture of airplanes is a lack of spruce logs and not a lack of sawmill capacity for sawing them. There are enough sawmills operating in Tillamook County alone at the present time to increase the output of airplane spruce 2,000,000 feet per month if they could but get the logs.

There is plenty of spruce timber, and it is only a question of getting the logs; the delivery of from ten to twenty million feet of good spruce logs per month to the present mills should nearly double the present output of spruce lumber. If I can convince you of my ability to produce the above stated amount of logs, and will furnish to the Government a bond guaranteeing my part of the agreement, will the Government assist in financing this enterprise, and, if necessary, commandeer spruce stumpage, railroad iron, and equipment? As to my responsibility, I refer you to Senator Chas. McNary, Representatives C. N. McArthur and W. C. Hawley, or any other member of the Oregon delegation. If you are interested in this proposition, kindly take this matter up with me.

A. G. BEALS.

Mr. FREAR. You stated, as I understood, that Great Britain began producing airplane lumber spruce because they had an example set by Mr. Disque?

Mr. LEADBETTER. I said that that was my understanding—that is my understanding of the matter; yes, sir. The war had been on, I don't remember exactly how long; I have forgotten the exact time; it was three or four years. They had been able to produce nothing for themselves at all of any moment.

Mr. FREAR. Now, let us see. There was 143,000,000 feet, it is testified here, that had been furnished to the Allies and ourselves.

Mr. LEADBETTER. Yes.

Mr. FREAR. And of that amount 7 per cent had been furnished under the jurisdiction of Mr. Disque, or Col. Disque, about 7 per cent.

Mr. LEADBETTER. It was all under his jurisdiction; every bit of it.

Mr. FREAR. Oh, was it?

Mr. LEADBETTER. Yes; all this lumber from the mills was under Col. Disque's jurisdiction.

Mr. FREAR. Well, let us assume, then, that the mills which had been furnishing spruce and fir long before we were at war, and had continued to furnish it after the war—

Mr. LEADBETTER (interrupting). Up to the time Col. Disque took charge?

Mr. FREAR. Yes. Now the statement made by those in charge is that 7 per cent of the operations were due to the action here and not to private manufacturers, the 143,000,000 were credited here—

Mr. LEADBETTER (interrupting). And I say—

Mr. FREAR (continuing). Now you say definitely—

Mr. LEADBETTER (interrupting). I say Col. Disque's operation included all the mills in this district of Oregon and Washington.

Mr. FREAR. Oh, yes.

Mr. LEADBETTER. And he should be credited with every stick of lumber that came out of it.

Mr. FREAR. I understand you credit him with that, but it is not credited by those of the corporation who have given us the statement of the figures. Now let's leave that with your judgment and with theirs. Mr. Pendleton was taken as an American, and he went over to British Columbia—

Mr. LEADBETTER (interrupting). He came over here first, though, to get his ideas.

Mr. FREAR. Yes; that is right; and he is a very able lumberman, and a logger, as I understand?

Mr. LEADBETTER. I think so, possibly.

Mr. FREAR. Yes; I don't think there is a question about that. They came over to get a good American that was acquainted with logging, a man who could take charge of that work, and he did; and he produced, according to the telegram read by Mr. Disque, as well as his statement here before the committee, 26,500,000 feet of spruce.

Mr. LEADBETTER. I don't doubt it. We produced 23,000,000 ourselves in one month, the last month.

Mr. FREAR. I understand, but you don't give me a chance to make the statement.

Mr. LEADBETTER. No; but I say——

Mr. FREAR (interrupting). I ask to have that stricken out. I ask to have that stricken out until I ask you the question. I want to get this record straight and then you can make any statement that you choose. He produced that, did he?

Mr. LEADBETTER. I don't know anything about it. You say he did.

Mr. FREAR. Well, they say that he did.

Mr. LEADBETTER. I don't doubt it at all.

Mr. FREAR. If that is the sworn testimony here, we will assume that it is true.

Mr. LEADBETTER. I don't doubt it at all. He ought to.

Mr. FREAR. Yes. Now, he started in about March, or thereabouts; and that is about the time they started in here. He started in, as he states, with about 10 per cent of the mills and the logging facilities that were had on this side, and he produced 8,000,000 feet the last month, but produced 26,500,000 feet, bringing these logs 500 miles, or the timber 500 miles from Queen Charlotte Island, as he stated.

Mr. LEADBETTER. If he says that he took the timber 500 miles to the mills he lied, because——

Mr. FREAR (interrupting). There are a great many liars in this matter.

Mr. LEADBETTER. Not at all.

Mr. FREAR. Aren't there, Mr. Leadbetter

Mr. LEADBETTER. Because Ocean Falls mill is not 500 miles from Queen Charlotte, or half that distance.

Mr. FREAR. The quantity of timber and the logs he brought 500 miles to Vancouver, where it was shipped.

Mr. LEADBETTER. The lumber may have been brought to Vancouver where it was shipped, but the logs were not brought to Vancouver.

Mr. FREAR. Oh, no; the logs came 175 miles; that is what he said.

Mr. LEADBETTER. Then I will withdraw my statement that he was a liar.

Mr. FREAR. He said the logs and timber, but I put it all together.

Mr. LEADBETTER. You should not put them together, Mr. Frear; they should be separated.

Mr. FREAR. Strike that statement there as to what I should do.

Mr. LEA. I submit that you are not getting any place in this.

Mr. FREAR. No, but I am getting some place; but haven't got my answer. This witness continually interrupts, and I will strike out the answer until I get an answer to the question. Then he may make his own statement. Because this record is a permanent record to go before the House.

Mr. LEADBETTER. You want to make it all your way.

Mr. FREAR. No; but I want to get in the record what Pendleton accomplished, and you won't permit it to be done, if you have your way. He states to the committee that he produced 26,500,000 feet of finished airplane lumber. Your statement is that Great Britain learned from Disque, and I am trying to find out if the fact is as testified, not by you but by members of the corporation, that the corporation furnished 7 per cent of the 143,000,000 feet; if, then, it would be reasonable to believe that Mr. Pendleton had learned from Disque how to log, how to lumber, and how to get out this finished airplane stock? Now his testimony is—well, you can answer that, if you want to.

Mr. LEADBETTER. Now, Mr. Frear, you make statements that I can not agree—

Mr. FREAR (interrupting). Then we can disagree on them.

Mr. LEADBETTER. That I must disagree on. You say it was 7 per cent.

Mr. FREAR. Well, that is their statement.

Mr. LEADBETTER. Now just a second. What constitutes a man's handling property? Did Disque pay for only 7 per cent, or did he pay for all of it that was shipped? He paid for every stick of it.

Mr. FREAR. Disque never paid a dollar for it.

Mr. LEADBETTER. Oh, the Government paid for it; but Disque paid for it for the Government.

Mr. FREAR. The Government paid for it; they paid for it with bonds that were sold to the individuals, and they all contributed and it went into the fund. It wasn't Disque who paid for it.

Mr. LEADBETTER. Disque was handling the stuff.

Mr. FREAR. But you say Disque was the one who paid for it.

Mr. LEADBETTER. I say he handled it. He told the mills what to cut. They cut according to his directions. He took it and paid for it. I say he should not be credited with 7 per cent but with all that was sent out.

Mr. FREAR. Disque never had had any experience, it is agreed on, when he came here. He knew no more about logging than a child.

Mr. LEA. What is the use wasting time arguing on such matters as that?

Mr. FREAR. His statement is going into the record, brought out by yourself, and you accepted it as that—

Mr. LEADBETTER (interrupting). He is the greatest expert—

Mr. FREAR (interrupting). Keep still a moment and let me talk.

Mr. LEA. For Lord's sake, cut him off.

Mr. FREAR. I am answering. Between you two, between the witness and the counsel for the defense, it is very difficult to get this statement in the record, that the question was brought out by Mr. Lea that Great Britain learned from America. Now I am trying to find out on what you base the statement and on what he bases it, and I say it is very important to know if Great Britain did that.

Mr. LEADBETTER. And I am endeavoring, to the best of my ability, to give you the information.

Mr. FREAR. Now answer it.

Mr. LEADBETTER. I will try to give you all the information you want to get.

Mr. FREAR. I want it as an expert. You are a logger and lumberman; you acknowledge that. Now say—

Mr. LEADBETTER (interrupting). I was about to tell you, I consider Col. Disque the greatest expert in the world on spruce lumbering at the time, and I don't think any lumberman on the face of earth will deny it. He has had more experience in this space of time than any man that ever lived.

Mr. FREAR. Why, this mill over here was cutting—half of it was fir.

Mr. LEADBETTER. Well, of course temporarily until they could get the spruce. The spruce in British Columbia grows along the coast where they can dump it into the water. Here you have to build railroads for miles and miles at a time, and it takes time to do it.

Mr. FREAR. You have testified to all of that. Now let me suggest something that appears before the committee that Mr. Storey, who is a logger, who went up and looked over Queen Charlotte Island—

Mr. LEADBETTER (interrupting). Just a second.

Mr. FREAR. Now wait.

Mr. LEADBETTER (continuing). This British Columbia proposition—

Mr. FREAR (interrupting). Strike out anything he says there until I get my question in.

Mr. LEADBETTER. You are certainly strong on the strike, Mr. Chairman.

Mr. FREAR. I never saw a witness that was bound to interpolate and try to destroy the question like you are. Strike that out, too—my own question. Mr. Storey states that he went up to Vancouver Island for the purpose of logging, and to look over the ground, and he went over the logging grounds there and he found out that it was, according to his statement before the committee, no longer ago than yesterday, that it would cost about twice as much, as my recollection was of his testimony, to log up there, as it would to log here, or that it was twice as difficult, or something to that effect. Your statement is it would be a very simple proposition. He went up there for the purpose of logging, and he is a logger, in the business. Now apparently there is another difference—

Mr. LEADBETTER. Now let me explain to you, so even a lawyer can understand the situation.

Mr. FREAR. Yes; or even a logger sometimes can get it through his head.

Mr. LEADBETTER. Or even a logger.

Mr. FREAR. Yes. Go on.

Mr. LEADBETTER. Now an operation where the railroads are built, where your skid roads are already in, you might say, could be handled probably cheaper in this country than in that country.

Mr. FREAR. He spoke of that in connection with the conditions as he found them there, and he said it required railroads there. They have only put in a few roads, though.

Mr. LEADBETTER. No. I beg to differ with him. I have been logging up in that country, Mr. Chairman.

Mr. FREAR. Yes; so has he.

Mr. LEADBETTER. The Ocean Falls people have been logging up there, and have been logging for years.

Mr. FREAR. Are you on Queen Charlotte Island?

Mr. LEADBETTER. Right opposite, on the mainland, about 150 miles south of Prince Rupert.

Mr. FREAR. South of there?

Mr. LEADBETTER. About 150 miles south of Prince Rupert, not 150 miles south of Queen Charlotte; about 150 miles south of Prince Rupert.

Mr. FREAR. How far would that be from Queen Charlotte?

Mr. LEADBETTER. I don't know. About 250 miles.

Mr. FREAR. He went over Queen Charlotte Island, and he explained to us the situation of the rivers.

Mr. LEADBETTER. Yes; I understand.

Mr. FREAR. So he ought to have some understanding of it.

Mr. LEADBETTER. But I am logging up there.

Mr. FREAR. You are logging 250 miles away.

Mr. LEADBETTER. Logging all over.

Mr. FREAR. Are you logging in Queen Charlotte town?

Mr. LEADBETTER. I guess so. I don't know. But this logging country—

Mr. FREAR (interrupting). Have you ever been there?

Mr. LEADBETTER. No, I have never been there. But that country is all the same, Mr. Frear. There is no very great difference in the country.

Mr. FREAR. That is the difference between you and the witness?

Mr. LEADBETTER. Well, does he say that Queen Charlotte is different from the rest of the British Columbia country?

Mr. MAGEE. It does not seem to me you get very far on argument. It seems apparent that you have to credit Great Britain with having some sense, and if she was assured that she could get sufficient lumber in the United States, she would not very likely have started operations up there on her own hook.

Mr. LEADBETTER. But, Mr. Magee, it took three and a half years of the war, and they got nothing. After Col. Disque started his operations and showed them how to do it they got to work up there and operated along the lines he was operating, of selective logging, and got quick results.

Mr. MAGEE. If she was getting enough from the United States they would not have started up there in March, 1918.

Mr. LEADBETTER. Oh, there is no limit to the amount they needed.

Mr. FREAR. Selective logging up there took all the spruce logs, that is, the large stand of spruce; but they were cutting about a third fir when they were cutting a greater proportion here at Vancouver.

Mr. LEADBETTER. I don't know anything as regards that.

Mr. FREAR. Well, this is all in evidence. That is the statement.

Mr. MAGEE. I had always assumed, and have heard it generally stated, that Great Britain and France, having been at war three or four years, that we in the United States could learn a lot from their experience.

Mr. FREAR. Let's see. You spoke of the Pittock will. I don't know about that. Aren't you one of the plaintiffs in that action?

Mr. LEADBETTER. I have no interest in the Pittock will whatever.

Mr. FREAR. Are you one of the plaintiffs in the action?

Mr. LEADBETTER. Certainly not. Mr. Pittock was my father-in-law, and we were partners in thirty or forty different concerns for 25 years of his life, and when he died he left his estate by his will very properly to his children, but by some means or other he, in my judgment, had been influenced to the point of making a trust, providing over a period of 20 years, that two men who had no knowledge whatever of business, who had never made a dollar for themselves or for anybody else, or for him during his lifetime, should handle his estate of his competent heirs, of which I was not one. The Pittock will left me no \$500. As I stated, we had joint property in that thing, as partners, he as a partner, owning one-half, I owning another half, of over a million dollars. But I don't see what that has got to do with the Pittock will case.

Mr. FREAR. Well, this question has come out. I don't know.

Mr. LEADBETTER. You asked me about it.

Mr. FREAR. That is, the question has come out.

Mr. LEA. I mentioned that simply because of this reflection upon the integrity of Mr. Leadbetter, which had been made, and I did that merely for his benefit.

Mr. FREAR. I don't think it is any reflection of your integrity that you got \$500, or that you did not. Did the will give you \$500?

Mr. LEADBETTER. Nothing whatever. My name is not mentioned in the will. Mr. Sligh was a plain liar in making that statement.

Mr. FREAR. You did not bring the action? You did not bring any action? You say your name does not appear in the proceedings?

Mr. LEADBETTER. I didn't have anything to do with it. My wife is one of the heirs and she probably will contest the handling of this money by these people, whom she deems to be absolutely incompetent.

Mr. FREAR. Have you any objection to saying who the attorneys are? Is there any record here?

Mr. LEADBETTER. Cake & Cake are my attorneys.

Mr. FREAR. Who?

Mr. LEADBETTER. Cake & Cake are her attorneys, rather.

Mr. FREAR. Is the record here filed?

Mr. LEADBETTER. I do not think this is relevant to this matter at all, Mr. Frear. I don't see why you should inject this thing in.

Mr. FREAR. No; I do not think that it is. I think that is all.

Mr. LEADBETTER. Thank you.

Mr. FREAR. That is all.

(Witness excused.)

Mr. LEA. Have you got any witnesses?

Mr. FREAR. No; I do not think of any now.

Mr. LEA. Is there another witness here? Mr. Manary.

TESTIMONY OF JAMES MANARY.

(The witness was sworn by Mr. Frear.)

Mr. LEA. Where do you reside, Mr. Manary?

Mr. MANARY. Portland.

Mr. LEA. What is your occupation?

Mr. MANARY. I have always worked in the timber.

Mr. MAGEE. I can not hear you, Mr. Manary.

Mr. MANARY. I am not a very loud talker.

Mr. LEA. You are a brother of Robert Manary, are you?

Mr. MANARY. James.

Mr. LEA. And your first name is what?

Mr. MANARY. James Manary, my name is.

Mr. LEA. I see. Have you a brother named Robert?

Mr. MANARY. Yes, sir.

Mr. LEA. Where does he reside?

Mr. MANARY. Out near Gresham.

Mr. LEA. How far is Gresham from Portland?

Mr. MANARY. About 12 miles.

Mr. LEA. Did you have anything to do with—

Mr. MAGEE (interrupting). Can you speak a little louder, Mr. Manary?

Mr. MANARY. I can not very well. I have got a cold in my throat.

Mr. FREAR. We will have to keep quiet, then, so as to hear the witness.

Mr. MANARY. And if I had a little to drink, or something like that to wash it down, I might talk louder.

Mr. LEA. Did you have charge of any of the operations of the Warren Spruce Co. at Yaquina?

Mr. MANARY. Yes; I did at one time; yes.

Mr. LEA. What was the work that you had charge of?

Mr. MANARY. I was field superintendent down at Toledo.

Mr. LEA. For just that one district?

Mr. MANARY. Yes.

Mr. LEA. What did that district cover?

Mr. MANARY. Well, we were just starting in on the Toledo Slough there, as far as I went.

Mr. LEA. What time was that?

Mr. MANARY. Oh, right along about the first of February, I think, or in January.

Mr. LEA. 1918?

Mr. MANARY. Yes.

Mr. LEA. About how long did you remain there?

Mr. MANARY. I was gone three months.

Mr. LEA. Three months in that section?

Mr. MANARY. No; I wasn't quite three months; just two months, and I have forgotten just how long over.

Mr. LEA. Now, what were your duties in that connection?

Mr. MANARY. Well, I was to hire the foreman and any superintendent I wanted.

Mr. LEA. Now, do you know anything about—oh, where did you go from there?

Mr. MANARY. I went right up on Depot Slough and put in a couple of camps up there, then went over on the Siletz and put in a camp there; building a road to go down the Siletz River.

Mr. LEA. Now, was your brother employed down there at Toledo while you were down there?

Mr. MANARY. Yes, sir.

Mr. LEA. What kind of work was he doing?

Mr. MANARY. He was superintendent; my assistant.

Mr. LEA. And do you know why he left there?

Mr. MANARY. Yes; partly.

Mr. LEA. Why?

Mr. MANARY. Well, I was called away from there and made arrangements for me to go down on the Lewis and Clark Road, and there was an understanding made with the Warren Spruce people for me to be changed down there, and after I left there I understood that they put in another man in my place and he didn't get along with him.

Mr. LEA. That is, your brother didn't get along with your successor?

Mr. MANARY. Yes.

Mr. LEA. And left?

Mr. MANARY. Yes.

Mr. LEA. Now, what was your work up at the place you went to?

Mr. MANARY. Looking after the building of that road on the Lewis and Clark.

Mr. LEA. Where is that road?

Mr. MANARY. Below Astoria, in Clatsop County.

Mr. LEA. Was that for the Spruce Production Corporation?

Mr. MANARY. Yes.

Mr. LEA. Did you ever work at Clallam Bay?

Mr. MANARY. Yes, sir.

Mr. LEA. Do you know about what the capacity is there for handling logs?

Mr. MANARY. In which manner do you mean?

Mr. LEA. By towing.

Mr. MANARY. Well, up in the Goodyear Logging Co.'s road they logged about 5,000,000 feet in water and had it towed out of there, part of it.

Mr. LEA. How much at one time did you have in there?

Mr. MANARY. Oh, I had probably about 600,000. I would put up a raft and take it out when I could.

Mr. LEA. And how many logs could be accommodated inside there; what had they room for?

Mr. MANARY. The boom I had there I built myself. I do not know what they done afterwards about the boom. It would hold probably 1,500,000.

Mr. LEA. Where did you take them to?

Mr. MANARY. To Seattle.

Mr. LEA. What, if any, difficulty did you have in taking them out?

Mr. MANARY. Well, the channel across there is about 14 miles wide, and sometimes they come in there just the same as they would out in the open ocean, and I lost one raft that went out of there, and the boat had laid there a week trying to get out.

Mr. LEA. How many rafts did you take out?

Mr. MANARY. I think I took about three rafts out.

Mr. LEA. What year was that?

Mr. MANARY. That is five years ago; five years this fall.

Mr. LEA. You had to lay there a week before you went out with the raft?

Mr. MANARY. They had a raft up there one time and the boat laid there about a week at our pier—outside the pier; it could not lay against the pier.

Mr. LEA. It was too rough to lay against the pier?

Mr. MANARY. Yes.

Mr. LEA. Was that in wintertime or summer?

Mr. MANARY. No; it was along in November, somewhere about the 1st of November sometime.

Mr. LEA. Is the whole straits rough that way, or not?

Mr. MANARY. Yes; it is rough when you come up near Port Angeles, below Port Angeles. That is the worst point on the whole straits there.

Mr. FREAR. You mean between Port Angeles and Port Townsend?

Mr. MANARY. No; between Port Angeles and Clallam Bay.

Mr. LEA. How many years' experience have you had in the lumber business or the logging business?

Mr. MANARY. About 35 years.

Mr. LEA. And during that time how much of it have you had to do with logging operations and towing?

Mr. MANARY. Well, I never had any up there until that year. I have been logging on the Columbia River putting up rafts and towing them up here.

Mr. LEA. You have done that more or less for 35 years, have you?

Mr. MANARY. No; I had been for about 21 years on the Columbia River here.

Mr. LEA. What do you know, if anything, about the waste of food materials down at Yaquina Bay while you were down there in charge of operations?

Mr. MANARY. I had nothing to do at Yaquina Bay. I was at Toledo.

Mr. LEA. Well, at Toledo?

Mr. MANARY. The waste of foods?

Mr. LEA. Yes. Do you know anything about that?

Mr. MANARY. No; I do not know of any wasted.

Mr. LEA. Do you know anything about any food being left out in the storm or weather to spoil?

Mr. MANARY. No.

Mr. LEA. Where did you room while you were there; where did you eat?

Mr. MANARY. I roomed at the hotel there.

Mr. LEA. And how frequently did you visit the camps?

Mr. MANARY. I was at the camps all the time when I was not out on other business and in the timber. I done a great deal of cruising in the timber to locate the country.

Mr. LEA. Under whose advice; were you with any cruiser?

Mr. MANARY. Mr. Kumpie's.

Mr. LEA. And where were you cruising?

Mr. MANARY. I was not cruising; I was just locating the country for them to get in to get the timber out.

Mr. LEA. I believe that is all.

Mr. FREAR. In those Clallam Bay operations they are working the Davis system of rafting. That is what you were using?

Mr. MANARY. Not while I was there.

Mr. FREAR. That is what they have been using in recent years. How many years ago were you there?

Mr. MANARY. Five years ago. Mr. McFarland was there after I left and then they took up the Davis raft.

Mr. FREAR. The testimony is that they had used the Davis system on Queen Charlotte Island, and that in all the rafting that they have had there with this spruce one raft was lost—I mean, was broken up completely—and two others injured, out of a great many rafts that were sent out. That is across 80 miles of what is said to be a turbulent strait. Are you familiar with that up there?

Mr. MANARY. No; just on the Clallam Bay side.

Mr. FREAR. You have never been up to Queen Charlotte Island?

Mr. MANARY. No.

Mr. FREAR. That is what Canada did when she was called upon to get the logs?

Mr. MANARY. I do not know of anybody using the Davis raft system, only the Goodyear people.

Mr. FREAR. They have adopted it and they have never lost a raft, according to their statement since they adopted it. That is Mr. Lightner's testimony.

Mr. MANARY. Mr. Chesley, last year, told me that they lost a few logs off of one raft.

Mr. FREAR. This Davis system is almost the same as towing in a boat, the way they tie them up with chains?

Mr. MANARY. Every log is tied with a cable.

Mr. FREAR. So that it really is a system that has been adopted by loggers now generally, and that is a good system?

Mr. MANARY. Yes; I understand it is. He has a patent on that.

Mr. FREAR. I mean, it is a good system?

Mr. MANARY. I believe so. I never saw it done.

Mr. FREAR. You have never done it yourself?

Mr. MANARY. I know pretty well how it is done.

Mr. FREAR. Of course you would not do that in the Columbia River?

Mr. MANARY. No.

Mr. FREAR. What position did you have with this company?

Mr. MANARY. Superintendent.

Mr. FREAR. Of all the Warren Spruce operations?

Mr. MANARY. Oh, no; just at Toledo.

Mr. FREAR. What was the position, then?

Mr. MANARY. Field superintendent.

Mr. FREAR. At Toledo?

Mr. MANARY. Yes.

Mr. FREAR. How long were you with them?

Mr. MANARY. Going on three months, not quite three months.

Mr. FREAR. What time was that?

Mr. MANARY. I think I started in about the 1st of February.

Mr. FREAR. February, 1918?

Mr. MANARY. 1918.

Mr. FREAR. You were there for three months?

Mr. MANARY. Yes.

Mr. FREAR. What were you being paid then?

Mr. MANARY. Ten thousand dollars a year.

Mr. FREAR. You left what time?

Mr. MANARY. I left about the last of April.

Mr. FREAR. Why did you leave?

Mr. MANARY. Well, the other people wanted me to go down on that road to look after that road, and they went to the Warren Spruce people and made arrangements and asked for me to go down there.

Mr. FREAR. That is on the road down to the Blodgett tract?

Mr. MANARY. No.

Mr. FREAR. What road?

Mr. MANARY. The Lewis & Clark road.

Mr. FREAR. Were you still working for the Warren Spruce people?

Mr. MANARY. No.

Mr. FREAR. Oh, for the Grant-Smith-Porter Bros.?

Mr. MANARY. Yes, sir; they put in that road.

Mr. FREAR. What have you to say about the operations of the Warren Spruce people? That is, their methods, as to efficiency in logging.

Mr. MANARY. I do not know anything about their logging.

Mr. FREAR. About their general business methods down there?

Mr. MANARY. Well, it was all left to me down there while I was there.

Mr. FREAR. I will ask you this: Have you ever made statements to different people that they were not good loggers or not efficient in the work that they were doing there?

Mr. MANARY. I did not know anything about their logging at all.

Mr. FREAR. What was their work that you were engaged in?

Mr. MANARY. I was hired to take charge of the logging.

Mr. FREAR. Well, now, what was their work compared with good logging work?

Mr. MANARY. The logging work was supposed to be done at my say-so, as I said it was to be done.

Mr. FREAR. But all the responsibility could not be loaded on your shoulders; you would not want to be held accountable for all the things that were done there, I presume. What was their method, good or bad; were they good or bad loggers in there at that time?

Mr. MANARY. They got me what I wanted; they got the material.

Mr. FREAR. They got the material and supplies?

Mr. MANARY. Yes.

Mr. FREAR. What about production?

Mr. MANARY. Their was no production when I left; there was nothing got out before I left.

Mr. FREAR. What about the method they were pursuing? Was it a method of good loggers?

Mr. MANARY. Well, I could not say. They never was much on the ground, just once or twice, through the timber with me, and as far as their logging is concerned, I do not think they were loggers.

Mr. FREAR. What about the wastefulness that occurred there; that is, the wasteful methods that were pursued? That is, I mean, in a general way, of the material for construction, not using it and wasting time and money in useless construction, either of roads or logs, or matters of that kind. What have you to say about that?

Mr. MANARY. Well, I did not see any wastefulness. Of course, there were changes made very often; there were men that made changes; all these officers that come down and give different orders

from what Mr. Kumpis gave me and told me sometimes, and I would not know where I was.

Mr. FREAR. That is what I have understood came from you.

Mr. MANARY. Yes.

Mr. FREAR. That leads to a failure to produce, does it not? It delays operations and injures the general work?

Mr. MANARY. Sometimes it does; if a man will pay attention to it all the time.

Mr. FREAR. You had to more or less, I suppose?

Mr. MANARY. Of course, when your superior officer came along.

Mr. FREAR. Well, I will not ask you anything further along that line. After you went down to the Lewis and Clark road, what was the method pursued there, different or better or worse, in the handling of conditions there?

Mr. MANARY. Oh, handled about the same way; it was all soldier labor.

Mr. FREAR. You built a road there, a railroad?

Mr. MANARY. Yes.

Mr. FREAR. About how long a road was it?

Mr. MANARY. They built about 12 miles, in between 11 and 12 miles.

Mr. FREAR. Do you know what the cost of the road was?

Mr. MANARY. No; I do not.

Mr. FREAR. You received an option or part of an option from Davis, did you not, on the Blodgett tract?

Mr. MANARY. We had an option at one time on it.

Mr. FREAR. That was in the spring of 1918—January, or somewhere along there?

Mr. MANARY. No; it was along the fall of 1917, I believe.

Mr. FREAR. Davis had the option, and you were taken in with him, you went in and joined with him?

Mr. MANARY. Yes.

Mr. FREAR. To whom was that option transferred?

Mr. MANARY. It never was transferred; we returned it back to Mr. Brumby.

Mr. FREAR. Was not Donaldson interested in that tract?

Mr. MANARY. He came to me and asked me to get the option.

Mr. FREAR. Did he have an assignment of it?

Mr. MANARY. No.

Mr. FREAR. Nothing at all.

Mr. MANARY. No; we never turned the option over to him.

Mr. FREAR. Where did Rossman come in? Did he have an option?

Mr. MANARY. No. I did not know Rossman.

Mr. FREAR. Then you and Davis were the only ones who received it; that option was for how much?

Mr. MANARY. I don't remember what it was for.

Mr. FREAR. It was testified that it was for \$575,000.

Mr. MANARY. I could not tell you right now.

Mr. FREAR. How did you come to be interested in that option?

Mr. MANARY. Well, Donaldson came to me and told me he had some people that wanted to buy that.

Mr. FREAR. Donaldson?

Mr. MANARY. Yes, and that they were willing to put up \$25,000 for the option.

Mr. FREAR. Donaldson's people?

Mr. MANARY. Yes.

Mr. FREAR. Was that Bailey?

Mr. MANARY. I do not know who it was. He put \$25,000 up for the option until it would be cruised.

Mr. FREAR. This was in the fall or early winter months of 1917?

Mr. MANARY. Somewhere along about that.

Mr. FREAR. What did you do when he came to you?

Mr. MANARY. He never put up the money.

Mr. FREAR. I am trying to find out how you came to be interested in the option. You say Donaldson came to you. How did you come to be interested in the option first?

Mr. MANARY. He came to me and asked me to get it back, as I was acquainted with the Blodgett people.

Mr. FREAR. Wanted you to get it from the Blodgett people?

Mr. MANARY. Yes.

Mr. FREAR. You did not get it from the Blodgett people direct?

Mr. MANARY. I got it from Davis.

Mr. FREAR. And Davis got it from Blodgett. You went in with Davis on a half interest?

Mr. MANARY. It was me that got it from Davis.

Mr. FREAR. It was a half interest; what were the terms?

Mr. MANARY. There were some terms that I don't remember.

Mr. FREAR. There was nothing in writing?

Mr. MANARY. No.

Mr. FREAR. Just an agreement between you?

Mr. MANARY. Yes.

Mr. FREAR. At that time did you keep your option for the full length of time?

Mr. MANARY. Yes, somewhere about that.

Mr. FREAR. I understood it was released before that time, before the end of the thirty days. That was the testimony here this morning.

Mr. MANARY. There was some agreement that we were to take the option and these people were ready to put up at the time, but they did not and it was returned, and I do not know whether we kept it for the thirty days or not.

Mr. FREAR. Did Davis do the real work in regard to it; did he handle the business end of it?

Mr. MANARY. He was acquainted with Mr. Blodgett and he got it from Blodgett or someone.

Mr. FREAR. After the contract was released, was it released by Davis back to the Blodgetts?

Mr. MANARY. I think we returned the option at first, right back to them.

Mr. FREAR. That was before the expiration of the 30 days, or do you know?

Mr. MANARY. I don't remember.

Mr. FREAR. Was Mr. Davis connected with the Warren Spruce Co. in any way, and if so at what time?

Mr. MANARY. I do not know anything about that.

Mr. FREAR. You do not know whether he was an officer of the Warren Spruce Co.?

Mr. MANARY. Not to my knowledge.

Mr. FREAR. When did you enter the employ of the Warren Spruce Co.?

Mr. MANARY. It was along about the last of January, I believe.

Mr. FREAR. About the last of January, 1918?

Mr. MANARY. Yes.

Mr. FREAR. In this position to which you referred, you stated that you worked for them three months and then went back to the Grant-Smith-Porter job?

Mr. MANARY. Yes.

Mr. FREAR. Were you ever down on the Blodgett tract?

Mr. MANARY. No.

Mr. FREAR. You were never down there?

Mr. MANARY. No.

Mr. FREAR. Did you ever handle timber at all in purchases of this size, tracts of that kind?

Mr. MANARY. Yes.

Mr. FREAR. Whereabouts; what tracts did you ever sell?

Mr. MANARY. Well, I was in a deal with Mr. Bates with the Eccles people.

Mr. FREAR. How much was that; how large a deal was it?

Mr. MANARY. Somewhere about \$3,000,000.

Mr. FREAR. A large deal?

Mr. MANARY. Yes.

Mr. FREAR. Mr. Donaldson did not come across, did he; he was not able to get his parties up with the money on this Davis option of which you spoke?

Mr. MANARY. No.

(Witness excused.)

TESTIMONY OF HOWARD H. HOLLAND.

(The witness was sworn by Mr. Frear.)

Mr. LEA. Where do you reside, Mr. Holland?

Mr. HOLLAND. In Portland.

Mr. LEA. How long have you resided here?

Mr. HOLLAND. Approximately 22 years; since 1897, practically.

Mr. LEA. What is your business?

Mr. HOLLAND. Logging.

Mr. LEA. And how long has logging been your business?

Mr. HOLLAND. Oh, practically since 1904; I have been engaged in timber and logging and milling all my life, practically.

Mr. LEA. You were connected with the work of the Spruce Production Corporation here, were you?

Mr. HOLLAND. No; not until—with the exception of my appointment at the Yaquina Bay.

Mr. LEA. When did your connection in that respect begin?

Mr. HOLLAND. As I recall it, about the middle of June; about the 18th or 19th.

Mr. LEA. 1918?

Mr. HOLLAND. Yes.

Mr. LEA. And what were your duties at Yaquina Bay?

Mr. HOLLAND. Well, it was general supervision. My title was supervisor; it was supervising the work of the cost-plus contractors,

and also planning out the logging end of the work, and it was a sort of field-management job, except it was supervision only.

Mr. LEA. You were in effect the representative of Col. Disque in that operation in Yaquina Bay district?

Mr. HOLLAND. Yes, sir.

Mr. LEA. That included the Blodgett tract and the section north of the bay also, did it?

Mr. HOLLAND. Yes, sir.

Mr. LEA. Had the work on the mill started before you went there?

Mr. HOLLAND. No; that started just about the time I went there. The location of the mill was decided on, I think, the first two weeks I was there, before the 1st of July. I was in the woods at the time of the decision.

Mr. LEA. To what extent and how frequently did you confer with Mr. Disque as to these operations?

Mr. HOLLAND. Well, it practically kept me pretty busy on the work of laying out and planning out logging operations; that is, the logging roads and the placing of them and getting the location of the timber. Conferences were not very frequent with him, since most of the correspondence was taken up through Col. Hitchcock as a matter of convenience, in getting supplies and things of that kind; logging equipment, railroad equipment, steel and things of that kind. That part of the work was left to me; that is, the carrying of equipment to obtain a production of 30,000,000 per month by the 1st of March, 1919. With that knowledge of thirty-million production, I was supposed to prepare for it, in order that production would reach that point upon that date.

Mr. LEA. Did Mr. Disque interfere with you in carrying on your plans there to meet that demand, so far as that section was called upon to do it?

Mr. HOLLAND. Did he interfere?

Mr. LEA. Yes.

Mr. HOLLAND. No.

Mr. LEA. You exercised your own judgment in carrying out the operations?

Mr. HOLLAND. Yes.

Mr. FREAR. When did you testify you went in there?

Mr. HOLLAND. I think I stated about the 18th of June, as I remember. I can find that date exactly, the actual date; but I talked with Col. Disque on Saturday morning and went there the next Monday. That is as near as I can remember it offhand.

Mr. LEA. Reference has been made to the connection of the railroad—that is, the north branch railroad—with the railroad that runs along the north side of Yaquina Bay. I wish you would state to the committee why that connection was made.

Mr. HOLLAND. Well, in the first place, the road, if it had been built through this gap up beyond the point—if you will remember where you took the train when you went out on the north line—there is a little grade; going up there from the bay, you had to make that divide. Then, coming down to the bay, you would have had a switchback on the edge of the bay to have gotten out to the bay to the boom and rafting ground out there; so you would only have saved a mile and a half of road. The physical connection at Clallam, even though you were not going to haul over it, is worth the cost,

and I would utilize that in building my own logging road, in getting supplies, your equipment, your donkey engines, your locomotives, and provisions and everything else, and that connection is worth quite a little to you. Furthermore, the booming and rafting grounds at the lower point would be down at the end, and then the switch-back out in the water, and the conditions for rafting and booming were not good. There was a narrow channel at low tide, and it would interfere somewhat with transportation; and, furthermore, the storms get quite a sweep across that bay, and that may have interfered with the work of booming and rafting during the winter months.

Mr. LEA. And the railroad would have permitted the work to go on in any weather conditions?

Mr. HOLLAND. If your production was greater from the two points down there, both the north and south lines, so that your mill had more than it could do, and it was decided to be advantageous to ship something out, you could have done that also, providing the Spruce Production could have furnished proper equipment.

Mr. LEA. Did you observe the railroad operations or construction work while you were down there?

Mr. HOLLAND. A great deal. That is, the work had started on both the south and north line, or was just starting on the north line when I got there. On the other line there was a lot of it that had just been brushed out somewhat, and I went over that. The first thing I did was to walk the entire length of it, and every chance I had I walked over the construction work as it progressed.

Mr. LEA. Have you ever had any experience in railroad construction or logging road construction?

Mr. HOLLAND. In our own works, yes; we have had quite a little of that.

Mr. LEA. I wish you would tell this committee what you saw there and the difficulties that were involved, and the success and failure of the work as it may have appeared to you?

Mr. HOLLAND. Well, it is quite a long story, I mean to go into it in detail, but at the same time the only way you can get it is to get it in detail.

Mr. LEA. Yes.

Mr. HOLLAND. These roads were opened up their entire length, or nearly their entire length at the same time. It was not a follow-up proposition. The economical way to build any road, especially where transportation facilities are not good, is to follow up, start at your initial point and then follow up; bring your timbers for trestle work and your piling right along with you, and you can have grading crews out a little ahead, but you have got to keep your work coming from a common point, especially on a road of that nature. I think if that policy could have been adopted down there that the road could have been built much cheaper. Now, the fact that you were opening it up in a great many different places along the line meant that you had to provide food and supplies of all kinds. For instance, your piling and your bridge timbers and your construction timbers were towed out through the harbor, and they had to wait, they could not always get them out there when they wanted to on account of weather conditions. They were allowed to go in over the surf. I mean you had

a makeshift right along in order to keep the thing going and try to keep your whole operation going at full capacity all the time.

Mr. LEA. That is, for instance, if you had to deliver the materials for a bridge down toward the Blodgett tract did you have to take that out by water?

Mr. HOLLAND. A great deal of it was taken out by water.

Mr. LEA. Was there any established wagon road paralleling this railroad construction?

Mr. HOLLAND. No established wagon road at all. They used the beach, and there were a few places where you had to go off the beach and go around promontories where you could not get by on the beach. The beach was not always open to traffic, and there were a great many times when you could not travel the beach at all.

Mr. LEA. Was there any established road over those promontories?

Mr. HOLLAND. Just very poor roads. They were good in the summer time and very bad in the winter.

Mr. LEA. Did construction work have to be done to make those deliveries to the railroad, that is, with the wagons or trucks, so that they could pass?

Mr. HOLLAND. Well, there were more or less of these sand roads built, the plank roads. That is, there was some of that work done, and there were very few places where a wagon road came in close proximity to your railroad. Of course your railroad ran along the beach and there were places there where you would have less than half a mile, sometimes much less than half a mile, to get to the road, but the beach was the artery.

Mr. LEA. How were supplies from the beach taken up to the different locations on the railroad?

Mr. HOLLAND. That was all done by horses, teams. They were dragged up; piling, for instance, was dragged up, and bridge timbers were dragged up.

Mr. LEA. Didn't you have wagon roads?

Mr. HOLLAND. No, we did not have wagon roads for most of it, it was just a case of hauling it, putting three or four teams onto one load, as many teams as were necessary. It was a question of bulling it through.

Mr. LEA. Go ahead in your own way and tell us about the situation.

Mr. HOLLAND. It was quite a problem, I noticed, right straight through, in getting the material that was needed. There was piling, for instance, that had to be brought in, some of it, from the valley. We got out quite a lot of it ourselves. It was a country that had been burned over, and the second growth was a second growth—that part of it had quite a thick sap. As we went along and got into places where you got spruce piling we utilized that. We got piling from the Alsea. No, the bridge timbers, the stringers and caps, etc., some places we hewed caps and other places they had to be shipped in. Deliveries of lumber were slow sometimes and held us up.

Mr. LEA. How many different points of operation did you have on that Blodgett road at once?

Mr. HOLLAND. Well, I should say, roughly about 10 distinct operating units there. They have that data, Mr. Lea, that shows the

number of camps and their locations on the map. I do not happen to have one with me, but it pretty well typifies, outlines the work.

Mr. LEA. If you will just proceed now in your own way.

Mr. HOLLAND. At the time, of course, that this work was going on, this construction work which was being done by the Warren Spruce Co., being done under the direction of our own surveyors—the only connection I had was one of supervision in a general sort of a way, I mean to see that the work progressed and try and have the whole thing progress uniformly—and during this time, of course, this logging development work had to go on. In other words, we did not want the main line road down there and then have to go in and start in and build logging roads and get ready to log. We wanted to have the whole thing finished simultaneously. We were fairly well equipped to start logging upon the completion of the road, that is, we would have been. We had, as I recall it, several miles of spur in process of completion down there in the Blodgett tract. More or less grading was done, and some of them there were little gaps, but there would be some grading. There would be a gap, and then grading ahead. When the pile drivers finished on the main line I would move them in there and fill up those gaps with the piling work.

Mr. LEA. Was the main extent in the work of the Warren Spruce Co. down there construction work or the production of logs?

Mr. HOLLAND. Construction work, practically all.

Mr. LEA. Is the fact that 7 per cent of the lumber that was produced came from the cost-plus contractors any indication of the amount of work that they performed?

Mr. HOLLAND. Well, that of course deals with the logging end of the production, which I know nothing about except from talking around, any information a layman might have.

Mr. LEA. To what extent have they got into log production?

Mr. HOLLAND. In that locality?

Mr. LEA. These operations; yes.

Mr. HOLLAND. That was practically the only extent of their work down there. The only logging they did down there was conducting this Wessel Creek operation, which was their S. P. D. No. 10. That was not any large operation at all, and it was done under the selective type of logging. I mean that it was scattered spruce, and spruce where you not only did not take all the trees but you did not take but a small percentage of the log out of the tree. It did not compare with the major units which were being opened up by them on the north and south line, on the S. P. D.'s No. 11 and 12.

Mr. LEA. What was the attitude of the laborers there and their experience in carrying on this work at Toledo?

Mr. HOLLAND. The laborers?

Mr. LEA. Yes.

Mr. HOLLAND. Well, in the Toledo operation they were mostly soldiers. It was difficult at that time to get civilian labor and we were attempting to utilize as much soldier labor as we could down there. We had some soldiers that were pretty fair, but they had to learn this game. We were using them for felling and bucking a great deal. We were using them particularly for little schools toward the last. We were trying to get some of those fellows whipped into line so we could use them on our major operation. It was a discouraging operation, inasmuch as it took quite a little

machinery and quite a number of men to produce a small amount of timber. It was a trying operation to a logger. Our foreman there was a man that was—at least, during the time I was there—was a man that always had the reputation of being a pretty good logger, and he was often discouraged because he could not get better results. But it was not in the cards to get it in that kind of an operation, because it was selective in the first place, and a very thin stand of timber in the second place. They had one setting, for instance, where there were only seven trees to be brought in to one donkey setting. That means the expense of setting up, of course, to get those seven trees. But there were some very good logs in those seven trees. There did not happen to be in this particular instance much fir and other timber in there, and the territory was actually logged over.

Mr. LEA. Was there any disposition there on the part of anybody that you knew of to refuse or to fail to try to get experienced labor?

Mr. HOLLAND. Oh, no, no; they tried; they tried and I tried. I tried—in fact, as far as the cost-plus contract was concerned, they repeatedly came to me and asked me if I could not help them get somebody. I went up there a great many times to talk with the men that were there to find out what we could do to speed them up. I will admit it was quite a question what you could do. We were not working all these donkeys at any time. There were very rarely over two or three sides working. They were building a road at the same time that the logging work was going on.

Mr. LEA. Was this Toledo operation the first cost-plus effort in that section?

Mr. HOLLAND. I believe it was the only one in that section. I think I am right in that.

Mr. LEA. Did you see Mr. Miller doing any logging down there at that time?

Mr. HOLLAND. Yes; Mr. Miller was logging up on his road, just a short distance above Wessel Creek.

Mr. LEA. How did his logging compare with what was being conducted there by these men, the Spruce Division Corporation?

Mr. HOLLAND. Of course, Mr. Miller was logging fir. Now, at the time I was there I was trying to conduct that road there to help Mr. Miller and Mr. Storey as much as possible in getting their logs out. We loaned them cars, trucks, and hauled from the junction point over the line and dumped the logs, and attempted to sort them and keep them separate in the booms. Mr. Miller was logging up on the—I should say, roughly, about a mile above the "Y," where they connected up with the Wessel Creek Road, and at the particular time when I noticed his operation he had a pretty good showing. In other words, he had his road built up, and he had timber felled and bucked up, and what you would call a setting. He had three donkeys, a yarder, swinger, and loader, and was prepared to go ahead and get logs. While he was building a little road work he had pulled into his rollway quite a bunch, and in a matter of a week or so he was able to pull out quite a few logs. He probably got a production of eighty or ninety thousand feet a day.

As he kept going back, however, on the edges of the setting his production would decrease for that one setting, and in pulling out that particular setting he was compelled to shut down for a matter

of six weeks or such a matter to build road ahead. Not from choice, however, Mr. Frear; but I mean that was just one of those things that sometimes happen with the best of loggers. Most of us try to keep road ahead. If we can keep road ahead in our operations of our own on the river we have road ahead nearly a year. It is always good policy to do it. I think probably Mr. Miller and Mr. Storey in that operation were probably handicapped some in labor and supplies, etc., in getting stuff out; but I mean that when you consider a daily output you have got to take it over an average of days. You can not take a week's record or a month's record, but you have got to consider your record for the year.

Mr. FREAR. If I may interject right there—that was a difficult situation with them on the logging business; that is, I mean on the labor proposition, because they were practically obliged to compete with these other people, and the overage commercial logger could not do that.

Mr. HOLLAND. There were very few loggers in our Wessel Creek operations, or any of our operations down there, I believe. They were with Miller, had been with the Miller road. I would not be certain about that, Mr. Frear, but the difficulty in getting men was not confined to that operation alone. The difficulty in getting men, experienced men, Mr. Frear, is not in that territory alone. It has been the experience of every logger in every part of the West during the last year or two. A great many men are unable to get road ahead because they can not get labor—not only there, but elsewhere.

Mr. FREAR. Particularly at that time, during the war, it was a hard labor condition.

Mr. HOLLAND. Yes.

Mr. LEA. Where did you get the sled for your donkeys?

Mr. HOLLAND. Well, of course, the sleds that were used in the Wessel Creek operations were made there on the ground. All of this equipment that came in came in on just little timber skids. They were new engines, most of them, and realizing that we had to—the sled end of the game is a very important one to the logging industry—realizing that those had to be built we endeavored to get as many as we could from the Wessel Creek operations. We pulled in what trees we could and had a regular sled gang making sleds at Toledo.

Mr. LEA. What is required for a sled?

Mr. HOLLAND. It requires a very good sizeable log in the first place.

Mr. LEA. About how big?

Mr. HOLLAND. A good sled would require a log anywhere from 4 to 64 feet in length. It has got to be sound, and it ought to be at least 42 inches on the top end. It ought to be bigger than that; it ought to be 48 inches.

Mr. FREAR. What kind of timber?

Mr. HOLLAND. Fir timber. Spruce is too soft, Mr. Frear, and cedar is not obtainable in that country.

Mr. FREAR. I saw them there and I was wondering.

Mr. HOLLAND. Hemlock is no good for that purpose.

Mr. LEA. What became of the surplus sleds that existed at the time of the armistice?

Mr. HOLLAND. They were taken back to Vancouver, I believe, at my suggestion. I found by knocking them down again—there were some of them that were not put together, although the timbers were there—by knocking them down we could get rough timber rate out, and that seemed good policy to ship them back, as long as the donkeys were going back, and especially as these sleds were made generally for particular donkeys. You had your loaders and your yarders, and both of them were of different sizes, different borings and all that, so that these sleds should accompany the donkeys that they were to go with.

Mr. LEA. How many sleds were there down there?

Mr. HOLLAND. As I recall it, there was somewhere, completed, about 40. I will not be certain about it. That is besides those that were in the woods on the Wessel Creek operation.

Mr. LEA. Now, are you familiar with the timber along the north coast route there?

Mr. HOLLAND. More or less. I was in through the timber a great deal in there looking up our logging roads and places to put them, and I also endeavored to get in and get a general idea of the location of the timber. But when I went on the ground there were some men there that had been doing preliminary work, cruising, and I put them on this work of making a 10-acre cruise. In other words, going twice through a 40 and putting down on each 10 acres the amount of timber that would appear on 10 acres. I made that sort of a cruise with the idea of putting in that sort of unit, definitely locating the timber in respect to its location in a section, or as to creeks or hillsides, etc.

Mr. LEA. About what spruce did you determine was there?

Mr. HOLLAND. What quantity of spruce?

Mr. LEA. What quantity of spruce did you determine to be located below Otter Rock along the coast slope?

Mr. HOLLAND. Those figures were in the neighborhood of 150,000,000, I think, from the result of the work, from what I saw of it. I did not personally do any actual checking of my men's work, at least the men that were conducting this cruising work, but I feel that they are pretty conservative; that is, I think the stuff would have cut that and more.

Mr. LEA. Do you know about the total amount of all kinds of timber; that is, of saw timber up the coast there in that section?

Mr. HOLLAND. Roughly, the territory opened up as far as the main line construction is concerned, there would be something better than 400,000,000.

Mr. LEA. About how long would that take the Toledo sawmill to saw it on an 8-hour shift,

Mr. HOLLAND. Four hundred million.?

Mr. LEA. Yes.

Mr. HOLLAND. Without paper and pencil, Mr. Lea, I do not know whether I can figure it. It depends on how you run your Toledo sawmill. If you are going to put 250,000 feet a day—

Mr. LEA. Figuring on an 8-hour shift.

Mr. HOLLAND. Well, on an 8-hour shift that mill—I have got to digress a little on that, because your cut-up plant is there with your head saws. Your mill for commercial purposes would be changed around somewhat. You would not have that cut-up plant as an en-

tire unit, but with your two head saws and the gang edger that they had there you would have to have some other cutting units in there.

Mr. LEA. For an ordinary sawmill.

Mr. HOLLAND. You would have to have resaws for an ordinary sawmill because you would not want to go an inch or 2 inches or 3 inches with those head screws. Also you would not confine it to cants as much as you would in the cant spruce work, cutting larger units and having the resaws take care of it. In running that mill as a whole, if you ran both sides of it, there would probably be at least two resaws and possibly more.

Mr. LEA. The mill would handle the lumber that the head saws could take care of.

Mr. HOLLAND. If you figure on 300,000 a day on an 8-hour day—I will not be certain the mill would cut that—I mean I think there are others who can give you more definite information regarding that, but if it was 300,000 a day on an 8-hour day, if you run 300 days—what is that, nine million or ninety million?

Mr. LEA. Ninety million.

Mr. HOLLAND. Well, at that rate it would take over four years.

Mr. LEA. About how long would it take to saw all the spruce that was there?

Mr. HOLLAND. Well, of course, your spruce was to be delivered from not only your north line, but from your south line.

Mr. LEA. I understand that, but this particular section, how long would that keep the mill busy?

Mr. HOLLAND. This north section?

Mr. LEA. Yes.

Mr. FREAR. You mean commercial sawing?

Mr. LEA. I mean sawing as the Government figured on it there.

Mr. HOLLAND. For air stock, selective air stock?

Mr. LEA. For aircraft purposes.

Mr. HOLLAND. Do you mean an 8-hour shift or a double shift, or a treble shift?

Mr. LEA. Eight-hour shift.

Mr. HOLLAND. Well, I think their plan called for something around half a million feet, 500,000 feet on an 8-hour shift. I will not be certain about that. Mr. Swan, who built that mill, is a man I have known, and he has stated to me that it would cut, in three shifts, better than a million feet. He has stated to me that it would cut as high as a million two hundred thousand feet.

Mr. LEA. For aircraft purposes?

Mr. HOLLAND. For aircraft purposes. It was a question of additional units, sawing units. Maybe half a million on eight hours is a little high, but on the basis of that it would be 400,000 feet in eight hours; in putting it through the resaws they figured roughly. I think Mr. Swan so stated that he would handle easily 750,000 feet on two shifts. Now, that brings down that general average, but I mean he figured safe on that, and by crowding they could get more. It was merely a question of adding resaw units to increase the cut.

Mr. LEA. Who is Mr. Swan?

Mr. HOLLAND. He is the man that really, I think, drew the plans and constructed the mill, supervised the construction of it, for the S. P. D.

Mr. LEA. Of what experience was he?

Mr. HOLLAND. He has been an old mill constructor—millwright and mill constructor—and was at one time connected, I believe, with the Allis-Chalmers Co., but I will not be certain about that, but I think he was. He has built a great many mills on the coast and is still doing a great deal of that work. He is supposed to be a very experienced man in that regard.

Mr. LEA. Now, do you know about the wasting of food and food materials down there in that spruce operation??

Mr. HOLLAND. There was very little, and especially considering the conditions under which food supplies were forwarded. There was once in a while that a little meat would go bad, but that happens in the best of logging camps and the best of families. It was due almost entirely to transportation facilities, due to the handicap that nature worked on us, which were the high tides, which would not allow transportation, and sometimes the weather conditions, either by boat or water, weather conditions would handicap.

Mr. LEA. What was the method of disposal of waste material at the camp?

Mr. HOLLAND. Meat was ordered burned. Any meat that was bad, I mean that had spoiled or anything—always in any logging camp there is a certain amount of it that spoils during extreme hot weather—I think probably in the Army they were a little more particular than in ordinary civil life with spoiled meat, because they feel a responsibility for those men. I mean meat that was tainted, or what you might call a little high, but meat that did spoil under those conditions was burned, through the orders of the Medical Department of your Army. That is, anything that was destroyed was done through the authority of the Medical Department. That is, as far as I was able to observe.

Mr. LEA. Now, going back to the question of production, how many sides were provided for in those operations at the Blodgett tract and the north coast route?

Mr. HOLLAND. Well, the game was a progressive one, Mr. Lea. In trying to determine the output of a side—that is, throughout the operation as a whole—you have to get your railroads laid out and your logging road laid out definitely on the ground in order to determine the number of sides to take care of it. I started in with the idea of ordering the equipment and preparing for a production of practically a million feet a day. You would have to have a little more than that to get 30,000,000 a month. I figured we would actually need at least 40 sides doing business all the while in order to get it. I found that down in the Blodgett tract, the way the thing was opening up, the location of the timber—that is, the belt in which the spruce was located and was dense—was only about a mile and a half wide. We were enabled to get into that mile and a half strip, which was probably 4 or 5 miles long and a mile and a half deep—we were enabled to get into that in several different places, so that we could open it up in its entirety as regards length. Not only were we prepared there to get the thickest stand of spruce, the heaviest stands, but the best quality in order to start our operation. In other words, in that particular location I figured that a side would have gotten nearer eighty thousand a day than thirty. It was almost straight

logging. There would be more timber actually taken out, and the stand of spruce timber was almost entirely, consisted almost entirely of spruce, and, in fact, on the territories that we had developed and opened up there was hardly enough fir to give fuel for your donkeys.

Mr. LEA. If your work had gone on to completion as planned, what would your probable production there in a year have been?

Mr. HOLLAND. Well, on the Blodgett tract—

Mr. LEA. I mean for you to take the whole operation.

Mr. HOLLAND. If I might be permitted to take them separately—

Mr. LEA. Yes.

Mr. HOLLAND. In the Blodgett tract I figured we would get, that we could get from that side alone 800,000 feet if we had to. We could get 600,000 easily. Now, if we could have averaged 60,000 a day a side, 10 sides would have provided us the 600,000 feet; and I think we would have gotten—of course, the important thing would have been to have kept 10 sides going continuously, and that would have meant several extra sides. What I mean by a side, I mean logging-engine unit. It may be a yarder and a swing and a loader, or it might mean just a yarder and a loader, depending on your method of loading; but, generally speaking, it would have been the three engines. It would have been nearer 80 than 60 during the first year of our operation down there, I believe, whether the Aircraft Lumber Co. had done it or whether we had done it ourselves.

Mr. LEA. That is, 80,000 a day for the working units?

Mr. HOLLAND. Yes.

Mr. LEA. How many units would there have been in the north line?

Mr. HOLLAND. Well, there would have been—to have met the requirements there would be less timber required from the north line, and I would have figured more units of operation there, but you would have gotten a less production per side, and even at that the territory opened up on the north side would have been more nearly straight spruce logging than that first unit opened up a mile and a half from the coast, or two miles from the coast, because there was very little fir in that particular strip. As you went back and got up on the creeks farther it would have been more selective logging as to type of tree. I mean you would have had to get in among the other stuff and take your spruce.

Mr. LEA. Combining the production of the two areas, about what would you have expected as the annual production?

Mr. HOLLAND. I should have expected at least 50,000 for the side within the two areas.

Mr. LEA. What I meant, logging—

Mr. HOLLAND. You mean annual?

Mr. LEA. The total production.

Mr. HOLLAND. Your annual production?

Mr. LEA. Yes.

Mr. HOLLAND. Well, my orders were to get 30,000,000 a month, and we were going to get it, Mr. Lea, if there was any way of doing it, and if it was a question of adding more units we would have gotten it. We would have gotten it for as long as our timber held out, at least.

Mr. LEA. Now, what proportion of that 30,000,000 feet a month was to come from this Yaquina Bay district?

Mr. HOLLAND. That 30,000,000 a month was lost that I am referring to. The 30,000,000 of logs was to come from—

Mr. LEA. From that section?

Mr. HOLLAND. From that section.

Mr. LEA. Do you believe there was a reasonable prospect of getting it?

Mr. HOLLAND. Yes.

Mr. LEA. For one year?

Mr. HOLLAND. Yes.

Mr. LEA. Are you acquainted with the Queen Charlotte Island?

Mr. HOLLAND. Not that far north. The farthest north I have been has been the Quatsino Sound district on the north part of Vancouver Island.

Mr. LEA. So you have not been on Queen Charlotte Island?

Mr. HOLLAND. I have not been there at all.

Mr. LEA. Were you ever in the milling business?

Mr. HOLLAND. Why, yes; but not actively engaged in it.

Mr. LEA. Well, was the question of deciding whether this mill would be constructed determined before or after your connection with these operations?

Mr. HOLLAND. It was about the same time that I went in, but I was not—I happened at that particular time to be in the woods, out on the Blodgett tract, and therefore that decision was made, I believe by the lumber producing end, I think by Maj. Griggs and Major—

Mr. LEA (interrupting). As a practical way of handling the situation, what is your judgment about that, whether or not the mill should have been constructed there or the logs transported elsewhere for cutting?

Mr. FREAR. That is rather a large question, but I don't know but what it is—

Mr. HOLLAND. Yes; it is a large question, Mr. Frear. The problem of hauling the stuff out—

Mr. FREAR. I don't think we have asked any of the witnesses so far that question in that form, but I have no objection to your answering it.

Mr. HOLLAND. The question of transporting logs out to the valley over the hills was more or less of a problem; I mean a problem that—

Mr. LEA. That is what I want to get at—the reasons instead of the mere opinion.

Mr. HOLLAND. Most of the standard or regular railroads, I mean transcontinental railroads, are not anxious to haul logs. A log load on your track is hard. Now, we were putting in those logs down there double length, for instance, in order to facilitate logging and also to facilitate any changes in specifications for our stock that might come up. They did change some, you know, from their early spring requirements and from their later requirements, and we were still prepared to anticipate a few changes—they wanting longer wing beams and other changes—and we were bucking longer lengths, double lengths, so as to get stuff better than 40 feet in length—between 40s and 54s. We were using disconnected and connected trucks for that reason. In order to have transported your product

of that length out over the Corvallis & Eastern Railroad, for instance, you would have had to use two cars, double car lengths, and then the log laid on your cars is hard on the track; it would have been necessary to have increased your siding capacity materially; it would have meant using a lot of ballast—additional ballast, strengthening the bridges and one thing and another along the C. & E., and it didn't seem as though it was—and prepare special logging cars for hauling stuff.

Mr. LEA. Is logging a severer test over a railroad than ordinary railroad transportation?

Mr. HOLLAND. Yes; it is because your load is not uniformly placed on your car or your trucks or whatever you use. It might be on one corner—a heavier load on one corner, and, generally speaking, a heavier load on one truck, your logs are generally placed the butts all in one direction, if you have noticed that on a car, a carload just—that you don't alternate your butts and tops; it is all one way.

Mr. LEA. Well, if you will, proceed with giving the facts that bore upon that question of transporting logs?

Mr. HOLLAND. Well, of course, that mill proposition, after it was decided to put it there or to be there, it left then to the logging end of it the problem of getting the stuff to your mill. I tried to show you on the way down the river, from Toledo down, the plans that we had outlined at least and started on for booming and for rafting and for caring for those rafts after they were rafted, in the storage grounds. We had only started on that work of providing storage. It would have been necessary to have provided storage for at least 40,000,000 feet to have been safe to have carried you over and to have in the mill logs during periods when you might have been held up your railroad line, might have had some slide or accident, which shut you down, which would necessarily mean that you had to have a supply ahead.

You asked about the tie onto the C. & E. road at Yaquina. We had planned that we might take logs up to Toledo and dump much of that product from that north line directly into that Toledo boom. You had your flood and ebb tides; you had to provide so that logs could get to your mill slip both on the flood and ebb tide. The booming ground at Toledo would not have been sufficient to have handled even the product from the north line, let alone that from the south; you would have had to have extended that out, branched out, coming out toward the mill, in order to have had better water to have boomed your logs and taken care of your logs as they left the car. You can't dump many logs over one brow skid—one rollway if they are not in deep water; if that log lands in the mud you can't keep piling them in the mud, you have got to dump them in the water or you will break your timber. The reason we built the booming and rafting ground at Yaquina for the north line was because we would have the advantage, if we needed it, we could raft logs there and tow them to a temporary storage, which would constitute part of our storage for the mill at all times. The south-side stuff had to be rafted across the river, because there was not that physical connection across the bay. If the game had gone on for three or four years, if this were to be conducted as a commercial operation, I would make the connection and put in a drawbridge there, because the advantage of the con-

nection there is paramount, I think, to most every logger having that and getting supplies and being able to take care of the materials in other ways if he should elect.

Mr. LEA. Where were the nearest available sawmills to handle the quantity of production that was prepared to be handled down there?

Mr. HOLLAND. The mills on the river were pretty much confined—or confining their efforts pretty much—to ship-timber work. Now, the mills in the valley were located, I think, actually as Maj. Leadbetter stated to-day—that you had a mill up there at Silver Falls, you had, perhaps, that Spaulding mill and Salem and Newberg, and there may have been a mill at Eugene. It would have been transporting those logs by railroad to all of those points from Yaquina Bay, and it would have meant in most cases a special installation in each one of those mills to have handled the product economically.

Mr. LEA. About what would be the distance, on an average, that logs would have to be shipped if they were shipped out?

Mr. HOLLAND. Well, I should say 150 or 160 miles, on an average.

Mr. LEA. Now, can you state approximately the different quantity that would be required to be shipped, depending on whether or not the logs were shipped out, or the finished airplane lumber—the proportions?

Mr. HOLLAND. In other words, the proportion of the airplane stock that was developed in the logs that we put in?

Mr. LEA. Yes.

Mr. HOLLAND. Well, the only evidence I have, which is meager, of any lumber being shipped out, our stock being shipped out was sawed by Mr. Storey's mill, I believe. His mill was confined to a—

Mr. LEA. What I mean, the product of the proposed cut-up plant suitable for airplane purposes, as compared with the log?

Mr. HOLLAND. Well—

Mr. LEA. If I don't make myself plain—do you understand what I mean? The idea is—

Mr. HOLLAND. You are trying to get me—

Mr. LEA. The comparative quantity to be shipped, depending on whether you sent out the raw log or the finished airplane stock?

Mr. HOLLAND. Well, of course, it would have been much less in the finished airplane stock. Of course, in your log run you have your curfs and your slab and your bark and everything of that kind, constitutes at least a third of the contents of that log, possibly more, so that much of it goes out in curfs and slab, that your scale rule provides for. But that part shipped out as a log constitutes weight. Now, as I understand it, the problem was that if the railroad—the C. & E. Railroad—would not handle the product of that mill and allow the commercial lumber to be shipped out with the air stock, that the commercial end of it—the stuff that would not go into our stock—would be either left there or burned or disposed of in some way and only the air stock sent out, so that at no time would that road be crowded with lumber that didn't go into air stock, unless it was elected to do so.

Mr. LEA. Then by having a cut-up plant there, the amount that would have to be carried for war purposes would be purely the finished airplane lumber?

Mr. HOLLAND. Yes.

Mr. LEA. Which only represented a small percentage of the total weight of the log?

Mr. HOLLAND. Of course, it was the plan to ship that stuff direct to the airplane factories, I mean it would have to be stopped at Vancouver or be rehandled, it would be put aboard a car there and shipped right through.

Mr. LEA. Yes. I believe that is all.

Mr. FREAR. Taking, Mr. Holland, the fact that your production here, you stated, would reach a million a day, or 30,000,000 feet a month—and I understand that is substantially the amount that you expected?

Mr. HOLLAND. That was the amount we were asked to get, and we hoped to get it.

Mr. FREAR. And if 30,000,000 feet could have been produced at Clallam Bay—and I believe they expected to produce all of that in that section—and an equal amount at Grays Harbor, which is a very great producing logging point, I understand, is it not?

Mr. HOLLAND. Yes; I guess as far as—

Mr. FREAR. And 30,000,000 feet more over in Clatsop County, in the large timber section there, in the neighborhood of the river, that will give us over a billion feet or over a hundred million feet a month and over a billion feet a year, of spruce and fir with which to build airplanes.

Mr. HOLLAND. That is in the logs.

Mr. FREAR. That is in the log. And taking, I think, the amount of—the number of planes on the front was something like 15,000 for the Allies, on the battle front, although there was double that number that had to be in reserve—have you ever estimated how many planes would have been produced in a year—the material for how many planes—under this system that was being inaugurated here, say that a thousand feet of finished airplane lumber would make a plane? It is in evidence, I believe, that it averages that for large planes, and we were not manufacturing many large planes, we had none at the front, at least, except the De Haviland 4s; and 26,500,000 feet was being manufactured up in British Columbia, independent of our own efforts, and we were manufacturing it here at a rate that was astounding; have you ever figured up how many planes would have been manufactured—could have been manufactured in a year, had all the lumber that was to be produced in the next six months, and would they ever have been able to have made planes at the rate that the spruce was to be produced?

Mr. HOLLAND. I never figured that.

Mr. FREAR. Did you ever figure how many men it would take to handle the planes that could have been produced?

Mr. HOLLAND. Of course, my understanding was that Lincoln County and Clallam Bay were the largest producers, by far, that is, would have been in 1919.

Mr. FREAR. But you were taking—

Mr. HOLLAND. Much the largest producers.

Mr. FREAR. But you were taking just one district, of course.

Mr. HOLLAND. Yes; that is all I knew about.

Mr. FREAR. The Yaquina district. Now, of course, there was claimed to be and there was the country all around where they were conducting independent spruce operations, all of which were con-

tributing; these were only four of the Spruce Production Corporation enterprises of which I am speaking, and of course a great proportion of the spruce production and fir production had come from independent operators. didn't it—it had in the past?

Mr. HOLLAND. It had in the past, but would not have in 1919.

Mr. FREAR. Why not, if it could be done just as economically? The country needed airplanes, it needed them as quick as possible, and why shouldn't they undertake to get them any way that they could: Why would they wait for any particular method to get them in from the Yaquina Bay or from any other place? Why wouldn't we take them from any place?

Mr. HOLLAND. Well, I perhaps did not quite understand your statement, but as far as—of course, Yaquina Bay—

Mr. FREAR. I am not questioning your testimony in any way in regard to it, but I am showing where it may lead to in the results, and your proposition as laid down to you was fifty million feet, I understand.

Mr. HOLLAND. Thirty million a month.

Mr. MAGEE. Thirty million feet of logs?

Mr. HOLLAND. In logs.

Mr. FREAR. And it would have been a production of considerably over a billion feet by Government operations alone, and, in addition to that, we would have had all the private operators—

Mr. HOLLAND. Well, do I—

Mr. FREAR. And at the same time Great Britain was continuing her production and she was going very fast, because she had had 8,000,000 feet of finished spruce and fir the last month.

Mr. HOLLAND. Do I understand that 30,000,000 feet per month of the finished air stock was supposed to be needed—did that represent the needs?

Mr. FREAR. No; 30,000,000 feet of air stock—

Mr. HOLLAND. In the number of districts, wasn't that statement made?

Mr. FREAR. Of finished—

Mr. HOLLAND. Of the finished air stock. That was—

Mr. FREAR. Thirty million feet of finished air stock, and you mean—

Mr. HOLLAND. Per month; yes.

Mr. FREAR. Per month.

Mr. HOLLAND. You see, that would run, if you got 20 per cent out of your logs, that would mean five times 30,000,000, or 150,000,000 feet of logs per month.

Mr. FREAR. That is practically what this amounted to, the 30,000,000 feet of finished airplane lumber. At a thousand feet for an airplane—of course, it only takes a few feet, but it is estimated, I understand, at a thousand feet—that would make 30,000 airplanes a month, and we had only about 15,000 airplanes with all the Allies; ours were less than a thousand on the front at that time; and I am speaking about the conditions as we confront them seriously with all this tremendous amount of production that was proposed. It would seem so, if our computations are right. I am interested in just knowing where we were getting to and what the amount of production would have resulted in if it had been continued. I didn't ask for an answer, but I suppose that is so?

Mr. HOLLAND. I don't think there is any answer, Mr. Frear. I don't know how—your requirements are—my requirements were outlined to me, at least their demands, and I tried to get them.

Mr. FREAR. You were with us when we went on the trip down to the Blodgett tract?

Mr. HOLLAND. Yes.

Mr. FREAR. From Yaquina Bay. There was a road that, as we understand, has cost about between eighty and ninety thousand dollars a mile, depending on the method of computation. That road had slides in several places, as I remember, when we went down.

Mr. HOLLAND. There was one slide.

Mr. MAGEE. Which road is that?

Mr. FREAR. The 23-mile road.

Mr. MAGEE. The Blodgett road?

Mr. FREAR. The Blodgett road—known as the Blodgett road.

Mr. HOLLAND. There was one slide, you remember, where we all got out and walked over where that slide had come from back on the hill there, about a mile and a half from Bay View. The slide work, as far as serious—I mean the most of it was on the Yaquina Bay end, which was a very small amount. With a shovel, a comparatively small crew of men on it three or four weeks would have cleaned that stuff up in pretty good shape.

Mr. FREAR. It would have kept a shovel along there most of the time, wouldn't it?

Mr. HOLLAND. We had planned in our operation that we could finish our grade way late in the fall, and on account of the new grade, this being a new grade, we would sand ballast during the winter; and all slopes have to get their level, get their natural slope and placement, and we had planned for to do it on both ends, to meet any exigencies.

Mr. FREAR. So as to care for it, and that was one of the conditions that confronted you with this road, which was built long before the Blodgett tract was ever bought. You were working there in June, and what was the condition of it then; how far had the railroad advanced?

Mr. HOLLAND. Of course, it was some finished grade and—

Mr. FREAR. Some rails laid then?

Mr. HOLLAND. No rail was laid at all then.

Mr. FREAR. No rails had been laid then?

Mr. HOLLAND. No.

Mr. FREAR. How far had the grade extended at that time?

Mr. HOLLAND. It had been opened up in these different units of operation, so that it is hard—we had a progress chart carried on during each month, so that you could get it at the end of each week, showing the progress as the work went on.

Mr. FREAR. You suggested that the follow-up method was pursued by railroads generally in operating. Now, that is a general plan, is it, in extending all the roads?

Mr. HOLLAND. I merely make that statement in connection with most logging roads. For instance, there is a road—they might sometimes be opened up, both ends, and, of course, railroads like this North Bank, where you have railroad transportation right along, or river transportation right along, you open up in many different

units, because there was much tunnel work to be done, and all that. Most transcontinental lines it is the best way, at different points.

Mr. FREAR. With most railroads that are being built, isn't it true that after the grade is established that the train moves up and the cars move up, bringing the ties, bringing the rails—

Mr. HOLLAND. Yes.

Mr. FREAR. And everything—that they are not brought around from side entrances or anything like that?

Mr. HOLLAND. Yes.

Mr. FREAR. And by having the temporary tracks laid down at the side, that is the way they build, that is the way they construct?

Mr. HOLLAND. Yes; that is the way this road could—if it could have been built leisurely; if it was not a forced proposition, it would have been built that way, because your problems of carrying around were too great. Now, if it had built that way, it could have been built a whole lot cheaper, per mile; there is no doubt about it.

Mr. FREAR. If it had been built as an ordinary logging road?

Mr. HOLLAND. As an ordinary road.

Mr. FREAR. As an ordinary logging road should have been built?

Mr. HOLLAND. It was a road that had to be built to carry a maximum production at the worst stage of the game.

Mr. FREAR. And it was a road that, as built, would probably be an asset for some large railroad to take over in its present form, where it would not have been of any service as a logging road. That is true, isn't it?

Mr. HOLLAND. Well, of course it depends on the purpose of taking over—

Mr. FREAR. Do you know of any other logging road, to your knowledge, where they have spent anything like that amount of money for construction? If so, where and under what circumstances?

Mr. HOLLAND. I won't say as regards the actual facts, Mr. Frear. I talked with a man the other day that built some road—a road from the Columbia River, over in the Nehalem Valley, and he made a statement to me the other day that in normal times—this was built several years ago—that his main line cost him \$50,000 per mile. He said his spurs that he put in—“of course, spurs and stuff I put in only cost me from 10 to 15—the logging spurs, but I had to build that road to take out about three or four billion feet of timber. I knew it was there and that most of it came out over my line; so,” he said, “I built it to handle that, with the idea of handling that amount.”

Mr. FREAR. Miller testified that he built a logging road in 1918—a little over a mile—at the rate of about \$12,000 to \$15,000 a mile, for logging purposes, and I think that it was testified that that was built in good shape for logging purposes.

Mr. HOLLAND. Was that down there?

Mr. FREAR. That is on the north side from Toledo—north.

Mr. HOLLAND. You mean—

Mr. FREAR. Over the divide—that is where they were building.

Mr. HOLLAND. Well, at the time that I saw—at the 1st of September, for instance—Mr. Miller had no road built up beyond the point where he had been logging during part of August. In fact, he had

to shut down his camp in order to build road ahead to get another setting. That is merely—

Mr. FREAR. He stated it was 1918. I assume it was that.

Mr. HOLLAND. It must have been after that time that he built it.

Mr. FREAR. It may have been so. He said if it had continued over the divide it might have reached in the neighborhood of \$20,000, I think it was, or \$25,000, because of the size of the cuts, but beyond that it would only have been \$12,000 or \$15,000 up the Siletz.

Mr. HOLLAND. All depends on the nature of the work to be done, the size of your cuts, the amount of your trestlework, and, of course, the transportation of your material up to the point of utilization.

Mr. FREAR. I was going to ask one question, which I think has been answered before: That taking Corvallis road—that is, that branch of the Southern Pacific—the grade there runs over 3 per cent in places, doesn't? I understood near the summit.

Mr. HOLLAND. I think their maximum is 2, Mr. Frear.

Mr. FREAR. I was told it was about 3, near the summit. Now, I just ask you.

Mr. HOLLAND. Do you remember in discussing that that—

Mr. FREAR. The road from Albany down to Toledo, near the summit, I understood it was 3 per cent, and that was from people that are using the road, and that the curves are very serious?

Mr. HOLLAND. I don't know about that.

Mr. FREAR. Will you find out about that, Mr. Holland?

Mr. HOLLAND. I will find out.

Mr. FREAR. That is all.

Mr. MAGEE. Just a question or two. How did you intend to get logs from the coast road to Toledo?

Mr. HOLLAND. Two ways, Mr. Magee, depending on the weather conditions and also depending on the nature of the log in the boom at the mill. We had a great many things to contend with in the way of storage grounds at the mill, and above it, in order to get logs to that mill slip at all stages of the weather, which, of course, is tide as far as the mill is concerned—

Mr. MAGEE. You had a physical junction at Yaquina?

Mr. HOLLAND. We had a physical junction; yes, sir.

Mr. MAGEE. If you utilized that and transported your logs over the Southern Pacific Railroad, you would not need any transfer of the logs at Yaquina?

Mr. HOLLAND. You mean by that that you would not have dumped there out at the water—you mean you would simply have gone right on to Toledo with them. You could have done that.

Mr. MAGEE. That would have been the cheapest and quickest and easiest way to get the logs there, wouldn't it?

Mr. HOLLAND. It all depends on—it would have necessitated a booming and rafting grounds at Toledo, or, at least, booming ground at Toledo, and would have necessitated some trestlework there to have taken care of that, because the provision already made on depot slough, where this timber from the Wessel Creek tract was boomed, would not have permitted the booming of the logs on the north line, which would have been better than 400,000 feet per day.

Mr. MAGEE. Was that the shortest way?

Mr. HOLLAND. Well, it would not have permitted that without special booming facilities, but if you could have put them into your

mill boom, it would have been the nicest way to have handled it as long as we could have handled it with that.

Mr. MAGEE. Did you intend to do that?

Mr. HOLLAND. We intended to do that to some extent. There were many things that would interfere with it perhaps. For instance, the Miama Quarry Co. came in there and were using that track down as far as Oysterville, which was just a couple of miles above Yaquina—were using that track, were hauling logs there. We didn't know how much use they were going to make out of that road, and we didn't want to—

Mr. MAGEE. The Government had the power and had the right to utilize it.

Mr. HOLLAND. Yes; could have stopped the Miama; but I mean we also figured on this boom at Yaquina. We had our plans all laid for booming and rafting grounds there as well as across the bay, and we figured that we could tow the logs up there and store them in the lower river between Yaquina and Toledo as well as above.

Mr. MAGEE. How long would it take you to tow the logs from Yaquina to Toledo?

Mr. HOLLAND. Towing on the tide, probably take—might take four or five hours in a raft. There would be 600,000 feet in a raft.

Mr. MAGEE. That is, if you had favorable weather.

Mr. HOLLAND. Well, most weather; you could tell in most weather. There wasn't any bad weather down there, except once in a while a rainstorm—

Mr. MAGEE. How long did it take you to transport logs from Yaquina to Toledo over the Southern Pacific Railroad?

Mr. HOLLAND. You would transport them in trainloads. If you wanted to transport the entire product of your north line from Yaquina to Toledo, you could have done so, which would have been four or five hundred thousand feet per day—I mean it would have been an average of 400,000.

Mr. MAGEE. You could have done it that way?

Mr. HOLLAND. Because you could have hauled your own cars with your own engines over there.

Mr. MAGEE. How long would it take you to haul a carload of logs from Yaquina to Toledo over the railroad?

Mr. HOLLAND. How long?

Mr. MAGEE. Yes.

Mr. HOLLAND. Well, let's see; 9 miles, at 12 miles per hour, would have been less than an hour, wouldn't it? I don't know about my arithmetic to-day. Of course, your switching and your unloading, and all that sort of thing—

Mr. MAGEE. You would not switch; you would take your logs right directly from the woods, and they would be loaded on the car, and you would have a straight line of railroad to your mill.

Mr. HOLLAND. Yes; but you have got to do a little switching in doing your dumping. Where are you going to dump your logs? Are you going to dump them—you have to run them out to the river. You have to run them somewhere, and you have got to—

Mr. MAGEE. You mean you have got to take care of them after you get them to Toledo?

Mr. HOLLAND. Yes, absolutely.

Mr. MAGEE. I understand that; but what I can't understand is this: If you intended to do it—if you did not intend to do it, then I can understand it—but if you did intend to do it, when you had, as you say, a direct railroad connection, straight line of road from the woods where your logs were getting loaded to the Toledo mill, why you should go to work and build terminals and wharves and trestle at Yaquina Bay and dump the logs into Yaquina Bay and tow them down to Toledo?

Mr. HOLLAND. Did you happen to notice the slip at Yaquina, where we had a trestle out into the water and made the connection there at both ends with the railroad? That is the only part of that construction work at Yaquina that had to do directly with the handling of logs. All the rest of this stuff that you mention—your dockage, your wharves there—was in connection with the transfer from the southern line, from the south road, or in handling material which was going forward on this construction work.

Mr. MAGEE. State whether the terminal and the wharves there had any connection at all with logs which you intended to transport from the Blodgett tract north.

Mr. HOLLAND. Well, there would not have been any logs taken over that way.

Mr. MAGEE. So that all construction that is on the north side at or near the physical junction with the Southern Pacific Railroad, terminals and wharves and trustles, were to be used entirely in connection with logs coming down from the north over the coast road?

Mr. HOLLAND. Now, your wharves—for instance, you refer to a wharf—there was only one temporary dock or wharf—

Mr. MAGEE. You have a trestle on each side?

Mr. HOLLAND. Yes, sir.

Mr. MAGEE. You have a trestle to take care of logs—used in connection with the transporting of logs from the south—from the Blodgett tract?

Mr. HOLLAND. Yes.

Mr. MAGEE. Now, you had the trestle on the other side, as I understand, to be used in connection with the transportation of logs from the north over the coast road?

Mr. HOLLAND. Yes.

Mr. MAGEE. Is that right?

Mr. HOLLAND. Yes; formerly part of the—

Mr. MAGEE. Each trestle was to be used solely in connection with the transportation of logs from either direction; that is, the trestle on the south side with logs from the Blodgett tract, the trestle on the north side with logs brought in over the coast road, from the north; is that right?

Mr. HOLLAND. Now, I can't quite get what you are—I can't find what you are getting at. What is your point?

Mr. MAGEE. You have logs there estimated, I think, at some 8,000,000 feet of logs, which were actually brought down over the coast road and in the water now?

Mr. HOLLAND. Yes.

Mr. MAGEE. In Yaquina Bay?

Mr. HOLLAND. Yes.

Mr. MAGEE. Did you ever transport any logs brought down over the coast road, over the Southern Pacific road, to Toledo?

Mr. HOLLAND. No; there has not been, because there was no provision at Toledo for taking care of them, in the first place; that is, for that amount that is down there.

Mr. MAGEE. I suppose all your logs have gone to Yaquina and have been unloaded there and dumped into the water?

Mr. HOLLAND. Well, there have been very few put in. You see, you have no large available stores at Toledo that was completed. You know this game is only just started—this storage-ground game. All that storage is filled up with logs at the present time. Now, you could not put these logs in the north line at Toledo and take care of them at the present time with the storage and moving and booming facilities that were completed.

Mr. MAGEE. How many feet of logs have you in the water there which you brought down over the coast road from the north?

Mr. HOLLAND. Well, that is something I can't answer, because there has been brought in during the summer—three or four months since I have been there.

Mr. MAGEE. Do you think there are 8,000,000 feet of logs?

Mr. HOLLAND. As I remember it, there was 7,400,000 feet of logs in the Depot Slough that were taken out of this Wessel Creek operation that were not sawed up.

Mr. MAGEE. You mean brought down over the coast road?

Mr. HOLLAND. That is, brought down over the road back of Toledo—the Wessel Creek—those were in the Depot Slough at Toledo. Now, from the north road—

Mr. MAGEE. You mean brought down over the Storey-Fisher road?

Mr. HOLLAND. Yes.

Mr. MAGEE. I don't mean those logs. I mean the logs that you pointed out to us up at Yaquina near the junction of the Southern Pacific Railroad.

Mr. HOLLAND. I am trying to tell you that I had no connection with that; I had nothing to do with that. I was out of this service in the 1st of February, and this stuff has all been done this summer from the north.

Mr. MAGEE. You saw them. You were in charge of us, weren't you, when we went down there and investigated these railroads and property of the Government, weren't you?

Mr. HOLLAND. Yes.

Mr. MAGEE. You had charge of us?

Mr. HOLLAND. Yes; I had charge of you.

Mr. MAGEE. You were very kind to us, and we went around at your direction. You remember pointing out to us the logs over in Yaquina Bay?

Mr. HOLLAND. Yes.

Mr. MAGEE. And you know, I assume, as superintendent of the operations there, that those logs came down over the coast road to Yaquina Bay and were then dumped into the water?

Mr. HOLLAND. Yes.

Mr. MAGEE. Now, do you say that it was the intention to utilize the Southern Pacific road from Yaquina to Toledo in the transportation of logs brought down the coast road from near Otter Rock?

Mr. HOLLAND. Why, Mr. Magee, you could or could not have, as you saw fit.

Mr. MAGEE. I am talking about what was the plan.

Mr. HOLLAND. Yes.

Mr. MAGEE. What did you intend to do? You didn't need to go to large expenditures to get two means of transportation of logs from Yaquina Bay, did you, to Toledo?

Mr. HOLLAND. Do you understand what I say, that this game was a progressive one? That we had to feel our way along in all of this stuff?

Mr. MAGEE. You didn't have—as I understand here, the largest estimate was only 150,000,000 feet of spruce up near Otter Rock that could be brought down over the coast road in any event.

Mr. HOLLAND. Well, there were times during the year when that booming ground on the Yaquina Bay side was pretty rough.

Mr. MAGEE. Oh, yes; I understand that.

Mr. HOLLAND. You had storms coming in there. Now during these times you could not—

Mr. MAGEE (interrupting). What I am getting at is, was it the intention to use both of those ways, by water and by the Southern Pacific Railroad?

Mr. HOLLAND. Yes.

Mr. MAGEE. In getting logs?

Mr. HOLLAND. Yes, sir.

Mr. MAGEE. From Yaquina to the Toledo mill?

Mr. HOLLAND. Yes, sir.

Mr. MAGEE. To use them both?

Mr. HOLLAND. Use them both.

Mr. MAGEE. At the same time?

Mr. HOLLAND. You could use either one or the other, or both at the same time, if you so desired.

Mr. MAGEE. You could, but I want to know what it was planned; whether it was planned to use the railroad or planned to tow them by rafts on the water?

Mr. HOLLAND. Mr. Magee, you can't plan, this thing is so progressive. Supposing, for instance, we had had two towboats; there would have been times when one of those towboats would have been laid up, possibly both of them. You can't anticipate in that case. You would possibly have to transport to Yaquina.

Mr. MAGEE. I understand all about that, but the railroad was there.

Mr. HOLLAND. It could be utilized.

Mr. MAGEE. It could have been operated every day in the year, couldn't it?

Mr. HOLLAND. Yes, sir.

Mr. MAGEE. It was operated every day in the year, wasn't it?

Mr. HOLLAND. Yes, sir.

Mr. MAGEE. There wasn't a moment when this railroad wasn't available?

Mr. HOLLAND. No, sir.

Mr. MAGEE. Now, if it was intended to transport logs over that railroad, or if it was feasible to transport logs over that railroad, then the only reasonable way to do it was to make the connection and transport them over the railroad, wasn't it?

Mr. HOLLAND. Well, your criticism is, then, the building of that dumping ground?

Mr. MAGEE. I am not criticising. I am only getting at what any reasonable, practical man would do under the circumstances.

Mr. HOLLAND. Yes. All right.

Mr. MAGEE. That is the point.

Mr. HOLLAND. All right.

Mr. MAGEE. That is right, isn't it?

Mr. HOLLAND. All right; that is all right.

Mr. MAGEE. And it was the only practical, reasonable means of doing it, wasn't it?

Mr. HOLLAND. Well, that is one of the ways.

Mr. MAGEE. Well, would you say so? I am getting at your view.

Mr. HOLLAND. Well, I say just exactly what I said before. I would want them both. I would not want to be tied to one or the other. For instance, Mr. Magee, supposing you had booming ground at Toledo that could have taken care of your 400,000 feet aday; supposing something had happened that you could not saw a day and you would have had only a pond for storage up there; you would have had to have boomed at Toledo or you would have had to have dumped at some other point. That booming and rafting ground down below was worth its weight in gold, if you needed it.

Mr. MAGEE. You didn't have only a moderate supply of spruce up the coast road.

Mr. HOLLAND. I know; but that amount of spruce was coming in every day, right from the start. If you had only one hundred million there it was going to be put in in so many days, so many weeks, or so many months; it was going to come in when you wanted it.

Mr. MAGEE. Suppose you didn't have the water there; you had the railroad?

Mr. HOLLAND. I know, but there is a limit to what you could hold in the boom and raft at Toledo.

Mr. MAGEE. You could have taken care of that proposition?

Mr. HOLLAND. We could have taken care of that proposition, all we could have; but if we had had to run daily production we would have handled a lot of it down there at Yaquina Bay.

Mr. MAGEE. In other words, do you want to go on record as saying that the railroad there wasn't a sufficient means of transportation of the logs to Toledo?

Mr. HOLLAND. No; I don't want to go on record as saying that.

Mr. MAGEE. Of course you don't.

Mr. HOLLAND. I don't want to go on record as saying that. I know if we had had to have done it we could have built this physical connection from the south line on to that railroad, and I know that railroad could have been made to have taken care of a million feet of logs per month if we had had to have done it.

Mr. MAGEE. All the logs that could possibly have come down over the coast road?

Mr. HOLLAND. Over either coast road.

Mr. LEA. You meant a million a day?

Mr. HOLLAND. A million a day; yes.

Mr. MAGEE. I say from over the coast road?

Mr. HOLLAND. A million a day. You could have taken it from the south line, if you had wanted to.

Mr. MAGEE. There is no question about that?

Mr. HOLLAND. No.

Mr. MAGEE. In other words, having a straight railroad connection, without any shift of logs from the place of loading to the Toledo mill, there would be no reasonable excuse for going to work and building terminals and wharves and trestles to dump those logs into the water somewhere on the way, would there?

Mr. HOLLAND. No; you would have had to have made that same provision at Toledo, however.

Mr. MAGEE. Well, I see.

Mr. HOLLAND. Yes.

Mr. MAGEE. But where you could run your logs from Yaquina Bay to Toledo, perhaps a carload of logs in 20 or 25 minutes, where in towing them, in getting your rafts together, and so forth, it might take four or five or six or seven hours; if you wanted to save time, if time meant anything, the railroad was the quickest way of doing it, wasn't it?

Mr. HOLLAND. Of course, that raft contains about 600,000 feet. That means a whole day's run.

Mr. MAGEE. Yes.

Mr. HOLLAND. That would have meant more than a day's run for the north line.

Mr. MAGEE. If you had not had cars enough you would have had a steady stream of logs going in over the railroad, wouldn't you—if you had cars enough?

Mr. HOLLAND. Yes. Your turnover, Mr. Magee—

Mr. MAGEE. I meant you would if you had cars enough.

Mr. HOLLAND. Your turnover of equipment meant an increase in your mileage of haul; your turnover of your equipment is less often. For instance, if you have got 8 miles or 10 miles, instead of 19 or 20, you can turn your equipment over oftener. That does not mean that you don't have to have—

Mr. MAGEE (interrupting). Doesn't it seem to you, Mr. Holland, a most extraordinary proposition that if you have a railroad going direct from the forest to the mill that you should stop a trainload of logs half way to the mill and dump them into a bay and then tow them to the mill?

Mr. HOLLAND. I have just gotten Mr. Magee's point now. Yes; that is straight.

Mr. MAGEE. That is an extraordinary proposition, isn't it?

Mr. HOLLAND. That would mean merely this, Mr. Magee: That you would have to consider your cost of your extra railroad haul as compared to your towing. You would have also to consider whether or not you had a booming raft and had that expense after you had arrived at the Toledo point.

Mr. MAGEE. Well, time here was the essence of the work, wasn't it?

Mr. HOLLAND. As far as time was concerned, you could have delivered logs from Yaquina in a raft; a raft put up to-day could have been delivered there to-morrow. Now, a raft would have contained from five to six hundred feet—that is, hundred thousand feet.

Mr. MAGEE. You would have to get your logs to Yaquina by railroad on a car, wouldn't you?

Mr. HOLLAND. To Toledo, you mean.

Mr. MAGEE. There are no logs near Yaquina; your logs would be brought to Yaquina from 12 or 14 miles up in the woods?

Mr. HOLLAND. Yes, sir.

Mr. MAGEE. Now, then, if you towed them by water you would have to take them down over your road 12 or 14 miles, and then dump them in the water?

Mr. HOLLAND. Yes, sir.

Mr. MAGEE. Whereas you tell me if you had a physical connection with the Southern Pacific you could go right on with your carloads of logs to Toledo, right to your mill?

Mr. HOLLAND. Yes, sir.

Mr. MAGEE. The point I make, and I am asking for information, is that it seems to me that if you intended to use the Southern Pacific Railroad from Yaquina to Toledo, that the only reasonable and sensible and practical means of transporting those logs after you got them on the car and got them started over the railroad, was to keep them going on the railroad until they reached the mill; was that right?

Mr. HOLLAND. All right.

Mr. MAGEE. All right.

Mr. LEA. I think there is one point. In other words, there would be no justification for this dumping in the river, except on account of storage purposes; isn't that it?

Mr. HOLLAND. Yes. Well—

Mr. LEA. (Interrupting). Well, there is another reason.

Mr. HOLLAND. It is "coppering" your bet game. That is, I mean your being able to play the game all the time.

Mr. LEA. But this terminal facility on the north side formed a necessary unit in transportation with the south railroad, didn't it?

Mr. HOLLAND. Yes. That is, only in regards to supplies and stuff of that kind.

Mr. LEA. Yes.

Mr. MAGEE. Now, I will tell you the way it looks to me, sitting here and hearing all the evidence, and all the circumstances, and I don't make this in any sort of criticism, but it seems to me that the way it was planned, and the way it was intended to get the logs from the forest to the Toledo mill, was by rail to Yaquina and then from Yaquina by water in rafting.

Mr. HOLLAND. Do you mean that—

Mr. MAGEE (interrupting). That that was the way?

Mr. HOLLAND. Yes.

Mr. MAGEE. It was intended and planned to get the logs.

Mr. HOLLAND. Well, from the south line, Mr. Magee, that was absolutely true.

Mr. MAGEE. I mean from the north line.

Mr. HOLLAND. Yes.

Mr. MAGEE. The south line, that proposition is not there, because from the south line, bringing them up from the Blodgett tract, of course you would have to get them up from the bay and then put them in the water and then tow them.

Mr. HOLLAND. Of course, if the whole thing—if I had gotten there before that work had been started down there, I think I would have made that physical connection from the south line also.

Mr. MAGEE. Certainly. You mean on the south line?

Mr. HOLLAND. I would have made a connection across with the drawbridge to Yaquina.

Mr. MAGEE. You would have had the drawbridge so you could get to the railroad even from the south line, instead of dumping them in the water?

Mr. HOLLAND. Yes.

Mr. MAGEE. There is no question about that, is there?

Mr. HOLLAND. No.

Mr. MAGEE. And that was possible, was it?

Mr. HOLLAND. That was feasible.

Mr. MAGEE. And that is the reason I asked you the question whether there was any connection between the two trestles.

Mr. HOLLAND. Yes, sir.

Mr. MAGEE. Of course, I understand you had not anything to do with the location of the roads, or anything of that sort; you were sent down there to superintend the work after all that had been determined; that is right, isn't it?

Mr. HOLLAND. Yes, sir.

Mr. LEA. All right. We adjourn until 10?

Mr. MAGEE. Yes. I will let you adjourn.

(Thereupon, at 5.48 p. m. the subcommittee adjourned proceedings until tomorrow, Wednesday, September 10, 1919, 10 a. m.)

SUBCOMMITTEE No. 1 (AVIATION)
OF THE SELECT COMMITTEE ON
EXPENDITURES IN THE WAR DEPARTMENT,
HOUSE OF REPRESENTATIVES.
Wednesday, September 10, 1919.

The subcommittee met at 10 o'clock a. m., pursuant to adjournment, at the courthouse, Portland, Oreg., Hon. James A. Frear (chairman) presiding. Also present, Hon. Walter W. Magee and Hon. Clarence F. Lea.

Mr. FREAR. I will just make this statement for the record. The committee has been in practically continuous session since our arrival in Seattle, and afterwards in Portland, and an effort has been made to hear all material witnesses who desired to furnish information to the committee. The committee now seeks to close its hearings by Friday evening, so as to leave for San Francisco the following day.

There are yet to be heard officers to testify to the records of the spruce division, the committee's accountant, who has prepared data at the request of the committee, and other witnesses from among the long list submitted to the chairman of the committee. Ten witnesses have thus far been called who have testified for the Spruce Production Corporation, and two of these witnesses were before the committee for approximately four and one-half days of the hearings. Efforts have been made to give full opportunity to those who have had complaints against the Spruce Corporation and its predecessors, on the one hand, and those who have defended its action, on the other.

The committee again states that it is not here in the position of trying any individual but simply to ascertain the facts so far as possible. At this time in order to give further opportunity for all to be heard who are desired on the part of the Spruce Production Corporation, or those who are in sympathy with its work, this investigating committee will sit throughout the day and evening if necessary, listening to all witnesses who may present themselves to that end, and thereafter the witnesses that we have sent out to Portland to investigate the books and for other purposes, and such other witnesses as may be sifted out from among the list that has been presented to the chairman, will have an opportunity to be heard before the conclusion of our hearings on Friday night.

The chairman of the committee also states that he has offered to have witness fees paid in full to any one who appears on any phase of the investigation, and has so stated to the members of the committee, so that absolutely no distinction is made in such matters. This statement is made for the purpose of placing as a matter of record the effort of the committee to allow all parties a fair and impartial hearing.

Mr. MAGEE. As I understand, Gen. Disque stated that he would like to appear before the committee. What arrangement has been made for that?

Mr. FREAR. He will be expected to appear sometime during the day or night session to-day, if he so desires; and I understand he has published a statement to the effect that he has other important testimony, and the committee would be glad to receive it.

Mr. MAGEE. Then I would suggest that the general be given notice in order that he may have full opportunity to appear before the committee.

Mr. FREAR. That can be done by those who are here from the Spruce Corporation.

Mr. LEA. At this time I desire to say that I think this matter should be disposed of on its merits. To do that necessitates the production of the facts. The extent to which this committee should go in producing the facts should not be determined as a matter of time and a matter of convenience, but it should take the time that is necessary to get at the facts. In my judgment there are at least 15 witnesses that should be called to testify to important matters in this investigation, more or less favorable to the Spruce Production Corporation, in order to properly present the facts to this committee. To desert this investigation without calling these witnesses is to shut our eyes and our ears to the facts.

It appears from the testimony that is already introduced that practically every witness that has appeared before this committee to testify has had a personal animus or personal grievance involved, and I believe that a further investigation of the facts will tend to show what those grievances are and, in many cases, that their contentions are without merit. While I am willing to do all that I can to hasten the termination of this investigation, I will not be in such a hurry that I am not willing to stay here until the truth is fully developed. So with that in mind I am ready to proceed.

Mr. FREAR. The statement was made upon the committee's appearing in Portland, in a public letter addressed by Mr. Disque and through the press, that he demanded a list of witnesses furnished by him be heard by this committee before it finished its labors. At that time there was stated on the record the absolute impossibility of hearing all the witnesses whose names had been presented on either one side or the other of the Spruce Production investigation without remaining in Portland for a period of several weeks. Efforts have been made to expedite the hearings. Ten witnesses have been heard by the committee in reference to a defense of the Spruce Production Corporation's methods, policies, and performance. Two of those witnesses consumed four and one-half days of the time of the hearings thus far taken at Seattle and Portland. It had been agreed by the members of the committee, as nearly as could be determined, that the hearings would be concluded Friday, so that we could get away Saturday, and all of our appointments at San Francisco, Los Angeles, San Antonio, and Denver have been made in advance with that understanding.

The effect of the request or demand made by the member of the committee, Mr. Lea, may result in requiring the committee to remain here for a long period, whereas this is only one small part of the investigation the committee is conducting at various places, and

the money expenditure of less than \$50,000,000 here is less than 5 per cent of the total amount that has been expended for aircraft purposes. Full opportunity has been given for cross-examinations to an unlimited extent of witnesses thus far called. This is a procedure new in congressional investigations. If the witnesses called hereafter are cross-examined to the same extent under the present practices, there may be no end to the investigation. If any number of witnesses are to be called in addition to those already heard, the same proposition is presented.

In all fairness, the committee has endeavored to hear all witnesses and will sit in continuous session throughout the day and night if necessary to hear whatever witnesses may be called by Mr. Lea. That is all that can be expected, and it is far more than any other investigation, so far as known, has ever been required to perform. This we will gladly do in an effort to get what is claimed to be a full and impartial hearing.

Mr. MAGEE. I would like to know what witnesses the gentleman from California [Mr. Lea] desires to call, whether they are within reach, and within what time he can bring them before the committee.

Mr. LEA. We will be here until 6 o'clock in the morning.

Mr. FREAR. All right; well and good.

Mr. MAGEE. No; I am not going to let any bluff of this sort against me get away by either of my distinguished colleagues. When we leave Portland, so far as I am concerned, I do not want it to be reasonably said on the part of anybody that full opportunity was not given everybody to come before this committee and give it such information as such person might deem necessary for the committee in this investigation. Now, I want that thing settled, and I think this committee ought to agree on what they are going to do and how long these hearings will continue. So far as I am personally concerned, if it is necessary to that end, I am willing to sit here next week, or any reasonable time, to do it.

Mr. LEA. I think Mr. Magee is perfectly right.

Mr. FREAR. That will interfere with all the telegraphic arrangements.

Mr. MAGEE. I say, so far as I am concerned, that is the way I feel about it. I think we ought to agree, and I think we can agree; but I want Mr. Lea to give the names of the witnesses, where they are, if they are within reach in a reasonable time to be called, and I think I am entitled to that information, and let us reach an understanding right here. I do not want it said after I get away from here that somebody did not have full opportunity to present such facts as he desired to the committee.

Mr. FREAR. That will be said under any circumstances, no matter what you do.

Mr. MAGEE. I can not do any thing more than state my position—that if necessary I will stay here into next week, and I can only prove what I mean by that statement by staying.

Mr. LEA. My belief is that we have got time enough to hear these witnesses, and for my part I am willing to cooperate to try to hear them on their merits, and in that connection I would suggest this, that we cut out comments on the testimony as we go, which has no proper place here, and that we leave the argument until the facts are

introduced and try to confine the examination to essential questions. If we do that, I believe we can hear all the witnesses.

Mr. MAGEE. I can not change my method of procedure.

Mr. LEA. This is no criticism of you, Mr. Magee.

Mr. MAGEE. I think I have taken up in this investigation a very small percentage of the time occupied. In some instances I have not asked any questions at all. I have not asked any questions, so far as I know, in the spirit of cross-examination. All the questions I have asked have been on points that I wanted information on myself, or which possibly had been overlooked by my distinguished colleagues, and I am only asking for information and facts. I would like to know, Mr. Lea, within what reasonable time you can call and get through with these witnesses whom you desire to have called before the committee.

Mr. LEA. I think between now and 6 o'clock to-morrow morning we can get them.

Mr. MAGEE. Then I am with you until 6 o'clock to-morrow morning, and let's don't hear anything more about it.

Mr. LEA. That is, if there will not be any more of these extraneous matters to interfere. The record will show that in many cases the chairman has occupied 75 per cent of the time the witness was on the stand.

Mr. FREAR. Just a moment. The chairman does not agree to change his method of examination or cross-examination at the behest or request of any member of the committee or anyone else, nor to accept the charge, which is untrue and false, as stated by Mr. Lea, a member of the committee, as to the time consumed by the chairman. In the last two days one lawyer and another man who was equally conversant with public hearings—Mr. Eaman and Mr. Leadbetter—distinctly acted in a way unfair to the committee and sought to inject extraneous matters into the investigation, and it was almost impossible to hold them down to what are proper limits of investigation. The record will show whether or not the various members of the committee have carried on the investigation so far as they could to the best of their ability, and I am willing to stand by the record, and that is all there is to it; but I will endeavor with Mr. Lea and my colleague, Mr. Magee, to secure a hearing of all the witnesses, and we will proceed.

TESTIMONY OF MARK E. REED.

(The witness was sworn by Mr. Frear.)

Mr. LEA. What is your residence?

Mr. REED. Shelton, Wash.

Mr. LEA. What is your occupation?

Mr. REED. I am a logger.

Mr. LEA. What, if any, official position do you occupy in the State of Washington?

Mr. REED. Official position?

Mr. LEA. Yes.

Mr. REED. I am a member of the legislature and have been for three successive terms.

Mr. LEA. You were also floor leader of the house in the last legislature?

Mr. REED. Oh, I don't know.

Mr. LEA. I simply asked that. You are not volunteering that, but that is a fact, that you were the Republican floor leader of the legislature.

Mr. REED. I am a Republican member of the legislature.

Mr. LEA. How long have you been a logger?

Mr. REED. Twenty-four years.

Mr. LEA. In what district?

Mr. REED. In the Puget Sound district.

Mr. LEA. What has been the extent of your operations?

Mr. REED. I am the president of the Simpson Logging Co., the Phoenix Logging Co., and the Fredson Bros. Logging Co., with an aggregate output of 200,000,000 feet a year.

Mr. LEA. Do you know if there are any other logging companies in this section of the Northwest that do that large a business per year?

Mr. REED. I do not think there is that large a production—under one management, you mean?

Mr. LEA. Yes; that is what I mean.

Mr. REED. No, sir.

Mr. LEA. Are you familiar with towing on Clallam Bay?

Mr. REED. I am familiar with towing on the Straits of Juan de Fuca.

Mr. LEA. What is the source of your information about that? What experience have you had?

Mr. REED. My companies have sold many million feet of logs for delivery in British Columbia, and I am also interested in the largest log towing company which is the owner of tugboats on Puget Sound.

Mr. LEA. How many tugboats does your company operate?

Mr. REED. My recollection is at the present time it is 17.

Mr. LEA. What is your position in reference to that towing company? Do you have any official position in the corporation?

Mr. REED. No, sir. I am a stockholder.

Mr. LEA. What do you know about towing conditions on the straits?

Mr. REED. I know that at times in the year it is impossible to tow at all, and even a ship must lay up.

Mr. LEA. What times of the year does this condition exist?

Mr. REED. In the fall and winter principally; it is no uncommon thing for the wind to blow 60 miles an hour off the cape.

Mr. LEA. What have you known of the experiences of loggers in towing in the straits?

Mr. REED. I think we have all had our experience in losing our tows.

Mr. LEA. What is the general practice as to towing there, as to when it is done and under what conditions?

Mr. REED. Towing generally is done in the spring and summer months. The Goodyear Logging Co., which has a comparatively small operation, probably 36 to 40 million a year, put their logs in a crib raft, which I believe is very satisfactory and can be towed in reasonably rough weather but, as I say, there are times when even a ship can not be towed through the straits.

Mr. LEA. For what length of time will these storms last that interfere with towing, ordinarily?

Mr. REED. Oh, 5, sometimes 10 days. I have known a boat to lie in Deception Pass for two weeks, one of our towboats.

Mr. LEA. You were a member of the board of directors of the Spruce Production Corporation, were you not?

Mr. REED. Yes.

Mr. LEA. What is your judgment as to the practicability of handling the product of the Pleasant Lake section that was tapped, by towing on the straits from Clallam Bay easterly, considering the amount of production and the circumstances?

Mr. REED. Considering the volume of the traffic and the effort which was being made for a continuous production there would have been times when it would not have been practical; we could not have maintained the production.

Mr. LEA. Do you know about what quantity of logs were to be handled according to the program, from that Clallam country, by the Spruce Production Corporation?

Mr. REED. We were expecting to handle a million and a half feet a day.

Mr. LEA. So that the production contemplated would be as much in one month as that of the Goodyear Co. in one year?

Mr. REED. No.

Mr. LEA. That is what I figured.

Mr. REED. No; it would not figure—well, I think; I have no definite information and personal knowledge of the Goodyear output, but I understand it is from 36 to 40 million a year. You could not reasonably expect to log in that country on an average of more than 20 days a month.

Mr. LEA. So it would be about 30 million a month, or a million a day?

Mr. REED. Yes.

Mr. LEA. Do you know anything about the capacity there at Clallam Bay for handling a million feet of logs per day?

Mr. REED. I never was in Clallam Bay.

Mr. LEA. How many towboats would it take to handle a million feet of logs a day from Clallam Bay to Port Angeles? In the first place what distance is that?

Mr. REED. I do not know how far that is.

Mr. LEA. I think it is about 40 or 50 miles is it not? Supposing it is 45 miles, how many tugboats would it take to handle a million logs a day?

Mr. FREAR. My understanding is that it is nearer 30 than 40. It is a direct line.

Mr. REED. I would say if you were going to maintain a continuous production it would take about three towboats.

Mr. LEA. How much do towboats cost apiece?

Mr. REED. That depends upon the towboats; there are boats and boats.

Mr. LEA. Well, practical ones for that purpose.

Mr. REED. Under present costs I would imagine that a towboat would cost \$150,000 to \$200,000 at least.

Mr. MAGEE. Do you call them towboats here, or tugs?

Mr. REED. Both; towboats, largely, for logs.

Mr. LEA. When were you appointed on the board of directors of the Spruce Production Corporation?

Mr. REED. It was in February, 1918; at the time that Mr. George S. Long left the board I succeeded him.

Mr. LEA. How closely associated were you with the enterprise of the Spruce Production Corporation?

Mr. REED. Quite closely allied with them. I tried to keep in touch with them all the time.

Mr. LEA. You attended the meetings of the board of directors, did you?

Mr. REED. Yes, sir; and not only the meetings, but I was many times here in a conference when there was no regular meeting of the board.

Mr. LEA. You are acquainted with Mr. Disque, of course?

Mr. REED. Yes, sir.

Mr. LEA. When did you become acquainted with him?

Mr. REED. When he came out. I think it was in November, 1917, that I met him first.

Mr. MAGEE. Does the date appear when Mr. Long resigned and you succeeded him?

Mr. REED. I can give you the date.

Mr. LEA. You accepted this on the 14th of February, 1918, did you?

Mr. REED. That is my letter of acceptance; yes, sir. I think there was a telegram came to me a few days before that from Mr. Howe.

Mr. FREAR. February, was that?

Mr. REED. Yes.

Mr. LEA. You frequently conferred with Mr. Disque, did you?

Mr. REED. I did; yes, sir.

Mr. LEA. Your relations were harmonious with him in the work here in the spruce production, were they?

Mr. REED. Very harmonious. Early in the organization we had a distinct understanding.

Mr. LEA. What was that understanding, Mr. Reed?

Mr. REED. Well, I wrote him a letter along early in April, I think it was to know where I was at and what I was expected to do.

Mr. LEA. If you will just state the substance of that, so that the committee will understand your relations?

Mr. REED. I have got the letter, if you want it.

Mr. LEA. If you will just read the letter.

Mr. REED. This is dated April 6, 1918 [reading]:

Col. BRICE P. DISQUE,

*Spruce Production Division, United States Signal Corps,
Ycon Building, Portland, Oreg.*

MY DEAR COLONEL: Since the last meeting of the Pacific coast advisory committee of the Aircraft Board in your office I have been turning over in my own mind whether or not your office and the committee were carrying out the intent of the organization as it was framed by the National Aircraft Board. You realize, of course, that the members of this committee have not been fully advised as to the activities of your department and contracts involving large disbursements have been entered into and work started in accordance with their provisions without these contracts being submitted to the board for approval and advice. At a later date and after activities had started under the terms of the contract, a portion of the contracts were submitted to the board for its action and approval. It developed that there are serious defects in these contracts which should have been remedied before their execution, and if they had been allowed to go through as originally drafted in all probability there would have been more or less confusion, to say the least, in the matter of the accounting

necessary under the terms of the contract. I trust the contracts referred to have been recalled and revised in accordance with our understanding.

I think we all agree that this is a condition of affairs which should not exist, and in fact the system should be so revised that such a condition of affairs could not arise in the future without a clear omission of duty, for which the responsibility therefore could be fixed. I am not clear just what service is expected of the members of the Pacific coast aircraft board, but I had presumed that their duties were largely advisory to you, and in that capacity to a certain extent at least they would be called upon to share responsibility with you. If I am correct in this conclusion I certainly do not care to assume this responsibility unless the members of the board can be fully advised as to the proposed terms of a contract and all of the conditions around which the contract is built up before the contract is executed and the contract approved by the board before work is started thereunder.

I realize fully that your undertaking is a large one, and that it is necessary to have prompt action, but even with these conditions in view there is but one principle upon which business can be conducted with safety, and that is on careful and conservative lines, with a knowledge, so far as possible of the results to be obtained by any action taken. In view of the magnitude of your undertaking and the vast expenditures that you will be called upon to make, I think it is highly important for the Government, and from your own standpoint as well as the individual members of the Aircraft Board, that the greatest care be taken to see that the records of this board are properly kept, and that its members and yourself be fully advised as to the terms of any contract entered into and the results attained by the activities carried on under these contracts.

I wish you to know that in writing this letter I am not doing so in the spirit of carping criticism, but rather in the interest of protecting the Government and your reputation, as well as that of the individual members of the board. I would like a reply from you covering your ideas as to the activities of the board, the plan for carrying them out, and the responsibilities that you expect them to assume.

Thanking you for an early reply, and with personal regards, I remain.

Mr. LEA. What was his reply to that statement of your position?

Mr. REED. A few days after that—a day or two after that letter was written, I came to Portland.

Mr. FREAR. What time was that letter, Mr. Reed?

Mr. REED. April 6, 1918. I came over to Portland, and we discussed the matter frankly, and he thanked me for writing the letter, and said that I might rest assured that any criticisms or any activities that I thought necessary to present would receive consideration, and he wanted me to feel free at all time to criticize and to be advised as to what was going on in his department. Thereafter as much time as I could I spent here with him, and our relations were always harmonious and pleasant.

Mr. LEA. Now, the contracts referred to, were they recalled and revised?

Mr. REED. They were.

Mr. LEA. Now, Mr. Reed, I wish you would state what was the general method of determining the policies of the Spruce Production Corporation.

Mr. REED. You will understand that the civilian members of that board were not here all the time, and we could not be familiar with all the details from day to day. About this time we had up direct with the department at Washington the matter of deciding just what the duties of the board were, and it was decided that we were simply to act in an advisory capacity, and we did do so thereafter. I have the copies of the correspondence and telegrams in regard to that, if you want them. When any matters of importance came up Col. Disque called us up by phone. It took me one day to get

here after I got the word. The other members of the board lived here in Portland. We all discussed the matters at issue, and while we did not always agree we ironed out our differences and the majority ruled.

Mr. LEA. Now, Mr. Reed, were you consulted in reference to the railroad built north from Yaquina?

Mr. REED. Yes, sir.

Mr. LEA. Did you make any attempt to determine the best place to locate that railroad?

Mr. REED. I did.

Mr. LEA. I wish you would tell the committee in your own way about that matter; in the first place, how it came up. Will you just explain the situation?

Mr. REED. Well, there seemed to be a considerable difference of opinion with respect to the feasibility of routes. We had several reports and they did not agree. Mr. Benson, who was a member of the committee, had made a report which I did not altogether agree with at that time, but I had not, myself, made a personal examination of the ground. I told Mr. Benson frankly that I wanted to check up his conclusions, and it was arranged that I would either go down there myself or send some one who I could have confidence in before I would make up my mind as to which route should be accepted. I could not get away to go myself, and I sent one of my logging superintendents, who is an experienced man, raised in the woods, and whose judgment I take from day to day on those matters. I sent him down there at my own expense to make a report to me of the feasibility of the two routes, and particularly with respect to the logging timber in the two routes.

Mr. LEA. In that connection, did you own any timber in that country, or were you interested in any railroad that ran to any mill or property that you owned?

Mr. REED. Not a dollar. He made a written report to me which I turned over to the committee the other day when I was here. I think that has gone into the record.

Mr. LEA. Yes. Just another question; did you get any compensation for acting as a member of the board of directors?

Mr. REED. The Aircraft Board?

Mr. LEA. Yes.

Mr. REED. I paid my own expenses, and gave my time.

Mr. LEA. This report that you got, was that at your own expense or at the expense of the Spruce Production Division?

Mr. REED. Absolutely at my own expense.

Mr. LEA. Now, tell the committee about the report.

Mr. REED. Now, the report will speak for itself.

Mr. LEA. Yes, sir; it is in the record.

Mr. FREAR. I do not see what further can be added. This committee is in no position to cross-examine the man who made the report, and it has even been opposed here, the permitting of affidavits to be introduced that have been suggested by the chairman. It seems to me that is as far as we ought to go, to rest with the report.

Mr. LEA. I told you, Mr. Chairman, that if you wanted to put those affidavits in that I would not want to deny you the privilege.

Mr. FREAR. I did not so understand it at all. If the witness is produced before 6 o'clock in the morning, the superintendent, or

whoever he may be, so he can be cross-examined, that would be satisfactory.

Mr. LEA. Tell about your connection with that, Mr. Reed.

Mr. REED. On the information that I received I voted for the selection of the coast route.

Mr. LEA. For what reasons?

Mr. REED. For the reason that the ridge route was over a saw-tooth ridge, with very precipitous banks, that a road could not be built on it and handle any volume of traffic with safety or practicability. You could not get spurs off of the ridge road to reach out and get the best of the timber in the gulches below, because the curvature was too sharp, even for a geared locomotive.

Mr. LEA. Then you could not get the west slope timber by going up over the east slope?

Mr. REED. No, sir. The coast road was strongly recommended for the reason that spurs could easily be built into the canyons. The bottoms were wide enough to get in nicely and reach all the timber for a selective logging proposition, which was what we had in mind at that time.

Mr. LEA. So you determined that that was the best way to get the spruce?

Mr. REED. Yes, sir; and that the road could be built for less money, for the reason that there were transportation facilities to get the material along the road. The other way there was not; it was over a much rougher country and necessitated fills that could not have been operated that winter.

Mr. LEA. What did you ascertain as to the amount of spruce and timber below Otter Rock along the coast line—slope?

Mr. REED. Well, I do not remember, Mr. Lea. The cruises were all before us at that time. My superintendent did not make a detailed cruise of the timber; he was not there long enough.

Mr. LEA. He was not there for that purpose.

Mr. REED. He was not there for that purpose.

Mr. LEA. Now, you are the owner of logging roads, are you?

Mr. REED. Yes.

Mr. LEA. What experience have you had in their location and operation?

Mr. REED. I have been responsible for their location and operation, and head of the organization for some 15 years, and before that I worked in the woods at almost every job.

Mr. LEA. How long are the longest logging roads you have operated?

Mr. REED. The longest road that I have now is about 41 or 42 miles of main line. I should say 15 miles of switches.

Mr. LEA. Where is that located?

Mr. REED. That is located in Mason and Grays Harbor Counties, Wash.

Mr. LEA. How does the type of that road compare with standard construction?

Mr. REED. We tried to build it just as good as any road could be built, considering the cost. The rails are not as heavy as on some roads, although there are none less than 50 and most of them 60 pound rails on the main line. The president of the Milwaukee road was over the road some three years ago, and he said that our equipment and

our roadbed was kept up better than it was on their main line of road.

Mr. LEA. How does the wear and strain on a road for logging traffic compare with ordinary traffic?

Mr. REED. In my judgment it is the hardest traffic that can be put over a railroad, because the loads are uneven and are not always firmly in place, and a rough road precipitates wrecks and trouble, and when you are held up in your railroad everything behind it—the expense is going on and nothing coming out. So our policy has always been to build our main-line road and keep it in the best practical operating condition.

Mr. LEA. When was your road built?

Mr. REED. The road was originally chartered by Congress in the early eighties, the early part of the road, as I understand it, but we bought the road. It was reorganized in 1895, and the present organization dates from that. But that is only a part of the main line; that original organization runs out 17 miles, and the remainder of the main line is owned by the Simpson Logging Co., which operates on the road; but while it is two companies, it is one ownership.

Mr. LEA. Now, referring back. What are the logging conditions in the Siletz territory, so far as you know them? Are you familiar with them there, and can you give the committee any information on that subject?

Mr. REED. I can not; nothing that is not covered by the report.

Mr. LEA. How much timber did you transport, or have you transported per day over your railroad?

Mr. REED. We have transported a million feet. It is not any trouble to transport a million or a million and a half. It is just a question of putting in the additional sidings necessary and the necessary equipment to handle the traffic.

Mr. LEA. Now, what is your judgment as to the practicability of selective logging?

Mr. REED. There is no question about the practicability of it at all. We have been doing it for years in this country, and many million feet of long timbers have been taken out; we have handled them through selective logging operations. Those timbers ran from 42 to 120 feet long, and we have taken them out at a reasonable cost. There was no trouble about that at all.

Mr. LEA. What was your judgment as to instituting that practice for the spruce-production purposes?

Mr. REED. I certainly think that it was the wise, a very wise, provision, and if the operations had gotten into action we would have stopped hollering for an increased supply of spruce very promptly, in my judgment.

Mr. LEA. Mr. Reed, I wish you would briefly state to the committee the conditions of the industry as they existed at the time that Mr. Disque came here to the coast.

Mr. FREAR. You mean the lumber industry?

Mr. LEA. The logging and lumber industry.

Mr. REED. In July, 1917, we had a strike throughout the industry which practically closed down or crippled the entire industry, logging camps as well as mills. Some operations ran short-handed, ours among others, but it was, generally speaking, paralyzed until some time in September when the men went back to work, but not

satisfied. They adopted the policy, as they called it, of striking on the job. They would work a few days and strike, go over to some other operation and strike again. So that when Gen. Disque arrived here there was a very wide difference of opinion among the operators themselves as to whether or not the demand which had been made for the eight-hour day should be granted. Some of them wanted to grant it and some did not. The industry was divided against itself, so to speak. I do not believe that any man could have been chosen in the Northwest who could have brought about harmonious relationships. Gen. Disque, or Col. Disque, at a large meeting of lumbermen, I think the largest that I ever saw in this country, brought about a compromise, and we went on an eight-hour day. From that time on the industry moved along the best it could considering the shortage of labor and the inefficiency of it. But we had no more strikes during the war.

Mr. LEA. Now, what was the efficiency of labor during the war period as compared with former periods?

Mr. REED. Very inefficient—and is yet.

Mr. LEA. Due to what reasons, as you understand it?

Mr. REED. Well, primarily, the most experienced men, the best men that we had, a large percentage of them, were called in the draft. Many of them who were not actually called wanted to go and did go. The result was that the ranks of our labor were filled up—with all due respect to the soldier labor—with inexperienced and inefficient men, and we did not get the results. They did the best they could. You could not expect those men to get the same results that we did before. The other labor that remained with us, the foreign labor, was largely pro-German. They were inefficient and did what they could to hamper the operation. In my judgment, no organization, no industry ever passed through a more strenuous time than the lumbermen in the Northwest in trying to get out spruce and fir material for the Shipping Board and the Aircraft Board.

Mr. LEA. Did you attend a meeting of loggers in the Puget Sound section in reference to the question of taking over the Siems-Carey contract?

Mr. REED. I did.

Mr. LEA. I wish you would briefly tell us about that.

Mr. REED. A meeting was called—I think it was fathered by the lumberman's information bureau, dominated largely by Mr. Butler, of Everett, and some 50 prominent loggers attended, and the representatives of the Spruce Production Board. I think Maj. Eaman was one of them, I am not sure. But, anyway, the Siems-Carey contractors—there had been some feeling along the loggers, or some of them, that they were not getting a square deal, and that their efforts were not being appreciated. The Spruce Production Division advised the loggers at that meeting that the Siems-Carey contract would be waived, in so far as it covered the getting out of the flitches, but that they would finish the railroad, as I remember it, and the operation of the railroad was to be taken over by the Government. The Spruce Production Division, or the representatives, made the loggers an offer that if they would take over the Siems-Carey contract, in so far as its production was concerned, and guarantee the same amount, that they would allow them to do it,

and Siems-Carey waived their contract. The matter was discussed pro and con by many loggers, Mr. Butler, Mr. Chinn, Mr. Irving urging it, and Mr. C. H. Cobb particularly, and several others opposing it. Mr. Cobb, who is probably the oldest and most experienced logger in the business, said that he had just returned from the Siems-Carey operations, and that, in his judgment, it was very efficient, and that they were going to get the spruce. On his judgment and others a vote was taken, and of the 50 present my recollection is that there was either 5 or 7 votes cast to take over that logging operation, and the rest of them voted against it.

Mr. LEA. Prior to that time had this association submitted any contract to the Spruce Production Corporation for the production of logs, through Mr. Chinn?

Mr. REED. Yes, sir. I do not know just what time it was, but along in the summer, while we were building these railroads, a meeting was held here with the loggers—and I would say that these meetings with loggers were addressed continually either by Col. Disque, some member of his staff, or myself at many times—urging them to undertake these logging contracts, every time there was a meeting of lumbermen or loggers. A meeting was held here in which Mr. Chinn and his associates considered with Col. Disque the taking over of a logging contract. I was called over here one day, and the colonel submitted to me a letter from Mr. Chinn, as president of this bureau, agreeing to take a contract under certain conditions, and briefly it amounted to paying him \$50 a thousand for selective logging. The colonel asked me what I thought of it, and I told him I thought it was an outrageous proposition, and that we should not consider the contract at all.

Mr. FREAR. Just a minute. Has the contract been introduced in evidence, or anything of that kind? Of course, you are giving your conclusion, but we ought to have the benefit of it as well.

Mr. LEA. Col. Disque testified to the terms of it.

Mr. FREAR. I understand, but I mean has the contract been placed in evidence? He is not a lawyer.

Mr. MAGEE. I think it is in evidence. That is my impression.

Mr. FREAR. Was it over in Seattle or where?

Mr. LEA. I think it is in evidence, but I am not sure about it. You saw the letter, did you?

Mr. REED. Yes.

Mr. LEA. If you will, go ahead and explain it.

Mr. REED. It was a letter, Mr. Chairman.

Mr. FREAR. I was wondering if it was in the record, so that we can form our own judgment.

Mr. REED. This contract, according to their figures, as I remember it, provided a profit for them of \$10 a thousand for putting in these logs; and under our experience and under the experience of a cost-plus contract, which I was very familiar with, the Airplane Spruce & Lumber Co., of Hoquiam, I told Col. Disque that I knew—felt confident—that we could put in the logs for less than \$40 a thousand, and when we got to going, I thought, \$20 a thousand; that \$10 a thousand was too much profit; and that the contract was objectionable, particularly, in my judgment, from the fact that it would have to cover a stipulated amount of logs. The loggers that were represented, in my judgment, would not consider a contract of less than

150,000,000; and if hostilities should cease, it seemed to me that we would be up against a prospective profit of \$10 a thousand, or a million and a half dollars, to pay them for something that they had not really earned. Therefore I thought that the cost-plus contract was a better proposition than this, although their offer was exorbitant at sight.

Mr. LEA. Were you over in on the route of the Lake Pleasant Railroad before it was constructed?

Mr. REED. Yes, sir.

Mr. LEA. What can you say as to the necessity of grubbing out that route?

Mr. REED. Well, along in the spring of 1918 I was up in the Lake Crescent country as an arbitrator between the State of Washington and the Puget Sound Mills & Timber Co., and this question of route, or the building of a railroad by the Spruce Production Division, was then being considered. So when I got through with the State work I took a trip over the Lyre River Canyon and around the lake—the east side of the lake, as I understood that that was the difficult part of that right of way, and it was; that is a hard piece of road. There is a rock canyon around the canyon—that is, it was hard when I was climbing around there. I never was there after it was built.

Mr. LEA. Now, about the grubbing?

Mr. REED. The grubbing of the right of way?

Mr. LEA. Yes; the clearing of it.

Mr. REED. Oh, the clearing.

Mr. LEA. Yes.

Mr. REED. The right of way was cleared, as I understand it, 200 feet under Government regulation, which is never done with a logging road.

Mr. LEA. And how did that come to be required?

Mr. REED. Increased the cost.

Mr. LEA. What department of the Government required this clearing?

Mr. REED. The Forestry Department, as I understand it.

Mr. LEA. Yes. Now, at the time Siems and Carey came out here, did you attend a consultation with Col. Disque about the fitch contract?

Mr. REED. Yes, sir.

Mr. LEA. And what in substance occurred at that time?

Mr. REED. I think it was in April. I was over here on some other matters in connection with the Spruce Production Division, and Col. Disque came out of his back office and said, "Mr. Reed, I wish you would come in here. There are some parties talking over a contract, and I would like to have you sit in on the conference." I went in and there was Mr. Siems and Mr. Carey, and, I think, Mr. Kerbaugh, and an engineer from Clallam County by the name of Rickson.

They were discussing a tentative contract which they had there, which contemplated the sawing of the logs into sections, I think six sections in a log, just cutting right through it. This contract was discussed pro and con all through, and no conclusions were reached. The Siems-Carey people said they were going East and that they would take this matter up in Washington, and the General said he was going East and would take it up with them. About the only conclusion that Col. Disque and myself had was that after this meeting

I said to him we were not so much interested in the flitch contract at that time as we were in getting the logging road built into that section, getting the road extended, and that I thought that when he went East, which would be in a few days, he should urge the railroad administration to build that railroad and that we would take care of the logging end of it later.

Mr. LEA. You thought the construction of a railroad was the practical way to tap this timber?

Mr. REED. Yes, sir, I did; and no other way.

Mr. LEA. Well, just go ahead with your explanation.

Mr. REED. Well, I thought we should build a railroad into the timber.

When the colonel returned, we were informed that a contract had been entered into, that the railroad administration would not permit of the extension of the Milwaukee, and that it was necessary for the War Department to build the road itself; that this contract had been entered into with the Siems-Carey people, covering both the building of the railroad and the cutting of the flitches. I asked the colonel about the location of the road, and he told me that he had decided on the Lake Pleasant route, and that it could not be built up the Deep Creek route and finished by the 1st of December, when we wanted it finished, and that if it was built up there that it meant heavy cuts and fills and it would be impracticable to operate it during the winter, which I concurred with him in. He asked me if I knew anything about the Lake Crescent right of way, and I told him no, nothing except the Lyre River route, and that it was an expensive piece of road to build up there, but it looked like a practical route and a good grade. We discussed the contract pro and con. I don't remember the details, but when Mr. Ryan was out here in July Col. Disque and Mr. Ryan and myself were in the office and we were discussing these contracts again. Mr. Ryan stated that the railroad contract was not made through his office, but by the War Department, and my recollection is that on the flitch contract he said that one of the first matters that came before him when he assumed office was this Siems-Carey contract; that there was laid on his desk two contracts, one the tentative contract prepared by Gen. Disque, and the other one, which had the O. K. of the War Department, and that he signed, naturally, the one of the War Department, although he knew nothing about it, as he hadn't been in office long enough to familiarize himself with the job, and he was asking many questions in connection with those contracts.

Mr. LEA. Do you remember whether that related to the flitch contract or the railroad contract?

Mr. REED. I think that was the flitch contract; I am sure of it.

Mr. LEA. Now, coming to another subject. Just one question about the civilian pay of soldiers: Do you know about the percentage of soldiers that were employed in the commercial industry here on the coast?

Mr. REED. Well, I don't know—

Mr. LEA. That is, in a general way.

Mr. REED (continuing). The percentage that was employed commercially, but it is safe to say that 25 per cent of the product of any operation that had civilian soldiers, unless they were doing sales-

tive logging in that under a cost-plus contract, would be all that would cover the Government requirements. The rest of the 75 per cent would have become commercial business, because they take out everything as it goes on the ground. Twenty-five per cent spruce stand would be a large stand.

Mr. LEA. That is, the larger per cent of the log went into commercial lines?

Mr. REED. Commercial lines; and it seemed to me—I know the colonel discussed that with me also—that it would be very unfair to ask enlisted men to work for a dollar a day and the private operator obtain the benefit of that low-wage scale.

Mr. LEA. What was the relation of spruce to the lumber industry before the war?

Mr. REED. Spruce was practically a by-product before the war. There was no market for spruce logs, except a little clear. I only know of one mill on Puget Sound that was cutting clear spruce, and that was a mill in Tacoma. The rest of the log went into box material, which was cheap material. Now, every operator that could that owned spruce timber built away from it rather than to it up to the time that the war broke out. Of course, as the development of the requirements of the Allies before we got into the war kept growing, why, there was a better market for spruce, but before 1914 there was practically none.

Mr. LEA. What did that mean as to the development of spruce production when the war began?

Mr. REED. That meant that these spruce areas had not been opened up, and that it was necessary for some strenuous effort to be made to open it up. Private capital could not do it. The Government wanted the stock, and there seemed to be no other way but for the Government to build the railroad and open it up.

Mr. LEA. Now, will you just explain a little further how the soldier labor operated in performing such a large percentage of work that went into commercial lines, why is that true?

Mr. REED. Beg pardon?

Mr. LEA. Why did the soldiers perform so large a percentage of the labor that went into commercial lines?

Mr. REED. Well, because the stand of spruce is very small compared with the stand of other products.

Mr. LEA. And the loggers were taking things clean as they went?

Mr. REED. And the loggers took everything as they went, sorted out the spruce, which went to the Government, and the other went on the general market, some of it for—a large percentage of that other went into shipbuilding.

Mr. LEA. So that, outside of selective logging, the soldiers had to do 100 per cent of labor for the Government to get 25 per cent of the result?

Mr. REED. That is it.

Mr. LEA. And the commercial mills done the other 75 per cent of the labor?

Mr. REED. Yes, sir; that is, speaking of the loggers. The mill can cut spruce logs straight if he has the logs.

Mr. LEA. Yes, it should have been the loggers. Were you concerned in reference to the purchase of the Blodgett tract?

Mr. REED. I was consulted.

Mr. LEA. Now, I wish you would tell us about that?

Mr. REED. Mr. Chairman, can I look at a memorandum book?

Mr. FREAR. Sure; you can testify from it, but not testify as to its contents; that is the rule.

Mr. REED. Yes. When it was decided to build it was reported to us that there was a splendid stand of spruce in that country, and when it was felt that we wanted to build a railroad in to open it up negotiations were opened for the purchase of the spruce timber first. Negotiations were carried on pro and con for several months, and it finally summed itself up, first, to a price of \$3 a thousand for the spruce and, as I remember it, \$1.50 a thousand for such fir as we destroyed in locating the selective logging of spruce and \$1 a thousand for the hemlock. Those figures may not be right, but it is approximately; as I remember it, anyway. That seemed to us to be rather excessive, and we gave consideration to the purchase of the entire tract, with the thought in mind that we could do better on price and still be adding value to our railroad, which we were building. After we got down to price, the first offer that we got from Mr. Blodgett was for \$635,000 and he retain the title to the land, and I think it was to give us seven years to remove the timber.

Mr. FREAR. When was that?

Mr. REED. Oh, it was along in the spring, I think, Mr. Chairman. I don't know just the time, but it was when our minds were reaching an agreement. The board strongly advised that that offer be turned down, that we did not want to be placed in the position of buying this timber and limited to the time of removal. So we authorized the colonel to make a direct offer to Mr. Blodgett of \$635,000 for this timber and land. He came back, in due time, with an offer that he would give us the title to the land, but retain the title to any minerals or oil rights that might be under the surface. Well, I said, "I think that is all right, I don't think there is anything there anyway. What we want is action, and let's accept it." And the board authorized Col. Disque to accept that proposition, and from that time on it seemed to me that our minds had met and the contract was actually agreed upon. Now, that must have been in July, not later than July. We told him to get his abstracts together, and they were sent to the United States attorney for examination. The \$635,000, the value of that timber—I don't know whether you have in the record, Mr. Chairman, the cruise on that timber.

Mr. FREAR. We have, substantially, but you can put it in, if you desire, as you have it.

Mr. REED. It shows the actual cruise that we bought on.

Mr. FREAR. Yes; it was bought on 253,000,000 feet of spruce, and I have forgotten the exact amount of fir—substantially the same amount, as I recollect it, and less of hemlock; but you can put your figures in.

Mr. REED. The cruise we bought on was 316,744,000 of fir, 253,765,000 of spruce, 200,476,000 of hemlock, 15,116,000 of cedar, or a total of 766,101,000 feet. On the basis of the purchase price, which was \$635,000, where he offered us the spruce only for \$3 a thousand, the spruce figured out \$2.50 a thousand, and the average of all of the timber practically 81 cents a thousand. So that we felt that we were making a good trade when we bought the entire tract, rather than to enter into a contract to log the spruce.

Mr. LEA. That is, the stumpage price for the spruce was more than the total purchase price.

Mr. REED. More than the total purchase price.

Mr. LEA. Why was that contract of purchase completed after the armistice?

Mr. REED. I know there were two reasons that influenced me.

Mr. LEA. What were they?

Mr. REED. One was that it added value to our railroad, and the other was that we had entered into a moral obligation to buy that timber, and if I had been doing business in my private capacity, I would have felt that I was bound to buy the timber. We had made the offer and we had accepted it, and it was a question of straightening up title, and if the title had been straightened up we would have bought it long before the armistice.

Mr. LEA. What in your judgment were the reasons for the location of the Toledo mill, or the construction of the Toledo mill?

Mr. REED. I would say that when that matter first came up, and right up to the last ditch, I opposed the building of the Toledo mill. I said that the logs could be brought to Portland and cut here, and, with the saving in the side lumber and the offal, that we would make a better deal and save the investment of the mill. My associates, particularly Mr. Ladd, on the board agreed with that view. We went into the figures—I have them here, many of them—as to the cost of sawing there and sawing here, and it developed that there was, when you took into consideration the freight rates, a difference of practically \$3 a thousand in the lumber shipped, whether cut at Toledo or on the Columbia River, in favor of the Toledo mill. But even that did not satisfy me in making the large investment; I thought it could be offset, to a certain extent, by the better market for the side lumber and the offal here, in the way of wood and product. But when we got to figuring with the railroad, and when we sent for the railroad officials or their operating officials and their engineer department, we found that the road would practically have to be rebuilt. We had to get out not less than 80 cars of logs a day over that road, and, with the numerous trestles and other low tunnels, it was a physical impossibility to put that product over the road without splitting it up. The tunnel, as I remember it, was only 13 feet from the top of the rail to the apex of the tunnel. A log flat is about 4 feet 10 inches from the top of the rail to the top of the bunk. Many of the logs down there are 8 feet on the stump and you could not get out with one—some of the logs with one log on a car.

When that condition developed, and taking into consideration the freight rate, I voted to build the mill.

Mr. LEA. Now, in reference to the delivery of the logs from the Lake Pleasant country to Port Angeles, how would the expense compare, where they could be transported from the forest to the mill by rail, with another method of sending them part way by rail and then towing them down the Straits?

Mr. REED. Well, I don't know just what that—I know the towing on the Straits is very expensive, something like—the present rate is \$2.50 a thousand; but, in any event, any practical logging operation, the sooner that you can get the log on the car and on wheels, the sooner you stop your expense; and if you can get away from taking

it off of that car until it reaches its destination, it is the economical operation to have.

Mr. LEA. I believe that is all.

Mr. FREAR. Mr. Lightner testified on that last question that it was a saving of a dollar a thousand to their company, as figured, by bringing it out from Lake Pleasant on the railway or bringing it out by the other route. A large part of that he based upon actual experience of the head of the Goodyear Lumber Co., and knowledge of the rates of the Milwaukee road and the joint rates that would have to be made. Of course, he is engaged in the logging business there, and I was wondering if you had taken these various things, which were familiar to them from actual experience, into consideration.

Mr. REED. I think so. Yes, sir; I have. I do not agree with Mr. Lightner's conclusion.

Mr. FREAR. You never have been to Clallam Bay, you say?

Mr. REED. I never have been to Clallam Bay.

Mr. FREAR. You have never been present in connection with this shipment of lumber, have you—the logs that would have had to have been undertaken there?

Mr. REED. From Clallam Bay; no, sir.

Mr. FREAR. You said that you figured the cost of the Blodgett tract at 81 cents for all the timber?

Mr. REED. Yes, sir.

Mr. FREAR. You built a railroad in there to get out the logs?

Mr. REED. Yes, sir.

Mr. FREAR. What was the cost of that railroad?

Mr. REED. Well, I don't know, except the figures that have been handed to me. They say it is—

Mr. FREAR. It is over \$2,000,000. Add that to the six hundred and some odd thousand dollars and then tell the committee how much the logs will cost a thousand?

Mr. REED. Well, Mr. Frear, I would answer that question if you would allow me to explain. I don't think that is—with no discourtesy—I don't think it is absolutely a fair question.

Mr. FREAR. All right. I want you to answer it fairly.

Mr. REED. Yes.

Mr. FREAR. And I want to give you plenty of opportunity.

Mr. REED. The railroad would handle more timber than is covered on the Blodgett tract alone. It opens up that entire tract in there, and I don't think it is fair to charge the Blodgett tract alone against the railroad.

Mr. FREAR. But the Blodgett tract has about all the timber that is directly accessible, has it not, to the railroad, and the timber down below there—have you ever cruised down there?

Mr. REED. No.

Mr. FREAR. It is in one bunch. A small piece of land beyond there that had some timber. But that would certainly be a factor in determining the cost of the timber?

Mr. REED. Yes; but even then, Mr. Chairman, I would not consider it a prohibitive cost.

Mr. FREAR. Four dollars a thousand, if it reaches that figure on the cost of hemlock, with a haul necessary to make of about 24 miles before it gets to water, is really a pretty strong price, isn't it?

Mr. REED. That is a strong price for hemlock, but it is not a strong price for cedar or for fir or——

Mr. FREAR. I was taking the average that you got.

Mr. REED. Yes; it is——

Mr. FREAR. But your price for spruce was figured at \$2.50?

Mr. REED. Yes.

Mr. FREAR. Which would make it six or seven dollars a thousand for getting out the spruce, I take it. If you count the railroad, as I have said, as a part of the expense, and you always do——

Mr. REED. Amortize it, all of it.

Mr. FREAR. You always do when you put in a railroad to take out your logs, that is always a necessary part, your own logging, labor, and every other question?

Mr. REED. Sure; but you have to consider your value, amortize.

Mr. FREAR. Surely; yes; the value, with the other factors.

Mr. REED. Yes.

Mr. FREAR. So that the price of 81 cents might be so understood as not to give a fair understanding of the situation with the road you have. I didn't know whether this other had ever occurred to you or not.

Mr. REED. Of course; but, as a matter of fact, if we wanted the spruce, and if we had to have the spruce, the question then was whether we would buy the entire tract, where the spruce would cost as \$2.50 a thousand, or buy the selected spruce at \$3 a thousand.

Mr. FREAR. Did you ever enter into a contract, individually, or otherwise, with anyone, for the purchase of logs, and build a railroad for about six months before you completed the contract, or nine months, as it turns out here the railroad built was begun in the summer, was it not, early summer?

Mr. REED. Yes, sir.

Mr. FREAR. And the contract was completed on December 2, and Mr. Blodgett, I understand—I think it is conceded—wrote that he would release from any moral obligation?

Mr. REED. I don't know about that. I never heard anything about that.

Mr. FREAR. Well, that is in the record. But did you ever buy or did you ever build a railroad under those circumstances?

Mr. REED. I never did; but I have never had the right of condemnation, either, to take that timber.

Mr. FREAR. Did these people have that were saying they had?

Mr. REED. Why, I always presumed that if Mr. Blodgett did not sell that timber to us, and we had to have it, that this Government was supreme and they could go and take it.

Mr. FREAR. But was that authority given at the time you started to building the railroad?

Mr. REED. I don't know whether it was or not. You know, we always thought——

Mr. MAGEE (interrupting). I agree with you, as a legal proposition.

Mr. REED. I don't know whether it was legal or not; but the Government can do anything they want to.

Mr. MAGEE. I think so, in time of war.

Mr. REED. Yes, sir; in time of war.

Mr. MAGEE. When the Nation is threatened.

Mr. REED. Yes, sir. They said we could not commandeer the saw-mills, but I always maintained they could.

Mr. FREAR. Well, don't you believe they ought to have done so, if necessary?

Mr. REED. Yes, sir.

Mr. FREAR. Well, I think we are all agreed on that proposition, too. Commercial sawing and commercial logging are practically the same; the same percentage of the finished product went into the waste and went into the finished airplanes, didn't it? That is, it went into the commercial—let me change that question. Taking the log and taking the lumber that came from the log, practically the same percentage of airplane stuff came from that log and from the lumber?

Mr. REED. I don't think so, Mr. Frear.

Mr. FREAR. Where am I wrong about that?

Mr. REED. Well, I don't think the same percentage of airplane stock came out of the log, out of all spruce that was cut, that would come out of Government lumber through a general cutting of the timber.

Mr. FREAR. What percentage of airplane stock would come out of the lumber that was cut under the log to be used that was used there in that way?

Mr. REED. Well, taking the whole tree—now this is only hearsay.

Mr. FREAR. That is all; we just want your judgment; that is all.

Mr. REED. Yes; not more than 15 per cent.

Mr. FREAR. Not more than 15 per cent of the lumber, or what part of the log?

Mr. REED. Taking the tree, a good average airplane tree, and the spruce as it came, that we cut for airplane purposes, I don't think over 15 per cent actually went into airplane lumber.

Mr. FREAR. That is, the lumber that came from the log?

Mr. REED. Yes, sir.

Mr. FREAR. Well, then, it would mean, instead of the soldiers being used in the lumber business, which was distinguished from the logging, that three-fourths—that 85 per cent of the lumber in which they were engaged in sawing, was for commercial purposes?

Mr. REED. Not 85 per cent, because—

Mr. FREAR (interrupting). Yes; on that basis?

Mr. REED. On that basis if all of the lumber shipped was used; if every foot of it was used in the airplane; but there was a great deal of waste and that all went out, and I thought when I stated 25 per cent I was about right.

Mr. FREAR. Well, I would not be surprised that that is right.

Mr. REED. Yes.

Mr. FREAR. And all I was trying to show was that they were not only employed in the woods producing 75 per cent of the logs for commercial purposes, but in the mills, if so engaged, were producing 75 per cent of the lumber for commercial purposes.

Mr. REED. No; I don't think that is true of mills, Mr. Frear. I don't want to be understood as saying that only 25 per cent of the select logs went into airplane lumber, but I said 25 per cent, or 15 per cent of the tree.

Mr. FREAR. Oh, that went into airplane lumber?

Mr. REED. Yes, sir.

Mr. FREAR. Oh, I see. I get the distinction you make.

Mr. REED. Yes.

Mr. FREAR. I will not enter into argumentative questions.

Mr. REED. No.

Mr. FREAR. Because the facts are all we care for.

Mr. REED. Yes. That is all.

Mr. FREAR. Ryan signed the War Department contract; that is the flitch contract, he told you, I believe?

Mr. REED. Well, that is as I remember it.

Mr. FREAR. Yes; I think that is true. He approved that?

Mr. REED. Yes. I remember it was a conversation that I had to dig up in my mind, since—

Mr. FREAR (interrupting). And he rejected the Disque tentative contract?

Mr. REED. Yes, sir.

Mr. FREAR. According to your statement?

Mr. REED. Yes, sir.

Mr. FREAR. And he said the contract for the railroad that he did not sign that, or something to that effect, or he brought up the subject, or how was it?

Mr. REED. Well, now, I want to correct my testimony this far, Mr. Chairman: I am not sure whether Disque told me that Ryan didn't sign the railroad contract or Ryan told me himself in that office.

Mr. FREAR. All right. I think that is sufficient.

Mr. REED. But I got that information, anyhow.

Mr. FREAR. That is, when Ryan was out here?

Mr. REED. Yes, sir.

Mr. FREAR. What brought up that subject between you and Ryan and Disque at that time that Disque made that statement to you?

Mr. REED. Well, we were all—we were discussing these contracts, and, as a matter of fact, I had never seen the Siems-Carey contract up to that time. I was interested to know myself what its terms was. There was a great furore and things were doing.

Mr. FREAR. Why was Disque volunteering that Ryan had not signed the contract?

Mr. REED. I don't say—I don't know whether Disque did or Ryan did.

Mr. FREAR. Yes.

Mr. REED. But we discussed the contracts there.

Mr. FREAR. Why were either Disque or Ryan volunteering to you at that time that Ryan had not signed this railroad contract?

Mr. REED. Well, I was directing questions as to the contract, as I remember it, and feeling, of course, that Mr. Ryan was entirely familiar with the situation.

Mr. FREAR. Yes; were you directing them with any thought—Mr. Ryan had just come from the operations up there?

Mr. REED. Yes.

Mr. FREAR. And he had just made an inspection of the road?

Mr. REED. And we had been talking about it.

Mr. FREAR. Well, how did the question of the contract and his signing it come up at that time?

Mr. REED. Well, it just developed in the conversation.

Mr. FREAR. Just developed in the conversation?

Mr. REED. Yes.

Mr. FREAR. You don't know who suggested it or brought it up?

Mr. REED. No; I do not.

Mr. FREAR. The question was asked you whether or not this was proper to be brought out by railroads. We all agree upon that, don't we?

Mr. REED. Yes.

Mr. FREAR. There is no other way to get it out as long as it is inland about 15 or 20 miles at the nearest point?

Mr. REED. Yes.

Mr. FREAR. When you were acting as arbitrator, is that the time Frost had some work there, I believe, in connection with proceedings either for the county or the State?

Mr. REED. No; that was a different time.

Mr. FREAR. He had testified with regard to some matters that he had, and he had surveys as well.

Mr. REED. That was between the county and him.

Mr. FREAR. You say that the regulations up there were 200 feet on the right of way?

Mr. REED. That is as I understood it.

Mr. FREAR. Have you ever been down on the Yaquina road, either north or south?

Mr. REED. No.

Mr. FREAR. I think they run there about 30 or 60 feet, do they not?

Mr. REED. Yes. That is the ordinary logging road, about 60 feet for a regular right of way.

Mr. FREAR. Does the State forestry have any different regulations for a road down in Oregon from what it has up in Washington, or is that a rule of the State?

Mr. REED. I don't know, Mr. Chairman.

Mr. FREAR. You were stating on that subject, and I was wondering on what it was based. You just heard that?

Mr. REED. Well, that is what they told me; and I said, "I don't see a damned bit of sense in it."

Mr. FREAR. I don't know whether that ought to go in the record or not, but I agree with it entirely.

Mr. MAGEE. Well, what do you mean; the Lake Pleasant cleared right of way is 200 feet in width?

Mr. REED. Why, at places it is cleared, as I understand it, 200 feet wide.

Mr. MAGEE. As a general proposition you don't mean to make that statement, do you?

Mr. REED. Well, I say I was told that it had been cleared 200 feet.

Mr. MAGEE. Have you ever been over the route?

Mr. REED. I have testified I have not, Mr. Magee.

Mr. MAGEE. You haven't measured it?

Mr. REED. No, sir.

Mr. MAGEE. You don't know anything about it?

Mr. REED. No, sir. I have only been over part of the right of way.

Mr. MAGEE. I have been over the route myself, and I would be very much surprised if the cleared portion would measure anywhere near 200 feet. Of course, it is a matter of measurement; it seems to me that the cleared right of way there might be a little wider than

the ordinary right of way of a railroad, but it did not impress me as being particularly wide.

Mr. REED. Well, I could not say. I haven't seen it. That is what I was told.

Mr. MAGEE. So what you say about that is not based on any knowledge, but just simply what you have heard?

Mr. REED. Yes, sir; yes, sir.

Mr. FREAR. You spoke of the Chinn letter, in which he made a proposition.

Mr. REED. Yes.

Mr. FREAR. In which you felt that the conditions would not be fair to the Government, and which certainly, if you formed the idea you had, you certainly were well within the rights and necessities of the situation in rejecting, but were any further negotiations had, or were any further suggestions made with these people to see if they had the same understanding of the letter that you had?

Mr. REED. I don't know, Mr. Frear. But subsequently these same people, and some others, entered into what is known as the Frost contract.

Mr. FREAR. Yes; and in that I think the amount of consideration there was mentioned as \$20, wasn't it?

Mr. REED. Yes.

Mr. FREAR. That was practically a voluntary contract?

Mr. REED. Yes. I was called into the conference when that original agreement was had with the loggers in Seattle.

Mr. FREAR. So it indicated if negotiations were had there might have been some misunderstanding of the conditions as you understood them, or there might have been a misinterpretation of the letter; is that true?

Mr. REED. I don't think so. I think if you will read that letter yourself you will draw the conclusion the same as I do.

Mr. FREAR. I don't pretend to pass upon what I think.

Mr. REED. You are a lawyer.

Mr. FREAR. What I think you are competent to pass on. I am frank to say that. But any negotiations, or any answer to that letter may have brought to light a difference of opinion on some phase of it, particularly in view of the fact that these people afterwards entered into a contract with the corporation to log practically without profit.

Mr. REED. It is possible.

Mr. FREAR. Yes. I think that is due to them, in justice.

Mr. REED. Yes, sir.

Mr. FREAR. Now, did I understand you to say that the proposition that they made up there at the meeting was, to take over the Siems-Carey fitch contract, as you understood it, and to leave to the Siems-Carey Co. the railroad contract?

Mr. REED. As I remember it.

Mr. FREAR. I am just testing your recollection. That is all.

Mr. REED. Yes. As I remember it, the Siems-Carey people were to continue with the building of the railroad, finish it up. It was practically along to the point of completion; but that they would step out of the fitch contract if the loggers would get together and guarantee to carry it through, and then there was some modifications suggested by these—

Mr. FREAR (interrupting). Let me call your attention to the fact, which I think is the testimony, that it was not quite that way, but that the Siems-Carey-Kerbaugh Co. retained their flitch contract but they relinquished the logging.

Mr. REED. Yes; I guess you are right.

Mr. FREAR. Yes.

Mr. REED. You are right.

Mr. FREAR. Yes; which, of course, is an entirely different proposition.

Mr. REED. Yes; you are right on that.

Mr. FREAR. I know you desire, like myself, to get the facts right.

Mr. REED. Yes.

Mr. FREAR. And that the letter signed by Gen. Disque, or Col. Disque at that time, would have required 5,000,000 feet of logs, which was in that contract, which was a very large item; that is, they thought so, I assume; but seven of them agreed to it. Now, you said that all the rest were against it. The record does not show that, and I don't think you want to be misunderstood. The record shows the number voting against, the number who did not vote against, and seven who voted for it.

Mr. REED. Well, seven voted for it, and most of them were against it. There might have been some that did not vote at all.

Mr. FREAR. Yes. The record of it was introduced in the record here.

Mr. REED. Yes; that might be true.

Mr. FREAR. I wanted to get your testimony straight. I know that you want to. Now, your road, of which you spoke, was chartered by Congress, you say; that is, a large part of it, or part of it; that is, that forty-odd miles of road.

Mr. REED. Yes, sir.

Mr. FREAR. That is the meaning of that? That is a new proposition.

Mr. REED. Why, in early days, that was in territorial days, I think, my understanding has always been that the original charter to that road came under the congressional act.

Mr. FREAR. Well, the Government built the road?

Mr. REED. No, sir.

Mr. FREAR. Who?

Mr. REED. It was built by private capital and made a common carrier.

Mr. FREAR. And made a common carrier?

Mr. REED. Yes, sir.

Mr. FREAR. That is, it was not built for a regular logging road, as you speak of, for private logging operations?

Mr. REED. Yes; it was built, and it never had any other traffic; but, taking its charter as it did, it had to become a common carrier, and gave it the right of condemnation.

Mr. FREAR. Yes. You don't know what it cost even at that time, do you?

Mr. REED. I don't know what it cost. I know what we have got invested in it.

Mr. FREAR. Well, the Government knows what it has got invested in the Yaquina Railroad, and also the Siems-Carey-Kerbaugh Road.

Mr. REED. Yes.

Mr. MAGEE. I suppose what you mean is that by congressional enactment authority to construct the road there under provisions of the act was given?

Mr. REED. Yes, sir.

Mr. FREAR. That is, for common-carrier purposes?

Mr. REED. For common-carrier purposes.

Mr. FREAR. As distinguished from a private logging road?

Mr. REED. Yes, sir. But we are continually building extensions to that road.

Mr. FREAR. The statement was made by a Milwaukee official, as I understood you, that your road was in better condition than the Milwaukee itself?

Mr. REED. Yes, sir.

Mr. FREAR. Well, speaking for one member of the committee, and two members of the committee, I am frank to say that we are glad that that would be the case if we have occasion to ride on a speeder. Do you agree with that?

Mr. LEA. Yes.

Mr. MAGEE. If you had hung onto that speeder you might not have been thrown off. [Laughter.]

Mr. FREAR. Now, you spoke of the ridge road and the coast road in reference to that road leading north from Yaquina Bay.

Mr. REED. Yes, sir.

Mr. FREAR. There was a ridge road proposed about a mile or so, or two miles east of the Yaquina Bay road, or the road that was built, was there not?

Mr. REED. Yes.

Mr. FREAR. On the top of the ridge?

Mr. REED. Yes.

Mr. FREAR. That is the road you referred to?

Mr. REED. There was a road proposed on the ridge.

Mr. FREAR. Yes; that is the road you referred to, and that is the road along the line of the Hawk survey, or something like that.

Mr. REED. Some survey, I don't know what it is.

Mr. FREAR. That is the road you had in mind?

Mr. REED. I had in mind the road they were talking of building on the ridge.

Mr. FREAR. On top of the ridge?

Mr. REED. Yes, sir.

Mr. FREAR. That is the road that was to lead from Willamina around Otter Rock on the ridge, as I understand it, and is shown by the diagrams, and there is a survey that was made along the top of that ridge. That would be about a mile or two miles east of the Yaquina road as constructed?

Mr. REED. Well, I should think so. Now, I don't know. I never was there, but just looking at the plat, my recollection is that it is.

Mr. FREAR. Yes. Well, we will have the map, so if there is any question as to where that survey road was made on top of the ridge it can be shown.

Mr. REED. Yes, sir.

Mr. FREAR. But that had no reference to what is known as the Miller road; that is over about 6 miles or more over east, because that is not on the ridge?

Mr. REED. No; that is not on the ridge.

Mr. FREAR. Of course, you have never been there?

Mr. REED. I don't know anything about it.

Mr. FREAR. But when you spoke of it, I supposed you meant those two surveys which are about a mile, or about a mile and a half or two miles apart?

Mr. REED. Those were the surveys that were particularly called to my attention.

Mr. FREAR. And those were seriously considered, both of them?

Mr. REED. Yes, sir.

Mr. FREAR. That is, as far as I have learned.

Mr. REED. They were.

Mr. FREAR. That is, when they were eventually built by the Warren Spruce Co.?

Mr. REED. Yes, sir.

Mr. FREAR. The road as eventually built cost between \$100,000 and \$130,000 a mile, according to the bases of computation, one according to the interstate basis of including all the sidings and the main road, and the other according to a basis of counting out the sidings separately and charging them up at the same basis as the main line; would you think that was rather an excessive cost for a logging road?

Mr. REED. I do.

Mr. FREAR. Under any circumstances?

Mr. REED. Well, I think it is an excessive cost, but there are some mitigating conditions and circumstances which should be taken into consideration in making that answer.

Mr. FREAR. Yes; in raising the cost of a railroad over ordinary conditions, during war times, and the difficulty of securing labor and material; and we all concede that.

Mr. REED. Yes, sir; and the policy of watchful waiting and trying to crowd everything into a few months which should have been covered by a few years, had something to do with it, too.

Mr. MAGEE. Aren't you in favor of the policy of watchful waiting?

Mr. REED. Not yet.

Mr. MAGEE. That is almost a political question, isn't it? [Laughter.] And we must concede that politics have been debarred from this investigation, when a good Republican is called by my friend over here at the right, and when I have called Gov. West to give his opinion on the other side, that we are entirely absent from partisanship. Now, on that Clallam Bay operation, which you have testified about, of course, you say you have never been there, but you are familiar with rafting and logging, as we understand, and own towboats. Now, do you know of anything that makes the conditions different in the sound from what they are up between Queen Charlottes Island and the mainland; that is, 80 miles across, and shallow, as has been testified to?

Mr. REED. Well, I know that they have difficult towing conditions.

Mr. FREAR. Up there?

Mr. REED. All I know about it is general information. I try to keep posted.

Mr. FREAR. Yes. That is, they would surely have as difficult conditions in a sound that was 80 miles across as in one that was 20 miles across, under ordinary circumstances?

Mr. REED. Well, I don't think there is any more treacherous water, Mr. Chairman, than in the Straits of Juan de Fuca at certain seasons of the year.

Mr. FREAR. Well, the testimony was that it was very rough up there at certain seasons of the year?

Mr. REED. Well, I think it is true, too.

Mr. FREAR. And they produced, they shipped logs with the Davis system 175 miles to be cut up and brought, either the logs or the lumber, down 500 miles to Vancouver. When I speak about "they" I mean the Canada officials under Mr. Pendleton, who was carrying on the operations; and they produced as high as 8,000,000 feet during the month of November, I believe, or October—26,000,500 feet of finished aircraft lumber, as he stated, with not to exceed 10 per cent of the logging or lumbering facilities that were possessed up here in the northwest part of the United States. Now, he did that, bringing these logs over from Queen Charlotte Island; that was his statement, and it has not been disputed. So that that method of logging is reasonably successful, is it not, when they could keep up that continuous cut of logs?

Mr. REED. I don't believe that they can keep up that continuous cut of logs. That is, if you are going to put in 150,000,000 feet a day in Queen Charlotte Sound or in Clallan Bay, there are times in the year when you could not tow them out.

Mr. FREAR. Oh, there is no question about that. We all concede that.

Mr. REED. And for a continuous operation I don't believe that it is the most practical route. That was all—

Mr. FREAR (interrupting). The testimony also is that the Goodyear people, with the Davis system, never lost a raft.

Mr. REED. They never lost a raft, but they have lost logs off of the raft.

Mr. FREAR. That is true of others, as we observed when we came along and saw logs ditched all along the side of the railway.

Mr. REED. Yes.

Mr. FREAR. So that is liable to occur either way?

Mr. REED. Oh, yes; a train is liable to wreck, too.

Mr. FREAR. And, of course, trains are liable to have bridges washed out, and slides, and things of that kind?

Mr. REED. Yes.

Mr. FREAR. So there is some likelihood or possibility of interference with operations in any system that you experience yourself, I assume?

Mr. REED. But this fact remains, Mr. Chairman, that the most successful operations known in the industry are railroad operations.

Mr. FREAR. Because they are the most general, I suppose?

Mr. REED. No; they were not in early days.

Mr. FREAR. No; but I mean under this later method it is very simple now.

Mr. REED. Yes.

Mr. FREAR. To get connecting links with a transcontinental road, as was arranged here, and could have been arranged by the Deep Creek route?

Mr. REED. Yes, sir.

Mr. FREAR. You were in favor of the Deep Creek route, I understood, were you not?

Mr. REED. Originally.

Mr. FREAR. Yes. You were a member of the Aircraft Board?

Mr. REED. Yes, sir.

Mr. FREAR. The Secretary of War in his letter so stated.

Mr. REED. Yes, sir. We recommended it to the Secretary of War.

Mr. FREAR. And in that he said he gave his objections to the other route.

Mr. REED. Yes.

Mr. FREAR. Which were brought out?

Mr. REED. We recommended it in the original recommendation.

Mr. FREAR. Did you ever take any position on the construction of the mill up there at Port Angeles?

Mr. REED. Yes, sir.

Mr. FREAR. What was the position?

Mr. REED. I can't say that I was ever in favor of building that mill.

Mr. FREAR. Here is a little newspaper clipping that some kind friend has sent me in regard to another matter. It says—I don't know what paper it is from; you may recognize it; it is under date of August 13:

Representative Reed held out with W. M. Ladd, of Portland, in opposition to the Oregon plans as long as possible, and the contract they drew up for the Olympic Peninsula development was not the one approved by Secretary of War Newton D. Baker and later on by John D. Ryan, who was head of the Airplane Production Service.

That we have passed. That is, you have stated——

Mr. REED (interrupting). Well, I am not responsible for the newspaper clipping.

Mr. FREAR. I know, but that is just the matter that you covered.

Mr. REED. Yes.

Mr. FREAR. I thought it referred to it down here.

Mr. REED. Yes.

Mr. FREAR. Here it says further, in the newspaper statement:

Thus far——

This is another, under date of August 25; I assume it is a Seattle paper, and it is no reflection, let me say. It says:

Thus far no effort has been made to produce Mark E. Reed, who succeeded George S. Long, Weyerhaeuser Timber Syndicate manager, on the advisory spruce committee and who later on became a director in the Spruce Production Corporation. Reed, it is well understood among his associates, will not volunteer his testimony, yet he was first selected by Gov. Ernest Lister and later by the Federal Government to aid the Army in getting out spruce. It is well known also that he opposed the terms on which the Slems-Carey-H. S. Kerbaugh contract was awarded, and held out against the Warren Spruce Co. contract that tapped the Blodgett tract in Lincoln County, Oreg.

Mr. REED. I don't know where they got that information.

Mr. FREAR. Well, is there any truth in it?

Mr. REED. No; it is not truthful. I didn't hold out against the Warren Spruce Co. contract. In fact, I think that was well under way before I went onto the board. I don't believe that it was necessary to build the mill at Port Angeles, but I can see from their standpoint why they thought it was.

Mr. FREAR. Do you want to examine the witness?

Mr. MAGEE. I just want to ask a question or two if you are through.

Mr. FREAR. That is all. Or do you, Mr. Lea?

Mr. LEA. Why, what caused you to change in favor of the Crescent route for the railroad up there?

Mr. REED. The statement principally that the road could not be built and put in operation by the 1st of December, and the examination showed that there were so many cuts and fills that even if it was opened up that we could not maintain a continuous operation, and I felt that the necessity for the spruce and the awful pressure that was behind us all the time made it necessary to take the most feasible route to obtain results.

Mr. LEA. You were here last week to testify, weren't you?

Mr. REED. Yes, sir.

Mr. LEA. And didn't get an opportunity?

Mr. REED. No, sir.

Mr. LEA. You haven't had any disposition to evade being a witness in this matter, have you?

Mr. REED. No, sir.

Mr. LEA. That is all.

Mr. FREAR. There was no suggestion from any member of the committee that he had.

Mr. LEA. I took it that that newspaper article that you put in the record suggests that. That is the reason I asked the question.

Mr. FREAR. No; I didn't intend that.

Mr. MAGEE. The extension of the tap road would have been shorter, so far as miles of railroad to be built are concerned?

Mr. REED. That is my understanding.

Mr. MAGEE. How many miles shorter?

Mr. REED. My recollection is about 10 miles; 10 or 11 miles. I think it was $25\frac{1}{2}$ miles as against 36.

Mr. MAGEE. Mr. Roberts, of the Union Pacific, had rendered a report that it was feasible to extend the line?

Mr. REED. It was feasible but not practical for the purpose that we wanted to reach.

Mr. MAGEE. Well, have you read his report?

Mr. REED. I don't know what he reported, but I know that was our conclusion.

Mr. MAGEE. Yes; I understand that was your conclusion, but Mr. Roberts reported, did he not, that it was feasible to build the road on that route, and gave you an estimated cost?

Mr. REED. I think he did.

Mr. MAGEE. Now, if you had not changed your mind, or if Gen. Disque had not changed his mind and located the road over along Lake Crescent, why you could have begun the construction of the road earlier than the construction of the Lake Crescent-Lake Pleasant road was begun, couldn't you?

Mr. REED. No. Our efforts were all bended toward getting permission to build the road. We never got that permission until after Col. Disque returned from the East, as I remember it, and so far as the matter of location was concerned.

Mr. MAGEE. Permission to build what road?

Mr. REED. Any road.

Mr. MAGEE. You don't claim that the Railroad Administration never authorized any building of road there, do you?

Mr. REED. We wanted the Railroad Administration to build the road.

Mr. MAGEE. Yes; but I say, you don't understand that no authority was given by the United States Railroad Administration?

Mr. REED. No. But we had to get permission from the War Department to go ahead and build the road. There had to be a contract entered into.

Mr. MAGEE. Gen. Disque has testified he took the full responsibility and changed his mind at a meeting here in Portland, after you were here in Portland, and determined he would build the road over the Lake Crescent route?

Mr. REED. I think that is true.

Mr. MAGEE. He also testified that the matter was under discussion for some weeks, possibly a period of two months before such conclusion was reached. Do you remember anything about that?

Mr. REED. Yes, sir.

Mr. MAGEE. He also testified that he would not permit the signing of the fitch contract with the Siems-Carey-Kerbaugh Co. until the railroad contract had been signed.

Mr. REED. I think that conclusion was reached at our meeting.

Mr. MAGEE. What I mean to say is if that is so, and I presume it to be so, if you were deliberating over this matter for six weeks or two months, if he had not indulged in that deliberation and had stuck to his original decision to extend the Deep Creek road, the construction of that road could have been begun some six weeks or two months earlier than the railroad construction actually was begun?

Mr. REED. If we had taken the responsibility to go ahead and build the road without the approval of the War Department, which I do not believe any member of the board or Col. Disque would have done.

Mr. MAGEE. Do you not understand, as a member of this advisory committee, Mr. Reed, that the Secretary of War had approved it?

Mr. REED. He had approved it.

Mr. MAGEE. And that Gen. Disque, in changing his mind, as pointed out by Gen. McIntyre in his communication to the Secretary of War, which is in evidence, stating that the Secretary of War was reversed. You are familiar with all that, are you not?

Mr. REED. I am familiar with the fact that it was recommended by the Secretary of War and we answered it——

Mr. FREAR. Answer yes or no.

Mr. REED. Of course, I have a right to explain my answer.

Mr. MAGEE. I asked you whether you were familiar with it.

Mr. REED. Yes, sir; I am familiar with it.

Mr. MAGEE. If there were six weeks or two months of deliberation, which resulted in a change of the decision, if there had not been that period of deliberation and the decision had been adhered to, the construction of the road could have been begun six weeks or two months earlier, could it not?

Mr. REED. Can I explain that answer?

Mr. MAGEE. Can you not answer that question?

Mr. REED. No, sir; I can not tell the whole truth without an explanation.

Mr. MAGEE. If you can not answer it, that settled it. I think the proposition is plain enough and it probably does not require any

answer. Now, you do not believe with the force of soldiers which you had here that you could not build an extension of the Deep Creek route into this west or Lake Pleasant locality where this route was, a distance of 25 miles, within the same length of time, or approximately the same length of time, that you could build 11 miles more, or 36 miles over this difficult Lake Crescent, Lake Pleasant route, do you?

Mr. REED. We could have built the road, but it would have been a much more difficult task, because there was no means for handling transportation. You could not begin to have built that road by putting a crew at one end of it and driving the road through. It was necessary, in order to expedite the work, to put in many crews, and on the Lake Pleasant route you had a State road, the best road in that country, to get your supplies and material to these crews. That was the main object.

Mr. MAGEE. Did you have any road over the north side of Lake Crescent, up there on the side of the mountain?

Mr. REED. Oh, no.

Mr. MAGEE. In that connection, you got through one place of 200 feet of solid rock for a long distance?

Mr. REED. I do not know how far it was.

Mr. MAGEE. You do not pretend to tell this committee that it was not feasible to extend the Deep Creek route and railroad construction into this spruce tract, do you?

Mr. REED. No, sir; I do not.

Mr. MAGEE. Certainly; and if the 4,000 men in the emergency of war were not a sufficient force to construct this road, in time of emergency the Government could have put 4,000 or 10,000 men more to construct this, could it not?

Mr. REED. They could do anything they wanted to in time of war.

Mr. MAGEE. Certainly. Now take this question of the purchase of the Blodgett tract. Did you understand that Mr. Blodgett was anxious to sell this tract?

Mr. REED. Yes; I think he was. Of course, there are statements to the contrary, but it was reported to us that he had offered to sell it before we opened negotiations for it.

Mr. MAGEE. There has been considerable evidence presented here that it was only by reason of the threat of commandeering and beginning the construction of the railroad from Yaquina Bay south along the coast that the Government got a price on the property. Do you know anything about that?

Mr. REED. I do not think it is true.

Mr. MAGEE. If he was not anxious to sell it, there is nothing in the statement that the Government was bound to take it as a moral obligation after the armistice?

Mr. REED. Well, he could have released us.

Mr. MAGEE. I say, if he did not, if he was not anxious to sell it, then there would be no force in that statement.

Mr. REED. If he was not anxious to sell it?

Mr. MAGEE. I say, if he was not anxious.

Mr. REED. I do not know whether he was anxious to sell it or not. I know he never offered to withdraw or call the cancellation of the proposed contract.

Mr. MAGEE. You had a number of discussions, I presume, before your board on that?

Mr. REED. Yes, sir.

Mr. MAGEE. You bought it to give value to the railroad?

Mr. REED. Yes, sir.

Mr. MAGEE. That is the fact of the matter?

Mr. REED. Yes; bought it to give value to the railroad and feeling we had made a good buy for the Government.

Mr. MAGEE. Yes; that is what I understood.

Mr. REED. Yes, sir.

Mr. MAGEE. You mentioned that the economical way to get logs to the mill, if you can, is wholly by railroad. Is that right?

Mr. REED. Yes, sir.

Mr. MAGEE. In other words, if you load a log on the car and go direct to the mill, that is the quickest way and the most economical way to get the log there. Is that right?

Mr. REED. Yes, sir.

Mr. MAGEE. Now, are you familiar with the mapography of Lincoln County?

Mr. REED. No, sir.

Mr. MAGEE. Have you been down there along Yaquina Bay?

Mr. REED. No, sir.

Mr. MAGEE. Well, there in the road they built up along the coast that you have described; they have brought down a considerable number of logs already and dumped them into Yaquina Bay. Do you know anything about that?

Mr. REED. I know that they have done that; yes, sir.

Mr. MAGEE. And I was questioning Mr. Holland some yesterday on that proposition, that if there was physical connection with the Southern Pacific at Yaquina Bay and they should take these logs and load them on the car and take them by way of the railroad, why should they then dump them into the water and tow them 11 or 12 miles when they could have been taken by railroad all the way? You do not know anything about that situation?

Mr. REED. No. There must be some very good reason for it.

Mr. MAGEE. I could not see any myself. In fact, I agree with your statement that where you get logs to the mill wholly by railroad, that is apparently the quickest way and the most economical way. I thoroughly agree with you. Now, you do not know whether there is any good stand of spruce down there in Lincoln County east of this ridge or not, do you?

Mr. REED. No; I do not.

Mr. MAGEE. You do not know whether it was feasible to extend the Storey-Fisher railway up over the ridge into the Siletz country?

Mr. REED. No. My information largely is gathered by the report.

Mr. MAGEE. You depended upon that report?

Mr. REED. I did.

Mr. MAGEE. As I recall, Gen. Disque testified that if there was a good stand of spruce over the east of the ridge—and the evidence is given here that there was a minimum of 550,000,000 feet of spruce and a maximum amount of 1,000,000,000 feet—and it was feasible to get over this divide into that spruce, the only sensible, reasonable, and practical means of doing it would have been an extension of the

Storey-Fisher road so that they could have had railroad transportation direct from the forest to the mill.

Mr. REED. I do not know anything about it, that part of it.

Mr. MAGEE. You have never been down there?

Mr. REED. I have never been down there.

Mr. LEA. As I understand your position in reference to the railroad route to Lake Pleasant was that, while the Deep Creek route was a feasible route, the best route was the Crescent route?

Mr. REED. That was—really we had nothing to do with the final selection of that route. My testimony covered by conversation with Gen. Disque concerning the selection of the route. I asked him which route had been selected and he told me the reasons for it.

Mr. LEA. Did you agree in the selection of the Crescent route?

Mr. REED. I did, after he made his explanation to me.

Mr. MAGEE. Did you understand that Gen. Disque did select it and determine it, or that it was determined by someone else?

Mr. REED. My understanding was that Col. Disque made that selection after he had gotten his reports, and that was done and the contract entered into before this conversation that I had with him.

Mr. MAGEE. He determined the route?

Mr. REED. Yes, sir.

Mr. MAGEE. That is all.

Mr. FREAR. That is all.

(Witness excused.)

(Thereupon, at 12.30 o'clock p. m., the committee took a recess until 1.45 o'clock p. m.)

AFTER RECESS.

The committee met, pursuant to the taking of recess, at 1.45 o'clock p. m.

TESTIMONY OF ALEX POLSON.

(The witness was sworn by Mr. Frear.)

Mr. LEA. Where do you live?

Mr. POLSON. Hoquiam.

Mr. LEA. How far is that from Grays Harbor?

Mr. POLSON. That is right on Grays Harbor.

Mr. LEA. How long have you lived in this State?

Mr. POLSON. Since 1879.

Mr. LEA. What has been your business?

Mr. POLSON. Lumbering.

Mr. LEA. Both milling and logging?

Mr. POLSON. Yes.

Mr. LEA. What is the size of the operations with which you have been connected?

Mr. POLSON. At the present time?

Mr. LEA. Yes, and before the war.

Mr. POLSON. I started in 1879 as a day laborer, and continued at that until 1882. I then built the first driving dam on the South Fork of the Cushman River, in Pacific County, State of Washington, and I hand logged on small streams until I built booms in the Hoquiam River and until I secured enough to buy ox teams, and I used those until the donkey engine was brought in, and so I was brought up

from handlogging to producing 200,000,000 feet a year before the war.

Mr. LEA. What is the name of your company?

Mr. POLSON. The Polson Logging Co.

Mr. LEA. You had a contract with the Government during the war, did you?

Mr. POLSON. No.

Mr. LEA. For the spruce-production corporation?

Mr. POLSON. No; I am president of the Airplane Spruce Co., cost plus.

Mr. LEA. And is that a corporation?

Mr. POLSON. It is.

Mr. LEA. When was that incorporated?

Mr. POLSON. I think about January, 1918; very close to that time.

Mr. LEA. For what purpose?

Mr. POLSON. Getting out spruce for airplanes.

Mr. LEA. On what is called a cost-plus contract, for the Spruce Production Corporation?

Mr. POLSON. I did, and my associates.

Mr. LEA. In what section did you operate for the spruce corporation?

Mr. POLSON. You mean section as to district, or as to the land?

Mr. LEA. No; as to district.

Mr. POLSON. The Grays Harbor district—county.

Mr. LEA. What was the general nature of your operations; what did they involve?

Mr. POLSON. Production of spruce for airplanes.

Mr. LEA. And about how much spruce did you produce during the life of your contract?

Mr. POLSON. A little over 18,000,000 spruce and a little fir.

Mr. LEA. Did that 18,000,000 include the fir?

Mr. POLSON. Yes; it was a little over that—probably 18,000,000 spruce—there was very little fir.

Mr. LEA. Did the Polson Co. produce any timber during the war for the Government?

Mr. POLSON. It produced more output of timber than probably any 10 firms in the State.

Mr. LEA. That is, in the Grays Harbor district?

Mr. POLSON. In the Grays Harbor district.

Mr. LEA. In producing 200,000,000 feet a year, how much would you produce a day?

Mr. POLSON. All the way from 750,000 to 1,500,000. It just depends upon the show that they have for that day. It might be favorable or unfavorable.

Mr. LEA. Did you have any soldier labor in your cost-plus operations?

Mr. POLSON. Yes; nearly all.

Mr. LEA. How much per thousand did it cost you to produce the spruce during the war?

Mr. POLSON. I believe it averages about \$38; of course, one-half of that did not produce any spruce, because we were not in the Quinault country. We had just got in ready to haul when the armistice was signed.

Mr. LEA. You had not reached production when the armistice arrived?

Mr. POLSON. By no means.

Mr. LEA. How much longer would it have taken you to have reached a real production?

Mr. POLSON. A real production—in about 60 days.

Mr. LEA. Then how much do you think you could have produced after that?

Mr. POLSON. About 20,000,000 a month.

Mr. LEA. Was this railroad into the Quinault completed?

Mr. POLSON. It was only partially completed.

Mr. LEA. Did you permit, or was there any particular waste of food materials or other materials in your operation there?

Mr. POLSON. If there was, it was absolutely unknown to us. There were strict orders that nobody should be permitted to do anything through carelessness or maliciousness. They were looking out for alien enemies, and alien enemies would be arrested or forced from the concern. We would have to take that up with the military department as to the soldiers, of course.

Mr. LEA. How long are your logging roads, your main line?

Mr. POLSON. The main line is about forty odd miles.

Mr. LEA. And when did its construction begin?

Mr. POLSON. Over 20 years ago.

Mr. LEA. What have your roads cost you per mile?

Mr. POLSON. That is a very hard question to answer. You might build one mile which might cost ten thousand, and the next mile might cost forty or fifty thousand. We have a mile and over that cost us over a hundred thousand.

Mr. LEA. That is, road that was built before the war?

Mr. POLSON. Yes; and you can readily see you might get into some heavy work building a switch, which might be very expensive, and the next switch might be on level ground.

Mr. LEA. To what point did you deliver the logs that you produced in the cost-plus operation?

Mr. POLSON. To the mills in Grays Harbor.

Mr. LEA. Did you tell me the amount of spruce that the Polson Co. produced during the war outside of the cost-plus operation?

Mr. POLSON. Not yet.

Mr. LEA. How much did you produce?

Mr. POLSON. Fifteen million, commercial spruce. That is the whole trade, about fifteen or sixteen million.

Mr. LEA. What can you say as to the production of your section of war lumber during the war?

Mr. POLSON. Spruce, airplane stock?

Mr. LEA. Yes.

Mr. POLSON. I think Grays Harbor County produced nearly if not all of one-half of the spruce produced in the two States.

Mr. LEA. What developed as to the condition of the mills in handling the logs that were brought in during the war?

Mr. POLSON. Very unsatisfactory.

Mr. LEA. In what way?

Mr. POLSON. Col. Breece took over the output of our camps as regards the spruce, and they were to be delivered to two mills designated by him, and they disagreed as to the Government

scale, and when the armistice was signed we had 4,000,000 in the water, some of it being there 60 to 90 days, and about 8,000,000 or 9,000,000 that we were holding up until the armistice was signed, and the market fell off and we had to sell it at less than the Government was paying for it.

Mr. LEA. You had to lose money on that material?

Mr. POLSON. Yes.

Mr. LEA. During the war did you engage in any selective logging?

Mr. POLSON. You mean for airplane spruce?

Mr. LEA. Yes.

Mr. POLSON. The airplane spruce was all selective logging.

Mr. LEA. And what did you think of the practicability of that method for that purpose?

Mr. POLSON. When the Government is doing it, it is the only way to do it, because we are just glutting the market with other stuff for which you have neither cars to move it with, and no yard room, and you are just taking up that much time.

Mr. LEA. Were the mills in your section able to dispose of the side cut?

Mr. POLSON. No; not with that enormous amount of it. They could not dispose of it because they could not get cars, and the market would not buy that during war times.

Mr. LEA. What did they do with it?

Mr. POLSON. They generally piled it up, so far as I know. We were not cutting it.

Mr. LEA. What was the price of rails out there during the war?

Mr. POLSON. We bought 16 miles of rails for this road to Quiniault Lake, about 16 miles, at \$95; it cost \$5 or \$10 to deliver them up into the woods.

Mr. LEA. Do you know the general conditions at Queen Charlotte Island?

Mr. POLSON. Not to be an authority on it, any more than to know it is located on the inside passage and located where spruce grows, and loggers log up in that vicinity; not often spruce, but very often fir.

Mr. LEA. Do you know anything about the conditions of the tide between there and the mainland?

Mr. POLSON. They have been towing there for 30 or 40 years.

Mr. LEA. To what, if any, extent is that towing route open?

Mr. POLSON. It is an inside passage, most of it; it is like a mill pond.

Mr. LEA. Are you acquainted with the towing conditions on the sound, the straits, above Clallam County?

Mr. POLSON. I have no personal experience.

Mr. LEA. Are you familiar with the waters there—you have gone through there?

Mr. POLSON. Just what they have told me.

Mr. LEA. Do you know whether or not it is practical for towing purposes?

Mr. POLSON. Well, personally I am not desirous of getting in that business there in lumbering that way. Mr. Robinson, that used to log there years ago, told me he lost 10 per cent of the logs he

put in. He afterwards sold out, I understand, to the Goodyear Lumber Co. That is practically all the information I have got.

Mr. LEA. What has been the reason that the northwest and the west part of Clallam County has not been developed?

Mr. POLSON. On account of the rough water and poor boomage.

Mr. LEA. That is along the straits?

Mr. POLSON. Along the straits.

Mr. LEA. What, in your judgment, is the practical way of getting timber out of that section?

Mr. POLSON. Either manufacturing it there or building a road and hauling it down to Grays Harbor mills.

Mr. LEA. What distance is it from Grays Harbor up to Lake Pleasant?

Mr. POLSON. About 100 miles, the way you would have to build a railroad.

Mr. LEA. What would be the most practicable route in the other direction?

Mr. POLSON. Well, I would not be—I could not give an intelligent opinion as to that.

Mr. LEA. You are familiar with that country up there?

Mr. POLSON. I never examined it closely. I know the forest is still standing there where it has never been accessible, but at Puget Sound it has been cut off for many miles inland.

Mr. LEA. Have you any relation to the Merrill & Ring Logging Co.?

Mr. POLSON. They are my associates.

Mr. LEA. That is, in your company?

Mr. POLSON. In the Polson Logging Co. only.

Mr. LEA. Did you engage in any riving during the war?

Mr. POLSON. We did; at the beginning of it.

Mr. LEA. What period was that?

Mr. POLSON. Just the first part of it.

Mr. LEA. About when did you abandon the riving operations?

Mr. POLSON. Oh, several months later.

Mr. LEA. Do you remember whether that was in the winter or the summer, or both?

Mr. POLSON. Beginning in the winter, and running into the spring.

Mr. LEA. What was the method of checking up your expenditures by the Spruce Production Corporation; that is, what did they have of satisfying themselves that your expenditures for which you were to be repaid were just, or met with their approval?

Mr. POLSON. They had bookkeepers in the office.

Mr. LEA. In your office?

Mr. POLSON. No; in the Airplane Spruce Co.'s office, through which everything had to pass. Nothing could be ordered, not even a pencil, except through the military department.

Mr. LEA. I think that is all.

Mr. FREAR. You said, Mr. Polson, that the Merrill & Ring people were associated with you.

Mr. POLSEN. In the Polson Logging Co.

Mr. FREAR. In the Polson Logging Co. They are very large loggers, are they not; that is, I mean not in connection with your operations, which are very large, but I mean on the average they are large loggers?

Mr. POLSON. Yes; they are large loggers.

Mr. FREAR. A good concern. They handle their business well, do they not?

Mr. POLSON. Well, I should always consider that so.

Mr. FREAR. You are connected with them and you ought to know.

Mr. POLSON. Yes.

Mr. FREAR. They handle their logs entirely by rafting, do they not?

Mr. POLSON. Yes.

Mr. FREAR. What about the results, so far as your observation goes?

Mr. POLSON. Well, they had a raft or two break up.

Mr. FREAR. When was that?

Mr. POLSON. About a year or two years ago. They had a large raft break up and go on the beach.

Mr. FREAR. That is, a raft that was simply tied together like the ordinary raft; they did not use the Davis system of rafting?

Mr. POLSON. I do not believe they did. I don't know.

Mr. FREAR. They have maintained those same operations since then—that is, the same method of rafting?

Mr. POLSON. I believe they have.

Mr. FREAR. Well, you are concerned with the company; you are interested in the company?

Mr. POLSON. No; absolutely not.

Mr. FREAR. Oh, I supposed you were.

Mr. POLSON. No.

Mr. FREAR. From what you stated here I understood you were interested in that company.

Mr. POLSON. No; I could talk intelligently if I was interested. No; that belongs absolutely to them. We have nothing to say about it.

Mr. FREAR. I did not know that. The testimony was that they did lose one raft, as you say, or one raft was broken up and they had lost some logs, but that was the ordinary system of rafting?

Mr. POLSON. Yes.

Mr. FREAR. Do you know anything about the Davis system of rafting?

Mr. POLSON. Well, is that anything different than the rafting they take from the Columbia River?

Mr. FREAR. I do not know, but it is different from the system that is employed by the Merrill & Ring people, who only just tie them together, but the Davis system ties together in a cigar shape with chains.

Mr. POLSON. Yes; I know about that. That is an invention of a Nova Scotian, which was brought out to the Columbia River.

Mr. FREAR. That system is practically safe, isn't it, in logging?

Mr. POLSON. Pretty nearly safe.

Mr. FREAR. Have you ever been up in the inside passage?

Mr. POLSON. I have been on the boat.

Mr. FREAR. Near Queen Charlotte Island?

Mr. POLSON. I have gone by there.

Mr. FREAR. You have not stopped there?

Mr. POLSON. No; any more than just went by.

Mr. FREAR. Do you know anything about the logging operations there from your own personal knowledge?

Mr. POLSON. Not from my own personal knowledge; no.

Mr. FREAR. Do you know anything about the drafting operations there, how many logs they lose, or anything like that?

Mr. POLSON. No.

Mr. FREAR. That is all in the testimony, and I did not know whether you were acquainted with it. You say that a man named Robinson some years ago told you about 10 per cent of his logs being lost, with the Goodyear Co., I understood.

Mr. POLSON. No. He was the one that went in there and logged on the straits, about the first logger, but afterwards I believe he sold out to the Goodyear people. He was logging there by himself.

Mr. FREAR. He was unfortunate to that extent himself.

Mr. POLSON. Yes; that is what he told me. I have no way of knowing if it is so or not.

Mr. FREAR. How many years ago is that?

Mr. POLSON. Oh, that is 10 years ago.

Mr. FREAR. The testimony of Mr. Lightner was that they had never lost a raft.

Mr. POLSON. I do not know as to him.

Mr. FREAR. So you do not know about that?

Mr. POLSON. They might have lost a million and I would never hear of it.

Mr. FREAR. Lightner testifies they never lost a log. You would never hear in either case, would you?

Mr. POLSON. No.

Mr. FREAR. You were not likely to hear about it.

Mr. POLSON. Not unless I was interested.

Mr. FREAR. Do you think the inside passage is like a mill pond at all times?

Mr. POLSON. Oh, there may be occasions, but it is like the inner sound, you will hardly ever know of a raft ever breaking up on the inner sound. It is like a large river.

Mr. FREAR. People who have testified before say that they have some very rough weather there; that its 80 miles across.

Mr. POLSON. They might get some rough weather in 80 miles.

Mr. FREAR. And in rafting logs 175 miles, as they said they do in their operations up there, that is quite an exposure.

Mr. POLSON. No; because you are towing—if a man is towing along he takes, as a rule, the sheltered side.

Mr. FREAR. Well, they would do that if they were only towing along on this 20-mile wide creek, wouldn't they, at Juan de Fuca?

Mr. POLSON. What hurts them there is the gale that comes in from the ocean.

Mr. FREAR. But it does not seem to hurt the Goodyear Co., who never lost a raft.

Mr. POLSON. Well, they have not logged very much yet.

Mr. FREAR. Haven't they? How many years have they been there?

Mr. POLSON. They have been there a few years.

Mr. FREAR. They have been there a few years, that is some time, if they have not lost raft, isn't it?

Mr. POLSON. Oh, yes; but a man can log 10 years and not put in a hundred million.

Mr. FREAR. But they are putting in more than that, are they not?

Mr. POLSON. I do not know as they are.

Mr. FREAR. I know, but would you admit that a man might log 10 years and put in over 100,000,000 feet; you are taking the conclusion that they would not.

Mr. POLSON. I am just judging from what I hear, that they have not got a very large outfit.

Mr. FREAR. Their statement, I think, is something like 40,000,000 a year.

Mr. POLSON. Well, they ought to be correct.

Mr. FREAR. They ought to know their own business.

Mr. POLSON. Yes.

Mr. FREAR. They testified as to this, and they probably know if they have logged in that length of time a couple of hundred million feet.

Mr. POLSON. Yes.

Mr. FREAR. And they have not lost a raft?

Mr. POLSON. That might be true, too.

Mr. FREAR. And they are on the straits. Now, you think the best method of reaching the Pleasant Lake route is by Grays Harbor?

Mr. POLSON. Oh, I did not say that is the only way, by rail.

Mr. FREAR. I mean the best way.

Mr. POLSON. What is that?

Mr. FREAR. I mean the best way. I am not prepared to argue the question, but I mean that is your judgment.

Mr. POLSON. That is my judgment.

Mr. FREAR. Because you have got large milling facilities there, you have got a very large bay, and all those things are considerations in logging, are they not?

Mr. POLSON. Oh, yes.

Mr. FREAR. So, if a railroad was built from Grays Harbor, in your judgment it would be just as desirable or better, as you say, than from Port Angeles, which is a very small place?

Mr. POLSON. Yes.

Mr. FREAR. I think that is a fair statement.

Mr. POLSON. Yes.

Mr. FREAR. Now, the Milwaukee road for years has been trying to get around to Grays Harbor, hasn't it; hasn't that been understood?

Mr. POLSON. The Milwaukee—may I answer that in my own way?

Mr. FREAR. Yes, do; right in your own way.

Mr. POLSON. The Northern Pacific from Moclips secured a right of way nearly through to the straits. The Milwaukee secured a right of way about one-third of the way. Then there came up such an indignation as to the railroad industries all over the United States that the Milwaukee and the Northern Pacific could not borrow any money at 7 per cent, while the Canadian roads could borrow it at 4 per cent, and it got so it was no investment, and they both threw up their hands—and the right of way crossed the Indian reserve—and quit. That is the reason there are no railroads across that peninsula.

Mr. FREAR. In other words, the Milwaukee from the north and the Northern Pacific from the south have been trying, both of them to get into Grays Harbor and to Port Angeles to connect, isn't that right?

Mr. POLSON. They were trying to connect, but finances and the sentiment of the public was so against the railroads that they could not.

Mr. FREAR. Well, the sentiment in regard to the railroads was somewhat based upon financial conditions, wasn't it, with the Milwaukee stock quoted what it was about five or six years ago and what it is quoted today; that has an impression on the people, hasn't it, as to the loans that will be made?

Mr. POLSON. I suppose that is it.

Mr. FREAR. Those things all have a bearing, haven't they, on the business end of it?

Mr. POLSON. Sure.

Mr. FREAR. But the fact remains that both of these roads were trying to get into that same territory and have been for a number of years. That is right, is it not? Tell me what the facts are—I mean prior to this time of which you speak.

Mr. POLSON. Prior to that time they were trying, and they would have succeeded had they been able to raise the money. That is the truth of it.

Mr. FREAR. That is what I want to know. Now, the Northern Pacific had reached as far north as Moclips?

Mr. POLSON. Yes.

Mr. FREAR. And that brought them within somewhere around 75 to 100 miles of the bridge, didn't it?

Mr. POLSON. Yes.

Mr. FREAR. And somewhat nearer than that to this timber which was down from—

Mr. POLSON. Yes.

Mr. FREAR (continuing). This Pleasant Lake timber?

Mr. POLSON. Yes.

Mr. FREAR. And on the other hand the Milwaukee was reaching out from the Port Angeles side and had reached over as far as Deep Creek. I do not know whether you know that or not.

Mr. POLSON. I did not know that.

Mr. FREAR. That shows on the map.

Mr. POLSON. Yes; I know; I can easily find out.

Mr. FREAR. Yes; and they were seeking to reach around from that way down to Grays Harbor, and the Railroad Administrator, it is admitted, refused to permit them to do it, before the War Department was brought in and this question of constructing the railroad at Government expense. The chairman of this committee sent you a request that you testify in Seattle, coming from the committee on the part of the House of Representatives—

Mr. POLSON. No; positively no.

Mr. FREAR. What?

Mr. POLSON. Positively no.

Mr. FREAR. Didn't you receive such a telegram?

Mr. POLSON. I did not.

Mr. FREAR. Oh, is that so? It must have been some other Polson that it reached.

Mr. POLSON. May I answer that?

Mr. FREAR. Yes.

Mr. POLSON. The only invitation I got was from R. D. Merrill, and he called me up by phone. He said, "Would you like to come up and testify before the committee?" I says, "I am besmirched as a cost-

plus contractor with the rest, and Grays Harbor has produced one-half of the spruce in two States;" and I did not take to it very kindly. I said, "I do not take to it kindly if this committee is going to slight Grays Harbor County. I will go if they will subpoena me, or if they will write me a letter, or something to that effect."

Mr. FEAR. Were you subpoenaed here?

Mr. POLSON. No; I was asked.

Mr. FEAR. By whom?

Mr. POLSON. I was in town here doing business——

Mr. FEAR. Were you asked by the committee?

Mr. POLSON. I was in town here doing business, and I met Col. Disque, and he says, "They will probably want you as a witness here." I says, "I am awfully busy, but if I can be of any use I will be glad to, but I wish very much the committee had met on Grays Harbor."

Mr. FEAR. The reason the question was asked you was because a telegram was sent, supposed to be sent to Aleck Poulsen, and an answer was received by the chairman of the committee and was shown to others, to the effect that you did not care to come.

Mr. POLSON. It must have reached the hands of some one else.

Mr. FEAR. You knew nothing about that?

Mr. POLSON. No; absolutely not.

Mr. FEAR. Your statement is sufficient, of course. I looked for the telegram, but could not find it.

Mr. POLSON. Somebody has forged it.

Mr. FEAR. Somebody acted for you, possibly, and without consulting you.

Mr. POLSON. I told them to open any telegrams, and they would open it and give it to me very carefully. Otherwise, if I stayed away a month a telegram would not be opened without I left word directing my secretary to open it.

Mr. FEAR. This had been opened and a reply sent to the chairman of the committee, and that is the reason we were somewhat surprised; but your explanation covers it. You had a cost-plus contract?

Mr. POLSON. I did.

Mr. FEAR. Do you know what the comparative cost of the production of aeroplane material by your company was compared to the other companies?

Mr. POLSON. I do not. I only know just approximately our own. I do not know as you care to have that.

Mr. FEAR. We have all of them in the records, which are to be introduced, and I am somewhat familiar with it.

Mr. POLSON. Very well.

Mr. FEAR. Have you had a settlement with the company here yet?

Mr. POLSON. We did.

Mr. FEAR. What was the basis of the settlement, or what was the amount?

Mr. POLSON. A clean slate.

Mr. FEAR. Just wiped out?

Mr. POLSON. In our company we took anything that was broken—you understand the cost-plus contract that all the large machinery and everything that would be lost. the Government, the military department bought that, on which there was no per cent at all. They

bought that and furnished it. We have only been allowed on things that could be lost and food and wages.

Mr. FREAR. When the war was over, the armistice was signed, then the Government took back this property?

Mr. POLSON. They took back their own property. We shipped it all back to them.

Mr. FREAR. Was the railroad built on the cost-plus plan?

Mr. POLSON. The labor, as far as they built—they only built—the labor was for 6 miles.

Mr. FREAR. What was the settlement on that?

Mr. POLSON. That was cost-plus, the labor.

Mr. FREAR. What was the basis of settlement with the Government after the armistice was signed?

Mr. POLSON. The contract with us was that we furnished the rails and the ties and the fastenings, and they did the labor. Then it was to be our property.

Mr. FREAR. Then you received the benefit of the labor and all that, and it became your property?

Mr. POLSON. Yes.

Mr. FREAR. Do you know whether that is the plan of all the cost-plus contracts or not?

Mr. POLSON. No; I do not.

Mr. FREAR. What did the Government furnish besides the labor; anything?

Mr. POLSON. Nothing.

Mr. FREAR. On the purchase of all that material, did you receive a cost plus on the purchase made? That is, for instance, you bought rails, or you bought ties, or anything like that, and they cost you—the rails, say, cost—\$95, as you say, did you receive on that a cost-plus price?

Mr. POLSON. Yes, sir—now you are on two questions. I would like to answer them so as not confound the two.

Mr. FREAR. Pursue your own course.

Mr. POLSON. We had a contract with the military department to build a road 16 miles to Queniult Lake, on which we were to furnish the rails, the ties, and the fastenings, and they were to do the labor. That was to open up the timber in the forest reserve—in the Indian reserve.

Mr. FREAR. Now, on that were you to get a cost-plus—on that railroad?

Mr. POLSON. On just the labor.

Mr. FREAR. Oh, you just got cost-plus on the labor. The ties and the rails and the fastenings, and the bridge timbers were furnished at your expense?

Mr. POLSON. At the expense of the Polson Logging Co.

Mr. FREAR. There was no cost-plus on that?

Mr. POLSON. There could not be, because we owned it.

Mr. FREAR. That ought to be made a matter of record.

Mr. POLSON. The difference in the price during normal times, we could practically have built the railroad ourselves and furnished everything.

Mr. FREAR. Of course, for instance, with the Siems-Carey or the Warren Spruce, or some of those other companies, we understand, on the contract that cost-plus attached to everything from a dish pan

up to the locomotive or rails, or anything, if it happened to be purchased.

Mr. POLSON. It did not with us. Now, you are going into South Bay, that is, south of Grays Harbor, where we had 60,000,000 feet, those places there they furnished the rails and built the road. They afterwards took up the rails and we shipped them back. Now, those rails and like that we had no cost-plus on at all, nor donkey engines, nor anything. But so far as the saws, and axes, and wire rope, and iron, and things that you could not account for to return, probably, it was cost-plus on those. When we broke any part or wore out any part we saved those parts and returned them. Everything was a mutual settlement.

Mr. FREAR. Did you have any unnecessary delay in the building of your road up there, in—what is it, Jefferson County?

Mr. POLSON. No; Grays Harbor County.

Mr. FREAR. In Grays Harbor County?

Mr. POLSON. Yes.

Mr. FREAR. Did you have any delay in Grays Harbor County during the way, due to the superintendency of parties here from Portland in the Spruce Production Corporation?

Mr. POLSON. There was some delay in that way, yes. Maj. Welch came through there and stopped us from putting in bents and told us to get pile drivers and pile it. He wanted to do more rapid work. He was not aware that under the surface was hardpan, because he had seen in other places where we had built with piles. He thought it would be more rapid, and it would have been if that condition did not exist. So we had nothing to do but go by his orders.

Mr. FREAR. Who was Welch?

Mr. POLSON. He was an old railroad engineer, as I understand it. I did not meet him.

Mr. FREAR. Was he a logger; did he have any experience in that line?

Mr. POLSON. I do not know.

Mr. FREAR. What was the result after you were placed under his orders?

Mr. POLSON. We could not drive the piles, and we had to blast for every pile we drove. That hindered us.

Mr. FREAR. What was the result of it; did you make any progress?

Mr. POLSON. No; we could not make any progress. That was slow work.

Mr. FREAR. It made a good deal of trouble, did it? Did you bring the complaints back here to the headquarters, here in Portland?

Mr. POLSON. They had their supervisor there.

Mr. FREAR. Who was that?

Mr. POLSON. Hutchinson.

Mr. FREAR. What did he do?

Mr. POLSON. I do not know what he done. He probably made some complaint.

Mr. FREAR. Did you make much complaint yourself?

Mr. POLSON. Not a great deal.

Mr. FREAR. What complaint did you make?

Mr. POLSON. I just complained to the supervisor.

Mr. FREAR. What did you complain about?

Mr. POLSON. I told him it was wrong, the wrong idea.

Mr. FREAR. What was the amount of delay that resulted from this method, the handling of it by Welch and whoever else was directing the operations there in your case?

Mr. POLSON. Oh, it was quite considerable.

Mr. FREAR. You testified before the Ray Committee, did you not? Ray was the intelligence officer who came out here, and you testified before him?

Mr. POLSON. I do not know who he is, but there were several intelligence officers that went in there and looked it over for themselves.

Mr. FREAR. What was their understanding of it? State, if you know.

Mr. POLSON. They went and looked it over. They watched them driving the piles and they saw what was done. It was not one, but there was three or four.

Mr. MAGEE. They could not drive the piles through the rock.

Mr. POLSON. It was just a mistake in judgment, they did not realize.

Mr. MAGEE. They did not realize that the rock was harder than the pile.

Mr. POLSON. You have to blast to drive a pile through it. It is very unsatisfactory.

Mr. FREAR. Let me read just a short portion here, a question that was in the statement of Aleck Polson, taken December 23, 1918, at Hoquiam, Wash., before Ray, the intelligence officer:

When did Hutchinson come down to take charge of the road building?

A. June 6. He took charge of the surveying of the road, the Airplane Spruce Co. road that Hutchinson was —. He changed our method of construction of the road. They were 30 days in getting a pile driver and when they started they had to blast out to drive every pile, and it took about a day to every bent.

What is the meaning of a bent?

Mr. POLSON. A bent is either four or five or six piles, crosswise. It depends how substantial you want to build your road.

Mr. FREAR (reading):

And took about a day to every bent instead of leaving us alone. We could have put in 15 or 20 a day and been through in 30 days.

That is right, is it?

Mr. POLSON. That is right.

Mr. FREAR. And then the next question was:

Your idea was to drive piles.

A. Yes, we would never have built the road for ourselves. They delayed the work from June 6 to October 6, practically making no progress. It hindered our company from getting out twenty to thirty million feet of spruce, and hindered the Airplane Spruce Co., which is the cost-plus company, from getting out from six to ten million feet before the war was ended.

That was true, was it?

Mr. POLSON. Yes. I do not remember the occasion.

Mr. FREAR. Well, it seems that was when your mind was very fresh on the subject, and it seems at that time you were having a good deal of difficulty, or had had a great deal of difficulty, because of the method of trying to handle your business. Would you think

that method might have been pursued with other loggers and other people in regard to their business, in the same way, by men who had no knowledge of business, like Hitchcock, for instance, and Hutchinson, and others of that type—did it come to your ears?

Mr. POLSON. I would like to say for Hutchinson that I gave him a recommendation when he quit logging himself, and I considered him a good, honest American boy. He was just mistaken in judgment.

Mr. FREAR. But it was very important when we was trying to get airplanes over to Europe. That held up your operations from June to October?

Mr. POLSON. Yes. When Maj. Grammer came in there he corrected all that. It was too late then.

Mr. FREAR. It was too late to be of any service?

Mr. POLSON. Yes.

Mr. FREAR. In the war that was on?

Mr. POLSON. Yes.

Mr. FREAR. Now, you were trying to get up the Quinault Reservation; that is, there was a fine stand of timber, as I understand it, in the Quinault and that is what you were trying to reach, wasn't it?

Mr. POLSON. Yes.

Mr. FREAR. And that was where this railroad was to be extended?

Mr. POLSON. Yes. It is graded into the Quinault.

Mr. FREAR. Now, that railroad, of course, is your road. Were you at that time logging on your own land up there where this road was extended or were you waiting to get into the Quinault?

Mr. POLSON. We were waiting to get into the Quinault, and we were about ready with our railroad switches into our own timber to connect up with this piece of road which the Government was to do the labor on.

Mr. FREAR. How did it come you were not logging your own timber before you were getting up into the Quinault, or was there any reason for it?

Mr. POLSON. Well, it was in a block of our own timber in which it is principally hemlock, cedar, and spruce, and we had to build nearly 20 miles of roads and switches to get into it.

Mr. FREAR. In other words, in carrying on selective-logging operations it required almost as much railroad construction as it would to take out the entire cut, would it?

Mr. POLSON. Always.

Mr. FREAR. Almost as much?

Mr. POLSON. It would take almost as much.

Mr. FREAR. It would take as much. That, of course, took time to construct—the railway?

Mr. POLSON. Yes.

Mr. FREAR. Then you state:

It was really a question of lack of equipment that delayed the building of the road.

A. To start on.

Q. After that what was the difficulty?

A. It was mismanagement. I think Hutchinson is absolutely patriotic, but he is absolutely a child. You might as well pick me up and take me to the First National Bank in New York City and tell me to look after everything and run the bank.

That is a very natural expression, too, I think.

If I were frank with them, I would tell them I did not know anything about the banking business and for them to go ahead and run it themselves. While, on the other hand, if I attempted to look after the running of the bank I would get things all bungled up, and that was the way with Hutchinson. He did not know anything about building a road.

Q. Did you take that up with Gen. Disque?

A. We wrote him and asked him what authority Hutchinson had. I also went over to see Gen. Disque, and when I asked to see him they told me he was sick. Another party who had been in there to see him told me he was not sick, and I made up my mind if he did not want to see me I would not try to see him further. I knew his mind was changed by malicious stories told about our concern. He was just misinformed and he listened to them.

That was your testimony?

Mr. POLSON. Well, I do not remember, but I suppose it is.

Mr. FREAR. Well, I do not know that there is any criticism upon the testimony. That is all.

Mr. LEA. When did Mr. Grammer come down there, do you recall?

Mr. POLSON. In October, I believe.

Mr. LEA. When did this process of driving the piles—was that changed or was it completed in that manner?

Mr. POLSON. It was completed at that time. The wet weather had commenced then.

Mr. LEA. Do you remember when it was completed?

Mr. POLSON. It was just about the time Mr. Grammer got there.

Mr. LEA. How long a distance did those piles cover?

Mr. POLSON. Well, I think it was altogether 54 bents. I think they run from 12 to 16 feet apart.

Mr. LEA. That is all.

(Witness excused.)

TESTIMONY OF AMOS BENSON.

(The witness was sworn by Mr. Frear.)

Mr. LEA. Where do you reside, Mr. Benson?

Mr. BENSON. Portland, Oreg.

Mr. LEA. And your name is Amos Benson?

Mr. BENSON. Yes, sir.

Mr. LEA. How long have you resided here?

Mr. BENSON. Well, I have resided in Portland since 1911, I think.

Mr. LEA. And where did you reside before that?

Mr. BENSON. 1907 to 1911 I was in Clatskanie, Oreg.

Mr. LEA. Where were you born?

Mr. BENSON. I was born in Wisconsin, Lynxville.

Mr. LEA. How many years have you lived on the Pacific coast?

Mr. BENSON. Forty years.

Mr. LEA. What has been your occupation?

Mr. BENSON. Well, when I was 14 years old I went into the logging camp with my father and I was there until 1911.

Mr. LEA. You were there until when?

Mr. BENSON. 1911.

Mr. LEA. And during that time in what sort of work did you engage?

Mr. BENSON. Well, I remember the first job I had was greasing skids for ox team, and did chores around. I did nearly every job in the camp, except the real hard work. I fired a donkey and tended

rollway and worked on a railroad train, ran a locomotive, and I also learned to be the bookkeeper. I was bookkeeper for—I think it was from the time I was about 17 until I was about 19.

Mr. LEA. What experience have you had as to logging operations and the locating of logging roads?

Mr. BENSON. Well, I was put in as foreman when I was 20 years old, to run a camp, and I ran a camp all the time after that until 1911; and we never hired any engineers at all to locate our roads; we used to locate them ourselves.

Mr. LEA. What is your age now?

Mr. BENSON. Forty-two.

Mr. LEA. And what was the extent of the operations in which you were engaged in the logging business?

Mr. BENSON. Well, it varied in different years. The first camp I had charge of, there was three yarders. The logging was different in those days from what it is now. We didn't call them sides. We just had one yarding engine on the rollway, and that is all the donkey there was there. Finally worked up to one time I had charge of three camps.

Mr. LEA. I mean how much per year was this company producing?

Mr. BENSON. Well, the first year I ran a camp, we put in 20,000,000; I remember that; and in 1905 and 1906 we put in 60,000,000 a year, each year. I don't remember the other years now.

Mr. LEA. Where were you operating?

Mr. BENSON. When we put in the 60,000,000?

Mr. LEA. Yes.

Mr. BENSON. Oak Point, Wash.

Mr. LEA. At any time during the war, were you associated with the Spruce Production Corporation,

Mr. BENSON. The corporation?

Mr. LEA. Yes.

Mr. BENSON. Yes, sir.

Mr. LEA. In what capacity?

Mr. BENSON. Well, the corporation was formed in the latter part of August, and I was a director.

Mr. LEA. What time did you become connected with the Spruce Production Corporation?

Mr. BENSON. With the corporation, the latter part of August, when it was formed. I was a member of the advisory board before that, though.

Mr. LEA. And what, if any, relation have you to it at the present time?

Mr. BENSON. Nothing.

Mr. LEA. When did you terminate your connection with the corporation?

Mr. BENSON. Well, I think it was about January, if I remember right.

Mr. LEA. Of this year?

Mr. BENSON. Yes.

Mr. LEA. You know Gen. Disque?

Mr. BENSON. Yes sir.

Mr. LEA. And advised with him during the proceedings out here. did you,

Mr. BENSON. Yes, sir; every time he called on me.

Mr. LEA. And how often was that?

Mr. BENSON. Well, that varied. I remember when I was first appointed on the advisory board he went east, and there was about a month that I didn't do anything; then he came back and called on me.

Mr. LEA. After his return, what was the practice about that?

Mr. BENSON. Well, he would call me in occasionally, at no regular stated times; he just called me in when there was something he wanted to talk about.

Mr. LEA. Did you attend the meetings of the board?

Mr. BENSON. Yes, sir.

Mr. LEA. Have you ever cruised timber?

Mr. BENSON. I am not a timber cruiser.

Mr. LEA. Now, were you consulted in reference to the location of the road that runs north from Yaquina?

Mr. BENSON. Yes, sir.

Mr. LEA. And by whom?

Mr. BENSON. Well, one day Col. Disque says to me, "It looks like that is going to be an operation down there, and I wish you would go down and see if they are getting started off right," and I told him, "All right."

Mr. MAGEE. I can't hear what you say.

Mr. BENSON. I say, Col. Disque asked me to go down there and look over the operations at Yaquina and see if they were getting started off right.

Mr. LEA. Do you remember when that was?

Mr. BENSON. Well, I can't place it exactly, but it was some time about the middle of April.

Mr. LEA. 1918?

Mr. BENSON. Yes, sir.

Mr. LEA. Now, I wish you would tell the committee in reference to locating that line of railroad and learning the availability of spruce in that section.

Mr. BENSON. I suppose the best way is to refer to the map that I have here.

Mr. LEA. In the first place, you did go down there, did you?

Mr. BENSON. Yes, sir.

Mr. LEA. How much time did you spend down there before you reported?

Mr. BENSON. I was in there two weeks before I reported at all, before I said anything to anybody.

Mr. LEA. And how much time did you spend there entirely?

Mr. BENSON. About two months.

Mr. LEA. About two months.

Mr. BENSON. About the 17th of June, I think, or something like that when I—

Mr. LEA. From about the middle of June until the 17th of June you were in that section investigating spruce and the location of a railroad?

Mr. BENSON. Yes, sir.

Mr. FREAR. That was not your testimony, was it?

Mr. BENSON. What?

Mr. FREAR. That was not your testimony, was it, just given here?

Mr. BENSON. From the middle of April until the 17th of June.

Mr. FREAR. Yes. Read the last part of the question.

(The last part of the question was read by the stenographer.)

Mr. FREAR. Were you two months making the investigation?

Mr. BENSON. Yes, sir. Of course, there was two or three times I came to Portland for about a day or two, but it was in regard to the work.

Mr. LEA. And who was with you in making that investigation?

Mr. BENSON. Well, I had a cruiser by the name of Mr. McDonald, who was with me all the time.

Mr. LEA. And how long have you known Mr. McDonald?

Mr. BENSON. I had only met him a few days before I started on that work.

Mr. LEA. What do you know about his experience and ability as a cruiser?

Mr. BENSON. Well, after being out with him there a few days I made up my mind that he was well acquainted with that country. I think he was a thorough cruiser.

Mr. LEA. And in what section of the country did you visit during those two months?

Mr. BENSON. Well, at first, when I went down, I had no idea of what I was going to do, but I thought the first thing I would do—at that time the Warren Spruce were logging up on Wessel Creek, in about section 23, and they were planning then to extend that railroad on up on top of the ridge in 14, on top of the main ridge, and then on in a northerly direction toward Siletz Bay. First we started up from Toledo, and we walked up past the operations of the logging, and went up on top of the ridge, and I saw that that was going to be a—the last 2 miles, to get on top—it was from an elevation of about 60 feet to about 540—I saw that was going to be a very difficult piece of road to build and hard to operate, because it would be a steady grade of $5\frac{1}{2}$ per cent, and the curves were not to be compensated, and there was some 40° curves laid out in it. So, when we got on top of the ridge, we went on down what is known as the Ellsworth Trail to the county road, down close to the coast, and went back to Newport. I reported to Capt. Brown—and in the meantime Mr. McDonald had outlined to me where he considered the main bodies of this spruce were. I reported to Capt. Brown, who had charge of the military in the district, and asked—well, I don't know just exactly what his job was, but he was supposed to be the head man there for the Government—I reported to him that I wished he would let me have Capt. Harmon, who was the chief engineer on the Southern road. I had met him a time or two before. I told him I was afraid that ridge road was not the road in and I would like to have Capt. Harmon go along with me—

Mr. FREAR. Harmon?

Mr. BENSON. Harmon. [Continuing.] To go along with me, so as to get his engineering judgment of it. He did so.

The next morning we started out. We walked from Newport up to Yaquina along the beach to see, in case we could get a coastline in there, or if we found later on that that is what we wanted—to see what the chance was to get down to the water. We found that we would have to go clear to Yaquina to get a good place to dump the logs. We didn't put in any more time that day trying to get the

location down the hill there, but went on up clear to Otter Rock and stayed there that night.

The next morning we started out and walked up the Otter Rock ridge, which goes through sections 28 and 27, up to a point about the center of section 26. These sections are in 9 south, range 11 west. Then we followed the top of this main ridge south—

Mr. FREAR. Section 26, will you just place it in our minds? We do not see where where you are pointing there with the pencil. Just say about how far from Otter Rock, for instance.

Mr. BENSON. Oh, that was about—that trail was about 5 miles north.

Mr. FREAR. In a northeasterly direction?

Mr. BENSON. In a northeasterly direction. That is not by sections, you know. That is by the trail.

Mr. FREAR. Yes.

Mr. BENSON. Then we followed the ridge south to a point a little south of the center of section 11 in 10-11, and then we followed a ridge down through 13. I wanted to go down that way to see if there was any spruce over east of 13 and 12. That was to avoid retracing the trip we had had two days before.

Now, on this trip south on the ridge we discovered from section 26 south for 2 miles the ridge was very rough; it gets rough back on top. There are places where the elevation is 850 feet. There are a number of passes along there. Nearly all of those passes are about 550. Of course, these elevations were taken with aneroids. Then there are places along that 2 miles where it is almost impossible to build a railroad, and if it was built up there I don't see what good it would be, because you could not get the logs to it, as they are all down below you. By that time I had made up my mind that the ridge was no place to build a railroad.

The next question was to find out whether there was any timber in here, enough to justify a road from any direction.

Mr. LEA. That is, in what?

Mr. BENSON. In this district south of Otter Rock and west of the main ridge. Mind you, there was no passes through that ridge any place lower than 550 in the vicinity of this timber.

Let's see, the next day—I may not get this just the right day—

Mr. LEA. Well, the particular day won't make any difference.

Mr. BENSON. The next trip I recollect was up the ridge between Coal Creek and Wade Creek to about the corner of section 15—the northwest corner—and then we turned and went down into Wade Creek and followed Wade Creek back out to its mouth.

Mr. FREAR. Just a moment, to indicate there in the record: How far is that from the coast—about how far?

Mr. BENSON. Well, that is about a mile and three-quarters, in a straight line.

Mr. FREAR. From the coast?

Mr. BENSON. Yes.

Mr. FREAR. That locates it on the map so that anyone won't have to look it up. You didn't give the town or range.

Mr. BENSON. Is there anything more definite you want?

Mr. FREAR. No; that makes it all right.

Mr. BENSON. We went down into the South Fork of Wade Creek and followed that out to the mouth. We were looking for spruce

in there. I was not attempting to make a detailed cruise or anything like that, but I just wanted to size up the quality and see that in my judgment there was quantity enough to pay to build a railroad.

Mr. LEA. That is, you mean you were not trying to find the quality at that time?

Mr. BENSON. I was not trying to make a detailed cruise, because we didn't have time; we had to hurry.

Mr. LEA. You mean you didn't make any cruise at all—that you didn't at that time?

Mr. BENSON. We made a detailed cruise later.

Mr. LEA. Yes.

Mr. BENSON. Let's see, now, the next—as I remember it, the next trip was up through Johnson Creek. That was on the ridge between Johnson Creek and Miner Creek, up to about the quarter post between sections 33 and 34.

Mr. FREAR. That is about how far from the coast?

Mr. BENSON. That is about a mile and three-quarters on an air line.

Mr. FREAR. The creek empties into the ocean?

Mr. BENSON. Yes, sir. At that point—right about there—there is a falls on Spencer Creek which is about 105 feet in elevation. We looked at the timber around in the vicinity of the falls, and then cut south until we hit the south fork of Spencer Creek; went down that a ways and then cut up onto the ridge on the south side and went on out toward the ocean.

One day we went up the ridge between Coal Creek and Molach; went back to the bottom of the main ridge. I don't remember just which way we went out that time.

Mr. LEA. Well, the particular trip is not so important as why you did so and what you found.

Mr. BENSON. You mean what did we find?

Mr. LEA. Yes; what I mean, it is not necessary to tell "This day we were there and a certain day some place else," but if you will just tell us the places you did go and how much spruce you found and where it is located.

Mr. BENSON. Well, later on we made this map, and this indicates in a rough way—this yellow—just about where the spruce lays in there. Some places the spruce was kind of rough—limbs came down low—and other places it was pretty nice.

Mr. LEA. What did you find? You did cruise the next section south of Otter Rock, did you?

Mr. BENSON. Well, you would not call it—the work we did you would not call it a cruise that a regular professional cruiser would go out and make if he was doing it for an employer.

Mr. LEA. Did you satisfy yourself as to what quantity of spruce was available in that section?

Mr. BENSON. Yes, sir; by checking up with some cruises that we got from different sources, I figured that we ought to find at least 200,000,000 feet in there of a commercial cruise.

Mr. LEA. That is, south of Otter Rock and west of the slope?

Mr. BENSON. Yes, sir.

Mr. LEA. That is, on the west slope. Now, what did you do over in the Siletz Basin to find spruce and with reference to the practicality of selecting a route in that direction?

Mr. BENSON. Well, I was down in that country about February. I went down on another trip. That was before this trip. We went clear on through and clear to the mouth of the bay. At that time we were looking into the feasibility of riving and floating them down the river, and putting the cants on barges and taking them out over the bay. Mr. Jim Manary was along on the trip, and he at that time was the foreman of the Warren Spruce Works here. He is a man I had known a good many years, and he used to own his own logging camp on the river, and I had a great deal of confidence in his ability. And as we were going down the county road here, Jim pointed out to me the idea that he had of this Siletz country at that time, as far as he had seen it, and his idea was that you would not find much spruce between Jaybridge Ridge and—well, south—clear south as far as you wanted to go there and on the Siletz slope.

Mr. LEA. Now, the Jaybird Ridge is in what position with reference to Otter Rock; that is, in what direction?

Mr. BENSON. It is about due east.

Mr. FREAR. How far—how far east?

Mr. BENSON. Well, the first of it starts about 4 miles in a straight line, but these distances that you get like that don't represent the way it is really on the ground, because you go up over some high hills there, and it makes the distance farther as you walk it.

Mr. FREAR. I was just trying to locate where you were.

Mr. LEA. And what did you do to determine the amount of spruce on the east slope there; that is, in the west side of the Siletz Basin?

Mr. BENSON. Well, now, on that trip, as you go along the wagon road here the country is open; you can see a long distance and you see that there was no spruce down close. And Mr. McDonald informed me that about the only spruce there was between that Jaybird Ridge and south here toward Toledo was about 25,000,000 around the headwaters of Dewey Creek. And as I had not seen any along the road there, and as there was great pressure to get spruce at that time, we had figured out that to build a line up the coast we would have to go about eight miles and a half with the main line to reach Molach Creek, which would be the first creek. Over here it looked like at least 20 miles of new line—new line to build to get to where there was any large body of spruce.

Mr. LEA. That is, to go north of Toledo into the Siletz Basin you would have to build about 20 miles to get into any considerable quantity of spruce?

Mr. BENSON. Yes; connecting onto the end of the railroad that was there—Mr. Miller's railroad.

Mr. LEA. Yes.

Mr. BENSON. So consequently I didn't examine that country up in there around the Siletz—the—well, it is what they call the "Bulls Back" there; I don't know of any other name—very thoroughly at that time, because I had figured that this district in here—was enough timber on it to afford to open it up, and there was no other way that it could come out; it had to come out that way, and I figured that it was the quickest thing we could get action on.

Mr. LEA. Now, when you determined that it was impracticable to build a road up the easterly slope of those mountains, that also meant that the west timber must come out on the west slope, didn't it?

Mr. BENSON. Yes, sir; it has got to come out the ocean way; it is almost impossible—

Mr. LEA. If you could have found a passage over at the head of Jaybird, what would have been the situation so far as removing timber by a line through the Siletz Valley?

Mr. BENSON. Well, I thought about that. If you did that, in the first place this Miller line here—there is about 3 miles of the present road that is on a creek bottom—that would have to be rebuilt, and as there is no ballast in that country, about the only way we could do we would have to build a trestle for that 3 miles. Then there would be about 20 miles of new line to build down the Siletz River, as you would have to follow the windings of the river; you can't get across country there because there are ridges in here. That would take you down to the mouth of Jaybird; then to go back of Jaybird with about 7 miles of railroad, that is 27, and 6 down here is 33, and then about 7 more to get down Spencer Creek to the north of it, would make about 40 miles of railroad, and you would have to lift all this body—this 40 miles of main line to reach the center down here along the ocean, with the distance that you would have to build your spurs, and also would have to lift that timber over a 550-foot summit besides, and I considered that impractical when, at the same point here—the same central point, about 10 miles of main line would get it to Yaquina Bay.

Mr. LEA. So about 10 miles along the coast route would tap this timber that from the interior will take something like 40 miles?

Mr. BENSON. Yes, sir; that is, roughly guessing; it is about 38 or 40, something like that.

Mr. LEA. Well, that line that you speak of north from Toledo would reach to what point—the 20-mile line, or did you mention? What distance would it be? You said 20 miles to reach the spruce?

Mr. BENSON. Well, that would take you down here about to the mouth of Jaybird.

Mr. LEA. And how near is that to the "Bulls Back"?

Mr. BENSON. Oh, just about a half a mile from the first starting in of it.

Mr. LEA. Now, did you subsequently investigate there to find out about the other timber?

Mr. BENSON. Yes, sir. Afterwards you mean?

Mr. LEA. Yes.

Mr. BENSON. Yes.

Mr. LEA. And what did you subsequently find?

Mr. FREAR. And when?

Mr. BENSON. How is that?

Mr. FREAR. And when?

Mr. BENSON. Well, that was—well, in the early part of June I went up this Otter Rock ridge from Otter Rock to section 26, and followed down the Jaybird and left it about the south line of section 19, went over toward the Siletz. I remember that day well; it took us 15 hours to make that trip. On June 11 I went up to section 26 to Otter Rock and went north on the ridge and down—as

we went along the ridge we would go off it down on one side and then down on the other to get to see as much of the timber as we could.

Mr. LEA. That was on what ridge?

Mr. BENSON. On the ridge, the main ridge from section 26 north toward the "Bull's Neck," and went down into it and stayed all night at Mowrey's that night.

Mr. LEA. Where is Mowrey's located?

Mr. BENSON. Section 1, 9 south, 11 west.

Mr. LEA. And what position was that—

Mr. BENSON. Those two trips were taken at the express request of Gen. Disque, after he had made a trip with me around this entire tract to make sure that things were as they had been represented to us.

Mr. LEA. How is Mowrey's with reference to the tidewater?

Mr. BENSON. It is just about the head. The tidewater comes up above it a little ways. It is about as far as it is practical to float logs there.

Mr. LEA. And what distance would the railroad be up the Siletz Valley from Toledo, to reach Mowrey's?

Mr. BENSON. Well, that is about 20 miles there; it is close to the mouth of the Jaybird.

Mr. LEA. Now, did you finally determine the amount of spruce timber in the Siletz Basin?

Mr. BENSON. Well, not accurately.

Mr. BENSON. I formed an opinion from looking at cruises and from what I saw I didn't think there was over 200,000,000 feet of spruce in the Siletz Basin.

Mr. LEA. That is, the total amount in the Siletz Basin only about equaled the coast timber south of Otter Rock?

Mr. BENSON. Yes, sir.

Mr. LEA. And how was it as to its position, as to whether or not it was scattered or in groups?

Mr. BENSON. It is not in as compact a body.

Mr. LEA. Over how wide an area is that spruce in this Siletz Basin distributed?

Mr. BENSON. Well, the biggest tract in there in any one tract is in the Jaybird.

Mr. LEA. About how much is in the Jaybird?

Mr. BENSON. I would judge there is about 60,000,000.

Mr. LEA. Sixty million. About how far is that from Dewey, where there is 25,000,000?

Mr. BENSON. Well, the head of Jaybird and the head of Dewey Creek come close together up there next to the main ridge, but they run in opposite directions toward the Siletz River. They both empty into the Siletz.

Mr. LEA. Can they be connected in the same line there or not?

Mr. BENSON. It would be awful hard to get from Dewey into Jaybird, because that is right where that bad part of the ridge is, of the main ridge.

Mr. LEA. How far is it to the body of spruce on Bull's Back?

Mr. BENSON. Now, in the first place, here in sections 16 and 17 (indicating on map) we had pretty accurate cruises, and these two sections showed about 15,000,000 going, taking the Bulls Back proper

right in the inside of it, that spruce is mostly very rough, and there is very little airplane stock in there, but around the edge of it next to this side hill there is some very fine spruce.

Mr. LEA. What is the quality of that Bulls Back spruce, so far as airplane lumber is concerned?

Mr. BENSON. You mean the inside of it?

Mr. LEA. Yes, sir.

Mr. BENSON. Well, there is not very much airplane lumber there.

Mr. LEA. For what reason?

Mr. BENSON. Well, there are limbs on the trees.

Mr. LEA. I didn't hear you.

Mr. BENSON. Limbs on the trees; it is rough.

Mr. LEA. Oh, yes. It is a lower grade of spruce?

Mr. BENSON. Yes.

Mr. LEA. Now, is there any other considerable body of spruce in that Siletz area?

Mr. BENSON. Yes. I have been told—I didn't see this myself—that 6, and 26, 35, are gretty good—that is 8-11—township 8 south, range 11 west.

Mr. LEA. Now, after you made these investigations to whom did you report?

Mr. BENSON. To Gen. or to Col. Disque.

Mr. LEA. And do you know of any further investigation that was made of this same matter?

Mr. BENSON. Yes. After I had reported on that we sent, or he got Mr. Roberts, he requested the chief engineer of the O. R. & N. to go down and look it over, and he sent Mr. Roberts, stating that he would be just the man to do it. Mr. Roberts worked for the O. R. & N. And then later Mr.—oh, he is a director of the corporation, who testified here this morning. What is his name?

Mr. LEA. Mr. Reed?

Mr. BENSON. Mr. Reed; yes. Mr. Reed sent his logging superintendent down there to look it over.

Mr. LEA. Were you acquainted with Mr. Hillier?

Mr. BENSON. No, sir.

Mr. LEA. Who made the investigation for Reed?

Mr. BENSON. No, sir.

Mr. LEA. Did you have anything to do with Mr. Reed's investigation?

Mr. BENSON. No, sir.

Mr. LEA. I mean Mr. Hillier's investigation?

Mr. BENSON. No, sir; I never saw Mr. Hillier.

Mr. LEA. And do you own any timber in that country?

Mr. BENSON. No, sir.

Mr. LEA. Or have you any interest in any railroads or any mill that would be served by a Government-constructed line there any place?

Mr. BENSON. We haven't any timber, or railroads, or mills any place.

Mr. LEA. And in making this investigation did you have any compensation from the Government for this service?

Mr. BENSON. No, sir.

Mr. LEA. Did you have any other motive than to follow the route that would best serve the Government's interests?

Mr. BENSON. No, sir.

Mr. LEA. Now did you consider whether or not the route as built up the coast could be extended over into the Siletz Basin, if necessary?

Mr. BENSON. Well, yes, sir; we did look into that. We followed Spencer Creek out the full length of it to see if we could get up the Spencer Creek. We found we could, without too excessive a cost; and then followed down Rock Creek to see how that was; that would be to haul loads up Rock Creek and then down Spencer, to get over Otter Rock ridge. We found it was feasible but quite a long line. In going up and down this Otter Rock ridge we had noticed a lower pass, and as we took aneroid readings over it every trip we found that was about four fifty elevation. So we thought we would run that out and see what was the chance to get over. So I got Mr. Cobb, who was the chief logging engineer for the Government there, and we went up and ran down both sides of it. I accompanied him on those trips. And Mr. Cobb figured that he could get, I think it was a 3 per cent grade up with the empties and two and a quarter against the load. And then we investigated clear on up the coast to Siletz Bay and found that that was cheap building along there.

Mr. LEA. Above Otter Rock?

Mr. BENSON. Yes, sir.

Mr. LEA. Now what would have been the object of going to the Siletz Bay?

Mr. BENSON. Well, the idea was that later on, after we had time to cruise this country north of Otter Rock and west of the main ridge, if it showed sufficient timber to warrant the building of that railroad, then the ideal way would be to build the railroad clear to Siletz Bay. Then I was figuring as this Siletz River is tide-water clear up to section 1, I should roughly guess it is about 20 miles in distance, that we could take donkey engines on scows up there and put these logs into the water; maybe there might be some places where we would have to put in short spur lines and have a cheap railroad and drift those logs down to the mouth of Siletz Bay and load them on the train and bring them out here in the Bay; that was provided there was timber enough up here to justify building that line along the ocean.

Mr. LEA. That wasn't part of the adopted plan, was it?

Mr. BENSON. Later on?

Mr. LEA. I say, that plan was not finally adopted? That was looking to the future?

Mr. BENSON. Yes, sir. Now, in case we should fall down, that that timber should not develop there, we figured that we could go north on this ridge from section 26—the ridge is not so rough north of the center of 26, and there is a whole lot of fine spruce close to the top, and there is some spur ridges that put off from it. We could get a large share of the Jaybird spruce that way, and a large share of this at the head of Depot Creek. That is on the ocean side.

Mr. LEA. Where is Depot Creek?

Mr. BENSON. It runs into Depot Bay on the ocean.

Mr. FREAR. That is not Depot Slough that they have spoken of?

Mr. BENSON. No, sir. No; that is different altogether.

Mr. FREAR. Yes.

Mr. LEA. That is north of Otter Rock?

Mr. BENSON. Yes, sir. And this fine spruce around the edge here of the Bulls Back—we could get that fine on top there. I should judge we ought to be able to get a hundred to a hundred and twenty-five million in addition to this two hundred million.

Mr. LEA. That is, over half of the lumber inside of the Siletz Basin would have been available by this coast route, by extending it to that point?

Mr. BENSON. Yes, sir.

Mr. LEA. Are you in the timber business now?

Mr. BENSON. No, sir.

Mr. LEA. Now, did you have a visit there from the committee from Toledo, or did you go into that section with them?

Mr. BENSON. Yes. As I remember that. I was in Portland and Col. Disque—we had made arrangements for Col. Disque to go down; I wanted him to go over this, because I felt it so important that I wanted other fellows to look at it, too; and this committee was in Portland—let's see, now. Well, I don't remember just exactly how we got started with that committee, but anyhow Col. Disque asked me to go over there with them and look at their route. I told him all right, and we made arrangements to do it. I told him that I wanted him to send somebody else along so as to make sure that there would be no mistake about what report I made, no misrepresentation about it. So we went over to the Siletz. He told me to take whoever I wanted to, so I took Mr. Alec McDonald and Mr. W. F. Prost, two cruisers. We went over to Siletz City and met them one morning, and in that party were Messrs. Morgan, Hall, Derrick and Ingram. They took us down to section 20 in township 9, 10 west, and up on to a pass on the Jaybird Ridge. This is the ridge between the Siletz River and Jaybird Creek. This elevation was 300 feet in this pass. We went down into Jaybird Creek and found the elevation was 90 feet. That meant to get an easy grade out of there you would consume all the distance between this pass and the mouth of Jaybird. At once I thought what is the use of going here? It is better to go around the Siletz River and have a water grade, because you have got to have a railroad there anyhow to get 16 and 17. I found that they had not made any reconnaissance of this route at all, didn't have aneroids, didn't know the elevations. So, then, we came back on the Siletz side of the ridge and came on up and went up to a pass about the corner of sections 19 and 20, 30 and 29, where we found the elevation 325 feet; their idea being on these passes that they would build a road across the country here and cut over into Jaybird.

Now, on the slope of Jaybird Ridge next to Jaybird Creek—that would be the east slope—there was no spruce at all along there until you get down into the creek. Then we came back south, and in the center of section 29, which is known as Lutzen's Prairie, the elevation was 120. You would have to come down here; you can't avoid it; come south to the center of section 32; that is 1 mile. There they had a pass 550 feet in elevation. That meant a rise of 430 feet in 1 mile. There is no room for development there, and it would be impossible to get a road there that you could build to operate loaded trains up. From there we came on down into, you might say, the floor of the Siletz Valley, which is an elevation of 200 feet there. And here is

the ridge between Siletz River drainage and the Yaquina drainage; the elevation is 400. And then on down to the end of Mr. Miller's road, where the elevation is 230. They contended, before we started on the trip, that they could build a road from the end of Miller's road to the head of tidewater here [indicating on map], and it would only be 12 miles long. In other words, they just drew straight across the map, and you could not find the ground that way when you got there. Then, as we left that night they all admitted it was impossible, every one of them.

Mr. FREAR. What is that?

Mr. BENSON. I say, when we parted that night, that evening, they all admitted that route was impractical.

Mr. FREAR. Where you are pointing?

Mr. BENSON. The route I have just described, you see; and they say, "If we can find another route, will you be willing to come out and look at it?" I told them I didn't think they could find any route there that would be practical without following right down the Siletz River, because some of these ridges put right down next to the bank, and you can't get over them. However, I said, "I am willing to do anything reasonable." Then I went over, and during that time is when I ran down the Jaybird and did some of this other work, and I was in there four or five days. There is no telephone at Otter Rock. I received a letter Sunday from Mr. Ball, stating that they had found another route, and requesting me to go with them. Well, it was a day or two after that before I came out to Newport. The next morning after I got up I was in the place there, I walked in the room where they sell soda water and stuff like that; I was just going to go and telephone Mr. Ball that I was ready; and I met him there. I told him that I was ready to go with him to look at this other route, and he said that they had decided not to take it up with me any more, that they were going to take it up with headquarters in Portland. So I didn't go on that trip.

Mr. LEA. Now, Mr. Benson, have you any information as to the cost of that railroad?

Mr. BENSON. The one that is built now?

Mr. LEA. Yes.

Mr. BENSON. Yes, sir.

Mr. LEA. On the north line. How much did that cost?

Mr. BENSON. I asked the comptroller of the Spruce Corporation to give me the figures on it. [Witness here refers to paper.] These figures represent 10.85 miles, which cost \$982,838.59, which is an average per mile of \$90,751.47. Do you want the other?

Mr. FREAR. Will you give those figures again? Just a moment. This 10.80 cost how much?

Mr. BENSON. 10.83, it is.

Mr. FREAR. It cost how much?

Mr. BENSON. \$982,838.59. The average per mile is \$90,751.47. Do you want the other items here of the spurs and everything?

Mr. LEA. Yes; the other items and their cost in connection with it.

Mr. BENSON. Spurs and sidings complete, 4.83 miles, \$328,520.32; average per mile, \$68,016.62. Main line, two-thirds completed, 1.75 miles, amount \$106,179.22.

Mr. FREAR. What does that mean? I don't quite get that.

Mr. BENSON. It means there is 1.75 miles of main line that is two-thirds completed.

Mr. FREAR. That is, you mean it is not completed?

Mr. BENSON. It is not completed.

Mr. FREAR. And is that an additional figure?

Mr. BENSON. Yes, sir.

Mr. FREAR. What is that amount?

Mr. BENSON. \$106,179.52; average per mile, \$60,673.84. Spurs, two-thirds completed, 3 miles—

Mr. FREAR. Interrupting. That is in addition to the 4.83?

Mr. BENSON. Yes, sir; the amount is \$136,127.20, which is an average of \$45,375.73. The total amount of all those figures is \$1,553,665.33. He told me that that represented everything that had been spent on the north side, excepting actual logging expenses. In other words, there were a lot of rails bought for further use in building the railroad track and a lot of ties and switches, and some work done at the terminal. He said that was the outside figure—everything.

Mr. LEA. I think that is all. Oh, did you determine about the amount of other timber in the Siletz?

Mr. BENSON. You mean other than spruce?

Mr. LEA. Yes.

Mr. BENSON. I don't pay any attention to that at all.

Mr. LEA. That is all.

Mr. FREAR. Are you an engineer, Mr. Benson?

Mr. BENSON. No, sir.

Mr. FREAR. Ever studied engineering?

Mr. BENSON. Well, I went to an engineering school six months one time, but I didn't—

Mr. FREAR (interrupting). You say you are not a cruiser?

Mr. BENSON. No, sir.

Mr. FREAR. You say you never employed an engineer to build a road that was built for your company that you were ever connected with?

Mr. BENSON. Well, I can recollect one time I employed an engineer to lay out a curve on our road—just one curve.

Mr. FREAR. With the exception of employing an engineer to lay out one curve, in all your experience you say you never employed an engineer to build a road; is that right?

Mr. BENSON. Yes, sir.

Mr. FREAR. Mr. McDonald, whom you spoke about, is McDonald, the cruiser for the Warren Spruce Co.?

Mr. BENSON. Yes, sir.

Mr. FREAR. Under pay by the Warren Spruce Co.?

Mr. BENSON. I think so.

Mr. FREAR. You don't answer hardly loud enough for the reporter to get it.

Mr. BENSON. All right.

Mr. FREAR. And that is important.

Mr. BENSON. I will try to talk louder.

Mr. FREAR. When you first went out there to look over this ground did you go to Toledo or go to the people who lived around the Siletz and inquire of them, so as to get an understanding from people who were familiar with the locality, as to the timber that grew in there; I mean at the outset?

Mr. BENSON. At the very start?

Mr. FREAR. Yes.

Mr. BENSON. No; I didn't.

Mr. FREAR. You went out there with the idea primarily to consider the difference between logging from a road along the top of what you call the ridge, or the divide, and a road on the west side of the divide near the coast?

Mr. BENSON. Well, I would not put it exactly that way. What I was after was to find the most practical way to get the timber out.

Mr. FREAR. Well, you have spoken repeatedly about the divide—the top of the divide; that is, on the top of the divide that runs about a mile or 2 miles west of the coast north and south, in a northerly and southerly direction?

Mr. BENSON. No.

Mr. FREAR. Now, there is a survey along there, is there not—has been for years?

Mr. BENSON. A survey for a road?

Mr. FREAR. Yes.

Mr. MAGEE. East of the coast?

Mr. FREAR. No; I mean along the top of the divide.

Mr. BENSON. I don't think so.

Mr. FREAR. Isn't the Hawk Road, or survey—doesn't that run near along the top of the divide?

Mr. BENSON. As I understand it, that goes down toward the ocean.

Mr. FREAR. They have another one, I know; there are two. There was no survey, then, along the top of the divide?

Mr. BENSON. Not that I know of.

Mr. FREAR. Well, that is not on the east side of the slope, the divide that you have been speaking about, or the ridge?

Mr. BENSON. How is that?

Mr. FREAR. That divide, or the ridge that you have been speaking about, is not on the east side; it is on the top, isn't it, of the divide?

Mr. BENSON. Yes; the divide is the top.

Mr. FREAR. Yes; right on the top?

Mr. BENSON. Yes.

Mr. FREAR. Now, you estimated that the timber on the west side of the divide reached 200,000,000 feet of airplane spruce?

Mr. BENSON. That was my opinion; yes, sir.

Mr. FREAR. Well, but you are not a cruiser?

Mr. BENSON. No, sir.

Mr. FREAR. No. Now, who did you have that estimated that for you?

Mr. BENSON. Well, we had a good many owners' cruises that were available that we could study.

Mr. FREAR. What owners' cruises have you that indicated that that would reach 200,000,000 feet of airplane stuff, which requires a personal examination and investigation to ascertain?

Mr. BENSON. Well, I didn't say 200,000,000 of airplane stuff; I said 200,000,000 of commercial spruce.

Mr. FREAR. Oh, I see. What proportion of that would be airplane stuff, if you know? This is near the coast.

Mr. BENSON. Well, from what I can judge, talking with different men who have sawed this, I would say, oh, probably 20 per cent.

Mr. FREAR. Twenty per cent would have been airplane stuff; that would have been about 20,000,000 feet of that timber?

Mr. BENSON. About 40,000,000.

Mr. FREAR. Forty million feet of that timber, in your judgment, would have been airplane stock?

Mr. BENSON. Yes, sir.

Mr. FREAR. You had no cruise on that?

Mr. BENSON. No complete cruise at that time.

Mr. FREAR. No. Did McDonald make any cruise when he was out with you?

Mr. BENSON. Not a detail cruise at that time.

Mr. FREAR. Did you take with you an engineer along there to consider that route?

Mr. BENSON. Yes, sir.

Mr. FREAR. Who did you have as an engineer?

Mr. BENSON. Well, the first trip I made I had Capt. Harman, who was chief engineer of the district; then later on he put Mr. Cobb, who was his chief locating engineer, on the work.

Mr. FREAR. Did they make any survey of this line?

Mr. BENSON. Yes, sir.

Mr. FREAR. At what time?

Mr. BENSON. Well, I suppose they started about the middle of May.

Mr. FREAR. The middle of May, 1918. Have you their survey, or anything to show to the committee what was the result of this preliminary examination you made?

Mr. BENSON. No, sir.

Mr. FREAR. What kind of a survey was it?

Mr. BENSON. Well, first Mr. Cobb went over and did what you would call a reconnoissance; he would take a hand level and go over the country to see if it was possible to get through.

Mr. FREAR. Then what?

Mr. BENSON. Then he put the surveying crews on and made a thorough survey.

Mr. FREAR. That was when you started to build the road?

Mr. BENSON. When we were getting ready to build it.

Mr. FREAR. Yes; getting ready before you had made any determination—before you had made any survey?

Mr. BENSON. Well, it wasn't really decided at that time, but the colonel said to go ahead and make a survey. In the meantime we were investigating the timber more.

Mr. FREAR. "The colonel said"; you mean Col. Disque?

Mr. BENSON. Yes, sir.

Mr. FREAR. Col. Disque wanted to go down there and verify your report, you say?

Mr. BENSON. Yes; I wanted him to.

Mr. FREAR. You wanted him to; yes. Now, what did you do, and how long were you about it, when you went down there with Col. Disque?

Mr. BENSON. He put in two days there.

Mr. FREAR. Yes. How did he put them in?

Mr. BENSON. Well, the first day we went up and took a look at the timber up in around Wade Creek and Spencer Creek.

Mr. FREAR. That is a little way north of Newport, over on the west side of the divide?

Mr. BENSON. Yes, sir.

Mr. FREAR. He went up with you along there; yes.

Mr. BENSON. And we went back to Newport.

Mr. FREAR. Then went back to Newport. Newport was a good stopping ground, according to the testimony of some of the witnesses, because it was convenient to that line and had good hotels?

Mr. BENSON. Well, it was about the only convenient place to land there.

Mr. FREAR. I guess that is right.

Mr. BENSON. And on the next morning——

Mr. FREAR (interrupting). All right, now; the next morning?

Mr. BENSON. We started out early, something like 4.30, I think.

Mr. FREAR. Four-thirty in the morning?

Mr. BENSON. Yes, sir; and went over in an automobile near what is termed the Y; that Y is about in a northerly line with section 30.

Mr. FREAR. But explain how you went around.

Mr. BENSON. Went around in an automobile.

Mr. FREAR. But how did you get around? You didn't go over the divide?

Mr. BENSON. Oh, no.

Mr. FREAR. Explain the route you took to get around.

Mr. BENSON. We went over the wagon road that leads from Newport to Toledo.

Mr. FREAR. You went around to Toledo first?

Mr. BENSON. We didn't go into Toledo. The road forks up above Toledo there aways.

Mr. FREAR. Yes; you went to the forks north of Toledo, and then what way?

Mr. BENSON. Then up to about where the Y is on Miller's logging road.

Mr. FREAR. Yes. The highway leads close to the railroad along there?

Mr. BENSON. Yes; and got out and walked up to the camp.

Mr. FREAR. To Wessel's camp?

Mr. BENSON. Yes, sir.

Mr. FREAR. That is over about 3 or 4 miles west of the highway, isn't it, or 3 miles?

Mr. BENSON. Something like that; a couple of miles, I guess.

Mr. FREAR. Well, a couple of miles; we will call it that.

Mr. BENSON. And had our breakfast there.

Mr. FREAR. Yes.

Mr. BENSON. And then walked on up over this proposed road that was to be built up to get on top of the ridge.

Mr. FREAR. That is, you then walked in a westerly direction to get up, to get back to this——

Mr. BENSON (interrupting). To the top of the main ridge.

Mr. FREAR. To the top of the ridge that has been described, about 2 miles west, or 2 miles east, of the ocean; that is right?

Mr. BENSON. Yes, sir.

Mr. FREAR. Yes. Then where did you go?

Mr. BENSON. We landed on the ridge about——

Mr. FREAR (interrupting). You got back on the ridge then?

Mr. BENSON. Where we landed is about the southwest corner of section 14.

Mr. FREAR. Yes; on the ridge.

Mr. BENSON. Then we went north on this ridge. The idea was I wanted to show the colonel that I considered it impractical to build a railroad up there, and I wanted him to see.

Mr. FREAR. Then you went north along the ridge?

Mr. BENSON. Along the top of the main ridge toward section 29, in nine-eleven, when we came to the hard places where I considered it almost impossible to build a road, and the colonel said he would not put a dollar of Government money into a road up there.

Mr. FREAR. Yes.

Mr. BENSON. But that he wanted us to investigate these other roads more thoroughly first before it was decided on. Then we went back down the Otter Rock ridge and back to Newport, and he left for Portland.

Mr. FREAR. So that, as a matter of fact, Disque never went over to the Siletz Basin, excepting the branch at Wessels. That is right, is it not?

Mr. BENSON. So far as I know.

Mr. FREAR. His efforts were directed to the ridge where you were going over it and down as far as Otter Rock, excepting the single case when he went out on the Wessels Branch; that is right, is it?

Mr. BENSON. Yes.

Mr. FREAR. Now, the testimony here is without dispute, that the Miller road, which was the main line north, beyond the junction that led over to the Wessels line, was about a mile and a half or thereabouts in length?

Mr. BENSON. Yes, sir.

Mr. FREAR. And that any proposed road to get into the Siletz would be up in that direction, either over the Miller road or over what was known as the Porter surveys, which was a survey leading into the Miller road or along that line; were you familiar with that fact?

Mr. BENSON. Do you mean, in order to get a road over to Siletz, they had to run over the Miller road?

Mr. FREAR. No. That was the survey made both by Miller and Storey and by Welch and by Porter, Porter acting on behalf of the village of Toledo. Do you know of those facts? That has been the testimony before the committee.

Mr. BENSON. It is generally known that they were to reach into the Miller road.

Mr. FREAR. You have before you a survey of that Miller road or the Porter survey or the one north of Miller's?

Mr. BENSON. There is no survey here [indicating on the map].

Mr. FREAR. I was asking you if you had those surveys; I do not know.

Mr. BENSON. You mean this line here?

Mr. FREAR. Yes.

Mr. BENSON. That is the line that Mr. Morgan and that delegation indicated was to be their route.

Mr. FREAR. An engineer had been before the committee, and various witnesses have been before the committee, who testified that the Miller road would be extended and would have a grade of less

than 2 per cent for the returning of empties and not to exceed, I think, over $1\frac{1}{2}$ per cent for loaded cars. Did you know anything about that fact—I mean at the time you were making your investigation—or did you make an investigation to see if you could get up in there at all?

Mr. BENSON. After I found he had to go to Jaybird to get any considerable amount of spruce I did not investigate it.

Mr. FREAR. The testimony of a number of cruisers who have been up in there, and lumbermen who have been logging in there, is to the effect that 550,000,000 feet of spruce timber is in that neighborhood and over 10,000,000,000 feet of timber that can be reached by a 20-mile line north of Millers.

Mr. BENSON. The general impression down in that country, as I found it, was that they give credit for all of this spruce between Yaquina Bay and the Siletz Bay to the Siletz drainage.

Mr. FREAR. This is not the Siletz Bay, and they have testified that if you proceed a mile and a half you would be in spruce that would make good airplane spruce, a mile and a half from the extension of the Miller Road. Did you go down to the Miller Road?

Mr. BENSON. Yes; I walked to the south.

Mr. FREAR. Did you walk north?

Mr. BENSON. It ends right on the wagon road, or did, and the road follows right along in the vicinity of where that road would be built until it gets over the divide, and there is no spruce within a mile and a half.

Mr. FREAR. The testimony of the witnesses here, who were engaged down there, is that there is spruce in there. You judged by what; did you ever go over this road?

Mr. BENSON. You can see all over the country there.

Mr. FREAR. We have all been along that road. Did you judge as to that spruce by riding up and down the road, the highway?

Mr. BENSON. No.

Mr. FREAR. How far can you see around the country there, what distance up in among the timber; is there any timber at all in there?

Mr. BENSON. Yes; there is timber there.

Mr. FREAR. Thick timber?

Mr. BENSON. No; it is not so very thick along there.

Mr. FREAR. Can you see through this timber? You say you can see all around the country from this highway. If so, how far; can you see 10 miles or 40 miles, or what, looking in a westerly direction from the highway?

Mr. BENSON. You can see far enough to see there is no spruce on the westerly slope toward where this road would be built inside of a mile and a half.

Mr. FREAR. That is the testimony of the witnesses, that you could reach it within that distance. You did not see any?

Mr. BENSON. No, sir.

Mr. FREAR. Where did you first see spruce?

Mr. BENSON. You mean going north?

Mr. FREAR. Yes. Well, you went up on the highway, or how did you go north?

Mr. BENSON. I have been on the highway and on this road they proposed to build; that is, this route I went down to examine with that delegation.

Mr. FREAR. Did you go down that highway to the Miller line?

Mr. BENSON. We went down the highway to this end [indicating] and walked out.

Mr. FREAR. Walked back what distance?

Mr. BENSON. I could not say. We did not walk all the way. There is some of the way you can get in an automobile and ride around to get into the timber again.

Mr. FREAR. In other words, you were riding along the highway a portion of the time, and walking a part of the time up through that country. Now, as I said, the testimony that has been submitted to the committee by a number of reputable people is to the effect that about 700,000,000 feet of spruce is in that district, and in the neighborhood of 150,000,000 is to be found over west of the divide, and the rest would be east of the divide in the Siletz Basin. You do not agree with that; you did not find over 200,000,000 feet of spruce in your extended investigations?

Mr. BENSON. That is my information.

Mr. FREAR. You had with you McDonald, you say, at this time?

Mr. BENSON. He was with me, and there were several gentlemen.

Mr. FREAR. And, as you say, McDonald was in the employ of the Warren Spruce Co.?

Mr. BENSON. Yes.

Mr. FREAR. He was not employed by the Spruce Production Corporation?

Mr. BENSON. I understood the Spruce Production Corporation could not pay any of the employees, so they had to be paid through the contractor.

Mr. FREAR. They had engineers here, did they not? Could not they employ civilians as cruisers as well as they could employ typewriters and stenographers?

Mr. BENSON. These were soldiers, were they not?

Mr. FREAR. Not as I understand it. I am inquiring because you were an officer of the corporation?

Mr. BENSON. Yes, sir; it is a corporation now, but it was not then.

Mr. FREAR. Were they not employing civilians for different kinds of work?

Mr. BENSON. I do not think the Government could employ civilians at that time. That was my impression.

Mr. FREAR. Were they all soldiers who were over in the Vancouver plant?

Mr. BENSON. Well, I don't know about that.

Mr. FREAR. You are not a soldier; you were connected with them in some capacity, were you not?

Mr. BENSON. But I did not get a salary.

Mr. FREAR. But they could have paid you; they were asking you to give service for which you were entitled to be paid.

Mr. BENSON. That was my impression.

Mr. FREAR. That everything was voluntary except the men who happened to be in uniform. Is that right?

Mr. BENSON. He had to be paid through a cost-plus contractor, or some kind of contractor?

Mr. FREAR. That is, they could not have pay for the performance of any necessary services required in their investigations, and they had to depend on some cost-plus contractor—in this case, the Warren

Spruce Co.—or they had to depend upon some man in uniform. That is right?

Mr. BENSON. That is my opinion; that is, that is my information.

Mr. FREAR. And that is one reason why no one else was employed. Are you an officer of the corporation, or were you?

Mr. BENSON. I was.

Mr. FREAR. What were you?

Mr. BENSON. A director.

Mr. FREAR. Were you an officer with any military title?

Mr. BENSON. No, sir.

Mr. FREAR. And you were not recommended for distinguished service?

Mr. BENSON. I think I was later on—afterwards.

Mr. FREAR. As a civilian, or what?

Mr. BENSON. Yes, sir.

Mr. FREAR. Were you major or captain?

Mr. BENSON. No; I was not in the Army at all.

Mr. FREAR. What was the recommendation? As a civilian, were you recommended for distinguished service?

Mr. BENSON. I forget just what it was, but it was for something.

Mr. FREAR. Did you ever get the medal?

Mr. BENSON. No, sir.

Mr. FREAR. That was by Col. Disque?

Mr. BENSON. Yes, sir.

Mr. FREAR. Do you know anything about these figures that you have given us about the railroad?

Mr. BENSON. Well, I got them from the comptroller of the corporation. That is all I know. He said they were correct.

Mr. FREAR. Of course, that is an arbitrary estimation of valuations, and he did not know anything more about it excepting as the figures are reported to him?

Mr. BENSON. I suppose that is so.

Mr. FREAR. But that you got from the comptroller, and he got his information from the reports of others.

Mr. LEA. How did you ascertain the figures as to the amount of spruce in the basin?

Mr. BENSON. What basin?

Mr. LEA. In the Siletz Basin.

Mr. BENSON. I figured on those cruises that were available, and taking the judgment of Mr. McDonald there, I arrived at that opinion.

Mr. LEA. Where did you get these figures, from other cruises, from more than one cruise?

Mr. BENSON. There was a cruiser named Mr. Frost that got a lot of cruises from a friend of his that had made them for some purpose. I think he was going to buy and sell timber in there. I remember that bunch particularly. One reason why I did not make more of a detailed investigation of that country, up around the Bulls Back and up, was it was so far away and it would have taken three times as much railroad to get up there as here. I was going all the time, every day, and I did not have time to get around to it.

Mr. LEA. While you were down there did you inquire of local people to find out about where the timber was, the spruce?

Mr. BENSON. Yes; I had talked with some of them and I found out that I could not find anybody who had any reliable information. It is surprising how little they know of their country.

Mr. LEA. While you were in the logging and lumbering business, what amount of railroads were constructed in connection with the operations?

Mr. BENSON. Well, I don't know; it is hard to tell. We had one main line we built, which was 7 miles long, at one time.

Mr. LEA. What I was getting at was as to how much experience you had in connection with the laying out of these logging railroads?

Mr. BENSON. I used to always inspect them after the foreman had laid them out, and when they were difficult I went along with him. I remember one time they had a large switchback to lay out, and I laid that out myself.

Mr. LEA. Could you give a little more definite idea as to the extent of those railroads?

Mr. BENSON. That switchback was about 4 miles long. It is hard to tell, but there was a large number of miles.

Mr. LEA. During the time that you were in the business you were extending logging railroads?

Mr. BENSON. Continually building railroads and switches, and things like that.

Mr. FREAR. You say you talked with various people down there. Did you talk to Morgan, who was a cruiser?

Mr. BENSON. I talked with Morgan at the time he was on that trip with me.

Mr. FREAR. Did you ask him about the cruises he had made over in the basin?

Mr. BENSON. Morgan, as I remember, did not figure much spruce here south of the Jaybird Ridge.

Mr. FREAR. He changed his mind after he saw you, when he testified here that there was about 550,000,000 feet of spruce and about 10,000,000,000 feet of timber, did he not?

Mr. BENSON. I do not know as to that. What I did say was that he did not figure very much spruce south of the Jaybird Ridge. I do not remember what he said as to those things in that country.

Mr. FREAR. Did you talk with Mr. Hall, who was there on the Siletz Indian Reservation?

Mr. BENSON. I talked with him.

Mr. FREAR. Did you inquire of him about the amount of spruce and the amount of fir. He had been a cruiser, as he testified, and a timberman there for a number of years, and also a guide, and he said that there was a billion feet of spruce in there, and that has been the testimony of two or three people from that Siletz region.

Mr. BENSON. And Morgan disputed it.

Mr. BENSON. That depends upon how far north they go. You put it at 200,000,000. You did not believe that there was anything like a billion feet?

Mr. BENSON. No, sir; that is, for the Siletz drainage.

Mr. FREAR. Did you talk with Mr. Ball, who was a cruiser, was he not?

Mr. BENSON. I do not think so.

Mr. FREAR. I think he said he had cruised and had done business as a timberman for many years. You did not talk with him at all on the subject?

Mr. BENSON. Yes, I did; but he had a map that he showed me that he had used when he was assessor.

Mr. FREAR. And that was on the basis that the assessments were made, was it not?

Mr. BENSON. I suppose so.

Mr. FREAR. I am not sure about Ball. Maybe it is Wade I am thinking about.

Mr. BENSON. No; Ball was assessor.

Mr. FREAR. I am not sure he was a cruiser, but Wade was a cruiser with many years' experience, like Morgan. Did you talk with him?

Mr. BENSON. I do not know as I talked with him about spruce.

Mr. FREAR. But he was in your party, was he not; or was he?

Mr. BENSON. No.

Mr. FREAR. That first time?

Mr. BENSON. Wade was in one of the delegations that came up to Portland here.

Mr. FREAR. You did not talk to him at all about the spruce that was there. Did you talk to Mr. Storey, or was he there then?

Mr. BENSON. Storey, I do not think came there until the latter part of the summer.

Mr. FREAR. Was Miller there at the time?

Mr. BENSON. Yes.

Mr. FREAR. Did you talk with Miller about the amount of spruce and timber up there?

Mr. BENSON. Yes, sir.

Mr. FREAR. He has testified before us. What did he tell you.

Mr. BENSON. I did not get anything very definite out of him.

Mr. FREAR. You were not getting anything definite out of anyone excepting McDonald, apparently, from this statement.

Mr. BENSON. He was the only one I found—

Mr. FREAR. Had he ever been in the Siletz region before?

Mr. BENSON. Yes, sir; he had cruised that whole territory 13 years before and had been working there for the Warren Spruce people and was there at the time I came down.

Mr. FREAR. What doing?

Mr. BENSON. Looking over the country to find where the spruce was.

Mr. FREAR. Were they building in there to get spruce?

Mr. BENSON. They were logging on Wessels Creek and he was looking ahead to see where to locate.

Mr. FREAR. And you depended entirely on his judgment?

Mr. BENSON. Not entirely.

Mr. FREAR. It appears there were a number of men in the neighborhood of Toledo and you did not speak to any of them excepting Hall who said there was a billion feet, and you did not believe him and you left there.

Mr. LEA. He says he talked with Ball.

Mr. BENSON. I told you Mr. Hall, the day we went out to inspect that route, was with us. He was always talking about how he knew the country and how he could go all over it, and what the character

of it was, but when we got across the ridge and into Jaybird, he didn't know where we were and we got lost.

Mr. FREAR. Of course everyone has to have his first experience in getting lost?

Mr. BENSON. I know, but to go down a ridge to a creek and get lost and not know enough to go back up the creek again——

Mr. FREAR. On account of that you felt that his judgment was not good for carrying on any matter?

Mr. BENSON. I did not base my opinion as to his judgment as a cruiser on that.

Mr. LEA. Was anybody else from this Toledo crowd along when Hall got lost?

Mr. BENSON. Yes.

Mr. LEA. So those people got lost and your own cruiser had to find them?

Mr. BENSON. Yes.

Mr. FREAR. Where was that?

Mr. BENSON. That was down in Jaybird, about six-nineteen.

Mr. FREAR. How far is that from Toledo?

Mr. BENSON. I do not know. It is 11 miles in an air line.

Mr. FREAR. How far would it be by the road?

Mr. BENSON. I do not remember those distances down there. It has been over a year ago. There is one thing I want to say, that I considered Mr. Morgan a good cruiser.

Mr. FREAR. He says there was 550,000,000 feet of spruce.

Mr. BENSON. I think he is a good cruiser.

Mr. MAGEE. Do you profess to know the amount of timber in the Siletz country, or basin, as they call it?

Mr. BENSON. No; I just told you that was the opinion I had formed from looking at these cruises.

Mr. MAGEE. But you did not know of your own knowledge what timber there was there?

Mr. BENSON. Not definitely.

Mr. MAGEE. Is it not generally understood that it is the best stand of timber in the State of Oregon?

Mr. BENSON. I think you will find that that Siletz country is very much overestimated.

Mr. MAGEE. Is it not generally understood, or is it not notorious here?

Mr. BENSON. That what?

Mr. MAGEE. That it is the best stand of timber in the State of Oregon?

Mr. BENSON. You mean fir or spruce?

Mr. MAGEE. Timber, fir and spruce together.

Mr. BENSON. Well, it has got the name for having lots of good timber.

Mr. MAGEE. There is not any question about that, is there?

Mr. BENSON. No, sir.

Mr. MAGEE. Is it your contention that it was not feasible to extend the Storey-Miller road from Toledo up over the divide into the Siletz Basin?

Mr. BENSON. You can extend the road.

Mr. MAGEE. I say it is feasible to build a road up through there?

Mr. BENSON. From Miller's road up over this divide and down to the Siletz River and on down the river. That is feasible.

Mr. MAGEE. Surveys have been made showing it was feasible?

Mr. BENSON. I have been told so.

Mr. MAGEE. Surveys, which have been put in evidence, showed a grade up of something like 2 per cent and over the divide between 1 and 2 per cent. Assuming that there is a large amount of spruce lumber there. Up to the time of your evidence the minimum given was 550,000,000 feet, and the maximum 1,000,000,000 feet of spruce lumber. Assuming there is such an amount of spruce lumber and it is feasible to build a railroad to Toledo from there, would not the most feasible and reasonable and practical means to get that lumber have been to extend that road so that you could have a railroad direct from the forest to the mill?

Mr. BENSON. Well, now, in the first place——

Mr. MAGEE. Can you answer that question; assuming it is feasible to build a railroad, and assuming that amount of lumber is there, then what do you say?

Mr. BENSON. I considered that it was best to open this tract on the coast first. Do you want me to give the reason why?

Mr. MAGEE. That would not change your view.

Mr. BENSON. Do you want me to tell my reason?

Mr. MAGEE. You have given your reasons.

Mr. BENSON. I considered it best to build this one first.

Mr. MAGEE. I say, suppose you wanted to get spruce, and there is that amount of spruce lumber up in the Siletz country, and it is feasible to extend the railroad, you could have extended the Story railroad there a few miles and got into this spruce belt?

Mr. BENSON. Twenty miles.

Mr. MAGEE. You would not have to extend 20 miles before you reached any spruce?

Mr. BENSON. You would begin to get spruce in about 18 miles.

Mr. MAGEE. Assuming you could get spruce within a mile and a half and could then continue to get spruce as you went along; suppose the spruce, as was testified to, was sufficient to meet the needs of the Government, the most economical and practical means of getting it would have been to extend the railroad there into it.

Mr. BENSON. As I understand Miller's statement, he was figuring to go on to Dewey Creek.

Mr. MAGEE. You are getting off the subject. I am asking if that would not have been the most practical way of getting the spruce?

Mr. BENSON. You would not have gotten very much.

Mr. MAGEE. You would if it was there.

Mr. BENSON. Yes, but I do not believe it is there.

Mr. MAGEE. I am assuming for the purposes of the question that it is there. That is part of my question. Assuming that it was there and that it was feasible to extend the road——

Mr. BENSON. If there had been thick spruce all around.

Mr. MAGEE. Assuming the spruce was there and you say it was feasible to build the railroad, that would have been the quickest and most practical means of getting it?

Mr. BENSON. Yes.

Mr. MAGEE. There is no question about that?

Mr. BENSON. No, sir.

Mr. MAGEE. And if you build your road up around the coast you would load your cars up in the forest and bring them down to Yaquina and dump them at Yaquina Bay and tow them 10 or 12 miles down to Toledo. That is right?

Mr. BENSON. That was my idea; yes, sir.

Mr. MAGEE. Mr. Reed testified this morning that the most economic way to get logs from the forest to the mill is where you have railroad transportation direct.

Mr. BENSON. Direct to the mill?

Mr. MAGEE. Direct from the forest to the mill. Is that so or is it not so?

Mr. BENSON. It might be so in some instances.

Mr. MAGEE. Would it be more economical to have railroad transportation from the forest to the mill than to take the logs part of the way by railroad and then dump them and then tow them part way?

Mr. BENSON. My idea would be in this instance that it would be better to take them part way by water.

Mr. MAGEE. You think part way by rail and then dumping them in the water and towing them the rest of the way would be the most economical?

Mr. BENSON. Yes, sir.

Mr. MAGEE. That is your judgment about it?

Mr. BENSON. Yes, sir.

Mr. MAGEE. And that is the kind of judgment which you exercised in selecting this coast route to get out this spruce timber, was it?

Mr. BENSON. Well, I did the best way I could.

Mr. MAGEE. I say that is the kind of judgment that you exercised, based upon your information, that it is the most economic and the quickest way to get logs, to convey them part way by railroad and dump them in the water and tow them the rest of the way instead of having a railroad connection all the way from where you cut the logs to the mill?

Mr. BENSON. I suppose I would have to say yes to that.

Mr. MAGEE. It is the quickest and most economic way?

Mr. BENSON. Still I want to tell you—

Mr. MAGEE. No. I asked if you think that railroad transportation part of the way and dumping into the water and towing the rest of the way is the most economical, and can you not answer yes or no?

Mr. BENSON. The most economical way is by water from Yaquina to Toledo.

Mr. MAGEE. Would it be quicker and more economical than if you could transport the logs all the way by rail?

Mr. BENSON. It might not be the quickest; it would be the most economical.

Mr. MAGEE. You would differ with Mr. Reed on that proposition, would you?

Mr. BENSON. Yes; if he said by rail all the way.

Mr. MAGEE. Well, that is all.

Mr. LEA. You said you had a reason. What is the reason, if any, for dumping them into the water there?

Mr. BENSON. One reason is that at the mill site you can not have a boom that will hold a very large amount, and you can not have your logs coming just as the mills want them; you have got to have

storage, and you can not store them on the ground, and you might as well raft them at Yaquina and tie them up for storage.

Mr. LEA. It was necessary to store these logs below the mill?

Mr. BENSON. You have got to have storage some place, and then, on the other hand, to have taken them by rail you would have to have quite a lot more cars and another locomotive or so to take care of that extra hauling.

Mr. LEA. You wanted to say a while ago why you thought it was best to go up the coast first?

Mr. BENSON. In the first place, where this Miller loop ends now down at the Toledo end, they boom the logs in a small slough which goes nearly dry at low tide. They got along last summer because they only had a small output, and if a trainload did go aground, maybe the tide would rise and lift it off, but you can not do that with a large output. That means you have got to have to build a mile of railroad, which was all trestle, out to Yaquina. This railroad is about 6 miles long, and there is about 3 miles of it that has got to be rebuilt, and the best way is to build a trestle, and then you have got to have about 20 miles of road from the end of Miller's road on down to the vicinity of Jaybird. There is 24 miles to build, and there is 3 miles of old road, making 27 miles of haul nearly to get to your timber, as against from the center here about 10 or 12 miles. That was my reason.

(Witness excused.)

TESTIMONY OF A. J. McDONALD.

(The witness was sworn by Mr. Frear.)

Mr. LEA. State your name?

Mr. McDONALD. A. J. McDonald.

Mr. LEA. Where do you reside?

Mr. McDONALD. Portland.

Mr. LEA. How long have you resided in this State?

Mr. McDONALD. Seventeen years.

Mr. LEA. What is your occupation?

Mr. McDONALD. Timber cruiser.

Mr. LEA. How long have you been a timber cruiser?

Mr. McDONALD. Well, that has practically always been my occupation.

Mr. LEA. You have resided at Portland ever since you have been in this State, have you?

Mr. McDONALD. Yes, sir.

Mr. LEA. Are you acquainted with the Siletz Basin?

Mr. McDONALD. Yes, sir.

Mr. LEA. And the Siletz country?

Mr. McDONALD. Yes.

Mr. LEA. Have you done any cruising there?

Mr. McDONALD. Yes, sir.

Mr. LEA. When did you first begin cruising in the Siletz territory?

Mr. McDONALD. 1905.

Mr. LEA. And to what extent have you cruised in there since that time?

Mr. McDONALD. Well, I have done some work there practically every year since.

Mr. LEA. Speak a little louder, please.

Mr. McDONALD. I have done a little work in there every year since. Some years more than others.

Mr. LEA. By whom have you been employed at various times when you were doing cruising in this section?

Mr. McDONALD. Principally by Davis & Davis.

Mr. LEA. Who are they.

Mr. McDONALD. C. H. Davis, jr., formerly was president. When they first commenced in there his cousin Minot Davis was with him, and afterwards Mr. Davis, sr., bought Minot out.

Mr. LEA. Were you cruising lands that they owned exclusively?

Mr. McDONALD. What they were buying and what they considered buying.

Mr. LEA. Over how wide an area there had you cruised before 1918?

Mr. McDONALD. I have worked in 8-7, 8-9, and 8-10.

Mr. LEA. That is, you mean townships?

Mr. McDONALD. Townships, 9-8, 9, 19, and 11-10-10 and 11.

Mr. LEA. Now, do you know Mr. Benson?

Mr. McDONALD. I do.

Mr. LEA. How long have you known him?

Mr. McDONALD. I have known of the Benson people ever since I have been here. I have not been intimately acquainted with Mr. Benson—you mean Amos Benson?

Mr. LEA. Yes.

Mr. McDONALD. Until 1918.

Mr. LEA. Were you ever employed by his father for cruising?

Mr. McDONALD. No.

Mr. LEA. Now, did you do any cruising in the Siletz territory in 1918?

Mr. McDONALD. I did.

Mr. LEA. At whose request?

Mr. McDONALD. The Warren Spruce Co.

Mr. LEA. When did you begin your cruise of 1918?

Mr. McDONALD. Well, I went there in their employ as a cruiser in January of 1918.

Mr. LEA. Where were you cruising after that?

Mr. McDONALD. Well, we did not—I did not do any regular cruising, did not start in to do any regular cruising, and only cruised about a month as a cruiser; that is, settled down to cruising work.

Mr. LEA. At what time?

Mr. McDONALD. In July and August.

Mr. LEA. In what year?

Mr. McDONALD. July and August of 1918, after Mr. Benson left there.

Mr. LEA. Were you employed by the Warren Spruce Co. before you went down there with Mr. Benson?

Mr. McDONALD. I entered their employ in January, 1918.

Mr. LEA. Now, Mr. McDonald, I wish you would go ahead and tell us in your own way the cruises you have made and the efforts you have made to find out the amount of spruce in the Siletz Basin, and tell us all about it.

Mr. McDONALD. I do not know how I can, very well, explain the matter. I know where all the timber is in the Siletz Basin. I know where the location of the timber in general is, and the spruce and the

mixed timber, and fir. I have spent practically the greater portion of my time in that timber. I have made cruises of it before I ever knew of the Warren Spruce Co. or anybody connected with them.

Mr. LEA. I wish you would fully explain your source of information, what effort you made to find out where the spruce is there.

Mr. McDONALD. When we went down there?

Mr. LEA. Yes.

Mr. McDONALD. While I was with them?

Mr. LEA. Give us your information and how you got it.

Mr. McDONALD. I got it from work done previously to going there for the Warren Spruce Co.

Mr. LEA. And you were down there with Mr. Benson, were you?

Mr. McDONALD. Yes.

Mr. LEA. How long?

Mr. McDONALD. About two months.

Mr. LEA. Tell us about that.

Mr. MAGEE. About how long?

Mr. McDONALD. About two months that I was with Mr. Benson. I think it was from about the middle of April until the middle of June, when Mr. Benson left there.

Mr. LEA. What were you doing during those two months when you were down there with Mr. Benson?

Mr. McDONALD. We were making a general reconnaissance of the country.

Mr. LEA. For what purpose?

Mr. McDONALD. To determine where the greatest body of the spruce was and the best location for a route to get the spruce to tidewater.

Mr. LEA. What did you find out as to the quantity of spruce in the Siletz Basin?

Mr. McDONALD. Well, what do I understand you to mean by the Siletz Basin?

Mr. MAGEE. I mean the territory that is drained by the Siletz; not the coast area, but inside.

Mr. McDONALD. About 150,000,000.

Mr. LEA. And where is that timber located, principally?

Mr. McDONALD. It is located from—it is in—

Mr. LEA. Have you any map?

Mr. McDONALD. No; I have no map here.

Mr. LEA. Do you need a map to point that out?

Mr. McDONALD. No; it would be in the north side of 10-10 and in the northeast corner of 9-10.

Mr. MAGEE. I do not know, Mr. Chairman, it may be climatic influence, but I can not hear hardly any witness, sitting right here across the table.

Mr. LEA. Speak a little louder, if you will. Where else?

Mr. McDONALD. The north half of 10-10, the northeast corner of 10-11, scattered over the principal portion of—I would have to look at the map, I believe; I think I am mixed up.

Mr. FREAR. Do you want this map?

Mr. McDONALD. Just for a second.

Mr. FREAR. I do not know that it is a valuable map for that purpose, but you are welcome to it.

Mr. LEA. Can you tell by the general locations?

Mr. McDONALD (after examining map). The north half of 9-10, the northeast portion of 9-11 and 8-10, and the southeast corner of 8-11.

Mr. LEA. Did you visit the head of Dewey Creek?

Mr. McDONALD. Yes.

Mr. LEA. What, if any, spruce did you find there?

Mr. McDONALD. Previous to this work I had cruised all the timber at the head of Dewey Creek. I made a detailed cruise of it all, and my detailed cruise of that shows less than 25,000,000 in the head of Dewey Creek.

Mr. LEA. Did you visit Jaybird Creek?

Mr. McDONALD. Well, Jaybird Creek we put at about 60,000,000.

Mr. LEA. Did you visit the Bulls Back?

Mr. McDONALD. Yes.

Mr. LEA. How much did you find there?

Mr. McDONALD. Well, we included that in a general way in the 150,000,000 that we figured was on that area.

Mr. LEA. What is the quality of the spruce on the Bulls Back?

Mr. McDONALD. It is very coarse.

Mr. LEA. What about the spruce across the river around the Bulls Back?

Mr. McDONALD. Good, first-class timber.

Mr. LEA. Where is the principal body of spruce in the Siletz River Basin?

Mr. McDONALD. In the portion that I have mentioned.

Mr. LEA. Now, did you make any effort to find out the spruce on the coast—on the west slope and south of Otter Rock?

Mr. McDONALD. I did.

Mr. LEA. What did you find out there—how much?

Mr. McDONALD. About 200,000,000.

Mr. LEA. Are you an engineer?

Mr. McDONALD. I took a course in engineering when I was a young man.

Mr. LEA. Have you followed engineering?

Mr. McDONALD. No; not as a profession.

Mr. LEA. What is the location of the spruce on the Siletz River Basin—is it scattered or compact?

Mr. McDONALD. With the exception of some sections in the north side of 9-10 and that part that lies right around the Bulls Back and along the east corner of 8-11 it is very scattered timber.

Mr. LEA. Who else was down there with you in making this investigation?

Mr. McDONALD. Mr. Benson, and part of the time Mr. William Frost.

Mr. LEA. Anyone else?

Mr. McDONALD. Well, we made a number of trips through there with a number of different parties.

Mr. LEA. Were you with the committee from Toledo that came out there to look over the ground?

Mr. McDONALD. Yes.

Mr. LEA. Where did you go that day?

Mr. McDONALD. We followed where they conducted.

Mr. LEA. Did you find any spruce that day or were you looking for spruce that day?

Mr. McDONALD. We were not looking for spruce; they were going to show us where there was railroad passes over two ridges. They took us to three different locations on the divide, between Jaybird Creek and the Latzman Prairie, which is on the Siletz River and on what is called the Dewey Creek reach, between the Latzman Prairie and the Dewey Creek Basin. It is a high ridge that runs east and west, running between the coast and the Siletz River, called the Dewey Creek Ridge.

Mr. LEA. Did you find any pass that was satisfactory?

Mr. McDONALD. Not over the Dewey Creek Ridge.

Mr. LEA. Did you have any trouble locating the place they wanted to go?

Mr. McDONALD. We had trouble at the first start out. They wanted to locate the second corner, and got lost in there. They showed us what they called the first pass, down at the foot of Latzman Prairie, going over into Jaybird, near the mouth of Jaybird Creek, and then they went down in there to look for a corner, and they got lost in there, and they never found it.

Mr. LEA. Did you see Mr. Roberts while you were down there?

Mr. McDONALD. I was with Mr. Roberts four days.

Mr. LEA. Now, to whom did you report when you got through your investigation?

Mr. McDONALD. To Mr. Benson and Mr. Hill.

Mr. LEA. Who is Mr. Hill?

Mr. McDONALD. He was field manager for the Warren Spruce Co.

Mr. LEA. Did you own any timber in that district?

Mr. McDONALD. No, sir.

Mr. LEA. How much time was Mr. Benson with you?

Mr. McDONALD. The greater portion—we spent the greater portion of our time in the woods for a period of about two months.

Mr. LEA. I believe that is all.

Mr. FREAR. How long were you with the Warren Spruce people?

Mr. McDONALD. From January, 1918, to August, 1918.

Mr. FREAR. What was your pay?

Mr. McDONALD. \$300 a month.

Mr. FREAR. That is \$10 a day, Sundays and all days?

Mr. McDONALD. Yes.

Mr. FREAR. Were you working Sundays and all days?

Mr. McDONALD. We worked Sundays, without regard to what day of the week it was.

Mr. FREAR. Now, this Davis tract of which you speak. How much land did you cruise for them?

Mr. McDONALD. For the Davis Co.?

Mr. FREAR. Yes.

Mr. McDONALD. I could not tell you that.

Mr. FREAR. Well, several sections, or how much?

Mr. McDONALD. A great many thousand acres.

Mr. FREAR. Whereabouts was it located?

Mr. McDONALD. In the towns that I have mentioned.

Mr. FREAR. Well, how far is that from this railroad that has been built up to Otter Rock?

Mr. McDONALD. Some of it right along it.

Mr. FREAR. How near?

Mr. McDONALD. The railroad goes through some of it.

Mr. FREAR. How many pieces?

Mr. McDONALD. I could not tell you.

Mr. FREAR. One or two pieces?

Mr. McDONALD. Yes; more than one or two. I could not tell you how many pieces.

Mr. FREAR. Can you point them out on the map, please?

Mr. McDONALD. No; I could not.

Mr. FREAR. Here is the map. Put on your glasses, please, and show the committee where it is. Here are the names of all the owners.

Mr. McDONALD. Some of them, I do not know the owners.

Mr. FREAR. But the owners are here; their names are on the map. Come and point out a single tract that runs through any land in the name of Davis.

Mr. McDONALD. There isn't any; they are not under the name of Davis.

Mr. FREAR. Whose name would it appear under?

Mr. McDONALD. He never bought any in there.

Mr. FREAR. I thought you said they did.

Mr. McDONALD. I said I looked at land that he considered buying. I did not say that he bought that land.

Mr. FREAR. I see. I misunderstood you then. How near to Otter Rock was the Davis land?

Mr. McDONALD. Up in here is the nearest land that Davis had. [Indicating on map.] In this vicinity is the nearest land that Davis had to the Otter Rock.

Mr. FREAR. That is the nearest land; that would be up on the Siletz, in section 11, township 9, range 11, about in the neighborhood of 20 miles from the north line of the Miller line, 20 miles or more, according to the survey that went up there—the railroad survey. I am trying to get it identified on the map now. What pieces did you survey or cruise besides the Davis land?

Mr. McDONALD. I cruised such land as Mr. Davis had under consideration to purchase.

Mr. FREAR. Well, that is rather indefinite.

Mr. McDONALD. There was a great deal of it that he rejected.

Mr. FREAR. That is indefinite. Just give us a general idea. I do not want the particular section; I want to know where you were cruising.

Mr. McDONALD. I gave you the number of townships I have cruised.

Mr. FREAR. Those townships were north of Otter Rock, as a rule.

Mr. McDONALD. No; they were south as well as north.

Mr. FREAR. Did he buy any of this land?

Mr. McDONALD. No.

Mr. FREAR. He did not buy any?

Mr. McDONALD. No.

Mr. FREAR. Have you got your cruises?

Mr. McDONALD. He has got them.

Mr. FREAR. You have not got the cruises?

Mr. McDONALD. No.

Mr. FREAR. How many years were you cruising—always for Davis?

Mr. McDONALD. No.

Mr. FREAR. For who else?

Mr. McDONALD. I did a lot of work in there in 1918 for Peabody, Houghteling & Co., of Chicago.

Mr. FREAR. Have they any timber in here?

Mr. McDONALD. No; they didn't buy it.

Mr. FREAR. Where was that cruise?

Mr. McDONALD. That was in what is known as the Stondall tract. It was the Pendleton Lumber Co. tract.

Mr. FREAR. Was there any timber there?

Mr. McDONALD. Yes; there was timber there.

Mr. FREAR. Where is the timber, as far as you know, the best timber to be found in this Siletz Valley?

Mr. McDONALD. Do you mean in that portion of Lincoln County that is on that map, or in the Siletz Basin?

Mr. FREAR. This basin takes about 40 miles or more by the surveyed road up to Siletz Bay, I take it.

Mr. McDONALD. But the Siletz watershed is comparatively small.

Mr. FREAR. The testimony is, by a number of witnesses who have appeared before the committee, that 550,000,000 feet of spruce—cruisers as well as others have testified—on the roadway up to tide-water, which I think was 20 miles or more from the bay—south of the bay—and that that can be logged in by road up to that point. And you say what—100,000,000?

Mr. McDONALD. One hundred and fifty million.

Mr. FREAR. You say 150,000,000. You are only 100,000,000 apart?

Mr. McDONALD. That is all.

Mr. FREAR. That is all. There were a number of surveyors that testified.

Mr. LEA. What was the usual pay of cruisers during the war?

Mr. McDONALD. I do not know.

Mr. LEA. What did you get most of the time?

Mr. McDONALD. I would have got, if I had not been working for the Warren Spruce Co., I would have got \$15 a day, but I went to work for them before there was any raise in the cruiser's wages. I understand they were paying them as high as \$15 a day during that summer.

Mr. LEA. That is all.

(Witness excused.)

TESTIMONY OF WILLIAM M. LADD.

(The witness was sworn by Mr. Frear.)

Mr. LEA. Where do you reside, Mr. Ladd?

Mr. LADD. I reside at Ravera, Multnomah County, Oreg.

Mr. LEA. What are your initials?

Mr. LADD. William M. Ladd.

Mr. LEA. What is your occupation?

Mr. LADD. I am a bank officer, chairman of the board of directors of Ladd & Tilton Bank.

Mr. LEA. How long have you resided in Oregon?

Mr. LADD. I was born in Portland in 1855.

Mr. LEA. Were you ever engaged in the lumber business?

Mr. LADD. No, sir.

Mr. LEA. Did you have any official position with the Spruce Production Corporation?

Mr. LADD. Yes, sir.

Mr. LEA. What was that relation?

Mr. LADD. I suppose you would call it official.

Mr. LEA. What was your position?

Mr. LADD. If you will permit me to read these appointments—

Mr. LEA. I just wanted to find out the date and what the connection was.

Mr. LADD. All right, sir; I will explain to you the best I can. Mr. R. F. Howe, on January 23, 1918, wrote me these words:

I take pleasure in confirming herewith your appointment as a member of the Pacific coast committee of the Aircraft Board, and ask you to act as chairman of the committee.

Mr. LEA. How long after that did you act?

Mr. LADD. I have acted up to the formation of the corporation, as a member of the committee up to the time of the formation of the corporation, in August, I think it was, of 1918.

Mr. LEA. And then you became a director, did you, in the corporation?

Mr. LADD. Yes.

Mr. LEA. And you are at present?

Mr. LADD. Yes, sir.

Mr. LEA. What were your duties as director, as you have practiced them?

Mr. LADD. Director of what?

Mr. LEA. Of the corporation.

Mr. LADD. The ordinary duties, to attend the meetings and to pass upon such questions as are presented.

Mr. LEA. You have attended the meetings, have you?

Mr. LADD. Some of them, sir.

Mr. LEA. When did you become acquainted with Mr. Disque?

Mr. LADD. January 23, 1918.

Mr. LEA. You frequently conferred with him since, I presume?

Mr. LADD. Whenever he has asked me to come there, sir, I have gone, according to instructions from the chairman of the Aircraft Board. Perhaps it would be well to explain what transpired on that day, so that you will have a clear understanding of my relation to the committee.

Mr. LEA. Yes; if you will.

Mr. LADD. Perhaps you will let me make a statement, sir. Mr. Howe called on me, I think, about the 20th of January, 1918, bearing a letter of introduction to me from Mr. Charles H. Sabin, of the Guaranty Trust Co. of New York.

Mr. FREAR. Mr. Howe?

Mr. LADD. R. F. Howe. He said he was chairman of the Aircraft Board at Washington. He said he had come out here to look into the spruce production matter and he asked me for the names of some lumbermen with whom he could confer. I gave him some names and he disappeared. On either the afternoon of the 22d or the morning of the 23d I was asked to go to Col. Disque's office, on the second floor of the Yeon Building, at a certain time. I went there and there I was introduced to Col. Disque. I never had seen him before. There were present at that meeting with Mr. Howe,

Gen. Salsman, I think was his name, from the Signal Corps at Washington, some attorney, and some men that Mr. Howe had with him. I do not remember their names. Mr. Benson was there; Mr. George S. Long, of Tacoma, was there; Mr. Bloedel and some gentleman whose name I do not remember, connected with the fir production department at Washington. I think they said he represented Lacey & Co. I do not remember his name. And Col. Disque was there. Also I think at the meeting were some officers that belonged to Col. Disque.

The meeting was called and Mr. Howe sought to form an advisory committee for this coast, and he asked me if I would accept such a position as a member thereof. I begged to be excused, because I did not know anything about lumbering or logging. He said he understood that, but he would like to have me serve. I supposed he was an officer from Washington and that he called upon me to do my duty for the Government, so I accepted the position, to do the best I could with it. He asked Mr. Long if he would accept and serve on that committee, and Mr. Long said he did not think he ought to serve on it, because he was the manager of the Weyerhaeuser Timber Co. He went away from that meeting with that in view. After discussion I asked Mr. Howe what he meant that we should do, and Mr. Howe said, "I guess I had better put it in writing, so that you will have a clear understanding of it." So he did put it in writing, and he wrote me a letter on January 23, which, if you wish—I do not want to burden the record, but if you wish to have it—

Mr. LEA. We would like to get at just the material part.

Mr. FREAR. I do not think there is any controversy about it. Just tell what it was, briefly.

Mr. LADD. The sum and substance of it—after making that statement he wrote the letter the same day and I got it, I suppose, the next day. He said what we were appointed for was this, that Gen. Disque had to refer some questions in which he would be in doubt to the Aircraft Board in Washington, and there had been great delays, and he wanted to facilitate the getting out of the spruce, because they were in great need of it.

They wanted this committee to be subject to the call of Col. Disque, so whenever any problem came to Disque that he was not clear upon that he could refer it to us instead of referring it back to Washington. I asked him about the vote. I said, "Supposing that the three of us side against Col. Disque, what then?" He said, "Well, Col. Disque would have the right to appeal to Washington." I said, "Supposing we tie, then what?" He said that the same thing would obtain; Col. Disque could appeal to Washington if he desired.

Mr. LEA. Now, then, you entered upon your duties as director and got along harmoniously, did you?

Mr. LADD. Yes, sir.

Mr. LEA. Were you consulted in reference to the location of a mill at Toledo?

Mr. LADD. Yes, sir.

Mr. LEA. With what result?

Mr. LADD. The mill was built. I suppose it was built.

Mr. LEA. Did you concur in that judgment?

Mr. LADD. No, sir.

Mr. LEA. And did you finally concur in that, or not?

Mr. LADD. Yes, sir.

Mr. LEA. And for what reason?

Mr. LADD. For the reason that it was impossible to ship the logs to Portland. I desired to have the logs shipped to Portland. The reasons I objected to building a mill down there were two. The first and uppermost was a selfish interest—I didn't want to see any more mills built in this country, which after the war would have to be sold at less than they cost, and therefore somebody would be a competitor of my friends who were in the milling business, at an investment of less than what they had put in. Second, I wanted to save the Government the money of the cost of the mill. So I endeavored to ascertain whether the millers on the river here, or in the valley, would saw the logs, in case we brought them to them, and I also investigated the cost thereof, because Maj. Hitchcock had figured the cost of \$13.90 as the cost of the production of the flitches down there, or cants, if the mill was built now. And so I went to four different sawmill men, whom I had confidence in, and asked them to figure the cost of sawing, bringing logs from there down here, and they figured it out, and the four varied I think about 19 cents. I can give you the exact figures if you would like to know. The average I think was \$13.75, being 15 cents in favor of manufacturing at Portland.

Mr. LEA. Portland or Toledo?

Mr. LADD. Hitchcock stated to me—Col. Disque was then in the East when that matter came up to me, and I took it up with Hitchcock, or he took it up with me, and he said the cost was \$13.90, and I told him, flatly, that I didn't wish to build a mill down there, that I was opposed to it, and I spent, I suppose, two weeks—ten days or two weeks getting at the facts, went after the Southern Pacific, got the freight rates, etc., and so on, and finally we had a session with the Southern Pacific officials. I don't remember whether Col. Disque had returned from Washington then or not, but it seems to me that he had. They said that it was a physical impossibility to bring out the large logs. The figures were made on 6,000 feet, board measure, minimum car, and that is what our expense would be—on which the figures would be. The Southern Pacific raised objections to bringing it because they said right out flatly they didn't want to haul logs, they wanted to haul the manufactured product, and if they had the manufactured product down there or the manufacturing of product down there, they would have the freight down there on goods that would have to go to them, and they would rather do that than to take logs up to Portland to be manufactured here. The same way for valley mills. I tried to get the valley mills to saw logs, and when we got to the question of detail, I remember they said it would—they went into the matter of cars, eight days for a trip, it would take 540 cars to handle the amount that we intended to put into the water or onto the cars.

I think they figured on 1,000,000 feet a day, and I figured 500,000. And that would—on a 100,000 shipment a day, it took 128 cars, and if they got out 500,000 it would take five times that, or 540 cars. They hadn't any cars to do it; they had a limited number of engines. They said their cars were in poor shape, but if the Government demanded it, would do anything that the Government said. They made an estimate of \$100,000 or something of that kind for side tracks. But what determined—even this, I was determined that they should

bring them down here, and what put an end to the discussion was the fact that when they came to raise the question of tunnels, there was 12½ feet clearance in the tunnels on that branch from Albany or Corvallis to Yaquina, and that only permitted, as the experts said, about 3,000 minimum. That raised, you see, the price; and on the main line, as I recollect it, the clearance of tunnels was 13 feet, so that you could not ship an 8-foot log on a car. Then, another thing, the Southern Pacific objected to us bringing their—they said they would have to bring their trains through Salem, and that passed through a main street of the city, and the logs would have to be chained; they didn't want to take the risk of the logs falling off and injuring anybody passing on the street. And so that made it necessary, if we got out the timber—the spruce or fir, in that section, to have a mill down there. So I gave up.

Mr. LEA. Now, is there any other information that you have that you regard as material to this committee or information that you would like to give the committee?

Mr. LADD. I don't know, sir, what you are driving at.

Mr. LEA. Well, I didn't know but what you might have something in your mind.

Mr. LADD. I am willing to give anything that I know, sir.

Oh, I would like to state this inasmuch as—a bit of my experience. When I was green on the question of timber, and spruce especially, and I commenced to ask some questions about the supply of spruce, I went to the Forestry Department to get a map. They said they were preparing them for Col. Disque and they would be there, so I didn't ask for them, as I didn't want to put the Government to that expense. I saw I could get the information there.

In one of the conversations with some one, Col. Disque's administration of the Michigan Penitentiary came up, and it was spoken of against him, to his detriment, and that made me wonder about it; and I wanted to be satisfied as to the character of the man that I was going to work with, and so I wrote back to a friend of mine at Jackson, Mich.—I happened to know a gentleman there—and told him what I had heard and asked him if he would give me the facts if he could. I have the letter here from him, which I will be pleased to show you, if you wish.

Mr. LEA. Well, what is the substance of the letter?

Mr. FREAR. I don't think that is any part of the record; that is, we have introduced only here on the subject the investigation of the Michigan legislative body, and this gentleman can't be cross-examined.

Mr. LEA. As just showing his information.

Mr. FREAR. I know; but I say that it would be cumulative in the record.

Mr. LEA. Just state the substance of what you found out.

Mr. FREAR. There is no objection to your stating that he told you something, whatever it is, although I do not think it is admissible regularly in evidence; but there is no objection here.

Mr. LADD. Well, here is what he says: "Col. Disque was"—

Mr. FREAR. I object to that. Strike it out. Now, I am willing you should say, in a general way, what they have told you. Now, that is not testimony at all; it would not be testimony in any court;

you could not do that; but we are perfectly—we have an objection to your reading into the record these letters that you have.

Mr. LEA. May I see this letter and see if it is of any importance?

Mr. LADD. All right, sir. [Handing letter to Mr. Lea.]

Mr. FREAR. You can say if he says Disque is all right. We don't object to it.

Mr. LADD. Well, he said he was a high-class man, clean in body and in mind and in integrity, and that I could advise with him and trust him.

Mr. FREAR. No objection to anything of that kind.

Mr. LEA. How long had you known this man that gave you the information?

Mr. LADD. I have only met him once, I think, about 15 years ago. I have had some correspondence with him.

Mr. LEA. Now, is there anything further? I have not had an opportunity of—

Mr. LADD. He is a man of high character, sir.

Mr. LEA. I have not had the opportunity of discussing your knowledge on this situation, but I thought there might be something that you regarded as material that you would like to state here to the committee in reference to the facts?

Mr. LADD. I have no ax to grind, sir, in it.

Mr. LEA. Did you have anything to do with the negotiations for the Siems-Carey contract?

Mr. LADD. Which contract?

Mr. LEA. For the logging contract.

Mr. LADD. All I can remember about the Siems-Carey is being present at a meeting at which some of their people were there, and their attorney was there, and I think the attorney of Gen. Disque's office was present, and they discussed the question of either logging or flitches, I don't know which; I think it was flitches.

Mr. LEA. What, in substance, occurred at that time, as you remember it?

Mr. LADD. Oh, I don't remember the details, sir, at all. They discussed the matter, and I understand—well, they had a contract drawn up, a rough agreement, and I think they read it section by section, but I have no notion about those sections, sir. And then I understand—oh, I remember this, that we would not pass upon that matter of their contract, because there was no railroad, and it was referred back to Washington. You see, I voted to recommend to Washington to have the Milwaukee road extended into that country, because they were already there, and that, I think, was under consideration at this time that we had this meeting with Siems-Carey.

Mr. LEA. That was before Mr. Disque went East to try to get that road extended, was it?

Mr. LADD. I don't know about that, sir; I don't remember.

Mr. LEA. Do you know whether or not Mr. Disque did go East to try to get the Milwaukee extended?

Mr. LADD. I think he said here in testimony that he did. I think I have heard him say that.

Mr. LEA. Are you acquainted with Mr. Blodgett?

Mr. LADD. Yes, sir.

Mr. LEA. Did you ever have any discussion with him as to the sale of his property after the sale had been agreed upon?

Mr. LADD. I don't think so, sir. I think I had one talk with Mr. Blodgett when he was here. I don't remember the date. I could fix that date, if it was necessary, by referring to his letter; he wrote me a personal letter about a transaction that happened while he was here in the city at that time. I can fix that date.

Mr. LEA. Have you it with you?

Mr. LADD. No, sir.

Mr. LEA. Well, did he ever inform you as to whether or not he was willing to sell this property that he did sell to the Government?

Mr. LADD. I think he wrote a letter to Col. Disque, giving his price for his property, in April I think it was; I think there was a letter of April, 1918. I think you will find some letter from him in the files down at the office.

Mr. LEA. Well, you mean by that that there is a letter saying that he was willing to sell it?

Mr. LADD. Yes, sir; he made a proposition. He made his price, as I recollect the program.

Mr. FREAR. The letter is in evidence.

Mr. LADD. Is it in evidence?

Mr. FREAR. But the question of whether he was willing, or not, or had to have a bearing with a threat of commandeering and all that. But he did make a price.

Mr. LADD. I think he was willing.

Mr. FREAR. You think he was.

Mr. LADD. That is my impression; yes, sir; from what he said to me.

Mr. LEA. What did he say to you about that?

Mr. LADD. He said he was negotiating at that time, but nothing was—in his personal conversation with me, I don't think any reference was made to price.

Mr. LEA. I see.

Mr. LADD. In that conversation he spoke commendatorily of Col. Disque's work at that time.

Mr. FREAR. In the statement made just a moment ago, you said that you were in favor of the Milwaukee road going around by Deep Creek; that is, its extension, which I think is the fact.

Mr. LADD. No, sir; I didn't say going by Deep Creek.

Mr. FREAR. What did you say?

Mr. LADD. I said I was in favor of the Milwaukee building the road, sir.

Mr. FREAR. The Milwaukee building the road?

Mr. LADD. Yes, sir—extending its road.

Mr. FREAR. Well, then you said then Disque went back to Washington?

Mr. LADD. No; I didn't. He said that—

Mr. FREAR. But you answered with him. Now, tell what the fact was. You answered affirmatively, following his question.

Mr. LADD. Did I?

Mr. FREAR. I understood so.

Mr. LADD. Will you read the question and answer?

Mr. FREAR. No; we can't spend the time. You just go on and state what the fact is.

Mr. LADD. I thought my recollection, sir, of my answer was that I did not know whether Col. Disque went or not.

Mr. FREAR. Oh, pardon me. Then I misunderstood you entirely. You didn't know anything about Disque going to Washington?

Mr. LADD. I know he went from time to time, but I don't know the dates, sir.

Mr. FREAR. Or the purpose?

Mr. LADD. I know the purpose of some missions.

Mr. FREAR. Well, that is all. Oh, here is just a statement that is in the paper. It says here—this is the paper which I read from to Mr. Reed—it says here:

Representative Reed held out with W. M. Ladd, of Portland, in opposition to the Oregon plans as long as possible, and the contracts they drew up for the Olympic Peninsula development was not the one approved by Secretary of War Newton D. Baker and later by John D. Ryan, who was head of the Airplane Production Service.

That is dated back August 13. Did that correctly state your position?

Mr. LADD. No, sir.

Mr. FREAR. What was your position?

Mr. LADD. That question never came up to me, sir.

Mr. MAGEE. Was there a mill at Toledo, Mr. Ladd?

Mr. LADD. What?

Mr. MAGEE. Was there a sawmill at Toledo?

Mr. LADD. I have been told that there were two there—small mills.

Mr. MAGEE. Yes. What was done by you in reference to utilizing them for anything, to your knowledge?

Mr. LADD. Nothing; no question ever came up for me to pass judgment—no question of that kind ever came up to me, that I recollect of.

Mr. LEA. Is there anything else that you wanted to state?

Mr. LADD. No, sir. I can give you the details of different things, if you want. I don't think it is material, sir, so far as I am concerned.

Mr. LEA. I just wanted to get the essential things and let the other go, if we can.

(Witness excused.)

TESTIMONY OF J. B. YEON.

(The witness was sworn by Mr. Frear.)

Mr. LEA. Where do you reside, Mr. Yeon?

Mr. YEON. Portland.

Mr. LEA. How long have you resided here?

Mr. YEON. Since 1885, in April, I first landed here.

Mr. LEA. What has been your business?

Mr. YEON. When I first came here I went into the lumber business. The last 14 years I have been here in the real estate business mostly.

Mr. LEA. With whom were you associated in the lumber business?

Mr. YEON. The only association I had during all my lumbering career was Mr. Pelton, who is deceased now. He had a quarter interest in the Yeon Lumber Co. and I had three-quarters. Operated under the Yeon-Pelton Lumber Co. for about four years. Since then I have been operating for myself straight.

Mr. LEA. You are the owner of the Yeon Building, are you?

Mr. YEON. Yes, sir.

Mr. LEA. What was the extent of the operations in the lumber business as conducted by you prior to leaving the business?

Mr. YEON. Well, I was—in my last operation I was employing 250 men per day.

Mr. LEA. About how much logs were you handling a year?

Mr. YEON. All the way from fifty to sixty millions.

Mr. LEA. Where were you operating?

Mr. YEON. My first operation was at Cathlamet, Wash., and my last operation was at Rainier, Oreg. That is about 46 miles from here, down the river.

Mr. LEA. Now, did you have any official position with the Spruce Production Corporation during the war?

Mr. YEON. Yes, sir.

Mr. LEA. What was it?

Mr. YEON. District supervisor for the Clatsop district, down the river.

Mr. LEA. Down the Columbia River?

Mr. YEON. Yes.

Mr. LEA. Did you have any other connection with them?

Mr. YEON. No; not any.

Mr. LEA. What were your duties as supervisor down there?

Mr. YEON. Well, it was to follow up the cost-plan operation.

Mr. LEA. Who was the cost-plus contractor down there?

Mr. YEON. Porter Bros.

Mr. LEA. You were the representative of Mr. Disque in connection with that operation, were you?

Mr. YEON. Yes, sir.

Mr. LEA. Do you remember about what date you were appointed?

Mr. YEON. I think, if my memory serves me right, it was about June 24, 1918.

Mr. LEA. And you continued, then, until the time of the armistice, did you?

Mr. YEON. Until January the 10th, if I recollect right.

Mr. LEA. Did you have any compensation for your services?

Mr. YEON. Not any, sir.

Mr. LEA. I wish you would briefly describe to the committee the general nature of those operations down there, and with what difficulty and success or failure it was carried on.

Mr. YEON. Well, I came into the operation there, as I stated a minute ago, about June 24, and the road was not quite completed. I think we had about 4 miles to reach the main body of timber. We completed that road and then started in operation. Our output there ranged all the way from two hundred to two hundred and fifty thousand a day after we got logging.

Mr. LEA. How many sides did you have?

Mr. YEON. Let's see; we had about four—an average of about six sides.

Mr. LEA. And in the meantime were you extending your spurs?

Mr. YEON. Yes, sir; up to the woods.

Mr. LEA. You were carrying on regular logging operations?

Mr. YEON. A regular logging operation; falling timber and everything like that.

Mr. LEA. I presume that was selective logging?

Mr. YEON. Yes, sir.

Mr. LEA. And what was your judgment as to the selective logging to accomplish the purposes of the Government?

Mr. YEON. Well, it is the only thing that really could be done.

Mr. LEA. Now, if you will just go ahead with your statement—

Mr. YEON. Yes.

Mr. LEA (continuing). About conditions down there.

Mr. YEON. Of course, the Government didn't want any spruce put in other than what would make airplane material, and the market for spruce has been a drug on the market, naturally, before the war came on, practically as it is now, and they didn't want to come in and put in a whole lot of timber that the Government had no use for, which would put them on the market to dispose of it—that is, to dispose of everything that they could not use for airplane—consequently it was decided to handle nothing but airplane material, and that is what meant the selective logging end of it.

Mr. LEA. What did you observe down there as to whether there was any waste of materials or supplies, or food supplies, in carrying on the operation, by this contractor?

Mr. YEON. Why, I didn't notice any waste of any kind.

Mr. LEA. Did you keep in pretty close touch with the situation?

Mr. YEON. Very. On the ground all the time nearly—about five days in the week.

Mr. LEA. You, of course, had conducted logging camps in your regular business while you were engaged in the industry?

Mr. YEON. Yes, sir.

Mr. LEA. What was the general situation as to labor in carrying on the work down there?

Mr. YEON. Well, we had mostly soldiers. We kept civilians for such as timber fallers, as much as we could get—practical men that understood the business, hook tenders, engineers, and the like of that. And then the balance of it we sandwiched in with the soldier labor, because you will readily understand that you take a green man that has never been in the logging operation and put him into falling timber, or even bucking logs or running a donkey engine, it would be practically out of the question; that is, if you are going to operate with any degree of success.

Mr. LEA. How did the efficiency of the labor compare during that time with prewar periods?

Mr. YEON. About 50 per cent.

Mr. LEA. Only got about 50 per cent from the men that you got before?

Mr. YEON. Yes; on an average. In the first place, the hours being cut to eight hours—the time being cut to eight hours per day—curtailed the output very much. They used to work 10 hours. And then the fact of the inexperienced labor also decreased the output very much. In other words, you take men, for instance, that—soldiers, such as barbers, bookkeepers, clerks in stores, there were all classes, you know, that came in—the most unfortunate part—and that handicapped the logging end of it. Our best experienced young men in the logging business volunteered to go to the front as soon as the war was declared, and a lot of them were drafted, which, of course, it developed later on that it was the greatest mistake for the lumber industry that could happen, but it was all done, and there

was nothing left but to make the best of it with the class of labor that was available at that time.

Mr. LEA. This company you say had not—had it reached its full production about when the armistice came?

Mr. YEON. Yes; just coming to the point where we were going to turn upon results.

Mr. LEA. About what would have been their productivity after that?

Mr. YEON. Well, we would average about 250,000 or 300,000 a day; that is, selective logging, you understand.

Mr. LEA. You knew Col. Disque, of course, all this time?

Mr. YEON. Yes, sir; I met Col. Disque about the first or second day after he landed in Portland, I believe.

Mr. LEA. To what extent did you confer with him about these matters out here with reference to the production of spruce?

Mr. YEON. Well, from the time that he came to Portland I met him off and on; he has called me down to his office and he was up to my office several times, I think, to obtain all the information that he possibly could get from the lumber operators. He stated, in these many words, that he wished to start off right; that he fully realized that he had no experience in the lumber business, and he was strongly in hopes that everybody would come to his rescue, in other words, so that he might be able to make his decision with the most efficiency and the most speed that possibly could be figured out toward turning out airplane material. That seems to have been the height of his ambition.

Mr. LEA. And did he interfere with you in your duties down there as supervisor?

Mr. YEON. Not a bit in the world. If there was any criticism coming out of Clatsop district from June 24 until January, the burden rests upon my shoulders; I could not "pass the buck" to anybody, in other words. I had the greatest support that any man could get. If the result has not come, it was nobody's fault but my own.

Mr. LEA. Did you have anything to do with the location of the Yaquina Road north?

Mr. YEON. No, sir; I did not.

Mr. LEA. That, of course, was not in your district?

Mr. YEON. No. I went over there one time—I went through there twice, in fact; one time at Gen. Disque's request, when he made a trip down there to go over the route and asked me to go along with him, which I did; then I went once after that. The following day that we were through with Mr. Van Orsdal, the engineer which had recommended the route on the ridge, and I done that a second day for the fact that we had all decided, after we had concluded it was impractical for the railroad to go on that ridge, but I wanted to be sure that we had went over the route that Mr. Van Orsdal had recommended that was practical, because if we had turned it down probably he would have come back and said, "Why, you didn't go over the route at all that I had in mind"; so I went there with him again the next day so as to be dead sure that we had went over that route. The day previously—

Mr. LEA (interrupting). For what reason had you determined that route was impractical?

Mr. YEON. Well, the location of the road was one of the hardest construction that a man could undertake, especially when we figured that the main operation would follow—that is, would come in the following winter, such as slides and cuts—and then we had to go through quite a stretch of fir timber, in which the Government had no interest whatever. We were after spruce.

Mr. LEA. What conclusion, if any, did you reach as to the proper location for a railroad there to reach spruce?

Mr. YEON. That one by Otter Rock seemed to be the most practical and feasible route to be put out to get the spruce that there was in that country, as far as I could judge by the reports that had come as to the amount of timber that was in that district.

Mr. LEA. And what was the source of your information as to the timber in that district?

Mr. YEON. Well, not any more than the estimate that they had prepared. Some of the estimate was done by cruising, or cruises that had been copied off of the assessor's record in order to get at the assessing of the timber for taxes.

Mr. LEA. Now, did you construct any logging roads during the war?

Mr. LEA. Yes.

Mr. LEA. And what was your experience about that?

Mr. YEON. In what way? In the way of costs?

Mr. YEON. Yes.

Mr. YEON. Why, we constructed roads at Clatsop. Now, just what that cost per mile I don't believe I could intelligently tell you, unless I have reference to the records.

Mr. LEA. How long was that route?

Mr. YEON. About 5 miles; the one that I had anything to do with; 5 miles of main line and branches besides.

Mr. LEA. Did you ever operate any long logging roads?

Mr. YEON. Of my own?

Mr. LEA. Yes.

Mr. YEON. About 12 miles is the longest I operated at Rainier.

Mr. LEA. Mr. Yeon, is there anything else that you think the committee ought to know here of a material nature with reference to this investigation?

Mr. YEON. I don't know as I have. All the connection that I have, had, as I say, I found them thoroughly clean, absolutely. And there might have been a little opening for a little criticism on the lack of judgment or the lack of experience on certain things, which you will always find in an operation of this extent; but I have always found that everybody was doing the very best that was in them, and if there is anything that was crooked in any way there is no man on earth who wants to know it any more than I do; and if there is, why, the sky is the limit. I am right with you to the limit to punish whoever was guilty. But so far I have been unable to find out anything that was really crooked or done intentionally that should not have been done.

Mr. LEA. Down in the district where you were supervisor, in what way were the Government's financial interests protected?

Mr. YEON. You mean in the way of purchase and disbursements, and the like?

Mr. LEA. Yes.

Mr. YEON. Every requisition was made from the Clatsop office. That was my headquarters. That is, in other words, I am a strong believer that no man can operate a logging camp 50 or 100 miles from Portland and sit in the office on a swivel chair; you have got to be on the ground to follow every detail. That has been my practice and why I have had a success in the lumber business. And every requisition was made and O. K'd by me or my assistant, which was Lieut. Rainey, a Government man, before it was the Clatsop office. Then it was forwarded here to the head office in Portland to the purchasing agent. Then he went ahead and purchased the goods wherever he could get the best price, naturally. Then the goods were shipped back and we had a man that would check them in when they arrived in Clatsop; we had a big warehouse; and then from there it was sent to the different camps and charged to these different camps. Then the pay roll was all made out at the end of the month and checked by myself and my assistant and O. K'd before it was sent to this head office here in Portland; and then it was paid by this disbursing agent here of the Government. So there wasn't one cent that went through the cost plus or myself in the way of purchasing or disbursements.

Mr. LEA. I believe that is all.

Mr. FREAR. You said that that road down there at Yaquina was according to your best judgment in building?

Mr. YEON. Yes.

Mr. FREAR. That is right?

Mr. YEON. Yes.

Mr. FREAR. And that you based your judgment on what you had learned, and also upon what some assessor had stated?

Mr. YEON. That is the best of my judgment, by the information that Mr. Benson had at that time.

Mr. FREAR. Yes; and what some assessor had stated?

Mr. YEON. Yes. He got some of it; that is, he told me he got some of it from the assessor and some from the cruiser.

Mr. FREAR. Yes. One of the assessors who has been down there testified before this committee that 550,000,000 of spruce, as well as a large part of the fir, was on the east side of the divide and only about 150,000,000 feet was on the other side, only a part of which was spruce that is suitable for airplane stock?

Mr. YEON. Well, as to that I would not be authority at all.

Mr. FREAR. No; I assume not.

Mr. YEON. Because I didn't get into those details. I simply went over that route they had in mind.

Mr. FREAR. You didn't go up the Siletz, or anything like that, to make an examination?

Mr. YEON. No; I did not.

Mr. FREAR. Were you in the military service?

Mr. YEON. At that time not any more than, for instance, when a trip like that would come they would ask me—

Mr. FREAR (interrupting). No. I mean here in Portland; were you in the military service?

Mr. YEON. No, no.

Mr. FREAR. Were you a captain or a major or anything like that?

Mr. YEON. No. I had a commission offered to me, but I would not accept it.

Mr. FREAR. Were you recommended for the distinguished service?

Mr. YEON. For a majorship.

Mr. FREAR. For a majorship?

Mr. YEON. Yes. But I told Col. Disque that I didn't have any desire along those lines at all.

Mr. FREAR. When was that?

Mr. YEON. Unless they could show me I could not get results as good as I could by taking a commission, then I desired to remain as I was.

Mr. FREAR. You had had no previous military experience?

Mr. YEON. None at all.

Mr. FREAR. You owned the building over there?

Mr. YEON. The Yeon Building; yes.

Mr. FREAR. How many floors or how much space has been occupied by this spruce production?

Mr. YEON. When Col. Disque came out here he reserved a suite of five offices.

Mr. FREAR. And it grew to what?

Mr. YEON. And it grew to one floor, which, I am here to state, was not a very profitable proposition to me, from the fact that I had to kick out some regular tenants that had been in the building since the building existed, who had to go elsewhere to make them room.

Mr. FREAR. Was it only one floor that was used?

Mr. YEON. No. They had had one floor. Then they got the second floor. That is two. Then they absorbed about half of another floor. There was about two floors and a half all told. Now they have about a floor and a quarter, as near as I can judge. They are subletting to the Southern, which has a lease on those quarters which they now occupy.

Mr. FREAR. And about what was the rental per floor?

Mr. YEON. Right offhand I don't know as I could tell. It probably ran about \$700 a floor.

Mr. FREAR. Seven hundred dollars a month?

Mr. YEON. Yes; a floor.

Mr. FREAR. That is all.

Mr. MAGEE. Was your selective logging, Mr. Yeon, confined to spruce, or did you get out fir, too?

Mr. YEON. We got out a few fir of the very finest select fir, with the spruce. That is, provided that it was right handy to some spruce that we had to get out. In other words, we went in to get, you see, 15 or 20 trees, and if there was three or four excellently fine fir, why we cut them down and brought them in. Otherwise we didn't make any effort whatever to get any fir by itself.

Mr. MAGEE. That is all?

Mr. FREAR. That is all.

(Witness excused.)

Mr. LEA. The witness that I wanted is not here now. Suppose we adjourn until, say—

Mr. FREAR (interrupting). Well, is Mr. Disque coming on before we adjourn? He will come on afterwards?

Mr. LEA. Well, did you want to put him on now?

Mr. FREAR. That is what I said; we would get through with them as far as we can, right along.

Mr. LEA. I think, as far as I know, that he will—

Mr. FREAR (interrupting). He said he had some important testimony, I understood from the paper, to give.

Mr. LEA. Did he speak to you about it?

Mr. FREAR. No. I was told that he stated that in the paper. I don't know what it is. And I thought he certainly ought to be entitled to give it.

Mr. LEA. I thought that if he wanted to come on it would be better to come afterwards to answer any additional things that may come up.

Mr. FREAR. We haven't any further questions to ask, and what we had best do is to clean it up as we go along. That is my idea now.

Mr. STEARNS. Mr. Eastman is here.

Mr. LEA. Mr. Eastman, will you be sworn?

TESTIMONY OF WATSON EASTMAN.

(The witness was sworn by Mr. Frear.)

Mr. LEA. What is your name?

Mr. EASTMAN. Watson Eastman.

Mr. LEA. Where do you reside?

Mr. EASTMAN. Portland.

Mr. LEA. What is your occupation?

Mr. EASTMAN. Logging and milling.

Mr. LEA. What experience have you had as a logger and miller?

Mr. EASTMAN. Well, I have been getting out timber and milling timber for 27 years.

Mr. LEA. And with what company were you associated before the war?

Mr. EASTMAN. The Western Cooperage Co.

Mr. LEA. What is the extent of the operations of that company?

Mr. EASTMAN. They have a mill here on the Columbia River—on the Willamette River—a logging railroad, with four logging operations, and factories in San Francisco, Los Angeles, and Seattle.

Mr. LEA. Now, what were your duties in reference to the Spruce Production Corporation, if any?

Mr. EASTMAN. My chief duties were to hurry up getting in logs from the commercial loggers; first of all, to supervise the bucking of logs in the various commercial camps, wing-beam lengths. It had been difficult to get the loggers to cut the logs these new lengths, because they were accustomed to cutting commercial lengths.

Mr. LEA. Well, what were the usual commercial lengths?

Mr. EASTMAN. From 24 feet up.

Mr. LEA. And what were the airplane lengths?

Mr. EASTMAN. The airplane lengths were from 18 to 22.

Mr. LEA. When did your connection with those duties begin?

Mr. EASTMAN. In June, 1919.

Mr. LEA. And did they continue until the armistice?

Mr. EASTMAN. Yes, sir.

Mr. LEA. Now, I wish you would briefly state what your experience was in that regard with the industry, what you did, and with what success?

Mr. EASTMAN. Well, my department endeavored to get more wing-beam stock from the log by bucking them properly and trying to get

the loggers to put in more spruce, and that was about all there was to it.

Mr. LEA. Well, what inducements were held out to the loggers to produce?

Mr. EASTMAN. There was a bulletin sent out to loggers saying that the division would come back for any excess amount that any logger, I believe, would agree to put in over and above his ordinary input; I don't recall the exact date of that bulletin, but the records will show it.

Mr. LEA. What were the general terms of agreement with the loggers, the independent loggers, as to the production of spruce logs during the war?

Mr. EASTMAN. One of the important things was that a price was set, a price of 11, 20, and 40 for the various grades, to stimulate the input of logs, stabilize the price. It was thought that that would bring enough logs at first when the requirement was small.

Mr. LEA. And did it?

Mr. EASTMAN. No. The demands, it seems, from the Allies and our Government became so large that it was an impossibility for the industry to supply enough spruce from the locations in which they were located.

Mr. LEA. Now, with how many loggers were contracts made?

Mr. EASTMAN. I do not recall. There were several selective logging contracts made.

Mr. LEA. But of other contracts, how many do you know? With how many different loggers did the Spruce Production Corporation do business during the war?

Mr. EASTMAN. Well, you mean directly?

Mr. LEA. Yes.

Mr. EASTMAN. By purchase?

Mr. LEA. Yes.

Mr. EASTMAN. There wasn't very many.

Mr. LEA. Well, how many indirectly with the mills?

Mr. EASTMAN. Indirectly through the mills at the last report I think that the greater number of the mills were selling their logs—the great number of the loggers were selling their logs to the mill and the Government guaranteed a certain price for sawing, and the mills took these logs at the Government price.

Mr. LEA. Do you know how many in number there were?

Mr. EASTMAN. There were somewhere around 80 or 90 spruce loggers.

Mr. LEA. I believe that is all.

Mr. MAGEE. Now, did you have any trouble with the loggers and lumbermen here in getting them to work?

Mr. EASTMAN. In what way?

Mr. MAGEE. Well, in getting out spruce, aircraft lumber.

Mr. EASTMAN. I can say this: That every logger that I interviewed in all districts were very anxious, and did work constantly.

Mr. MAGEE. You found everyone of them patriotic and wanting to do everything he could to help the Government, didn't you?

Mr. EASTMAN. I did.

Mr. MAGEE. Well, isn't it your opinion that a man who was in the logging business, who understood the business, made it a pro-

fession, could get along with the loggers a great deal better and more efficiently than a man who could not tell a spruce from fir and hemlock?

Mr. EASTMAN. Well, that would depend on the man's temperament, I presume.

Mr. MAGEE. Well, I would like to have your opinion now, whether you could get out more spruce, or more fir, or more aircraft lumber under an organization of loggers and lumbermen who had made that business their life work than under the dictation of military authority?

Mr. EASTMAN. Well, if I may be frank I will say this: That the logger is used to a small operation and he is pretty economic, and he knows how to log, but he wasn't used to anything like this, and I doubt whether any man appointed to do this job, being only a logger, that he would have undertaken to fill an order of 300,000,000 feet of aircraft lumber a month, which they were calling for. I doubt if he could hardly grasp it. And I would like to say—

Mr. MAGEE (interrupting). Well, you would have to depend on the aggregate product of the different mills, wouldn't you?

Mr. EASTMAN. Well, we got everything we could from the mills. But what I mean to say is—

Mr. MAGEE (interrupting). Do you think the mills were working at their full capacity?

Mr. EASTMAN. No; not the mills.

Mr. MAGEE. You had, as I understand, over 400 mills functioning here on the coast?

Mr. EASTMAN. Yes.

Mr. MAGEE. These mills were all supplied with machinery and equipment?

Mr. EASTMAN. Plenty of mills.

Mr. MAGEE. Yes; a plenty of mills.

Mr. EASTMAN. Plenty of mills and machinery, but not always in the right place.

Mr. MAGEE. Well, what they needed was direction and organization, wasn't it?

Mr. EASTMAN. Well, we had men over there that were good milling men in charge of the fir mills, and a man in charge of the supervision of spruce mills, to induce the mills to get out a higher grade stock, a higher grade flitch, and great progress was made in getting the mills to cut stuff the right way so we could get a larger output.

Mr. MAGEE. Well, a man who didn't know anything about the business would necessarily have to depend upon the judgment and advice of men who did know the business, wouldn't he?

Mr. EASTMAN. Why, certainly.

Mr. MAGEE. So that a man who knew the business would presumptively and conclusively be in a much better position to do efficient work than a man who didn't know anything about the business?

Mr. EASTMAN. He would if he was also a good organizer.

Mr. MAGEE. Well, I presume you have a good many loggers and lumbermen on this coast who are good organizers, haven't you?

Mr. EASTMAN. We have a few that have extended operations scattered about, and, of course, when you have scattered operations you must have organizing ability.

Mr. MAGEE. There is not any question about that?

Mr. EASTMAN. No. There are some pretty good men out here.

Mr. MAGEE. All you needed was to get these mills working; to get them to functioning and getting out lumber to meet an emergency?

Mr. EASTMAN. No; we needed more than that, Mr. Magee. We had a serious situation here in the way of the I. W. W.'s and pro-Germans.

Mr. MAGEE. Well, I understand all about that, but you say that a good many of your young men volunteered and went into the service, and that left a shortage here. Now, it has always seemed to me that under the great need of getting out spruce lumber here it would have been much better if those men had been returned to do work in that emergency, just the way that Great Britain and France finally had to return their men, and that it would have been much better to take men who were drafted here and to put them at work here with which they were familiar, than to send them to other camps and then send in here a lot of dentists and doctors, and lawyers and clerks who knew absolutely nothing about the lumber or logging business. That is the way it seemed to me. In other words, that it was absolutely impossible to get the same efficiency or the same results from men who were entirely unfamiliar with the work as compared with the efficiency and results that could have been obtained from men who had made that work a life business and who were entirely familiar with it.

Mr. EASTMAN. Well, we got a great many—

Mr. MAGEE (interrupting). Is that right, or isn't it?

Mr. EASTMAN. Oh, that is right. But we did get a great many of those men out of the cantonments and back into the woods.

Mr. MAGEE. Yes.

Mr. EASTMAN. And I want to say this: That I have heard a lot about these lawyers and dentists, but I have been around in the woods a great deal and have seen soldier hook tenders and soldier loggers and soldier buckers and fallers that were crackajacks. They had a lot of poor men and they also had a lot of good ones right in the Army.

Mr. MAGEE. Oh, yes. I suppose you had men who probably were familiar with the business.

Mr. EASTMAN. We had some crackajacks.

Mr. MAGEE. And who knew about the work. I don't suppose there is any question about that; but it seems to me that each man to his trade, if you want to get economy and efficiency. That is my judgment about it.

Mr. EASTMAN. There wasn't enough men in the whole country to meet the emergency that were skilled.

Mr. MAGEE. Well, there probably would have been enough men to have met all the reasonable needs of the allied Governments. Of course I can see, if you are going to start out on the program with the idea of supplying every man in the allied armies with an airplane, why then, perhaps, you would need a large force here; but it has not yet been apparent to me that it was necessary to supply every man in the allied army with an airplane.

Mr. EASTMAN. Well, that is another question. But with the demands that they made here I will tell you there wasn't enough skilled loggers in this country to carry out the program. I don't know whether the program was right or not.

Mr. MAGEE. You mean, Mr. Eastman, if none of them had gone into the service?

Mr. EASTMAN. Nowheres near enough. We had a shortage of loggers here in 1916; a big shortage.

Mr. MAGEE. If they had been kept here, you would not have needed so many of the soldiers?

Mr. EASTMAN. We had a shortage in 1916, 1917 was worse, and 1918 was still worse.

Mr. MAGEE. Well, I suppose there was a shortage all over the country, probably, to a greater or less extent in all sorts of business and all sorts of trades, but if these men had not gone, or if they had been kept here, you would not have needed to have brought so many others here who did not know anything about the business, would you?

Mr. EASTMAN. I don't know how many went out. I understood a lot came back.

Mr. MAGEE. Yes; that is all.

Mr. FREAR. You held a commission, did you?

Mr. EASTMAN. Yes, sir.

Mr. FREAR. What were you?

Mr. EASTMAN. Major.

Mr. FREAR. Had you had any previous military experience?

Mr. EASTMAN. No, sir.

Mr. FREAR. How long were you in the service, Mr. Eastman?

Mr. EASTMAN. I was commissioned in September.

Mr. FREAR. September, 1918?

Mr. EASTMAN. 1918, the 13th; but I was working over there before that, because I was asked to help out.

Mr. FREAR. And you were recommended for a distinguished service medal?

Mr. EASTMAN. No, sir.

Mr. FREAR. Oh, I was thinking your name was among them. That is all.

Mr. LEA. That is all.

(Witness excused.)

Mr. LEA. Well, suppose we adjourn until 8 o'clock?

Mr. FREAR. All right. Adjourn until 8 o'clock.

(At 5.32 p. m. of this day, Wednesday, September 10, 1919, the subcommittee took a recess until 8 p. m.)

NIGHT SESSION.

The committee met, pursuant to the taking of recess, at 8 o'clock p. m.

TESTIMONY OF H. E. WALKER—Recalled.

Mr. FREAR. You have already been sworn, Mr. Walker?

Mr. WALKER. Yes.

Mr. LEA. Did you have something that you wanted to say?

Mr. WALKER. All I wanted was to make a brief statement in connection with certain matters that Sergt. French brought out in his testimony. They are not of great importance, but it might be well to refer to them.

Mr. LEA. Whose testimony?

Mr. WALKER. The testimony of Sergt. French, which was given the first afternoon of the hearing you had in Portland. He spoke about reporting the laxity of methods in tallying the cants at the cut-up plant. I might state in that connection that we had a very complete statistical system over there, and each day we knew exactly what had happened over there the day before, and each car of cants was tallied as it came in, and the quality of it noted and sent in to the inspection department and complete track kept of them. I believe that the apparent inaction on the reports of Mr. French, as he states in his testimony, was due to the fact that his superior officers, whoever they were, already had the ground very completely covered in this office. I know of several cases where they reported cars that were shipped out that were supposed not to be tallied properly, where that was found not to be the case. I believe that is all.

Mr. LEA. Can you tell the percentage of cants sawed by the mills of the Spruce Production Corporation that went into lumber?

Mr. WALKER. We operated two mills direct, and our average amount of cants from the selected No. 1 and 2 logs was 45 per cent. (Witness excused.)

TESTIMONY OF MOTT SAWYER.

(Witness was sworn by Mr. Frear.)

Mr. LEA. How old are you, Mr. Sawyer?

Mr. SAWYER. I am 42.

Mr. LEA. Where do you reside?

Mr. SAWYER. Seattle.

Mr. LEA. And how long have you lived at Seattle?

Mr. SAWYER. I have been there this time since June of 1918. I have lived there twice before.

Mr. LEA. What is your occupation?

Mr. SAWYER. At the present time I am assistant general superintendent of the Chicago, Milwaukee & St. Paul Railroad.

Mr. LEA. How long have you been in that employ; that is, this last time?

Mr. SAWYER. In this particular position, since March of this year.

Mr. LEA. And what were you doing before that?

Mr. SAWYER. Well, I have spent 24 years in railway service, with three brief intermissions. I have filled every position in the railway service from section laborer on up through different grades to general manager of a small railroad, and my present position with a very large one. I have also served in the accounting and construction departments, working on most of the railroads in the West.

Mr. LEA. What is your jurisdiction in your present position?

Mr. SAWYER. I am an assistant to the general superintendent of the lines west of the Missouri River.

Mr. LEA. Are you an engineer?

Mr. SAWYER. I am a member of the American Railway Engineering Association and serve on two of their standing committees.

Mr. LEA. What experience have you had as a construction engineer?

Mr. SAWYER. I have not served as a construction engineer to any considerable extent. I have been employed in the construction department of the Spokane, Portland & Seattle Railway and the West-

ern Pacific, and the Chicago, Milwaukee & St. Paul; I have done some work on hydroelectric development, but as a man directing the work rather than a man doing the technical side of engineering.

Mr. LEA. You were connected with the Spruce Production Corporation during the war, were you?

Mr. SAWYER. Yes, sir; from the 5th of June, 1918, until the 10th of March of this year.

Mr. LEA. You were with the Milwaukee Railroad up to the 5th of June?

Mr. SAWYER. Yes, sir; on the 5th of June I was superintendent of their lines, with headquarters at Tacoma.

Mr. LEA. And on whose suggestion or request did you enter the work of the Spruce Production Corporation?

Mr. SAWYER. Gen. Disque sent for me. So far as I know, so far as my own personal knowledge goes, my entrance was on his request. He sent for me; the message got to me, as I recall it now, on the 3d of June, saying he wanted to see me. I came to Portland and called on him the following day. He said to me, in substance, that he was just starting certain railroad construction work in Clallam County which involved also very considerable logging operations and saw-mill operations; that he was exceedingly busy and his own organization was exceedingly busy, and that he wanted some one to go on to the job and represent him, with complete authority and to handle it without reference to this Portland office, except as to matters of broad general policy; that the place would carry with it a commission as major in the Army. I told him that of course a man in his position could have anyone he wanted; that there would be no question about my giving the best that I had in that capacity, but that I would very much prefer to serve him as a civilian engineer rather than as an Army officer.

Mr. LEA. How did you serve?

Mr. SAWYER. I had on that day a very lengthy discussion of the entire situation with him. He explained to me at considerable length the reasons why it was necessary that the man filling the position should be commissioned. I felt that for various reasons it was not fitting or proper that I should be commissioned.

Mr. LEA. When were you commissioned?

Mr. SAWYER. Oh, very shortly thereafter. I do not remember the date of the commission, but I entered his service on the 5th of June, and the papers came along in due course.

Mr. LEA. What duties did you take up?

Mr. SAWYER. I had entire charge of the operations in Clallam County, reporting to him only on such matters as seemed to me to be matters of broad general policy that the head of the organization should pass on. Generally speaking, I had entire charge of the actual operations up there.

Mr. LEA. Did that include the work in reference to the logging part as well as the railroad construction?

Mr. SAWYER. Yes; although, if I may explain, my duties in connection with logging were quite different from my duties in connection with the railroad construction; that is, the construction of the railroad to Lake Pleasant. The railroad construction was, as you know, a cost-plus operation. I closely supervised that and personally approved the details of the transaction. The logging operation was a

regular contract, and my duties there, as I understood them, and as they were explained to me by the General, were to keep in such touch with the operation as to be sure that there would be no reasonable question of the contractors complying with the contract, but as to the actual supervision of that work that was entirely with the general contractors.

Mr. LEA. What experience had you as to serving roads that engaged in logging?

Mr. SAWYER. Most of my time for the past 10 or 11 years has been on roads which handle logs, in the so-called sugar-pine country in California, and at Puget Sound I operated a little independent railroad of which I had charge of all the departments, and I handled various divisions of the Milwaukee in the white-pine country in Idaho and here on the Sound, so that I was intimately familiar with logging operations and methods, and also I had quite an extensive acquaintance among logging men and lumbermen generally on the Sound.

Mr. LEA. Something has been said about the clearing of the right of way for the Crescent Lake Railroad. I wish you would explain what the facts were about that.

Mr. SAWYER. I did not hear the testimony, but to-day I heard some reference to the requirements of the Federal Forest Service. We built that railroad to high standard on account of the volume of the traffic which we expected to move over it, and also, of course, with a view to the fact that there would be some salvage value; that it was not simply a temporary logging line, and we cleared our right of way to a width of 50 feet. On the Federal forest reserve, which embraced some 4 or 5 miles of line along Lake Crescent, I had official notice from the forester to clear 200 feet. I told him that it was entirely out of the question to clear 200 feet at that time, but that this matter would have due consideration when we had time. I reported that to Gen. Disque with a suggestion that in my opinion the requirement was unreasonable, and a suggestion that the matter be discussed between the War Department and the Interior Department, with a view to having the requirement modified. It is my impression that that 200 feet clearing never has been done.

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Mr. LEA. How wide is it cleared?

Mr. SAWYER. Generally speaking, it was our practice to clear that right of way for that main line to a width of 50 feet, and there were some places where on account of the height of the fills, or for some other local reason, we went a little farther. On the logging lines which were built into the timber generally, we had cleared 30 feet, and in some cases only 20; but the main line of the railroad was generally cleared to a width of 50 feet.

Mr. LEA. There was a large expense in clearing that right of way, which I have forgotten now, but probably you know, and I wish you would explain the character of the work that occasioned that expense.

Mr. SAWYER. Principally it was due to the exceedingly heavy growth on the line. That railroad runs through two sections of land which contained more standing timber than any other two sections in the United States, and for that reason the volume of the debris that had to be removed was most unusual. Again, the work was pressed with regard to practically nothing but speed, and for that

reason we did not take the time to handle the logs with donkeys and rig up for economic operations. We simply threw in all the men we could get and dug it out by hand, in order to save time.

Mr. LEA. The logs being deposited along the side?

Mr. SAWYER. Being rolled out. Many were cut into short lengths and rolled by hand. And in other places we used teams, and in some places one or two donkey engines; but the essential thing was the speed of operation.

Mr. LEA. That suggests another thing: I want to ask you, and that is about the number of shifts used in constructing that road.

Mr. SAWYER. Generally speaking, there was one shift used only. There was a clause in the contract, as I believe there is necessarily under the Federal laws in all public contracts, restricting the hours of working to eight. On account of the emergency, Gen. Disque issued an order some time in July authorizing the contractors to work 10 hours. That was put into effect, I think, for about 90 days. There were, however, some critical points on the work which, on account of natural conditions, or, in one case, unexpected difficulties arose during the work which showed that the work could not be completed on schedule time. We set in the beginning a careful schedule on which the work was to go forward, the dates the track was to be laid past the different points. When it became evident that a tunnel, or cut, or some other part of the work was going to hold up the work longer, we put on a second shift, and in one or two cases we put on a third shift. It is my recollection that there were probably five or six points where two shifts of men were worked, and probably two, possibly three places where three shifts worked; but in no cases did three shifts run through the operation; generally speaking, I should say a month or six weeks.

Mr. LEA. I think it would be interesting and instructing to the committee if you would give a brief recital of the history of that construction and how it was done.

Mr. SAWYER. Well, let me say in the beginning that, while I have quite a practical knowledge of the entire transaction, my personal experience and my personal knowledge relates only to the operations in Clallam County subsequent to the 5th of June, 1918.

Mr. LEA. The construction work began after that date, did it not?

Mr. SAWYER. Yes. I was drafted into the service by Gen. Disque on the 5th of June. I made my first hurried trip over the peninsula on the 10th or 12th of June. At that time the general location of the railroad was determined and there were five locating engineers at work on the line, and other location parties were being organized just as rapidly as the men could be secured. There were on the route certain critical points where there was only one place to put the railroad. We fixed those arbitrarily. Just by observation it was evident we would have to put a railroad at a certain point. We determined that without a survey, and we started a locating engineer there running the actual line. Then we jumped to the next place where we could arbitrarily say our line would go, and started another man in there, and at the same time we had contractors going in to look over the work and bid on it. We worked, possibly, with 8 locating parties on that 36 miles of railroad. The general contractors for the work and their men had a very wide acquaintance in the West, and they spread the word by long-distance telephone and telegraph about

this work and that they wanted subcontractors. We got probably 20 of the most important firms in the West in that line of work to look the work over and submit bids. From those men the general contractors and I selected those whose reputation was satisfactory, with particular reference to the particular piece of work that we wanted them to do. For instance, one contractor bid on a piece of work up toward the Lake Pleasant end. I knew him and had seen him work, and Carey, the head of the general contractors, had seen him work, and we told him we would not give him that job, but that there was a piece of rock work on the lake that we would like him to bid on, and he did bid on it, and he did a good job. We hand-picked out of this western country the men whose records and equipment suited them for the particular pieces of work we had to do, and also took into consideration, of course, their ideas on the price for which the work could be done, and the fact of their having whatever heavy equipment might be necessary. Those men were started in just as soon as we could determine the proper men and they could get their outfits working.

It is my present recollection that the first actual work was done in the starting of the camps on the 27th of June; between the 27th of June and the 1st of August we put something over 5,000 men to work in 26 camps on the 36 miles of railroad.

Mr. LEA. Scattered all over the line?

Mr. SAWYER. Scattered all over the line. We had, as you know, excellent transportation facilities.

Mr. LEA. In what way?

Mr. SAWYER. There was a very fine State road which practically paralleled the entire line. There was about 9 miles along Lake Crescent which could be reached by barges and ferry boats from the lake and on the rest of the line there was this State aid road very close to the right of way, so that we were able to drop a camp in wherever we wanted it and serve it with trucks from the road.

Mr. LEA. About how long was that part through the Lyre Canyon where there was no road?

Mr. SAWYER. There was no wagon road for about 5 miles from the head of the Lyre Canyon, but to connect between the Milwaukee Railroad and the mouth of the canyon was a simple matter of opening up a temporary road in there, so that we got into one camp about $2\frac{1}{2}$ miles from the road with very little trouble, to build the road down from the lake, or rather from the main county road just before it gets to the lake down into the canyon about a mile and a half. So that we had four camps on the line between Lake Crescent and the railroad, and it was only necessary to build about a mile and a half of wagon road.

Mr. LEA. Where did you get the timber for construction purposes?

Mr. SAWYER. Fortunately, we did not have to use a great deal. Most of that which we used came from the big mill at Port Angeles. We had difficulty in securing sufficient timber from those people and we were obliged to ship in some timber from mills on the sound. I should say probably a third of our total requirements we were forced to buy on the sound and ship in by rail.

Mr. LEA. Did you establish any tie mill up there?

Mr. SAWYER. Yes; we had on the entire operation five tie mills, two of them located along the railroad and three of them on beyond in the other operations, spruce operations.

Mr. LEA. It has been testified here that two bridges washed out on that railroad. Is that so?

Mr. SAWYER. Technically, I guess it is; actually it is not. We got a little high water in the Solduc River earlier than it was expected, and one of our span-bridge swings between piers 150 feet apart was not completed; it was carrying on what they call false work. Under that, we had piles driven across the river, and we had those piles washed out from under the temporary structure. In another place there was error of judgment by one of the engineers as to the size of the culvert. We were in a hurry and did not have time to stop to make the elaborate investigations and we put in boxes, as I recall it, a double 4 by 6 box culvert. That proved inadequate and washed out, and we had to put in a bridge 6 feet long.

Mr. LEA. What do you mean by a box culvert.

Mr. SAWYER. Two boxes, 4 feet by 6 feet.

Mr. LEA. Each one?

Mr. SAWYER. So that we had an opening 8 feet wide and 6 feet high. That proved inadequate and we had to double the size of the waterway. I suppose that tied up operations three or four hours.

Mr. LEA. Now, this railroad, of course, cost a large sum, and what information can you give to the committee as to why that is true?

Mr. SAWYER. I think it is proper that I again refer to my initial conversation with Gen. Disque. He told me that it was necessary that this railroad be built and in operation by the middle of December, and I remarked that that seemed like a very large order. He says, "I know it is a large order, but it has got to be done." There was some further discussion about it and I said, "I understand, then, that it is on account of the war emergency that the railroad has to be built on schedule time regardless of cost?" He said, "Practically that. It is represented to me from Washington that there is absolute necessity for this output on a certain date, and while the operation is to be conducted as economically as it is possible, the absolutely essential thing is the time." And the work was organized on that basis. I should say that probably the railroad could be built under normal conditions and as a commercial operation for between a half and two-thirds of its actual cost. That difference is almost entirely represented by the necessity for the utmost speed. For example, we had 26 camps serving 36 miles of railroad. I think it probable that if that operation had been built by a private contractor in the ordinary way, he would have had not to exceed eight, possibly less than eight. Again, we took a big steam shovel, one of the largest that is in ordinary use, overland for a distance of 20 miles, and we used it two weeks. Under any ordinary conditions that work would have been held up until the rail came to it and the shovel could have been moved in conveniently. The entire operation was prosecuted in that way. I have already referred to the matter of clearing the right of way.

Mr. LEA. How about the efficiency of the labor you had?

Mr. SAWYER. The efficiency of the labor was not anywhere near 100 per cent as compared to what we expected in ordinary railroad construction in times past, but that, I think, was due again to the

war conditions. I believe there has been a good deal of testimony about the upset labor conditions in this western country at the time, and I guess it is a matter of common knowledge that all labor everywhere was more or less upset. There was also a serious shortage of labor, and the general's instructions were most imperative that our operation in Clallam County was not to interfere with the general labor market on the Sound, so that we made no effort to get labor into that country. Whenever we did not find the men coming in naturally, without effort, to attract them we used soldiers, and naturally we did not get enlisted men who were best fitted for that sort of work; but, on the other hand, the men that we did get worked with the most admirable spirit. I have never been anywhere on construction work where the spirit of the men and the desire to accomplish something compared in any way with the atmosphere of those enlisted men on that job, and I think that in many cases fully made up for their lack of familiarity with the work and in many cases their actual unfitness for the work.

There is another element in the case that should not be overlooked. These men were better housed and better fed, and had better latrines and sanitary provisions generally, that were very much more elaborate and very much better than I have ever known in this western country. I think the arrangements were in all respects proper, but they were also expensive. We did not in ordinary timber camps put in shower baths and latrines and things of that kind; nobody thinks of doing that in ordinary construction work.

Mr. LEA. In what time was the road completed?

Mr. SAWYER. I would like to just bring in something that is not in place in a public hearing, but among the general contractors was a man named Pat Welch, of Foley, Welch & Sons, a partner of Maj. Stuart, of the British army. He came to me and said in substance that we could have his plant, his organization, and anything he had, but he would not build on the railroad with a time limit, and he then hung up a very substantial bet that the line could not be completed in nine months. We ran a locomotive over that railroad five months from the day we started the first preliminary survey and, so far as my knowledge of American railroads goes, that is an absolute record as to time. It was not in economy, but it was a record for time.

Mr. LEA. Now, as to the character of the construction of that road, what was the weight of the rails?

Mr. SAWYER. For the most part they were 80 pound. We used a little Russian rail, which was very unusual, which weighed 67½ pounds, but only a little of it. It was not suitable.

Mr. LEA. That was selected from the rails that were prepared to be sent to Russia during the war?

Mr. SAWYER. Yes.

Mr. LEA. Is the 80-pound rail a standard rail?

Mr. SAWYER. It is rather an unusual weight. It is lighter than is commonly used on main lines and heavier than is used on ordinary logging lines. It is a sort of compromise. It is considerably lighter than the Milwaukee used in its main-line work.

Mr. LEA. How about the ties?

Mr. SAWYER. The ties conformed to the Railroad Administration standard—that is, as to the main line. In our logging operations

we intended to use ties which would not pass main-line inspection, and we did use in a few sidetracks on the main-line railroad some cull ties, but all of those in the main-line railroad and most of those in the sidetracks would pass for the main line of any railroad. That, I might say, was generally true of the construction of the railroad. It is built to main-line standards and high standards—necessarily so.

Mr. LEA. Now, what amount of traffic was this road prepared to handle?

Mr. SAWYER. My studies of the situation led me to believe that it would be necessary for a considerable number of months to handle over the road an average of 300 cars of logs a day, and, of course, the same number of empties in the other direction, plus the merchandise to take care of three or four thousand men.

Mr. LEA. How does that amount of traffic compare with the ordinary amount of traffic of an average transcontinental line?

Mr. SAWYER. There is no one of the northern transcontinental lines which to-day moves more than two-thirds of that business. The Southern Pacific and Santa Fe have moved it, but I think they never have averaged that for any considerable period. At the present time the main line of the Northern Pacific is moving about 200 loads a day. The main line of the Milwaukee is moving approximately the same, and the main line of the Great Northern about 150.

Mr. LEA. How does the wear and strain on a railroad from log traffic compare with the ordinary commercial traffic?

Mr. SAWYER. It is very much worse. The logs necessarily are loaded hurriedly, and the peculiar shape of the logs and the nature of the way they were piled into cars results in an unsymmetrical load, an unbalanced load, so that the car is very hard to keep on the track, and if it is kept on the track it is very hard on the track. It tends to knock it out of line and out of surface, as the trackman says, puts bends and depressions in it.

Mr. LEA. Assuming that this road would have handled about 300 cars a day, about what would have been the expense of transporting logs from Pleasant Lake to the Port Angeles mill per thousand?

Mr. SAWYER. Around about a dollar a thousand feet.

Mr. LEA. Now, in case the Port Angeles mill failed to saw the entire log product what, if any provision had been made for towing?

Mr. SAWYER. We had, as I think is in the record, contracts with a number of mills on the Sound to take care of the initial output up to the time when the Angeles mill was ready, and also of any surplus there might be that the other mills could not handle. The arrangements were completed at the time the armistice was signed to tow these logs down the Sound from a point on Squim Bay—I forget the name of the railway station, but it is a connection with what is known as the Snow Creek Logging Co.'s railroad. In a general way, that is about 20 miles east of Port Angeles.

Mr. LEA. Now, is that dumping point that was provided for in the Sound or in the straits?

Mr. SAWYER. It is in the bay which runs down into the peninsula, and which opens just about on the corner between the straits and the Sound, just about at the point where the straits run into Puget Sound. You will recall that the straits run east and west and the main Sound north and south.

Mr. LEA. Yes.

Mr. SAWYER. Generally speaking, this was on the northeast corner of the peninsula.

Mr. LEA. What was the object of providing for the towing operation from there instead of from Port Angeles?

Mr. SAWYER. In order to get away from the difficulty and danger and certain delay in towing logs out of Port Angeles. The water in the straits is exceedingly rough, particularly in the winter months. On the bay, going on east 20 miles, we get away from the most dangerous points and avoided considerable risk to our logs and also a certainty of very serious delay to our movement.

Mr. LEA. Have you had the opportunity of observing the water conditions on the straits?

Mr. SAWYER. Yes. I have been on the Sound off and on for 20 years. I happened to be, at one point in my checkered career, a member of the crew of a sloop that won some races up in that country.

Mr. LEA. What about the practicability of towing on the straits, where continuous operation was required?

Mr. SAWYER. Where continuous operation is required it is absolutely not practicable. The logs are towed out of the straits, and where continuous operation and regular prompt operation is not required it is perfectly feasible and perfectly practicable, but the movement is subject to very serious delays during four months of the year. It would be subject to delay for at least half the time, and during the entire year it is subject to occasional delay.

Mr. LEA. What portion of the year would be the time in which it would be subject to the serious delay?

Mr. SAWYER. From about the 1st of November to about the 1st of March.

Mr. LEA. Have you ever been at Clallam Bay?

Mr. SAWYER. Yes, sir; many times.

Mr. LEA. What do you know about the shipping facilities there?

Mr. SAWYER. The shipping facilities there are exceedingly limited. I endeavored last summer, late in the summer when our operations were very heavy and the movement of our trucks was congesting the ferry capacity on Lake Crescent, to move some freight into Lake Pleasant by way of Clallam Bay, and I found the steamboat company which has served that country for many years unwilling to enter into the arrangement on account of the great difficulty and frequent impossibility of transferring the freight shipments. Again, when the work was shut down I had a couple of hundred head of horses to go out of that country. The roads were very bad, wet weather, and I went to the same shipping company and asked to arrange with them to have a boat come to Clallam Bay for those horses on a certain day, and they declined to send the boat there because it would be exceedingly doubtful whether we would happen to pick on a day when they could load the horses. That bay is open to the north and to the east, and there is only one small part of it that is in any way sheltered, so that the water in there is very rough. One of the worst shipwrecks in the annals of American shipping occurred less than 20 miles from there. That is one of the most dangerous pieces of water in the United States.

Mr. LEA. Do you know anything about the water capacity there for making up rafts?

Mr. SAWYER. It is very limited. There is, as I say, only a small part of the bay which is protected—and this I have obviously not from personal knowledge—but I have been told by men who did the work in there that for a considerable part of that production area the bottom is exceedingly hard so that piling can not be driven. So that there is only room to handle a small quantity of logs. The operators in there at the present time, the Goodyear Lumber Co. work on a very small scale, and get along nicely, but they have got the place about to its limit. I guess that it might be possible to arrange to handle three to five hundred thousand feet a day there, but half a million feet a day would certainly be the limit, and that only during periods of good weather.

Mr. LEA. Now, when you were engaged in this work, did the Milwaukee in any way prescribe your duties or have control of construction?

Mr. SAWYER. Most assuredly not; most emphatically not. On the contrary, I had quite a good many quite heated controversies with the officials of the Milwaukee about various details of the movement, and I think it may not be unfair to say that I was a very unpleasant neighbor for the Milwaukee officials for quite some time.

Mr. LEA. Now, Mr. Sawyer, the question of the advisability of the Crescent Lake route as compared with the extension of the Milwaukee beyond Deep Creek has been a consideration. What do you know as to the comparative difficulties of constructing by these two routes?

Mr. SAWYER. Let me say in the beginning, as I have already said, that the route was determined when I went to the job, but very shortly after I took hold—I do not remember when, but it was some time in June—I met in Seattle a Mr. Byram, at that time president of the Milwaukee Railroad, and had some talk with him about conditions up there. He took occasion to express deep disgust at our action in choosing the Lake Crescent location, saying that it was a very serious mistake. I had previously heard some talk about that and for my own information and to protect myself against some possible hostile inquiry I made quite a careful investigation. The route which was built required 8 miles more track than the projected route from Deep Creek. The quantity of material to be handled on the two routes was about the same, but the material on the Deep Creek route was concentrated on 3 or 4 miles, in about the middle of the work. That road climbed over a divide where the crossing would have to be made with a series of deep cuts and high fills, work that could only be done by machinery, steam shovels. There was no way of getting those steam shovels in, and it would have been tremendously expensive and a very long process to get the shovels in. It was the judgment of experienced men who built the road, and after probably half a dozen trips into the Pysht country, I fully concur in their judgment that it would not have been possible to do the grading for the route over the Pysht summit in the time that was allotted. Even thought it had been the line almost all the distance runs through what is commonly, generally spoken of as clay.

The nature of the spruce tree is such that he grows in the mud and clay, and any time the testimony is offered that any particular route runs through spruce all the way, that testimony means that

that route would be exceedingly difficult to handle in wet weather. This route over the Pysht summit, as I say, was in clay. In that country the average rainfall is about 140 inches, or practically 12 feet a year. There is no good supply of gravel material adjacent to the line, and it would have been, as a practical matter, utterly impossible to lay track and put that line in shape for traffic in the middle of the rainy season. On the contrary, the Lake Crescent route runs for practically its entire length through rock and gravel. There is less than half a mile on the 36 miles where the country is such that the wet weather will seriously interfere with the line, and it also, by chance, was so arranged that the quantity of material along the Lake Crescent line is very well distributed over 20 miles, so that the work could be attacked at a number of places.

Mr. FREAR. I rather think this thing has gone to such an extent that the evidence on these matters should be brought out by questions and answers. Frankly, I do not believe that this is the right way to present this question. You have talked about half an hour, or very nearly that length of time, and I do not like the way that everything is condemned on one side without possible qualification, and I believe questions and answers will develop the real situation war better.

Mr. SAWYER. I am in the hands of the committee, interested only in the truth and the facts.

Mr. FREAR. I understand. I had no idea that this was going to extend to this great length, and that everything was going to be condemned on one side and everything accepted on the other.

Mr. SAWYER. I think it has already been condemned on one side.

Mr. FREAR. It has, by the gentleman who is the witness, I understand.

Mr. SAWYER. It is about my turn.

Mr. FREAR. You are getting your turn, all right; that is sure.

Mr. SAWYER. I am entitled to it.

Mr. LEA. I think it is ridiculous for the chairman of this committee to constantly manifest animus against any witness who comes and states an opinion that is contrary to his preconceived opinions. I will proceed by asking this witness questions. I did not want to precipitate any trouble of this kind.

Mr. FREAR. I will state this for the record, that this witness who is a railroad engineer, has tried to practically cover every proposition here involved, from logging to bays and everything else for the period of 15 to 20 minutes without interruption. I have simply asked that questions and answers be offered, which is the only reasonable way permitted in a court, in an investigating committee or any other place. Never before, so far as I know, has any witness been allowed such license. I think it is proper to present questions and answers; that is all, and let the facts be shown.

Mr. LEA. What was the last sentence there, Mr. Reporter?

(Testimony repeated, as follows: "On the contrary, the Lake Crescent route runs for practically its entire length through rock and gravel. There is less than half a mile on the 36 miles where the country is such that the wet weather will seriously interfere with the line, and it also, by chance, was so arranged that the quantity of material along the Lake Crescent line is very well distributed over 20 miles, so that the work could be attacked at a number of places.")

Mr. LEA. You had reference to the road that parallels the Crescent Lake route?

Mr. SAWYER. Yes; and also the lake. The lake was of very great advantage in doing that work.

Mr. LEA. Now, were you familiar with the negotiations that were had with the Siems-Carey-Kerbaugh Co. as to relinquishing their contract for fitches?

Mr. SAWYER. Yes, sir. I sat in both sessions of the loggers which have been referred to, except that portion of one of them which was a star-chamber operation.

Mr. LEA. What was the substance of the understanding or the offer?

Mr. FREAR. You had better ask him for the written document. The offer we know, because that has been put in the record.

Mr. LEA. Well, I wanted to see if we had it right. It was not put in the record; no, sir; the offer that was made to relinquish the Siems-Carey logging contract.

Mr. FREAR. Yes; it was put in by Disque, as I understand.

Mr. SAWYER. If I might volunteer a suggestion there, Mr. Chairman, the testimony on that that I have listened to was partly based on a misapprehension. I think it proper that that misapprehension be cleared up.

Mr. FREAR. Well, possibly all the others were mistaken, but go on and make a brief statement, as long as it does not lead into a long dissertation upon the subject of this contract as well as other things.

Mr. SAWYER. The misapprehension I speak of was on the proposition that the 500,000,000 feet of logs which the loggers were asked to get out was very greatly in excess of the requirements of Siems-Carey. As a matter of fact it was practically the same or a little less. The Siems-Carey contract contemplated the delivery of 250,000,000 feet of fitches in the calendar year 1919. I heard testimony here to-night that they selected No. 1 and No. 2 logs on certain operations which ran 45 per cent cants, fitches. On that basis it would take 550,000,000 feet of logs to get out the 250,000,000 feet of fitches, so that nothing was asked of those loggers that Siems-Carey were not obligated to perform. If I might suggest something else in there; it has not been testified to, but I think it only fair that it should be testified to, that the firm of Siems-Carey-Kerbaugh offered to give up—to cancel not only that part of the contract which related to the—

Mr. FREAR. I object to that unless there is some statement made or something produced here in the record except the voluntary conclusion of the witness.

Mr. SAWYER. This is not a conclusion, it is a statement of fact.

Mr. FREAR. It is entirely a conclusion of the witness that is presented to this committee.

Mr. LEA. These negotiations were going on, what did Siems and Carey offer to surrender?

Mr. FREAR. Who did?

Mr. LEA. I said Siems and Carey.

Mr. FREAR. Were they there? There is no evidence that they were.

Mr. LEA. Were Siems and Carey present at that time?

Mr. SAWYER. Not physically present in the room. They were on an adjacent floor and submitted a written proposal.

Mr. FREAR. I ask to have the written proposal brought forward, or something to show where it is or what it is.

Mr. SAWYER. The written proposal is not in my possession, but it was substantially the proposal which was submitted by Gen. Disque to the loggers and which is already in your record.

Mr. FREAR. It is in the record, then?

Mr. SAWYER. It was accompanied by a message to the effect that they would be glad to make a similar arrangement covering the balance of their contract; that they would cancel their entire contract.

Mr. FREAR. That ought to be stricken from the record. There is no evidence of that whatsoever before this committee.

Mr. SAWYER. I am offering evidence.

Mr. LEA. Oh, Mr. Chairman, let us have a little latitude here.

Mr. FREAR. This witness has shown an evident bias and a complete claim of understanding of every possible matter that can come up. We do not know whether he was with these people, whether he was there or not. He is simply offering his conclusion.

Mr. LEA. He stated that he sat in on this conference, and that is the offer that was made.

Mr. FREAR. By whom and where?

Mr. LEA. By Siems and Carey, who were then in the building.

Mr. FREAR. But they were not there present. He states that they were not there in the room. He is stating a conclusion. Who made the offer? That is the only question you can put in in court. All I ask is that some reasonable limitation be placed upon this method of examination, which permits one person to go on and make wholesale conclusions.

Mr. SAWYER. Will you pardon me if I suggest a reference to the Butler testimony in this case?

Mr. FREAR. I do not remember what Butler testified, but I think he was present. Mr. Butler and Mr. Chinn were witnesses, and they had all the records, all the papers, and they were put in the record. We have absolutely nothing here of that kind.

Mr. LEA. Whenever any testimony you do not like goes in you begin to raise technical objections, but when it is something you want in any old thing on earth goes; even a letter written by a discontented soldier is put in. All I ask is somewhat the same latitude.

Mr. FREAR. The counsel for the defense has refused to permit the chairman and others to put in affidavits that are sworn to here.

Mr. LEA. You are mistaken about that.

Mr. FREAR (continuing). And now he insists that the testimony of a man be received in the record who does not state that he knows. If he does know, we want to find out on what basis he knows, and that should be accepted in the record and put in.

Mr. LEA. If the chairman does not want this evidence in, we will stop right now.

Mr. FREAR. It will not be put in without some reasonable check upon it; that is certainly the disposition of the chairman.

Mr. SAWYER. Anything that I have to say can be proven anywhere at any time.

Mr. FREAR. But we have no way of proving it or disproving it in the closing hours of this hearing.

Mr. SAWYER. I offered you my testimony in the beginning.

Mr. FREAR. This statement of yours covers everything.

Mr. SAWYER. I offered you my testimony in the beginning, and anything I have got to say can be positively proven.

Mr. FREAR. That is not law and that is not testimony.

Mr. SAWYER. There is nothing legal like in the testimony in these proceedings, anyway.

Mr. FREAR. Isn't it? Well, the committee will endeavor to have some restrictions. If you know of anything, if you have any papers or know of something, who came in and made the proposition, or something else, that is testimony. If you heard Siems or Carey come in and make the proposition, that is testimony; all those things become testimony, but the idea of you saying that Siems and Carey did this and that Siems and Carey did that, notwithstanding that counsel here at the end of the table wants all those things in the record, I submit that any court or any investigating committee reading the testimony that you have put in would say that questions and answers ought to have been brought forth, and the basis of determining that ought to be present.

Mr. SAWYER. I endeavored to testify that I personally heard that offer that was made, and that it was made in my presence.

Mr. FREAR. By whom?

Mr. SAWYER. By W. F. Carey, the head of the firm of Siems-Carey & Co.

Mr. FREAR. What was the offer?

Mr. SAWYER. The offer was to cancel in its entirety his contract for operations in Clallam County, provided he could have satisfactory assurance that the contract would be carried out in accordance with the offer made by these loggers; that is to say, carried out without profit.

Mr. FREAR. Unquestionably that is the testimony.

Mr. SAWYER. I endeavored to give that testimony sometime ago.

Mr. LEA. That is all.

Mr. FREAR. Why was it, if that was true, that Disque, who was representing these people, limited it to the flitches and insisted upon it being a matter of logs purely, and never said a word in all the correspondence that has passed between the parties in reference to flitches, so far as a written report shows or anything else that has come before the committee.

Mr. SAWYER. The people who made the offers were loggers pure and simple. They had not interest in the milling operations in connection with it, the suggestion there that another outfit of millers take over the miller end.

Mr. FREAR. There is nothing in the record that is shown that carries out such a suggestion anywhere, so far as the committee knows.

Mr. SAWYER. I made the statement.

Mr. FREAR. This is an entirely new and novel proposition. I ask, if that was true, why didn't Disque suggest that was one of the things that ought to be undertaken?

Mr. SAWYER. I have no knowledge of the general's operations.

Mr. FREAR. You were connected with the Milwaukee road before you were appointed here in this work?

Mr. SAWYER. Yes, sir.

Mr. FREAR. And what was your position then?

Mr. SAWYER. Superintendent.

Mr. FREAR. Of what?

Mr. SAWYER. Oh, it was technically known as the Tacoma-Eastern Railroad, the Coast Division of the St. Paul road.

Mr. FREAR. Then you say when you undertook these operations you became—what was the term you used?

Mr. SAWYER. At the present time I am assistant to the general superintendent.

Mr. FREAR. That is as I understand it, you stated that you became a very unpleasant neighbor for the Milwaukee during the operation of this work.

Mr. SAWYER. Yes, sir.

Mr. FREAR. And then you were appointed immediately afterwards as assistant to the general superintendent?

Mr. SAWYER. Yes, sir.

Mr. FREAR. While you were handling these operations under the contract, as I understand, there was no appeal from anything—from your action; you had the determination of these matters as embodied in the contract, that is, of all the matters, and determination of how the road should be built, and there was no appeal from either the contractor or the contractee. The contract so read, in substance, and gives all that power to the man who had charge, and you had charge. That is right, is it not?

Mr. SAWYER. Yes, sir. That is a very common provision in such contracts.

Mr. FREAR. Well, that may be so, but of course it is a very unusual contract, it would seem to me, to give to one who was in the position that you were occupying at that time, that the Government of the United States as well as Siems-Carey Co. had no appeal from your decision in such matters.

Mr. SAWYER. There must be a head for an operation.

Mr. FREAR. There must be a head for an operation, true, but such power resting in one man who before the operations was an active officer of the Milwaukee, and immediately steps back into one of the most prominent positions in the Milwaukee road, was surely a tremendous power, we must confess, to be placed in your hands.

Mr. SAWYER. Just what relation do you trace between the position formerly occupied by me and the power?

Mr. FREAR. Well, it speaks for itself.

Mr. SAWYER. I do not think it speaks for itself. I object most emphatically to that insinuation.

Mr. FREAR. There is no insinuation; there is the statement of fact. No contract in my experience, and I have studied these things for years, has ever approached the power that was given here, which placed all these matters in your hands without the permission even of an appeal.

Mr. SAWYER. I had nothing to do with the contract, but I object to the suggestion as to my previous occupation and my present one.

Mr. FREAR. I haven't any question as to your honorable occupation, as to your honorable position, or anything of that kind, nor has anyone else. The point is that you were in that position, though, and

that you had the sole control is a matter of legal knowledge based on the contract.

Mr. SAWYER. But I did not give up my rights as a citizen when I entered the service of the St. Paul road.

Mr. FREAR. True, nor when you left there.

Mr. SAWYER. Nor when I left there. I served my country honorably, and only my country.

Mr. FREAR. You have testified here in all branches of this case practically, in reference to logging, in reference to bays, in reference to slides, in reference to practically every phase of the question. Now, what has been your experience as a logger?

Mr. SAWYER. I think I stated quite clearly that for the past 10 years I have been very closely associated with loggers in different parts of the West.

Mr. FREAR. Well, a lot of us have been. What has been your experience as a logger?

Mr. SAWYER. I think I have answered that question.

Mr. FREAR. Is that all the answer you care to offer?

Mr. SAWYER. Yes, sir.

Mr. FREAR. And on the basis of that information you seek to pass judgment upon all the rafting, upon all the work that was performed in Clallam Bay and elsewhere on the Sound, as I understand it.

Mr. SAWYER. By no means. I was guided by frequent and lengthy conferences with experts, men who had given their lives to such work. No man stands by his own knowledge.

Mr. FREAR. The loggers there testified they had never lost a raft in Clallam Bay. We, as a committee, had just as good an opportunity for observation of that bay as you had, unless you went out and made soundings or unless you have soundings to offer to the committee or some statement; is that not true?

Mr. SAWYER. No; I would hardly think so.

Mr. FREAR. We discussed it with Lightner and with all those people about those surroundings. Lightner was the man in charge of the operation.

Mr. SAWYER. He, I think, testified to the reason for his position.

Mr. FREAR. Oh, the reason for his position is no more suggestive than the reason for your position.

Mr. SAWYER. Not a bit.

Mr. FREAR. So ours or anybody else.

Mr. SAWYER. Not a bit; but his statement is not corroborated in any way.

Mr. FREAR. By what?

Mr. SAWYER. By anyone else with knowledge of the facts.

Mr. FREAR. As to the rafting?

Mr. SAWYER. As to the conditions in the bay. There is no question about the fact that the rafting can be done. My statement as to the rafting was that with reference to regularity and freedom from delay. His operations run through eight months in the year, and during those eight months if a raft lays up for two weeks it does not make any difference. If a raft laid up 24 hours in our operations it probably meant the lives of men in France.

Mr. FREAR. That is true—that is true—and when you stopped the mills here to build railroads way down to the Blodgett tract—

Mr. SAWYER. That was out of my field entirely.

Mr. FREAR. I understand, but this all relates to the lives of men in France, that we are interested in.

Mr. SAWYER. I can not testify as to the Blodgett tract.

Mr. FREAR. I understand not. No; they were not permitted to carry on some of their logging operations and their cutting operations because of a change of policy that was suddenly determined upon here, which meant the lives of men in France—that is true.

Mr. SAWYER. I have no knowledge of anything of that sort.

Mr. FREAR. Here is the situation that occurs to us: There is no controversy; it can not be disputed that the Goodyear Co. never lost a raft while they were logging there.

Mr. SAWYER. That has no connection with what we are talking about.

Mr. FREAR. Now, I ask to have that stricken out; that answer. It has no basis. I was going to put a question to you.

Do you mean to say that that statement is not true?

Mr. SAWYER. No, sir.

Mr. FREAR. Do you mean to say the statement is not true that Pendleton, with all their work there upon that sound, which he claims is a rough body of water, 80 miles wide—do you mean to say his statement is not true when he says that all their work was done by rafting in the same way?

Mr. SAWYER. I do not know anything about Pendleton's work, but again I do not see any connection.

Mr. FREAR. I do not know that you do see the connection; possibly you and I can not have the same viewpoint in that, but Pendleton was able to bring results with one-tenth of the milling and one-tenth of the logging capacity.

Mr. SAWYER. I do not know anything about his operations.

Mr. FREAR. That would have been—on the same basis here it would have been 260,000,000 feet of finished airplane lumber, if his statement is correct that he would have produced in the same time, based on what he actually succeeded in getting.

This Siems-Carey-Kerbaugh Railway you say is built as a modern, up-to-date road?

Mr. SAWYER. Yes, sir.

Mr. FREAR. How does this road compare with the Milwaukee road, to which it joined at Joyce?

Mr. SAWYER. Considerably superior. That is one of the points—

Mr. FREAR. The Milwaukee road has lighter rails, hasn't it?

Mr. SAWYER. Yes. That is one of the points on which I was an unpleasant neighbor.

Mr. FREAR. The Milwaukee road, in a way, is a road without the same standard of general workmanship, either originally or in the present time.

Mr. SAWYER. Yes, sir.

Mr. FREAR. That same branch of the Milwaukee road was to carry over every log that came in from Lake Pleasant, was it not?

Mr. SAWYER. After being rebuilt to my specifications.

Mr. FREAR. You had no voice in the Milwaukee road building, did you?

Mr. SAWYER. I have already suggested that I was an unpleasant neighbor and it was to be rebuilt to my specifications.

Mr. FREAR. Whereabouts?

Mr. SAWYER. Between the junction near Joyce and Port Angeles.

Mr. FREAR. Have you any statement—has Col. Disque got anything to show that he was ordering a rebuilding of the Milwaukee road?

Mr. SAWYER. I presume that he has the records in his files. There was considerable correspondence about that, I know.

Mr. FREAR. Any power in Col. Disque, or in you, to determine the policy of the Milwaukee road, which rested entirely with the Railway Administration in Washington?

Mr. SAWYER. I went over that railroad with the Federal manager and agreed with him as to what was necessary to be done to handle our traffic. I hadn't the power to order it, but it would be done.

Mr. FREAR. That is the first reference that has ever come to the management of the Milwaukee road; also the first that we have ever heard suggested. Is that in the records at Washington? Who was the manager that you went with?

Mr. SAWYER. H. E. Byram, the Federal manager at Chicago. I presume the record is in his office in Chicago.

Mr. FREAR. H. E. Byram—that is not the president of the Milwaukee road?

Mr. SAWYER. I said the Federal manager of the Milwaukee road.

Mr. FREAR. Of the Milwaukee road?

Mr. SAWYER. Yes, sir. Before the Federal control—I may explain, before the Federal Government took over the railroad he was president of the corporation. He is now divorced from the corporation and the Federal manager under the Railroad Administration.

Mr. FREAR. The same substantial relation, is it not?

Mr. SAWYER. Why——

Mr. FREAR. Although a different title.

Mr. SAWYER. In a general way.

Mr. FREAR. Under the jurisdiction, of course, of the Government. And you had a talk with the president of the Milwaukee road?

Mr. SAWYER. Went over his property with him.

Mr. FREAR. Went over the Milwaukee road property, and this road, of course, that we have in consideration here, will eventually be taken over by the Milwaukee road, won't it, if it is to be used at all?

Mr. SAWYER. I really don't know.

Mr. FREAR. Of course, none of us know.

Mr. SAWYER. They would seem to be the logical people to operate it; but, after the suggestion that has been made by this committee, it would take some nerve for them to buy it, but I hope they will.

Mr. FREAR. I hope they will buy it for at least 10 per cent back on construction, although this committee has been informed that it will not be bought excepting on reproduction value. Upon what do you base the rate of \$1 per thousand into Port Angeles?

Mr. SAWYER. Oh, it is based on a calculation as to the wages of trainmen and enginemen, the fuel consumed, and the general cost of running a train.

Mr. FREAR. But there are joint rates with the Milwaukee road. What were those?

Mr. SAWYER. We didn't contemplate paying tariff rates over that railroad. We expected to make an arrangement under which our own trains would run through over their rails.

Mr. FREAR. But you didn't make any such arrangement?

Mr. SAWYER. The Federal manager had recommended the arrangement to Washington.

Mr. FREAR. The arrangement had got to such an extent that you were making calculations, were you not, to build a railroad through to Port Crescent?

Mr. SAWYER. There had been talk of that.

Mr. FREAR. Surely, up to the very last; that is true, is it not?

Mr. SAWYER. There had been talk of it.

Mr. FREAR. The engineers of the Milwaukee road, and I assume, other engineers as well, and operators as well, had recommended to Mr. Disque—Col. Disque, as he says in his statement to the Secretary of War, that this road along by Deep Creek, up what you call the Pysht Creek, was the desirable route, and he suggested a very strong prejudice, as we have read the McIntyre report which contained his letter, against the Crescent Lake route, and the Secretary of War conformed to his opinion, in his letter. What was your experience in reference to this Pysht Creek route?

Mr. SAWYER. Why, I think that was when the ceremonies broke up to-night. I was endeavoring to explain that I had been over that route, spent considerable time on it, giving the matter considerable time.

Mr. FREAR. How many times had you been over that route?

Mr. SAWYER. Oh, I had been in there four or five times, I guess.

Mr. FREAR. Where did you go, and when, and what purpose did you have in view? The decision had been made by that time to go over the Crescent Lake route, hadn't it?

Mr. SAWYER. I have already explained I expected considerable adverse criticism, and I had already received some adverse criticism. I wanted to inform myself as to the conditions.

Mr. FREAR. But you had no responsibility whatever in the decision, as I understand it.

Mr. SAWYER. I had no personal responsibility, but I had some curiosity as a citizen and as representative of the organization.

Mr. FREAR. Your interest as a citizen caused you to go up on this Pysht Creek route several times?

Mr. SAWYER. I didn't go over it several times. I was in that country several different times, at different places.

Mr. FREAR. That is, in an automobile? How did you go along the route?

Mr. SAWYER. I was through in an automobile and other times I walked, and other times I had a saddle horse.

Mr. FREAR. Did you walk and take a saddle horse over the entire survey?

Mr. SAWYER. No, sir.

Mr. FREAR. What?

Mr. SAWYER. No, sir.

Mr. FREAR. The testimony is here from some of the witnesses that that was a very feasible route, it was so feasible, in fact, that the Milwaukee Road had adopted it and asked for the extension or for a loan from the Government in order to make the extension?

Mr. SAWYER. That was under different circumstances and for different purpose.

Mr. FREAR. Well, the purpose was to get an extension of the road?

Mr. SAWYER. Yes.

Mr. FREAR. For the purpose of getting into this Clallam Bay tract?

Mr. SAWYER. That is not what we were interested in. We were interested in getting out spruce on a given date, and getting it out regularly after that date. That we could do the way we started, and that we could not do the other way.

Mr. FREAR. Of course, the War Department could have undertaken that and given their active influence and thrown 5,000 men right in there, in the same way they had been over the on Siems-Carey-Kerbaugh Road.

Mr. SAWYER. They could not have accomplished the results, if they had.

Mr. FREAR. That is a conclusion, of course. Possibly. You had 36 miles to build, with 5,000 men, which is said——

Mr. SAWYER. We never had 5,000 men.

Mr. FREAR. That is your statement, is it not? Let me see if I have misquoted you.

Mr. SAWYER. About three thousand. If I made the statement five thousand, it was a slip of the tongue. We actually worked something over three thousand.

Mr. FREAR. Well, that was the statement that I had, and it was rather a surprise.

Mr. SAWYER. I beg your pardon for an inadvertent slip of the tongue.

Mr. FREAR. That is all right. It says 5,000 men worked in 26 camps; that is the statement.

Mr. SAWYER. We have something over 3,000. It is my recollection that the maximum number was thirty-three hundred and something.

Mr. FREAR. The statement of some officer of the concern is that 4,000 soldiers were working; but I take it that some of that 4,000 soldiers may have been in logging camps. I don't know whether that is true or not.

Mr. SAWYER. We had just less than 4,000 soldiers on the two jobs.

Mr. FREAR. That is it. Well, then, over 3,000. How many men do you employ usually in one of those camps, ordinarily?

Mr. SAWYER. Oh, that just depends on conditions. I should say——

Mr. FREAR. I was wondering if there was any uniformity.

Mr. SAWYER. There is no uniformity. It depends on conditions. Probably 150 would be an average number.

Mr. FREAR. One hundred and fifty. That would be 26 camps; that would take a little less than 150 to the camp, then. If you put 26 camps on 25 miles of road, that would be a camp on every mile; and they had a road—a good road—up from Pysht Creek; they had a way of bringing everything over this same main-line road and carrying it down Pysht Creek, which acted almost as a parallel road, in a similar way.

Mr. SAWYER. That was 6 or 7 miles from the heavy part of the work, and the heavy part of the work was work that could not be done by hand. Those cuts were exceedingly deep. It would not be feasible to take them out by hand. You could not cover it with men enough to make it by hand in a reasonable length of time.

Mr. FREAR. That is possibly true of a road built upon this route; but the testimony of Frost and of others who discussed the Pysht

Creek route was that that could have been built at a less cost, and it would seem that it could have been built just as quickly.

Mr. SAWYER. They were talking about something entirely different.

Mr. FREAR. Talking about what?

Mr. SAWYER. Something entirely different. There is not any reasonable relationship between the ordinary logging road and the road that was necessary to serve our purpose.

Mr. FREAR. Or the road that was built, in other words.

Mr. SAWYER. The same thing.

Mr. FREAR. The same thing. And are they building that kind of a road elsewhere throughout this whole district?

Mr. SAWYER. Yes, sir.

Mr. FREAR. Who has one of them, outside of the Yaquina road?

Mr. SAWYER. There were two witnesses before you to-day who have got similar railroads.

Mr. FREAR. Nothing like, as I understand, this road.

Mr. SAWYER. Similar construction: two of the most successful logging operators in the country, perhaps.

Mr. FREAR. They are very good operators. Of course, they have the means with which to construct. The average logger hasn't anything like those means; they haven't a great corporation back of them whereby they can build such roads.

Mr. SAWYER. The ordinary logger gets out 190,000 feet of logs a day, and we would get out 3,000,000. There isn't any reasonable relationship between the two jobs.

Mr. FREAR. You don't know whether you would have gotten out 3,000,000 or not. If you had gotten out 3,000,000, you would have had planes in a very short time for practically every man in Europe.

Mr. SAWYER. Well, that is up to somebody in Europe, not me.

Mr. FREAR. Surely the responsibility would not rest with you. The clearing of the 200 feet for the Forestry, I understand that that didn't apply there?

Mr. SAWYER. Well, it didn't apply, because I was too busy to do it.

Mr. FREAR. Well, what is the rule? What is that rule?

Mr. SAWYER. With them it is a matter of fire protection, and I guess it is a reasonable rule. They want inflammable débris back a certain distance from the track.

Mr. FREAR. That hasn't anything to do with ordinary grubbing or clearing out or anything of that kind.

Mr. SAWYER. Oh, no.

Mr. FREAR. You didn't do it because you couldn't?

Mr. SAWYER. I didn't have time.

Mr. FREAR. Now, you state that was the heaviest—I am just asking you on the statement made here—that is the heaviest stand of timber, I think you said, in the country?

Mr. SAWYER. That is not on the Forest Reserve. Some of the clearing which we did is through the heaviest timber. It is the timber on the Forest Reserve.

Mr. FREAR. What caused that statement to be made—that it is the heaviest timber in the country? I took that statement because it seemed to me a little—

Mr. SAWYER. It is my recollection that to-day sections 30 and 31 in township 12-5 down there carry more standing timber than any other two sections in the United States, and I offered that suggestion

on account of the query that was made as to why it cost so much to do the clearing.

Mr. FREAR. If that was so—that was the reason that struck me as a very remarkable statement—that up there in that whole tract, which was not a part of the Lake Pleasant, which was not a part of the—

Mr. SAWYER. There was practically no spruce on those two sections, but in order to get through those we had to remove more debris than we would in a similar place anywhere else in the United States, and that has a bearing on the cost of the clearing.

Mr. FREAR. On what information is that based? Where will we find something to evidence that?

Mr. SAWYER. I think Mr. Cecil, district forester in this town, will confirm that.

Mr. FREAR. You think he will confirm that statement?

Mr. SAWYER. Yes, sir.

Mr. FREAR. He will not confirm some statements that have been made here, I understand.

Mr. SAWYER. I don't know as to that; but that can readily be confirmed by Mr. Savidge, the land commissioner of the State of Washington, at Olympia, also.

Mr. FREAR. What was the stand of timber up at the particular tract that you have in mind?

Mr. SAWYER. The amount in feet?

Mr. FREAR. Yes.

Mr. SAWYER. Oh, I don't remember—in feet.

Mr. FREAR. Was that along the lake or where?

Mr. SAWYER. No; it is about two miles before you get to Lake Pleasant, as you go out on the road.

Mr. FREAR. That is down the Sol Duc River?

Mr. SAWYER. Yes, sir; just about where—if anyone showed you—it is just about where the second crossing of the railroad over the Sol Duc River is.

Mr. FREAR. And how long did that continue?

Mr. SAWYER. Oh, there is—

Mr. FREAR. I mean, how long a distance?

Mr. SAWYER. About 7 miles of right of way through that sort of timber. Those two sections, that was the heaviest, and there is 7 miles in there.

Mr. FREAR. What kind of timber is that?

Mr. SAWYER. Oh, it is probably 50 per cent hemlock, 40 per cent fir, and 10 per cent cedar, with a little scattering spruce, but not very much spruce.

Mr. FREAR. You don't know the sections. I wanted to find out if you knew the sections. That would be about 6 miles before you get to Lake Pleasant?

Mr. SAWYER. About 7—I think it is 7 miles before Lake Pleasant. That statement would be generally true, or possibly 8 miles. If we had a map around here, I could indicate the limits of it.

Mr. FREAR. Well, that is close enough, because we can find out. Now, the Lyre Canyon is a pretty serious canyon, isn't it?

Mr. SAWYER. Yes; that is very heavy work.

Mr. FREAR. Very heavy work over it when you went through.

Mr. SAWYER. Very heavy work.

Mr. FREAR. Are there many logging roads, or roads to bring out logs, to your knowledge, that have tunnels built of the size of those tunnels over there?

Mr. SAWYER. No, no; I don't know of any others. But, again, it is not an ordinary logging road. This is built for a different purpose, entirely, than the ordinary logging operation.

Mr. FREAR. When was this road located—could you say? I think your statement was it was located prior to June.

Mr. SAWYER. The general line was established when I went up there—when I went to Seattle on the 5th of June. The definite and final location was probably not completed before the 1st or the 5th of July.

Mr. FREAR. When was work begun, the actual work?

Mr. SAWYER. It is my recollection that the first tree was felled on the 27th of June. I am speaking from memory.

Mr. FREAR. The work was not completed when the armistice was signed, was it? How much was left?

Mr. SAWYER. There was about 10 miles of track to lay when the armistice was signed. The grading was completed.

Mr. FREAR. That 10 miles was toward the Lake Pleasant end?

Mr. SAWYER. Yes; the track laying was progressing from Joyce. That reminds me about one suggestion I would like to answer, with your kind permission.

Mr. FREAR. Surely.

Mr. SAWYER. I have heard some criticism as to the name "Disque" being applied to that junction, and I want to say that I got a letter—an official letter from the commanding general, saying that he objected to the use of the name "Disque" for the connection, and asking me to have it changed. That was done without his knowledge and over his protest.

Mr. FREAR. You mean Gen. Disque or Col. Disque?

Mr. SAWYER. Gen. Disque.

Mr. FREAR. We never believed that there was any responsibility attached to him when we saw that place that was there. Surely it is no compliment to him or anyone else.

Mr. SAWYER. I merely wanted to make it plain that that was done by the Milwaukee road without the knowledge of anyone in this operation.

Mr. FREAR. That would be accepted without question. Four camps—and I am asking this for the purpose of getting a line on the construction—four camps were between Lake Crescent and Joyce; that is, a distance of about 5 miles?

Mr. SAWYER. A little over 5.

Mr. FREAR. A little over 5. Now, how would those camps be established in there? You spoke of getting access; how was access had to them?

Mr. SAWYER. The country between Joyce and the mouth of the Lyre River Canyon had been logged off and then burned off, so that it was a very simple matter to run a tote road up there through the stumps.

Mr. FREAR. It ran right up to the side of the canyon, didn't it?

Mr. SAWYER. Yes; there is a little less than 3 miles in there. It was a very simple matter to get two camps in there.

Mr. FREAR. What would you build, false construction along the sides, so as to—

Mr. SAWYER. These were not in the canyon, Mr. Chairman. It is about 3 miles from the railroad connection to the canyon—to the mouth of the canyon.

Mr. FREAR. Yes.

Mr. SAWYER. And these two camps were in the first 3 miles before you got into that exceedingly precipitous canyon?

Mr. FREAR. After you come to the canyon there there is only one camp established in there.

Mr. SAWYER. There were two more camps. We ran a wagon road in from—you probably recall a little hotel at the head of the lake.

Mr. FREAR. Oh, yes.

Mr. SAWYER. Well, we struck off the main road right there and went over to the mouth of the canyon, and then went along the cliff above it and located one camp right where we struck the canyon, and the other one up on the top of the cliff above the canyon, so that the men from that camp had a very steep trail down to their actual work.

Mr. FREAR. In railroad construction like that—and I ask for information—do you proceed from the ends, or can you work from the side? Could you work from the side of the canyon where the river flows, or how do you do it?

Mr. SAWYER. That work in the canyon was very largely done from the side. On most of that rock workmen started in on the face of the cliff, at about the elevation of the track, and ran a little tunnel in 20 or 30 feet; then at the end of that tunnel they, as they say, cross-cut, put in an "F," possibly several lateral branches, filled that up with powder and blew the rock off into—

Mr. FREAR. And then worked from the ends in getting at it.

Mr. SAWYER. No; worked from a great many different places, wherever they could attack it, depending entirely, or very largely, upon the character of the material and the way it broke up.

Mr. FREAR. Who was Edward Donlan; what was his position?

Mr. SAWYER. Donlan is a lumberman from Montana. He was a friend, some years ago, of W. F. Carey, the head of this firm of Siems-Carey-Kerbaugh. Understand, I am talking now from not personal knowledge.

Mr. FREAR. I understood you had met him.

Mr. SAWYER. Yes; I know him; and, as a matter of hearsay, I know the relationship and the circumstance, but only as hearsay.

Donlan had been at one time in charge of the lumbering operations of what is now the Anaconda Copper Mining Co., but had left that service. I don't know the details; but, at any rate, he was out of the service of the Anaconda Copper Mining Co. for a number of years, and I believe was on rather bad terms with them. And he and Carey were personal friends, and when this operation in Clallam County was called to Carey's attention he wired Donlan and asked him to accompany him to Clallam County as a personal friend and as an experienced timber man. Donlan went out with him and became interested in the proposition, and for about three months, as I now recollect it—possibly four months—he was in charge of the logging end of the business for Carey.

Mr. FREAR. What was his position, what was he known as, superintendent or manager or what, so far as you know?

Mr. SAWYER. Oh, things were in an unsettled condition and I don't know that he had any title, but he——

Mr. FREAR. He had charge of it?

Mr. SAWYER. He had charge of it. But that connection was brief. His relations or his operations had previously been in a different country and under different conditions, and, for various reasons, he dropped out. He started the operations up there and was in undisturbed charge of them for a brief time, but he was entirely separated from the organization before the work got very far along.

Mr. FREAR. What was the character of his work, just as briefly as you can describe it?

Mr. SAWYER. Oh, he made the preliminary plans.

Mr. FREAR. For what?

Mr. SAWYER. For the logging operations. He had nothing to do with the railroad construction, but he made the preliminary plans for the spruce operations. He acquired some timber holdings in there, got some options on camp sites, and he started some little work in cruising. I think even before he left he had a little work done surveying a logging road. In general, he did the preliminary work on the logging operations. But his connection was brief and he was entirely separated from any connection with the operation, very shortly, and I may ask that whatever—if he ever had any partnership enterprise or interested in the enterprise or anything of that sort it was settled personally and not through the Government funds. In other words, we never paid him for any promotion work.

Mr. FREAR. That is, it was entirely with Carey and Kerbaugh and the others?

Mr. SAWYER. Well, I don't know what his relationship was, but the Government didn't pay him anything.

Mr. FREAR. The record in the Ray case or Ray investigation, showed that Kerbaugh came and met him and they came on together, and so I was just wondering what the connection was.

Mr. SAWYER. That is because, as I understood it, it was a special friend of Carey's, and had had extensive logging and milling experience, though in a different country and under different conditions.

Mr. FREAR. He is a senator, isn't he—is he a senator now or do you know—of Montana?

Mr. SAWYER. Yes; I think he is. I think he was the Republican leader in the Montana senate.

Mr. MAGEE. Who is this?

Mr. FREAR. Carey.

Mr. SAWYER. Oh, Carey?

Mr. FREAR. I mean Donlan.

Mr. SAWYER. Donlan.

Mr. FREAR. Donlan; yes.

Mr. SAWYER. I think Carey is of the true faith.

Mr. MAGEE. What?

Mr. SAWYER. I think he is a good Democrat; I am not sure.

Mr. FREAR. It is pretty hard to tell about the "true faith" when the Republicans here are calling ex-Governor West, and when my confrere over here, with whom I sometimes have a wordy warfare for a moment insists on calling the Republican leader of the legislature out here; I think it is pretty hard to get a fair balance.

Mr. LEA. Well, that is evidence that there are good men in both parties.

Mr. FREAR. That is one of the possibilities.

Mr. SAWYER. The strange thing is that no one has asked me about my politics.

Mr. FREAR. We may assume, when you speak of the "true faith" in the tone that you have, that it doesn't require a very difficult operation to arrive at.

Mr. SAWYER. As a matter of fact, I never consciously voted for a Democrat in my life; but I don't think that has any significance.

Mr. FREAR. Not at all. I think that is all.

Mr. MAGEE. Now, is the Milwaukee affiliated in any way with the Union Pacific, Major?

Mr. SAWYER. Why, they are not affiliated in any way. They have some joint interests in common.

Mr. MAGEE. Yes.

Mr. SAWYER. That is to say, the Union Depot in Spokane, for instance, is owned jointly, and there is some railroad in the Grays Harbor district owned jointly; but, on the other hand, they have similar joint ownership with a little railroad over in Idaho, with the Northern Pacific. There are, I think, some few men serving on the boards of both companies, but I think it can not properly be said that they are not entirely separate.

Mr. MAGEE. Do they have the same terminals in Seattle?

Mr. SAWYER. They have separate freight terminals. The Milwaukee is a tenant in the Union Pacific passenger station, but only a tenant; it pays so much a month. It has no property ownership; and it owns a site for a passenger station, which it at one time hoped to develop.

Mr. MAGEE. Are there any other relations existing between the two roads, to your knowledge?

Mr. SAWYER. Why, no unusual relations. There are through freight and joint rates and that sort of thing, as there are between the Union Pacific and the Northwestern, but—

Mr. MAGEE. How many men are directors on—the same directors in the two directorates?

Mr. SAWYER. I can't say.

Mr. MAGEE. Have you any idea?

Mr. SAWYER. No; I can't say. It is a matter of public record. I should say not more than two or three, but I could not name half of the directors of either company, offhand.

Mr. MAGEE. Well, you are assistant superintendent and I thought you might have the knowledge; that is the reason I asked it.

Mr. SAWYER. Well, that is quite out of my ordinary line of work.

Mr. MAGEE. Now, you said something about towing logs. I didn't just get that; somewhere near Port Angeles. Was it the intention to tow some of these logs that might be brought from Lake Pleasant locality over this road? I got the idea, in other words, that they were to get the logs at Port Angeles and cut them up there.

Mr. SAWYER. The plan from that operation was changed quite a number of times, but the final plan, on which we were working and which I think was not subject to further change, contemplated the erection of one large mill at Port Angeles, the leasing or securing on some contract basis of the existing mill at Port Angeles, and the

erection of a third mill at Lake Pleasant. Those three mills after they were all in full operation would get the output of the Siems-Carey job, but they would not all be in operation when the logs started moving, and there was always the probability that one of them would break down or for some reason production would cease.

Mr. MAGEE. Well, you said something about towing—used the word “towing.” Didn’t you use the word “towing”?

Mr. SAWYER. Pardon me just a minute. I may not be very fast, but I am trying to make this plain to you in order to answer the last question. Most of the mills—

Mr. MAGEE (interrupting). Now, I will get at that later, but I am trying to get what you said about the word “towing.”

Mr. SAWYER. I am sorry, but I am trying to get it as clear as I can.

Mr. MAGEE. Didn’t you say something about towing?

Mr. SAWYER. Just a minute. Let me speak a word, if I may.

Mr. MAGEE. I will ask the questions I know what questions I want to ask and I will ask them.

Mr. SAWYER. I did talk about towing.

Mr. MAGEE. And I don’t ask for a speech at the end of every question, Major. What I had in mind is what you said about towing, and I didn’t just get it, and I am asking for information.

Mr. SAWYER. I don’t remember my precise words. I am endeavoring to explain what the actual towing operation would be.

Mr. MAGEE. I want to know if you said anything about towing. I understood there was some towing 20 miles from Port Angeles, or something of that kind, and all I ask for is whether there was any towing proposition.

Mr. SAWYER. In the contingency to which I have just referred, it would be necessary to tow logs, and it was my intention to tow those logs from a point approximately 20 miles east of Port Angeles.

Mr. MAGEE. Tow them where?

Mr. SAWYER. It is a matter of record that contracts were in effect with five different mills at five different points on the sound to tow those logs.

Mr. MAGEE. No; I say, to tow them where?

Mr. SAWYER. To the five points where these mills were located—Bellingham, Everett, Ballard, Seattle, and, I think, Port Blakeley.

Mr. MAGEE. How far is Bellingham?

Mr. SAWYER. Oh, about 60 miles by water, I guess.

Mr. MAGEE. Above; north? Which direction from Port Angeles?

Mr. SAWYER. East and a little south.

Mr. MAGEE. Now, I understood that the reason given for the erection of the cut-up mill at Port Angeles was because no satisfactory terms could be reached for the purchase or control of the existing cut-up mill there?

Mr. SAWYER. No satisfactory arrangement could be reached for its purchase, but we could lease—we could not lease it, either—but we could contract with them to saw spruce on two shifts. One shift would take care of their commercial operations.

Mr. MAGEE. Suppose you had been able to purchase it, would you still have built a permanent mill there, which has been under way?

Mr. SAWYER. No, sir.

Mr. MAGEE. Well, that is as I understood it. That is, you would not need but one cut-up plant at Port Angeles?

Mr. SAWYER. There wasn't any cut-up plant at Port Angeles. We contemplated building a cut-up mill to serve this sawmill, of which we would use only the head saws.

Mr. MAGEE. Is that existing mill there which you tried to purchase—that is only a sawmill?

Mr. SAWYER. That is a complete sawmill, but it is not adapted to the production of airplane spruce. We contemplated using only what the millman calls the head saw; that is the first big unit in that mill.

Mr. MAGEE. It could be adapted to it, couldn't it?

Mr. SAWYER. Yes; it could be adapted to it.

Mr. MAGEE. In other words, if you had succeeded in making satisfactory terms for the purchase of that mill, there would not have been any necessity for the construction of the present cut-up Government mill there?

Mr. SAWYER. Yes, sir. It was found in the operation of these mills, in the West that the ordinary sawmill machinery in practice was not adapted to the proper utilization of the spruce, the proper handling of the spruce, and it was the intention up there to handle all.

Mr. MAGEE. I suppose you mean cutting with the grain?

Mr. SAWYER. Yes, sir; in general terms.

Mr. MAGEE. You could put in machinery in any mill to cut with the grain, couldn't you?

Mr. SAWYER. Yes, sir; but not so rapidly or so efficiently.

Mr. MAGEE. Oh, well, if you wanted it more rapidly, then you would make arrangements to do it more rapidly, and it could be done with the expenditure of money?

Mr. SAWYER. Oh, you could do it with a handsaw.

Mr. MAGEE. You don't mean to convey the impression to the committee that you could not take any mill and put in machinery, if you had the money to provide it, that would cut this timber with the grain, do you?

Mr. SAWYER. Oh, no.

Mr. MAGEE. Certainly not.

Mr. SAWYER. But our experts figured out a cheaper and faster way to do it.

Mr. MAGEE. So I understood all along that the reason for building this cut-up mill at Port Angeles was because they could not make or come to terms with the owners of the present mill there. Now, what, to my mind, was this suggestion of yours, which appears to be entirely contradictory to the evidence already presented and, of course, more or less confusing.

Mr. SAWYER. I think possibly we are talking about different things.

Mr. MAGEE. No, we are not talking about different things. The only proposition is whether, if the Government could have come to satisfactory terms with the owners of the present mills, whether they would have built the present cut-up mill there?

Mr. SAWYER. There is not cut-up mill there at present.

Mr. MAGEE. Well, started to build one?

Mr. SAWYER. I don't think there was any start made; possibly a few piles driven.

Mr. MAGEE. Where; at Port Angeles?

Mr. SAWYER. For a cut-up mill. I think we are talking about different things, Mr. Representative.

Mr. MAGEE. What kind of a mill is it the Government started there?

Mr. SAWYER. That is an ordinary sawmill to make flitches, but we contemplated putting in in addition to that a mill which would take the flitches and put them into a finished shape.

Mr. MAGEE. That is a cut-up mill, isn't it; if you took a flitch and cut it that is cutting it up, just as much as a process is of cutting a log into flitches?

Mr. SAWYER. Yes; but that is not what was to be done with the mill that is now there.

Mr. MAGEE. Well, take the mill that the Government spent—how much money there—a million?

Mr. SAWYER. I don't recall.

Mr. MAGEE. A million and two hundred thousand dollars?

Mr. SAWYER. I don't recall the figures.

Mr. MAGEE. Well, it is a very permanent structure, isn't it?

Mr. SAWYER. Yes.

Mr. MAGEE. I understand 1,700 piles were driven there on about an acre of ground.

Mr. SAWYER. A good many, at least.

Mr. MAGEE. Well, it is made a permanent structure?

Mr. SAWYER. Yes, sir.

Mr. MAGEE. Not a war-emergency measure, but a permanent structure for years to come, isn't it?

Mr. SAWYER. Yes, sir.

Mr. MAGEE. What did they intend to do there? Did they intend to cut up anything at all?

Mr. SAWYER. That will was intended to produce the spruce flitches and to utilize—

Mr. MAGEE (interrupting). That is, to take the logs and saw the logs into flitches?

Mr. SAWYER. Into flitches, and saw the residue—

Mr. MAGEE (interrupting). What is the difference between a flitch and a cant?

Mr. SAWYER. Why, there is a little technical difference to a millman, but I don't know just what it is.

Mr. MAGEE. There is really no difference, is there?

Mr. SAWYER. Practically none. There is technically a little difference, but I don't know just what it is.

Mr. MAGEE. After you get your cant you have to saw that, don't you?

Mr. SAWYER. Yes, sir.

Mr. MAGEE. To get your lumber in shape to ship?

Mr. SAWYER. Yes.

Mr. MAGEE. Where would you do that?

Mr. SAWYER. It was the intention to put what these people called a cut-up mill at the tail of this sawmill.

Mr. MAGEE. That is as I understand it. In other words, you would take the logs there; you were to cut them into cants or flitches?

Mr. SAWYER. Yes, sir.

Mr. MAGEE. Then, after they were cut into cants or flitches, then you were still to cut them or trim them, or whatever technical words

loggers use, into lumber suitable for shipment to the East; isn't that right?

Mr. SAWYER. The cut-up mill was to make the airplane stock suitable for shipment. The other mill was to take the residue from the stock and make that into commercial lumber.

Mr. MAGEE. Yes; I understand that. I am talking about airplane stock. Of course, I am not a lumberman—

Mr. SAWYER (interrupting). Neither am I, so far as that goes.

Mr. MAGEE. But I sometimes think I know as much of this proposition as some of the gentlemen I have come in contact with. As I understand, this mill received the logs and cut the logs into flitches or cants, and after they had done that they trimmed them and cut them into lumber suitable for shipment to different points in the East or to our allies? In other words, not the finished airplane products, but the lumber from which the finished airplane products would be made, would be shipped from this mill?

Mr. SAWYER. Not from the mill which now stands.

Mr. MAGEE. The Government mill?

Mr. SAWYER. No, sir.

Mr. MAGEE. What sort of shipments would they make from that mill?

Mr. SAWYER. They would produce the flitches which would go at the tail of this mill into the cut-up mill.

Mr. MAGEE. I am not talking about this uncompleted mill. Now, you know, Major, that I am talking about the plans for a complete mill there, or whatever structures they were to erect on this ground. You understand that, don't you?

Mr. SAWYER. I must confess that I honestly do not see what you are driving at.

Mr. MAGEE. Well, you have an uncompleted mill there, haven't you?

Mr. SAWYER. Yes, sir; and another mill contemplated but not yet constructed.

Mr. MAGEE. At the tail of it?

Mr. SAWYER. At the tail of it.

Mr. MAGEE. In connection with it?

Mr. SAWYER. Yes, sir.

Mr. MAGEE. As a part of the same operation, we might say?

Mr. SAWYER. Well, that was also to be an adjunct to the mill now at Port Angeles, the old mill there. It was to take the output of both mills.

Mr. MAGEE. If the Government mill had been completed under the plans as contemplated, the logs would go to the Government mill?

Mr. SAWYER. Both mills.

Mr. MAGEE. Wouldn't they?

Mr. SAWYER. Both mills.

Mr. MAGEE. Well, if you could not get control of the other mill, it would not go there?

Mr. SAWYER. No.

Mr. MAGEE. After completed, the logs would go to the Government mill?

Mr. SAWYER. Yes.

Mr. MAGEE. There they would be cut up into flitches or cants?

Mr. SAWYER. Yes.

Mr. MAGEE. Then they would go to an adjunct Government mill and be trimmed or cut up into lumber suitable for shipment east?

Mr. SAWYER. Yes.

Mr. MAGEE. Is that right?

Mr. SAWYER. That is right, as I understand it.

Mr. MAGEE. Well, that is just as I understand it, too. Now, what is the life of a logging road?

Mr. SAWYER. Oh, that is an utterly impossible question. Mark Reed testified here to-day of his logging road that was started prior to 1885, I think.

Mr. MAGEE. Yes, sir.

Mr. SAWYER. An ordinary logging road cuts out in two or three years, maybe four or five.

Mr. MAGEE. Well, take the Goodyear Lumber Co.; they have got a logging road, haven't they?

Mr. SAWYER. Yes. I suppose their main line may run in there—oh, there is not any telling; anywhere from 5 to 50 years.

Mr. MAGEE. Certainly.

Mr. SAWYER. It just depends on the conditions. You can't say how long.

Mr. MAGEE. If it gets out of repair they repair it?

Mr. SAWYER. Well, they may abandon it or operate in some other way.

Mr. MAGEE. They may take up the rails and ties and throw them in the Pacific Ocean and abandon the road, but what I mean to say is, I assume there are a great many logging roads here on the coast, like the one described by Mr. Reed, that was built, as he testified, under an act of Congress, I think, in the early eighties.

Mr. SAWYER. Why, I should say that the life of a logging road, in that sense, was whatever time it was profitable to operate it.

Mr. MAGEE. Certainly; whatever time it is maintained.

Mr. SAWYER. Yes; of course.

Mr. MAGEE. Repaired and maintained; there is not any question about that, is there?

Mr. SAWYER. No; not at all. But most of them don't last in that way, for the reason they use passes, and they——

Mr. MAGEE (interrupting). I suppose they would use a spur in a piece of timber, and when they cut the timber off they would take up the rails and ties and move somewhere else.

Mr. SAWYER. Yes, sir.

Mr. MAGEE. Take a tract, for instance, like this Olympic tract; do you know how many miles of spur road it would be necessary to build there to get out that timber?

Mr. SAWYER. We didn't have the definite survey completed, but it would be in the neighborhood of 130 miles.

Mr. MAGEE. Some one estimated here that it would take ordinarily, regarding the distance of 800 feet as probably the maximum distance on each side of the spur to bring the logs to the spur, that it would take something like 1,068 miles of spur roads.

Mr. SAWYER. Oh, well, people have testified to a lot of nonsense here.

Mr. MAGEE. Well, this spruce timber is scattered, isn't it? In other words, there might not be only a few trees on an acre of ground?

Mr. SAWYER. Our location plans were practically complete, and they contemplated approximately 130 miles of railroad to develop that area.

Mr. MAGEE. Well, had you been over the tract?

Mr. SAWYER. Yes, sir.

Mr. MAGEE. How many acres in it?

Mr. SAWYER. Oh, I can't say offhand from memory. Something like 22,000, I think.

Mr. MAGEE. You have been over the whole 22,000 acres?

Mr. SAWYER. Oh, by no means.

Mr. MAGEE. Well, that is what I am getting at. Now, then, what do you say as to the distance on each side of a spur that it would be practical to log?

Mr. SAWYER. I didn't make those calculations personally. Our logging engineers had been over that railroad and made their plans on a basis of approximately 130 miles of spur tracks.

Mr. MAGEE. So that is all you know about it?

Mr. SAWYER. Yes, sir.

Mr. MAGEE. It might be possible that it would take three or four times that?

Mr. SAWYER. It might be possible, but exceedingly improbable.

Mr. MAGEE. Well, so far as you know of your own knowledge, as far as your own knowledge goes, Major?

Mr. SAWYER. The estimates were made by thoroughly competent men after careful study.

Mr. MAGEE. Well, I say, so far as your own knowledge goes, you don't know how many miles of road would be necessary?

Mr. SAWYER. So far as myself making the calculations, no; I didn't make the calculations.

Mr. MAGEE. That is as nearly as you can get to an answer, is it?

Mr. SAWYER. It is as nearly as I intend to get to an answer to that kind of question.

Mr. MAGEE. Well, you don't intend to answer any question except in your own way, do you?

Mr. SAWYER. I don't intend to answer any question unless the answer gives the full, complete, precise truth.

Mr. MAGEE. Yes; and you don't intend to give the committee the facts in the case, unless you so intend, do you?

Mr. SAWYER. I intend to give the committee the facts in the case, but I intend to see that they get all the facts and no partial facts.

Mr. MAGEE. Yes; facts from your viewpoint. Now, the committee would like facts, and I must say that it don't seem to me that I get very many facts from a dissertation or an artistic argument, skillful argument from an engineering standpoint, as to this or that. When I speak of the miles of spur road going into this tract of 22,000 acres, why, I am asking for information, and if you don't know, why that answers it.

Mr. SAWYER. I don't see why there should be a distinction between me and men who differ from me in opinion.

Mr. MAGEE. I don't make any distinction. There is no distinction, as far as I am concerned.

Mr. SAWYER. I think the record of the committee speaks for itself.

Mr. MAGEE. The only thing I have asked of the witness is, as I have asked of every witness, to answer my questions yes or no. If

they can't answer, that satisfies me. I don't ask for an explanation. I simply ask for an answer if they know. If they don't know, they can't answer. Now, take this Lyre Canyon, do you know what depth of rock you cut through there?

Mr. SAWYER. Oh, about 140 feet was moved. We didn't cut through it, but the distance from the grade of the track to the top of the rock that was moved was something around about 140 feet.

Mr. MAGEE. Did you measure it, so that you know?

Mr. SAWYER. Why, it is a matter of record. I didn't personally do it, and I don't recall the figures.

Mr. MAGEE. Well, what I mean is, whether that is approximately—

Mr. SAWYER (interrupting). That is approximately correct; yes, sir. It was carefully measured.

Mr. FREAR. What kind of rock was it?

Mr. MAGEE. As you described here, you blasted it out?

Mr. SAWYER. Yes, sir.

Mr. MAGEE. By boring in, is it?

Mr. SAWYER. Yes.

Mr. MAGEE. As you term it, and putting in the powder?

Mr. SAWYER. But before that was done it was carefully measured by the engineers, so there is a precise record of just what was done.

Mr. MAGEE. Yes, sir. Now, what kind of rock was that?

Mr. SAWYER. Why, in that canyon there is a curious variation. Geologists would call the formation sedimentary, all through; it would commonly by a layman be spoken of as granite.

Mr. MAGEE. What you call solid rock?

Mr. SAWYER. Yes. It varies between a very soft shale and exceedingly hard granite. In a short distance there is a great variation.

Mr. MAGEE. I rode over the line there and I was wondering at the depth of this solid rock, and I estimate it at probably 150 feet in depth.

Mr. SAWYER. That is about what it is.

Mr. MAGEE. And that is the reason I asked for the information. Now, can you tell the committee about what distance they blasted through this solid granite rock in that canyon?

Mr. SAWYER. Well, there is about a mile and a half of that solid-rock work.

Mr. MAGEE. Yes, sir.

Mr. SAWYER. But that was not all a cut. A part of that was made up of a fill. I should say that the length of the rock wall which was taken out, if it had been continuous, would be around about a half mile—possibly a little more.

Mr. MAGEE. Now, what, if you know, Major, is the width of the roadbed there through which this solid rock was cut?

Mr. SAWYER. It was cut with the intention of having a 22-foot roadbed. On the fills due allowance was made for settlement and shrinkage. They were possibly 26, possibly 28 feet when they were put up, but the standard aimed at was 22 feet of finished permanent roadbed.

Mr. MAGEE. What I had reference to was, it seemed to me as I rode over the right of way that it was probably about 50 feet, as

you mentioned here; at least, it seemed to me it could not be 200 feet.

Mr. SAWYER. Oh, no. We did not clear 200 feet anywhere.

Mr. MAGEE. Yes; that is the way it seemed to me. Now, was the roadbed here through this Lyre Canyon, through this granite rock, 26 feet in width, or 50 feet?

Mr. SAWYER. It was our intention—our standard was 22 feet.

Mr. MAGEE. Yes. Do you know what it actually is?

Mr. SAWYER. Well, that varies from place to place.

Mr. MAGEE. No; I mean in the canyon there, or approximately?

Mr. SAWYER. Oh, it will vary all the way from, I suppose at this time, 17 or 18 feet to possibly 30.

Mr. MAGEE. Now, what is the president of the Milwaukee's name? Is it Byram or Byran, or how do you spell it?

Mr. SAWYER. The man I spoke of is no longer president.

Mr. MAGEE. I understand; he was president.

Mr. SAWYER. The Federal manager now is C. E. Byram.

Mr. MAGEE. Byram?

Mr. SAWYER. Byram.

Mr. MAGEE. Now, you testify, as I understand, that he was disgusted at the decision to build the Lake Crescent-Lake Pleasant Road?

Mr. SAWYER. Yes, sir.

Mr. MAGEE. Now, as I understood, Gen. Disque testified that President Byram had put a doubt in his mind, which was the determining factor in changing his decision from the Deep Creek route to the Lake Crescent-Lake Pleasant route. Were you here when he so testified?

Mr. SAWYER. No. I have heard him speak of that, and while I have no personal knowledge of that subject, only as a matter of hearsay—

Mr. MAGEE (interrupting). Well, now, that answers the question.

Mr. SAWYER. I have no personal knowledge of that situation.

Mr. MAGEE. And were you here when his letter to the Secretary of War was read to that effect—Gen. Disque's letter?

Mr. SAWYER. I really don't know. I have read the letter, but whether I heard it at this hearing, or they read it before, I can't tell you. I think it was read in Seattle at a part of that hearing.

Mr. MAGEE. It was incorporated as a part of the letter of Gen. McIntyre to the Secretary of War.

Mr. SAWYER. I am familiar with the letter.

Mr. MAGEE. In other words, I could not just reconcile your testimony with Gen. Disque's testimony.

Mr. SAWYER. I think, if I may make a suggestion—I don't want to make a speech, but there are many things here where we are talking about different things. Mr. Byram's object up there and his point of view was different from ours. He wanted something else.

Mr. MAGEE. What did he want? That is what I am getting at. Did he make application to have the Deep Creek route extended? Was that what he wanted?

Mr. SAWYER. He didn't want any extension, but if there was to be an extension he wanted it to be the Deep Creek route.

Mr. MAGEE. Yes. Well, now, that is what I had in mind.

Mr. SAWYER. Now, may I ask permission to just make one statement there?

Mr. MAGEE. Well, now, that answers my question.

Mr. SAWYER. That brings up something else. Go ahead; but there is one question that comes to me I would like to correct at your leisure.

Mr. MAGEE. All right; correct it now, if you have something to correct.

Mr. SAWYER. I want to say that the statement was made in Seattle that the Lake Crescent route, which was adopted, would make a shorter line from Port Angeles to Grays Harbor by between 30 to 50 miles.

Mr. MAGEE. Yes.

Mr. SAWYER. As a matter of fact, the developed line shows a difference of about 8 miles.

Mr. MAGEE. Yes. Well, now, I will assure you also that I am only asking these questions for information. I want to get all the information I can to get these things as clearly in my mind as I can. Now, Mr. Byram, then, as I understand, favored the extension of the Deep Creek route into this—what do you call it? The Olympic or Olympia tract?

Mr. SAWYER. That is the Olympic Peninsula.

Mr. MAGEE. Yes; into where this tract of heavy timber is.

Mr. SAWYER. Our immediate objective is commonly known as the Hoko watershed.

Mr. MAGEE. Yes. Now, that was the route, as I understand, upon which Mr. Roberts gave an estimate?

Mr. SAWYER. I think he did not make a careful estimate.

Mr. MAGEE. No; he said it wasn't a careful estimate.

Mr. SAWYER. He made an approximate estimate or a rough estimate.

Mr. MAGEE. An approximate estimate, as I recall. It is in the record, something like \$1,600,000.

Mr. SAWYER. Yes.

Mr. MAGEE. So that it was feasible to extend the Deep Creek route into that timber up there?

Mr. SAWYER. If you had the time.

Mr. MAGEE. There is no question about that, is there?

Mr. SAWYER. No question about the feasibility, if you had the time; but the limitation is always with you.

Mr. MAGEE. Now, that answers my question. There wasn't any question as to the feasibility of it.

Mr. SAWYER. That question I won't answer without an explanation. That is a misleading question.

Mr. MAGEE. It is? Now, then, Gen. Disque has testified that he was in doubt, or wobbling there for six weeks, or such a matter, and whatever the record shows, so that if he had rested on his first decision and had not changed his mind, why the construction of that extension from Deep Creek, if it had been determined on, could have been begun quite a material time sooner than the construction was begun on the Lake Crescent-Lake Pleasant route, couldn't it?

Mr. SAWYER. I have no knowledge of that; but six weeks would not be a material factor.

Mr. MAGEE. Six weeks would not amount to anything?

Mr. SAWYER. Not in that connection.

Mr. MAGEE. But 10 days might amount to a great deal on the front in France?

Mr. SAWYER. Precisely.

Mr. MAGEE. Well, that is all.

Mr. SAWYER. Thank you. Mr. Lea, are you through?

Mr. LEA. Why yes; I was through.

(Witness excused.)

Mr. LEA. Well, we are losing valuable time here, Mr. Chairman, if we are going to run until 6 o'clock to-morrow morning.

Mr. FREAR. Well, let's put this letter in evidence.

Mr. LEA. All right.

Mr. FREAR. Yes; a letter from Col. Stearns has been addressed to the chairman asking that certain statements made by him, slight inaccuracies, I think in every case, be inserted in the record, in order to correct and to save recalling, and if there is no objection to that being inserted in the record it will be copied right in.

Mr. MAGEE. There is no objection from me.

(Said letter is set out in full, as follows:)

SEPTEMBER 8, 1919.

HON. JAMES A. FREAR,

Chairman Congressional Investigating Committee,

Portland, Oreg.

DEAR SIR: In my testimony before the committee in Seattle you gave me an opportunity to correct any misstatements that I may have made in the record. In view of this fact, it is requested that the following corrections of my testimony be read into the records:

Answer to question concerning the number of contracts made with the Siems, Carey-H. S. Kerbaugh Corporation. I stated that there were two. This should be changed to four, as there were two supplemental contracts covering advances.

I stated that the amount of capital stock was \$100,000. This should be corrected to read the paid-in stock was \$100,000, the actual capital stock being \$10,000,000, upon which a call was issued of \$1 per share, or \$100,000.

Statement to the effect that \$25,000,000 worth of debentures were not issued should be corrected to read that these debentures were not issued to the Allies, but were issued to the Bureau of Aircraft Production, a formal order being placed for their purchase and the sum of \$25,000,000 was being set aside on its books as a commitment against the 1918-19 appropriation. Of this amount two payments were received by the corporation, the first for \$15,000,000 and the second for \$6,500,000, leaving a balance of \$3,500,000.

Statement was made that the present percentage of original cost recovered on salvage sales was now decreased to approximately 55 per cent. This should be changed to 74 per cent.

Respectfully, yours,

C. P. STEARNS.

Mr. MAGEE. Are there to be any more witnesses called?

Mr. LEA. Not by me to-night.

Mr. MAGEE. Then will you excuse me?

Mr. LEA. Certainly.

(Mr. Frear and Mr. Lea here conferred in an undertone.)

Mr. FREAR. We will adjourn until 10 o'clock to-morrow morning.

(Whereupon, at 10 p. m., Wednesday, September 10, 1919, the subcommittee adjourned until 10 o'clock a. m., Thursday, September 11, 1919.)

SUBCOMMITTEE No. 1 (AVIATION)
OF THE SELECT COMMITTEE ON
EXPENDITORS IN THE WAR DEPARTMENT,
HOUSE OF REPRESENTATIVES,
Thursday, September 11, 1919.

The subcommittee met at 10 o'clock a. m., pursuant to adjournment, at the courthouse, Portland, Oreg., Hon. James A. Frear (chairman) presiding. Also present, Hon. Walter W. Magee and Hon. Clarence F. Lea.

Mr. FREAR. At the conclusion of the hearings last night approximately a score of witnesses had been heard on the part of the Spruce Production Corporation and those interested in stating its position in this investigation. At the night session it was agreed that, no further witnesses being in attendance, and in an effort to close the hearings at some fixed time as had been agreed upon, the time fixed for such testimony then expired. The night session closed at 10 o'clock.

It also appears from the record and Mr. Disque, who had written a letter to the committee asking for the privilege to testify, had been heard for three and a half days during the early part of the investigation and had requested to again appear; and with that in view it was made a matter of record yesterday that he should appear during the day if he so desired to be heard. It is a matter of fact that Mr. Disque has not been present at any of the hearings since he was originally called, and this statement is to make as a matter of record the fact that he has been invited to make any further statement he desired, and to evidence the fact that no prejudice has existed in permitting him to make such statement as was referred to in the record yesterday. The committee has no further questions to ask of him, but in case he does desire to make any further statement he can probably be permitted to do so after our arrival in New York, where hearings are expected to take place hereafter.

Mr. MAGEE. I wish to say that Gen. Disque, when on the stand, stated that he wanted to appear before the committee again before we left Portland. I assume, of course, that the officers of the Spruce Production Corporation got in touch with the general yesterday, but I think that that fact ought to appear or ought not to appear, and if that is not so an officer of the Spruce Production Corporation ought to be requested at once to get in touch with the general, so that we will have some word as to whether he desires to appear here to-day before the committee, and if so we should hear him; and if he does

not choose to be heard that he should be notified that when we take evidence in New York he will then be given an opportunity to appear before the committee there if he so desires. I want this matter settled here so that there can not be any question as to the opportunity given to the general if he desires to appear further before the committee, because I said something at the time he made the request indicating that he would be given such opportunity if desired, and I want to carry out whatever inference might be drawn from my statement.

Mr. LEA. As I understand it, the main thing Mr. Disque desired was the opportunity of replying to any further charges that might be made against him, and I presume that if he could have that privilege at Washington or New York it would answer his purpose. That is my presumption.

Mr. MAGEE. Capt. Walker, do you represent the Spruce Production Co. here?

Mr. WALKER. Yes, sir. I think he really meant charges against the corporation.

Mr. MAGEE. The question is whether Gen. Disque wants to appear before the committee to-day, or whether he prefers to appear before the committee in New York or Washington later on.

Mr. WALKER. I guess it was immaterial to him. Of course, he did not know what further charges might be brought before the end of the hearings, and it was natural that he might wish to state his side of it. I will take it up with him.

Mr. MAGEE. Take it up with him now.

Mr. FREAR. That must be decided right away, as we do not want to delay the hearings.

Mr. LEA. As I understand it, I think the situation is this: Suppose something should come up here that should change the situation as it now stands; he should have a right to decide, with knowledge of what the situation is, and I do not think we will have any trouble about that feature of it.

Mr. MAGEE. We are going to close this, and I want to settle it, and I want to have due notice given. The papers have stated that he has additional important information for the committee, and if he has I would like to get the information and have him give it here in open session. I do not want any bad faith imputed to me, and I want to get in touch with Gen. Disque and settle the matter now. I am in favor of adjourning the session until 2 o'clock if he wants to be heard to-day, or if he prefers to be heard in Washington or New York that is satisfactory to me if he will so state.

Mr. LEA. Of course, the essential feature is that he be given opportunity to reply, if something should come up later, a serious charge affecting his integrity, or something of that sort, in which case naturally he would like to be heard.

Mr. MAGEE. That is your position, but I am not going to be placed in any such position; I want the matter settled with Gen. Disque so that there can be no misunderstanding. He claimed he wanted to be heard. He can be heard in Washington or New York, and we must close the hearings here within a reasonable time. I do not know of any charges preferred against anybody, and I do not understand that any charges have been brought against him. Whatever inference one might draw has been drawn out of the extmanation

of witnesses, and some of them have been more or less excited and have made very strong statements, as you know, and have been given wide latitude; but it has been stated in the newspapers that the general has additional important information for the committee. I do not know whether that is so or not, and if he has he can impart it to the committee whenever he desires; but I want to relieve myself of any charge of bad faith in the statement I made to the general when he made the request of the committee to be heard, and I said he would be given another opportunity to be heard. So I want to get in touch with the general now and have the thing settled.

Mr. WALKER. I will do that now.

Mr. FREAR. This statement should appear in the record also at this time, that the suggestion has been urged in a seemingly unfair way that the witnesses called by the chairman or the committee generally have been voluntary witnesses who had grievances, and objectionable expressions have been passed upon their reasons for so appearing. The chairman desires to state that many people claiming to have information regarding the purposes of this investigation have refused to give their names and refused to permit themselves to be called, and the disposition shown has been one of reluctance on the part of practically all the witnesses who have been called; and, on the other hand, that no subpoenas have been issued to bring forward those desiring to testify on behalf of the Spruce Corporation or those connected with it, and that no unfair deductions should be drawn from that fact. The committee desires to investigate without prejudice and thanks those in attendance whether they are subpoenaed or not.

(Thereupon the committee suspended the hearing for 15 minutes, whereupon the following occurred:)

Mr. LEA. Capt. Walker has returned and reports that Col. Disque says if he will be given an opportunity to appear in the East that will be satisfactory to him.

Mr. WALKER. He wanted me to state further that he had made no statements to the papers lately about his position in the matter of having additional information.

Mr. FREAR. Then he was misrepresented in the papers?

Mr. WALKER. Yes, sir.

Mr. MAGEE. So that there will be no misunderstanding let it appear of record that Capt. Walker states that after conferring with Gen. Disque Gen. Disque says that if he is given an opportunity to testify further in the East in case he so desires that is satisfactory to him. Is that correct?

Mr. WALKER. Yes, sir.

TESTIMONY OF GEORGE H. CECIL.

(The witness was duly sworn by Mr. Frear.)

Mr. FREAR. State your name.

Mr. CECIL. George H. Cecil.

Mr. FREAR. You are district forester, Mr. Cecil?

Mr. CECIL. District forester of the United States Forest Service.

Mr. FREAR. And as such you are located at Portland?

Mr. CECIL. Headquarters at Portland, Oreg.

Mr. FREAR. Did you have occasion to take up with Mr. Disque during the early part of 1918 the matter of a road in Clallam County for the purpose of getting out spruce for aircraft purposes?

Mr. CECIL. Col. Disque, then Col. Disque, asked us to have a logging engineer make an examination of that tract and make a recommendation as to the feasibility of it.

Mr. FREAR. I do not care to go into details, but you did make an examination?

Mr. CECIL. Yes, sir.

Mr. FREAR. And you wrote a letter to Col. Disque?

Mr. CECIL. Yes, sir.

Mr. FREAR. In regard to your finding?

Mr. CECIL. The letter accompanied the logging engineer's report.

Mr. FREAR. That was on the date of April 4, 1918?

Mr. CECIL. Yes, sir.

Mr. FREAR. And the letter read by Col. Disque, or Mr. Disque now, he quotes two or three paragraphs of that letter, but the letter was not put in evidence. I will ask you if this is a correct copy of that letter, the whole letter [showing]?

Mr. CECIL. Yes, sir.

Mr. FREAR. I desire to read the whole of the letter, part of which was not referred to by Mr. Disque:

Col. BRICE P. DISQUE,

Signal Corps, Yeon Building, Portland, Oreg.

DEAR SIR: I am inclosing for your information a report submitted by Logging Engineer Nelson on the Hoko River and adjacent areas.

It appears from this report that there is spruce sufficient in quantity and quality to justify a considerable outlay in making it available for use. If it is expected that it will be necessary to considerably augment the present output in the immediate future it would seem the best proposition would be to undertake to reach the timber by the road via Clallam Bay and the Hoko. Even though it was decided to also develop along one of the other routes in order to reach other timber around Lake Pleasant (Lake Tyee) and then south, the above would probably be the most feasible undertaking for immediate development.

That appears in that letter?

Mr. CECIL. Yes, sir.

Mr. FREAR. The rest of the letter Col. Disque read.

Mr. MAGEE. Are you going to put the letter in evidence?

Mr. FREAR. Yes.

Mr. LEA. I would like to hear the rest of it.

Mr. FREAR. Disque read the rest of the letter, but he left out the first part of it.

Mr. LEA. Just read the rest of it.

Mr. FREAR. The letter is offered in evidence for the purpose of showing that your letter to Disque advised him that the proper place to put it for immediate development was the Hoko River from Clallam Bay, and we have no knowledge of that fact from the letter as he read it.

Mr. CECIL. The letter was quoted in part, and I thought, in justice to myself, the whole letter should be put in.

Mr. FREAR. In justice to you, it certainly should be put in.

Mr. LEA. Col. Disque presented that letter, and I asked, as I remember it, to have the whole letter in evidence.

Mr. FREAR. If Mr. Lea knew about that and that other half went in, I do not think it was fair to the other members of the committee.

Mr. LEA. The letter was presented here to the committee.

Mr. FREAR. I had no knowledge of it.

Mr. MAGEE. I think it ought to be put in evidence. I offer the letter now, Mr. Chairman.

Mr. LEA. To what point did you read?

Mr. FREAR. I read down to here [indicating].

Mr. LEA. I would like to read the letter in full.

(The remainder of the letter referred to is as follows:)

From Nelson's report it appears that the proposed route of the Milwaukee is just as long as that via Lake Crescent and down the Sol Duc; that it is a more difficult route in many respects; and, further, it has not the advantage of the latter in opening up considerable areas of timber prior to reaching the region around Lake Pleasant (Lake Tye).

It will undoubtedly be necessary to build the latter route sometime in order to develop the timber along the line, and I do not believe that two routes so close together in the same territory will be justified.

I suggest, therefore, the possibility of getting the two companies together and selecting the more feasible of the two routes for development. All the timber on the Hoko would necessarily have to come out by the way of Clallam Bay, in case the railroad was built up that stream, in order to justify its construction. In addition to the Lake Pleasant timber, however, the Dickey might be allotted to the other road to compensate them for the construction of their line. I believe that it is extremely important that either one or the other of these two routes, with main-line connections, be extended to west of Lake Pleasant and then south to open up the timber on the Hoh and other streams having large possibilities in the way of spruce production, eventually to connect with the Polson road from Grays Harbor. Such a line would pass through the heart of the finest spruce region of Washington, and with the necessary spurs would make this material accessible.

Mr. Nelson and I will be glad to call and discuss this matter with you further, if you so desire.

Very truly, yours,

GEO. H. CECIL, *District Forester.*

Mr. FREAR. Part of that letter has been placed in the record by Mr. Disque. Taking the letter as a whole your proposition to Mr. Disque was, first, that for immediate action, for early results, the Hoko River, that 15-mile road, as it has been testified here, was the proper road to get it out.

Mr. CECIL. Yes, sir.

Mr. FREAR. Now, subsequently you were referring to your judgment regarding the difference between what is known as the Deep Creek or the Pysht River route and the Crescent Lake route, but it had no reference to the Clallam Bay Railroad.

Mr. CECIL. It had no reference to that.

Mr. FREAR. Now, testimony has come before the committee, and I will ask you if you have any cruises or knowledge of the fact that from Joyce up to Lake Pleasant on this new road that has been put through there is practically no spruce until you reach Lake Pleasant. That was the telegram from Howes, and that is the testimony that has been placed before the committee.

Mr. CECIL. I have not been on the ground personally, Mr. Frear, and I would not like to say, but from the records of my office I could tell.

Mr. FREAR. There is the suggestion here that there is spruce, and it is the first suggestion we have had that there is spruce.

Mr. CECIL. In here?

Mr. FREAR. Yes.

Mr. CECIL. No; it says timber. That was on the other route, the Lake Crescent route. It was fir and not spruce.

Mr. FREAR. Oh, it was fir and not spruce.

Mr. CECIL. Yes. It does not say "spruce," it says "timber."

Mr. FREAR. Then there was no spruce. The testimony has been placed before the committee that there is no spruce in any quantity until you reach Lake Pleasant, and that is not disputed by anything that you have in your possession.

Mr. CECIL. No, indeed.

Mr. FREAR. That road is 36 miles in length and, in addition to the 20 miles, made the entire length 56 miles to Port Angeles before spruce was reached.

Mr. CECIL. Yes.

Mr. FREAR. After the presentation of this letter to Mr. Disque, did you have further conferences with him?

Mr. CECIL. Not in regard to this matter. Mr. Nelson, I think, did, but I did not personally.

Mr. FREAR. This letter says, "Mr. Nelson and I will be glad to call and discuss this matter with you further if you so desire." Did Mr. Disque ever send for you?

Mr. CECIL. I think he had some discussion with Nelson on the matter, but not with me. Nelson was a logging engineer, also in the Forest Service.

Mr. FREAR. Do you know anything about the timber in the Siletz Valley?

Mr. CECIL. No; I am not at all familiar with the Siletz.

Mr. FREAR. You are not familiar with it?

Mr. CECIL. No.

Mr. FREAR. Do you have cruises in your office of the various timber tracts?

Mr. CECIL. Only so far as they are inside of the national forest. I have a great deal of data collected from county cruises outside of the national forest. In fact I gave Col. Disque cruises in the State of Washington of all sections, of 40-acre subdivisions that had spruce on.

Mr. FREAR. I wish, so far as it is possible for you to do so, you would examine your records and see what cruises appear in regard to the Siletz region, the Siletz district.

Mr. CECIL. I will.

Mr. FREAR. And let the committee know this afternoon the result of your examination.

Mr. CECIL. Yes, sir; I will. I have some data on that, I am quite sure.

Mr. FREAR. This letter has been offered in the record.

Mr. LEA. Was this letter based on your own examination?

Mr. CECIL. No, sir. As it said, it was accompanying the report of the logging engineer who had made the examination on the ground.

Mr. LEA. And you reported to Mr. Disque on the faith of that?

Mr. CECIL. I sent the copy of the report. This was a letter submitting the report.

Mr. LEA. In your opinion it was important, if there was a large spruce production, to build this Lake Crescent road.

Mr. CECIL. At that time we were expecting the war to last four years, and my judgment was if the war lasted four years it would be necessary to open up some of this spruce lower down in the Hoh, in the heavily timbered portion of the peninsula.

Mr. LEA. You did think that was the proper thing to do?

Mr. CECIL. Yes.

Mr. LEA. Opening up Clallam Bay was simply an additional amount, afforded an opportunity for getting an additional amount of spruce.

Mr. CECIL. For an amount that could be gotten at immediately. We could have gotten spruce in there, according to our engineer's report, within 90 days?

Mr. LEA. They were operating in there at that time on spruce, were they not, the Goodyear Lumber Co.?

Mr. CECIL. Very little. Most of the spruce laid near the head of the Hoko and the Dickey.

Mr. LEA. Wasn't there a line advancing in that region?

Mr. CECIL. Very slowly.

Mr. LEA. And there was spruce up there, of course.

Mr. CECIL. Yes; there was spruce up there.

Mr. LEA. Is anything you said here intended to change anything that is stated in that report?

Mr. CECIL. Not at all. All I want to put in is that I wish to bring out that two routes were recommended, and we thought if the war continued for four years it would be necessary to open up south of Lake Crescent. The immediate development of the Hoko River was to open up near Clallam Bay.

Mr. LEA. What was the quantity of timber that would be reached by the Lake Crescent route?

Mr. CECIL. I do not know. There is an immense amount of timber if you go on south and take in the Hoko and some of those streams to the south. There would be an immense amount of timber opened up. I have estimates on every watershed in the State of Washington.

Mr. LEA. Do you know the distance to the first spruce spur on this Lake Crescent route?

Mr. CECIL. No; I do not. I have not been over the upper end of the road. I have been to Lake Crescent, but not farther south.

Mr. LEA. That is all.

Mr. FREAR. When this country was asking for airplane material, and that was the important proposition, you wrote Col. Disque that this was the way to immediately open it up, as you have just testified, in 90 days.

Mr. CECIL. Yes, sir. The report shows that it could have been opened up in 90 days.

Mr. FREAR. This was only 15 miles, as has been testified, to the timber.

Mr. CECIL. Yes.

Mr. FREAR. And from that on could a road be extended up into this Pleasant Lake timber?

Mr. CECIL. Well, it was brought out in the report that it could have, yes; but it could not have gotten into the timber south of there. If we were going to be in the war a great many years it would be necessary to get into that timber.

Mr. FREAR. The testimony of Mr. Polson yesterday was that it could have been reached by the Northern Pacific from Grays Harbor.

Mr. CECIL. Yes, sir. The scheme was that a connection should be made between the two roads.

Mr. FREAR. The Northern Pacific and the Milwaukee?

Mr. CECIL. Yes.

Mr. FREAR. But for immediate development, to get the timber at once, the way was to go up from Clallam Bay?

Mr. CECIL. That was my belief.

Mr. FREAR. The 15-mile road, instead of taking this 36-mile road?

Mr. CECIL. Yes.

Mr. FREAR. Where they had this heavy construction, as has been testified.

Mr. LEA. But the largest development was not possible from that point, isn't that true, from Clallam Bay?

Mr. CECIL. Yes; that would be true. The timber from the Hoko could not go out that way.

Mr. FREAR. Why?

Mr. CECIL. There were several reasons. In the first place, you would have several adverse grades to haul over.

Mr. FREAR. Whereabouts; from what stags?

Mr. CECIL. South from Lake Pleasant.

Mr. FREAR. Well, in Lake Pleasant country it has been testified that there is over 700,000,000 feet of spruce.

Mr. CECIL. Yes.

Mr. FREAR. And it is testified that there was about 700,000,000 feet of spruce down in the Siletz, and in the Siletz there is about 10,000,000,000 feet of fir which was being used.

Mr. CECIL. Yes.

Mr. FREAR. And with the fir that you speak of in the Lake Pleasant district and that in the Tillamook and that in Grays Harbor, in the Quinalt, don't you think that we could have reached enough spruce and enough fir in all those various districts which were opened up to have gotten along without touching this Hoh River?

Mr. CECIL. Of course, when you speak of the amount of spruce in particular that is true, but only from 15 to 20 per cent would make aircraft material.

Mr. FREAR. Yes; but with that material that could be had it would have placed an airplane practically in the hands of every soldier over in Europe, and it takes 10 men to handle an airplane, so the question is, Was it necessary to get into the upper Hoh? Who could have manned the airplanes from all this timber that we were planning to put over into Europe?

Mr. CECIL. Of course, they asked, as I understand it, for 20,000,000 feet a month, and it would take an immense amount to yield 20,000,000 feet of aircraft spruce per month.

Mr. FREAR. That is true.

Mr. CECIL. You can very easily figure that.

Mr. FREAR. But they were using more fir than spruce.

Mr. CECIL. Yes; but at this time they had not adopted the use of fir, at the time this letter was written.

Mr. FREAR. At the time of the letter, but before we had finished operations they had, so as a matter of fact the development of the upper Hoh River was not necessary, was it, in view of the fact that

we were using fir, and more of it was being used, being cut over here at the Vancouver plant, than spruce?

Mr. CECIL. That would be pretty hard to say. I would want to check the figures.

Mr. FREAR. I want to get that in in connection with the necessity of building a railroad over to the Hoh River as well as a railroad to Callam Bay, and all the other railroads that were being constructed.

(Witness excused.)

Mr. FREAR. I desire to offer this affidavit of W. C. Butler. Its materiality is not so very important, so far as I know, but it is based upon a newspaper article, and I desire to put it in the record so as to support it. In the record, page 3221, appears a statement from Mr. Disque. The question was by Mr. Magee:

Is that the association with which Mr. Butler is affiliated, Mr. Disque?

Mr. DISQUE. That is the association with which Mr. Butler is closely affiliated. Mr. Chinn is the man who manages this association.

Now, for a large part of two pages he goes on and discusses this proposition, and Mr. Magee then says:

Do you question their patriotism?

Mr. DISQUE. I do.

Mr. LEA. Mr. Chinn and Mr. Butler were both before the committee complaining that they could not get contracts for the loggers. Was there any other reason than this that they could not get them?

Mr. DISQUE. To the loggers?

Mr. LEA. That they could not get contracts from the Spruce Production Corporation.

Mr. DISQUE. That is why they could not get them, because I would not come to terms and pay them several times as much profit, etc.

Mr. Lea is the one who brings out the close connection and seeks to plaster Mr. Butler with being unpatriotic. That has not been attempted with any other witness here, so far as I know.

Mr. LEA. Now, I do not understand from the testimony you read that it is in conflict with this affidavit.

Mr. FREAR. I ask to have this affidavit go in the record, whether you agree to it or not.

Mr. LEA. The affidavit refers to a newspaper report, and as far as my opinion of Butler is concerned that is not material.

Mr. FREAR. Mr. Butler's opinion is probably about likewise of the gentleman who has just discussed the matter, but, of course, that is not any part of this hearing.

Mr. LEA. I have very good reasons for my opinion of Mr. Butler, and it is not very complimentary to him.

Mr. FREAR. Mr. Butler, as appears in the testimony, is a brother of Nicholas Murray Butler, who was present at the hearings in Seattle when the hearings were held there, and it is a very unfortunate thing that he does not receive the commendation of every member of the committee.

Mr. LEA. What is it that Jerry Simpson says, "The best of stock will run down."

Mr. MAGEE. I want to say, in this connection, that we have no more distinguished, respected, and esteemed citizen in the East than Dr. Butler, president of Columbia University.

Mr. LEA. Understand me, I am not casting any reflection on Dr. Butler. I have no reason to.

Mr. FREAR. Even Mr. Disque withdrew his expression regarding Mr. Butler when he saw the position in which it placed him.

(The affidavit above referred to is marked "Exhibit No. 27, September 11, 1919," and copied into the record, as follows:)

STATE OF WASHINGTON, *County of Snohomish, ss:*

W. C. Butler, being duly sworn, testifies as follows:

Referring to the testimony of Gen. Disque given before your committee on Friday, September 5, as reported by the Morning Oregonian of Saturday, September 6, beginning:

"Questioning the good faith of certain Puget Sound loggers who approached him for a conference with respect to logging in Lincoln County August, 1918, Gen. Disque told the committee why he had turned their proposition down.

"Several of the witnesses who testified adversely at the Seattle hearing were members of this conference, including W. C. Butler, of Everett," etc.

That he was not present at such conference, if one was held, knew nothing of it, and was in no wise interested or concerned with the negotiations along the lines referred to in Gen. Disque's testimony as to such conference.

He was not familiar nor interested in the proposal or information sent to Gen. Disque by Mr. Chinn, and knew nothing of such discussions or negotiations.

That at no time has he had conference or negotiations either with Gen. Disque—Gen. Disque's office—of any logging operators with a view of conducting logging operations for the United States Government on any basis other than without profit or at absolute cost.

Dated at Everett, Wash., this 9th day of September, 1919.

WM. C. BUTLER.

Subscribed and sworn to before me this 9th day of September, 1919.

[SEAL.]

J. A. NORWAY,

*Notary public in and for the State of Washington,
residing at Everett.*

I desire to read into the record a statement which has just been handed me:

PORTLAND REALTY BOARD—GET-TOGETHER MEETING—FRIDAY, SEPTEMBER 12, 1919—CRYSTAL DINING ROOM, BENSON HOTEL.

Gen. Brice P. Disque, formerly commanding Spruce Production Division, United States Army, will give the board a 20-minute talk on matters of current interest.

I will suggest that it was before a similar meeting, during the pendency of this investigation, at which Mr. Disque went on and defended himself and the Spruce Production Corporation in regard to charges that had not been filed before this committee, which was trying to investigate conditions; and at the same time one of the members of this committee appeared before that same meeting and stated matters reflecting upon his associate members of this committee, as to their purposes, what they were doing. Mr. Disque, who is not a general, of course, as he is retired to private life now—Mr. Disque has been invited to appear before this committee this morning to give any additional facts, and he has decided not to do so, in which event the committee is unable to be of any service to him in giving him proper publicity.

TESTIMONY OF C. C. CAMPBELL.

(The witness was sworn by Mr. Frear.)

Mr. FREAR. Where do you live, Mr. Campbell?

Mr. CAMPBELL. The only home I have is in old Mexico.

Mr. FREAR. Were you born there?

Mr. CAMPBELL. No, sir; born in Nebraska.

Mr. FREAR. What are your initials?

Mr. CAMPBELL. C. C.

Mr. FREAR. How is it that your only home is in old Mexico?

Mr. CAMPBELL. I went down there before I was of age.

Mr. FREAR. And how long did you remain there?

Mr. CAMPBELL. About 14 years.

Mr. FREAR. And where did you go then?

Mr. CAMPBELL. Came back here.

Mr. FREAR. Where—to Portland, Oreg.?

Mr. CAMPBELL. No; came back and went into the Army.

Mr. FREAR. Where?

Mr. CAMPBELL. In Portland, Me.

Mr. FREAR. In Portland, Me?

Mr. CAMPBELL. Yes, sir.

Mr. FREAR. And was this during this last war?

Mr. CAMPBELL. Yes, sir.

Mr. FREAR. And then what?

Mr. CAMPBELL. I was commissioned in the Army.

Mr. FREAR. Yes; just briefly state.

Mr. CAMPBELL. I was executive officer of the Finance Division in Washington.

Mr. FREAR. And then what?

Mr. CAMPBELL. Then I came out here.

Mr. FREAR. That is, on the Aircraft?

Mr. CAMPBELL. Yes.

Mr. FREAR. And then what?

Mr. CAMPBELL. Came out here as district manager of finance.

Mr. FREAR. That was at what time?

Mr. CAMPBELL. About the 1st of December.

Mr. FREAR. Of 1917?

Mr. CAMPBELL. 1918.

Mr. FREAR. The 1st of December, 1918?

Mr. CAMPBELL. Yes, sir.

Mr. FREAR. That was after the signing of the armistice?

Mr. CAMPBELL. Yes, sir.

Mr. FREAR. Are you familiar with the records of the Spruce Production Corporation, and with the——

Mr. CAMPBELL. To a certain extent; yes, sir.

Mr. FREAR. From the books of the division?

Mr. CAMPBELL. Yes.

Mr. FREAR. But were from prior to that time. That is the only purpose, just to show the qualifications. You are a public accountant, are you?

Mr. CAMPBELL. No, sir.

Mr. FREAR. What is your experience?

Mr. CAMPBELL. Well, I have had 15 years of accounting experience in connection with my business.

Mr. FREAR. And you are now in charge of the books of the department—of this corporation?

Mr. CAMPBELL. Yes, sir.

Mr. FREAR. Have you the Hammond contract there?

Mr. CAMPBELL. Yes, sir.

Mr. FREAR. We have asked to have certain letters presented that would make it a little convenient for you and for the committee, so as to get to those points at once. Will you explain to the committee the basis of the Hammond settlement as it was made?

Mr. CAMPBELL. Well, before you go into that I would like to state that the Hammond settlement was made by the contract board and agreed to about the time of my arrival here and I had nothing to do with it.

Mr. FREAR. I understand, but I mean just explain to the committee—

Mr. CAMPBELL. I think some member of the board should be called.

Mr. FREAR (continuing). What the records show.

Mr. CAMPBELL. They were settled with on the basis of amortizing the cost of building and equipping their railroad. The contract, I think, was for 6,000,000 feet of logs.

Mr. FREAR. What company is this?

Mr. CAMPBELL. Hammond Lumber Co.

Mr. FREAR. Where are they?

Mr. CAMPBELL. I think their offices are in San Francisco.

Mr. FREAR. And where were those logs to be cut, if you know; in what section?

Mr. CAMPBELL. I don't know without referring to the contract. Somewhere in the Seaside district down here, along the coast.

Mr. FREAR. You have the contract, I think, haven't you?

Mr. CAMPBELL. Yes, sir. The road was built—it is the timber tributary to the Necanicum River, near Holladay, Oreg.

Mr. FREAR. Now, you can give the substance of the contract and then the basis of the settlement.

Mr. CAMPBELL. Well, the substance of the contract—they were to furnish this 60,000,000 feet of logs and they were to build a railroad in to those logs, as I remember.

Mr. FREAR. What was the price for the log—the contract price?

Mr. CAMPBELL. The contract price of the logs, while it fixed a price of \$40, their profit was limited to two and a half a thousand; that is, after the contract was completed, if they had more than that amount—

Mr. FREAR. I see.

Mr. CAMPBELL (continuing). They had to turn it back to the Government.

Mr. FREAR. Now, go on and tell the basis of the settlement, to see if the spirit of the contract was complied with.

Mr. CAMPBELL. The expense of building their road and equipping it was—60 per cent of it was to have been amortized.

Mr. FREAR. Sixty or sixty-five?

Mr. CAMPBELL. I think it was 60. No, 65—that is right—was to have been amortized over the delivery of these—during the period of the delivery of these logs. That was one of the contemplations of the contract, and, in the event of cancellation, the unamortized portion of this was to be paid to them in final settlement. They delivered very few logs on the contract, I think 2,384,188 feet of logs they had delivered, that complied with the terms of the contract—

Mr. FREAR. Yes.

Mr. CAMPBELL (continuing). Which was 96.26 per cent of their 60,000,000 feet. And their cost of construction, not covered by this 2,000,000 feet delivered, was repaid to them.

Mr. FREAR. How much was the cost of the logs produced?

Mr. CAMPBELL. Well, I did not take the cost of the logs produced, and I don't know what the cost of the logs produced was. I am getting the cost of the railroad construction.

Mr. FREAR. What was that cost, then?

Mr. CAMPBELL. The cost of that was, with the total for overhead, \$724,682.16.

Mr. FREAR. That is, \$724,682, including the 10 per cent profit—that includes the 10 per cent profit?

Mr. CAMPBELL. Ten per cent for overhead.

Mr. FREAR. What mileage was that, do you know?

Mr. CAMPBELL. I don't know what the mileage of their road was. I don't know whether it states here. I never inquired. I don't know the length of their railroad, myself.

Mr. FREAR. Who can tell where the railroad is? Is there any member of your corporation who knows?

Mr. CAMPBELL. Maj. Harrington. It was not one of our railroads. It is not included in that, it is a privately owned road, built by the Hamond Lumber Co.

Mr. FREAR. Where did it extend to, do you know that?

Mr. CAMPBELL. What?

Mr. FREAR. Where did it extend to, do you know that?

Mr. CAMPBELL. I don't know, only as is stated in the contract.

Mr. FREAR. It don't state where it extended to, it simply states the section in which it is to be found.

Mr. CAMPBELL. It may be that we can tell. Here is a map attached to their claim, from which we can probably tell.

Mr. FREAR. Here is an amount of \$700,000. I am trying to find out—and it is a cost-plus contract, I understand, isn't it?

Mr. CAMPBELL. No, it was not a cost-plus contract.

Mr. FREAR. No, and that was to come under the final settlement?

Mr. CAMPBELL. Yes, sir.

Mr. FREAR. I want to find out just what kind of a road it was and how much they got out of it, if I can, under this contract.

Mr. CAMPBELL. You will have to get that from the engineering department. I am not familiar with it.

Mr. FREAR. You don't know; don't know anything about it?

Mr. CAMPBELL. No, I never saw the road, I know nothing about it.

Mr. FREAR. State what facts you have got.

Mr. CAMPBELL. I think I have given you what you asked for. If there is anything else you want now—except the payment for the unamortized portion of this on the basis of 65 per cent amounted to \$452,324.14.

Mr. FREAR. Four hundred and fifty-two thousand.

Mr. CAMPBELL. Yes.

Mr. FREAR. What does that cover—that four hundred and fifty-two thousand; can you give the basis on which that amount was developed?

Mr. CAMPBELL. Yes, sir; I think I can. The cost of the railroad—the Seaside railroad itself, was \$391,791.77.

Mr. FREAR. Yes.

Mr. CAMPBELL. Their rolling stock was \$73,819.02.

Mr. FREAR. Yes.

Mr. CAMPBELL. Logging engines and equipment, \$106,364.05; camp construction, \$31,372.94; camp commissary equipment, \$90; camp and mess equipment, \$6,766.37; shop equipment, \$3,266.74; auto truck and auto equipment, \$4,969.41; office equipment, \$456.77; and their rafting grounds at Warrenton, \$26,467.98. That makes a total of \$645,365.05.

Mr. FREAR. How much?

Mr. CAMPBELL. \$645,365.05. Then, as I understand, in putting in their claim they included the equipment used in the construction of the road and expected their amortization on that, and I think the Claims Board refused to allow that, but finally agreed to allow them a rental—a rental for the equipment used, instead of amortizing it, and they allowed them—

Mr. FREAR. What was the rental?

Mr. CAMPBELL. They allowed them \$13,436.91 rental.

Mr. FREAR. What was the amount that was paid to them, \$452,000?

Mr. CAMPBELL. \$452,324.24.

Mr. FREAR. And I am trying to ascertain the effect of the amortization, which must have been anticipated when the contract was drawn. The effect of this, as I understand it here, is that—well, I am asking you—you have no way of estimating what the cost of the logs was, this 2,384,000 feet of logs. By assuming that the—

Mr. CAMPBELL. You mean the cost to the Government?

Mr. FREAR. Yes.

Mr. CAMPBELL. Of those few logs.

Mr. FREAR. The cost to the Government; yes; after getting those logs out of there, in view of what we have paid.

Mr. CAMPBELL. I don't know. They never have figured on that basis.

Mr. FREAR. The Hammond Lumber Co. owns the railroad now?

Mr. CAMPBELL. They do.

Mr. FREAR. With this settlement which they had, and they were paid that amount of money, as you said, \$452,000, and what has the Government got out of it besides the logs?

Mr. CAMPBELL. That is all.

Mr. FREAR. That is sufficient at this stage, I guess. Have you the Lewis & Clark settlement?

Mr. CAMPBELL. Yes, sir.

Mr. FREAR. Will you explain the settlement made in the case of the Lewis & Clark—

Mr. CAMPBELL. The only thing I have here to give you that from is the report of the contract board as was established.

Mr. FREAR. Just what the records show, that is all.

Mr. CAMPBELL. These people entered a claim on account of their two contracts for \$123,370, I believe.

Mr. LEA. What claim was that?

Mr. CAMPBELL. That is the Lewis & Clark.

Mr. FREAR. Grant Smith—Porter Brothers. They were the contractors, weren't they?

Mr. CAMPBELL. Yes, sir.

Mr. FREAR. Just go on and state what you have there before you in reference to it.

Mr. CAMPBELL. The Government in this case, I think, was to furnish the labor for these railways, and the Lewis & Clark people to furnish the material, as I remember it. They had agreed to build a certain amount of railroad, and there was one line of $3\frac{1}{2}$ miles which had not been built. I think for the labor in the construction—

Mr. FREAR. How many miles did you say?

Mr. CAMPBELL. I don't know the mileage, except the short line that was not completed at all, that appears in the claim.

Mr. FREAR. A memorandum here before me states it is 12 miles and $3\frac{1}{2}$ miles—12 miles and $3\frac{1}{2}$.

Mr. CAMPBELL. I have that in some other papers here. I could look it up, if you want the mileage.

Mr. FREAR. That would make about 15 miles altogether?

Mr. CAMPBELL. Lewis & Clark had 13 main-line miles completed, and spurs and sidings amounting to 7.36 miles.

Mr. FREAR. Amounting to 7?

Mr. CAMPBELL. 7.36 miles.

Mr. FREAR. Now, go on and state, if you will. They presented a claim for \$123,370?

Mr. CAMPBELL. Yes, sir.

Mr. FREAR. How much was on the 12-mile road?

Mr. CAMPBELL. Of the claims they presented?

Mr. FREAR. Yes.

Mr. CAMPBELL. Let's see if I have their original claim here. I think I have. The claim on that one was \$51,370.

Mr. FREAR. Yes. On the $3\frac{1}{2}$ -mile road?

Mr. CAMPBELL. Yes, sir. They tendered a claim for the other contract, the road that had been completed, seventy-two thousand—or practically completed, \$72,000. Those claims were settled by the contract board, two of them were lumped and one settlement made. They were allowed \$43,639 for the completion of the $3\frac{1}{2}$ miles of road, and \$21,000 for the uncompleted portion of the other line or for the labor necessary to complete the other line.

Mr. FREAR. Has this payment been made?

Mr. CAMPBELL. Yes, sir.

Mr. FREAR. When was that made?

Mr. CAMPBELL. That was adjusted by the old contract board on February 26, and I presume payment was made shortly after that.

Mr. FREAR. Your records show that it has been paid?

Mr. CAMPBELL. Yes, sir; I think I have the voucher covering the final settlement in my pocket. [Examining.] The final settlement with them was made on March 27.

Mr. FREAR. March 27?

Mr. CAMPBELL. Yes.

Mr. FREAR. At the figures you have stated?

Mr. CAMPBELL. Yes, sir. Of course the final voucher didn't read for that amount, because they owed the Government money and the Government owed them money; the accounts were balanced, and I think the balance of their account was about \$25,000.

Mr. FREAR. That was all figured in at the time of the settlement?

Mr. CAMPBELL. Yes, sir.

Mr. FREAR. The provision here appears to be, according to the memorandum, that Capt. J. H. Markam was the one who determined——

Mr. CAMPBELL. I think he was to make final determination.

Mr. FREAR. And he was the arbiter; that is, he had the sole——

Mr. CAMPBELL. Supervisor.

Mr. FREAR. He had the sole decision in it. Have you the Willapa Lumber Co. contract there?

Mr. CAMPBELL. No, sir.

Mr. FREAR. I have a copy here, and I just will ask you if that is a correct copy. Have you the Hammond contract there?

Mr. CAMPBELL. Yes, sir. I have also furnished the committee one. I think this is the last copy for our file. Can you put yours in?

Mr. FREAR. I think Mr. Gabrielson has a copy.

Mr. CAMPBELL. He has one. He also has one of the Lewis & Clark. I furnished those to him.

Mr. LEA. I suggest that we let the witness retain this.

Mr. FREAR. That is your original?

Mr. CAMPBELL. Yes, sir.

Mr. FREAR. We will introduce those in the record. That is the Willapa Lumber Co., is it?

Mr. CAMPBELL. Yes, sir. Well, this is a contract for the sale of commercial lumber to them.

Mr. FREAR. A contract for the sale of lumber to them by the Spruce Production Corporation?

Mr. CAMPBELL. Yes, sir.

Mr. FREAR. What is the price or the amount that is fixed there for the sale?

Mr. CAMPBELL. A flat price of \$18.10 per thousand.

Mr. FREAR. For what?

Mr. CAMPBELL. Well, according to the contract it is for the purchase of lumber which was advertised for sale.

Mr. FREAR. There is a copy here?

Mr. CAMPBELL. There is a copy of the advertisement here, dated January 18, 1919.

Mr. FREAR. What was that price made to cover?

Mr. CAMPBELL. Well, that covered all of the commercial lumber owned by the corporation at that time. There might have been a few small lots of lumber that were not included in that advertisement, because they were scattered somewhere.

Mr. FREAR. Reading from this contract the "company agrees to purchase said lumber at the flat price of \$18.10 per thousand feet board measure, payment therefor to be made as hereinafter provided. The corporation will also sell and the lumber company agrees to buy all piling strips (where lumber is not piled with its own sizes as stickers) at \$10 per thousand feet board measure, roofing boards and foundation timber at \$7.50 per thousand feet board measure." Can you tell me now how this contract was executed?

Mr. CAMPBELL. When you ask how it was executed what do you mean, sir?

Mr. FREAR. I mean what was the method of determination, how did these people buy that lumber, what kind of lumber was it, were they allowed to make any particular selections from the——

Mr. CAMPBELL. They took everything we had.

Mr. FREAR. They took everything you had?

Mr. CAMPBELL. Yes, sir. This referred particularly to the stock of commercial lumber at the Vancouver cut-up plant. Have you been over there?

Mr. FREAR. Yes; I have been over there.

Mr. CAMPBELL. Several acres of it piled over there, side cut.

Mr. FREAR. Yes.

Mr. CAMPBELL. From the airplane operations. They called that commercial lumber, but, of course, it was not cut to commercial sizes.

Mr. FREAR. Was it to be taken by them from the lumber as it was placed in the yard there?

Mr. CAMPBELL. Yes, sir.

Mr. FREAR. And on the measurements that were found there?

Mr. CAMPBELL. Yes, sir.

Mr. FREAR. That is to say—and you testify to this of your own knowledge—that it didn't mean lumber as finished and sent out, did it?

Mr. CAMPBELL. I believe the contract contemplated lumber of commercial sizes; I don't know, because we went ahead—

Mr. FREAR. Did it mean that they could buy that lumber for \$18.10 a thousand, then finish it up, change the condition of it, and have that the basis of measurement as it was sent out by them?

Mr. CAMPBELL. I think that was contemplated; yes, sir.

Mr. FREAR. If that was true, it would permit them to buy lumber off \$18.10 a thousand and sell it for all the way up to \$60 a thousand, would it not?

Mr. CAMPBELL. On the present market; yes.

Mr. FREAR. Now, I am trying to ascertain what the method was. Why did this contract permit them to make the selections and throw away the refuse and improve—

Mr. CAMPBELL. They don't make any selections, but they take it as it is piled.

Mr. FREAR. But do they not take it and finish it up and then have that made as the correct measurement?

Mr. CAMPBELL. Yes, sir.

Mr. FREAR. Why was that condition placed in there? Do you know whether that was submitted to any other purchaser?

Mr. CAMPBELL. I don't know anything about the contract—

Mr. FREAR. Who was it that determined that method of procedure?

Mr. CAMPBELL. I could not tell you anything about that, because I don't know. Mr. Walker says he can give it to you.

Mr. WALKER. I had two bids for it at the time this contract was made, and as I remember, the nearest one was \$10, on the same basis and that—

Mr. FREAR. On what basis?

Mr. WALKER. The same basis as the Willapa basis.

Mr. FREAR. But does this statement contain any such inference as has been presented by the witness?

Mr. WALKER. The contract was drawn there and everybody understood it.

Mr. FREAR. How do you say that everybody understood it? The contract speaks for itself, does it not?

Mr. WALKER. Yes, sir.

Mr. FREAR. Will you give the provisions there that enables anyone to take that lumber, finish it up, and then, after having finished it and discarded all that they thought was useless, to make that as the basis of measurement on which the lumber was sold?

Mr. WALKER. Here it says, paragraph 4, Mr. Frear:

Measurement of said lumber shall be based on commercial sizes of lumber, in accordance with invoices, as shipped, provided that if lumber of odd lengths, widths, or thickness is sold by the lumber company upon actual measurements, the corporation shall have the benefit thereof and receive payment on the basis of measurement of said odd sizes in accordance with the invoices, it being understood that the lumber company may mill said lumber in accordance with customary sawmill practice, and that payment therefor shall be based on measurements thereof as shipped. Present proportions on short and long lumber shall govern per invoice as shipped.

The idea was—we sawed that out of the cants, there was no—it was not possible to cut the lumber to commercial sizes, and as it measures, the natural measurement now would necessarily have to be reduced to bring it to a commercial size.

Mr. FREAR. And that would be——

Mr. WALKER. That is the only way that they can measure up lumber, is in milling it down to a commercial size.

Mr. FREAR. And finishing up that lumber?

Mr. WALKER. You see, in figuring that, the regular commercial sizes it takes to make it is a basis of payment.

Mr. FREAR. What was the reason that that was framed in that way, which, I understand, has a different interpretation from that given by you; what was the reason that they were permitted, under this proposed contract, to take this lumber, finish it up, and make that as what you call the commercial size and have that the basis of settlement from the payment of \$18.10?

Mr. WALKER. Well, I can best illustrate it by example, I think. Mr. Frear. Take a piece, say it was 2 by 5, we will say it would have to be dressed down to 2 by 4; that would be the nearest commercial size, we will assume, that is in that; we would have to lose that, in any event, because it is not a customary commercial size. But if they took that 2 by 4 and finished it up into a piece that would require a 1 by 4 to make it, they would pay for that 1 by 4. They can take a 2 by 4 and work it into a piece that would require 1 by 4 and expect to only pay for the 1 by 4.

Mr. FREAR. How was this determined? They made the selection, did they not?

Mr. WALKER. Well, they had to.

Mr. FREAR. And you say the lumber as shipped determines it?

Mr. WALKER. Yes.

Mr. FREAR. That is, when the measurement occurs?

Mr. WALKER. We have a man there keeping an account of just what lumber goes into that finished-up lumber, though, and they can't butcher up lumber in getting out an order of finished lumber.

Mr. FREAR. Is there anything in the contract that says they can't determine it themselves as to the method of shipment?

Mr. WALKER. No.

Mr. FREAR. It is based on the lumber as shipped, and I am asking for this purpose—the object of the inquiry is this: Whether or not at \$18.10 a thousand that would enable them to sell lumber at a price as high as \$60.000 a thousand after the lumber was shipped out?

Mr. WALKER. Well, I can only answer that in this way. Undoubtedly some of that lumber would be sold that high; there is other that would be sold lower than that price, you see; and in any event the lumber marked lately has risen considerably from what it was at the time these bids were taken.

Mr. FREAR. When were those bids made?

Mr. WALKER. Why, the advertisement gives it here.

Mr. CAMPBELL. February.

Mr. WALKER. February, 1919. As I remember it, the nearest bid to the Willapa's was \$10 on that, Mr. Frear. There were several bids received.

Mr. FREAR. Yes; I understand.

Mr. WALKER. Yes.

Mr. FREAR. There is no difference of opinion as to that, but the point is whether or not there was an understanding by the bidders that this method was pursued by the Willapa Lumber Co. was the one which would operate with the purchaser?

Mr. WALKER. Yes, sir.

Mr. FREAR. Well, now, whom did you explain that to?

Mr. WALKER. Well, of course Lieut. McDonald was the man that was in charge of this sale. All I know is what I heard when I was in his office.

Mr. FREAR. I understand.

Mr. WALKER. I was there when he was discussing it with a Mr. Hart, from New York City.

Mr. FREAR. But you said the understanding was with all of them. Now, you don't know anything about that, apparently.

Mr. WALKER. Well, I know that this contract, the tentative form of contract, it was the general understanding at that time.

Mr. FREAR. You say it was the general understanding?

Mr. WALKER. Yes, sir.

Mr. FREAR. How do you know that?

Mr. WALKER. Well, I have heard Lieut. McDonald, as I say, express it to Mr. Hart, of New York, and he had charge of it.

Mr. FREAR. Yes; because he expressed it to one person you say that that was the general understanding. Is that the basis of your information?

Mr. WALKER. Well, I assume he would tell every man that.

Mr. FREAR. Oh, that is an assumption on your part?

Mr. WALKER. I happened to be there when he was discussing it with this particular man.

Mr. FREAR. With Mr. Hart; yes. And that is all you know about its being a general understanding, is it? Or do you know anything about it? Did you hear him talk to anyone else?

Mr. WALKER. I paid so little attention to that that I can't—

Mr. FREAR (interrupting). I know; but your remark that it was a general understanding is quite sweeping, and I wanted to know.

Mr. WALKER. Yes. Pardon me. [Mr. Walker here looked at advertisement.] Here it says in the advertisement, Mr. Frear, further on up the advertisement, it says that the bidders must inspect the lumber as it now stands at the Vancouver Barracks.

Mr. FREAR. Yes; I understand that was all done.

Mr. WALKER. And in paragraph 7 it says:

Bids must be on the basis of the unit price per thousand as in the pile. Measurements will be based on commercial sizes of lumber as shipped. And payments on odd lengths, widths, and thicknesses will be made as shipped. Present proportions of short and long lumber shall govern the purchaser's sale, and he will be required to pay for the lumber shipped as in the proportion of such sizes as they now obtain.

Mr. FREAR. Now that is true, but why wasn't the lumber sold as it stood there, instead of the method, the operation, after they had cleaned it up and were ready to ship it?

Mr. WALKER. Well, for this reason, Mr. Frear: We had inventories of that lumber that took the net size of the lumber. Those piles over there contain—they vary from two-by-fours, and sometimes under by an eighth of an inch in every way. They are not commercial sizes in any cases.

Mr. FREAR. I understand that.

Mr. WALKER. And there is no way for any man to tell what they would produce in commercial sizes, and if he bid on that basis he would have to either cheat the Government or we would be cheating him—one or the other.

Mr. FREAR. Would that necessarily be so? The Government may have been cheated under this operation that you have proposed here.

Mr. WALKER. Well.

Mr. FREAR. I am not saying intentionally so.

Mr. WALKER. No.

Mr. FREAR. But I mean that that may have been the result, and I am asking if there was any other sale that you ever made over there that was made on the basis that the payments were to be made on the basis of the lumber as shipped, and they were permitted to take the lumber over and fashion it to suit themselves before it was sold?

Mr. WALKER. I don't know whether I made myself clear, Mr. Frear.

Mr. FREAR. You said that it was checked there, and I asked why it could not have been sold as it stood there, and as apparently was the understanding of some of the bidders. A pile of lumber was there, and you have the dimensions of the lumber, have you not—of that pile?

Mr. WALKER. Well, we had an inventory, and the inventory was—

Mr. FREAR (interrupting). Yes; an inventory. Now that could have been a basis of intelligible understanding, couldn't it? To any man who was going to buy it you could say, "Here are the dimensions"; he could see the pile there; then he could determine whether he was going to buy it.

Mr. WALKER. But, as I say, the amount of commercial lumber he could get out of any such inventory would necessarily be the basis of an estimate, Mr. Frear.

Mr. FREAR. Surely; this is on the basis of estimating.

Mr. WALKER. They all bid on the same.

Mr. MAGEE. Let me see if I understand just the situation here.

Mr. FREAR. I just want to ask one more question on that. The witness who is sitting shakes his head. Let's see if I am right.

Mr. CAMPBELL. This is not made on any basis of estimates, in accordance with paragraph 7 of the bid, or the terms of the contract; it is not any estimate.

Mr. FREAR. Then the witness is not testifying correctly?

Mr. WALKER. No; it is a unit price per thousand, Mr. Frear. That lumber wasn't bought in at a lump amount.

Mr. FREAR. Oh, I understand, but that is why I am asking, why it wasn't bought in as any ordinary lumber would be bought in.

Mr. MAGEE. Let me see if I understand what the contention is here.

Mr. FREAR. I can see the danger in this kind of a proposition.

Mr. MAGEE. In order to clear this proposition up.

Mr. WALKER. Yes.

Mr. MAGEE. Is this the condition, Captain: That you had this lumber in an unfinished state in different piles, that is not ready for shipment to market; that it had to be resawed or refinished before it would be in the shape of lumber which could be exactly measured for shipment to market?

Mr. WALKER. It was not in the customary commercial sizes.

Mr. MAGEE. Now just wait a minute. Now, if they bid on the piles as they were there as to the amount of finished lumber which could be obtained from them for commercial purposes it would be an estimate upon the part of any bidder?

Mr. CAMPBELL. It would be.

Mr. MAGEE. Well, if you made the basis the putting of this lumber in its rough shape into such sizes as would be suitable for commercial purposes, why then it could be sawed into those sizes and measured exactly and shipped to market; now is that the condition?

Mr. CAMPBELL. That is it; yes, sir.

Mr. WALKER. That is the condition?

Mr. CAMPBELL. Yes, sir.

Mr. MAGEE. Well, I wanted to get it clear in my mind.

Mr. FREAR. Well, I think we clearly understand what the contract provides there. You have it there.

Mr. CAMPBELL. Yes, sir; and since I have read this bid, the advertisement for the bids certainly makes it as clear as it is set forth in the contract.

Mr. FREAR. There is no question but what it makes it clear as it stands here, but how would two men in sawing—and here is the meat in the coconut, and if it is not true the committee wants to know—how would two men in purchasing this pile of lumber saw it up in the same method so that the shipments made by them would correspond or would be the same?

Mr. WALKER. They could not butcher up our lumber, Mr. Frear. They would have to take it as it was and saw it to the nearest commercial size, whoever they were. We have a man there to keep constant track of that.

Mr. FREAR. Well, is there any evidence that there was any effort to do that, do you know?

Mr. WALKER. Any effort to butcher it up?

Mr. FREAR. Yes.

Mr. WALKER. No.

Mr. FREAR. Well, now, some of that lumber sold at \$60, as I said, a thousand. What is the inference there outside of the lumber market, which I was to inquire about in a moment?

Mr. WALKER. Well, of course, in selling any big lot of lumber there will naturally be grades that will bring higher prices and there will be others that will bring lower prices.

Mr. FREAR. What proportion of this lumber, so far as you know, brought less than \$18 a thousand?

Mr. WALKER. Well, I could not say right offhand. I don't know. There may not have been any cheaper.

Mr. CAMPBELL. I don't believe any of it.

Mr. WALKER. Of course, they have their milling expenses and other expenses on top of that, the handling, and insurance and so on.

Mr. FREAR. Yes; that would be taken out, I understand.

Mr. MAGEE. The purchaser paid for the recutting of the timber?

Mr. WALKER. Yes, sir; the handling of the trucks, and all of that.

Mr. FREAR. That is, that would not be one of the elements of the contract that would be performed by the Government?

Mr. WALKER. Yes, sir.

Mr. LEA. Let me see, before leaving that point, there is a little clause in the contract there which Mr. Walker read, which in substance is intended to protect against the waste of the material. That is, the Government cooperates in seeing that this material is cut up properly; so I just want to call attention to that.

Mr. FREAR. Well, did the Government have control?

Mr. WALKER. Yes, sir. We have a man over there now.

Mr. MAGEE. Well, I suppose the only question here is whether to sell it in the rough, or to sell it on a basis of commercial lumber.

Mr. LEA. Yes, sir; that is all.

Mr. WALKER. The whole thing is whether to go to work and measure it in the pile before you mill it, or whether you mill it and measure it then?

Mr. FREAR. Yes; that, I understand, is the sole question.

Mr. WALKER. Yes, sir.

Mr. FREAR. And whether or not this is the right way of presenting the contract and whether there was an opportunity for any mistake in judgment by those who were bidding.

Mr. MAGEE. Well, I judge that depends on the Government's inspection.

Mr. WALKER. Yes.

Mr. MAGEE. In the cut of the timber, wouldn't it?

Mr. FREAR. He would be the man having control?

Mr. WALKER. Yes, sir.

Mr. FREAR. Does it say here that he is the man who has control, in the contract?

Mr. WALKER. I believe you will find that in the contract; that we have general control over the thing, naturally.

Mr. CAMPBELL. The title in the lumber remains in us until it is absolutely finished. I think it is just covered in that one clause, and we put a man there to supervise it.

Mr. WALKER. Here is the clause, Mr. Frear.

Mr. FREAR. Yes.

Mr. WALKER. Continuing paragraph 4 of the contract, it says:

The tally of all lumber as shipped shall be checked by the representative of the corporation, who shall certify to the correctness of the invoices covering the same.

And later on——

Mr. FREAR (interrupting). Who shall certify to the correctness of the invoices. Does that mean as to the character of material that may be cut out? Now, I am just inquiring.

Mr. WALKER. Yes. "The tally of all lumber shipped shall be checked by the representative of the corporation, who shall certify to the correctness of the invoices covering the same." Now, he checks the tally and the invoices.

Mr. FREAR. I understand. Now, where does that in any way say that the Government's agent shall have the right to determine what kind of lumber shall be put into the finished product, how the rough lumber shall be finished? I am inquiring, and will follow it with another question in a moment.

Mr. LEA. That, as I understand, don't cover it.

Mr. FREAR. No; that does not cover it. It covers simply the checking as to the amount of the invoice.

Mr. WALKER.

Should the representatives of the parties be unable to agree upon said pile tally the same shall be referred to the Pacific Lumber Inspection Bureau, whose decision shall be accepted, and the basis of payment subject to adjustment upon final shipments as aforesaid.

Mr. FREAR. Well, of course, that does not affect it; that is the pile tally. You get the point?

Mr. CAMPBELL. No; I don't get the point.

Mr. LEA. Let me look at this a minute. I think I can find it. Where is that clause you read a while ago?

Mr. CAMPBELL. This is it here [indicating].

Mr. LEA. Now, in clause 8, in reference to the size of this lumber, "it being understood that the lumber company may mill said lumber in accordance with customary sawmill practice and the payment therefor shall be based on measurements thereof as shipped." Customary sawmill practice.

Mr. FREAR. Yes; that is all that relates to that. What is the practice, do you know, in sales that are made by lumber companies of piles of lumber like that to individuals? That is, for resawing. Do you know whether that is a customary way of drawing contracts?

Mr. CAMPBELL. It is made very seldom, and nobody would bid on a pile of lumber like that unless they bid on commercial sizes.

Mr. FREAR. That is a customary way, you say?

Mr. CAMPBELL. It is where I have lumbered; that is, handled lumber.

Mr. FREAR. That is, here in the West?

Mr. CAMPBELL. Well, I haven't lumbered here. I don't know what the practice is here.

Mr. FREAR. No. I inquired because I just wanted to find out if that was the custom here.

Mr. CAMPBELL. I don't believe a regular commercial organization would care to bid on——

Mr. FREAR (interrupting). Not even if it had an inventory of the sizes?

Mr. CAMPBELL (continuing). On lumber in the piles.

Mr. FREAR. On lumber in the piles, not even if they had an inventory of the sizes?

Mr. CAMPBELL. Well, it would be a very difficult thing to know exactly what the size is. These piles are inventoried as so many feet in the pile.

Mr. FREAR. Doesn't it give something about the dimensions—nothing at all?

Mr. CAMPBELL. No, sir; the piles were estimated.

Mr. FREAR. Then the purpose, as you explained it, was in order that the purchaser would have a knowledge of the exact character of the lumber contained in the pile as evidenced by the finished product?

Mr. CAMPBELL. Yes, sir. I think if this had not been done they would have bid on this as they would on a pile of junk. They would have estimated, and their estimates would have been much lower than what they were at the time.

Mr. WALKER. Mr. Frear, in connection with that point, of course Mr. Jayne is with the Willapa Co., but he tells me it is the custom to sell lumber here for milling purposes on the price per thousand as the grades will produce, and what it will produce, if you have a big pile.

Mr. FREAR. That is, based upon the production?

Mr. WALKER. Yes, sir.

Mr. FREAR. The results at the time of the shipment?

Mr. WALKER. Yes, sir.

Mr. FREAR. Well, we are inquiring about that.

Mr. WALKER. Yes, sir.

Mr. FREAR. Now, what was the increase in the lumber market, approximately, in a general way, on the finished product between February and, oh, say six months after that; I don't know; what was the time?

Mr. CAMPBELL. What was it?

Mr. WALKER. I am not competent at all on that.

Mr. FREAR. You are speaking about the lumber market. Surely you can tell. I just want to know in a general way.

Mr. WALKER. Do you know how the lumber market has gone up since February?

Mr. JAYNE. Yes, sir.

Mr. FREAR. Mr. Walker can testify as from that information, in a general way.

Mr. WALKER. He says the lumber market in general has increased about a hundred per cent, and the spruce market about 25 per cent.

Mr. FREAR. Up to the present time?

Mr. WALKER. Yes, sir.

Mr. FREAR. All right. Now again addressing the witness, Mr. Mitchell's salary is how much now?

Mr. CAMPBELL. \$1,500 a month.

Mr. FREAR. \$1,500 a month?

Mr. CAMPBELL. Yes, sir.

Mr. FREAR. That is his total salary?

Mr. CAMPBELL. That is the maximum.

Mr. FREAR. How long has that been his salary?

Mr. CAMPBELL. I should say since some time in December.

Mr. FREAR. December, last year?

Mr. CAMPBELL. Yes, sir.

Mr. FREAR. What was his salary prior to that?

Mr. CAMPBELL. Why, he had left the employ of the corporation; I don't believe he was employed at the time he took up this sales work for us. He had operated the cut-up plant.

Mr. FREAR. What was his salary then?

Mr. CAMPBELL. Well, I wasn't here at the time, but I have heard it said that it was around \$12,000 a year coming to him.

Mr. FREAR. How much; 12,000?

Mr. CAMPBELL. Yes, sir.

Mr. FREAR. I am just inquiring, because we have not had the records.

Mr. CAMPBELL. I think he had——

Mr. WALKER (interrupting). He had two contracts.

Mr. CAMPBELL. He had two contracts.

Mr. WALKER. If it is proper for me to suggest.

Mr. FREAR. You can suggest; that is all right; we just want the facts; that is all.

Mr. CAMPBELL. He had to pay his superintendents out of those two contracts.

Mr. WALKER. Out of the first one.

Mr. FREAR. Out of the 12,000?

Mr. CAMPBELL. No.

Mr. WALKER. He had one contract that would probably net him \$25,000 a year, or \$2,085 a month, and out of that he paid the salary of three superintendents, which, as a fact, amounted to \$900 a month expense. Then the contract was revoked later in the fall and he was given a straight salary compensation of a thousand dollars a month after that.

Mr. FREAR. \$1,500 a month, the statement of the witness is.

Mr. CAMPBELL. Well, this latter \$1,500 was for the sale of machinery. This came after he had left the corporation from operating the cut-up plant.

Mr. FREAR. Now, he is receiving, as I understand \$18,000 a year at that rate?

Mr. CAMPBELL. Well, of course, his salary of \$1,500 a month, Mr. Frear, is based really on the commission, on what he sells. As a matter of fact, he has always got his \$1,500 a month.

Mr. FREAR. On his share of that?

Mr. CAMPBELL. No. That is the maximum.

Mr. WALKER. No. He is not sure of that, if he does not sell the stuff.

Mr. FREAR. Oh, as a maximum?

Mr. CAMPBELL. Yes, sir.

Mr. WALKER. Yes, sir.

Mr. FREAR. That is, you mean to say he can't be paid over \$18,000 a year at that rate?

Mr. WALKER. That is all.

Mr. MAGEE. What is his compensation? Is it a commission compensation?

Mr. CAMPBELL. It is a commission.

Mr. WALKER. With a maximum limit.

Mr. MAGEE. Just what are the terms, if you know?

Mr. WALKER. Why he gets, I believe—I think it is 5 per cent on sales less than \$500 each, or little stuff, and it runs down to 2½ per

cent on sales of larger amounts; that is, big equipment and things like that. It is a sliding scale.

Mr. FREAR. What has been the result thus far since his employment as to the amounts of salary and accounting for his commissions?

Mr. WALKER. He has always received his \$1,500, and always earned more than that.

Mr. FREAR. In other words, that is, he has earned more under his contract?

Mr. WALKER. Under his contract; yes, sir.

Mr. FREAR. Yes; under his contract.

Mr. WALKER. Yes, sir.

Mr. FREAR. That is, in other words, he has received on the basis of at least \$18,000 a year on the contract?

Mr. WALKER. Fifteen hundred dollars a month. I don't think this contract began operation before March of this year.

Mr. FREAR. March of this year?

Mr. WALKER. Yes.

Mr. FREAR. I understand.

Mr. WALKER. It may be later than that.

Mr. FREAR. Who fixed this contract?

Mr. WALKER. I could not say as to that.

Mr. FREAR. You don't know who drew the contract or who determined the terms?

Mr. WALKER. Col. Stearns undoubtedly approved it.

Mr. FREAR. Was there any other—

Mr. WALKER (interrupting). Maybe the board of directors, for all I know. I don't know.

Mr. FREAR. You don't know whether he receives any other compensation?

Mr. WALKER. No; he receives no other compensation.

Mr. FREAR. That is, not from your organization?

Mr. WALKER. Not from our organization.

Mr. FREAR. Did he receive, or do you know, any compensation in the purchase when the purchases were made of machinery and so on?

Mr. WALKER. Why, in this way: Of course, his contract for the construction of the mill, as I remember, paid him 2½ per cent on the cost of construction of the mill, and naturally the purchases of material and equipment are a part of the cost, and in that way he did get that amount. That was to cover both the design and the construction of the mill.

Mr. FREAR. Now, those statements—

Mr. GABRIELSON (interrupting). That is the copy of the contract [indicating].

Mr. WALKER. This is our copy, Mr. Chairman.

Mr. FREAR. We want to introduce that in the record; I mean, make it an exhibit. Let's don't set it out. Then, we have the Hammond contract.

Mr. LEA. Yes.

Mr. FREAR. Make these as exhibits. We don't want to burden the record with them.

Mr. LEA. You had better leave it here to-day, and let him put it in evidence this afternoon.

Mr. FREAR. Yes. So far as your judgment is concerned, these compilations you have made as cost compilations, and so forth, are correct to the best of your judgment?

Mr. CAMPBELL. Yes, sir. I have attached an affidavit.

Mr. FREAR. What is that?

Mr. CAMPBELL. I have submitted that under oath.

Mr. FREAR. What is this?

Mr. GABRIELSON. The cost compilation.

Mr. LEA. Suppose we put this in the record?

Mr. GABRIELSON. The whole thing will go in the record later.

Mr. FREAR. We will offer this. You may mark this copy of contract.

(Said copy of contract was thereupon marked "Exhibit 28, Witness Campbell, September 11, 1919.")

Mr. FREAR. What was the exact amount of money paid in the British settlement by Great Britain?

Mr. CAMPBELL. I don't know whether that has been actually paid or not, but I have a letter here from Washington, stating that they had credited our account with a certain amount of money.

Mr. FREAR. What is that? That will be sufficient?

Mr. CAMPBELL. So I presume that the payment has been made. They didn't say it in so many words. I have a letter here from the Director of Air Service. Shall I quote this one paragraph?

Mr. FREAR. Yes, please.

Mr. CAMPBELL. It is a letter from the Director of Air Service to the Spruce Production Corporation:

Replying to your letter of July 28, 1919, with reference to settlement with the British Government, you are advised that the United States Liquidation Commission presented a bill to the British Government in the amount of \$13,274,550.20 for spruce, fir, and cedar lumber supplied by the Spruce Production Division and the United States Spruce Production Corporation, for which payment has not been received; \$3,997,862.31 was for lumber invoiced this bureau, leaving a balance of \$9,276,687.89, which will be credited to the United States Spruce Production Corporation on the books of the Sales Section, Liquidation Division.

Mr. FREAR. That is, let me see if I understand correctly; that is based upon this salvage estimate that has been placed in, together with the difference in the actual cost; is that it?

Mr. CAMPBELL. Well, I imagine that that was based on that.

Mr. FREAR. Yes; well, we just want your best judgment. We are trying to get an understanding of the basis.

Mr. CAMPBELL. I might mention here for your information that I was ordered by Washington when I came out here as district manager of finance about the 30th of January to submit an estimate of the final outcome of these liquidation proceedings out here.

Mr. FREAR. That is, the salvage that was being secured?

Mr. CAMPBELL. Well, not only the salvage. I had to estimate the amount of claims and the expense of assembling the equipment, and I refused—

Mr. FREAR (interrupting). Yes, I see; that is, the likelihood of settlement, and so on?

Mr. CAMPBELL. And I refused to do it for some time.

Mr. FREAR. Well, it was a pretty big contract, wasn't it?

Mr. CAMPBELL. And wired them I would not assume responsibility and I didn't know anybody who would, and I asked them what it

was for, and they wired back it was for this liquidation commission. Well, they fooled along until about the 14th of February, wiring back and forth, and finally I received a direct military order—I was in the service at this time—from Col. Brown to do this and send it to Washington by a man not later than February 20, which I did. And I accompanied it by telegrams and by letters stating that the information was really of no value and should not be used, but that I had taken ample steps to protect my guess and protect the Government in making a settlement. Well, when I went to Washington I was ordered there a little later and I met this liquidation commission and was with them for four or five days.

Mr. FREAR. Who was on the liquidation commission, by the way?

Mr. CAMPBELL. It is headed by Chester W. Cuthell.

Mr. FREAR. What is their title?

Mr. CAMPBELL. The liquidation commission of the War Department.

Mr. FREAR. And they have other duties; this aircraft is only one?

Mr. CAMPBELL. It is just a small portion of their duties; but during these conferences that we had at that time it was stated to me that the British, French, Italians, and the United States, none of them cared to wait until all these matters were liquidated and the accounts closed and the final cost determined, and that they had agreed among themselves that each one make this sort of an estimate, a guess, and it was natural to suppose that all those Governments were making the same kind of safe estimate that we were, and I then changed my mind and believed it was a fair basis of settlement if everybody understood the conditions; because, having dealt with England, I knew that any guess or estimate made on the part of England would be fairly safe.

Mr. FREAR. You made this estimate that has been placed in the record of the various salvage values. How did you make any estimate with regard to settlement values?

Mr. CAMPBELL. I did not take them into consideration. I made the salvage values so low that they would cover that.

Mr. FREAR. There were claims against the corporation?

Mr. CAMPBELL. Yes; there were millions of dollars of claims.

Mr. FREAR. What were they; how much in amount?

Mr. CAMPBELL. I could not tell exactly; probably some seven or eight million dollars.

Mr. FREAR. What was the amount of the settlements as made, approximately?

Mr. CAMPBELL. I think they amount to about two and a half million.

Mr. FREAR. That is to say, there was a reduction of about \$4,000,000 in the amounts as claimed and the amounts that were paid?

Mr. CAMPBELL. I believe I have heard it stated that it ran around 25 per cent; I am not sure. I find I have it here exactly. It is \$6,933,504.19.

Mr. FREAR. That is the amount claimed?

Mr. CAMPBELL. Yes; and the amount allowed on that was \$1,594,139.93.

Mr. FREAR. That would be about 25 per cent?

Mr. CAMPBELL. Yes, sir.

Mr. FREAR. How did you place that in your guess, as you call it, that was made to this liquidation board; how does that appear; in what relation?

Mr. CAMPBELL. As I stated to you, this was made up in about one hour and—

Mr. FREAR. I am not criticizing it, and I realize the difficulties, but I am trying to find out just what the elements are.

Mr. CAMPBELL. I estimated about how much the claims had been that were received and there had been some settlements made, and the ones that had been made at that time amounted to about 20 per cent. So I figured, as nearly as I can remember now, that the total of their claims probably amounted to \$3,000,000. It was just a wild guess; there were no figures at all, and in order to save putting this into the estimate and making any more wild guesses than necessary, I shaded the percentage of—

Mr. FREAR. Claims?

Mr. CAMPBELL. No; I shaded the percentage value which I placed on the assets.

Mr. FREAR. Did you put the \$3,000,000 in?

Mr. CAMPBELL. I did not include it anywhere; I just shaded the salvage value of the tangible assets that much.

Mr. FREAR. You had the salvage value placed so that it would cover this \$3,000,000, which really is about a million and a half?

Mr. CAMPBELL. Yes, sir. That is the basis on which I worked, and I did it because the fewer guesses I could put in the better.

Mr. FREAR. Those salvage estimates you have put in there, apart from any in the railway values ought to also include a million and a half in claims that have been settled. Is that right?

Mr. CAMPBELL. They would include more than that, because these were claims on account of logging operations. Then they had claims for—these were really not claims—but they had orders placed for materials and machinery which were in various processes of manufacture. They either had to buy those or cancel the orders. In some places where they had not proceeded very far they finally canceled the orders and paid a small amount for the work done. In others that had gone so far along they had to go ahead and buy the finished product, and those amounted to approximately two and a half million dollars.

Mr. FREAR. That should be added to the million and a half?

Mr. CAMPBELL. Yes, sir.

Mr. FREAR. That material that was received would go into additional property at a salvage value, so that would be in a class by itself?

Mr. CAMPBELL. Yes, sir.

Mr. FREAR. How was it that they continued to manufacture beyond the time of the armistice? You said where they had given contracts to go on. How long a period did that take?

Mr. CAMPBELL. I do not know how long it did take.

Mr. FREAR. Well, one month or six months.

Mr. CAMPBELL. I should say it took three months, probably, to get this material in.

Mr. FREAR. Three months on the average?

Mr. CAMPBELL. Yes. As near as I understand—I was not on this claims board—a great many concerns asked more for the cancel-

lation of the contract, or so much for the cancellation of the contract, that the claims board decided it would be better to let them finish it.

Mr. FREAR. That would be a matter of claims similar to the other claims, provided they had chosen to cancel them under the power that existed?

Mr. CAMPBELL. Yes, sir.

Mr. FREAR. Is there anything further that you have in mind that you care to place before the committee, because we realize this is a very large subject and we are only devoting a small portion of our time to it.

Mr. MAGEE. I would like to know what the monthly operating expenses are of the Spruce Production Corporation.

Mr. FREAR. The salary list?

Mr. MAGEE. What it is costing the Government now—the operating expenses.

Mr. CAMPBELL. I think last month's expenses were about \$130,000.

Mr. FREAR. Have you got all the items?

Mr. MAGEE. Can you give us a statement running back, say, to the time of the armistice, showing the operating expenses here of the Spruce Production Corporation to date?

Mr. CAMPBELL. Yes; we can do that, if you would like to have it.

Mr. MAGEE. That is information that we ought to have, and we would like an itemized list of a month's operating expenses, so we can see the nature of them.

Mr. CAMPBELL. All right.

Mr. FREAR. This is a pay roll amounting to \$21,426.56; that is the pay roll for last month [indicating].

Mr. CAMPBELL. Yes.

Mr. FREAR. Apart from that pay roll, what expenses go to make up the total that you have mentioned?

Mr. CAMPBELL. Well, we are still working on these fire-protection matters, cleaning up the fire hazards in the woods, and I think last month's expense on that was about \$13,000. Of course, that is gradually coming down. It will be eliminated probably next month.

Mr. FREAR. I am asking more particularly along the line suggested by Mr. Magee. What other salaries or commissions have you that are being paid? For instance, Mitchell's name does not appear here.

Mr. CAMPBELL. He is not on the pay roll.

Mr. FREAR. How many other people are there whose names do not appear who are receiving commissions?

Mr. CAMPBELL. He is the only man working for the Government on a commission basis.

Mr. FREAR. The fire hazards were how much?

Mr. CAMPBELL. \$13,000.

Mr. FREAR. In what period?

Mr. CAMPBELL. One, the month of July.

Mr. FREAR. And how much were they for the month of June?

Mr. CAMPBELL. I have not that here.

Mr. FREAR. Approximately, what would they average?

Mr. CAMPBELL. Oh, they would be more.

Mr. FREAR. In the month of June?

Mr. CAMPBELL. Yes; they are reducing each month rapidly.

Mr. FREAR. Outside of the salary roll and fire hazards, what else is there?

Mr. CAMPBELL. Assembling—expense of assembling equipment that is coming in from the woods.

Mr. FREAR. That is pretty nearly all net, is it not?

Mr. CAMPBELL. Last month was very low, or July was very low, and I think there will be practically none this month.

Mr. FREAR. How much for the month of July?

Mr. CAMPBELL. July, \$26,000.

Mr. FREAR. What are the large items?

Mr. CAMPBELL. That is the largest item.

Mr. FREAR. Of those you have given?

Mr. CAMPBELL. I can give you a statement.

Mr. FREAR. We would be glad to have it. Here is a list of how many employees at the present time that you are carrying on the pay roll.

Mr. GABRIELSON. There are about 186.

Mr. FREAR. Is that right, 186?

Mr. CAMPBELL. Yes; about 186.

Mr. FREAR. Whereabouts are they?

Mr. CAMPBELL. They are here and at Vancouver, most of them. Of course we have a few scattered around over the operations; watchmen and people of that sort.

Mr. FREAR. But they are included in this list which totals \$21,000 in round numbers.

Mr. CAMPBELL. Yes, sir; it is about that; about \$20,000. There is one thing I wanted to mention, Mr. Chairman. I sat here the other day and heard the chairman mention the cost of some of the railroads as \$130,000 a mile.

Mr. FREAR. Yes.

Mr. CAMPBELL. I can give you the exact cost of those, and it seems to me that those figures would be better to use.

Mr. FREAR. Will you give us the cost and the basis of making your estimates?

Mr. CAMPBELL. Yes, sir.

Mr. FREAR. And the rule under which you are proceeding in making the estimates?

Mr. CAMPBELL. Yes, sir.

Mr. FREAR. Can you do that right now, or how long would it take?

Mr. CAMPBELL. It would not take very long to read these into the record. Mr. Gabrielson has them.

Mr. FREAR. We have had them once?

Mr. LEA. Have you a prepared statement that includes that which you could insert without reading?

Mr. CAMPBELL. Yes; and so has Mr. Gabrielson.

Mr. LEA. We do not need anything else on that, then.

Mr. FREAR. I want to know the basis on which you made these estimates, and the rule under which you proceeded.

Mr. CAMPBELL. They are not exactly estimates. The costs of the railroads were kent in accordance with the Interstate Commerce Commission classification; that is, the one outlined by the Interstate Commerce Commission. There was a certain amount of main line completed in each instance, and some main line partially completed. There were spurs and sidings completed and uncompleted. We have

taken the report which came from the engineer. Of course my figures on mileage are all based on the engineer's report to me.

Mr. FREAR. We will assume, for the purpose of our inquiry, that the reports as made by the engineers of the completed railroad are as stated by them.

Mr. CAMPBELL. And he also reported to me the stage of completion of uncompleted main lines, sidings, and spurs on each road.

Mr. FREAR. Yes.

Mr. CAMPBELL. And the percentage of cost of those compared to main-line construction.

Mr. FREAR. How can he tell that, and how can you tell the percentage; that estimate of construction—what is the rule of procedure there?

Mr. CAMPBELL. I do not know his rule.

Mr. FREAR. That is a very important proposition which the committee wants to know.

Mr. CAMPBELL. I think Maj. Herington should be called.

Mr. FREAR. I notice that sidings and spurs are costing \$60,000 a mile, and the estimate should be in.

Mr. CAMPBELL. Yes.

Mr. FREAR. Maj. Herington is the one who would know; you would not have any information upon that?

Mr. CAMPBELL. All I know is the total based upon his estimates.

Mr. FREAR. And the arbitrary rule for making these estimates is based upon his report? I do not mean any criticism there.

Mr. CAMPBELL. Those are the figures on which it is based.

Mr. FREAR. It is based on Interstate Commerce Commission rules?

Mr. CAMPBELL. The accounts were on the Interstate Commerce Commission classification.

Mr. FREAR. Of the difference between spurs and sidetracks and so on?

Mr. CAMPBELL. Yes, sir.

Mr. FREAR. I suppose Maj. Herington should be called to ascertain why the distinction exists between the main line and the spurs and the sidings, and as to what rule he follows in making his estimates?

Mr. CAMPBELL. I think he should be; yes, sir.

Mr. FREAR. That is what I was trying to get at a day or two ago and I did not know where to get it. Thank you, very much. Is there anything else?

Mr. CAMPBELL. There is nothing I can think of.

Mr. MAGEE. Can you figure up there the cost of obtaining the terminals and construction wharves and trestles at Yaquina Bay?

Mr. CAMPBELL. It is very hard; I do not believe it could be done correctly. According to the Interstate Commerce Commission classification, all your trestles on a line are thrown into one account. We could go back and analyze the books of the Warren Spruce Co., but it would be a very long job. You would probably be through before we could give it to you.

Mr. FREAR. I will say at this time that the committee appreciates the help that your organization has given our accountants and others, because we have really been up against a large proposition, as you have.

Mr. CAMPBELL. I would like to say we have tried to get everything you have wanted that we could.

Mr. FREAR. I will say that Mr. Gabrielson says you have shown them every courtesy, and we appreciate it.

Mr. LEA. What was your business?

Mr. CAMPBELL. I have been in the lumber business and banking business in old Mexico.

Mr. FREAR. There is no question about that.

Mr. LEA. This Hammond project down there never reached the production stage, did it?

Mr. CAMPBELL. It had just started when the armistice was signed.

Mr. LEA. Was there anything of importance that occurred with reference to your meeting with this liquidation commission in Washington? You started in to say something about it?

Mr. CAMPBELL. There was nothing of any great importance, except for my own satisfaction I found out that all the governments were operating on this same basis, and that one man's guess was as good as another; what was fair for one was fair for another.

Mr. LEA. Was the estimate you forwarded for use by the Spruce Production Corporation the basis on which to make the sales of their property?

Mr. CAMPBELL. Absolutely not; no, sir.

Mr. MAGEE. It has been intimated that France and Italy refused to settle upon that estimated basis of salvage value.

Mr. CAMPBELL. No, sir; I do not believe that is true.

Mr. MAGEE. Have they?

Mr. CAMPBELL. No; because the commission just moved from England into France.

Mr. MAGEE. You heard the statement made, did you?

Mr. CAMPBELL. That they had refused to settle?

Mr. MAGEE. Yes; that they were waiting to determine what the actual salvage value is before they adjust their claims. You do not know anything about what the fact is?

Mr. CAMPBELL. No, sir. I do know that the French high commissioner, Mr. de Billey, told me they were more than anxious to settle on this estimated basis.

Mr. MAGEE. As furnished by you in February, 1919?

Mr. CAMPBELL. Yes, sir. He wanted to settle on this basis, and also to pay them on the basis of estimates they made to us for material furnished.

Mr. LEA. When did he tell you that?

Mr. CAMPBELL. Very shortly after this meeting.

Mr. LEA. While you were in Washington?

Mr. CAMPBELL. Yes.

Mr. FREAR. They accepted your guess?

Mr. CAMPBELL. They seemed to think it was just as fair as it could be.

Mr. FREAR. And that guess was 10 per cent of the salvage value of a number of the materials. For instance, the timber was salvaged nearly up to the full value.

Mr. CAMPBELL. I graded it.

Mr. MAGEE. What amount of logs did you say the Hammond Co. produced?

Mr. CAMPBELL. They actually delivered about 2,400,000, I think it was.

Mr. MAGEE. Do you know how much lumber that would make up—that amount of logs?

Mr. CAMPBELL. They figured about 15 per cent of airplane lumber from log footings on the average.

(Witness excused.)

(Thereupon, at 12.35 o'clock p. m., a recess was taken until 2 o'clock p. m.)

AFTER RECESS.

The committee met, pursuant to the taking of recess, at 2 o'clock p. m.

TESTIMONY OF JOHN P. MURPHY.

(The witness was sworn by Mr. Magee.)

Mr. MAGEE. Where do you reside?

Mr. MURPHY. Portland, Oreg.

Mr. MAGEE. You are an attorney at law?

Mr. MURPHY. I am; yes, sir.

Mr. MAGEE. You were attorney for the United States Spruce Production Corporation?

Mr. MURPHY. I am attorney at this time.

Mr. MAGEE. Did you have charge of looking after titles affecting the right of way in Lincoln County, Oreg., what was known as the railroad constructed by the Spruce Production Corporation, extending from Yaquina Bay up along the Pacific coast toward Otter Rock?

Mr. MURPHY. I have; yes, sir.

Mr. MAGEE. Also of the railroad extending from Yaquina Bay south into what is called the Blodgett tract?

Mr. MURPHY. I have; yes, sir.

Mr. MAGEE. Please state just what the conditions are as affecting the titles to the rights of way of these two roads?

Mr. MURPHY. The rights of way of both S. P. railroad No. 11 and No. 12 have been.

Mr. MAGEE. Which is No. 11?

Mr. MURPHY. No. 11 is the road running from Yaquina north along the coast; and No. 12 runs from Yaquina south along the coast. They have been or are now in process of being acquired in fee simple in the name of the United States Spruce Production Corporation. Previous to the incorporation and assignment of the Government property to the United States Spruce Production Corporation, the titles were acquired by the Warren Spruce Co., whatever titles were acquired. At that time our method was to take leases of the property rights with an option to take a deed at some future time.

Mr. MAGEE. Take road No. 11. That is the northern road. Where is that title now?

Mr. MURPHY. The title for the great majorities of the properties along the right of way is in the United States Spruce Production Corporation. There are some properties that are yet unacquired.

Mr. MAGEE. The title to these properties is not now in the Spruce Production Corporation?

Mr. MURPHY. Well, only those that have yet to be acquired.

Mr. MAGEE. Can you mention them?

Mr. MURPHY. I can not mention the names. There are some twelve of them on that road, as I understand. Some of them are in the process of being acquired and some technical defects exist as to these and are being cleared up.

Mr. FREAR. You say there are approximately 12 properties without perfected title?

Mr. MURPHY. Yes; out of 116.

Mr. MAGEE. Out of a total of 116 properties?

Mr. MURPHY. Yes; out of 116 properties.

Mr. MAGEE. Do you anticipate any particular difficulty in perfecting the title to these 12 remaining properties?

Mr. MURPHY. No. Most of these properties, with one exception, are owned by persons who have left the country and have left no address, or owned by estates. The one exception is owned by a man by the name of Baker, who has refused to sell his property to the corporation.

Mr. MAGEE. What proportion of the property, would you say, in distance is yet to be acquired, the right of way?

Mr. MURPHY. I would say practically 90 per cent is now acquired.

Mr. MAGEE. Can you give the committee approximately the cost of acquiring the title there?

Mr. MURPHY. We have paid approximately, on the north road, \$19,000 for the property acquired at this time.

Mr. MAGEE. Can you approximate what will probably be the cost of getting title to the remaining properties?

Mr. MURPHY. It will not be over \$700.

Mr. MAGEE. For the 12?

Mr. MURPHY. For the 12 remaining.

Mr. MAGEE. So that would make the total cost of acquiring the right of way, under your figures what?

Mr. MURPHY. Approximately \$20,000 for the property itself.

Mr. MAGEE. Will you give us the same information relative to No. 12, the road running south into the Blodgett tract?

Mr. MURPHY. There are 19 properties yet to be acquired. The total number of properties is 105. We have paid out at the present time \$11,346.26 for the properties already acquired on S. P. railroad No. 12. We estimate the balance, or the remaining properties, the total purchase price, will be approximately \$600.

Mr. MAGEE. So that would make a total on that basis, for your total, of how much?

Mr. MURPHY. Approximately \$12,000.

Mr. MAGEE. Have all the titles taken been taken in the name of the United States Spruce Production Corporation?

Mr. MURPHY. They have.

Mr. MAGEE. And the remaining titles will be taken in that way?

Mr. MURPHY. Yes.

Mr. MAGEE. Have any of the deeds yet been recorded in the county clerks' office?

Mr. MURPHY. They all have been recorded.

Mr. MAGEE. All those that have been perfected to date?

Mr. MURPHY. Yes, sir.

Mr. MAGEE. Do you expect any particular trouble in clearing up the title to railroad No. 12?

Mr. MURPHY. Not outside of the usual routine.
(Witness excused.)

TESTIMONY OF GEORGE B. HERINGTON.

(The witness was sworn by Mr. Frear.)

Mr. FREAR. What you were called for specifically, Mr. Herington, was the statement of Mr. Campbell this morning that in figuring his railroad estimates he had accepted your figures, for the computation of estimates on spurs and sidetracks and so on with the main line, which have been accepted by the committee as the statement of the corporation.

Mr. HERINGTON. As I gather, the uncompleted portions of the railroad?

Mr. FREAR. And also the completed portion, and the basis on which you make your estimates of the cost to the Government of the spurs and sidetracks and so on.

Mr. LEA. Just to make the record clear, you are an engineer?

Mr. HERINGTON. I am the chief engineer.

Mr. FREAR. Your qualifications are admitted.

Mr. HERINGTON. Thank you. There is quite a mileage on each one of these properties which was in a state of progress. It was in a state of partial completion at the time the armistice was signed.

Mr. FREAR. Without too much detail, I think it would be well for you, if you will, to answer as to roads 1, 11, and 12, the amount of main line and the state of completion, and then as to the spurs and sidetracks, just briefly.

Mr. HERINGTON. On railroad No. 1—

Mr. FREAR. That is the road in Clallam?

Mr. HERINGTON. The railroad in Clallam County, 36 miles of main line complete with the rail, and $3\frac{1}{2}$ miles of sidings complete. There are in addition to that, 3 miles of uncompleted sidings, in which the grading was done and on which the frogs and switches were acquired and switch ties were acquired, etc., and ready for completion.

Mr. FREAR. And none laid?

Mr. HERINGTON. Those were not laid. The state of completion of those approximate 50 per cent of what it would cost to complete them; that is, the work done represents 3 miles, and 50 per cent, or the equivalent of $2\frac{1}{2}$ miles of equipment, is mileage. In the sidings which are fully laid, $3\frac{1}{2}$ miles of sidings fully laid, they may be considered as equivalent to approximately 75 per cent of the cost of the adjoining main line, mile for mile.

Mr. FREAR. What is your basis of making the estimate?

Mr. HERINGTON. The basis of making that estimate of 75 per cent is that the ballast on them is a little lighter, there is a little less percentage of grading on the siding, due to the normal load of the main-line roadbed, and due to the fact in some cases that a little lighter rail is used than on the main line.

Mr. FREAR. Is that all the elements taken into consideration?

Mr. HERINGTON. Those are the elements taken into consideration.

Mr. FREAR. I am asking entirely for information. Here is a main line that has been put through a new country; it includes the grubbing, cleaning up of the country, practically fixing the grades for a

right of way, we will say, 60 or 100 feet wide. You step in with your sidetrack and say that for a short distance, maybe 500 yards, that you will attach to those miles a sidetrack—the right of way is cleared, has been purchased, and all those things have been complied with; now, on what, with all these matters adjusted, how can you say that a sidetrack costs 75 per cent of a main line? I am just asking on what basis you compute that, and whether there is any rule for it?

Mr. HERINGTON. There is no set rule; each condition must apply to the peculiarities of its situation.

Mr. FREAR. Then, it is an arbitrary rule that you have applied?

Mr. HERINGTON. It is more or less of an arbitrary average rule that I have taken in making a size-up of the entire line. There are a number of sidings there, some sidings have rather heavy work and some have lighter work, but as an average the cost of those sidings would approximate 75 per cent of the cost of the main line.

Mr. FREAR. Now, let us see; you never put a siding where you have a very deep cut in rock, do you?

Mr. HERINGTON. Normally they are spaced to the mileage of operation.

Mr. FREAR. You never put a siding where you have a very heavy bridge, large bridges?

Mr. HERINGTON. Well, at times you have to cross drainages with them.

Mr. FREAR. Do you cross bridges in any railroads that we have mentioned on sidetracks?

Mr. HERINGTON. I do not recall that we do. There are very few bridges on that line.

Mr. FREAR. Is there any rule with railroads or engineers in determining the comparative value of sidetracks to the main line?

Mr. HERINGTON. They are usually computed, Mr. Frear, as nearly as a rule may be applied, by actual computation of quantities in individual cases, the quantities of work applying to the particular job, and siding mileage; of course, the heavy element that lies in it is the track and the grading, which might at times run very high.

Mr. FREAR. And the right of way and all those other elements are given in it?

Mr. HERINGTON. Yes.

Mr. FREAR. Now, sidetracks are always put into a place, a part of the railroad that is easy to attach; that is, to which it is easy to attach; that is, we will concede first, not in any cuts or tunnels or on bridges, now, how can you say that a sidetrack ordinarily, which is just a track adjoining the main line, that it is a fair estimate to place it at 75 per cent; on what theory do you advance that?

Mr. HERINGTON. Well, on the theory that the track construction has got to be practically as good as that of the main line.

Mr. FREAR. But you said they have lighter rails.

Mr. HERINGTON. In some cases it is slightly lighter rail, and in other cases it is the same weight as the main line.

Mr. FREAR. But it does not need to be, does it? The amount of use of that is much less than the main line, on the average.

Mr. HERINGTON. Well, the speed is somewhat less, but on a heavy freight line we ordinarily, in practice, lay the heaviest available, frequently second-hand rail, but pretty heavy rail, because the

same kind of power goes on the sidings that goes on the main line, and the same loads.

Mr. FREAR. Is there anything outside of your own individual judgment on which you base this; that is, any rule of railroads, either logging roads or transcontinental, or any other kind of railroads, that is accepted by engineers for this estimate that you are making?

Mr. HERINGTON. I do not think you can say that in any case it can be applied in the circumstances as a hard and fast rule in any practice.

Mr. FREAR. Is there any such rule?

Mr. HERINGTON. There is naturally no such rule.

Mr. FREAR. Then this is just your own judgment?

Mr. HERINGTON. This is my judgment.

Mr. FREAR. I see. I was trying to ascertain this from two or three witnesses, and this is the first time I have gotten it down to a definite point. That is the reason I was asking. Now, with that understanding, if you will go on, please.

Mr. HERINGTON. Do you wish these reduced to the equivalent miles, Mr. Chairman?

Mr. FREAR. Yes, if you please; just briefly.

Mr. HERINGTON. Taking these percentages and applying them to equivalent completed mileage would make 36 miles of completed main line, 2.6 of equivalent completed main line in the form of sidings. That is $3\frac{1}{2}$ miles of siding would approximate 2.6 in the other case, while the graded sidings would approximate $1.12\frac{1}{2}$, a total of 39.75 mileage completed and equivalent mileage.

Mr. FREAR. Counting the main line and the sidings?

Mr. HERINGTON. Counting the main track and the sidings, and the work which had been done, which is entitled to the equivalent mileage figure. That applied to the total cost of the line, from the figures that we have, brings an equivalent mileage cost of approximately \$100,000 per mile on that line.

Mr. FREAR. On that basis of figuring?

Mr. HERINGTON. On that basis of figuring.

Mr. FREAR. That is on the Siems-Carey-Kerbaugh road?

Mr. HERINGTON. The Siems-Carey-Kerbaugh line.

Mr. FREAR. Now, that includes the spurs, does it, the proposed spurs?

Mr. HERINGTON. No; the proposed spurs there were the logging railroads that were built for logging purposes.

Mr. FREAR. Those do not appear in this total.

Mr. HERINGTON. They do not appear in this. Those were built under the spruce contract. Those lines, of course, were built as regular logging lines a little heavier than the usual track in the woods, because as they concentrated and converged to the main line the traffic was naturally to be anticipated as heavier.

Mr. FREAR. Whatever construction was started on those would naturally be paid for out of what was known as the spruce contract.

Mr. HERINGTON. The spruce contract, yes.

Mr. FREAR. Now, on railroad No. 11 and on railroad No. 12 the rail on the sidings was of the same weight as the main line, and the ties were approximately the same.

Mr. HERINGTON. On this road?

Mr. FREAR. On this road running north from Yaquina to Otter Rock?

Mr. HERINGTON. Yes. In some cases the sidings had work which in order to get two tracks in, credits them with a very high percentage of grading. The fact that two tracks were built where one would otherwise be built, in some of that territory—in some cases three tracks—naturally got into the bill quite a little ways, much further than the mere main line.

Mr. FREAR. In other words, it was a little more difficult construction there than ordinarily would be.

Mr. HERINGTON. Than ordinarily for a siding. To go into No. 11 we have a completed main line of 10.83, and we have spurs and sidings, including the terminal sidings at Yaquina, 4.83 miles.

Mr. FREAR. Now, you count the spurs with the sidings in that case?

Mr. HERINGTON. The spurs and the sidings together in this. I haven't the figures by which I could conveniently separate them in time to reach you.

Mr. FREAR. I just want to get at the method.

Mr. HERINGTON. Now, on the main line—

Mr. FREAR. Just a minute; the spurs, were those built in this railway—oh, the Warren Spruce Co. had a cost-plus contract on both the railroad and the spruce.

Mr. HERINGTON. Yes; that was all handled under one condition.

Mr. FREAR. And so this entire proposition is figured together.

Mr. HERINGTON. It may be fairly so figured.

Mr. FREAR. That is the explanation, I see.

Mr. HERINGTON. I think I gave you 4.83 miles of spurs and sidings—

Mr. FREAR. Did you estimate the spurs the same as the sidings on the same basis, or what?

Mr. HERINGTON. I did, yes; on account of the nature of the construction up in there, the advanced nature of it, and the fact that the balancing up would come pretty nearly to the same general situation as the sidings.

Mr. FREAR. That would be 75 per cent?

Mr. HERINGTON. That would be 75 per cent of the cost of completed main line, which gives us an equivalent mileage of 3.62.

Mr. FREAR. For spurs and sidings?

Mr. HERINGTON. For spurs and sidings on which rail had been laid. Then we have as main line, uncompleted mileage on beyond the rail head, of 1½ miles, which takes up to the point at which the line began to leave the coast and reach up through the Spencer Creek drainage toward the summit to get over into the Siletz.

Mr. FREAR. That is around Otter Rock?

Mr. HERINGTON. That is up toward the little town site of Otter Rock, up in that neighborhood. It is a developing proposition there to get a reach on the side of the hill which will support the grade. The map which was offered in the testimony here the other day indicates that route in very heavy red lines. That may be considered, on account of the bridging, etc., specifically in that part of the uncompleted line as approximately two-thirds complete. The material was cut and ready for those bridges, and some con-

siderable work had been done toward them on the uncompleted portion.

Mr. FREAR. Were the bridges placed in position?

Mr. HERINGTON. They were not finally erected, but that is a— the labor portion of that is a comparatively small part of the trestle.

Mr. FREAR. What had been done on this uncompleted portion of the main line of which you speak that was run up there by Otter Rock?

Mr. HERINGTON. The grading had been approximated completed.

Mr. FREAR. The grading had?

Mr. HERINGTON. The timbers for the bridges had been approximately all cut, the ties had been cut in the woods along the side, and other ties had been provided for.

Mr. FREAR. Had the timbers for the bridges and ties been brought down?

Mr. HERINGTON. They had not all been delivered. There were some of them in the immediate neighborhood and ready for transit to the points.

Mr. FREAR. Whereabouts in the immediate neighborhood, back at the mill, etc.?

Mr. HERINGTON. Some of them were, I believe, and are still on hand at Otter Rock mill. Some of the little construction mills up there had a considerable number of them on hand, and at Yaquina, at the dock there.

Mr. FREAR. At Toledo?

Mr. HERINGTON. Yaquina.

Mr. FREAR. You did not have any manufacturing at Toledo?

Mr. HERINGTON. A considerable portion of the timber, as I recall— I was not present there to see very much of the operation down there—was manufactured at the Fischer-Storey mill at Toledo. They were also cutting cants, but they furnished considerable lumber. It was the only mill in the neighborhood there.

Mr. FREAR. This is to ascertain just the condition of this main line that you estimate uncomplete, main line that you estimate two-thirds.

Mr. HERINGTON. I am giving you this additional information that you may see its state of advance. Then we have again a matter of spurs, three miles, uncompleted mileage, which were advanced to grading and clearing in some cases. The surveys had been run way ahead of that, but I am not figuring that to any great extent, but to the chunking out and the work which had been done on these spurs. We find 3 miles of those. There is a little more than that that was actually opened up, but it comes back to the equivalent again. Of 3 miles of uncompleted spurs, and those spurs having been considered as 66 $\frac{2}{3}$ per cent of the value of the main line, and the spur again at 75 per cent of the value of the main line, would leave 66 $\frac{2}{3}$ per cent of 75 per cent as applying to the equivalent mileage. Reaching it in that somewhat general, but I believe very fair way of taking it for an approximation of that kind, we have a total of 17.12 equivalent miles of work.

Mr. FREAR. What is the percentage of 66 per cent of the 75 there, so as to ascertain what an uncompleted spur would be to a main line?

Mr. HERINGTON. The spur at 66 $\frac{2}{3}$ per cent of a line—

Mr. FREAR. That would be one-half the main line, wouldn't it?

Mr. HERINGTON. Just about.

Mr. FREAR. Of an uncompleted spur?

Mr. HERINGTON. Of an uncompleted spur.

Mr. FREAR. Without rails, ties, or anything allowed?

Mr. HERINGTON. The ties were provided for these spurs, Mr. Frear, and in fact the ties for considerable advance work were on hand and all piled, and are still piled at Yaquina. A considerable amount of the work for the bridging and things of that kind were also handled.

Mr. FREAR. All the labor that is involved in placing it in position and bringing the ties up from Yaquina, and the work that is necessarily attendant on constructing this spur out in the woods, that is all to be done yet.

Mr. HERINGTON. Yes; that represents practically half, as we—

Mr. FREAR. You put it at half of the main line construction?

Mr. HERINGTON. Pretty nearly. In some cases it might be a little less and in some cases a little over, but I think that is rather a fair average for it. That brings us on railroad No. 11, on that basis of calculation, to 17.12 miles of equivalent track on which a comparison with the cost per mile of main line may be reached. It might vary half a mile one way or the other, according to two different men figuring it, but that reaches very close to what is a fair approximation there.

Mr. FREAR. Did you ever have any other engineer figuring over this; any engineer, I mean, not connected with your company, with the Spruce Production Co.?

Mr. HERINGTON. No; I do not recall of any. I have a lot of facts over there, and our boys have gathered from the cross-section notes—

Mr. FREAR. I mean, you directed the policy and the method of determining it entirely.

Mr. HERINGTON. Yes. In fact, last Sunday morning, in consultation with your Mr. Gabrielson and our accountants, we tried to arrive at a fair basis of this in order to bring this matter of equivalent mileage into its proper relation with the total cost of what was done, completed and uncompleted. That brings us, on the cost of the railroad, to approximately a million and a half, brings us down to about \$90,000 per mile of completed and uncompleted work in its equivalent relation.

Mr. FREAR. In addition to a main line trackage of less than 11 miles you put almost two-thirds in addition to that in the shape of sidetracks and spurs?

Mr. HERINGTON. Yes. Now, you take, for instance on that line, if that line should have been carried in through for two or three years' work in there—no one knew how long this war was going to last. I believe that is conceded—your terminal would have to take care of whatever came. Therefore a terminal in a condition of that kind naturally had to be provided.

Mr. FREAR. What do you figure the sidetracks down at the terminal, on the same basis of 75 per cent?

Mr. HERINGTON. Yes; I have averaged them all the way through the line. One of the sidetracks at the terminal is on a trestle, on the log dump trestle. Of course, that again is high, whereas another sidetrack may be a little low; but I think the average in through there is a very fair one.

Mr. FREAR. How much sidetrack is on trestle?

Mr. HERINGTON. Well, there is one siding down there pretty nearly 2,000 feet long.

Mr. FREAR. On trestle?

Mr. HERINGTON. The majority of it is on trestle.

Mr. FREAR. What is the purpose of that?

Mr. HERINGTON. That was the log dump.

Mr. FREAR. Oh, that was for the log dump.

Mr. HERINGTON. That was for the log dump—the one that stands toward the center.

Mr. FREAR. How much do you figure that per mile?

Mr. HERINGTON. That is rather a hard thing to figure there. They had some very hard piledriving at that time. I believe they had to shoe their piles. That character of construction would approximate, according to the difficulty of driving it, might run up, under war conditions to \$75,000 per mile. It might be a little less or a little bit more.

Mr. FREAR. Is that all on railroad No. 11?

Mr. HERINGTON. That is all on railroad No. 11.

Mr. FREAR. Now, railroad No. 12, the Blodgett?

Mr. HERINGTON. May I add one thing in that connection?

Mr. FREAR. Yes.

Mr. HERINGTON. You have in evidence a map which was prepared by our engineering department which shows the state of these various spurs.

Mr. FREAR. I think I have seen that; yes.

Mr. HERINGTON. That is, by different formed lines that carries the shape of the spurs, the condition of them, and shows the enormous development that was under way.

Mr. FREAR. Your description covers that sufficiently to indicate.

Mr. HERINGTON. Now, on Nov. 12 we have 23.42 miles of line under rail, practically completed line. Then we have sidings, a total mileage of 2.567, and those sidings on that line are in some cases light and in some cases heavy. A good deal of grading was really done for two and three tracks at certain points, which I have not really taken into this, so that it balances up to about 75 per cent.

Mr. FREAR. Where were the two or three tracks to be located?

Mr. HERINGTON. At the camp sites, down near the lower end, Big Creek camp.

Mr. FREAR. That place that they expected to have as sort of a large camp, that they pointed out?

Mr. HERINGTON. Yes. Then, there was another point that was practically down at the end of grade, where the final spurs would come in. There was quite a bit of grading done there. We have six-tenths of uncompleted main line there; that is, six-tenths on which the grading was done. There, again, it is 66½ per cent —while the work may be somewhat light, at the same time that was down at the very far end where the transportation expense and things of that kind would come into it for the grading, and bring that part of it very much higher cost than the portion nearer to—

Mr. FREAR. But your timber, rails, and all the accessories that had to be used in building that, where were they?

Mr. HERINGTON. The timber on that line and the ties, etc., are at various points along the line where they were delivered by the makers,

and some of them were at Yaquina, but in several places they are along the line ready to load on the tie train.

Mr. FREAR. You think two-thirds is a fair valuation for a grade that has been established with the ties and rails distributed back along that road and at Yaquina, without any labor being performed for laying the road?

Mr. HERINGTON. Well, it was in that particular case, I think, on account of the extreme distance from the working head of the line.

Mr. FREAR. But that is only in grading, I understand.

Mr. HERINGTON. But the labor is all you have in grading, as a rule.

Mr. FREAR. But you have the labor of laying the rails and all. Which is the most expensive, the labor in grading in a case like that or the labor in laying the rails and the ties?

Mr. HERINGTON. The labor in laying the rails is very much less in the percentage of cost than the grading.

Mr. FREAR. Then the only question would be the question of having the mills on the job?

Mr. HERINGTON. The mills were on the job, and, in fact, the rail was on the job, as far as that is concerned.

Mr. FREAR. That is, somewhere along this line?

Mr. HERINGTON. Yes; it was all provided. Then again we have 3.35 miles of spur which was graded and chunked out in a form that brings it to the equivalent of about 3.35 miles of spurs ready for rails.

Mr. FREAR. On what basis do you determine that?

Mr. HERINGTON. That is on the mileage basis and on the yardage in there.

Mr. FREAR. How do you figure, for instance, the spurs over there that had no rails or ties?

Mr. HERINGTON. I am not giving this 3.35 as the completed equation there. I am simply stating that is the equivalent spur mileage in itself. But there are some portions which were beyond that. There was more than that amount of spur under development; but this brings you to the approximate, to a base. Then we have, figuring the spurs if completed, 75 per cent of the value of the main line.

Mr. FREAR. You figure the spurs at the 75 per cent there?

Mr. HERINGTON. Yes; if they were completed. They were not completed; those were only two-thirds completed, as we might say, as spurs, and we reduce that 3.35 in that way to an equivalent mileage of 1.68.

Mr. FREAR. That is, it would be one-half of the main line?

Mr. HERINGTON. Yes. So that totaling up we have of main line, actual mileage, 23.42; sidings, actual mileage, the equivalent of 1.925; and of main line uncompleted an equivalent of four-tenths of 1 mile; and of spurs the equivalent of 1.68, making a total—

Mr. FREAR. Sixty-eight one hundredths?

Mr. HERINGTON. One and sixty-eight hundredths; yes. Making a total there of work done on that line which approximates 27.4 per cent of actual mileage.

Mr. FREAR. That is the way you estimate it?

Mr. HERINGTON. Yes; as a matter of equivalent mileage, which, applied to the total cost of the line, gives you a value there of approximately \$76,000 per mile.

Mr. FREAR. What is the total amount there?

Mr. HERINGTON. Two billion-dollars, as I have it figured here. I do not know whether that is the final figure that the accountants have reached or not, but that was a rough figure. So that I think that has a tendency to really illustrate in itself the actual work that was done which was not availed of.

Mr. FREAR. That covers the three roads?

Mr. HERINGTON. That covers the three roads.

Mr. FREAR. Do you know the method of computation of railroads in regard to the basis on which they secured their loans, or the security that is placed in reference to the main track, as to whether it includes sidetracks and spurs, etc.?

Mr. HERINGTON. There is quite a little technicality in that.

Mr. FREAR. Explain it to the committee.

Mr. HERINGTON. I have prepared that kind of information several times. For instance, you say on a railroad from Chicago to St. Paul or from Chicago—to get away from St. Paul—to St. Louis; that would be, say, 250 miles. Now, that would be a road mileage of 252 miles.

Mr. FREAR. That is, of main track?

Mr. HERINGTON. Of road mileage; that is, in operating mileage of 252 miles, where, if you had on that a second track for halfway you would show road mileage as 252, first main line 252, second main line so much, and qualify that in a general way so that a person would actually have a real idea, in going through the papers, of what the mortgage would cover.

Mr. FREAR. That is, you mean, in case it was a double track, for instance, it would only contain the same amount of mileage, if I understand correctly, but it would give the character of the railway construction.

Mr. HERINGTON. Well, you would use first the track road mileage, and you would then follow that up with a statement in which you would show the first main line, second main line, and siding mileage.

Mr. FREAR. But the road mileage gives the distance between the terminals.

Mr. HERINGTON. It is really the operating distance.

Mr. FREAR. Between terminal points?

Mr. HERINGTON. Yes.

Mr. FREAR. That is made the basis of mortgages in raising securities?

Mr. HERINGTON. To a very large extent.

Mr. FREAR. Isn't that usually so?

Mr. HERINGTON. It carries a qualification in the papers. You might have a mortgage for 252 miles, but at the same time in the papers behind that mortgage would be a description of the property.

Mr. FREAR. Now, is there any basis of estimating that is provided by the Interstate Commerce Commission?

Mr. HERINGTON. The Interstate Commerce Commission has somewhat the same term—what they call the operating mileage, or road mileage, as it is called—which is the operating distance, whether it is a one-track railroad or a four-track railroad, and then it likewise qualifies it into the first, second, third, and fourth, or siding mileage.

Mr. FREAR. Now, we will take, for illustration, the Milwaukee road, which has an average valuation given of something over \$60,000 a mile. That is shown, I think, in the 1917 or 1918 report. I

mean between \$60,000 and \$61,000, I do not remember the exact amount. Now, what mileage is that based on?

Mr. HERINGTON. That is probably based on the valuation figures prior to that time, on the basis of reproduction, on which the Interstate Commerce Commission valuation experts are not at all liberal and which only, as it may be seen, is taken into consideration. That would probably be the operating mileage.

Mr. FREAR. That is the actual main track?

Mr. HERINGTON. The actual distance, main track.

Mr. FREAR. I was wondering, and it is for information, because it is instructive to know those things.

Mr. HERINGTON. Anything in that respect, that figure is only comparable in case of comparable territory, etc. For instance, the Milwaukee has—as I recall the system, they have probably three-quarters of their mileage across the Mississippi Valley in prairie countries—

Mr. FREAR. I speak of this because the Milwaukee, the Northwestern, and the Wisconsin Central, and all those roads have the same business of raising money.

Mr. HERINGTON. Yes.

Mr. FREAR. And I was trying to ascertain how the mileage was determined in order to give you that average mileage that is used for taxation purposes. It is used for all purposes.

Mr. HERINGTON. In addition to that, of course, in mortgage matters and things of that kind there is usually a pretty comprehensive operating and engineering report on the property.

Mr. FREAR. If you take the taxation question, they tax it so much a mile?

Mr. HERINGTON. Yes.

Mr. FREAR. That is, you consider it upon the operating of the railroad between terminals?

Mr. HERINGTON. Except in a special case, like city terminals—

Mr. FREAR. There is not anything of that kind contained in your estimates—no terminals, nor anything of that kind?

Mr. HERINGTON. That is a question that I think possibly it might be well to take up further, Mr. Frear, with the accounting department, because the equipment for these lines was purchased and practically a majority of it was on hand on 11 and 12.

Mr. FREAR. That is not included.

Mr. HERINGTON. Well, that I could not say, whether it is included in that total or not.

Mr. FREAR. But in the case of your mileage, that is figured for purposes of assessment, that is, in State assessments of railways, or for the purpose of raising securities for equipment, the terminals are all figured in, aren't they, so that the estimate of 60 miles of road of the Milwaukee road, for instance, that includes the equipment and the terminals.

Mr. HERINGTON. Yes. Of course, for local taxation, like a point like the Chicago terminals of any railroad, where the property values are so very high, now, that it is usually separately considered.

Mr. FREAR. I am including the city valuations, which include the terminals, as I understand; for instance, in Chicago the depot is a twenty million depot for the Northwestern, or whatever amount it is, they apportion that amount that is in Illinois and the amount

that is in Wisconsin and the amount that happens to be in any other State—they apportion the amount that is taken into these terminals, as I understand.

Mr. HERINGTON. Yes.

Mr. FREAR. To each State.

Mr. HERINGTON. There are variations in that process in different States. I am not sure whether it is Georgia or Florida, but it seems to me that in Georgia or Florida they take one of the two of those, it seems to me they take into consideration the siding mileage in proportioning that out between the towns. I know that those towns used to incorporate themselves for four or five miles along the track, in order to get in it.

Mr. FREAR. Did you ever have something to do with town sites? The last day or so—we don't want to get in any further.

Mr. HERINGTON. Where are they?

Mr. FREAR. That is around Otter Rock. That is the only one I know of.

Mr. HERINGTON. That is about as far as it goes.

Mr. FREAR. That is all of them.

Mr. HERINGTON. Was there a question as to this Hammond contract that you wished further enlightenment on?

Mr. FREAR. No.

Mr. HERINGTON. I understood there was something.

Mr. FREAR. No.

Mr. HERINGTON. May I make a suggestion, Mr. Frear, that a good deal has been said—I happened to find this this noon in our files—a good deal has been said here about the general situation around Puget Sound, and I don't think there is a map in evidence here.

Mr. FREAR. We would be glad to have it.

Mr. HERINGTON. I have been attending these meetings and I don't think there is a general chart map where the sound or its general geography is really presented, and that is a sounding chart of the entire Puget Sound waters, and also shows the outlines of some of the harbors which have been under discussion. (Producing map.) Those are to scale there.

Mr. FREAR. These dotted lines simply refer to depth?

Mr. HERINGTON. Those are contours.

Mr. FREAR. They carry along the same figures, but they don't get the distance from shore line.

Mr. HERINGTON. No; that is a matter of scaling there, and the map in itself carries a scale, etc.

Mr. FREAR. We can have the map, can we?

Mr. HERINGTON. Yes. I thought it would be of considerable interest. It shows the rather exposed condition there in Clallam Bay that has been under discussion a good deal; rather makes it certain, instead of so many different opinions on it.

Mr. FREAR. Well, this Clallam Bay—

Mr. HERINGTON. It does.

Mr. FREAR. According to this map—what is the scale of miles, where is it here?

Mr. HERINGTON. Up above here, right here. Nautical miles, land miles.

Mr. FREAR. Clallam Bay, according to this, is about 15 miles inland—now, here—about 20 miles or 25 miles inland from the point, and about 20 miles across the strait there.

Mr. HERINGTON. That is about 18 miles, I believe, stated, as a rule, across the strait there, 18, and it is approximately that in.

Maj. Sawyer brought out a matter here in testimony last night as to the point at which the logs would be towed that were surplus from the first of the operations, from Port Angeles. I want to call attention to that, that it comes right down into—you can see the relation of this dumping point with the rest of the sound or distribution to the mills. Practically most of the towing that was to be done inside of sound water or inside of quiet waters.

Mr. FREAR. The most dangerous place in the towing from Clallam Bay, according to some of the testimony submitted, is in the neighborhood of—what point is that?

Mr. HERINGTON. Dungeness Point, when you have been out there for several hours and don't know what the weather is. You can practically anticipate here within an hour on what you are going to find the water, because it is so all around the point there.

Mr. FREAR. That is one of the dangerous places?

Mr. HERINGTON. It is.

Mr. FREAR. According to the testimony of the loggers and others who raft.

Mr. HERINGTON. Where a man is out at sea there and has no idea of weather and tide conditions that he is running into, but here it is in short telephone distance.

Mr. FREAR. That is about what distance from Port Angeles?

Mr. HERINGTON. I believe that is about 20 miles east by the railroad. The railroad wanders around there quite a little.

Mr. FREAR. But I mean across. I should think that would be about 40 miles, wouldn't it? Here is your scale of miles. Here is 30.

Mr. HERINGTON. Here is zero.

Mr. FREAR. Yes, it is more than that. I am talking about Port Angeles. Here is Port Angeles. Now, there is 30 miles right there, so it is nearer 50 miles from Port Angeles to this point, I mean.

Mr. HERINGTON. The distance is a matter of a Milwaukee time table there, as far as that is concerned. You can get at that very easily. But the actual geography of the thing is what I thought might particularly be interesting in there.

Mr. FREAR. The Milwaukee time table doesn't give us information of what is on the water. If you are logging from Port Angeles and come to this point—what is it?

Mr. HERINGTON. That is about 20 or 30 miles.

Mr. FREAR. No—this dumping point, which is right here back of Dungeness—this was the dumping point for the surplus logs that were to be temporarily sawed by the mills while the other mills were getting in—

Mr. FREAR. What other mills?

Mr. HERINGTON. The six mills along the town.

Mr. FREAR. You have to get them out of the dumping ground.

Mr. HERINGTON. At that time they would raft there with this quick and easy turn on Dungeness Point.

Mr. FREAR. You would have to again reraft from that dumping ground around to the various mills?

Mr. HERINGTON. You would only have the one rafting.

Mr. FREAR. You would raft into the booming ground?

Mr. HERINGTON. No, you dump from the track there, right down over the Milwaukee road.

Mr. FREAR. But I thought you were going to dump them in here at Port Angeles.

Mr. HERINGTON. For the mill there. Of course, there is no rafting to that, because they are dumped right into the boom.

Mr. FREAR. Well, now, what is the distance—let's get this right—from Port Angeles to this point.

Mr. HERINGTON. To Blinn?

Mr. FREAR. No, where my pencil is.

Mr. HERINGTON. Now, if you are all open sea, I think that is 20 or 30 miles.

Mr. FREAR. It is more than that, isn't it. Here you have it. There is a pencil. The full length of the pencil. Here is 40 miles right there. It runs there.

Mr. HERINGTON. These are nautical miles.

Mr. FREAR. Yes, and nautical miles are longer than statute miles.

Mr. HERINGTON. Yes.

Mr. FREAR. Well, it is over 50 miles, isn't it?

Mr. HERINGTON. It may be. Yes; I guess it is, because it is 124 miles around there from Seattle. But I just brought it up because it don't bring that geography right before us.

Mr. FREAR. I want to get the distance, if I can.

Mr. HERINGTON. But you see the intention there was to dump or boom the logs at Port Angeles.

Mr. FREAR. Another set of officials might change the plan entirely and decide they would dump them at Port Angeles and raft them over there.

Mr. HERINGTON. If the water was good they might.

Mr. FREAR. If the water was good they might build a short line to Port Crescent?

Mr. HERINGTON. That would be among the possibilities.

Mr. FREAR. And carry them over there.

Mr. HERINGTON. Do I understand I am excused?

Mr. FREAR. Yes. Let's introduce this in the record.

(Map referred to was marked "Exhibit 29, Herington, Sept. 11, 1919.")

(Witness excused.)

TESTIMONY OF ——— GABRIELSON—Recalled.

Mr. FREAR. You are an accountant, working for this committee, employed by this committee?

Mr. GABRIELSON. Yes, sir.

Mr. FREAR. In the firm of——

Mr. GABRIELSON. M. & L. W. Scudder.

Mr. FREAR. Of New York City?

Mr. GABRIELSON. 177 Broadway, New York.

Mr. FREAR. And you have been sent out by the committee, among other places, to this point, to make some investigation of the accounts here, have you not?

Mr. GABRIELSON. Yes, sir.

Mr. FREAR. That is, in relation to this that I wish to—how long have you been an accountant?

Mr. GABRIELSON. For about three years.

Mr. FREAR. How long?

Mr. GABRIELSON. Three years.

Mr. FREAR. How long have you been with Scudders?

Mr. GABRIELSON. Since the war.

Mr. FREAR. A graduate from any university?

Mr. GABRIELSON. Yes, sir.

Mr. FREAR. Where?

Mr. GABRIELSON. Harvard University.

Mr. FREAR. I will ask you first, apart from your duties as an accountant, you have been making an examination of the records for anything that would throw light upon the general situation here, under the instructions of the committee, have you not?

Mr. GABRIELSON. I have; yes, sir.

Mr. FREAR. I will ask you first whether you have any letters which come either from your examination or from the records at Washington, where you have also been making an examination, regarding Col. Disque's authority to sign contracts; and if so, to what extent?

Mr. GABRIELSON. I have. I have found two communications in Washington, in what is known as the Potter-Ryan file, one under date of April 30—

Mr. FREAR. That was in the Aircraft Department of the War Department?

Mr. GABRIELSON. Aircraft Production of the War Department. One under date of April 30, 1918, and one under date of September— or July 15, 1918. Do you wish them read?

Mr. FREAR. Just let me see them.

Mr. GABRIELSON. It is the fourth paragraph there on the first one. [Producing.] And it is the first paragraph on the second page.

Mr. FREAR. These are typewritten copies taken from the public records there at Washington?

Mr. GABRIELSON. Yes.

Mr. FREAR. You might read it. I don't believe Mr. Magee has ever had them; I don't know that he has, and I don't know that I have before. Just read the two letters, please. They are brief.

Mr. GABRIELSON. This is from the fourth paragraph of the letter of April 30, 1918, from Capt. L. C. Preston, of the Finance Division, to Maj. Brown, of the Finance Division of the Bureau of Aircraft Production. [Reading:]

It has recently developed that Col. Disque has for some time past assumed that he has the right to approve all contracts, according to notice sent to this department by Capt. Crisp in letter of February 11, with the result that all contracts since the latter part of January have been made without being approved by this department or the Chief Signal Officer; the more important contracts which have not been approved being the three cost-plus contracts for rived spruce, with Grant Smith-Porter Bros. Co., Warren Spruce Co., and the Airplane Spruce & Lumber Co., estimated at \$13,000,000 each, and the contract with H. S. Mitchell for the management of the cut-up plant. By reason of the agreement entered into in these four contracts, it would seem that it would be desirable to

exercise some supervision regarding the terms and legal form of the more important contracts entered into by the Spruce Production Division.

Mr. FREAR. Now, just a moment. From whom does that letter come—that is, I mean what was his position, if any?

Mr. GABRIELSON. I think at that time he was in the Finance Division of the Signal Corps. He later became the head of the War Credits Board, after Col. Thompson ceased being, and this was written to the head of the Finance Division of the Bureau of Aircraft Production.

Mr. FREAR. Now, the second letter that you have, and give the date, and from whom and to whom.

Mr. GABRIELSON. The second letter is under date of July 15, 1918, from Maj. A. C. Downey, who was head of the Contracts Department of the Finance Division of the Bureau of Aircraft Production, to Maj. Brown, the head of the Finance Division.

Mr. FREAR. Read the letter, or not part of it—

Mr. GABRIELSON. [Reading:]

The contract section has endeavored to assist and cooperate with the spruce production division and had disapproved of certain contracts, in order that their disbursing officer might be protected. They have apparently not relished this method of treatment and have recently taken the matter clear up with the view of forcing the contract section to approve the contracts which had previously been returned unapproved. In view of these facts, it would occasion no grief to the contract section if Mr. Ryan should delegate to Col. Disque full authority to approve all contracts executed by the spruce production division.

However until such time as this authority is granted the contract section will continue to adhere to its former policy, to wit, in that it will not approve of any contracts which are of such character as to indicate in any way that the interests of the Government of the United States are not being subserved.

Mr. FREAR. Well, the first letters refers to three or four cost-plus contracts.

Mr. GABRIELSON. Yes, sir.

Mr. FREAR. And how much do they mention there as totaling?

Mr. GABRIELSON. \$13,000,000 each; \$39,000,000.

Mr. FREAR. \$39,000,000 that were executed here without submission to the East?

Mr. GABRIELSON. Without approval by the Chief Signal Officer.

Mr. FREAR. What is the date of that letter?

Mr. GABRIELSON. April 30, 1918.

Mr. FREAR. And the second letter?

Mr. GABRIELSON. Dated July 15.

Mr. FREAR. That goes on to mention the same parties, that, Col. Disque?

Mr. GABRIELSON. Yes, sir.

Mr. FREAR. And Mr. Ryan, who at that time was head of the Aircraft Board?

Mr. GABRIELSON. Yes.

Mr. FREAR. Is there any other correspondence you noted there in relation to the matter?

Mr. GABRIELSON. No, sir; that is all I found.

Mr. FREAR. Was there anything appearing in the records to show that Mr. Ryan made any order in regard to granting special authority to Col. Disque?

Mr. GABRIELSON. Well, there was a great many letters that I ran across in the file there, and I am frank to say that they did not give me a clear idea, but my opinion was that all contracts under \$5,000,

that Col. Disque was to have the authority to approve, and, over that, he should sign them with the approval of Mr. Ryan. Now, I may be mistaken in that.

Mr. FREAR. Just inquire of Mr. Campbell there if he knows about it.

Mr. GABRIELSON. Mr. Campbell says that that is correct about the approval of contracts.

(The letters above referred to, of April 30, 1918, and July 15, 1918, together with attached papers, were marked "Exhibit 30—Gabrielson—September 11, 1919.)

Mr. FREAR. But there is nothing further?

Mr. GABRIELSON. Now, the \$5,000 was his limit of approval, as finally decided by Mr. Ryan?

Mr. FREAR. Have you any facts or figures that you can give us in relation to the Hammond Lumber Co., in addition to those furnished by Mr. Campbell? I would be glad to have you make it clear to the committee just what the basis of settlement was and how—

Mr. GABRIELSON. Well, a part of this may be reiteration of Mr. Campbell's statement this morning.

As I take it, the settlement was made according to the terms of the contract, and the contract included amortization of 65 per cent of the construction cost of the road, plus 10 per cent profit on the construction of the road, regardless of the number of logs that were hauled over this road.

Mr. FREAR. That is, there was no limitation?

Mr. GABRIELSON. No limitation. If he didn't haul any logs, or if he hauled the whole 60,000,000 logs contracted for, the amortization would be exactly the same.

Mr. FREAR. In other words, he would acquire the railroad upon that basis, without any investment, practically; that is, I mean a small investment?

Mr. GABRIELSON. He would acquire the road at about 32 per cent, I think, because he would get 65 per cent amortization on his construction cost, plus 65 per cent on the 10 per cent profit which he was allowed, which would make it, I think, about 32 per cent which he would get the road for, regardless of the logs that were hauled over the line.

Mr. FREAR. Now, I think the figures were placed in the record this morning, but have you made any estimate as to what that would be for the logs?

Mr. GABRIELSON. That would make the cost of the logs per thousand, \$255.25; that is, considering the termination settlement.

Mr. FREAR. That is of the logs?

Mr. GABRIELSON. Of the logs; yes.

Mr. FREAR. You are an accountant and can figure quickly. On the basis of 15 per cent to 20 per cent of the log being used for airplane lumber, what would be the cost, in the Hammond contract, for what airplane lumber was gotten out?

Mr. GABRIELSON. About \$1,200.

Mr. FREAR. How much?

Mr. GABRIELSON. About \$1,200.

Mr. FREAR. About \$1,200 a thousand. Were there many contracts of that character, or do you know?

Mr. GABRIELSON. I don't know.

Mr. MAGEE. Who approved this contract?

Mr. GABRIELSON. I can tell you in just a moment. Brice P. Disque, colonel of the Air Service.

Mr. MAGEE. What is the date of it?

Mr. GABRIELSON. September 12, 1918.

Mr. MAGEE. Is it approved by the director of the aircraft service?

Mr. GABRIELSON. No, sir.

Mr. MAGEE. Approved by nobody except Gen. Disque?

Mr. GABRIELSON. Gen. Disque seems to be the highest approval on here.

Mr. FREAR. What was the amount involved in that contract?

Mr. GABRIELSON. Sixty million.

Mr. FREAR. \$60,000,000.

Mr. GABRIELSON. 60,000,000 feet.

Mr. FREAR. Or 60,000,000 feet, and how much, in dollars, would that mean, provided the contract was carried out?

Mr. GABRIELSON. Well, you can't tell exactly because they were getting a maximum profit of \$2.50 per thousand and they were to get—let's see—

Mr. MAGEE. Well, now, you have read two letters—

Mr. FREAR. He is figuring; just a minute. What is the result?

Mr. GABRIELSON. Well, that figures up above the \$40. It would make about—wait a minute—

Mr. FREAR. What is the rate?

Mr. GABRIELSON. The rate is 40.

Mr. FREAR. Forty what?

Mr. GABRIELSON. \$40 a thousand.

Mr. FREAR. Forty times sixty would be what?

Mr. GABRIELSON. Two million four hundred thousand.

Mr. FREAR. \$2,400,000.

Mr. GABRIELSON. I was trying to figure in the 2½ per cent minimum.

Mr. FREAR. If it is carried out to its full conclusion, that would be the amount involved, outside of the profit?

Mr. GABRIELSON. Yes.

Mr. MAGEE. The last letter you read, in reference to the hesitation of officers in Washington to assume responsibility for the acts of Gen. Disque here in regard to contracts: Was he afterwards given complete authority to enter into such contracts as he chose?

Mr. GABRIELSON. Mr. Campbell just told me—he is the comptroller of the company—that \$5,000 was the limit that Gen. Disque was allowed.

Mr. MAGEE. What I am getting at is, do you know he had authority to enter into a contract of this kind like the Hammond Co. contract?

Mr. GABRIELSON. I don't.

Mr. FREAR. Without submitting it.

Mr. MAGEE. Do you know whether he had authority, or not?

Mr. GABRIELSON. I do not.

Mr. MAGEE. Haven't you been able to determine?

Mr. GABRIELSON. I say just as they told me, Mr. Magee, that \$5,000 was his limit of authority.

Mr. FREAR. Five thousand.

Mr. GABRIELSON. Five thousand.

Mr. MAGEE. Can you determine whether or not, from an examination of the records of this company, the general had authority to enter into a contract of this character?

Mr. GABRIELSON. I was not able to in Washington. I have not tried here.

Mr. MAGEE. Will you try, and let the committee know?

Mr. GABRIELSON. I will.

Mr. MAGEE (continuing). What the result of your investigation is?

Mr. GABRIELSON. I will.

Mr. MAGEE. And if he had such authority, furnish to the committee, if available, the authority and the source of the same.

Mr. GABRIELSON. All right, sir.

Mr. FREAR. And, if it is not found here, ascertain if there is anything found in the aircraft records of Gen. Menoher at Washington.

Mr. GABRIELSON. Yes, sir.

Mr. LEA. You didn't put that contract in evidence, did you?

Mr. GABRIELSON. We are going to put it in as an exhibit.

Mr. LEA. I think, in view of the importance of it, it might be well to put it in the record.

Mr. FREAR. We will; yes. Do you care to testify from it further now?

Mr. GABRIELSON. No.

Mr. LEA. I don't mean to part with it now, but I would like to have it understood that the report can be put into the record.

Mr. FREAR. Is there anything else in the Hammond contract that you care to call the committee's attention to?

Mr. GABRIELSON. I think that is all in regard to that.

Mr. FREAR. Just mark that as an exhibit, and better insert it in the record, because there is some point made about that.

(Contract referred to was marked "Exhibit 31, Gabrielson, Sept. 11, 1919," and is copied into the record, in full, as follows:)

EXHIBIT 31—GABRIELSON—SEPTEMBER 11, 1919—CONTRACT SPD—No. 157.

BUREAU OF AIRCRAFT PRODUCTION—SPRUCE PRODUCTION DIVISION—CONTRACT FOR SPRUCE LOGS.

These articles of agreement, made and entered into at Portland, Oreg., this 31st day of July, 1918, by and between the Hammond Lumber Co., a Delaware corporation, hereinafter referred to as the "logger," and the United States of America, hereinafter referred to as the "Government," represented by Prescott W. Cookingham, captain, A. S. A. P., United States Army, hereinafter referred to as the "contracting officer," witnesseth:

Whereas the Government is in need of spruce logs for the purpose of manufacturing aircraft material; and

Whereas the logger is in a position to furnish spruce logs suitable to the needs of the Government:

Now, therefore, under the provisions of section 120 of an act of Congress relating to national defense, approved June 3, 1916, and pursuant to all other laws of the United States and Executive orders of the President of the United States, or heads of its departments, under which requirements for advertising for proposals are dispensed with and contracts in the form hereof are fully authorized, the President hereby places the following order with the logger with the requirement that it comply with the contract hereinafter set forth, and in consideration of the mutual agreements herein contained, said parties have agreed, and by these presents do agree, to and with each other as follows, to wit:

ARTICLE I. The logger hereby agrees to sell to the Government and the Government hereby agrees to purchase from the logger 60,000,000 feet, log scale, of No. 1 and No. 2 spruce logs to be taken from the timber tributary to the Necanicum River, its branches and forks, south of Holladay, Oreg., and to procure for the logger upon the terms provided in Article X of this contract such railroad cars (not exceeding 50 in number) as the logger may need for the transportation and delivery of the logs within the time provided for such

delivery. Such logs are to be delivered on or before the last day of December, 1919, and shall conform in all respects to the requirements and provisions of the specifications hereto attached or such modification thereof as the Government shall hereafter from time to time adopt.

ART. II. The logger has already begun construction work and logging and agrees to continue such construction work and logging and to deliver not less than 1,250,000 feet, log scale, of such spruce logs during each of the months of September, October, November, and December, 1918, but a total delivery of 5,000,000 feet, log scale, of said spruce logs during said four months shall be deemed a compliance with this provision. Beginning with the 1st day of January, 1919, the logger shall deliver not less than 2,500,000 feet, log scale, of said spruce logs per month, but this provision shall be fully complied with if the logger shall deliver a minimum total of 10,000,000 feet, log scale, of said spruce logs in each third of a year, beginning on said January 1, 1919: *Provided, however*, That the entire contract amount of 60,000,000 feet shall be delivered on or before December 31, 1919, it being understood that such an amount, as with all prior deliveries shall total said 60,000,000 feet, shall be delivered during said last four months' period. The Government will accept no No. 3 logs hereunder and no payment will be made to the logger on account of the same. It is estimated that timber in territory aforesaid in which said logging operations are to be conducted will produce at least 60,000,000 feet of spruce logs which will meet the requirements of the aforesaid specifications, but in view of the impossibility of knowing with certainty that the spruce in said timber will provide sufficient logs complying with said specifications to enable delivery of said full 60,000,000, it is agreed that the contractor shall not be deemed to be in default of making the minimum deliveries for said respective four months' periods he shall have delivered a total of 35,000,000 feet of spruce conforming to said specifications on or before December 31, 1919. The logger shall not be held liable for delays in deliveries caused by strikes, fires, floods, riots, acts of God, or the public enemy, or any other cause beyond the control or without the fault of the logger.

ART. III. Logs produced under this agreement are to be delivered at Warrenton, Oreg. The logs are to be rafted by the logger and the rafts delivered at Warrenton to parties designated by, and upon terms approved by the contracting officer, provided the credit of such designated parties is approved by the logger. In the absence of designation by the contracting officer, or in the event the credit of designated parties is disapproved by logger, then deliveries shall be made to the Government. Where logs are to be rafted and delivered to the Government or to its designated parties, other than to mills operated by the logger, boom sticks and gear for such rafts shall be furnished at Warrenton, Oreg., by the Government. In case deliveries are made to designated parties as aforesaid, then payment for all logs so delivered shall be made by the parties so designated, and the Government shall be under no obligation to pay for logs so delivered. The logger may, however, saw such logs as may be designated by the contracting officer, into lumber at its mill at Warrenton, Oreg., subject to terms and specifications which are satisfactory to the contracting officer.

ART. IV. All logs delivered to designated parties or sawed by the logger, as in the preceding paragraph set forth, shall be considered as delivered under this contract, as well as those going direct to the Government.

ART. V. All spruce to be delivered under this contract shall be inspected at Warrenton, Oreg., after rafting, as to compliance with specifications hereto attached or such modifications thereof as the Government shall adopt, and scaled as to measurement by the Columbia River log-scaling bureau, which inspection and measurement shall be final. The Government reserves the right to refuse, and to mark the letters "C. S." on any spruce logs found on such inspection not to be in compliance with specifications hereto attached, or modifications thereof adopted by the Government. The logger shall provide such grading in advance of inspection as will facilitate inspection by said scaling bureau. The logger shall have the right to remove from rafts any No. 3 logs which may be included therein. Logs sawed by the logger, as hereinbefore provided, need not be rafted and shall be inspected and scaled in accordance with directions issued by the contracting officer.

ART. VI. The price to be paid by the Government or its designees for logs delivered hereunder shall be \$40 per thousand feet, according to log scale, and based on measurements as noted in the specifications hereto attached, or such modifications thereof as the Government shall adopt: *Provided, however*, That if said price shall result in the logger making more than \$2.50 per thousand

profit under this contract, then the purchase price shall be reduced in an amount to allow only \$2.50 per thousand profit upon all logs delivered; and at the termination of the contract the logger shall rebate and pay to the Government any excess in the amount received by the logger over and above said profit of \$2.50 per thousand.

For the purpose of ascertaining the amount of such profit, the Government shall have access to all books of the logger pertaining to this operation at all reasonable times, and the logger agrees to keep its accounts in such manner as may be prescribed by the contracting officer; in determining what profit has been made hereunder, the usual cost items covering an operation of this kind shall be figured, including operating expenses, maintenance, necessary overhead apportionable to said work, taxes on plant and equipment used, stumpage \$5 per thousand, and such an amount for depreciation for the railroad extending south from Holliday, Oreg., rolling stock, plant and equipment employed in said operation as will amortize 65 per cent of the cost of said railroad, rolling stock, plant and equipment so employed, including in such cost 10 per cent for overhead on the construction and assembling thereof; the amortizing of such 65 per cent to be based on the distribution thereof over the amount of the entire contract.

It is intended that the entire merchantable content of all spruce trees fallen under this contract for the purpose of obtaining No. 1 and No. 2 logs, in the selective logging process hereinafter provided for, shall be paid for at the rate of \$5 per thousand; stumpage on that portion of the tree producing No. 1 and No. 2 logs is included in the price of \$4 per thousand, as provided for in the first paragraph of this article; that portion of the merchantable content that will produce No. 3 logs shall be scaled in the woods from time to time by scalers of the inspection department of the Spruce Production Division and account thereof furnished to the parties hereto, and settlement shall be made for stumpage therefor in the same manner as is provided for payment for No. 1 and No. 2 logs, as set forth in Article IX hereof; payments for stumpage for No. 3 logs as hereinabove provided shall not be considered in figuring the profit of \$2.50 per thousand allowed to the logger hereunder.

ART. VII. In producing logs under this contract, the logger shall fall only such spruce trees as may be designated by the Government through its authorized representatives as suitable for aircraft stock, but it is understood that in cutting spruce trees suitable for selective logging all trees reasonably accessible to the operation of the logger will be selected and cut, which contain at least one log 20 feet or more in length and containing a reasonable amount of airplane stock; the contracting officer's determination as to the selection of such trees shall be final.

The logger shall be permitted to log No. 3 spruce logs not to exceed 5 per cent of the logs furnished hereunder and which No. 3 logs shall be the property of the logger. No other varieties of timber shall be logged by the logger on the railroad referred to herein without first obtaining the consent of the contracting officer.

ART. VIII. If the logger shall fail to make monthly deliveries in the amount and in the proportions as above specified, or if the logger shall fail to carry out any other terms of this contract, the Government shall have the right to cancel this contract forthwith and the logger shall be responsible for any damages caused the Government on account of the breach hereof, subject to the provisions of Articles II and XXI hereof. The Government may at any time cancel this contract without cause, by giving the logger 30 days' written notice. In event of such cancellation of the contract by the Government, without default on the part of the logger, the Government shall pay to the logger such portion of 65 per cent of the cost of the railroad extending south from Holladay, Oreg., rolling stock, plant, and equipment employed by the logger in said operation, including in such cost 10 per cent for overhead incurred in the construction and assembling thereof, as shall at the time of cancellation remain unamortized on account of nondelivery of the entire amount of logs contracted for; that is to say, such proportion of said 65 per cent of cost shall be paid by the Government as the balance of logs undelivered bears to the total amount deliverable under the contract.

With respect to the amount of said cost, Schedule A, which is attached hereto and made a part hereof, shows the cost of said railroad and equipment already installed on the 1st day of September, 1918. Additional equipment has also been ordered, the cost of which can not now be definitely stated, but said equipment is listed in Schedule B, attached hereto and made a part hereof.

It is contemplated that still additional equipment will be required, but it is agreed that no purchase of any such additional equipment or further railroad extension will be made costing more than \$7,500 for any particular addition to equipment or railroad extension without the approval of the contracting officer being first had therefor.

ART. IX. Payments shall be made for spruce logs delivered direct to the Government within a reasonable time after the presentation to the officer in charge of disbursements, Bureau of Aircraft Production, Spruce Production Division, Yeon Building, Portland, Oreg., or his duly authorized representative hereinafter called the "disbursing officer," or loggers' invoice, including piece tally manifests, documents showing delivery in accordance with the requirements hereof, and certificates of inspection executed by inspectors authorized by the Government, certifying to the measurement of the logs so delivered and its compliance with specifications hereto attached, or such modifications as the Government shall adopt, and upon a voucher wherein the said disbursing officer shall certify the amounts to be so paid, and that the same have been determined by him to be due and payable to the logger in accordance with the provisions of this contract. All payments shall be made, however, not later than 30 days after acceptance by the Government of the logs to be paid for.

ART. X. The Government agrees to procure for the logger such railroad cars as the logger may need, not exceeding 50 cars, the rental therefor at such rates as it may be necessary to pay in order to obtain such cars to be paid by the logger, who shall also be responsible for repairs to such cars while in use by it, ordinary wear and tear excepted; all cars to be used in transporting said spruce from Necanicum district to Warrenton, Oreg. The logger shall also supply and install all bunks necessary for the proper loading of said cars: *Provided, however,* That if the logger is required to pay a car rental in excess of \$1 per car per day, including Sundays and holidays, then the price to be paid for logs delivered hereunder as set forth in Article VI hereof shall be increased by such an amount as will absorb the cost of said excess car rental, such adjustment of cost to be computed monthly based on the amount of logs shipped during such month.

The Government further agrees to furnish the logger with two donkey engines to be used in its operations in clearing right of way hereunder and also to furnish two auto trucks to be used for the transportation of men and supplies during the construction period. All expenses of operation of said donkey engines and auto trucks, including all cost of maintenance and repairs, shall be borne by the logger, said engines and trucks to be returned in as good condition as when delivered, ordinary wear and tear excepted.

ART. XI. The Government agrees to furnish the logger with not to exceed 300 men, when and as required by the logger, to assist in the construction of such railroads as may be necessary to build for the operations contemplated hereunder. As soon as said railroads are completed, the Government agrees to furnish not to exceed 150 men as required by the logger to assist permanently in logging operations, provided the Government is authorized to furnish and is furnishing any soldiers for logging or lumber operations. All men furnished by the Government in accordance with this article shall be paid by the logger.

ART. XII. The logger will make suitable efforts to secure rights of way, where not already owned by the logger, but if right of way can not be secured by the logger, then the Government agrees to take all lawful steps that may be necessary to secure the rights of way for the logger.

ART. XIII. The Government reserves the right at any time during the period covered by this contract to change, alter, and amend the specifications attached to this agreement in such parts as it may deem advisable and the logger agrees that it will comply with all the terms of such specifications as changed, altered, or amended by the Government: *Provided, however,* That if the change in specifications causes a change in the cost of production, then a corresponding change shall be made in the price to be paid for said logs; and in the event that such change in specifications shall decrease the amount of spruce loggable hereunder, a proportionate increase in the maximum profit permitted shall be allowed to the logger under Article VI hereof.

ART. XIV. If the Government authorities recommend or cause an increase in the wage scale of any of the employees of the logger, then the price to be paid for logs delivered hereunder shall be increased a corresponding amount to cover the additional cost caused by the increase.

ART. XV. It is further understood and agreed that in view of the emergency now to be met, the logger will produce and operate hereunder to the fullest capacity possible under the circumstances.

ART. XVI. It is further contracted and agreed that the logger shall cut and deliver the spruce logs herein contracted to be delivered in a good and workmanlike manner.

ART. XVII. The logger agrees to haul all rived spruce products incident to existing operations in said district of the Government in said Necanicum River district, Holladay, Oreg., at a cost of \$12.50 per car, on cars furnished by the Government, without expense to the logger. For carrying out the terms of this contract, the contractor will extend its logging railroad from Holladay, Oreg., to section 19, T. 5 N., R. W., W. M., Clatsop County, Oreg., such extension to be made by the contractor's operations hereunder.

ART. XVIII. So long as the logger is engaged in railroad construction work it may have the use of the two Government camps and equipment thereof now established in the Necanicum River district, for the men employed by the logger.

ART. XIX. In the absence of any specific provision the customs prevalent among loggers in the Columbia River district shall control the relations of the parties hereunder.

ART. XX. Neither this contract nor any interest therein shall be transferred or assigned by the logger to any person, firm, or corporation without the approval in writing of the contracting officer, and in case of such transfer without his written consent, the Government may refuse to carry out this contract, either with the transferor or transferee, but all rights of action for any breach of this contract by said logger are reserved to the Government.

No No. 1 or No. 2 logs taken from the district contemplated hereby shall be sold to parties other than the Government or parties designated by it.

ART. XXI. If the logger fails to deliver the required footage in any of the above-mentioned four months' periods, the Government may at its option cancel this contract by written notice from the contracting officer to the logger, such cancellation to be without prejudice, however, to any claim of the Government for damages on account of such failure, should such failure be due to neglect or default on the part of the logger in properly, energetically, or adequately prosecuting the logging operations contemplated hereunder. The logger, however, shall not be held responsible, nor shall the Government cancel the contract for any failure to deliver minimum quantities or other failure of performance due to strikes, fires, acts of God, or public enemies, or other cause beyond the control or without the fault of the logger as provided for in Article II.

ART. XXII. No Member of or Delegate to Congress or resident commissioner is or shall be admitted to any share or part of this contract, or to any benefit that may arise therefrom. But this article shall not apply to this contract so far as it may be within the operation or exceptions of section 116 of act of Congress approved March 4, 1909 (35 Stats., 1109).

ART. XXIII. No person or persons shall be employed in the performance of this contract who are undergoing sentence of imprisonment at hard labor which has been imposed by any court of any of the several States, Territories, or municipalities having criminal jurisdiction.

ART. XXIV. Any notice or other communication to be given by the Government to the logger at Astoria, Oreg., and any notice to be given under this agreement to the Government, shall be addressed to the officer in charge of contracts of the Spruce Production Division, Bureau of Aircraft Production, War Department, second floor, Yeon Building, Portland, Oreg.

ART. XXV. Wherever the words "contracting officer" are used in this agreement, the same is understood to include his successors in office or duly authorized representative.

ART. XXVI. This contract shall be subject to the approval of the Director of Aircraft Production.

ART. XXVII. The Government may assign this contract to the United States Spruce Production Corporation or to such other concern as may be mutually agreed upon, and the assumption by such corporation or concern of the Government obligations under this contract shall relieve the Government of any responsibility or liability hereunder.

In witness whereof the logger has caused this contract to be executed by its proper officers duly authorized, and the Government has caused this contract to be executed by the undersigned contracting officer herein duly authorized.

HAMMOND LUMBER CO.,
By A. B. HAMMOND, *President*.

Witnesses:

G. B. McLEOD.
WM. McKIRILDY.

JOHNSTON WILSON.

HYMAN LEVIN.

Approved September 12, 1918.

By authority of the Director of Aircraft Production:

PRESCOTT W. COOKINGHAM,
Captain, A. S. A. P., Contracting Officer.

Approved September 12, 1918.

BRICE P. DISQUE,
Colonel, Air Service, United States Army.

Approved September 12, 1918.

R. S. ESKRIDGE,
Major, A. S. A. P., Approvals Officer.

WATSON EASTMAN,
In Charge of Logging Operations.

Mr. FREAR. What have you to say as to your findings in regard to the Lewis & Clark Railway settlement? Can you furnish facts or figures in regard to that, that will be of moment, in addition to what has been offered?

Mr. GABRIELSON. Yes. From the contract of the Lewis & Clark Railway, Capt. Markum was to have final decision on all matters, he was to be the arbiter of all disputes, and his statement as to the final completion of the road was to be final. The Lewis & Clark people were paid this amount of money.

Mr. FREAR. How much?

Mr. GABRIELSON. I haven't the exact figures here as to how much it was. Anyway, it was paid based on his recommendation.

Mr. FREAR. Was that placed in the record this morning by Mr. Campbell—what the Lewis & Clark people were paid?

Mr. GABRIELSON. The total amount?

Mr. LEA. Yes. He said that they were paid \$43,639 for one railroad, and twenty-one plus for another.

Mr. FREAR. Yes.

Mr. LEA. That is approximate.

Mr. MAGEE. Maj. Herington has suggested to me that he thinks this Hammond Company contract was awarded after the corporation or the Spruce Production Corporation—I give you the information given me and that may help.

Mr. GABRIELSON. That is what Maj. Campbell told me.

Mr. MAGEE. That may help you in your investigation.

Mr. GABRIELSON. I will look it up; I certainly will.

Mr. LEA. That means there are different things there in the two situations from what they were before.

Mr. GABRIELSON. Yes.

Mr. LEA. In that connection, I was wondering if you found whether any opinion had ever been rendered about the authority of Disque under the Spruce Production Division.

Mr. GABRIELSON. Well, that will come in a part of this, Mr. Lea, I will look that up in connection with that?

Mr. FREAR. But that would come in by the action of the board of trustees, would it not, that is, be likely to be that?

Mr. GABRIELSON. I should judge so, yes.

Mr. FREAR. This sixty-odd thousand dollars that goes—

Mr. GABRIELSON. Mr. Lea, isn't your \$64,000 that you have there— isn't that the total amount that was paid them finally?

Mr. LEA. Yes.

Mr. GABRIELSON. What your question was, was how much they had paid before that.

Mr. FREAR. Anything that you have there, yes.

Mr. GABRIELSON. Over and above this final approval the case was opened up again, due to their filing a claim for \$123,370, and of that amount \$64,637 was paid them and I can't find any authority for the payment of that.

Mr. FREAR. Or can you find what the purpose was in making the payment?

Mr. GABRIELSON. No; I can not. That was after opening up the case, after the man who, under the contract, had the final authority, had passed the final authority.

Mr. FREAR. That is, after Capt. Marvin?

Mr. GABRIELSON. Yes.

Mr. FREAR. Had passed upon that as the arbitrator, the one who decided under the contract?

Mr. GABRIELSON. Yes, sir.

Mr. FREAR. Then the settlement was made. Now you say that this additional amount was paid. By whom was that settled? Or is there anything in the records to show?

Mr. GABRIELSON. That was allowed by what is called their contract or adjustment board or claim board of Maj. Eaman, Lieut. Col. Breece, Maj. Griggs, and Capt. Squires.

Mr. MAGEE. What date was this?

Mr. GABRIELSON. This was on January 31, 1919.

Mr. FREAR. Have you attempted to find any information or any authority for this second adjustment or second settlement?

Mr. GABRIELSON. The adjustment, as I take it, was based upon this claim as filed by the Lewis & Clark Railway, their claim being that the road was not in satisfactory condition, and this was filed in spite of the report of Capt. Marvin, and the claims board evidently looked into it and a report, I think, by Maj. Herington recommending the payment of the \$64,000.

Mr. FREAR. Without any further action on the part of Capt. Marvin?

Mr. GABRIELSON. I could not find any further action of Capt. Marvin at all.

Mr. FREAR. Who was the one that had the determination under the contract?

Mr. MAGEE. You didn't get an answer to that.

Mr. FREAR. What is your answer?

Mr. GABRIELSON. Sir?

Mr. FREAR. Who was the one that had the determination of the amount, Marvin?

Mr. GABRIELSON. Capt. Markham of the one road and Mr. Yeon of the second road. There was two small roads there, one of 3½ and the other of 12 miles.

Mr. FREAR. This question of railroad construction, the mileage valuation of the roads, will you give—we have had stated to the com-

mittee by Engineer Herington the basis upon which he made certain computations. Now will you give to the committee any additional information based upon the methods ordinarily employed by the Interstate Commerce Commission and by the railways in raising their securities, in order that both phases of the question may be presented to the committee and for its consideration.

Mr. GABRIELSON. Taking the position that the United States spruce production has as to the arrival of cost, of course they have two unfortunate elements in there—their estimating the percentage of completion and their estimating the percentage of value of construction of the sidings and spurs to the main line.

Mr. FREAR. Is there any rule with which you are familiar that gives any basis for that, outside of the personal judgment of the engineer?

Mr. GABRIELSON. Nothing that I know of, and I think that is conceded.

Mr. FREAR. Yes; that is conceded, as I understand. Now, go on.

Mr. GABRIELSON. The method usually arrived at is by the proper alignment of accounts and classification of accounts, so that they can be built up under separate headings, sidings, and main line; but when you do get the cost under this basis you have an analytical cost per each physical mile. However, you have not what is called the mile valuation. Mile valuation is your operating miles divided by your total cost.

Mr. FREAR. That is, that does not take into consideration sidings as a separate element?

Mr. GABRIELSON. No; because sidings are really just helpers to the main line, according to this viewpoint.

Mr. FREAR. Yes. Well, that would be from the commercial side, I guess?

Mr. GABRIELSON. From the commercial side; yes.

Mr. FREAR. Of giving a return?

Mr. GABRIELSON. Yes.

Mr. FREAR. Yes; which is a condition somewhat apart from this; but just give it upon that basis what the result is.

Mr. GABRIELSON. On that basis, if you simply take the total main line completed, divided by the total value or total cost, Spruce Production Road No. 1 would cost \$110,186.46 per mile.

Mr. FREAR. That is the road in Clallam County?

Mr. GABRIELSON. That is the Siems-Carey-Kerbaugh road.

Mr. MAGEE. The Lake Crescent road?

Mr. GABRIELSON. The Lake Crescent road; yes, sir. Spruce Production No. 11—is that the one that runs north?

Mr. FREAR. That is north from Yaquina Bay to Otter Rock.

Mr. GABRIELSON. Would average \$143,459.40 a mile. On this basis No. 12, Spruce Production No. 12, would equal \$89,076.04.

Mr. FREAR. I will state for the record that these figures don't bind in any way, but they are just offered as another way of arriving at the estimated cost. Have you any basis or any estimate made or calculations of the cost of rived spruce cants gotten out by the cost-plus contractors?

Mr. GABRIELSON. I am now speaking from their own records as put in this morning.

Mr. FREAR. That is, you mean their own records?

Mr. GABRIELSON. Yes; the Spruce Production Corporation's records.

Mr. FREAR. Yes; you mean the Spruce Production Corporation's records?

Mr. GABRIELSON. Yes. The average cost of cants under cost-plus contracts was \$144.08 a thousand.

Mr. FREAR. That is the average for lumber?

Mr. GABRIELSON. The average for the cants.

Mr. FREAR. For the cants?

Mr. GABRIELSON. Yes.

Mr. LEA. I didn't understand whether that is the rived cants or not.

Mr. FREAR. That is the rived cants; yes.

Mr. GABRIELSON. Yes; that is the cost of rived cants.

Mr. FREAR. Have you any estimate as to the lumber from those cants? Is there anything in regard to that?

Mr. GABRIELSON. There is nothing, Mr. Chairman.

Mr. FREAR. So that shows that the costs were at the rate of one hundred and forty-three—

Mr. GABRIELSON (interrupting). \$144.08.

Mr. FREAR. \$144?

Mr. GABRIELSON. Yes.

Mr. FREAR. Have you anything there before you as to the average cost of logs? Would that be shown in a separate item?

Mr. GABRIELSON. Yes.

Mr. FREAR. By these cost-plus operations?

Mr. GABRIELSON. Yes, sir.

Mr. FREAR. What is that?

Mr. GABRIELSON. I might say, further, for your information in regard to the rived cants, that the straight price of these straight-price contractors ranged from \$90 up to \$130.

Mr. FREAR. From ninety up to one hundred thirty? Was one hundred thirty the highest?

Mr. GABRIELSON. One hundred thirty was the highest.

Mr. FREAR. And the cost-plus contractors?

Mr. GABRIELSON. Was \$144.08.

Mr. MAGEE. What do you mean by that, independent loggers?

Mr. GABRIELSON. Yes, sir.

Mr. MAGEE. Contractors?

Mr. GABRIELSON. Buy them so much per thousand from the independent man.

Mr. MAGEE. From the loggers?

Mr. GABRIELSON. Yes; from the independent loggers.

Mr. MAGEE. From the logging companies?

Mr. GABRIELSON. Yes.

Mr. FREAR. In other words, the cost-plus contract was a more expensive way of securing the cants?

Mr. GABRIELSON. Yes.

Mr. FREAR. Than from the independent operators?

Mr. GABRIELSON. Yes.

Mr. FREAR. Now, what about the logs of which I spoke?

Mr. GABRIELSON. The average cost of logs under cost-plus contracts from their same book of schedules is \$34.77 a thousand.

Mr. FREAR. Have you it there from the different companies? If so, just give it briefly.

Mr. GABRIELSON. The Grant Smith-Porter Bros.—I have a better schedule here some place.

Mr. FREAR. Well, just substantially.

Mr. GABRIELSON. I think I can make it out from this. From Grant Smith-Porter Brothers, \$35.71. From the Warren Spruce Co., \$35.58. From Aeroplane Spruce & Lumber Co., \$38.87. From Edward Murphy, \$22.66.

Mr. FREAR. Now, what is the average from the independent companies, any of them, if you have the figures there?

Mr. GABRIELSON. On the fixed price?

Mr. FREAR. On the fixed price.

Mr. GABRIELSON. The fixed price—they had three different prices.

Mr. FREAR. What were they?

Mr. GABRIELSON. They were divided between No. 1, No. 2, and No. 3 logs.

Mr. FREAR. Yes; and what were they?

Mr. GABRIELSON. Twenty-five, twenty-five, and eight.

Mr. FREAR. Twenty-five dollars for the——

Mr. GABRIELSON (interrupting). No. 1; twenty-five for No. 2, and eight for No. 3. Now, that was their first price.

Mr. FREAR. Yes.

Mr. GABRIELSON. Their second price was \$26.75 for No. 1, \$26.75 for No. 2, and \$9 for No. 3.

Mr. FREAR. Yes. Now, if there is any correction——

Mr. WALKER (interrupting). Thirty-five, twenty, and eleven.

Mr. FREAR. You talk it over there and see if there is any correction on that.

Mr. GABRIELSON. I am coming to that now. And the last one was thirty-five for No. 1, twenty for No. 2, and eleven for No. 3.

Mr. FREAR. That was the last?

Mr. GABRIELSON. The last schedule of fixed prices that they put out. That is correct, isn't it?

Mr. FREAR. Now, when was that put out?

Mr. GABRIELSON. Do you know when that was put out?

Mr. WALKER. That was put out by Russell Hawkins.

Mr. FREAR. The \$35?

Mr. WALKER. Yes.

Mr. GABRIELSON. He says Russell Hawkins put it out.

Mr. FREAR. About when?

Mr. GABRIELSON. It was in the latter part of 1917, because that is when his régime was.

Mr. FREAR. Oh, these other figures then were some time in 1917, the first figures that were quoted of \$25.

Mr. WALKER. I don't know anything about them.

Mr. FREAR. Well, then, \$35, and so on, were the figures that were put out at the time that this Spruce Production organization was here?

Mr. WALKER. I think that is right.

Mr. FREAR. Then, the results from the cost-plus contractors were practically the same?

Mr. GABRIELSON. Yes.

Mr. FREAR. As the price fixed for independent operators?

Mr. GABRIELSON. Yes.

Mr. FREAR. And it was altogether then a question of policy. What have you ascertained in regard to the cost of the Vancouver cut-up plant?

Mr. GABRIELSON. They are carried on their capital account at \$884,427.79. That is the total cost, including the receiving yard, mill, storage yard, dry kilns, miscellaneous building and equipment, and planing mill.

Mr. FREAR. Well, is that mill in workable shape at this time? I mean is the machinery in place? Is it in a proper way to saw, or do you know?

Mr. GABRIELSON. I understand not. I have been over there and it is not mantled up now.

Mr. FREAR. "It is dismantled," is the term that I wanted.

Mr. GABRIELSON. Yes.

Mr. FREAR. How much is that?

Mr. GABRIELSON. \$884,000.

Mr. FREAR. Have you any estimate as to the amount that was necessary to the completion? Have any figures been furnished you as to what would be the estimated cost of completion to get it in working shape?

Mr. GABRIELSON. I understand it was completed a long time before, but it is dismantled now.

Mr. WALKER. We dismantled it in order to store all of our machinery, Mr. Frear.

Mr. GABRIELSON. Yes. It had been working for some time.

Mr. FREAR. I know it had been working for some time. I didn't know whether—

Mr. WALKER (interrupting). It was working at this time.

Mr. FREAR. All together?

Mr. WALKER. It was all completed.

Mr. FREAR. All completed?

Mr. WALKER. The mill and the dry kiln.

Mr. FREAR. What costs were the costs of the Port Angeles mill, and also of the Lake Pleasant mill, at the other extremity of the Siems-Carey-Kerbaugh line?

Mr. GABRIELSON. The Port Angeles mill is given at \$926,040.64.

Mr. FREAR. But that was never completed, was it?

Mr. GABRIELSON. I understand not. That is correct, isn't it?

Mr. WALKER. No; it was never completed.

Mr. GABRIELSON. It was never completed.

Mr. FREAR. Was there any estimate as to what would have been the eventual cost of the Port Angeles mill?

Mr. GABRIELSON. Mr. Walker will have to answer that.

Mr. WALKER. About twelve hundred thousand.

Mr. FREAR. About \$1,200,000?

Mr. WALKER. Yes, sir.

Mr. FREAR. That is an estimate. Now, what about the mill at Lake Pleasant?

Mr. GABRIELSON. Lake Pleasant mill is carried at \$104,174.26.

Mr. FREAR. That was never completed?

Mr. GABRIELSON. Just started.

Mr. FREAR. In fact, construction was just started on that?

Mr. WALKER. That includes, however, the cost of the machinery. The mill was bought, but it was not sent up there. It was the old Westminster mill.

Mr. FREAR. What became of that? Was it brought down to Vancouver?

Mr. WALKER. It was sent to Vancouver. A large part of it has been sold.

Mr. FREAR. All that could be has been salvaged. What is there in regard to the cost of the mill at Toledo?

Mr. GABRIELSON. The mill at Toledo is carried at \$950,347.43.

Mr. FREAR. That was not completed either, was it?

Mr. GABRIELSON. I understand not.

Mr. WALKER. Everything was there, Mr. Frear. The machinery was spotted but not set up, because they thought if anybody bought it they would have their own ideas.

Mr. FREAR. But I mean it was never completed?

Mr. WALKER. No, sir. I would take perhaps another month.

Mr. FREAR. So, I was wondering what the additional amount was estimated, if any estimate was made, to have completed the mill.

Mr. WALKER. I would say offhand about somewhere between sixty and one hundred thousand dollars.

Mr. FREAR. A little over a million dollars?

Mr. WALKER. Yes; it would practically make it a million dollars.

Mr. FREAR. Have you made any estimates, Mr. Gabrielson, from the books, as to the profits paid to cost-plus contractors?

Mr. GABRIELSON. Included in their statement is the total commissions or profits paid to the cost-plus contractors, totaling \$1,247,355.26.

Mr. FREAR. How were those paid and to whom?

Mr. GABRIELSON. Grant Smith-Porter Bros. received \$203,498.26; Warren Spruce Co., \$358,871.92; the Aeroplane Spruce & Lumber Co., \$100,148.86; the Siems-Carey-Kerbaugh railroad contract, \$255,567.97; and the Siems-Carey-Kerbaugh spruce contract, \$329,268.25.

Mr. MAGEE. These are commissions?

Mr. GABRIELSON. These are the commissions, yes; the profits earned.

Mr. FREAR. I didn't know that you had that in the Siems-Carey-Kerbaugh Spruce Co.

Mr. MAGEE. You say profits earned?

Mr. GABRIELSON. Profits earned—profits paid; commissions paid.

Mr. MAGEE. Yes. What I mean is, they are the commissions paid?

Mr. GABRIELSON. Yes, sir.

Mr. FREAR. So it is a percentage on moneys expended in the work?

Mr. GABRIELSON. Yes, sir.

Mr. FREAR. Now, you furnished us an estimate in regard to the Hammond contract, or the number of logs under that contract, as something like 2,000,000 feet of logs?

Mr. GABRIELSON. Yes.

Mr. FREAR. Now, what have you got in regard to the Siems-Carey-Kerbaugh contract, the spruce contract? Is there anything in there to show?

Mr. WALKER. We have got some cut over here.

Mr. GABRIELSON. There was nothing ever delivered on that.

Mr. FREAR. Nothing ever delivered under the Siems-Carey-Kerbaugh contract?

Mr. GABRIELSON. Nothing ever delivered under the Siems-Carey-Kerbaugh.

Mr. FREAR. Have you any estimate of the amount of logs that were produced, that were cut by them?

Mr. WALKER. Well, they just cut such as was cleared off of these loops, Mr. Frear. I have it here, I believe.

Mr. FREAR. You have it? All right; that will just help in making up the record at this point.

(Mr. Gabrielson and Mr. Walker here consulted.)

Mr. GABRIELSON. Well, we will get those figures and put them in the record. He hasn't them compiled here.

Mr. FREAR. All right. Those will be inserted in the record?

Mr. GABRIELSON. Yes.

Mr. FREAR. Now, what basis of computation was made in the case of the Siems-Carey-Kerbaugh spruce contract in ascertaining the profits? There was a cancellation provision in their fitches contract?

Mr. GABRIELSON. Yes, sir.

Mr. FREAR. Now, at what rate was this estimate made? It ran, I think, from 7 per cent up to 15 per cent, as I recall the contract.

Mr. CAMPBELL. They were paid on a 7 per cent basis.

Mr. FREAR. That was made on a 7 per cent basis of the money that they had expended?

Mr. CAMPBELL. That the contract would have allowed us legitimate expenses. They made a great many—

Mr. FREAR (interrupting). Will you step down this way, Mr. Campbell? I want to ask another question about that. Now, what was the amount of money paid to the Siems-Carey-Kerbaugh Co. on their spruce contract?

Mr. CAMPBELL. The total?

Mr. FREAR. Yes.

Mr. CAMPBELL. I haven't that figure with me. It was in the neighborhood of \$4,000,000, though.

Mr. FREAR. Well, I think I have it right here.

Mr. MAGEE. Haven't you the figures there, Mr. Gabrielson, showing on the make-up the aggregate of commissions paid under the fitches contract with the Siems-Carey Co.?

Mr. GABRIELSON. I haven't the Siems-Carey settlement here; no, sir.

Mr. MAGEE. Can't you get it?

Mr. GABRIELSON. I have it over in my room.

Mr. FREAR. This reads, the advances to Siems-Carey-Kerbaugh, and the spruce contract is over \$5,000,000, isn't it? [Mr. Frear shows paper to Mr. Campbell.]

Mr. CAMPBELL. No; it says four—four million three hundred and forty-one thousand.

Mr. FREAR. Are you sure?

Mr. CAMPBELL. Yes, sir. Here it is right here [indicating]. I might explain in that connection that they had—

Mr. FREAR (interrupting). Oh; it is the Warren Spruce I was looking at.

Mr. CAMPBELL. They had an original advance of \$750,000 on that contract.

Mr. FREAR. Yes.

Mr. CAMPBELL. Which was to be used as a revolving fund, and as they spent money from this revolving fund they sent in their

vouchers and canceled checks, and that money was reimbursed to them. Of course the total of it was carried as a total advance.

Mr. MAGEE. What percentage were they paid on expenditures under that contract?

Mr. CAMPBELL. Seven per cent.

Mr. MAGEE. Were they paid any more than 7 per cent on any expenditures?

Mr. CAMPBELL. No, sir.

Mr. MAGEE. Now the total amount you gave was how much?

Mr. GABRIELSON. On the spruce contract, \$329,268.25.

Mr. MAGEE. Well, that would show an expenditure of—

Mr. GABRIELSON (interrupting). \$4,703,803, plus the commissions paid to them of \$329,000.

Mr. FREAR. That was on the spruce contract?

Mr. CAMPBELL. Yes, sir.

Mr. MAGEE. Now what made up those expenditures under the spruce contract?

Mr. GABRIELSON. Their operations in building the track was 70 miles of spurs—

Mr. CAMPBELL (interrupting). Yes; all those spurs.

Mr. GABRIELSON (continuing). And the cutting of logs along the railway.

Mr. CAMPBELL (continuing). Were laid out; the building of the mills and all that.

Mr. FREAR. You haven't any way of estimating until you get the figures of the amount of logs they produced?

Mr. GABRIELSON. No. We will get those and place them in the record. He hasn't them here now.

Mr. FREAR. Well, while we are passing on that, what is there in regard to the Warren Spruce contract, so far as you know? What were their profits?

Mr. GABRIELSON. Seven per cent, I take it—the same thing.

Mr. FREAR. Well, have you got it figured up yet?

Mr. GABRIELSON. Well, \$358,000—I will get the total. You want the total amount of money involved?

Mr. FREAR. Yes; the amount of money which is stated in this abstract of expenditures to June 30 is \$5,613,964 to the Warren Spruce. Now, does that include the profits of 7 per cent that have just been mentioned?

Mr. CAMPBELL. Well, some of them are in there and some of them are not.

Mr. FREAR. What are in there?

Mr. CAMPBELL. Well, there are certain vouchers that had not been put through for reimbursement at the time that statement was made, reimbursement and compensation.

Mr. FREAR. Oh, I see. Then the Warren Spruce Co.'s items are in excess of the amount here?

Mr. CAMPBELL. They would be some; yes, sir.

Mr. FREAR. About how much?

Mr. CAMPBELL. What is the amount there?

Mr. FREAR. This is \$5,613,964.

Mr. CAMPBELL. Well, I should say a few hundred thousand, a couple of hundred thousand, something like that.

Mr. FREAR. Well, it would be in the neighborhood, then, of six million?

Mr. GABRIELSON. Six million eighty-five thousand.

Mr. FREAR. Six million eighty-five thousand, counting this profit to the Warren Spruce Co.?

Mr. GABRIELSON. Yes, sir.

Mr. FREAR. Now, have you any way of estimating what logs they produced?

Mr. CAMPBELL. There is no need for estimating. It is there in actual figures. Mr. Gabrielson has it.

Mr. FREAR. Oh, have you it there?

Mr. CAMPBELL. This money was not expended on their logging operations, though, by any means, all of it.

Mr. FREAR. Some on railroads.

Mr. CAMPBELL. Some on railroads, some on riving, and some on logging.

Mr. FREAR. Yes; that is true.

Mr. GABRIELSON. Yes. They produced 4,553,253 feet of logs.

Mr. FREAR. That covers all their operations down there with the railroads as well?

Mr. GABRIELSON. Yes, sir.

Mr. FREAR. Is there anything to be added to the Kerbaugh spruce contracts?

Mr. CAMPBELL. No, sir.

Mr. FREAR. The Siems-Carey-Kerbaugh?

Mr. CAMPBELL. No.

Mr. FREAR. That is closed up?

Mr. CAMPBELL. Yes.

Mr. FREAR. Is there any question of settlement with the Warren Spruce Co. at this time?

Mr. CAMPBELL. No, sir. We have not finally settled with either Siems-Carey or Warren Spruce. They have turned back the Government property that they used, and this property as turned in has to be checked against the old property officers' slips, and that check has not been completed yet. We don't know what their shortage is, and we can't settle until the shortage is determined.

Mr. FREAR. Now, I find that the Grant Smith-Porter Bros.—what was the profit that they made?

Mr. GABRIELSON. \$203,498.26.

Mr. FREAR. The statement in the June 30 report of expenditures reaches \$3,306,266. Has that matter been closed?

Mr. CAMPBELL. It has been closed. Now, I don't know whether it was quite closed on June 30 or not.

Mr. FREAR. They did not build any Government roads?

Mr. CAMPBELL. Yes; they built some railroad.

Mr. FREAR. They did?

Mr. CAMPBELL. Yes.

Mr. FREAR. About what was the mileage there?

Mr. CAMPBELL. I don't know. I can get it right here.

Mr. FREAR. We haven't been over those roads.

Mr. CAMPBELL. About 17 miles—no; more than that; 37 miles.

Mr. FREAR. They built 37 miles of road?

Mr. CAMPBELL. Yes.

Mr. FREAR. What was the average cost of their roads, do you know?

Mr. CAMPBELL. Well, they built several.

Mr. FREAR. Has that been figured out or estimated?

Mr. CAMPBELL. Yes, sir.

Mr. FREAR. Per mile?

Mr. CAMPBELL. Well, on my basis of figuring, railroad No. 5 was \$46,597.93 a mile.

Mr. FREAR. \$46,000. What is the next?

Mr. CAMPBELL. Railroad No. 6 was \$36,000 a mile.

Mr. FREAR. \$36,000 a mile.

Mr. CAMPBELL. No. 7 was \$24,000 a mile.

Mr. FREAR. How many miles in No. 7?

Mr. CAMPBELL. No. 7 was 2.6 miles.

Mr. FREAR. Did that include sidings and spurs?

Mr. CAMPBELL. One and eighty-nine hundredths main line and seventeen hundredths siding and spurs.

Mr. FREAR. That was how much; that was how many?

Mr. CAMPBELL. Two and six-tenths miles.

Mr. FREAR. No; I mean the amount.

Mr. CAMPBELL. \$24,000.

Mr. FREAR. \$24,000 a mile?

Mr. CAMPBELL. A mile for the main line.

Mr. FREAR. How much for the sidings?

Mr. CAMPBELL. \$18,000 a mile.

Mr. FREAR. \$18,000 for the sidings. That was figured at two-thirds?

Mr. CAMPBELL. Yes, sir.

Mr. FREAR. Well, that would be an average of what?

Mr. MAGEE. It would be three-fourths, wouldn't it? Eighteen to twenty-four?

Mr. CAMPBELL. Three-fourths.

Mr. FREAR. Yes; that is right.

Mr. CAMPBELL. Three-fourths.

Mr. FREAR. That would be an average of about a little over \$20,000—about \$22,000 a mile, wouldn't it, counting the sidings and all?

Mr. GABRIELSON. About that.

Mr. CAMPBELL. About \$23,000.

Mr. GABRIELSON. About \$23,000.

Mr. FREAR. About \$23,000 a mile?

Mr. CAMPBELL. Yes, sir.

Mr. FREAR. Counting the sidings. And the Grant Smith-Porter road—what road is that?

Mr. CAMPBELL. That is road No. 7.

Mr. FREAR. That is road No. 7.

Mr. CAMPBELL. And on road No. 9 they had 20.36 miles of main line and sidings.

Mr. FREAR. How much?

Mr. CAMPBELL. The main lines averaged \$29,000 and the spurs and sidings \$21,000.

Mr. FREAR. \$29,000 for the main, \$21,000 for the sidings?

Mr. CAMPBELL. Yes, sir.

Mr. MAGEE. Were these railroads built under any cost-plus contract?

Mr. CAMPBELL. They were all under cost plus.

Mr. FREAR. They were built under cost-plus contracts. Do you know anything about the conditions of construction down there?

Mr. CAMPBELL. I do not; no, sir.

Mr. FREAR. Are they approximately somewhat similar, or do you know, logging countries?

Mr. CAMPBELL. I don't know a thing about them. I haven't seen any of them.

Mr. FREAR. The reason I ask that question is, there is such a striking difference between \$23,000 a mile or \$30,000 or \$28,000 or \$29,000 a mile, on the one hand, and \$100,000 on the other, that the committee ought to have some information.

Mr. CAMPBELL. I think Maj. Herington can give some information on that.

Mr. FREAR. Mr. Herington, do you know?

Mr. HERINGTON. I may be able to volunteer a little to clear that up.

Mr. FREAR. All right.

Mr. HERINGTON. With the exception of the Lewis & Clark Railroad the Grant Smith-Porter operations were all what might be termed small territorial operations, in which the mileage was practically logging mileage that was to be taken up as soon as it was logged.

Mr. FREAR. That is, these were logging railways; these were not what you might call permanent roads?

Mr. HERINGTON. No, sir; some of these lines were taken up.

Mr. FREAR. What was the Grant Smith-Porter Bros. contract in regard to the production of spruce; in general, can you give us that?

Mr. CAMPBELL. Their contract was first for rived, and later converted into a logging contract.

Mr. FREAR. What was the logging contract? I have never seen it.

Mr. MAGEE. They built these roads, the 20 miles and everything?

Mr. CAMPBELL. That is, the Lewis and Clark road, in which the labor only was supplied.

Mr. FREAR. Will you get those contracts?

Mr. CAMPBELL. I can say as to the Lewis and Clark line that it was a heavier line.

Mr. MAGEE. Do you know about the other lines?

Mr. CAMPBELL. They were usually temporary.

Mr. MAGEE. Were they sufficient for transporting lumber over them?

Mr. CAMPBELL. If the amount that was to be carried was limited.

Mr. MAGEE. They were safe for operation?

Mr. CAMPBELL. Yes; at very slow speeds.

Mr. MAGEE. And they were operated?

Mr. CAMPBELL. They were operated. On No. 5 I think we were opening up the camps at the time. Those lines had 45-pound rails.

Mr. FREAR. What was the production by the Grant Smith-Porter Bros. of logs, or do you know?

Mr. GABRIELSON. The production of Grant Smith-Porter Bros. of logs was 34,582,463 feet.

Mr. FREAR. That is much larger than the others?

Mr. GABRIELSON. No; it is not as large. The Warren Spruce is 40,000,000; this is feet.

Mr. FREAR. Those are the only cost-plus contracts?

Mr. GABRIELSON. These were what you would call the major cost-plus contracts.

Mr. FREAR. What were the minor cost-plus contracts?

Mr. GABRIELSON. The only other record I have before me is the Edward Murphy cost-plus contract.

Mr. FREAR. What was that?

Mr. GABRIELSON. I have no details on that whatever.

Mr. FREAR. What was the amount paid to him in profits, something like \$100,000?

Mr. GABRIELSON. They do not give the commissions paid to him at all.

Mr. FREAR. Splits are the same as cants?

Mr. GABRIELSON. Flitches, I take it.

Mr. FREAR. This contract of the Warren Spruce Co. of January 11, 1918, is to produce "approximately 100,000,000 feet, board measure, of such spruce as shall be delivered to the Government hereunder," and that, I understand, is the same basis as the Grant Smith-Porter Bros. contract?

Mr. GABRIELSON. So Mr. Murphy says; yes.

Mr. FREAR. Have you any other information regarding these cost-plus contracts than what you have given us as to profits?

Mr. GABRIELSON. I have the question of interest in regard to these cost-plus contractors.

Mr. FREAR. The interest items; explain what you have on those.

Mr. GABRIELSON. This is the repayment to the cost-plus contractor of interest charges which they have paid to the Government for money loaned by the Government to them to carry on their operations. In other words, they borrow money from the Government, pay a certain interest on it, and then charge this interest into their cost and are reimbursed for the interest, so it makes a paper transaction, and, in the last analysis, gives them the money to carry on their operations free of cost.

Mr. FREAR. Give the amounts, if you will, that were paid by these cost-plus contractors to the Government for the moneys that were advanced.

Mr. MAGEE. Let me understand. I understand from your statement that these cost-plus contractors assumed absolutely no financial risk?

Mr. GABRIELSON. From the standpoint of borrowed money, no; they assumed no risk whatever.

Mr. MAGEE. Or from expenditures?

Mr. GABRIELSON. No.

Mr. MAGEE. They could not lose?

Mr. GABRIELSON. It was a sure game, as I see it.

Mr. FREAR. Just give the amounts that were paid by them to the Government for the use of moneys that were advanced.

Mr. GABRIELSON. Grant Smith-Porter Bros., \$11,566.96; the Airplane Spruce & Lumber Co., \$14,925.54; the Warren Spruce Co., \$19,994.15; Siems-Carey-Kerbaugh spruce contract, \$205,175.90; the Siems-Carey railway contract, \$34,861.11.

Mr. MAGEE. Was this interest added to the cost?

Mr. GABRIELSON. To the cost; yes, sir.

Mr. MAGEE. Did they get a percentage on the interest?

Mr. GABRIELSON. No; they were just reimbursed for this and they were not allowed a percentage of profit on the interest items.

Mr. FREAR. The Siems-Carey-Kerbaugh item is for over \$200,000 interest paid to the Government for money they had advanced. They had advanced \$750,000, according to this statement of June 30?

Mr. GABRIELSON. Yes, sir.

Mr. FREAR. What became of that account after they received this money? They paid \$200,000 to the Government as interest for the use of this money. Now, what became of that?

Mr. GABRIELSON. Not for the use of that \$750,000.

Mr. FREAR. For the use of how much?

Mr. GABRIELSON. For the use of the other moneys. The other moneys came in this way: Under their spruce contract they were to receive payment for delivered fitches, but until the time they delivered these fitches they were not entitled under the contract to any money. However, so far as they spent money on their operations the Spruce Production Corporation gave them money against vouchers, against their expenses out there of cutting and building their spurs.

Mr. FREAR. Did they not have a supplemental contract where they got this advanced money?

Mr. GABRIELSON. This other advanced money?

Mr. FREAR. Yes.

Mr. GABRIELSON. No; it was advanced through vouchers as against their pay rolls and invoices, but it was not a payment on the contract, because a payment on the contract was to be against delivered fitches. Mr. Walker says the \$750,000 is a revolving fund.

Mr. FREAR. That is what I thought. They paid this interest for the use of the money to start on their spruce operating expenditures. What was the interest record in regard to this interest money that they had paid to the Government for the use of the money?

Mr. GABRIELSON. They turned around and paid it back to the contractors on the vouchers. That is what it, in essence, amounted to.

Mr. FREAR. How long was the money held there? Is there any evidence of that from the records that you have?

Mr. WALKER. As a matter of fact, we just traded the checks on that.

Mr. FREAR. What authority of law was there, if you know, for the Government to advance this money without any interest to the large cost-plus contractors?

Mr. WALKER. The money was advanced by the War Credits Board and the interest was charged there, but in the contract itself one of the elements of cost was the interest on this money specifically stated. In other words, if we had charged them this interest and made them pay it and we had kept the money, they would not have received any profit whatever on the contract, because their profit was 7 per cent and the interest was the same amount.

Mr. FREAR. But their profits were to be based upon a contract from \$15,000,000 to \$25,000,000, depending upon the character of the fitches?

Mr. WALKER. Yes.

Mr. FREAR. Here is interest on only \$750,000 advanced by the Government, placed in their hands and, as I understand it, they paid nothing for the use of that money.

Mr. WALKER. The net result is that they paid nothing.

Mr. FREAR. Now, what authority was there for turning this money over to them? Where is the responsibility, and what law was it worked under?

Mr. WALKER. Well, this \$750,000 was used to pay for the expenditures as they met them. Now, the only increase in the advance occurred when they had paid out all of the \$750,000; that was just a working fund, and we refunded that. The War Credits Board approved the advance to them, and they paid that interest on the advance; but in the contract it was made specifically one of the elements of cost which should be reimbursed to Siems-Carey; that element of cost was this interest.

Mr. FREAR. Did you draw contract here, that you were to reimburse them?

Mr. WALKER. For the interest on the money?

Mr. FREAR. Moneys which they paid, so as to allow them to use Government moneys free?

Mr. WALKER. Well, that is incorporated in the contract. I do not know how it got there.

Mr. FREAR. It was not done in Washington; it was done here. was it not?

Mr. WALKER. I could not say. I did not draw the contract. I just know it is there.

Mr. FREAR. How much money at any particular time was advanced to the Siems-Carey-Kerbaugh Co. on the spruce contract, the full \$750,000?

Mr. WALKER. As a matter of fact, I believe they were borrowing outside of that \$750,000 to meet their requirements, most of the time.

Mr. FREAR. So that they had borrowed from the Government \$750,000 without any interest payment being made whatsoever?

Mr. WALKER. Yes, sir.

Mr. FREAR. But they were not making any cost-plus upon that loan?

Mr. WALKER. No; and to make the whole thing clear, as a matter of fact, as I was going to say, they also had the \$750,000 paid out on vouchers which were awaiting reimbursement also, and they got no interest on that.

Mr. FREAR. But they were getting the free use of the money?

Mr. WALKER. Yes; I see what you mean.

Mr. FREAR. For instance, John Jones is cutting logs; he is getting fitches out in a little mill down here, and John Jones has no cost-plus contract. John Jones has no loan from the Government, but these people, the Siems-Carey-Kerbaugh Co., were getting \$750,000 free of interest, and then had their cost-plus contract in addition. That is right?

Mr. WALKER. It became a cost-plus contract on cancellation. If they had carried it out and there had been no cancellation of the contract on the flat price, they would have paid that interest direct, and we would have kept it, you see.

Mr. FREAR. How could they have paid it if you were paying them the interest?

Mr. WALKER. When we canceled the contract that threw it into a cost-plus basis.

Mr. FREAR. You mean to say if it had been carried along until the contract had been completed, or for a considerable length of time, that the interest item would not have been paid back?

Mr. WALKER. Yes.

Mr. FREAR. But on what authority were you at the time of the cancellation permitted to pay back this interest which they had paid for money that they were still using?

Mr. WALKER. As I said, it was specifically stated in the contract, and that constituted our authority.

Mr. FREAR. And the contract, presumably, was drawn by your attorney, was it not, and by what authority was such contract made?

Mr. WALKER. That is a question beyond me.

Mr. FREAR. Was there action on that by the board of directors?

Mr. GABRIELSON. Mr. Walker said if they did not pay them back this interest charge their interest would have eaten up their profits. That could not be so, because they were paying 7 per cent interest per annum on their advances, but were being paid as profits 7 per cent every time they turned over their money. They might turn over their money four or five times a year.

Mr. FREAR. John Jones, who runs a small mill, has his plant and everything in operation. That is an investment with him, and he has invested, say, \$750,000 in the plant. He proceeds to cut, and the result is that the money he uses is his own, and he has not any cost-plus contract; he gets no benefit in the way of interest on that money he has invested. These other people go out and instead of having the plant—the small man was entitled to some interest, but that comes in his profits—these people have borrowed money from the Government instead of having their own money invested, and then they get interest free on this \$750,000, and their profits in addition on the contract.

Mr. WALKER. I do not want to enter into any discussion of the merits of that contract.

Mr. MAGEE. Let me see if I understand what the situation is? If this had been a straight-out cost-plus contract, the Government should have furnished the funds to carry out the contract. Is that right?

Mr. WALKER. Yes, sir.

Mr. MAGEE. Of course, when they began the contract they would have to have funds, I presume, to pay out for current expenses?

Mr. WALKER. Yes, sir.

Mr. MAGEE. And the revolving fund the Government might furnish would be used for that purpose. It might be \$50,000 or \$750,000. Is that right?

Mr. WALKER. Yes, sir.

Mr. MAGEE. Now, then, this not being ab initio a cost-plus contract, but from the fact that it developed into a cost-plus contract upon the signing of the armistice, the settlement was made upon the same basis as the settlement would have been if it had been a cost-plus contract originally?

Mr. WALKER. Yes, sir. I believe you will find that the War Credits Board demands interest on all loans which it approved, and made loans to men who are carrying out, as you say, a more or less private operation, in addition to their Government work, where they are operating at a fixed price; but when you enter into a cost-plus contract, that interest becomes an element of the cost and through that contract should be reimbursed to the contractor, because his profit is absolutely limited.

Mr. FREAR. There was a condition in there, but I do not suppose that would have any bearing on this, providing that if they furnished more than the full amount they would have up to a 15 per cent cost-plus contract.

Mr. WALKER. That was the limit of their profit under the fixed price, and if they had delivered on the fixed price they would have had to pay this interest, and, of course, that would have been one of the elements in determining whether they made more than 15 per cent on the cost or not.

Mr. GABRIELSON. I might say that as far as I know personally, and I am acquainted around with the cost-plus contractors in the Detroit district under the operation of the cost-plus contracts there, that this condition of repayment of interest as an item of cost is peculiar to the Northwest here.

Mr. FREAR. You mean it is not indulged in any other places

Mr. GABRIELSON. It is not as far as I know.

Mr. FREAR. Do you know of anything that occasioned this change; was it new here, or not?

Mr. WALKER. I know of no peculiar circumstances at all, but I understood that in the East they worked on a bogey system, a combination system.

Mr. FREAR. That is an entirely different proposition. That is where a fixed price is paid for the article and an additional amount given dependent upon the cheapness with which it can be produced.

Mr. MAGEE. I think this contract is well designated by Gen. McIntyre in his communication to the Secretary of War as a "liberal contract."

Mr. FREAR. There is an item consisting of the amount of finished airplane lumber from the cut-up plant and also from the outside mills. Have you those comparisons? First, have you anything further on this proposition of interest in mind?

Mr. GABRIELSON. I just want to make clear there a conviction that I have, that it is a condition peculiar to the Northwest and it gave the man the use of Government funds for nothing, which is, to my mind, the predominant point in this argument here.

Mr. MAGEE. That is the essence of a cost-plus contract, the interest, and the money go to the contractor and he takes no risk?

Mr. GABRIELSON. It is not the essence of all cost-plus contracts.

Mr. FREAR. Supposing they had not received advances they would have had to put up their own funds, but instead of putting up their own funds they got three-quarters of a million dollars from the Government without interest?

Mr. WALKER. Yes.

Mr. MAGEE. That is what the contract provides.

Mr. FREAR. It is not provided for in any other cost-plus contract except in the Northwest.

Mr. MAGEE. I assume that the Government arranged to advance the moneys for a good many operations during the war, and I think Congress passed certain enactments along those lines so those moneys might be provided.

Mr. LEA. And it would simply affect the amount of profit; there would be a difference in the amount of pay.

Mr. GABRIELSON. Organizations that worked in the Detroit district were presumed to have the equipment and funds necessary to carry on the work, and if they had to borrow funds and did not have to pay interest on it they would have an advantage over the man who did have funds.

Mr. MAGEE. Do you understand that for those contracts you referred to the Government advanced any moneys?

Mr. GABRIELSON. I can not speak with definite authority except in particular instances, but I know that in the case of the Ford Motor Co. the Ford Co. never receiver a cent of advances.

Mr. MAGEE. They probably did not need it.

Mr. GABRIELSON. But they had a cost-plus contract, and they received no advancement whatever.

Mr. LEA. What percentage was their profit?

Mr. GABRIELSON. Their profit ran, as per the final settlement, around 13 per cent.

Mr. LEA. If you are going to compensate a party on a cost-plus contract, the amount of percentage allowed should be determined by the question whether or not you allow interest. That is one factor.

Mr. GABRIELSON. That has got to go in the profit-and-loss statement; there is no doubt about that.

Mr. FREAR. What else have you to offer there?

Mr. GABRIELSON. I merely wanted to insert in the record that out of the 143,008,961 feet of finished airplane lumber shipped, 66,355,532 feet were shipped from outside plants.

Mr. FREAR. And what amount from the cut-up plant?

Mr. GABRIELSON. From the cut-up plant 76,653,429 feet.

Mr. FREAR. And, incidentally, it appears that by far the larger part of the airplane lumber shipped from the cut-up plant was fir?

Mr. GABRIELSON. Yes.

Mr. FREAR. What are the figures there?

Mr. GABRIELSON. The fir from the cut-up plant was 37,000,000 against 22,000,000.

Mr. FREAR. No; 37,000,000 against what under the spruce?

Mr. GABRIELSON. Against 35,000,000 of spruce. The outside ones were 22,000,000 of fir against 43,000,000 of spruce.

Mr. FREAR. So that of the spruce there was a far larger amount furnished by the outside mills?

Mr. GABRIELSON. Yes; the percentage was 2 to 1.

Mr. FREAR. Have you anything about what was paid for the lumber by the Government or by the Spruce Production Corporation, manufactured by outside parties?

Mr. GABRIELSON. I think Mr. Walker is in a position to give you those figures, the average figures on that, are you not, Mr. Walker?

Mr. WALKER. Yes.

Mr. FREAR. What were they? Do they show anything about the comparative amount of logs?

Mr. GABRIELSON. No; it does not give the logs.

Mr. FREAR. There was a very small amount of logs in comparison.

Mr. GABRIELSON. They had just begun; it is largely a question of estimating.

Mr. FREAR. What is the amount of lumber?

Mr. GABRIELSON. There is 100,000,000 feet of logs under the cost plus.

Mr. FREAR. And for the others, how much?

Mr. GABRIELSON. I do not know the total estimate of logs produced.

Mr. FREAR. It was several hundred million, was it not?

Mr. WALKER. To be sure; I can not get the exact number.

Mr. MAGEE. Not the total number of logs produced, but the amount of logs that went through the cut-up mill. In other words, the logs that came to the cut-up mill were very largely for cants?

Mr. FREAR. Those figures are already in the record.—

Mr. WALKER. Of the 143,000,000 feet of aircraft lumber shipped, 7 per cent of the total would come from logs produced by the cost-plus contractors.

Mr. MAGEE. Can you not give us there the prices paid by the Spruce Production Corporation per thousand, or the lumber obtained from the loggers, and the price obtained by the Spruce Production Corporation for sale?

Mr. GABRIELSON. You mean the finished lumber?

Mr. MAGEE. Yes.

Mr. GABRIELSON. You mean for the finished material?

Mr. MAGEE. Yes.

Mr. GABRIELSON. That is the figure that he is looking up now.

Mr. WALKER. There was original specification No. 1, we paid for the wing-beam stock \$150, but the specification No. 1 had 50 per cent wing beam and 50 per cent short cuttings. We paid \$105 for that, and that 15021-B, grade A, we paid them \$175. That is, wing-beam stock. And 1521-B, grade B, we paid \$80, and grade C, \$45. For cedar we paid the same prices as for spruce. I might say in that connection that the average price we paid the outside mills for spruce was \$84, for all the spruce they shipped.

Mr. FREAR. \$84 for lumber—airplane lumber?

Mr. WALKER. That included a lot of special stuff at lower prices.

Mr. GABRIELSON. What about the fir?

Mr. WALKER. \$62, and \$123 for the cedar they shipped.

Mr. FREAR. That is, finished airplane lumber?

Mr. WALKER. Yes, sir; that is both short cuttings and wing beams.

Mr. FREAR. Wing beams; that is most expensive.

Mr. WALKER. Yes. I gave you the unit prices we paid there before.

Mr. FREAR. Now, from your statement which was the most expensive in production, that from the outside plants or that furnished by the Government?

Mr. WALKER. If I can just say a few brief remarks about our cost at the cut-up plant. I think I can make that clear to you, Mr. Frear.

Mr. MAGEE. Have you got the figures there—I do not think I will ask for it again; I have made several heroic attempts to get it into the record and have failed every time—can you tell us where we can get any idea or information as to prices paid by the Spruce Production Corporation for the lumber which they got, and the prices which they received for what they sold?

Mr. WALKER. Yes.

Mr. FREAR. I am trying to get this before we go to any other matter.

Mr. WALKER. You want the price we received from the sales?

Mr. MAGEE. Yes; to the various governments.

Mr. WALKER. And the proportion that was received by the various governments.

Mr. FREAR. I want to get this other matter settled, if I can, first.

Mr. WALKER. We invoiced one hundred and forty-three million and odd feet at \$27,465,000. Those are round numbers, and I will give you what that would be per thousand.

Mr. FREAR. Yes; what would that be per thousand?

Mr. MAGEE. That includes what you got also from the cost-plus contractors?

Mr. WALKER. That includes everything.

Mr. MAGEE. That is not what I am after. I want to know what you paid these loggers and what you got. In other words, I want to know whether you paid a certain price and sold it at a large advanced price.

Mr. FREAR. Let us settle one thing at a time.

Mr. WALKER. I will explain that. That makes about an average price of \$200 per thousand.

Mr. GABRIELSON. \$236.79, isn't it?

Mr. WALKER. About \$192 per thousand.

Mr. FREAR. \$192 per thousand was what?

Mr. WALKER. Was the average price, the average selling price per thousand of the 143,000,000 feet.

Mr. FREAR. If you were selling to Great Britain, what was the amount you received from Great Britain?

Mr. WALKER. We received from Great Britain \$9,487,000 for the 41,487,000 feet that she received.

Mr. FREAR. That is at that same rate?

Mr. WALKER. Do you want me to get the unit price?

Mr. FREAR. That would be the same rate, one hundred and ninety-odd dollars.

Mr. WALKER. No; I do not think it would be, Mr. Frear. That was about \$228 per thousand, but in that connection—you see there are several elements that entered into this. There were various grades shipped and the prices were supposed to represent their relative values, and it so happened that England got—the difference in price merely means that England got a higher grade, or a greater proportion of the higher-grade material than some of the others.

Mr. FREAR. Now, England paid us how much in that final settlement?

Mr. WALKER. In the final settlement?

Mr. FREAR. Yes.

Mr. WALKER. Well, when the war was over—just a minute.

Mr. FREAR. I thought you had it right there—that is, the amount of money paid by England on the final settlement.

Mr. GABRIELSON. \$13,264,550.20.

Mr. FREAR. Did they pay nine million and something before?

Mr. WALKER. Well, the nine million was considered in connection with that. That is their total payment, Mr. Frear.

Mr. FREAR. How do you mean?

Mr. WALKER. I mean any payments that she had made on this nine million dollars worth of lumber that was invoiced to her was credited against this \$13,000,000.

Mr. FREAR. Now, in the settlement with Great Britain on this salvage that is going to go in, in which they were equally interested with us, she has made a payment of how much?

Mr. WALKER. As I remember it, England was trying to pay approximately—I think she got about 34 per cent in value.

Mr. LEA. You have that in the record already.

Mr. FREAR. I am trying to find out what this lumber cost Great Britain, counting the amount that she paid, as originally billed to her, the amount she pays at this time in amortizing the plant. We have not got that in.

Mr. WALKER. \$320 per thousand.

Mr. FREAR. \$320 per thousand for what?

Mr. WALKER. For the lumber she received.

Mr. FREAR. Now, counting the amortizing of the plant, where she pays for that, that is not included.

Mr. GABRIELSON. This is all she has paid at all, all she ever will pay for.

Mr. FREAR. That is a complete settlement. Now, how much is that for England?

Mr. WALKER. About \$320 per thousand.

Mr. FREAR. \$320 per thousand. Now, what is it for France, if there is any different basis of computation.

Mr. GABRIELSON. If they pay on the same basis, France will have to pay \$11,092,347.95.

Mr. FREAR. That will be on the final settlement?

Mr. GABRIELSON. If they settle on the same basis as England.

Mr. MAGEE. You mean on that salvage basis?

Mr. GABRIELSON. On the 10 per cent salvage.

Mr. MAGEE. She will not settle on that basis.

Mr. GABRIELSON. She has refused, but if she did settle she would have to pay that.

Mr. WALKER. She would pay \$320 a thousand.

Mr. FREAR. Then, that would be the basis of the final settlement with Italy, in the same manner you have suggested with Great Britain?

Mr. GABRIELSON. Do you want the Italian amount?

Mr. FREAR. No; that is immaterial. We are trying to arrive at the actual cost to these foreign Governments of the airplane stuff that we sent over.

Mr. WALKER. You see, Mr. Frear, that in arriving at this basis of settlement I may state the cut-up plant shipments and the outside mills' shipments were finally priced at the same price for the same grade, and the amounts arrived at that each country received, so that that was a measure of the value that they received.

Mr. FREAR. Now, if you will give me another idea: What was the amount, not that was fixed in theory or tentatively, shipped to these various countries and to ourself, but what was the amount actually shipped?

Mr. WALKER. Of footage?

Mr. FREAR. Of footage to these foreign Governments, and ourself.

Mr. WALKER. That has been in the statement that I have submitted to the committee.

Mr. FREAR. I know, but there is an enormous amount of figures, and now we are trying to identify it in connection with this matter.

Mr. WALKER. Just the footage?

Mr. FREAR. Yes; just the footage.

Mr. WALKER. Well, Great Britain, 41,437,047 feet.

Mr. FREAR. Who got that?

Mr. WALKER. Great Britain.

Mr. FREAR. That was shipped to them?

Mr. WALKER. Yes. The French got 34,595,701 feet.

Mr. FREAR. Yes.

Mr. WALKER. The Italians got 14,630,894 feet. The United States got 52,345,319 feet.

Mr. FREAR. Now, was that the basis on which the settlements were made, the proportionate amounts?

Mr. WALKER. No; the various grades included in these shipments were given prices which were supposed to be the measure of their relative value, and the footages were extended to those prices, and that gave the amounts on which we based it.

Mr. FREAR. Is there anything more you want to examine on in connection with that point?

Mr. MAGEE. I was going back to my original proposition, if I could. I want to see if I can find out what was paid the logger for his lumber and what it was sold for. Have you any means of ascertaining that?

Mr. WALKER. The prices of 35, 20, and 11 for spruce logs were paid by the various mills. That was the established price.

Mr. MAGEE. Haven't you got some approximation there, or are you able to figure out approximately what you paid the logger for lumber which you sold?

Mr. WALKER. I gave those prices to the outside mills, Mr. Magee. The prices we paid for his airplane stock was \$175 per thousand, for wing beams, wing-beam stock.

Mr. MAGEE. What did you sell it for?

Mr. WALKER. Well, in that connection, up to the last of September we sold it for just exactly what we paid for it here, but we were allocating these shipments on a certain per cent to each ally, or trying to do that, and it was very difficult to allocate the outside mill shipments in the same way we were allocating the cut-up plant shipments. In other words, we might give Great Britain 10 per cent of the outside mill shipments and 15 per cent of the cut-up plant shipments, so she would be bearing more of the cost of the cut-up plant than the French were. So in order to do away with that, after October, we threw the cost to the outside mill shipments in with the cost of the cut-up plant shipments and established a uniform price.

Mr. MAGEE. How do you figure that out, Mr. Gabrielson?

Mr. GABRIELSON. You mean pulling apart the mills on the outside as against the cut-up plant?

Mr. MAGEE. Yes; what they pay the outside mills per thousand for the lumber and what they sold it for.

Mr. GABRIELSON. Well, I have the figures here, the average figures here, leaving out grades, of \$84 for spruce and \$62 for fir, and \$123

for cedar. That is the lumber, that is what they paid the independent outside contractor. Then they threw it all in together and billed it all at just one price, and the billing ranged from grade A spruce, \$350 down to as low as \$45.

Mr. MAGEE. Well, are you able to state with any degree of definiteness, or can you approximate it, what would be the approximate price paid the independent logger per thousand for spruce, and what the Spruce Production Corporation sold it for?

Mr. GABRIELSON. I can only give you the figure they have paid the independent contractor. I can not give you the proportionate figure that was shipped.

Mr. MAGEE. Do you know what that was sold for in excess of what they paid?

Mr. WALKER. We paid——

Mr. MAGEE. I was asking Mr. Gabrielson if he knows about it.

Mr. GABRIELSON. I can not give the figures.

Mr. MAGEE. Would that apply to the fir, too?

Mr. GABRIELSON. Yes, sir.

Mr. FREAR. I have some figures that may develop that as soon as I can get through with it. Have you got something you want to give?

Mr. WALKER. I was going to tell Mr. Magee that we paid practically \$74 per 1,000 for all the outside mills shipped, and we billed it at an average price of \$86 per 1,000, and that was brought about in the last two months by changing the price of it.

Mr. FREAR. Have you made any estimates, Mr. Gabrielson, of the cost of spruce, fir, and cedar, if a 40 per cent salvage is received from the assets, and also a 30 per cent, 20 per cent, and 10 per cent?

Mr. GABRIELSON. Yes, sir.

Mr. FREAR. Will you give those to the committee with an explanation of their relation to this entire question?

Mr. GABRIELSON. For the purpose of clarity, I will state the process I used in arriving at these figures.

Mr. FREAR. All right.

Mr. GABRIELSON. The capital expenditures to date have been \$23,-464,853.49.

Mr. FREAR. What do you mean by capital expenditures?

Mr. GABRIELSON. Capital expenditures, the capital outlay, such as railroads, cut-up plant, sawmill, etc. The operating expenses, such as pay rolls and invoices for miscellaneous expense items, things of that type, \$27,710,954.57. Now, they made total shipments here of 143,008,761 feet. To get the total amount of money that that cost you have got to find out the salvage value they are going to receive from their capital expenditures. So I have assumed, in the first place, that they will get 40 per cent of their investment out of this sale.

Mr. FREAR. That is, eventually?

Mr. GABRIELSON. Yes.

Mr. FREAR. Forty per cent from that?

Mr. GABRIELSON. In other words, they will sell for 40 per cent of their original cost.

Mr. FREAR. That counts railroads and all.

Mr. GABRIELSON. Yes. Now, the balance of the capital expenditures, plus the operating expenses, will be the total expense involved

in the transaction out here, and on a basis of 40 per cent salvage that would equal \$41,789,866.61.

Mr. FREAR. Now, what would that be of the average cost if these various classes of lumber had a 40 per cent salvage?

Mr. GABRIELSON. Now, taking that as against 143,000,000 feet of shipped lumber; that is, lumber that was shipped, and subdividing that between fir, spruce, and cedar—

Mr. FREAR. In proportion to the amounts?

Mr. GABRIELSON. In proportion to the amount as rendered on the original invoices to the foreign governments.

Mr. FREAR. Yes.

Mr. GABRIELSON. Well, just to get that in the record I will give what that is.

Mr. WALKER. I have it here.

Mr. GABRIELSON. The total invoice amount as rendered is \$27,465,863.76. The amount invoiced for spruce is \$18,793,485.10. The amount invoiced for fir is \$6,919,588.84. And the amount invoiced for cedar is \$1,752,789.82. Now, that is the basis I have used as against—

Mr. FREAR. I see.

Mr. GABRIELSON. So the first equation—I will just put it in the record so the equation will appear there—would be 18,793,485.10 over 27,465,863.76; multiplied by 41,789,866.61; that result to be divided by the total number of thousand feet shipped, which was 79,366 thousand feet. That was the formula that I used. I might say that was used through the 40 per cent salvage, the 30 per cent salvage, the 20 per cent salvage, and the 10 per cent salvage.

Mr. FREAR. That is, the same basis of computation.

Mr. GABRIELSON. Yes. I shall now give my results, that I find on this equation. On the 40 per cent salvage base the spruce would cost \$362 a thousand, the fir \$174.39, cedar \$699.29. On the basis of 10 per cent salvage—

Mr. FREAR. Run down 30 and the others, just as they go.

Mr. GABRIELSON. Excuse me, I meant 30. On the basis of 30 per cent salvage the cost of spruce would be \$382.32, fir \$184.19, cedar \$738.56. On the basis of 20 per cent salvage spruce would cost \$402.65, fir \$193.98, cedar \$777.82. On the basis of 10 per cent salvage, or the basis they settled with England on, spruce would cost \$422.97 a thousand, fir \$203.77, and cedar \$817.09.

Mr. FREAR. You say the same basis on which they settled with Great Britain, that is, they settled on part on the 10 per cent salvage, not on all.

Mr. GABRIELSON. The English settlement was based on 10 per cent salvage.

Mr. FREAR. Of all.

Mr. GABRIELSON. Of everything.

Mr. FREAR. It was?

Mr. CAMPBELL. It figured that as an average?

Mr. GABRIELSON. It figured an average of 10 per cent.

Mr. FREAR. And this is the basis of cost?

Mr. GABRIELSON. So the English people paid \$422.97 a thousand for the spruce that they received.

Mr. FREAR. Now, is there anything else along that line?

Mr. GABRIELSON. Sir?

Mr. FREAR. Is there anything else you have in mind there, Mr. Gabrielson? I think this ought to be put in the record, your basis of calculation there, so if anyone wants to make a correction or make an examination of it it should appear there fully set out.

Mr. GABRIELSON. I do want to say that I would like to reserve the right to correct the pennies on this, because there may be a little difference.

Mr. FREAR. I do not think pennies will figure very largely in matters of this size. I want to ask Campbell a few questions when you are through with that.

Mr. GABRIELSON. I think at this time that covers everything; I have the other matter for later.

Mr. FREAR. I understand.

Mr. GABRIELSON. I think that covers it.

Mr. LEA. Now, your basis of calculation includes the operations that did not reach production as well as those that did, of course.

Mr. GABRIELSON. It includes, Mr. Lea, the lumber actually produced and set against that figure is the total outlay here, the total expenses of everything. In other words, all the money that the taxpayers of the United States will have to pay for this operation is included. That was my basis.

Mr. LEA. It is not an ordinary commercial basis for estimating to show the success or failure of a proposition.

Mr. GABRIELSON. No; this is on the same basis as liquidating a defunct corporation. That is the basis I have used.

Mr. LEA. Now, the cost of the Toledo mill, did that include the shop?

Mr. GABRIELSON. The Siems-Carey mill?

Mr. LEA. No; the Toledo mill.

Mr. GABRIELSON. I will find out. The machine shop; yes. Is that what you have in mind?

Mr. LEA. Yes. Have you the cost of that machine shop separate from the mill?

Mr. GABRIELSON. Yes. \$73,992.02, and that is the roadhouse in connection with the machine shop. The two are given together.

Mr. LEA. If that was deducted, what would it leave the net cost of the mill?

Mr. GABRIELSON. It would leave about \$880,000, along in there.

Mr. LEA. Now, the valuation of the railroad on a basis of the main track would not be an accurate estimate cost of the different elements involved.

Mr. GABRIELSON. That is not an analytical cost; no. That is a per mile valuation. They do that, I might say, for funding bonds and for getting mortgages and things like that.

Mr. LEA. I do not know whether I understood you or not, but have you got the total amount paid Lewis and Clark on the Lewis and Clark settlement, on the final wind-up of the Lewis and Clark work.

Mr. GABRIELSON. Yes; but not the total amount of money paid them during the whole contract.

Mr. LEA. The final wind-up was how much?

Mr. GABRIELSON. What was that—\$64,000—

Mr. LEA. That was the final payment?

Mr. GABRIELSON. \$64,637. Yes; that was just the final payment.
 • Mr. LEA. In this Hammond lumber contract, will you explain briefly what that contract was for? I haven't read that?

Mr. GABRIELSON. The Hammond Lumber Co. contract was for 60,000,000 feet of logs, I think.

Mr. LEA. And that involved the construction of a railroad at Government expense, is that the idea.

Mr. GABRIELSON. That involved the construction of a road, and during the operation they were to repay him through what is technically called an amortization, 65 per cent of the cost of that road. However, in the cost of the road the Government had allowed him 10 per cent for overhead, 10 per cent profit on the construction. Then they turned around and amortized 65 per cent of not only the cost but 65 per cent of the profit also. So they paid him amortization on the profit as well as the cost.

Mr. LEA. It would be 65 per cent of 110 per cent.

Mr. GABRIELSON. Yes; that is just what it amounts to. They settled on that basis.

Mr. LEA. They settled on that basis?

Mr. GABRIELSON. They settled as per the terms of the contract. It was rather a peculiar contract. You see, he was to get 65 per cent on amortization, whether he pulled one log or 60,000,000 feet of logs over this railroad.

Mr. LEA. Well, in the settlement that was made, was there any deduction on account of logs that were pulled over it or produced?

Mr. GABRIELSON. The logs that were pulled over it he received a certain set price for them, and amortization included in that was on the basis of the shipped to the unshipped log. Now, to make myself clear, if he had shipped one-half of the logs, this one-half that he received \$40 per M. for, would have included amortization to one-half of his 65 per cent, and on the basis of settlement they would have paid him the other half of the 65 per cent.

Mr. LEA. Get the final figures if you have them there. Was the amortization paid 65 per cent of the 110 per cent?

Mr. GABRIELSON. Yes; 65 per cent of the 110 per cent.

Mr. LEA. Without any deductions on account of log production?

Mr. GABRIELSON. They had never paid him for any logs up to the time of the settlement.

Mr. LEA. So that feature was not involved.

Mr. GABRIELSON. You see he only shipped 2,384,000 feet of logs. He had just gotten underway. I think you will find that contract was not entered into until the fall of 1918.

Mr. LEA. What was the date of that Hammond contract?

Mr. GABRIELSON. That Hammond contract is not here, but it was in September some time.

Mr. LEA. Well, it will speak for itself. I think that is all.

(Witness excused.)

TESTIMONY OF C. C. CAMPBELL—Recalled.

Mr. FREAR. Mr. Campbell suggested that there was something here he could explain. I heard him talking a while ago.

Mr. CAMPBELL. About the approval of contracts?

Mr. FREAR. Yes.

Mr. CAMPBELL. I happened to be in Washington at that time and I think when the committee gets there, if Mr. Gabrielson will go to the files of the contract section he will find each one of these bearing the approval of the chief signal officer up to the time the corporation was started.

Mr. FREAR. Up to the time the corporation was started?

Mr. CAMPBELL. Yes.

Mr. FREAR. The difficulty in making any ascertainment of that is that we find that a printed copy will be furnished us, and generally we had to send here to Portland from Washington to get it, and it is left in blank.

Mr. CAMPBELL. The original of each one of those was signed by the Chief Signal Officer and kept in the contract file.

Mr. FREAR. Isn't it kept on file here?

Mr. CAMPBELL. No. They wired out here when they were approved. They would just wire that a certain contract had been approved by the Chief Signal Officer.

Mr. FREAR. Haven't you any record of the wires? We go back there and they say that everything—all the papers are here. Now you are sending us back there, and they will say they have no records.

Mr. CAMPBELL. The originals are there. I could go there and find them myself.

Mr. FREAR. I wish you would do it. They said they didn't have a single contract; that they were all out here.

Mr. CAMPBELL. They have every contract.

Mr. FREAR. Where is their office?

Mr. CAMPBELL. 4½ Missouri Avenue.

Mr. GABRIELSON. That is just where I looked, and they advised me they were all in Portland.

Mr. FREAR. I have had the people there looking for them, and they tell me there is nothing there.

Mr. CAMPBELL. I know we kept those things there. I kept them myself.

Mr. FREAR. I understood they sent them all out here. We didn't know anything about that.

Mr. CAMPBELL. I can get them, I know.

Mr. FREAR. Will you wire to-day and find out by to-morrow if they are to be had there?

Mr. CAMPBELL. Yes.

Mr. GABRIELSON. And, incidentally, the party from whom we can get them.

Mr. LEA. There is one question we ought to have answered by Mr. Campbell, and that is the method adopted by the organization to check the expenses of cost-plus contractors. Can you explain that? I understand that is in your department.

Mr. CAMPBELL. Yes, sir. I have that written out here, the entire procedure, two pages of it. Would you like to have that in the record?

Mr. FREAR. What is that?

Mr. LEA. I asked him to explain the method of checking the cost-plus contractors. He states that can go into the record.

(Whereupon the above-mentioned paper is copied into the record, as follows:)

PROCEDURE OF INTERNAL CHECK WITH COST-PLUS CONTRACTORS.

Line of authority in purchasing supplies for construction and operation:

1. Orders were first given camp clerks and were signed by the foreman of the department ordering.

2. Requisition was issued by the camp, bearing foreman's and camp clerk's signature, on the district store, stating the authority for the purchase and giving the use to which the supplies were to be put.

3. If the articles were not in stock at the district store, the storekeeper issued and signed a requisition on the Portland office, said requisition bearing the authority of the district supervisor.

4. The purchasing agent, contractor's head office, would then obtain the approval of the assistant purchasing officer (same as assistant property officer) stationed in contractor's office and purchase orders were issued in sextuplicate. Original copy sent to vendor, duplicate copy to the assistant accounting officer, triplicate copy to the assistant property officer, quadruplicate and quintuplicate copies to the purchasing department, contractor's office, and sextuplicate copy to district stores.

Receipt and check of merchandise shipments:

1. District stores on receiving merchandise checked the shipment against the vendor's invoice. Invoices were checked against purchase orders.

2. Invoice was certified, as to receipt and condition of material, by the storekeeper and by the property officer stationed at the district store.

3. Shipments to camps by the district stores were checked and receipted for by the camp clerks and also by the commanding officer of the camp.

Pay rolls:

1. Pay rolls were compiled under the supervision of camp clerks from data obtained by the timekeepers, who personally visited the men in the field twice each day.

2. The monthly pay rolls were signed by the camp foreman, by the camp clerk, and certified by commanding officer of the camp.

3. Pay rolls were then forwarded to the district supervisor to check, as to rate of pay, and approve same.

4. Pay rolls were forwarded to head office and again checked, as to Army pay deductions and extensions, by the assistant accounting officer stationed at the contractor's office.

5. Pay rolls were then forwarded to the district auditors, who made payment, requiring on pay rolls signatures from all employees.

Public vouchers:

1. Public vouchers were supported by contractor's vouchers, which were signed by the vendor and supported by vendor's invoices, contractor's vouchers bearing reference number of check making payment.

2. Public vouchers were passed to the assistant accounting officer stationed at contractor's office. Contractor's vouchers contain reference to the purchase authorizing the purchases shown on the invoice attached to the voucher, said purchase order being used by the assistant accounting officer to check the authority for the purchase by referring to his files containing duplicate copies of all purchase orders.

3. The public vouchers were then approved by the assistant accounting officer and forwarded to assistant property officer, who examined voucher to make sure that all nonexpendible property covered therein was listed on memo receipts which contractor signed, thereby making himself responsible to the Government for the care and safe return of such property. The property officer, being satisfied, approved the voucher, which was then forwarded by the assistant accounting officer to the corporation for reimbursement.

4. Reimbursements for pay-roll expenditures were made on basis of public vouchers supported by original pay rolls bearing signatures of all employees paid. The bank check, or pay draft, paying the employee was indicated on pay roll by a number reference.

Cash receipts from camp sales:

1. District auditors and assistant district auditors visited the camps daily, or every other day when the camp was more or less isolated, collecting cash (among other duties) received by the camp clerks from sale of meals and commissary supplies.

2. Meals were checked by a clerk under the supervision of the camp clerk. This record was given the camp clerk, who then collected or charged for the

meals received by the parties who were not on the pay roll. A camp record book (kept by the camp clerk), showing (among other things) total meals served, including cash and charge meals, was sent to the head office monthly, where the cash meals were checked with remittances from district auditors.

3. The commissary stocks carried in the camps were comparatively small, making some susceptible to ready check. Auditors in collecting cash would check over or make test checks on the stocks to prove the inventory issued by the camp clerks and to verify the sales figure. Inventories were further subject to a control carried on the general books in the contractor's head office.

4. District auditors signed for the cash received from camp clerks.

5. Remittance was made by district auditors to head office, where cash received was entered and receipts were issued district auditors for all cash received.

6. One party receiving all cash in the head office counted same, made a record for the accounting department of the amount, and passed same to cashier.

7. The Government was credited for all cash sales of the above character by means of entries to the contractor's reimbursement due account, and being approved by assistant accounting officer.

8. Sales of Government property were made by authority and direct supervision of an authorized Government officer.

Mr. FREAR. I want to ask you this in addition: We have had no statement of the salaries or expenses of these various cost-plus companies to show on what basis the cost-plus was figured. It is an impossible task, as you know, to even catch it as you would here. Now, can you give us any statement that will be of value, in the short time we are here, of the salaries that were paid all these various companies—the Warren Spruce Co., the Siems-Carey-Kerbaugh Co., the Grant Smith-Porter Bros. Co., and the Airplane Lumber Co.—as to the largest salaries that were paid?

Mr. CAMPBELL. Yes, sir. I have already furnished the Siems-Carey-Kerbaugh information to Mr. Gabrielson.

Mr. FREAR. The Siems-Carey-Kerbaugh, I think, we have.

Mr. CAMPBELL. And we can give you the rest of them.

Mr. FREAR. Can you to-morrow morning, just briefly?

Mr. CAMPBELL. I can have them by 11 o'clock, I would say.

Mr. FREAR. All right. If you will turn in that statement—I was wondering if I had seen the Siems-Carey-Kerbaugh statement.

Mr. CAMPBELL. I gave it to Mr. Gabrielson.

Mr. MAGEE. Will you see him and turn the four of them in?

Mr. FREAR. It is understood if they are delivered to the reporter they will go in the record.

Mr. LEA. There was one question I think that was referred to Mr. Campbell, that has not been cleared up, and that was in reference to a rejection of a 60 per cent shipment to the British in 1918.

Mr. FREAR. Oh, yes.

Mr. LEA. And you were to answer that, if you can.

Mr. CAMPBELL. As the question was asked me, it was stated that on or about August 15 the British had complained that 60 per cent of some shipment had been rejected, and I found that that telegram was dated August 15, and that that shipment must have been made from here at least four months prior to that time. That is before shipments were going from the cut-up plant to England. And on September 2 I got a letter from a representative of the British Government, who had been sent to Galveston to inspect a shipment before it went over, which showed that the shipments at that time when that shipment should have been made, about August 15, to reach Galveston, were perfectly all right. If you want that letter, I can furnish a copy of it.

Mr. MAGEE. I thought it was in evidence.

Mr. FREAR. Just tell us, as briefly as you can, is there any method of estimating what amount of material which was shipped, which has been testified here as being in the neighborhood of 143,000,000 feet, that is, it was manufactured—what amount of that was rejected, what percentage? Is there any way of making a—

Mr. CAMPBELL. I don't think there is.

Mr. FREAR. There is no way of getting that estimate at all?

Mr. CAMPBELL. I don't think so.

Mr. FREAR. For instance, we notice that in the Hughes's investigation it was developed that a considerable amount of rejections occurred in the Curtiss plant. We know that rejections occurred at Grand Rapids and elsewhere, according to the testimony that has either been before the committee or in one of these various hearings.

Mr. CAMPBELL. The Grand Rapids people, for instance—I checked up on them the other day—they placed orders in Washington for 1,500,000 feet of G list. G list was never intended for—

Mr. FREAR. Was that a part of the 143,000,000?

Mr. CAMPBELL. Airplane stock.

Mr. FREAR. Was that a part of the 104,000,000?

Mr. CAMPBELL. I think that G list was shipped prior to the time these accounts were started.

Mr. FREAR. Then that ought not to appear in this list.

Mr. CAMPBELL. No, sir.

Mr. FREAR. You have no means of determining any percentage, that is whether it would be 5 per cent or 15 or 25, on account of rejections?

Mr. CAMPBELL. Absolutely not.

Mr. FREAR. There were no claims made back upon the department here, or the division, of rejections that were refused?

Mr. CAMPBELL. There were some complaints in regard to the lumber, filed in Washington.

Mr. FREAR. I mean rejections that they refused to pay for, was that?

Mr. CAMPBELL. There was only one that I ever saw. It came from the Curtiss Engineering Corporation at Long Island.

Mr. FREAR. I understood that there were some up at Buffalo. I don't know whether that is so or not. I was wondering. Would they have come to you, or should they have come to other people as well?

Mr. CAMPBELL. Well, they should have come through the Washington office.

Mr. FREAR. You haven't any way of determining that?

Mr. CAMPBELL. No; we could not determine the percentage.

Mr. FREAR. That would be a factor, if we could tell that, in determining the actual cost of material. Now, the suggestion has been made in regard to these costs that that, of course, includes the railroads and mills. Well, it does—that is, in arriving at this salvage value, fixing the price of lumber.

Mr. CAMPBELL. I know of an instance where the Grand Rapids Airplane Co. ordered G list and box material, and when it reached there somebody inspected it on the basis of airplane stock and re-

jected some of their grading material for airplane stock. I do know that that happened.

Mr. FREAR. I was going to say that, of course, here is the theory of this question of estimating the value of the airplane stock as it went to England and the various countries and the cost at which it came to them. There is a different principle that was inaugurated between the Canadian Government, for instance, and ourselves. Ours was a large concentration of effort on a few cost-plus contracts, with the idea of not developing to the same extent the outside operations of the small loggers and millers as was done in Canada. Now, of course, that affected, upon the conclusion of the war, the cost of airplane stock, as we will ascertain when we get our final settlement.

Mr. CAMPBELL. Because of the signing of the armistice.

Mr. FREAR. Of course, we will all concede that that is very unimportant, in a way, compared with the importance of getting the airplane stock there.

Mr. CAMPBELL. Yes.

Mr. FREAR. That was the thing that was vital, and we all believed it was the most important. But the policy that was pursued here in building up large mills and extending railways, which might have been developed into two or three times the size, if they had so desired as a matter of policy then—that is one thing that we are having under consideration at this moment, and that is the reasons these questions, frankly, are asked.

Mr. CAMPBELL. Oh, I understand that.

Mr. FREAR. Well, the question comes from Mr. Magee whether or not from moneys that you received you could tell what amount of rejection had occurred? Were they all paid for?

Mr. CAMPBELL. All paid for.

Mr. FREAR. So that if they were rejected in England or in France or any other place, it was after the payment was made of the settlements with us were complete?

Mr. CAMPBELL. Well, the rejections were before any settlement was made, naturally, if there had been any.

Mr. FREAR. Well, then, there were no rejections?

Mr. CAMPBELL. I imagine not, so far as we know.

Mr. FREAR. Of course, there must have been defective material, but that is all paid for?

Mr. CAMPBELL. Yes.

Mr. MAGEE. You know whether you were paid for 143,000,000 feet of lumber, don't you?

Mr. CAMPBELL. Yes.

Mr. MAGEE. What do you say to that proposition?

Mr. CAMPBELL. We have been, with the exception of the French and the Italian. All the lumber shipped to the United States had been paid for, with the exception of the Curtiss account, and I have a wire from them, saying that they will be paid in full within the next few days.

Mr. FREAR. Well, all shipped to the account of the United States—all that amount has been paid for with the exception of the claim pending at the Curtiss Co.

Mr. CAMPBELL. It is not a claim. It is just the amount of our invoice.

Mr. FREAR. An account.

Mr. CAMPBELL. There might be two or three small factories that haven't paid, but practically all of them have, and there are no accounts in dispute.

I might mention, in connection with that salary list, working for Siems-Carey, one who does not appear there. He was hired by them, I think, at—he received \$20,000 for the erection—superintendence of the erection—of the Port Angeles and Lake Pleasant mills.

Mr. FREAR. That was the contract price?

Mr. CAMPBELL. That was the contract; and when the Spruce Corporation learned of that contract they notified them that in the event of cancelation that they would only allow six of that twenty thousand for the job.

Mr. MAGEE. How much was allowed?

Mr. CAMPBELL. Well, he didn't receive the entire six, because the jobs were not finished. A proportionate amount of the six thousand was allowed.

Mr. MAGEE. That is, the proportion of 6 to 20?

Mr. CAMPBELL. The proportion of six to the amount of work completed on the two mills.

Mr. MAGEE. Well, I understood you to say if he had completed it they would have allowed six.

Mr. CAMPBELL. They would have allowed six. The mills were not finished.

Mr. MAGEE. Not being completed, the proportion would be as 6 would have been to 20?

Mr. CAMPBELL. No; not as 6 to 20; as 6 would be to the comparative completion of the mills. If the mills were two-thirds completed, he got two-thirds of six thousand.

Mr. MAGEE. If the mill had been completed, he would have got six?

Mr. CAMPBELL. Yes, sir.

Mr. MAGEE. So that there would have been six which he got?

Mr. CAMPBELL. Yes.

Mr. MAGEE. And 20 claimed.

Mr. CAMPBELL. No; they would not have claimed it. They were notified they could not claim it.

Mr. MAGEE. I say he claimed it?

Mr. CAMPBELL. Smith-Carey paid him from their own pocket. Naturally, he got his money.

Mr. MAGEE. I say it was the amount of his claim; that would be the proportion of 6 to 20 that the Government allowed him, providing the plant had been completed?

Mr. CAMPBELL. If it was completed, that is right.

Mr. MAGEE. Now, not being completed, I assume what he got was in the same ratio, wasn't it?

Mr. CAMPBELL. That is right.

Mr. FREAR. Now, in this case of these amounts that has been furnished, regarding the employees of Siems-Carey-Kerbaugh Co., the salaries over \$200 per month, there appears to be in the neighborhood of 50 or 60 names, or thereabouts. Rogers receives a salary at the rate of \$15,000 a year—twelve thousand, or twelve hundred and fifty dollars a month.

Mr. CAMPBELL. I think that is right.

Mr. FREAR. What was his position; do you know?

Mr. CAMPBELL. I think he was general superintendent or general manager.

Mr. FREAR. And Tinkler, he has \$1,000 a month. He is superintendent of logging roads?

Mr. CAMPBELL. As I remember it, he was.

Mr. FREAR. That is what it states here. Now, in the case of Sawyer, for instance, his name doesn't appear here. He was paid from this office?

Mr. CAMPBELL. Sawyer was paid by the Army.

Mr. FREAR. Oh, he was then under the Army contract?

Mr. CAMPBELL. He was not a Siems-Carey employee, anyway.

Mr. FREAR. He was an Army officer. They had no civilians there—that is, I mean your corporation had no civilians working with a salary received in civil employment?

Mr. CAMPBELL. I think at one time after I came out here I had one man there checking up their warehouse goods, that I hired as a civilian.

Mr. FREAR. A short time?

Mr. CAMPBELL. He was not working for them, but I put him in there for my own protection.

Mr. FREAR. Here are a number of people that were at Joyce. There is a list of possibly 25 that were at Joyce, here, receiving \$200 or more. What were they? For the railroad business, was it?

Mr. CAMPBELL. The railroad, yes; at Joyce. Well, there was a large warehouse operating there, too, from which they issued materials to the—for the construction contract; that is, they bought materials from that warehouse.

Mr. FREAR. Did you check over, on the part of your corporation, to ascertain whether it was a reasonable number of people who were being employed by them under these cost-plus contracts? That was a cost-plus contract.

Mr. CAMPBELL. After I got here, and after the contract had been cancelled, of course their operating force had been let off; but so far as their office force and force of accountants was concerned, it was very reasonable, I thought; very. The others I didn't see, because I wasn't here.

Mr. FREAR. All right.

(The list of employees, Siems-Carey-H. S. Kerbaugh Corp., above referred to, was marked "Exhibit 32-Campbell-September 11, 1919.")
(Witness excused.)

Mr. FREAR. I will say, for the record, we are calling several witnesses, practically one or two witnesses on different points, and Mr. Ziegler, has, as I understand, had some experience with the spruce-production matter, and is called for that purpose—for the purpose of aiding the committee to get an understanding of the situation as he views it.

TESTIMONY OF J. B. ZIEGLER.

(Witness was sworn by Mr. Frear.)

Mr. FREAR. What is your business?

Mr. ZIEGLER. I am a farmer, at present. My profession is medicine, but I broke down.

Mr. FREAR. Dr. Ziegler.

Mr. ZIEGLER. Yes. I had to abandon it.

Mr. FREAR. Where do you live?

Mr. ZIEGLER. Tualatin.

Mr. FREAR. You lived down in the Siletz?

Mr. ZIEGLER. Yes; I homesteaded there in 1896.

Mr. FREAR. Have you any land there now?

Mr. ZIEGLER. No, sir.

Mr. FREAR. Nothing at all there?

Mr. ZIEGLER. No, sir. I sold out about four years later, in 1901. I didn't have timber, nohow. I had farm land.

Mr. FREAR. But you are familiar with the region down there?

Mr. ZIEGLER. Yes, sir.

Mr. FREAR. Well, now, you have also had some correspondence with the Secretary of War and various other people in reference to this spruce situation, and also came in contact with Mr. Disque, I believe, or Col. Disque, at that time, and with Maj. Hitchcock and two or three others. I wish you would state, as briefly as you can, beginning at the time that Col. Disque came here, your efforts to urge along the aircraft program, if you did take any part in that, and about what success attended your efforts; just briefly.

Mr. ZIEGLER. My first communication with the department was a telegram—or with Washington was a telegram to Congressman Hawley, respecting the sale of some spruce-bearing timberlands that I was acquainted with down on the Siletz.

Mr. FREAR. When was that?

Mr. ZIEGLER. The sale was advertised for September, 1917.

Mr. FREAR. Yes.

Mr. ZIEGLER. It didn't occur at that time. A part of it has been sold since. Whether it has all been sold or not I don't know, but there was one section that I was familiar with, very familiar, that bore 13,000,000 of spruce. That was advertised for sale at an upshot price of a dollar a thousand, I think it was. I tried to stop that sale, because the Government was in the market then for spruce airplane stock at \$105 a thousand, and the matter looked absurd to me. That is why I took it up. I finally received an answer to several letters. I was referred to the Airplane Board. I was instructed to report to the spruce office here and assist them all I could.

Mr. FREAR. By the Airplane Board where?

Mr. ZIEGLER. At Washington, and later from Lathrop Brown.

Mr. FREAR. That was when?

Mr. ZIEGLER. That was in October.

Mr. FREAR. That was after Col. Disque came here?

Mr. ZIEGLER. That was before; but by the time I reported, why, Col. Disque was on the ground.

Mr. FREAR. Well, now, what occurred, if anything, that you desire to testify to as to the production of airplane stock after that?

Mr. ZIEGLER. Why, I was sent out—in obedience, I suppose, to the recommendation—I was sent out by the Warren Spruce Co. as a scaler. I went to Raymond, Wash., under instructions from Col. Disque's office; received my equipment from them. I scaled several days alone, then—

Mr. FREAR. Where was that?

Mr. ZIEGLER. At Camp 1-A, Raymond, Wash. I was the first scaler on the ground.

Mr. FREAR. And is that your business—scaling?

Mr. ZIEGLER. Well, I had done considerable scaling when I was a young man, and I knew how to scale trees. It is a simple matter.

Several days later an enlisted man came to help me. It was properly teamwork. And trees were being spotted and numbered in series. The first report—was to make bimonthly reports—semi-monthly reports.

Mr. FREAR. Yes.

Mr. ZIEGLER. And the first report was under date of January 1.

Mr. FREAR. Just come briefly to the point, please, as to what was done. We don't care about dates, I mean, or anything like that. Just tell us briefly what was done in your scaling.

Mr. ZIEGLER. Yes. Well, the report was coupled also by my field notes, covering about 40 trees, averaging perhaps 10,000 feet to the tree, and the trees were being spotted in a serial number by Lieut.—a young man named Lieut. Waitman. The timber was on a school section.

Mr. FREAR. Just hurry along, if you can—that is, I mean as to what you did. He was spotting the trees on this school section. Now, what occurred?

Mr. ZIEGLER. Why, the matter of my report was that the trees being spotted were unfit for airplane stock and were making no airplane stock.

Mr. FREAR. To whom did you report that?

Mr. ZIEGLER. The chief inspector at the Spruce Production Office—Capt. Markham.

Mr. FREAR. That is, because they were not all airplane production material; is that it?

Mr. ZIEGLER. No; that they made no airplane stock whatever, and they bore upon them external evidence to that effect; that no woodsman would take those trees to make any kind of straight-splitting stock.

Mr. FREAR. Who was it that spotted them, do you know?

Mr. ZIEGLER. Lieut. Waitman, I think it was.

Mr. FREAR. Well, what occurred then, after you reported it?

Mr. ZIEGLER. Why, that was on September 8. I got a letter recalling me from the Spruce Production Office, stating that Col. Disque had concluded to dispense with the services of all civilian scalers.

Mr. FREAR. And did he dispense with them, or do you know?

Mr. ZIEGLER. Yes, as far as I know; and that letter was dated on the 6th. I was instructed to report to the superintendent, who would place me elsewhere; but I assumed from the tone of the letter that information of the sort that I was trying to convey to the office was unwelcome, so I came up to the office and tried to get an interview with Gen. Disque, and failed for a long time. The fault appeared to be very gross, for it was not only the two trees that was in the report, but the numbers in the serials, from Nos. 11 to 18, were all trees of that character; in fact, they were spotting practically all the big trees in the forest.

Mr. FREAR. Spruce trees.

Mr. ZIEGLER. The trees being used, the old trees, the remains of an old forest, and the second growth has grown up many years later, and it is only those old trees that were being used in those operations, and they were taking practically all those old trees.

Mr. FREAR. Well, that is—

Mr. ZIEGLER. All that were at all presentable.

Mr. FREAR. What did you do?

Mr. ZIEGLER. Well, I had to beseech the office to get an interview. It took me, I guess, a matter of two months until finally I reached Col. Hitchcock or Maj. Hitchcock and Capt. Tisdale.

Mr. FREAR. Then what?

Mr. ZIEGLER. Why, it was very plain, from what I already knew—

Mr. FREAR. What occurred at that time? You are arguing the question, but what we want is what occurred—whom did you see and what did you do?

Mr. ZIEGLER. I saw Maj. Hitchcock and Capt. Tisdale.

Mr. FREAR. All right. Now, what occurred there?

Mr. ZIEGLER. Why, all the interest they—I asked them why my letter hadn't been answered. You see, this information was ready at the beginning of the selection of these trees, and the fault was a gross one.

Mr. FREAR. Well, let's pass up what the fault was. Tell what occurred in your conversation with these people. That is the thing that we have got to pass upon—the testimony—

Mr. ZIEGLER. They resented what they called my persistence.

Mr. FREAR. Well, there was a persistence, if you were there two months.

Mr. ZIEGLER. Yes. Well, I was determined.

Mr. FREAR. Now, what occurred and what was decided upon, if anything?

Mr. ZIEGLER. Well, I asked them why I hadn't received any answer to the letter in which I furnished this information respecting the bad spotting of the trees. Well, Maj. Hitchcock says that my letter was of such a general character that he didn't think it was necessary to reply. I said, "Major, I don't see how it could possibly be more specific or more timely. I mentioned my trees and told the scale. One was scaling nearly 19,000 feet, costing the Government a matter of \$150, the stumpage and operation, and, besides, the still greater cost of transporting it out of the woods." I said, "I don't see how anything could be more specific or more timely." And, "Well," he said, "that is only a couple of trees." "Well, then," I said, "that is the only two trees that are covered in this report, but there are others," and I went on to state—

Mr. FREAR. When was this?

Mr. ZIEGLER. This interview, I think, occurred about May.

Mr. FREAR. 1918?

Mr. ZIEGLER. Yes. The report concerned was sent in two reports; my final report was February 8.

Mr. FREAR. Report to whom?

Mr. ZIEGLER. Capt. Markham, the same inspector, the chief inspector.

Mr. FREAR. Well, what then?

Mr. ZIEGLER. Well, when he asked me why I was so persistent, why, I was both surprised and incensed. I says, "I have one son, and he is over at the battle front now." I says, "It is reported that the Americans have no airplanes there to protect him." And, "Oh," Tisdale says, "that is all damned pro-German bunk." I said, "How many, then?" "Well," he says, "that is a military secret." "Well," I says, "Captain, I didn't come here for information; I am trying to impart information that I know is useful to the Government. I see it is now welcome." "Now," I says, "you accused me of making a general statement, not specific enough for answer. I want to make a general statement, and that is the operations that are conducted down there at that camp, under your guidance here, are being perverted for the purpose of selling timber to the Government that is unfit for their purpose, instead of getting airplane spruce." They are not attempting to bend all their energies to getting out airplane spruce at all, but they are selling all the timber that they can." "Well," he says, "you have got to look out what you are saying." I said, "Is that a threat?" He says, "Yes; it is." I said, "I am not afraid of you." Well, the two of them went into Gen. Disque's office; I supposed that they were consulting with him whether I should be placed under arrest or not.

Mr. FREAR. Well, what did occur?

Mr. ZIEGLER. And I waited there until the dinner hour, and never saw any more of them, and I left. Then I reported the whole matter—sent it up to the Secretary of War.

Mr. FREAR. With what result?

Mr. ZIEGLER. Well, I was queered up there by the politicians. Some told me to testify before the committee here, and they elicited a reply from the Secretary of War that my only interest in the operations was to embarrass the Government.

Mr. FREAR. Well, you felt you were acting sincerely and that you were acting for the best interests of the Government?

Mr. ZIEGLER. Why, I not only felt it, but I knew it.

Mr. FREAR. Yes; that you were acting for the best interests of the Government?

Mr. ZIEGLER. Yes, sir.

Mr. FREAR. When you reported there that there was a waste, as you saw it, of these trees and money. Now, of course, what did you attribute that to, inexperience on the part of the officers, or what?

Mr. ZIEGLER. Why, I attributed it at that time to inexperience. I had had some interviews with Gen. Disque concerning a program for operations that I had sent to the Secretary of War; in fact, it embodied all the selective logging and riving, and the use of enlisted men, and all the features of the program as he adopted, with one or two additional that he did not adopt; and one was that for the winter's work not try any land transportation, but get all the timber that was on tidewater and get it into the tidewater and some little mills there, and get it out by boat, and then in the summer-time he could see whether they needed anything else or not. They never adopted that.

Mr. FREAR. They didn't adopt that?

Mr. ZIEGLER. They adopted all the rest.

Mr. FREAR. Now what occurred after this affair with the Secretary of War? They didn't answer, or did they answer?

Mr. ZIEGLER. Yes. I finally got an answer through Senator McNary.

Mr. FREAR. To what effect?

Mr. ZIEGLER. In which he stated that he had information—it was the same old thing—that my accusations were indefinite and I had been given an opportunity to sustain them and had failed to do so. Now, that was the only opportunity that I had ever had to talk over that report with anybody at that office, and I had to do that by practically forcing myself in.

Mr. FREAR. That is the time when you talked to Hitchcock that you spoke of?

Mr. ZIEGLER. Yes. That I had been given numerous opportunities, so the letter stated.

Mr. FREAR. Now, what occurred after that, if anything, in regard to this production of aircraft material, that the committee ought to be informed of, as to their policy—the policy of production, or whatever you had in mind?

Mr. ZIEGLER. Well, I got the impression, combined with the waste that I saw down there—first, I attributed it to inexperience. Disque told me that he was entirely unacquainted with the matter, he would have to learn everything. But I am satisfied with what I have learned since it was partly inexperience and partly control by a number of men that intended to get hold of that \$50,000,000 appropriation for the production of airplane spruces easily and as rapidly as possible.

Mr. FREAR. That was your conclusion?

Mr. ZIEGLER. That is my conclusion; yes.

Mr. FREAR. Now, did you do anything?

Mr. ZIEGLER. And experience didn't matter. They would rather have inexperienced men than experienced men in the field. They didn't want any man that knew trees to spot the trees.

Mr. FREAR. What else did you have in mind besides the spotting of the trees there that ought to be brought to the attention of the committee, in the nature of waste or extravagance, as you viewed it?

Mr. ZIEGLER. They had a lot of heavy motor trucks that they could not possibly operate.

Mr. FREAR. Where were those?

Mr. ZIEGLER. Down there around Camp Raymond at that time. The only thing that was useful was a team and a wagon. The team and wagon was loaded; they was hauling out a lot of cants there. They were bringing them from the woods to the highway and then bringing them down to tidewater.

Mr. FREAR. What about the cants? Was that the riving time?

Mr. ZIEGLER. Yes.

Mr. FREAR. What was there about that? Anything? I think you spoke about that.

Mr. ZIEGLER. Well, the riving of the cants was a good operation, and if they actually wanted the grade of timber which was specified in the specifications that they sent out it was the only way to get it. They could not get it any other way. Mills could not cut it, and the specifications to the mills did not require the same grade of lumber as required from the rivers. It looked to me like those riving specifications were got out by somebody that was intending to kill it off.

Mr. FREAR. That is, to prevent its use?

Mr. ZIEGLER. Yes; to prevent or stall the riving operations.

Mr. FREAR. Well, what was your idea about it?

Mr. ZIEGLER. Well, I think the loggers wanted to sell logs and the mills wanted to cut them.

Mr. FREAR. Well, of course, that is one of the theories; and afterwards it was abandoned—that they had to get airplane stock.

Mr. ZIEGLER. And their specifications for the mills was 20 per cent—no; 1 and 20 deviation on one surface of the timber, and 1 and 20 on the other. Now, that is far from straight-grain stock. That is really about No. 1 grade mill stock. And their idea was that they could work out their straight stock out of that by picking out the best timbers and use the rest of it, shorter stuff; but no such permission was given to the rivers.

Mr. FREAR. How long did the riving last? About how long?

Mr. ZIEGLER. Well, I don't know. It was only of late that I have learned—

Mr. FREAR (interrupting). Well, were you identified with this work, or up to what time were you identified with it? That is, did you follow up this?

Mr. ZIEGLER. This riving?

Mr. FREAR. Yes; the riving and also the getting out of the airplane stock. Did you have any more connection with it beyond what you have expressed?

Mr. ZIEGLER. No, no; that was all. I supposed that I was sent out—well, to comply with the instructions from Washington that I was to be given an opportunity to get to assist and carry my suggestions into execution.

Mr. FREAR. Well, you were ready to do that?

Mr. ZIEGLER. I was ready to do that at all times, and I wanted to do it.

Mr. FREAR. Yes, sir.

Mr. ZIEGLER. And when Capt. Tisdale insinuated there it was just a matter of losing my job—why, when I left there I took up other work at a greater pay. Pay had nothing to do with it whatever.

Mr. FREAR. You were sincere in your purpose?

Mr. ZIEGLER. Absolutely. Not only that, but I was worried over it, because I saw that instead of the boys at the front getting the protection there was a great body of soldiers taken out of the military service, away from the field, to promote a great wasting operation. Now, as to the inefficiency of the control, there are a number of things that I would like to say about that.

Mr. FREAR. Well, be brief, if you will, please. We have been at it pretty strong here now.

Mr. ZIEGLER. I was given a pass to go over to that cut-up plant and examine it, and I did, and there was faults there—I am not an expert in that kind of machinery, although I have some experience, and I have common sense; but they had a lot of small saws, circular saws, heavy and thick, cutting at least a quarter of an inch kerf to cut into that fine lumber, and they were not big enough to go through and they had a lot of men there finishing, splicing out the efforts to saw through with axes, slashing the valuable timber up with axes. Later, under suggestion, I think from Maj. Breece, it was changed into a band sawmill. Well, why didn't they know

enough to put in cable saws in the first place? And why didn't they put their plant down on the water so they could receive logs by river instead of by inland?

Mr. FREAR. Did they ever tell you why?

Mr. ZIEGLER. Oh, I asked some man over there. No; no one knows. They didn't tell me.

Mr. FREAR. That is, they didn't locate the plant right, you thought?

Mr. ZIEGLER. They didn't locate it on the river. Right at the first of the operations it was easier to get logs in the river and transport them by river than it was by rail.

Mr. FREAR. Well, they didn't have the logs there, did they? Or did they? That is, at the cut-up plant. They received all cants?

Mr. ZIEGLER. They were receiving the cants?

Mr. FREAR. Yes.

Mr. ZIEGLER. But these cants were large. They averaged about six cants to the log, and those logs would average, say, 5 feet in diameter; so a cant would run from 300 to 600 feet to the cant. Two or three of them made a wagonload.

Mr. FREAR. Well, for the purpose of sale, that is, after the Government had gotten through with it, it would have been more suitable to have built it upon the water, or where?

Mr. ZIEGLER. Yes; it would have been more suitable for that purpose and would have been more suitable for that operation.

Mr. FREAR. For commercial operation?

Mr. ZIEGLER. For receiving the logs. Another thing that I observed over there: They had great stacks of cants stacked up there as refuse. Anybody could see they were utterly worthless.

Mr. FREAR. Why?

Mr. ZIEGLER. Oh, they were twisted and full of knots and had all kinds of defects.

Mr. FREAR. Where had they come from; outside?

Mr. ZIEGLER. Yes; some of them came from Raymond, and some of them came—there were only two camps, or two of those companies operating. I think the other one was Grant Smith. Some of them came from Warren Spruce operations down at Raymond, and I think some from Grant Smith. But there was an enormous amount of that refuse lumber stacked up there that never should have been transported out of the woods. That was another thing; that was one of the pieces of information that I wanted to give the office in the first place. No use in taking out stuff that a man with ordinary judgment, even in the beginning of a new operation, could see was unfit. There was no use in hauling it around.

Mr. FREAR. The substance of your judgment was that they did not use good judgment there in making the selection of timber? That is your judgment?

Mr. ZIEGLER. And worse than that; they didn't seem to care. I never found anybody that cared. I tried to find, before I wrote this letter, I tried to find somebody at the camp down there that would try to correct the matter, that had authority and was interested and would try to correct that matter. There was absolutely nobody. I tried the officer that was in command, and he said he had nothing to do with anything, except the military part of it.

Mr. FREAR. Did you ever have any talk with Mr. Disque, or Col. Disque?

Mr. ZIEGLER. I had two talks concerning these suggestions I had sent up to the War Department before I was sent out. After I was sent out I never saw him.

Mr. FREAR. Did you ever have any talks with Maj. Hitchcock? I am asking for information.

Mr. ZIEGLER. After that?

Mr. FREAR. After that one time.

Mr. ZIEGLER. No.

Mr. FREAR. Well, with anyone else in authority there?

Mr. ZIEGLER. No; I never did. No; after I went over to the cut up plant they didn't ask me—some one got me the pass and they didn't ask me for any report on the matter, but I would have been glad to have given them one of the operation. But after that I sought to go over there again to see what they were doing with that reject stuff, but after that there was no more passes, and I understood there was no more passes issued to civilians for any purpose—to anybody.

Mr. LEA. What is your occupation now? You spoke of going to another occupation.

Mr. ZIEGLER. I am a farmer.

Mr. LEA. Yes.

Mr. ZIEGLER. I owned a farm at the time, and I quit work and went to farming and am still trying to farm, and I am able to do about a half a day's work in a day.

Mr. LEA. That is all.

Mr. ZIEGLER. I don't claim to be an expert in this matter, but it did not require any. Oh, there is another statement I want to make about my interview with Maj. Hitchcock. If my report is on file, if it makes part of the record there I don't care to state it, because it is in that report.

Mr. FREAR. I see.

Mr. ZIEGLER. Will that be made a part of the record?

Mr. FREAR. Is the report made a part of the record?

Mr. ZIEGLER. I don't know. I am asking you.

Mr. FREAR. What report is it?

Mr. ZIEGLER. You have a copy of it.

Mr. FREAR. Oh, that statement?

Mr. ZIEGLER. Yes.

Mr. FREAR. No; that was not made part of the record, but what was it about Hitchcock that you have in mind? We haven't put in any report.

Mr. ZIEGLER. I tried to pin Hitchcock down to the spotting of the trees to see if there was any remedy proposed, and he says, "We can't look on the inside of a tree." I says, "Major, that is exactly what a woodsman does. He looks on the inside of his tree." He says, "How does he do that?" "Why," I says, "he makes a test chop." Before I went down there—

Mr. FREAR (interrupting). He didn't know what a test chop was at that time?

Mr. ZIEGLER. Well, I don't know whether he did or not. He didn't state whether he did or not. Before I went down there though this

question of a test chop was up and it was being opposed. There was to be no test chops, so——

Mr. FREAR (interrupting). Well, they eventually did adopt it, didn't they?

Mr. ZIEGLER. I don't know whether they did or not. But I was interested in the objections to a test chop, and it had something to do with my conclusions.

Mr. FREAR. And you helped put it over, did you?

Mr. ZIEGLER. Well, I don't know. I don't know whether——

Mr. FREAR (interrupting). Well, they eventually adopted that plan, didn't they?

Mr. ZIEGLER. They did.

Mr. FREAR. I understood so.

Mr. ZIEGLER. I don't know anything about that.

Mr. FREAR. All right. Well, I am much obliged, Mr. Ziegler.

(Witness excused.)

Mr. FREAR. We will adjourn until 10 o'clock to-morrow morning.

(Whereupon, at 5.26 p. m., proceedings before the subcommittee were adjourned until to-morrow, Friday, Sept. 12, 1919, 10 a. m.)

SUBCOMMITTEE No. 1 (AVIATION)
OF THE SELECT COMMITTEE ON
EXPENDITURES IN THE WAR DEPARTMENT,
HOUSE OF REPRESENTATIVES,
Friday, September 12, 1919.

The subcommittee met at 10 o'clock a. m., pursuant to adjournment, at the courthouse, Portland, Oreg., Hon. James A. Frear (chairman), presiding. Also present Hon. Walter W. Magee and Hon. Clarence F. Lea.

MR. MAGEE. Mr. Chairman, a friend of mine calling on me last evening stated that some remark had been made in the record which Mr. Mitchell of the cut-up plant thought reflected on him. I stated that I had not received any such impression and requested him to call up Mr. Mitchell and state that fact. He called him up and then I talked with him and repeated to Mr. Mitchell that I had not received any such impression from anything that was said during the session. Mr. Mitchell desired to appear before the committee, and I stated to him that I felt the committee would be glad to have him do so at any time at his convenience and he stated he would like to appear before the committee at 2 o'clock this afternoon. If there is anything in the record which he thinks reflects upon him as he intimated to me, I feel that the committee would be glad to strike such a matter from the record. I feel sure that if there is any such thing in the record that no member of the committee had any intention of making any statement from which such a deduction could reasonably be drawn.

MR. FREAR. To that same effect was the statement made by Mr. Magee to me last night, that Mr. Mitchell felt that something had occurred in the hearings that reflected on him. I have just glanced at the record, which has been placed before me five minutes ago, and I fail to find the matter, but I will say this, that there is nothing intended, so far as I know, to reflect upon Mr. Mitchell in any way, and the suggestion regarding a commission, so far as I can ascertain, must have been based upon the fact that he was receiving a commission legitimately with limitations, of \$1,500 a month, and it probably arose from that; but if there is anything he wishes to have stricken from the record that he thinks reflects upon him that will be conceded without the necessity of his appearance before us.

I wish just briefly to make a further statement and that is, at the conclusion of these hearings, that while the committee has had divergent views on some matters of evidence and their effect, that

on one thing I feel sure we stand together, and that is as to the courteous and fair treatment we have received in every way from the Spruce Production officers, from Col. Stearns down to the lowest officer who has taken us out on the railroad and down Yaquina Bay and elsewhere, and this, by the way, includes Mr. Mitchell, who was very kind to the committee, and we appreciate that and present our acknowledgment at this time.

It might also be stated that suggestions that the committee has been delving into extraneous matters, I think, have been disproven, because we have endeavored as a committee to avoid anything that would involve any citizen in any explanations or in any reflections upon him unless it was directly connected with some responsibilities, and I believe the record will show that, and we are very glad to join, I believe, unanimously, in that opinion. I say this on account of the suggestion made about Mr. Mitchell.

Mr. LEA. Mr. Jones, of Newport, is here largely on account of the interest of the people of that community have taken in testimony produced before this committee, which they claim has a tendency to mislead this committee as to the amount of timber in the Siletz, and so I wish the committee could hear Mr. Jones. His testimony will be very short.

Mr. FREAR. All right.

TESTIMONY OF B. F. JONES.

(The witness was sworn by Mr. Frear.)

Mr. LEA. What is your name?

Mr. JONES. B. F. Jones.

Mr. LEA. Where do you reside?

Mr. JONES. I reside at Newport, Lincoln County, Oreg.

Mr. LEA. How long have you resided there?

Mr. JONES. I have resided in and around Lincoln County since 1870, excepting nine years during that time—nine years I have been out of the county.

Mr. LEA. What is your occupation?

Mr. JONES. My occupation is an attorney at the present time.

Mr. LEA. Have you any official position?

Mr. JONES. Well, I am representing that county in the State legislature.

Mr. LEA. And in reference to the town have you any official position?

Mr. JONES. I am mayor of the town.

Mr. LEA. What knowledge have you as to the timber conditions along the route of this North Coast Railroad and the proposed route into the Siletz River Basin north from Toledo?

Mr. JONES. I have been acquainted with that timber in a general way for 40 years, but since 1894 I have had a good deal to do with that timber in that vicinity.

Mr. LEA. I wish you would just state what opportunity you have had to observe the timber in that section.

Mr. JONES. While I lived at what is called the Siletz Agency—that is where the buildings are on the Siletz Agency across from Toledo—two years during this 40 years, and I was up and down the

the Siletz River, which was unsettled then, and over and through that timber a great deal. I have hunted in that peninsula—by the peninsula I mean the land lying between the Siletz River and the ocean; it is a long peninsula, some 25 miles long—and in 1900 from the present terminus of what you call the North Bank road on Spencer Creek I cut a foot trail up to the divide, along the divide and to the head of Jaybird Creek; and the next year, in 1901, I cut and had cut a horse trail from what is known as the Fred Wessel place, where the Spruce Division have been operating during the war, or started to operate there, up that creek, the middle fork of Depoe, on to Dewey Creek and onto the divide, and on up to section 36 in township 9-11.

I cut a horse trail through and I surveyed out the north half of township 9 south, range 11 west, which was unsurveyed by the Government, and I run from the township line out, as I recall, about 10 or 15 sections; run the lines around it for homesteaders. I might say that while I was away part of this time until three years ago, out of the county, that during that time I had a summer home near the end of this road, where I spent my vacations, and I have bought and sold numerous small tracts of land in there and cruised it. That is my knowledge.

Mr. LEA. How did you happen to come up here this time?

Mr. JONES. The reason I came up here is this, that on last Wednesday at the regular meeting of the Commercial Club the matter of this north bank road, or the discussion of this hearing, came up before the Commercial Club, and in the general discussion they determined that they would like to be heard; I mean to say the people living on the west side of this timber and the roads under controversy, and they decided they would like to have some five or six witnesses be heard at this hearing who were acquainted, and some timber cruisers, and I advised them that I had seen by the papers that you were leaving to-day and it would be useless to try to get any witnesses in because your time was almost up. Among those they selected, I was urged to come down, seeing that I perhaps had as much information as anyone; but we decided to drop the matter, and when I came home Wednesday evening I received a phone from Portland asking me to come down as they would be here a day and I could be heard. I am not here in the interest of any part of Lincoln County; I represent the whole county and have lived there all my life, and I came just because I was urged; I did not want to butt into this hearing at all.

Mr. LEA. You have surveyed in that section?

Mr. JONES. Understand I am not a surveyor. I can run a straight line if somebody will show me the township line. I did, however, survey some 15 sections and run a line so that the men who wanted to take the timber could locate there.

Mr. LEA. How long have you been logging and cruising in that section?

Mr. JONES. I have been logging 10 years and I would say about 8 months—

Mr. MAGEE. I would suggest that you answer the question promptly or it will take all day to get through with even your examination.

Mr. LEA. What cruising experience have you had?

Mr. JONES. The cruising that I have had has been simply in cruising these tracts that I have bought and sold, and the information I gained while falling timber in a logging camp.

Mr. LEA. If the railroad were extended in connection with the Miller road northerly to the Siletz River, how far would it have to extend from Toledo before it would reach a large body of spruce in that direction?

Mr. JONES. I would say from Toledo that it would be about 20 miles into what is called the head of tide, where Maury lives. You would have to following the line of the river largely; that makes the distance greater.

Mr. LEA. Just briefly state what the situation is as to the timber on the coast side where this north railroad goes.

Mr. JONES. The timber on the coast side?

Mr. LEA. The coast slope.

Mr. JONES. Well, as I said, this long peninsula or watershed is about equally divided; that is as to the area about such slopes, the Siletz River as it goes to the coast. That is a long winding road that divides the watershed and the timber commencing at Molock; that is, where the first spur goes into the spruce timber. There is the Molock, Coal Creek, Wade Creek, Spencer Creek, and Rock Creek; five creeks along the coast near the end of this road and what is called Otter Rock, which has been surveyed out for town sites.

Mr. LEA. You mean between the end of this road—

Mr. JONES. Not the end of the road, but where the spur goes into Molock where they were now logging. That is practically all—until you begin to raise the ridge—spruce timber.

Mr. LEA. As compared with the spruce available nearly straight down the river into the Siletz and this coast road, how does that timber stand, as to the amount of timber?

Mr. JONES. From the end of this road to the north bank of Spencer Creek in section 5, township 9 south, range 11 west, on Spencer Creek; that is a very long creek and it leads in by Jaybird. I have got to explain this in order to make it intelligible.

Mr. FREAR. Please make it brief, because we have other witnesses waiting. You do not have to describe all that particular section, because we will never be able to examine it. I do not want to cut you short.

Mr. JONES. But up this Spencer Creek leads on to the main creek dividing the watershed of the Siletz and the Pacific Ocean. It leads on down to this Jaybird and into Maury's. This road could be extended to the head of tide at Maury's and reach the same point that the other road run to from Toledo, and along through that country is about 8 miles of what I consider the best timber in the Siletz country.

Mr. LEA. Eight miles from where?

Mr. JONES. Eight miles from the end of the present north bank road into the head of tide at Maury's.

Mr. FREAR. That is near Otter Rock?

Mr. JONES. Yes, sir.

Mr. LEA. How about the timber south of Otter Rock along the coast, on the coast slope; just a general answer?

Mr. JONES. The timber is spruce for a mile or such a matter back, and then when you raise you get into yellow fir.

Mr. LEA. Did you have any interest in the old mill at Toledo?

Mr. JONES. I owned an interest in the mill when it was built.

Mr. LEA. You do not have an interest now?

Mr. JONES. No, sir; I have not had for 15 years.

Mr. LEA. Just briefly state the general history of that mill and what it has produced in the past.

Mr. JONES. It was a small mill when I was interested in it, probably 20,000 feet.

Mr. FREAR. Are you going to have to testify to this as to its operation prior to the war?

Mr. LEA. Up to the time it burned.

Mr. FREAR. He seems to be going back a good many years.

Mr. JONES. Before it was burned it had been increased in capacity from 40,000 to 60,000, and I think as high as 70,000 feet a day; but the mill has been a failure, and it has not produced anything, scarcely. It has not run to exceed 30 days at any one time that I remember of. They have been financially embarrassed, and they have an electric plant there that is operated from the used wood there. They have not put, until three years before this war, enough wood there to run the electric plant, and they bought the wood from the farmers, and we have had no day light at all, and sometimes none at night.

Mr. LEA. That is all.

Mr. FREAR. If the Government of the United States had given the \$75,000 which they asked for to help build another mill, as they gave money to these cost-plus operators to the extent of \$750,000; if you were given not one-tenth of that amount and could have built another mill they would have been able to do something?

Mr. JONES. Had they built a new mill, yes, sir; but not with the old mill.

Mr. FREAR. They said they were cutting something like 75,000 a day. That is the testimony of some men who were running the mill. Do you deny that?

Mr. JONES. I absolutely do deny that—not when they are running, but I mean to say they did not operate 90 days out of the year, in the last six years.

Mr. FREAR. You own the town site at the north end of Otter Rock, jointly with Leadbetter?

Mr. JONES. No.

Mr. FREAR. You owned it with Leadbetter, did you not? Answer yes or no. Then you can explain.

Mr. JONES. Yes, sir.

Mr. FREAR. Where is your home?

Mr. JONES. In Newport, Lincoln County, Oreg.

Mr. FREAR. How large is Newport?

Mr. JONES. In the summer time it reaches five or six thousand, and in the wintertime about fifteen hundred.

Mr. FREAR. And this road is built north from Yaquina Bay, running through Newport up to Otter Rock, which is the present terminal?

Mr. JONES. No, sir.

Mr. FREAR. Where is the present terminal?

Mr. JONES. The present terminus is a mile and a half of Otter Rock, in section 5, township 9, 11 west.

Mr. FREAR. Then the testimony of Herington ought to be stricken out, because he testified exactly opposite. Either you or Herington is wrong. There was a survey sold by Leadbetter to other parties, was there not, on what is known as the P. & W. C. & R. R. Navigation Co.?

Mr. JONES. By who?

Mr. FREAR. By Leadbetter. The survey of this road was sold to certain parties, Mr. Fitzgerald and some other parties?

Mr. JONES. No, sir.

Mr. FREAR. It was not?

Mr. JONES. That is my answer.

Mr. FREAR. Did he ever sell any survey to them?

Mr. JONES. No, sir; not to my knowledge.

Mr. FREAR. Did anyone?

Mr. JONES. Yes, sir.

Mr. FREAR. Who was that?

Mr. JONES. Mr. E. M. Bradford, of Augusta, Wis.; R. F. Baker, of Newport; and B. F. Jones.

Mr. FREAR. And who is B. F. Jones?

Mr. JONES. That is me. We made that survey about 10 years ago, from Newport to Otter Rock, and about 5 years ago Mr. Fitzgerald, representing this company that you have mentioned, came down there and he offered \$50 for an option on the survey, \$50 down and \$50 a year for 5 years. We refused it, and afterwards he came down there and wanted the people to donate a hundred thousand to build a road to Otter Rock.

Mr. FREAR. Well, that is all; that is all we care about.

Mr. JONES. You do not want the rest?

Mr. FREAR. That is not the road then that is shown here on the map as running north from Newport up above Otter Rock, up toward Willamina?

Mr. JONES. I do not know what your map is, sir [examining map]. I never had anything to do with that. This is a preliminary survey; one that was never finished.

Mr. FREAR. Do you know whether or not Mr. Leadbetter did have any interest in the survey of which I am speaking?

Mr. JONES. I have never met him but twice and never saw him for 7 years, but if he did have any interest I do not know it.

Mr. FREAR. You own nothing up there excepting the site, or do you own a half interest in the site at Otter Rock? Do you own some timber there?

Mr. JONES. No, sir; Ralph Williams, Senator Oberman, Mr. Leadbetter, and myself owned the little town site.

Mr. FREAR. The testimony was that you and Mr. Leadbetter owned a common interest.

Mr. JONES. I owned it all and sold a half to Leadbetter and sold a quarter to the other two gentlemen.

Mr. FREAR. Then have you got any interest in it now?

Mr. JONES. I have a one-fourth interest.

Mr. FREAR. Leadbetter owns half, you own a fourth, and the other fourth is owned by some other parties?

Mr. JONES. Yes, sir.

Mr. FREAR. And that is at the north terminal of this Otter Rock Road as projected?

Mr. JONES. As projected; yes, sir.

Mr. FREAR. And, as Mr. Herington testified, it had been graded. Has it been graded up to Otter Rock?

Mr. JONES. Yes, sir.

Mr. FREAR. That is all.

Mr. LEA. Were you asked to come here as a witness before this time?

Mr. JONES. I was interviewed by yourself and the chairman.

Mr. LEA. I mean before you saw me?

Mr. JONES. Yes, sir.

Mr. LEA. By whom?

Mr. JONES. By Mr. Frear.

Mr. LEA. And did you have a conversation with him about your testimony?

Mr. JONES. Well, did not go into any details. I was introduced to Mr. Frear and had been asked to go over to the Benson Hotel. I went over there and met Mr. Frear and told him I was from Lincoln County, and he said he wanted to find out about matters over there, and I told him I had some knowledge, and he said: "Can you stay over and testify some time?" And I told him I could, and then the matter was dropped.

Mr. LEA. Were you called?

Mr. MAGEE. No; I said the matter was dropped.

Mr. FREAR. After that I discovered that you were part owner in the site at Otter Rock, and for that reason I felt it would not be fair to you to call you. That was the reason.

Mr. MAGEE. What is your business, Mr. Jones?

Mr. JONES. I am trying to make a living out of the law business.

Mr. MAGEE. You are a lawyer, then?

Mr. JONES. Yes, sir.

Mr. MAGEE. Is Newport a city?

Mr. JONES. Well, under the laws of our State, yes, sir. It is incorporated.

Mr. MAGEE. Did the city want the railroad to go up the coast?

Mr. JONES. Well, they wanted to remain there; yes, sir.

Mr. MAGEE. It was constructed there, wasn't it? There wasn't any railroad there before this road was constructed?

Mr. JONES. Oh, no; no, sir.

Mr. MAGEE. What I want to know is, did the city want the railroad to go from Yaquina Bay up along the coast?

Mr. JONES. Well, they certainly did, but I wish to qualify this by saying—

Mr. MAGEE. That answers it.

Mr. JONES. That answers it, but—

Mr. MAGEE. Just answer my questions without volunteering explanations and we will get along all right.

Mr. JONES. All right, sir.

Mr. MAGEE. Were any meetings held or anything of that sort that you know of by the people of the city in reference to getting this railroad up along the coast?

Mr. JONES. Never, sir.

Mr. MAGEE. Were there any activities that you know about?

Mr. JONES. Never, sir.

Mr. MAGEE. Newport, as you say, is a summer resort?

Mr. JONES. Yes, sir.

Mr. MAGEE. And most of the people there at any time of the year are there during the summer season?

Mr. JONES. I would say that July and August is the summer season—that is, the tourist season in Newport.

Mr. MAGEE. Then the population is swollen, as I understood you say, some three or fourfold, at that time?

Mr. JONES. During those two months; yes, sir.

Mr. MAGEE. This railroad runs right up along the coast within a stone's throw of the beach, of the ocean?

Mr. JONES. No, sir; not within a stone's throw. I would say within a half a mile of the beach.

Mr. MAGEE. I understood nearer than that.

Mr. JONES. Where it passes through Newport; no, sir.

Mr. MAGEE. I mean up along the coast, up along the beach?

Mr. JONES. Oh, there are places north of Newport that it goes—

Mr. MAGEE. It runs right up along the beach, doesn't it?

Mr. JONES. North of Newport it does, sir; not through Newport.

Mr. MAGEE. You understood my question, didn't you?

Mr. JONES. Pardon.

Mr. MAGEE. You understood my question?

Mr. JONES. Yes, sir.

Mr. MAGEE. Now, if you will kindly give me direct answers rather than lawyer's answers, Mr. Jones, I may get some information.

Mr. JONES. I say north of Newport it runs along the beach.

Mr. MAGEE. I said this road for material distances runs along this coast, practically within a stone's throw?

Mr. JONES. Well, in many places within a stone's throw, but not all the way, sir.

Mr. MAGEE. For material distances?

Mr. JONES. Yes.

Mr. MAGEE. Did you ever hear of Agate Beach?

Mr. JONES. I have known of Agate Beach for 49 years, where the little hotel is now located, sir.

Mr. MAGEE. How long is Agate Beach?

Mr. JONES. Well, now, from Newport to Agate Beach I would say—

Mr. MAGEE. I did not ask what the distance was from Newport to Agate Beach; I asked you if you know—you say you have lived there for 40 years—how long Agate Beach is?

Mr. JONES. I do not know, sir. Agate Beach is a new name that has just been put in since they platted the townsite. If you refer to Newport Beach—

Mr. MAGEE. You know what I mean by Agate Beach.

Mr. JONES. Between Agate Beach and Newport is three and a half miles.

Mr. MAGEE. I asked you if you know—you have lived there 40 years and I was there three days—I would like to ask you now if you know what is the length of Agate Beach?

Mr. JONES. Yes, sir; Agate Beach is a townsite, and Newport is the beach.

Mr. MAGEE. I am talking about the ocean beach.

Mr. JONES. So am I.

Mr. MAGEE. Where people go at certain seasons of the year and look for and say that they find agates?

Mr. JONES. Yes; they find them north for 50 miles and south for 150 miles.

Mr. MAGEE. Have you ever heard of that place?

Mr. JONES. I never heard of an Agate Beach until in the last four years. That is the name of the town, not the beach.

Mr. MAGEE. Do you know of a hotel up there, right along the line of this road?

Mr. JONES. I certainly do. I have seen it and passed it hundreds of times.

Mr. MAGEE. It is quite a hotel?

Mr. JONES. Yes.

Mr. MAGEE. In going north on the left-hand side, is that right?

Mr. JONES. On the left-hand side of what?

Mr. MAGEE. In going north on this railroad, it is on the left-hand side of the railroad?

Mr. JONES. Yes, sir; on the railroad it is on the left-hand side; yes, sir.

Mr. MAGEE. And there is a highway that crosses the railroad in front of this hotel?

Mr. JONES. Well, there is a street, yes, sir; you can call it a highway.

Mr. MAGEE. Now, what is the name of that hotel?

Mr. JONES. It is called the Agate Beach Inn.

Mr. MAGEE. And that is quite a popular place, isn't it?

Mr. JONES. Well, yes.

Mr. MAGEE. And it is quite a beautiful place?

Mr. JONES. Well, all of the 400 miles of the Oregon coast is very beautiful.

Mr. MAGEE. I am asking about this particular hotel. You have lived there 40 years; I am asking you if you can tell me or not whether it is quite a beautiful place?

Mr. JONES. Well, people have different ideas about it; but I think it is a very beautiful place.

Mr. MAGEE. A good many people go there for their vacations?

Mr. JONES. Yes; there is a good many people there, yes, sir, in the summer time.

Mr. MAGEE. Now, then, a portion at least of this Agate Beach is right down there near the hotel, isn't it?

Mr. JONES. It is south of the hotel, toward Newport.

Mr. MAGEE. And for how many miles is there a beautiful beach there, which is ordinarily called Agate Beach?

Mr. JONES. They do not call it Agate Beach, but there is a beach there leading from there to Newport, three miles and a half.

Mr. MAGEE. That is what I am getting at.

Mr. JONES. It is Newport Beach, and has been for 50 years.

Mr. MAGEE. It is a beautiful beach?

Mr. JONES. It is a very lovely beach.

Mr. MAGEE. And that is the place where people go and look for and find agates?

Mr. JONES. Yes.

Mr. MAGEE. At certain seasons of the year?

Mr. JONES. A great many people?

Mr. MAGEE. It is very desirable and nice to have a railroad up along the coast as a convenience for people to get there, isn't it?

Mr. JONES. It certainly is nice for autos on the beach also; it is a playground for everybody.

Mr. MAGEE. That is all.

(Witness excused.)

TESTIMONY OF FREDERICK A. DOUTY.

(The witness was duly sworn by Mr. Frear.)

Mr. FREAR. You were subpoenaed by the committee, Mr. Douty, to appear here?

Mr. DOUTY. I understand so; yes, sir. It was served on me yesterday.

Mr. FREAR. I mean you come under subpoena?

Mr. DOUTY. Yes, sir.

Mr. MAGEE. Where do you reside, Mr. Douty?

Mr. DOUTY. Portland.

Mr. MAGEE. How long have you resided in Portland?

Mr. DOUTY. I came to Portland in 1876, but I have resided in Portland only since 1903.

Mr. MAGEE. You came here when?

Mr. DOUTY. I came to Portland in 1876 and lived up the valley about 60 miles above here—south of here—until 1903, and I have been in Portland continuously since that time.

Mr. MAGEE. What is your business?

Mr. DOUTY. Well, I am owner of the Multnomah Lumber & Box Co., at Portland.

Mr. MAGEE. Now, did you have some relations with the Government in the year 1917 in reference to the production and shipment of spruce for aircraft purposes?

Mr. DOUTY. Yes.

Mr. MAGEE. Now, will you go on and state just what the facts are, as you know them of your own knowledge?

Mr. DOUTY. Early in July, 1917, the Wood Equipment Division, at Washington, D. C., requested the spruce manufacturers of Oregon and Washington to send representatives there for the purpose of holding a conference with the allied nations and the airplane manufacturers of the United States for the purpose of arriving at a specification and a price for the spruce lumber that was required for the construction of airplanes. Upon receipt of that request, the spruce manufacturers of the two States held a meeting at Centralia early in July that year. At that meeting the spruce manufacturers of the State of Washington selected Howard Jayne, of the Willapa Lumber Co., to represent the spruce manufacturers of the State of Washington, and the spruce manufacturers of the State of Oregon selected me to represent the industry of this State. My recollection is that the meeting was scheduled on the 15th of July, at Washington. Mr. Jayne and myself arrived there the morning of the meeting, and spent almost a week there. The airplane manufacturers of the United States were inclined to require a specification and grade that was almost impossible for the mills to produce, and they seemed to influence the situation there to such an extent that we were unable

to get a specification that we considered would be acceptable to the mills.

We finally agreed to accept the specification on a tentative plan. A test was to be made for from 30 to 60 days. If after that test it was not satisfactory, it was to be revised. With that understanding we made them a price of \$105 per thousand. That price was based on \$60 per thousand for all lengths under 17 feet, of which they should take 50 per cent. The price of \$150 was on what was known as beam stock, which would be 18 feet and longer, of which there should be 50 per cent, making the price average \$105 per thousand. After this price and specification was tentatively agreed upon the inspection department at Washington entered into the arrangement and insisted upon their inspecting the lumber at the mill, which proved to be very unsatisfactory to the mills for the reason that they took only a small percentage of the clear coming from the logs, leaving the mills overloaded on fall-down clears which were not of commercial sizes. After the test was made the mills were very much dissatisfied and I returned to Washington in an effort to try and get the specifications revised. After probably 30 days' time there I finally presented a proposition to the Wood equipment division, of which Maj. Sligh was in charge, that he agreed to and was quite satisfactory. He said that he considered that it was a little complicated and he did not think he could explain it to the foreign nations. He authorized me to take it up with the different allied nations, and if they approved it it was perfectly satisfactory to this Government, which I did. I took it up first with the British and they approved it. I next took it up with the French War Mission and they readily approved it. I also took it up with the Italian War Mission. They called in Dr. Magregor, of Columbia University, of New York, and approved it.

Mr. MAGEE. Whom did you see in taking it up with the British?

Mr. DOUTY. I saw Gen. Carmack and Capt. Thompson.

Mr. MAGEE. Who was Gen. Carmack?

Mr. DOUTY. Gen. Carmack had charge of the British War Mission pertaining to aviation.

Mr. MAGEE. And whom did you see in the French mission?

Mr. DOUTY. I saw Capt. Henry Douriff.

Mr. MAGEE. Go on, Mr. Douty.

Mr. DOUTY. The proposition as outlined was that the different districts on the coast, different spruce districts on the coast, would be allocated to the different nations.

Mr. MAGEE. That is, certain districts?

Mr. DOUTY. Certain districts. The Columbia River district was to be allotted to the French Government.

Mr. MAGEE. Just describe generally the Columbia River district.

Mr. DOUTY. The Columbia River district would include Portland mills and all mills located on the Columbia River.

Mr. MAGEE. That was to be allocated to the French?

Mr. DOUTY. To the French Government, yes. The Willapa Harbor district was to be allocated to the Italian Government.

Mr. MAGEE. Just describe that generally.

Mr. DOUTY. The Willapa Harbor district is what is known as Shoalwater Bay district. South Bend and Raymond, Wash., those

are the principal locations there—cities. The Grays Harbor district was to be allocated to the British.

Mr. MAGEE. What would that take in?

Mr. DOUTY. That would include Hoquiam and Aberdeen and Copalis.

Mr. MAGEE. Is the Olympic tract included in that, what is called the Olympic tract?

Mr. DOUTY. No, down on the Quinault, over on the west coast of Washington. Puget Sound, Tillamook Bay, Yaquina Bay and Coos Bay were to be given to the United States Government. The plan was that each government would have exclusive control of each particular district as allotted, and it would be up to them to develop that to such an extent as they might wish, as their requirements needed. They were to make contracts with the mills and loggers and advance to those operations such sums of money as they might need in the way of track extension and purchasing of equipment.

Mr. MAGEE. Of their own moneys?

Mr. DOUTY. Of their own moneys. This money was to be an advance on the contracts which was to be returned to the foreign governments by deducting 25 per cent of the value of each shipment as the shipments were made.

Mr. MAGEE. Now, let me see if I understand the proposition rightly, that all the British asked was consent to get where the timber was for the getting out of spruce and fir for aircraft purposes?

Mr. DOUTY. At this time fir was not being considered.

Mr. MAGEE. Well, spruce?

Mr. DOUTY. Spruce.

Mr. MAGEE. Is that right?

Mr. DOUTY. Yes, that is what they wanted.

Mr. MAGEE. And that the British Government would create its own organization?

Mr. DOUTY. Yes, sir.

Mr. MAGEE. And pay all the expenditures thereof?

Mr. DOUTY. Yes, sir.

Mr. MAGEE. Without any cost or expense to the Government of the United States so far as the production for the British Government was concerned?

Mr. DOUTY. Yes, sir.

Mr. MAGEE. Is that right?

Mr. DOUTY. That was the understanding.

Mr. MAGEE. Now, was anything said, or any agreement reached in reference to the inspection of the lumber?

Mr. DOUTY. The understanding was that our particular government would take from the mills the entire run of clears coming from the logs, for which they would pay \$80 per thousand. They were then to inspect this on their own ideas of grade. Any that they might reject was to be returned to the mills, for which the mills were to give them credit at \$50 per 1,000, leaving a net cost to the mill of the rejects of \$30 per 1,000, which was considered a fair, safe commercial market value.

Mr. MAGEE. What I have in mind is whether or not the British Government was to supply its own inspectors.

Mr. DOUTY. They were.

Mr. MAGEE. As to what lumber the British Government got?

Mr. DOUTY. The understanding was that this Government would have nothing whatever to do with the inspection of any stock except that going to the airplane factories in this country.

Mr. MAGEE. So that under such an arrangement the British Government would get its own production, and if it did not get lumber that was satisfactory to it for the purposes desired it would be the fault of the British Government itself; is that right?

Mr. DOUTY. That is correct.

Mr. MAGEE. Was that arrangement perfectly satisfactory to the British Government?

Mr. DOUTY. Yes, sir; they consented to it.

Mr. MAGEE. Was it satisfactory to Gen. Carmack?

Mr. DOUTY. Yes, sir.

Mr. MAGEE. Now, was each government to be limited in its operations to its particular defined district?

Mr. DOUTY. The understanding was that they were to operate, they were to be confined to each district as allocated, and in the event that any district overproduced more than its particular government required, or the particular government required, that such surplus was to be allocated to governments who might be short.

Mr. MAGEE. Now, go on and state as to the French Government.

Mr. DOUTY. I did not understand the question.

Mr. MAGEE. Was a similar arrangement to be made with the French Government?

Mr. DOUTY. Yes. That arrangement was understood with the English, the French, and the Italians, on the same basis.

Mr. MAGEE. That is, the same arrangement was to be made with each nation?

Mr. DOUTY. Yes, sir.

Mr. MAGEE. And upon the same basis?

Mr. DOUTY. That is correct.

Mr. MAGEE. And you say of your own knowledge that such an arrangement was entirely satisfactory to the British Government, the French Government, and the Italian Government?

Mr. DOUTY. Yes, sir. I discussed it with them thoroughly and they readily consented to it. They said they thought it was a good plan.

Mr. MAGEE. So that under such an arrangement the United States would be limited to its own production?

Mr. DOUTY. Yes, sir.

Mr. MAGEE. Unless some of the associated governments produced a supply in excess of their needs, and, as you have suggested, delivered some of it to the United States Government?

Mr. DOUTY. That is correct.

Mr. MAGEE. Now, did your department approve of that plan?

Mr. DOUTY. What do you mean by department?

Mr. MAGEE. Well, whoever had charge of the aircraft production for the United States.

Mr. DOUTY. Maj. Sligh approved of it before I presented it to the foreign governments. I presented it at his request.

Mr. MAGEE. Maj. Sligh held what position?

Mr. DOUTY. He had charge of the wood equipment division which did all the purchasing of all the wood parts required for airplanes.

Mr. MAGEE. Now, as I understand, this plan would make organized utilization of the loggers in the Northwest?

Mr. DOUTY. Yes, sir. In addition to this we asked for military help. We asked that from this Government, that we would have to be given help.

Mr. MAGEE. That is, so far as the production of the United States was concerned?

Mr. DOUTY. Yes, sir. It was generally understood on the whole situation that we would have to work out some plan by which the men would be released from service, or exempt from military duty that were in the industry here, that they should not be taken away.

Mr. MAGEE. Now, are there any further facts which you know about in reference to this plan?

Mr. DOUTY. Well, in addition to this plan the British then were very active, and they were not getting any stock at that time and were quite dissatisfied with the general arrangement and the way spruce was coming along. We had an I. W. W. strike here and it had affected the production, curtailed it quite extensively. So they asked permission to do some private operating. They asked permission to make a contract with some of the mills in North Carolina, some spruce mills, and advanced them \$100,000 on a contract to open up a tract of spruce. And they also asked permission to operate in the Olympia Peninsula.

Mr. MAGEE. The British Government?

Mr. DOUTY. The British Government did. They were given that permission, and they entered into a contract with the mill in North Carolina. This Government had nothing whatever to do with the operation of it; the British controlled it entirely.

Mr. MAGEE. They actually started operations there?

Mr. DOUTY. Yes; in North Carolina. I can not call the name of the mill now from memory, but it is a matter of record in Washington.

Mr. MAGEE. Producing what?

Mr. DOUTY. Spruce. They opened up a tract of 200,000,000 feet, the British did, in North Carolina, with their own money.

Mr. MAGEE. They got some production from there?

Mr. DOUTY. Yes; they got quite a lot of spruce from there. It was mostly short cuttings. They got very little beam stock, because the timber there is small and does not produce very much long stock.

Mr. MAGEE. It did not compare favorably with the spruce grown in the Northwest?

Mr. DOUTY. The grain is much better; will average much better than the grain of the spruce on the Pacific coast, but the size of the timber prevented production of beam stock. It was mostly short cuttings.

Mr. MAGEE. Now, can you tell the committee why that plan was not carried out?

Mr. DOUTY. The plan on the Olympic Peninsula—I made a trip from Washington to Port Angeles with the British engineer. His name was W. T. Y. Springett. We spent about a week on the Olympic Peninsula and then returned to Washington and took it up with

the Forestry Department and arranged there for access to the Government timber on the reserve. That is, we discussed the proposition with the Forestry Department and they told us what we would have to do to get this timber. Our plan on the Olympic Peninsula was that we would run feeders to the lake. What I mean by feeders is short railways leading to the different tracts of spruce. This was on the west end of the lake. We would haul the logs and dump them into the lake and float them 14 miles down to the other end of the lake, where we were to put one or more mills, whatever was necessary, and we would build a siding from the lower end of the lake to Joyce, which was about 4 miles. Part of the grade was already established. It had been abandoned by the Milwaukee road after they had logged the timber out of that district. We figured on this proposition that we would be turning out airplane stock within three to six months at the outside. We thought we could do it in three months.

Mr. MAGEE. And this was when?

Mr. DOUTY. This was in the fall of 1917, or the winter.

Mr. MAGEE. Do you remember what time?

Mr. DOUTY. The negotiations extended all the way from the first of October up to the 20th of December.

Mr. MAGEE. And the British Government was to do this?

Mr. DOUTY. The British Government was to do this with their own funds. It was estimated that one and a half million dollars would do this, and they were to advance this million and a half dollars on the contract.

Mr. MAGEE. And without cost or expense to the Government of the United States?

Mr. DOUTY. Yes. This Government had nothing whatever to do with the deal.

Mr. MAGEE. Now, what interfered with the plans, or why wasn't the plan and the other plans you refer to carried out, if you know?

Mr. DOUTY. Well, they were interfered with—I was killed off down in Washington by political influence, I think, and by some—I never could understand what the cause of it was. My character was attacked and they said I was irresponsible. This was handled by telegrams that were sent in there. After these telegrams came in, why the situation entirely changed and I was unable to get anything or get any cooperation. At that time Maj. Sligh was rejected from his management of the spruce division there and I had no opportunity to do anything. I could not get in cooperation with Mr. Leadbetter. He refused to see me. I called on him twice and he absolutely refused to see me. So I packed up my trunk and came home. I got home Christmas Day, 1917.

Mr. MAGEE. In what capacity was Mr. Leadbetter acting?

Mr. DOUTY. Mr. Leadbetter took Maj. Sligh's place. I have got the telegram and the letter that was sent in—one telegram and one letter that was sent in—if you would like to have it.

Mr. MAGEE. Bearing on this question?

Mr. DOUTY. Yes; showing the attack they made on me.

Mr. MAGEE. Will you read into the record whatever you have there and give us all the facts bearing on this proposition that you know about?

Mr. DOUTY. This is a copy of a letter from Disque to Leadbetter.
Mr. MAGEE. Give us the date.

Mr. DOUTY. It is dated Portland, Oreg., December 10, 1917.

MY DEAR MAJOR: There is a persistent rumor here that Maj. Sligh is being considered for a position on the aircraft board. Possibly you already know of it. You will agree with me that it must not happen. I understand that he has been highly recommended by many organizations in many States.

There is another rumor that English brokers have been trying to arrange through diplomatic channels for a concession of spruce timber in Washington, and the papers say that a five million dollar concern has been organized under five names to open mills in Puget Sound territory. The story is that Douty is engineering the whole thing. I hope there is nothing to it, and if there is, it should not go on. We need all the spruce, and English concerns should go into British Columbia, where they can get it off their own land. Douty's mill is butchering logs to such an extent that I am about to take away all they have in the river and send to another mill. He accumulated a large amount of rejects in this way which English brokers are willing to pay \$90 for, and his game is to sugar rejects. I do not like his ways.

I sent you a wire in regard to Vancouver Barracks to-day and I am hopefully waiting results. I never got into such a mess of petty doings. We are just completing a plan for extensive logging on an extensive plan and promises over fifty million a year, and Washington must get out of the way with a red flag.

Yours, truly,

DISQUE.

The next is a copy of the telegram:

PORTLAND, OREG., December 16, 1917.

Maj. W. F. LEADBETTER: Regarding your telegram Saturday, December 22—

I think this is a misprint on the date there—

I am not acting for the effect that may be produced at Washington. Troops are only arrived here Wednesday night and one-third still in Camp Lewis because no quarters available here. All are quarantined until December 27; came here under same. I will not ruin my plans now by a spectacular rush into camps. Have begged for these men six weeks. They were held that long after volunteering and the best material weeded out. Had my request been heeded, the men would have been at work in November and effect actually felt in deliveries about February 1. Do not let us fool ourselves. Men going into camp now will not be left until March. What you are getting started from camps in September and I acknowledge absolutely no responsibility for it.

Paragraphs 4, 7, and 8 of my memorandum to you not complied with. Mediation commission, contrary to Coffin's advice, went into situation; failed, and left things in very delicate shape. I would have had it solved by February 1. My letter to Chief Signal Officer November 27 in regard to labor situation unanswered. Clark was allowed eighteen thousand for inspection and now that his expenses come in under general office, ten thousand is allotted for the whole, and original authority curtailed by removing incidental expenses. Authority I asked for cut-up plant November 16 granted only on December 5. Construction delayed by commanding officer Vancouver Barracks until December 12. Secretary Wilson, Governor Lister, lumbermen, State Council of Defense, labor heads, business men, and everyone else out here who knows about this work have appealed in vain that this office be given money and absolute authority with no strings. Washington had better take immediate heed, or failure is certain. By authority I mean right to commandeer stumpage and logs, mills, and machinery, as well as absolute free hand at Vancouver Barracks and an immediate supply of men and officers. By money, I mean all that I call for without qualifications as to how it must be expended. Please remember that I am an experienced officer and have handled Government funds for years. Am just as jealous of my reputation and the Government's interests as anyone at Washington.

My message regarding dry kilns not a misprint. Estimate may be 20 per cent over, but times and prices justify such margin. I have the best men in the United States on the job and the entire resources of the University of Washington are behind me. My plans for kilns is the result of a composite idea gained from recommendations experience of Curtiss, Wright, and other

big manufacturers in the East, and Mr. Goss, who is assisting me, has spent time in all their factories, has their confidence, and that of scientific men and practical men in business here, as well as my own. It is considered very natural by experienced men here that kilns should cost more than the mill. I agree that no one ever heard of kilns of such magnitude, but neither did we hear before of an order for 109,000,000 feet of straight-grain clear spruce at the rate of 11,000,000 feet a month. Won't attempt further explanation. I have recommended it and know what I am doing. Do not know anything about Keating's telegram. We control shipping from here and it won't effect destination. Will see him and call him off now.

Mr. MAGEE. Just what is that?

Mr. DOUTY. Shall I read it again?

Mr. MAGEE. He don't know anything about whose telegram?

Mr. DOUTY. Don't know anything about Keating's telegram.

We control—

Mr. MAGEE. Do you know whether that refers to Keating of Colorado or not?

Mr. DOUTY. No. [Reading:]

We control shipping from here, and it won't effect destination. Will see him and call him off now. We have arranged to place every man in our command in camps at work, and as soon as their quarantine is over the 2,400 will be cutting logs. I could use 6,000 in addition if I had them. A man Douty has been at Washington for some time. He is generally considered here as questionable. His mill is up to some queer work, which I am investigating, and if my suspicions prove well founded I am going to take all his logs. There has been signs of cunning at work for months undermining spruce production. Sligh has either been fooled or is a party to it, and Douty knows that I will not spare him if I get the absolute evidence. I believe that both are trying to embarrass this office and—

Mr. MAGEE. What?

Mr. DOUTY (continuing reading).

Embarrass this office, and I am prepared for a show-down if it must come. I want this telegram read to the Aircraft Board and immediate assurance that there will be no more efforts or insinuations about the failure of this office until it has had a chance to fail.

DISQUE.

Mr. MAGEE. Now, after the sending of this telegram and this letter, did the plans and arrangements which you had made with our associated government go by the board and fall through?

Mr. DOUTY. They did.

Mr. MAGEE. Well, how long did you stay in Washington—until what date?

Mr. DOUTY. I stayed there about 24 hours after that telegram. I went up to see Mr. Leadbetter, and he refused—I went up to call on him, and they said he was out; thought he would be in soon. He came in. I called the attention of Mr. Lippincott, who was in the office, to his presence there, and I said I would like an interview with him. He went over and spoke to him, and Mr. Leadbetter glanced over and changed the color in his face and immediately slid out a side door. I sat there for 10 or 15 minutes. I told Mr. Lippincott—I said:

You know what my business is here; you know what I am figuring on doing out there in the way of spruce production. What I want to know is if I am going to have Mr. Leadbetter's cooperation on this as well as Col. Disque's.

I said:

If I am not, I want them to say so, and if they are going to cooperate with me I want to know where I stand.

I said:

I want to catch a train within an hour for New York, and you go down and see Mr. Leadbetter and tell him what I want and ask him to come up and give me about 10 or 15 minutes. It won't take me long to tell my story, because he is very familiar with what I am doing; it has been approved all along the line—by Col. Deeds and the Aircraft Board.

Mr. Lippincott went to the lower floor and returned in about 10 minutes and said Mr. Leadbetter said he didn't care to see me. And I took the train for New York and came home.

Mr. MAGEE. Do you remember what date that was, Mr. Douty?

Mr. DOUTY. That was between the 17th and 20th of December, I would say. I would not name the exact date.

Mr. MAGEE. 1917?

Mr. DOUTY. I went to New York and stayed one day and got home on Christmas day.

Mr. MAGEE. 1917?

Mr. DOUTY. 1917.

Mr. MAGEE. Now, will you go on and state what you know in reference to his charge that you were butchering logs, and so forth, that you referred to?

Mr. DOUTY. When I arrived in Portland—in fact, I had received a wire from my office here, saying that they were being very badly mistreated by the spruce production division here.

Mr. MAGEE. Your company?

Mr. DOUTY. Our company.

Mr. MAGEE. The Multnomah?

Mr. DOUTY. The Multnomah Lumber & Box Co. I came home, and when I arrived here they told me that they had had one or two men out there investigating—three men, I would say, that had been out there to investigate and watch our method of sawing spruce.

The first man, who was George Gerlinger, made a report that was against our operation. I would say, however, that Mr. Gerlinger, I don't suppose, ever saw a spruce log before in his life. He operates a small sawmill up at Falls City.

Mr. MAGEE. Where is that?

Mr. DOUTY. It is about 75 miles south of here, up the Willamette Valley.

He then sent a man from Willapa Harbor out. The man from Willapa Harbor was man enough, after he had looked the situation over, to come into the office and say to us that he had been in a good many spruce operations and he wanted to compliment us on the way we handled our product; that we were getting all out of the log that was possible, and that he could not find anything the matter with it. He told us that he had been sent out there. But Mr. Gerlinger slipped out and said nothing to us and slipped away. We didn't know that he was there until two or three days afterwards. We didn't know this other man—I can't even call his name now.

Mr. MAGEE. Was he a civilian or an officer?

Mr. DOUTY. He was at one time, I understand, sheriff of Pacific County in Washington.

Mr. MAGEE. I mean at this time was he——

Mr. DOUTY. He was a civilian, yes; they were both civilians. As a result of this——

Mr. MAGEE. When was this, what time?

Mr. DOUTY. This was in January, early January, 1917—or 1918.

Mr. MAGEE. 1918?

Mr. DOUTY. 1918. As a result of this, in about two weeks, I would say, we received a letter from Col. Disque advising us that we could not saw any more spruce logs. They sent Maj. Eastman to our mill to mark all the logs in rafts from our own camps, and instructed Eastman to divert them to other mills to be sawed for the Government. We didn't resist——

Mr. MAGEE. Stopped your sawing any more spruce.

Mr. DOUTY. Any high-grade spruce.

Mr. MAGEE. What?

Mr. DOUTY. He was perfectly willing for us to saw low-grade spruce.

Mr. MAGEE. I mean, he stopped you, as I understand, from sawing any more spruce for aircraft purposes?

Mr. DOUTY. He did.

Mr. MAGEE. Now, if you will, state there just how much spruce you had been getting out prior to that time from your mill for aircraft purposes, if you will briefly state, as showing what your production has been and what you have been doing for your country.

Mr. DOUTY. Up to the time that—from the 1st of September, 1917, up until the 1st of January, we shipped approximately \$150,000 worth to the Government.

Mr. MAGEE. Have you any idea what that would be in feet? Was that sawed lumber?

Mr. DOUTY. That was about 1,600,000 feet, I would say, in round numbers.

Mr. MAGEE. And what were you sawing at this time when these men came over there, per month, or approximately?

Mr. DOUTY. We were sawing on Government orders.

Mr. MAGEE. Yes; but I mean approximately, what rate per month?

Mr. DOUTY. We were sawing—do you mean airplane stock?

Mr. MAGEE. Yes.

Mr. DOUTY. We were shipping about one to two cars a week, depending on the run of the logs at that time.

Mr. MAGEE. Can you give us approximately, in thousand feet, about what rate per month that amount would run?

Mr. DOUTY. I would say—the minimum we shipped was about 200,000 feet, of any months—the poorest months we shipped.

Mr. MAGEE. And the maximum?

Mr. DOUTY. This was in the wintertime and logs were rather scarce.

Mr. MAGEE. That would run up to what maximum?

Mr. DOUTY. Our maximum shipments for any one month were a million and a quarter.

Mr. MAGEE. That was first-class spruce aircraft production?

Mr. DOUTY. No; that was cants. Those would be remanufactured. I think the maximum we shipped of finished stock was about 600,000 feet in one month.

Mr. MAGEE. A month?

Mr. DOUTY. Yes.

Mr. MAGEE. That was first class?

Mr. DOUTY. That was first class.

Mr. MAGEE. Spruce for aircraft purposes?

Mr. DOUTY. Yes.

Mr. MAGEE. Now, will you go on with your statement?

Mr. DOUTY. I would say that about two weeks elapsed that we were not permitted to cut spruce, when Maj. Breece, a southern lumberman, came here, came out to the office, and said he had been sent there by certain Cleveland bankers who were friends of his, to find out why they were not getting spruce.

Mr. MAGEE. When was this; do you remember?

Mr. DOUTY. This was early in 1918, I would say the latter part of January or first—yes; about the latter part of January. He said that he had looked the situation over in all the spruce districts; he looked the mills and equipment over, and that he had passed on our mill as being one of the best equipped to handle spruce, and he had watched our operations there, and had decided that our sawyer and our method of handling it was better than any mill—as good or better than any mill on the coast, and wanted to know why we were not cutting it. I told him why.

He left, and he came back in about an hour and said that he had put this up to Col. Disque and Col. Disque told him that he didn't care to have us operating on this, he didn't want anything to do with us. He says:

I told him that if I was going to run this thing out here, that if personal fights should enter into this at all, that I would not be handicapped, and if he was going to pull off such stuff as that on me I would get on the train and go home.

Mr. MAGEE. Maj. Breece said this?

Mr. DOUTY. He told me this. He said:

If you go back into cutting spruce again, I will see that you get a fair deal, and I will see that you get your share of the logs, enough to put—I want you to run night and day on this, and we will give you—see that you get all the logs you can handle outside of your own.

Mr. MAGEE. Maj. Breece wanted to get spruce out?

Mr. DOUTY. Yes. I said:

Major, we will do anything we can for the cause. We have always felt that way; we have been as patriotic as we could be.

I said:

I went down to Washington, and I spent \$4,000 of my own money down there, trying to get this thing arranged down there to get started off, so we could do something on spruce, but I think I have never received any thanks for it in any way, and I have been mistreated on this whole deal, but whatever you—

Mr. MAGEE. Did you receive any compensation?

Mr. DOUTY. Never received a cent; never asked for anything.

I said, "Now, if you want—whatever you want of this plant—anything you want done, it is yours, go ahead." He said, "All right. I like that spirit."

Commencing at that time, we started in sawing on what we call cants for shipment to Vancouver. From that up to the time the war ended, we shipped \$343,000 worth, during the year 1918.

Mr. MAGEE. You accepted the major's proposition, and did all that you could from that time on to get spruce out?

Mr. DOUTY. I did.

Mr. MAGEE. For aircraft purposes?

Mr. DOUTY. He was very nice to us. When we got short of men he gave us 80 soldiers, and treated us very nice. We never asked Maj. Breece anything but what he gave it to us; stayed right by us and we stayed by him.

I would say, too, that to my knowledge Col. Disque was never on my property, or while he has been to about every spruce mill, I think, on the coast, he never has been out to our property. Showed no cooperation whatever; fought us right down the line.

Mr. MAGEE. I understand Maj. Breece is a very efficient officer.

Mr. DOUTY. Yes; Maj. Breece is a gentleman.

Mr. MAGEE. This refers to butchering logs. You haven't covered that. What did Col. Disque refer to by that expression—butchering logs; do you know?

Mr. DOUTY. Well, I would say that he probably referred to some of his tactics that he pulls off to try to run things his way. Anyone that would not play the game with him he simply tried to kill them off; they either had to play the game with him or they were not in the game, that is all, and I absolutely refused to do it—to play it this way.

Mr. MAGEE. Well, did you—

Mr. DOUTY. He had no right to make any such statement, because, in the first place, he knew nothing about it.

Mr. MAGEE. What was the basis of it?

Mr. DOUTY. The basis of it—the basis of it was that after Maj. Sligh was removed from the Aircraft Division I did all I could to get him appointed on the Aircraft Board. With another party, we got 36 States in this Union to indorse Maj. Sligh for that position; but they didn't want Maj. Sligh in, they didn't want him to have any authority over them in any way, and he thought that—he classed me with Maj. Sligh; he thought I was working with him, and he was fighting Sligh and he wanted to kill me off at the same time, and he was doing everything he could; that is the only object I know of, because the statements that he made about our butchering logs were absolutely false.

Mr. MAGEE. Now, I heard something said about some logs which were sold to the British Government, or something of that kind, and they were, I think, transported down as far as Poughkeepsie, in my State—held up there by Gen. Disque, or something of that sort—and what I want to know is what there was about that and whether that had anything to do with this insinuation.

Mr. DOUTY. I would say that we had, about the 1st of January, 1918, three and a half million feet of fall-down clears on our yard; that this Government inspectors had gone through and picked out all of the airplane stock. We asked permission from the Spruce Production Division here to sell that stock, and they refused it to us. We sold it; they refused it to us for export purposes; they would not allow us to sell it. We secured cars from the car department and shipped 65 cars of that for storage to Poughkeepsie on a sale that we made to the English—to the Engineering Timber Co., of England—for which we received for that \$65 a thousand, f. o. b. the mill.

Col. Disque evidently took this up with the War Board at Washington, and the cars were all held up. They were held up and the War Board telegraphed their representative here to take it up with us and find out what our dealings were with the Engineering Timber Co., and they thought the Engineering Timber Co. were violating the export rules or laws—the war rules. We gave him access to all our books. He made a thorough investigation and found out what the facts were, and he telegraphed to the War Board that we were all right in every way on this and that it was no more than fair that we should be permitted to dispose of this stock; that it was a financial burden to us. We got a wire from the War Board, or letter from the War Board, about 10 days after that telling us that we were perfectly at liberty to move this stock; that they had investigated the matter and found out that an injustice had been done us.

But this stock, about a million and a half feet, is still on storage at Poughkeepsie, N. Y., in which we have a hundred thousand dollars tied up, and we also have about \$200,000 tied up in stock on our yard here.

Mr. MAGEE. That you were prevented by this organization from marketing?

Mr. DOUTY. Prevented by the Spruce Production from marketing. And this stock, a large part of it, about 2,000,000 feet of it, is cut on Government specifications, of sizes that are not salable in the commercial market, and we have presented a claim to this board for it, and we never have gotten any recognition of it. I went to Washington and stayed two months this year, and filed it there under the Dent Act. They referred it back here. It has been here now since the 1st of July. We have had no action on it yet. But the office—the Adjustment Board—Contract Adjustment Board here wrote letters around this town, asking certain people to write letters that they could attach to his claim, saying that—telling what my attitude toward the Spruce Production Division had been.

Mr. MAGEE. You mean the Production Board?

Mr. DOUTY. The Contract Board wrote letters, they wrote letters around town—

Mr. MAGEE. What do you mean by the Contract Board?

Mr. DOUTY. Well, the Contract Adjusting Board. Even since the war these letters were written, written since the armistice.

Mr. MAGEE. From that board?

Mr. DOUTY. From that board.

Mr. MAGEE. Do you know this of your own knowledge?

Mr. DOUTY. I have a copy of one of the letters. I know the party—

Mr. MAGEE. Where is that letter?

Mr. DOUTY. It is out in my office—the copy of it is.

Mr. MAGEE. Will you produce that copy—

Mr. DOUTY. I will.

Mr. MAGEE. For the record here?

Mr. DOUTY. I will. I will say I was called in by a professional man of this city—into his office—that was in the Spruce Equipment Division down here—and tell me that he heard Col. Disque say that he would see I never got a dollar on my claim.

Mr. MAGEE. That man is available, if necessary?

Mr. DOUTY. Yes, sir; he is.

Mr. MAGEE. Now, how much money has your company got tied up in the logs there at Poughkeepsie and in the logs here at your plant, which you have been prevented from putting onto the market?

Mr. DOUTY. I would say approximately \$300,000.

Mr. MAGEE. What is the amount of your claim that you have filed against the board?

Mr. DOUTY. We have filed a claim for \$219,000.

Mr. MAGEE. For 219?

Mr. DOUTY. Yes, sir.

Mr. MAGEE. How was it that it happened you didn't file a claim for the full amount?

Mr. DOUTY. Well, we only asked—we asked an allowance for the remanufacturing of this stock and the loss of dockage. We also had about 6,000,000 feet of logs on hand at Government price, on which we asked an allowance on those. And then we constructed some barracks on our place, which we asked some allowance for. There were 12 items in the claim.

Mr. MAGEE. After making these allowances the amount which you demand is \$219,000?

Mr. DOUTY. Yes, sir.

Mr. MAGEE. And does that fairly and equitably represent the damages which your company has sustained by reason of these actions and proceedings which you have described?

Mr. DOUTY. All we ask is a fair adjustment. If our ideas are wrong we are perfectly willing to leave it to any fair-open-minded commission. We know that our operation, so far as production is concerned, has been as satisfactory as that of any mill on the coast, and I think the records show that. We shipped something over 8,000,000 feet to the Government during the war. During the operation of 1918 we made a profit on \$343,000 of \$8,000 on Government shipments. The price was fixed arbitrarily by Disque. We were not given any opportunity to change it, although we tried to; but the price was general all over the coast.

Mr. MAGEE. Is there any further fact in reference to these matters which you desire to state to the committee?

Mr. DOUTY. No; I think that is all.

Mr. MAGEE. After these events, did you have any further conversation with any representative of the British Government?

Mr. DOUTY. I was requested to take lunch with Capt. Thompson, during the early part—

Mr. MAGEE. Prior to this time, did you meet a gentleman from some board of trade?

Mr. DOUTY. During the few times I was in Washington I called on the British Mission there. I knew them all quite well. I met a man by the name of MacFarland, from the Board of Trade of London, who was in the British Mission, on two occasions when I called there. They asked me if I would stand for an interview with Mr. MacFarland.

Mr. MAGEE. Who asked you?

Mr. DOUTY. Capt. Thompson.

Mr. MAGEE. Who was Capt. Thompson?

Mr. DOUTY. He was one of the staff of Gen. Carmack.

Mr. MAGEE. Representing the British Government?

Mr. DOUTY. Yes; he was a British officer—a British captain. Mr. MacFarland said that the British Government was very much dissatisfied with the way that the Government had handled this spruce situation.

Mr. MAGEE. The way this Government had handled them?

Mr. DOUTY. Yes. He said it was entirely different from their idea, but they were of course willing to submit to whatever the Government wanted to do. But he went into details and asked me about a good many of the expenditures that were being made here on the coast. I told him I could not give him any information on that, for the reason that I was evidently in bad with the Spruce Corporation here and I knew nothing whatever about the inside workings of it—that I knew nothing but gossip that was going around and I did not care to make any statement on that.

Mr. MAGEE. This was a conversation with Mr. MacFarland?

Mr. DOUTY. Yes.

Mr. MAGEE. What time was this, if you recall?

Mr. DOUTY. This was in the month of October, 1918.

Mr. MAGEE. Did you have any further conversation with Capt. Thompson?

Mr. DOUTY. Capt. Thompson was in Portland the early part of this year. He asked me to take luncheon with him one day.

Mr. MAGEE. Do you remember about what time that was?

Mr. DOUTY. Well, he was here, I think, for probably two months. I could not say; I think it was probably February or March that I saw him.

Mr. MAGEE. 1919?

Mr. DOUTY. February or March of 1919. He asked me to come down to lunch with him. He said, "Now, I have been making some investigations here and I think perhaps maybe there are some things that may be of interest to you just for general knowledge." He went ahead to relate to me that they had made an investigation and that there had only been a very small percentage of spruce shipped up to the time of the armistice put out by Government operations. He said a very large percentage of it was shipped by the regular mills. He also asked me quite a number of questions as to what I thought the salvage value on different equipment was. I did not place any value on it, because I told him I knew nothing about it, that it would be just a guess and I did not care to hazard a guess on it, but he said to me that the British Government had instructed him to come here and get the best settlement he could and that they would write it off and forget it. But he said they were very much dissatisfied with the way the proposition had been handled, but he said it was a bad case, "and we are going to simply write it off and charge it off to war expenditures and forget it."

Mr. MAGEE. Is there any further fact that you consider would be of interest to the committee which you now recall?

Mr. DOUTY. Nothing any more than when I went to Washington they were not getting the spruce early in the war and they asked me the reason why and I said, there were two reasons here. One reason was this. I said that we have got the logs; we have got plenty of spruce timber out there and we have plenty of mills to cut them, and we want to get the logs out; but what we want is men and money to

extend our roads and put in additional logging equipment to get the timber out to the mills. We have all the mills we need.

Mr. MAGEE. Does that mean, in plain English, that all that was needed was to back the loggers, and they would get out all the spruce lumber that could possibly be required for the needs of the United States and our Allies?

Mr. DOUTY. That is my opinion.

Mr. MAGEE. That is what it meant?

Mr. DOUTY. Yes, sir.

Mr. LEA. What do you mean by saying you needed men?

Mr. DOUTY. We were short. The Government had taken quite a lot of our men out and drafted them and taken them out on the regular enlistment plan, and we were short. They were taken right out of our industry.

Mr. LEA. What was the military help you suggested should be furnished to aid in the production of spruce.

Mr. DOUTY. I think I was responsible for military men having been sent here. I made application there through Maj. Sligh's division, and he took it up with the Aircraft Board, and they took it up with the Secretary of War. I think I was responsible for the men being sent here in the first place.

Mr. LEA. You deemed it necessary to increase the labor supply here, in order to get production, and that seemed the most available method?

Mr. DOUTY. Yes.

Mr. LEA. About what is the capacity of your mill?

Mr. DOUTY. We cut about 45,000,000 a year.

Mr. LEA. This lumber that was stored at Poughkeepsie; why did not the British firm take that when it arrived?

Mr. DOUTY. They were prevented from selling it, I understand.

Mr. LEA. Did you understand the embargo operated against the shipment; is that the idea?

Mr. DOUTY. Yes; this Government was controlling the exportation of all lumber.

Mr. LEA. And they were not permitted to move it. Was that an aircraft grade of lumber, or not?

Mr. DOUTY. No; it was rejects; it was sold as rejects.

Mr. LEA. Where did you get the telegram and letter from Mr. Disque to Mr. Leadbetter?

Dr. DOUTY. That was given to me by a party in Washington.

Mr. LEA. By whom?

Mr. DOUTY. I would not care to state that, who the party was that gave it to me.

Mr. LEA. Was it not given to you by Mr. Sligh?

Mr. DOUTY. It was not.

Mr. LEA. Do you know whether or not it was at the request of Mr. Sligh?

Mr. DOUTY. Not to my knowledge.

Mr. LEA. It was someone in the department, though, at Washington was it?

Mr. DOUTY. I would not make any statement on that. The reason I got it was because it was a personal affair of mine and I was somewhat interested in it. I did not know just what I might want to do in the future in the way of following it up.

Mr. LEA. Did the person who got those papers from the files have any right to them?

Mr. DOUTY. I could not say about that; I am not sure. I did not ask any questions. I think probably I had as much right to it as a man has to attack a man's character in a letter or telegram.

Mr. LEA. You said that Disque thought you were working with Sligh. Was that true or not?

Mr. DOUTY. That I was working with him?

Mr. LEA. Yes.

Mr. DOUTY. In what way do you mean?

Mr. LEA. You expressed it that way.

Mr. DOUTY. Yes; I was working with him, doing what I could to help the cause along.

Mr. LEA. Did you do anything to assist the British in the development of production up here, or did you take any steps looking toward that end?

Mr. DOUTY. I did.

Mr. LEA. What did you do?

Mr. DOUTY. I made a trip from Washington to Port Angeles with their engineer and looked the Olympic spruce situation over.

Mr. LEA. Was any effort made to organize any corporations?

Mr. DOUTY. The corporations were organized there for the purpose of—they were permanent organizations for future operations. As outlined it would have taken too long to have worked them out for war purposes. They were to be worked out and stock turned over to the British, providing they could be developed in time.

Mr. LEA. Were those corporations organized after the war started?

Mr. DOUTY. Yes.

Mr. LEA. Did you have anything to do with organizing them?

Mr. DOUTY. I did.

Mr. LEA. How many were there?

Mr. DOUTY. As I recall it, I think there were five different companies.

Mr. LEA. What was the object of organizing five companies to carry on the same work?

Mr. DOUTY. The object was a matter of financing them. It is easier to organize five companies of reasonable corporate capital limitations than to finance one large one.

Mr. LEA. Were these corporations for the purpose of spruce production?

Mr. DOUTY. Spruce and fir.

Mr. LEA. In organizing those companies was there any discussion as to the amount of income tax that would be paid, depending on whether there was one or five corporations?

Mr. DOUTY. I think that was discussed, and it was decided that inasmuch as the stockholders were all practically the same; that is, their interests were identical through all the corporations, that their returns would be made on what would be known as a consolidated return; that is, practically the same.

Mr. LEA. Were the stockholders the same in each corporation?

Mr. DOUTY. Yes; they were all the same.

Mr. LEA. And where were these corporations to be financed?

Mr. DOUTY. The Engineering Timber Co., of London, was to take three and a half million dollars of stock in them.

Mr. LEA. Were you to have any stock?

Mr. DOUTY. No; I was to be manager; I had no money in it at all.

Mr. LEA. Was your salary agreed on as manager?

Mr. DOUTY. I do not believe that it was; no; I do not think it was; I do not believe that was discussed.

Mr. LEA. When the plan of spruce production was unified here, then the work of these corporations quit; that is, no further steps were taken?

Mr. DOUTY. That was not the reason they quit. The principal reason why those corporations were not carried through was that the British Government would not permit the funds to be taken out of England during war times. The Engineering Timber Co., therefore, were unable to get their funds here.

Mr. LEA. Were they not organized pursuant to the British plan, to furnish their own capital for production?

Mr. DOUTY. That had nothing whatever to do with the British production of these corporations.

Mr. LEA. It was not done pursuant to the English plan?

Mr. DOUTY. No. It was discussed with them a time or two as to how they could get the funds there to see if they would be willing to advance this money; that is, to save exchange on it if they would advance this money in sums of \$500,000. The exchange was quite an item, and we discussed it with them somewhat, and my understanding is that the Engineering Timber Co. had some arrangement with the British Government, and the British Government were to get the lumber and the British Government were going to ship it.

Mr. LEA. About when was it you took up the question of developing the Clallam County spruce to supply the English demand?

Mr. DOUTY. It was during the months of October and November and December; there were probably three months that we were working on that.

Mr. LEA. Did you or Mr. Sligh make any agreement with the British Government about the shipment to them of this timber, or providing that they should get it?

Mr. DOUTY. You mean the product of the mills?

Mr. LEA. Yes.

Mr. DOUTY. Yes; we discussed it with them—with the representative from London. I went to Washington with him and we went in and discussed it with Gen. Carmack.

Mr. LEA. Did Mr. Sligh have any interest in these corporations?

Mr. DOUTY. No; nothing whatever.

Mr. LEA. Did you represent any other British interests than this corporation interest; that is, the affiliation you have spoken of already?

Mr. DOUTY. I did not.

Mr. LEA. Did you have any interest in this construction work to get out spruce in Clallam County other than through these corporations?

Mr. DOUTY. I did not.

Mr. LEA. This plan of building the railroad and logging was part of the corporation plan to produce the spruce?

Mr. DOUTY. Yes; that was the temporary plan; it was not permanent.

Mr. LEA. These corporations looked toward a permanent organization, did they?

Mr. DOUTY. They did.

Mr. LEA. How much airplane spruce did your company produce during the war?

Mr. DOUTY. About 8,000,000 feet.

Mr. LEA. Do you know what percentage of that was No. 1 specification?

Mr. DOUTY. I would say offhand that it was about a million six hundred thousand that was No. 1 specification and the balance of it was rejects and cants.

Mr. LEA. That is as near as you can estimate it now?

Mr. DOUTY. Approximately, that is about right.

Mr. LEA. Do you remember how much G-list material you shipped?

Mr. DOUTY. We shipped, I think, an order from the Spruce Corporation of about 1,400,000 feet—about that. These figures I am giving are just from memory, but I think they are about right.

Mr. LEA. You have not any figures to show how much G list you shipped after the 1st of November, 1917?

Mr. DOUTY. We did not ship any—only to the Government and what we shipped down to Poughkeepsie.

Mr. LEA. What part of it was before November 1 and what part afterwards—or about what?

Mr. DOUTY. You mean November, 1917?

Mr. LEA. Yes.

Mr. DOUTY. The shipments that were made to Poughkeepsie were started in January, 1918. We did not ship any in 1917, to my knowledge. I was not here at the time, but my understanding is that there was none shipped.

Mr. LEA. What was the company to which you shipped that?

Mr. DOUTY. The Engineering Timber Co.

Mr. LEA. The whole shipment of that stock was to this one company?

Mr. DOUTY. Yes.

Mr. LEA. Did your company get any order from Sligh for timber or spruce production?

Mr. DOUTY. We received the same order that was sent to all the mills when the war started. Each mill was asked to advise about what quantity they could furnish per month, and my recollection is that we reported approximately 500,000 feet, and his division sent us an order for 4,000,000 feet. That was before I returned to Washington. At that time I did not know Mr. Sligh.

Mr. LEA. Did the company furnish that amount?

Mr. DOUTY. We furnished about 8,000,000. On that order?

Mr. LEA. Yes.

Mr. DOUTY. No; we did not. The order was canceled.

Mr. LEA. You subsequently got other orders?

Mr. DOUTY. Yes.

Mr. LEA. Any other orders from Sligh?

Mr. DOUTY. My recollection is that is the only order we ever received from Washington. All the other orders came through the office here.

Mr. LEA. As to your claim against the Spruce Production Corporation, I just want to get the separate amounts. According to these

figures, there are 12 items. [Indicating on paper.] The 12 items include log adjustments, something over \$50,000; construction adjustments, over \$2,000; inspection adjustments, over \$1,000; clerical adjustments, over \$1,000; guard adjustments, over \$4,000; rental adjustment, over \$1,500; logging-equipment adjustments, \$6,500; mill-equipment adjustments, over \$900; stock adjustments, over \$98,000; and manufacturer's adjustments, over \$37,000; storage adjustments, over \$10,000; interest adjustments, over \$4,000; and according to these figures the aggregate amount would be \$219,690.87. That is your claim, is it not?

Mr. DOUTY. Yes, sir

Mr. LEA. So far, that matter has not been adjusted?

Mr. DOUTY. It has not.

Mr. LEA. That is all.

Mr. MAGEE. As I understand, the prospective operations of the Engineering Co. which you have described, the creation of these prospective five corporations, had nothing to do with the allocation of these districts which you have described and plans therefor, to England, France, and Italy?

Mr. DOUTY. No. This allocation proposition, as we had worked it out, was previous to this corporation plan. At that time the opening of the spruce on the Olympic Peninsula had not been considered.

Mr. MAGEE. What time was it that these prospective operations of the Engineering Timber Co. came up?

Mr. DOUTY. The negotiations started on about the 15th of November, near that, 1917.

Mr. MAGEE. I want to get this clear, as to whether or not under this allocation of districts the British Government, the French Government, and the Italian Government, each government would have absolute control over its own operations?

Mr. DOUTY. That was the understanding, and the British idea about opening up the Olympic Peninsula would be that they were to get the consent of this Government to do that, in addition to this other work.

Mr. MAGEE. Were these operating plans of the Engineering Timber Co. relative to opening up of the Olympia district?

Mr. DOUTY. They were.

Mr. MAGEE. And did not have any reference to any other district?

Mr. DOUTY. They did not.

Mr. MAGEE. But what I mean to say is, under the plan which you have described as satisfactory to the British Government in getting out spruce production, the British Government, as a Government, would have absolute control. Is that right?

Mr. DOUTY. That is correct.

Mr. MAGEE. They did just exactly as they pleased?

Mr. DOUTY. That was the understanding.

Mr. MAGEE. And in their own way?

Mr. DOUTY. That is correct.

Mr. MAGEE. And got their own agents to carry out their own operations?

Mr. DOUTY. That was the understanding.

Mr. MAGEE. And it was the same way with the French Government and with the Italian Government. Is that right?

Mr. DOUTY. That is correct.

Mr. MAGEE. Will you bear in mind the production of a copy of a communication from the contracting board you have described and give it to the committee?

Mr. DOUTY. Yes; I will give it to you this afternoon.

(The papers above referred to are as follows:)

WAR DEPARTMENT,
SPRUCE PRODUCTION DIVISION,
BUREAU AIRCRAFT PRODUCTION,
Portland, Oreg., January 15, 1919.

From: The contract board.

To: Russell Hawkins, Portland Hotel, Portland, Oreg.

Subject: Claim No. 168. Multnomah Lumber & Box Co., Portland, Oreg.

1. This board has been requested by the commanding general to ask you if you would be willing to make a statement which we may attach to the above claim regarding your personal opinion as to Mr. F. A. Douty's attitude toward the work of this division.

2. It is requested that you furnish this statement in original and three copies, as we are required to have all documents on these claims in that number of copies.

By direction of Brig. Gen. Disque.

For the contract board.

C. SQUIRES,
Captain, A. S. A. P., Recorder.

PORTLAND, OREG., January 22, 1919.

From: Russell Hawkins.

To: C. Squires, captain, A. S. A. P., U. S. A. (recorder, contract board).

Subject: Claim 168, Multnomah Lumber & Box Co.

1. The writer knows nothing whatever as to facts set up in claim No. 168.

2. The general and current trade information is that the Multnomah Lumber & Box Co., of which Mr. Fred Douty is a principal, has produced aircraft lumber in quality and quantity comparable with other spruce-cutting sawmills.

3. Not having been intimately associated with the Spruce Production Corporation since December 8, 1917, through objections raised by Senator George Chamberlain, I can not understand why at this time you should expect any information that would controvert good opinions which I understand have been expressed within the last year by those closely associated with the Spruce Production Corporation.

Yours, respectfully,

RUSSELL HAWKINS.

Mr. FREAR. What price was fixed by the Government on the sale of spruce and fir, if you know; I mean, what was paid to private operators at different times you have stated?

Mr. DOUTY. The original agreement with the Spruce Corporation was that they were to pay \$60 a thousand for the short cuttings of clears, which would be 17 feet and under, of which they were to take 50 per cent; and \$150 per thousand for beam stock, which would be clear stock 18 feet and longer, which would make an average of \$105. That was known as specification No. 1.

Mr. FREAR. That was the way in which you arrived at the figure of \$105?

Mr. DOUTY. Yes.

Mr. FREAR. What were the other specifications?

Mr. DOUTY. I am not familiar with the specifications gotten out later from memory. I have them in my office.

Mr. FREAR. Did they vary substantially from those prices?

Mr. DOUTY. The specification shown as specification No. 2 I could not give you accurately.

Mr. FREAR. That would be less in price?

Mr. DOUTY. Yes; it was a lower specification. The next price that was fixed was the price on cants. They were credited as Nos. 1, 2, and 3 grades. The price on No. 3 grade was \$30, and the price on No. 2 was \$50 or \$60, and the price on No. 1 was \$90. I think it was originally \$80; afterwards it was advanced to \$90.

Mr. FREAR. What would be the variation in results between that and the other prices you have mentioned?

Mr. DOUTY. The shipments we made under the cant specification averaged our mill approximately \$63.75 for the cants that were shipped during 1918 to Vancouver.

Mr. FREAR. And would that be proportionately upon the finished material; the finished material could have been gotten out at what price?

Mr. DOUTY. It would be pretty hard to state that. I could not give you an accurate statement about that, but I would think somewhere in the neighborhood of about \$110.

Mr. FREAR. That is to say, \$40 or \$50 would have been a reasonable payment for working it out into airplane material from the cants?

Mr. DOUTY. Yes; I think so.

Mr. FREAR. You are familiar with the lumber conditions; that is, so far as the number of operators is concerned on the coast?

Mr. DOUTY. Yes, sir.

Mr. FREAR. How long did you say you had been in business here?

Mr. DOUTY. In Portland, since 1903.

Mr. FREAR. Have you had to do with loggers and millmen?

Mr. DOUTY. Yes; I have been in this business ever since that date, here.

Mr. FREAR. Could you state roughly the general production power of the logging industries on the coast prior to our entrance into the war; that is, how many million feet, in general? I do not want a close estimate, but just in a general way so as to get an idea of the size of the operations here on the coast.

Mr. DOUTY. I would not want to make a statement on that from memory. That is quite an undertaking.

Mr. FREAR. The reason I asked the question in that form was this: For instance, in the Spruce Corporation book that was gotten out for September 2, there is a statement on the milling that 3,000,000 feet a day of finished lumber, I take it, was the capacity of the mills at that time, and I was wondering if there was anything mentioned about logging, and I am asking in a general way if you have estimated the amount of logs produced?

Mr. DOUTY. I never have.

Mr. FREAR. You never have made any estimate?

Mr. DOUTY. No.

Mr. FREAR. Well, on 30,000,000 feet a day, which is the estimate of the corporation, that would make 90,000,000 feet of lumber a day by the mills, if these estimates are correct, on three shifts?

Mr. DOUTY. Well, it is hardly practicable to operate three shifts.

Mr. FREAR. How many—two?

Mr. DOUTY. Two shifts; yes.

Mr. FREAR. Two shifts, then; that would make 60,000,000 feet of lumber a day that was produced by the various mills of Washington

and Oregon, or could be produced, I mean, on two shifts; that is correct, is it?

Mr. DOUTY. Yes; if those figures are correct, that would be a correct estimate.

Mr. FREAR. Then, the statement was made that the erection—and it appears in the catalogues—that the erection of the Toledo mill and the Puget Sound mill at Port Angeles would not influence the amount of production more than 2 per cent. Would that be a fair—

Mr. DOUTY. You have reference to the Government construction?

Mr. FREAR. The two mills that were constructed by the Government but never completed.

Mr. DOUTY. Well, I do not know anything about the capacity of those mills. I have never seen them or looked it up. I would not want to answer that question.

Mr. FREAR. I wanted to get it in the record some way.

Mr. DOUTY. I haven't any knowledge of it. I do not want to make any statement about things with which I am not familiar.

Mr. FREAR. I would not want you to unless you had some particular judgment on it. Do you know anything about the comparative conditions in Canada? Have you ever had any experience up there, or do you know anything about their lumbering and logging conditions?

Mr. DOUTY. I have no knowledge at all.

Mr. FREAR. That is all.

Mr. MAGEE. Is there any further statement that you wish to make in reference to this matter?

Mr. DOUTY. Nothing that I think of.

Mr. MAGEE. Either as to your prospective connections with the Engineering Timber Co. or with the division of districts here among the allied powers?

Mr. DOUTY. No; I haven't any explanation to make. These are matters that if anyone is interested in them they can investigate. Everything is open.

Mr. MAGEE. What I mean is, my colleague has drawn out from you something about you being prospective manager of some corporation or something of that sort. Now, the inference or deduction is, I assume, that you were interested in some way in having these districts divided up among the allied powers in reference to the plan which you have laid out here.

Mr. DOUTY. I will explain that matter very quickly by saying that this was simply a patriotic move on my part. I had all the business here I could handle. I have logging interests, and I had two mills at that time. One mill has burned since then. I was operating them, and I was doing this simply for patriotic purposes.

Mr. MAGEE. What I mean is, was there anything in reference to your connection with the Engineering Timber Co. which would interfere or be connected in any way with this allocation of districts?

Mr. DOUTY. No; absolutely not.

Mr. MAGEE. And the absolute control of Great Britain and France and Italy, regardless of you or any connection of yours therewith in reference to getting their own production out of these districts?

Mr. DOUTY. No, sir. That proposition was presented before ever the Engineering Timber Co. man came over, and they knew nothing of it. It was never presented to them and they had no knowledge of it, as far as I know.

Mr. MAGEE. In other words, in this plan of allocation the British Government would act as a Government and for itself?

Mr. DOUTY. Yes, sir.

Mr. MAGEE. Without any relation or connection with you, directly or indirectly?

Mr. DOUTY. I had two objects in view—

Mr. MAGEE. Is that right?

Mr. DOUTY. That is correct.

Mr. MAGEE. And the French Government and the Italian Government the same way?

Mr. DOUTY. Yes, sir.

Mr. MAGEE. That is all.

Mr. LEA. You said you had two objects in view; do you want to say anything further?

Mr. DOUTY. That was just in the way of explanation. It is immaterial to me.

Mr. LEA. Now, these figures that I asked you about awhile ago, about your claim; this, I understand, is your claim, which I read the figures from [showing].

Mr. DOUTY. That is our amended claim.

Mr. LEA. Now, I wanted to read this one paragraph into the record from the claim:

As result of said arbitrarily low price claimant's profits on 4,953,835 feet of cants sawed and delivered on said United States Government order resulted in an exceedingly low net profit to claimants in the sum of \$8,074.43, which margin is unjust and inadequate, as claimant was entitled to at least 15 per cent net profit on the volume of said business, and an allowance for remanufacturing Government rejects, which percentage of profit and allowance would not be excessive, taking into consideration the hazard incidental to sawmill operation.

Mr. MAGEE. I offer the whole claim. Have it marked and put it in the record.

Mr. LEA. This is the original claim. There ought to be a copy put in if it is put in.

Mr. MAGEE. Well, get it in. We will not take an extract from it; put the whole claim in evidence. It has been before the committee.

Mr. LEA. I will be glad to have the whole thing in.

Mr. DOUTY. I think maybe the letter they kindly wrote around the city might be in this file—I guess it is not here.

Mr. MAGEE. You have a copy of this claim, can you furnish one for the record—have you got an extra copy of your claim?

Mr. DOUTY. I have just my office copy of it, that is all.

Mr. MAGEE. Will you have a copy made for the committee?

Mr. DOUTY. It would take some time to make it up. I could mail it to you.

Mr. MAGEE. If you will make it up and forward a copy to the chairman of the committee?

Mr. DOUTY. All right.

Mr. LEA. We can attach it as an exhibit.

Mr. MAGEE. I have had it introduced.

Mr. DOUTY. I would like to make a statement in connection with the claim, if it is in order; that this claim was based on our ideas of what would be an equitable adjustment. All we ask is an unbiased investigation of our books and the conditions, and an adjustment

made of what would be fair. These amounts are presented there from our own viewpoint. They may be too high and they may not be high enough, but we are satisfied with them. In fact we would probably be satisfied to take less to some extent on some of them. Since that claim was made out the value of logs has changed.

Mr. MAGEE. That claim sets out in detail what your claim is based upon, which is your judgment as to the damages which you have sustained in the premises?

Mr. DOUTY. Yes, at the time the armistice was signed.

Mr. MAGEE. Is that right?

Mr. DOUTY. That is correct.

Mr. MAGEE. That is all.

(Witness excused.)

TESTIMONY OF H. E. WALKER—Recalled.

Mr. FREAR. In the publication put out by the Spruce Corporation for the September 2 sale appears a statement upon the first page to the effect that the milling capacity of the Washington and Oregon district reaches approximately 30,000,000 feet a day, that is, for all kinds of timber. I was going to ask you if that is approximately what your estimates indicated, so as to have something in the record to base it upon.

Mr. WALKER. You will find that the Forestry Service record of production of lumber of all species for the Northwest has averaged approximately about 6,000,000,000 feet a year for the last few years.

Mr. FREAR. Six billion?

Mr. WALKER. Yes; and dividing that by 200 effective working days would make about 30,000,000 feet a day. I might say that doubling the shift would not double the output of the mill, necessarily, because the log supply might not be adequate.

Mr. FREAR. The log supply might be made sufficient the same as in the mill. You have to have the operators in the mill, and you have to have your log supply?

Mr. WALKER. It would require doubling the industry.

Mr. FREAR. That is understood.

(Witness excused.)

TESTIMONY OF E. F. LENIHAN.

(The witness was duly sworn by Mr. Frear.)

Mr. FREAR. State your name.

Mr. LENIHAN. E. F. Lenihan.

Mr. FREAR. You are employed at the Vancouver cut-up mill, I understand, Mr. Lenihan, in charge of the sales?

Mr. LENIHAN. Yes, sir. My headquarters are in Portland.

Mr. FREAR. You were engaged in making sales heretofore, since the armistice?

Mr. LENIHAN. Yes.

Mr. FREAR. As the material was gradually accumulated here?

Mr. LENIHAN. Yes.

Mr. FREAR. I wish you to inform the committee as to the method of making those sales that have taken place from time to time.

Mr. LENIHAN. First, the property was advertised through an agency known as Hall & Emery, I believe—a local concern.

Mr. FREAR. Here in Portland?

Mr. LENIHAN. Yes, sir. They conducted our advertising campaign; and the local papers, all the trade journals, and in the papers of Oregon and Washington and Idaho, and, I think, in Montana. That is, in the principal cities.

Mr. FREAR. Then what?

Mr. LENIHAN. Then it was more or less of a direct sale. We did, however, employ or make oral agreements with various brokers and dealers locally—people here in town. Not wishing to create a very extensive sales organization of our own, we took advantage of theirs and paid them a commission on sales originating and consummated by them.

Mr. FREAR. What was the commission?

Mr. LENIHAN. We paid them a varied commission; $7\frac{1}{2}$ per cent was the highest.

Mr. FREAR. And that was on how large sales?

Mr. LENIHAN. Well, that was on individual sales; principally on the major equipment only, such as donkey engines, locomotives, and locomotive cranes.

Mr. FREAR. And on what other material was the commission fixed?

Mr. LENIHAN. The miscellaneous equipment, such as small hardware and large hardware, was sold direct at the cut-up plant by our own salesmen.

Mr. FREAR. At what prices; and what was the method of determining values?

Mr. LENIHAN. Well, our prices averaged about 74 per cent of the cost. You must understand that about 90 per cent of that equipment was secondhand material—either secondhand or used. We took the market value and arrived at a price as near to it as we could in order to move the property rapidly.

Mr. FREAR. What has been the effect of this method of making sales so as to protect the Government to the best extent?

Mr. LENIHAN. That is, do you mean was that method better than accepting bids?

Mr. FREAR. Yes; better than accepting bids.

Mr. LENIHAN. I had an illustration this morning in one particular case. We had an offer on several items of that property. That bid was rejected, as 95 per cent of the bids have been. On that particular item we realized \$63,000 more on direct sales than we would have had we accepted the bid.

Mr. FREAR. How large a bid was that?

Mr. LENIHAN. That was a bid that amounted to \$128,000. Our selling price was \$194,625, and all of that property has been sold.

Mr. FREAR. Now, here is a paper that has been placed before the committee a few moments ago. Can you tell us about this?

Mr. LENIHAN. What is the name?

Mr. FREAR. The name of the party is M. Barde & Sons. Can you tell us approximately what was the cost or the inventoried value of that property?

Mr. LENIHAN. That property consisted principally of small tools and miscellaneous hardware, small and large hardware, you might

say. For instance, included in that item was something like fifteen or twenty thousand picks, secondhand picks, used picks. Oh, there may have been a few hundred new ones; yes. It was the same with shovels and axes and one thing and another that were used on these railroads in their construction. We fitted out, I should say, most of the contractors in this country; that is, the road contractors, with the small equipment, such tools as were included in the sale to M. Barde & Sons. We conducted that miscellaneous retail method of sale until practically all the contractors had been fitted out and road construction was well under way. Then we had a lot of this stuff left over, and we made a deal with M. Barde & Sons to take all of it, all the usable small and new and secondhand tools that we have left on hand, at a price of 55 cents on the dollar. That was practically the only market we had left in this locality, or practically in this country.

Mr. FREAR. Now, the 55 cents on the dollar, what was the dollar basis, inventory?

Mr. LENIHAN. No; on the jobber's price, what they could buy it for.

Mr. FREAR. Now, this advertising, which is in the form—

Mr. LENIHAN. It is rather a misleading advertisement.

Mr. FREAR. I was wondering about it. It says, "Probably \$1,000,-000 worth of new and used mill and logging supplies purchased by us at extremely low figure." This is in large type. It gives a photographic copy of their check for \$450,000.

Mr. LENIHAN. That was their original deposit on their original bid. They did \$2,500,000 on our entire equipment over there. To-day we have sold out of there over \$4,200,000 worth.

Mr. FREAR. Was this \$450,000 which was—

Mr. LENIHAN. That represented 20 per cent of the highest bid. Does that figure 20 per cent—it is something like that.

Mr. FREAR. What did they pay you for this material that was used, what was the amount?

Mr. LENIHAN. They have purchased from us in the neighborhood, I should say, of \$250,000 worth. We have actually received in cash in the neighborhood of \$250,000 to \$300,000 from Barde.

Mr. FREAR. Then their advertisement here that probably \$1,000,000 worth of new and used mill and logging supplies were purchased by them at an extremely low figure, which would be \$200,000, is an exaggeration?

Mr. LENIHAN. I should say that it is quite an exaggeration.

Mr. FREAR. I am willing to have your statement without getting any information from them, but we will mark this as an exhibit.

(Advertisement above mentioned received in evidence and marked "Exhibit No. 33, Lenihan, September 12, 1919.")

Mr. LENIHAN. To counteract the effect that had on the public, I sent letters to all the loggers and millmen and dealers to the effect that it was an erroneous statement and that it did not amount to anything like that, and that we still had a lot of material on hand.

Mr. MAGEE. They refer here to their purchase as a "big scoop." Did you see that?

Mr. LENIHAN. Yes; I saw that. I read it very carefully.

Mr. FREAR. As a big scoop on their competitors?

Mr. LENIHAN. No; they have very few competitors in that line. You understand that it is not like Chicago or the Eastern markets, where you can find a dozen parties that would be interested and could handle that amount of goods. I venture to say they could have bought that in at 30 cents on the dollar if they had held out probably another month or six weeks. I do not know whether that is information for the record.

Mr. FREAR. Did you, in fact, make any sales on competitive bids?

Mr. LENIHAN. I think there may have been probably half a dozen bids accepted.

Mr. FREAR. Competitive bids?

Mr. LENIHAN. Yes; we did sell some.

Mr. FREAR. On advertised competitive bids, I mean?

Mr. LENIHAN. No, sir.

Mr. FREAR. You did not advertise for competitive bids?

Mr. LENIHAN. No, sir; we sold a lot of secondhand wheelbarrows and that sort of stuff at auction. That was the only competitive bidding we had. That would probably run about \$200 or \$300 for a little item, or something of that kind.

Mr. FREAR. What was the percentage realized from those sales, compared with the jobber's price?

Mr. LENIHAN. I would not say it amounted to over—we got 10 per cent on that. Wheelbarrows, for instance, without a wheel. Just the odds and ends. After we had sold the stuff out and had this miscellaneous accumulation of stuff left we put it in a junk pile and got all the junk dealers here in town to come over and we let them bid for it.

Mr. FREAR. That would not be any larger percentage than the estimate salvage value on the Siems-Carey-Kerbaugh road?

Mr. LENIHAN. Well, sir, I am not familiar with that.

Mr. FREAR. You did not reach into the railroad?

Mr. LENIHAN. No, sir.

Mr. FREAR. You adopted this plan because you thought you would get as much from it as any other plan?

Mr. LENIHAN. I thought it was the most feasible thing at that time.

Mr. FREAR. Had you ever had experience in selling property of that kind?

Mr. LENIHAN. No, sir; not any.

Mr. FREAR. You simply came out here and was placed in charge as major?

Mr. LENIHAN. I did not make the decision.

Mr. FREAR. Who did make the decision?

Mr. LENIHAN. I presume that the board of directors. I was with this organization for a year and a half.

Mr. FREAR. You were with them?

Mr. LENIHAN. Yes.

Mr. FREAR. What was that?

Mr. LENIHAN. I was inspecting officer—manager of the inspection department.

Mr. FREAR. Where was that?

Mr. LENIHAN. Right here in Portland.

Mr. FREAR. What organization was that?

Mr. LENIHAN. The Spruce Production Corporation.

Mr. FREAR. I mean before you came here you had no experience?

Mr. LENIHAN. No.

Mr. FREAR. You came from Cleveland?

Mr. LENIHAN. Yes, sir.

Mr. FREAR. Several officials in this organization, I observe, came from the same place.

Mr. LENIHAN. There were two others, I believe—Hitchcock and Maj. Morley.

Mr. FREAR. And Eaman?

Mr. LENIHAN. No, sir; I think he is from Detroit.

Mr. FREAR. That is right; and Morley?

Mr. LENIHAN. Yes, sir; Maj. Morley.

Mr. FREAR. He is the one you mentioned?

Mr. LENIHAN. Yes, sir.

Mr. FREAR. I was just inquiring to ascertain on the part of the committee the method of making the sales.

Mr. MAGEE. It was Maj. Morley who impressed upon us the fact that he was a Republican, on several occasions.

Mr. FREAR. We have never inquired into the politics of people who have testified.

Mr. MAGEE. I mean that that was his voluntary statement.

Mr. LENIHAN. If you would like to have mine I am willing to testify.

Mr. FREAR. We did not want the witnesses to be put in the position of having to make that disclosure. The Australian ballot system is a sufficient protection. What I wanted to inquire was there any action of the directors in regard to these sales?

Mr. LENIHAN. No, sir.

Mr. FREAR. In anticipating them or confirming them?

Mr. LENIHAN. No, sir.

Mr. FREAR. Then, it was altogether left in your hands?

Mr. LENIHAN. Well, practically. Col. Stearns, of course, the president of the corporation, all sales contracts, all sales orders are signed by him as well as by myself.

Mr. FREAR. Of course, he had no greater experience than you had?

Mr. LENIHAN. I am not familiar with the experience of Col. Stearns at all. I doubt if he has had; I think he has been an Army officer all his life. I have had more or less experience with purchasing. I was in the shipbuilding business for a number of years, and you know what goes into a ship.

Mr. FREAR. That was before you came here?

Mr. LENIHAN. Yes, sir.

Mr. FREAR. Was that in Cleveland?

Mr. LENIHAN. No; in Manitowoc, Wis.

Mr. FREAR. You were engaged in the shipbuilding business there?

Mr. LENIHAN. Yes, sir.

Mr. FREAR. Who for?

Mr. LENIHAN. The Manitowoc Shipbuilding Co., Mr. Grear and Mr. Charles E. West.

Mr. FREAR. You purchased the supplies?

Mr. LENIHAN. I was purchaser, and stock man, and most everything at that time. It was rather a small plant.

Mr. FREAR. While you were connected with them, did you have anything to do with the disposal of property on hand, the selling of property?

Mr. LENIHAN. We never had any salvage.

Mr. FREAR. So you never had anything to do with this other end of it?

Mr. LENIHAN. No, sir.

Mr. FREAR. That is, as to the best method of realizing from sales. I am inquiring for the purpose of the record, because it seems to me that is something that ought to be made plain, as to the methods used.

Mr. LEA. What was your occupation before you went into the Spruce Production Division?

Mr. LENIHAN. I was a marine insurance broker.

Mr. LEA. What was the extent of this experience you had of buying, that you speak of?

Mr. LENIHAN. In Manitowoc, in the shipbuilding business?

Mr. LEA. Yes.

Mr. LENIHAN. Well, you know most everything seems to go into a ship, or into its construction, tools of all kinds and descriptions, pipefitting, boilers, engines, and we bought clothing, blankets, kitchen utensils, dining-room ware, and everything.

Mr. LEA. Now, you say that you did not determine the policies of sale here. Do you know who did determine the policies of sale?

Mr. LENIHAN. I did determine the policy of sales.

Mr. LEA. Oh, I misunderstood you, then.

Mr. LENIHAN. Of course I conferred with other men in the organization as to these policies.

Mr. LEA. Did you ever confer with Mr. Donovan?

Mr. LENIHAN. No, sir; not with the board of directors.

Mr. LEA. Do you know whether the board of directors had that matter of sales under consideration?

Mr. LENIHAN. I am not sure; I could not tell you, sir.

Mr. LEA. And from whom did you get your orders?

Mr. LENIHAN. From Col. Stearns.

Mr. LEA. Have you got the figures for the total amount of property of the corporation sold to date?

Mr. LENIHAN. No; the controller of accounts handles that. He informed me here a week or so ago that we had sold in the neighborhood of \$4,200,000 worth, realizing 74 per cent on the cost. That is all I can say.

Mr. LEA. That is all.

Mr. MAGEE. Maj. Lenihan, you have been connected with the sale of personal property here of the Spruce Production Corporation?

Mr. LENIHAN. Yes, sir.

Mr. MAGEE. You have had nothing to do with any realty or railroads?

Mr. LENIHAN. No, sir.

Mr. MAGEE. Now, can you tell us about the salvage percentage up to date on the sale of personal property of the Spruce Production Corporation?

Mr. LENIHAN. Why, I just stated that the comptroller informed me that it amounted to 74 per cent of the cost on the property that had been sold through my department up to date.

Mr. MAGEE. And the sales which have been made have met fully your expectations?

Mr. LENIHAN. I might say that I am very well gratified with the result, and as a matter of fact, I did not expect to realize that amount.

Mr. MAGEE. Well, that was the impression that I got from your work, and I want to congratulate you on it.

Mr. LENIHAN. Thank you, sir.

(Witness excused.)

Mr. FREAR. I wish to insert in the record a brief letter from W. M. Ladd, dated September 12, 1919, in which he makes some slight corrections in his testimony. There is no objection to it, as I understand.

(The letter referred to above is copied into the record in full as follows:)

HON. JAMES A. FREAR,
Chairman Congressional Investigation Committee,
Portland, Oreg.

DEAR SIR: Kindly make correction in my testimony, page 4246, eleventh line. Change year 1875 to year 1855, the date I testified.

On page 4248, your stenographer made a mistake in the month of August on the third line, first word. August should be January.

Page 4251, after the figures "\$13.75," please insert these words, which I think I gave in my testimony, "being 15 cents."

Yours, respectfully,

W. M. LADD.

Mr. FREAR. I think we will adjourn until 2 o'clock.

(Whereupon, at 12.30 o'clock p. m., the subcommittee took a recess until 2 o'clock p. m., this afternoon.)

AFTER RECESS.

The committee met, pursuant to the taking of recess, at 2 o'clock p. m.

TESTIMONY OF CHARLES E. DANT.

(The witness was sworn by Mr. Frear.)

Mr. FREAR. Your full name?

Mr. DANT. Charles E. Dant.

Mr. FREAR. Where do you live?

Mr. DANT. Portland.

Mr. FREAR. And how many years have you lived here?

Mr. DANT. More than 16 years.

Mr. FREAR. And your business is what?

Mr. DANT. Wholesale lumber dealer.

Mr. FREAR. And how long have you been engaged in that business?

Mr. DANT. Ever since I have been in Portland.

Mr. FREAR. To what extent is your business carried on? How large, I mean, are the operations of your business?

Mr. DANT. Well, we ship—I think we are the largest concern of our kind there.

Mr. FREAR. In Portland or in Oregon or Washington?

Mr. DANT. Well, either in Oregon or Washington.

Mr. FREAR. For illustration, what is the quantity of your shipments and the particular time—say, at the present time?

Mr. DANT. Well, take this month, we are making heavy shipments to China. I think that our shipments this month will amount to \$2,000,000.

Mr. FREAR. To China, or altogether?

Mr. DANT. Altogether.

Mr. FREAR. So that you have had some rather thorough understanding of lumber conditions out on the coast?

Mr. DANT. Yes, sir.

Mr. FREAR. During recent years?

Mr. DANT. Yes.

Mr. FREAR. You were interested in this matter of spruce production, were you, prior to our entering the war?

Mr. DANT. We were handling spruce, yes.

Mr. FREAR. For whom?

Mr. DANT. Well, we were getting it from different mills.

Mr. FREAR. I mean for whom? For other governments—foreign governments?

Mr. DANT. We were shipping to England and to France and to Italy before we entered the war.

Mr. FREAR. And what quantity, generally speaking? Could you determine, on the average, about how much you were shipping at that time?

Mr. DANT. Well, I don't know. It is quite a while back, but we shipped quite a number of million feet.

Mr. FREAR. To the various foreign governments?

Mr. DANT. To France and England mostly.

Mr. FREAR. Prior to the war, yes. Will you briefly give, for the benefit of the committee, the situation that arose; that is, after the war was declared with Germany by the Allies, and your own knowledge of the spruce situation as it developed.

Mr. DANT. Well, we sent a man over to England to find out what the requirements were.

Mr. FREAR. About what time was that?

Mr. DANT. That was in 1914.

Mr. FREAR. About the beginning of the war, or shortly after the beginning of the war?

Mr. DANT. Soon after the war began.

Mr. FREAR. Yes. Now, just briefly state what resulted.

Mr. DANT. They made up, or rather he found out that they wanted spruce over there and found out in what shape they wanted it. He then telegraphed some orders over here, or inquiries; we took it up with the mills.

Mr. FREAR. With the various mills through this section?

Mr. DANT. With the various mills, yes; got a price and cabled back, and the business commenced and was carried on during the latter part of 1914, 1915, and 1916, and into 1917.

Mr. FREAR. Well, during all that period you shipped lumber, did you—airplane lumber?

Mr. DANT. Yes, sir.

Mr. FREAR. To European countries?

Mr. DANT. Yes, sir.

Mr. FREAR. And I suppose there were others engaged in the same business, were there?

Mr. DANT. Several others; yes.

Mr. FREAR. Yes. After our Government got into the war, then what occurred, so far as the method of handling was concerned?

Mr. DANT. Well, then they prohibited the handling of spruce by private firms.

Mr. FREAR. Well, did they at the outset, or when was that?

Mr. DANT. Well, very soon—let me see. Very soon after we got in; yes.

Mr. FREAR. Yes; during the early summer of 1917 that would be?

Mr. DANT. Well, I think it was during the fall of 1917.

Mr. FREAR. That is what I was wondering, whether it was or not.

Mr. DANT. Yes.

Mr. FREAR. During the fall of 1917. And how was business undertaken then?

Mr. DANT. Well, the Spruce Production Division was formed and they took all the business over.

Mr. FREAR. Well, did you have any transactions with the department at Washington? I don't know whether you did or not.

Mr. DANT. None at all; no, sir.

Mr. FREAR. None at all. Now take it in 1915; I notice a statement by a Mr. Harter; I asked you for a brief statement of what occurred.

Mr. DANT. Yes.

Mr. FREAR. And about increasing the output, and financing the mills, and so on. Will you briefly state just what was done at that time, or prior to that.

Mr. DANT. Well, Mr. Harter came over here from London and gave us some pretty good size orders for spruce, which we in turn made advance payments on to the mills, so they could go ahead and make arrangements to get the spruce out.

Mr. FREAR. That is, you were helping to finance them?

Mr. DANT. Yes. We did considerable, or some of that—considerable of it.

Mr. FREAR. Now what were you handling airplane lumber for at that time?

Mr. DANT. What margin of profit?

Mr. FREAR. Yes. What margin of profit, in 1915?

Mr. DANT. Why, we got on some of it 5 per cent, some of it \$5 a thousand.

Mr. FREAR. And about what was the price at that time? It varied, did it?

Mr. DANT. \$65.

Mr. FREAR. \$65 a thousand for airplane?

Mr. DANT. Airplane lumber; yes.

Mr. FREAR. Was that finished airplane lumber?

Mr. DANT. No; it was rough, cut to the specifications that were furnished us by England and France.

Mr. FREAR. And that was shipped to England and finished there, was it?

Mr. DANT. Shipped to England and finished there; yes.

Mr. FREAR. Or European countries?

Mr. DANT. Yes.

Mr. FREAR. During the war and before we entered did you make any efforts to secure the timber that could be used for cutting spruce? For instance I refer you to the Blodgett tract.

Mr. DANT. We had various propositions up; yes. That was one of them.

Mr. FREAR. And that was for what purpose?

Mr. DANT. Well, to try and increase the output of spruce, get people interested—manufacturers and loggers.

Mr. FREAR. Now, what was the first change that was noted in regard to this, so far as Portland was concerned? Mr. Disque came out here, or Col. Disque?

Mr. DANT. Yes; Col. Disque came out here, and then they shortly after that prohibited the shipments by private concerns. Our contracts were all cancelled.

Mr. FREAR. Well; but prior to that you had been shipping, had you not?

Mr. DANT. Oh, yes; we had been shipping right along.

Mr. FREAR. That is, up to the time he came here?

Mr. DANT. We shipped right up to the time that he came.

Mr. FREAR. Do you know what the reason was that you stopped then after he came?

Mr. DANT. Well, he wanted to take it all over, to handle it all through his own office.

Mr. FREAR. That is, you were advised to that effect, were you, or what?

Mr. DANT. Yes, we were advised to that effect. The mills were advised not to make any further shipments to us or to anyone.

Mr. FREAR. I see. So, after that time it was undertaken entirely by his organization?

Mr. DANT. Undertaken by his organization; yes, sir.

Mr. FREAR. Did you furnish any after that time?

Mr. DANT. No, sir.

Mr. FREAR. Were you able to? Could you have furnished it, based on your experience in the past?

Mr. DANT. We could have continued to furnish it the same as we had been; yes, sir.

Mr. FREAR. I don't know whether it appears, or whether you are able to give the figures of how many million feet you were furnishing a year prior to the time this order went into effect.

Mr. DANT. Well, I really could not tell you. I could guess at it, but it was over quite a long period of time and we were shipping all the time all we could get.

Mr. FREAR. Well, it was over a million feet a year, was it?

Mr. DANT. Oh, yes; several million feet a year.

Mr. FREAR. What about the riving proposition that was first decided upon, and what was your judgment of that? You are familiar with all the phases, are you, of logging and lumbering?

Mr. DANT. Well, I am not a logger, nor I am not a manufacturer, but I am quite familiar with it. I am in touch with loggers and lumbermen.

Mr. FREAR. And with the production of lumber?

Mr. DANT. And with the production of lumber; yes, sir.

Mr. FREAR. That is, I suppose anyone engaged in the operations you have been would have an understanding. What of that riving operation that was started?

Mr. DANT. Well, I think some time in 1915 I heard something about riving.

Mr. FREAR. That is, before we entered the war?

Mr. DANT. Yes; and Mr. Ayer and Mr. Van Duzer, and myself talked the matter over, and Mr. Ayer got some logs and tried to rive them and see how it would work and decided that it was not practical.

Mr. FREAR. Mr. Van Duzer is one of the members of the advisory committee that was appointed on fir?

Mr. DANT. Yes, sir.

Mr. FREAR. Well, how long a period did that riving operation continue, if you know—about how long?

Mr. DANT. That is, under Col. Disque?

Mr. FREAR. Yes.

Mr. DANT. Well, I don't know, but they were talking about it for several months.

Mr. FREAR. It finally was——

Mr. DANT (interrupting). Abandoned, I think?

Mr. FREAR. Abandoned, and they undertook a different plan.

Mr. DANT. Yes, sir.

Mr. FREAR. Can you tell me in a general way about what the milling capacity is of the Oregon and Washington manufacturers of lumber?

Mr. DANT. Well, the last figures that I remember was about 2,000,000,000 feet in Oregon and 4,000,000,000 feet in Washington, annually.

Mr. FREAR. That is, the manufacture.

Mr. DANT. Manufactures; yes, sir.

Mr. FREAR. The statement contained in the Spruce Production book is to the effect that the possibilities run to about 30,000,000 feet in an 8-hour shift a day in the mills that are in existence in Washington and in Oregon.

Mr. DANT. 30,000,000 feet?

Mr. FREAR. Yes.

Mr. DANT. Well, that would be 7,500,000,000.

Mr. FREAR. Yes.

Mr. DANT. It is larger than I thought.

Mr. FREAR. And on two shifts, it would be possible to increase the output to 60,000,000,000 feet a day?

Mr. DANT. 60,000,000 feet a day.

Mr. FREAR. 60,000,000 feet a day.

Mr. DANT. Approximately that.

Mr. FREAR. Approximately that. Now there were something like 317,000,000 feet of spruce produced in 1916 and 1917, if I remember correctly the figures about that. That would leave or give about 5 days out of the 300 working days of time that would be occupied in milling that spruce, would it not, providing the mills were entirely devoted to it during that period?

Mr. DANT. I think that is correct.

Mr. FREAR. That is just simply to make the matter of record. With the remaining 295 days could there have been some further sawing and manufacturing of spruce lumber or fir lumber for airplane purposes?

Mr. DANT. There was always an abundance of sawing capacity—more sawing capacity all the time than was necessary.

Mr. FREAR. Well, those figures are approximately right, aren't they, upon the basis given?

Mr. DANT. Yes.

Mr. FREAR. Now that would be less than about $2\frac{1}{2}$ per cent, or less than 2 per cent, figuring on the basis named, of the milling capacity, devoted to the cutting of spruce; taking it at the maximum capacity, that is what I mean to say, from that 317,000,000 feet of spruce would be contained into 7,000,000,000 feet.

Mr. DANT. Yes.

Mr. FREAR. Less; or about 2 per cent.

Mr. DANT. It is always only—it is only a small part of the total.

Mr. FREAR. It is rather insignificant, isn't it?

Mr. DANT. Yes.

Mr. FREAR. Prior to the time that airplane products became necessary?

Mr. DANT. Yes.

Mr. FREAR. So that if the mills had been utilized the other 98 per cent of the output could have been turned into spruce and fir, could it not, to whatever extent was deemed necessary?

Mr. DANT. I think so.

Mr. FREAR. Do you know anything about the disposition of the lumbermen here on the coast, or those running the mills, whether there was any willingness on their part to undertake this?

Mr. DANT. They were all willing to do everything they could.

Mr. FREAR. All willing to produce spruce?

Mr. DANT. Yes.

Mr. FREAR. And help in every way they could. The production of two mills, one at Toledo and one at Port Angeles, was estimated at something like 600,000 a day, I believe. That would be practically an insignificant proportion of the total cut?

Mr. DANT. A very small amount.

Mr. FREAR. Yes. I think it is figured in the book at 2 per cent. So that the addition of those mills was so insignificant it had but very little bearing?

Mr. DANT. Yes, sir.

Mr. MAGEE. You didn't get an answer to it.

Mr. FREAR. Your answer was what?

Mr. DANT. Yes, sir.

Mr. FREAR. Now, what were the prices of airplane lumber, finished airplane lumber—state, if you know—fixed at the early part of the war by the authorities?

Mr. DANT. I didn't keep very close touch with it after we were out of it. The only price that I am sure of is a price that they fixed at \$105 per thousand.

Mr. FREAR. That was the average price?

Mr. DANT. Yes.

Mr. FREAR. Between one hundred and fifty and sixty for the two different grades?

Mr. DANT. I think so; yes.

Mr. FREAR. Well, at that price was it remunerative for millmen to have produced?

Mr. DANT. Yes; I think it was.

Mr. FREAR. And if they had not been willing to produce there was the power that existed in the Government to direct its attention toward them and urge them to. But, as I understand, they were all willing?

Mr. DANT. They were all willing to produce.

Mr. FREAR. Yes. Did you have a conversation or did you have any negotiations with any of the officers of foreign Governments at any time regarding the cutting of spruce lumber, furnishing spruce lumber?

Mr. DANT. I had a conversation with Col. Beckett, who was sent over here by the British war mission, and also with Lieut. Jean Holland.

Mr. FREAR. Holland?

Mr. DANT. Holland; yes; of the French high commission.

Mr. FREAR. How do you spell that name?

Mr. DANT. H-o-l-l-a-n-d.

Mr. FREAR. Holland?

Mr. DANT. Yes; Holland; of the French high commission.

Mr. FREAR. In regard to the airplane production?

Mr. DANT. In regard to the kind of lumber that was being shipped to him by the Spruce Production Board.

Mr. FREAR. Now, with whom was this conversation that you speak of?

Mr. DANT. With Lieut. Holland.

Mr. FREAR. And when was that conversation?

Mr. DANT. Well, that must have been in the early part of 1918.

Mr. FREAR. And whereabouts?

Mr. DANT. Well, here in Portland.

Mr. FREAR. He was here?

Mr. DANT. He was here; and he and I and Col. Beckett went out to Crown Point. I took him out on the highway to show him the highway.

Mr. FREAR. Col. Beckett was the English officer you spoke of?

Mr. DANT. Col. Beckett was the English officer I spoke of.

Mr. FREAR. What was said, if anything, about the shipments that were being made at that time?

Mr. DANT. Well, Lieut. Holland was very much discouraged with the kind of lumber that was being shipped and was out here to make an effort to get it changed, and he said that unless he could get it changed that he would go at once back to France and take it up with Gen. Pershing, and if he was unable to get it changed then that he would resign, because he would not face his superiors in France after having been sent over here to get lumber that they could use and have them piling up the docks in France with stuff that was not usable.

Mr. FREAR. Why wasn't it usable? Was any reason given?

Mr. DANT. It was cut up in the wrong shape and it would check and break.

Mr. FREAR. Explain to the committee what you mean by checking.

Mr. DANT. Well, on the flat-grain side of a piece, if it is struck by the sun it will immediately open up—open up checks. These pieces were cut up in wing-beam sizes, and they were so small that if the check was any place in a wing beam the wing beam was ruined.

Mr. FREAR. That is what he meant by checking, is it?

Mr. DANT. Yes. What he wanted was larger pieces, so they could trim out these checks and get—

Mr. FREAR (interrupting). Now, when you say a larger piece, as your hands indicate, the reporter don't get it. You mean how large pieces in dimensions?

Mr. DANT. Yes; pieces 4 to 6 inches thick.

Mr. FREAR. That is it. Yes.

Mr. DANT. And 8, 10, or 12 inches wide, with a vertical grain face which would not check.

Mr. FREAR. Now, what proportion did he say of the lumber shipped was unfit for use, or did he give any proportion?

Mr. DANT. He said that not more than 15 per cent of the stuff coming from the cut-up plant could be used.

Mr. FREAR. From what cut-up plant?

Mr. DANT. The Vancouver cut-up plant.

Mr. FREAR. Now, at what time was this?

Mr. DANT. This was in 1917.

Mr. FREAR. At what time in 1917?

Mr. DANT. Oh, last year.

Mr. FREAR. You mean 1918?

Mr. DANT. 1918.

Mr. FREAR. What time in 1918?

Mr. DANT. Well, it was in the spring or summer; I don't remember just exactly when.

Mr. FREAR. When they were here?

Mr. DANT. I don't remember just when they were here.

Mr. FREAR. Do you remember whether thereafter the method of cutting was changed at the Vancouver plant?

Mr. DANT. Soon after—Lieut. Holland also took this matter up with Mr. Van Duzer, of the Fir Production Board.

Mr. FREAR. You represented—

Mr. DANT (interrupting). Who was furnishing the Douglas fir cants to the Vancouver plant.

Mr. FREAR. I see.

Mr. DANT. And he told Mr. Van Duzer the same as he told me; that the stuff they were shipping was not usable; and Mr. Van Duzer promised to use his best efforts to have it changed, which he did try to change it.

Mr. FREAR. Yes.

Mr. DANT. But the change that was made was not made properly and was not much more satisfactory, if any, than the first.

Mr. FREAR. How did you gather that understanding?

Mr. DANT. Well, they shipped the cants with a flat-grain face and they would still check. They made them wide, but still with a flat-grain face, and they would check up and be in a bad condition when they got there.

Mr. FREAR. Well, that was a fault that was due to the method of manufacturing, was it—of turning out the lumber?

Mr. DANT. They were simply turning it out wrong; yes.

Mr. FREAR. Now what had been your plan prior to that, I mean the interference, of giving your orders?

Mr. DANT. The way to ship it was the way the people in England ordered it shipped, and the people in France.

Mr. FREAR. And how was that?

Mr. DANT That was 3 to 6 inches thick, 8 to 12 or 14 inches wide, with a vertical-grain face.

Mr. MAGEE. It was a simple matter, wasn't it, to cut in that way?

Mr. DANT. Yes, sir.

Mr. MAGEE It had just as well be cut that way as any other?

Mr. DANT. Just as well. That is the way they took it; that is the way they wanted it.

Mr. FREAR. Well, what further conversation did you have with Lieut. Holland with regard to it, or what further understanding was had between you, and if so on what based?

Mr. DANT. Well, there was nothing I could do. The only thing I could do for Lieut. Holland was to try and help him get the lumber in the way that he could use it, which I did try to do.

Mr. FREAR. That is, by what means?

Mr. DANT. I took it up with Mr. Van Duzer, who was well acquainted with Col. Disque, and asked to try and bring pressure in some way to get this lumber in a shape that they could use it.

Mr. FREAR. Now, did he mean that there was only 15 per cent that was usable when it got over there or when it left the plant, or what? Or did he state that?

Mr. DANT. When it got over there.

Mr. FREAR. When it got over there. And were they getting lumber any other place, or do you know—was anything said about that—from this country?

Mr. DANT. All they were getting was the old lots that various exporters had, like ourselves. We had, for instance, a hundred or a hundred and twenty-five cars on the Atlantic coast, and we kept getting those forward from time to time as fast as we could get space, and other lots at Halifax and Nova Scotia that the Ocean Lumber Co. had kept going forward; so they kept getting some of that all the time.

Mr. FREAR. What did he say, if anything, as to that lumber that had been cut by private individuals?

Mr. DANT. That lumber he could use. It was in the shape that he wanted it.

Mr. FREAR. Do you know anything about Capt. Blain being here?

Mr. DANT. Well, that wasn't in connection with the spruce.

Mr. FREAR. Oh, that was in regard to the shipyards. That is right. Did you have any connection at all with Col. Disque personally?

Mr. DANT. Well, no.

Mr. FREAR. In regard to the airplane lumber?

Mr. DANT. I tried to see him different times, but I was never able to see him but once.

Mr. FREAR. Do you know whether or not the change in methods that was brought about by his organization affected the production of lumber by the various mills throughout this section?

Mr. DANT. Is slowed it up.

Mr. FREAR. Why?

Mr. DANT. Well, he didn't understand what he was doing—very well, at least; and there were many orders issued up there that one order would come out and then there would be another one.

Mr. FREAR. That is, you mean contradictory orders?

Mr. DANT. That is what the millmen claimed. I didn't get the orders.

Mr. FREAR. No. I was trying to get your understanding of it. Do you know to what extent it was slowed up? I don't mean by the actual production, but I mean to what extent it affected the millmen who were interested and desirous of helping?

Mr. DANT. I couldn't tell you to what extent.

Mr. FREAR. Just a moment. You keep your seat. Mr. Gabrielson, a moment. I am showing you a letter attached to the papers here and ask where you secured the copy that that purports to be?

Mr. GABRIELSON. I received that in the official Potter-Ryan files in Washington.

Mr. FREAR. In the Aircraft Division?

Mr. GABRIELSON. Yes; the Aircraft Division of the Army.

Mr. FREAR. Is that a correct copy of the official record there?

Mr. GABRIELSON. Yes, sir; this is the copy that I made.

Mr. FREAR. You spoke of Lieut. Holland having made this statement to you and about his discouragement, as you expressed it, or disappointment?

Mr. DANT. Yes, sir.

Mr. FREAR. I read in the record a letter which has just been identified by Mr. Gabrielson in the committee's employ, a letter dated May 25, 1918, Versailles, France, from Gen. Belin to Gen. Tasker Bliss, United States.

Mr. LEA. What date is that?

Mr. FREAR. That is dated May 15, 1918. The quotations are as follows: "Before the United States entered the war, shipments of wood for airplanes took place by means of the ordinary mechanism of orders placed with private American firms, either by French manufacturers or, later, by the French Government. After the United States entered the war, control was taken over by the Government, which resulted in substituting a central organization, the only contractor abroad, for private American establishments. These measures did not succeed in entirely stopping shipments ordered of private American firms although they decreased them to a considerable extent and without replacing them, so far, by regular Government shipments.

"Whether this state of affairs is due to a slackening in American production, difficulties in railway transportation, and insufficient number of vessels chartered for the transportation of wood, measures taken by the United States to safeguard her own war supplies, or whether it is due to all these causes together, the fact remains that the first shipments of wood under the control of the American Government (arrivals distributed among the Allies from December, 1917), did not begin until early in March, 1918, and then only in a totally inadequate manner.

"Supplies of wood for the Air Service from September, 1917, until March, 1918, were thus entirely due to the remains of private importation. The gaps in the shipments during the last few months have seriously compromised the situation of aviation production and the situation of the Air Service is consequently such that the least thing may make a very serious matter of it."

That letter confirms, in a way, the statement that was made to you by Lieut. Holland from this general. Do you know what his position was—Gen. Belin, in France?

Mr. DANT. I don't.

Mr. FREAR. You don't know. And that is also in support of the same position taken this morning, of the British officer who was discussing with Douty the situation. I wish to put that in the record.

What other matters, Mr. Dant, occur to you as having an important bearing upon the question which is now before the committee; this matter of spruce production as it existed during the war?

Mr. DANT. This is always spoken of as spruce. I presume you know that when the spruce almost stopped coming, or slackened up, that they put in a large amount of Douglas fir?

Mr. FREAR. Now, when was that; what time did that occur, that they began putting in Douglas fir; did they do that before we were at war; I mean were you shipping fir—

Mr. DANT. No.

Mr. FREAR. To foreign countries?

Mr. DANT. After we were stopped in shipping spruce—

Mr. FREAR. That is in the spring of 1918?

Mr. DANT. Yes.

Mr. FREAR. Yes.

Mr. DANT (continuing). We thought that they could probably use fir.

Mr. LEA. I just want the record straight. Wasn't that in the fall of 1917? I simply suggest that.

Mr. FREAR. Yes; I misspoke myself. You said along about September.

Mr. DANT. So we arranged to have one of the mills—Mr. Ayer—get out a carload of fir, vertical grain fir, 18 feet and longer, and through the help of Mr. Philip Suter, British lumber inspector, we got that carload of fir in London very promptly. We sent it overland to Boston and got it on a Leland liner and got it through to London very quickly, with the result that we received a cable to ship about a hundred carloads. It amounted to something over a hundred carloads of this fir.

We started out to ship the fir as promptly as possible, and as soon as the fir or the Spruce Production Board found out that we were shipping this fir, they issued an order stopping us and took the fir over themselves.

Mr. FREAR. That was the first fir, so far as you know, that had been ordered abroad and shipped from here?

Mr. DANT. I believe that is the first.

Mr. FREAR. And that was undertaken as a private enterprise.

Mr. DANT. Well—

Mr. FREAR. That is, ordered from private parties. Well, before the armistice was signed, the production of fir did reach a very large proportion of the total, did it not?

Mr. DANT. Yes; probably a larger proportion than it might seem from the shipments, for this reason, that I understand that fir was only shipped in wing beams, while the spruce, they took various parts of the airplane out of spruce; but I think they shipped only wing beams in fir—

Mr. FREAR. If fir and spruce had been—

Mr. DANT. Up until the last.

Mr. FREAR. If orders had gone out to private mills to ship fir and spruce early in 1918 or in the fall of 1917, and with those mills having a capacity, as you have stated, or as appears in the record, of 60,000,000 feet of cutting a day, that ought to have provided—

Mr. DANT. There was never any trouble about getting plenty of stuff; there was not any trouble about that.

Mr. FREAR. What do you mean by that then?

Mr. DANT. Why, they could furnish more fir and spruce than they could possibly use at any time.

Mr. FREAR. What was the reason that they didn't, in your judgment?

Mr. DANT. Well, they furnished enough, but they didn't furnish it right. They shipped plenty, but they didn't ship it in the right shape.

Mr. FREAR. It is claimed they did not furnish enough, too; but if they had wanted to, they could have increased the amount of shipments many times over, could they not, if those figures are accurate and the work had been put upon the airplane stuff?

Mr. DANT. They could have shipped much more than they did, yes.

Mr. FREAR. Double it, treble it, couldn't they?

Mr. DANT. I think they could, yes.

Mr. FREAR. Because they were only occupying 2 per cent of the time in sawing spruce prior, during the years 1916—

Mr. DANT. They could have increased the fir.

Mr. FREAR. They could have increased the fir immeasurably?

Mr. DANT. Yes.

Mr. FREAR. You have stands of many billion feet of fir, haven't you, out here?

Mr. DANT. Yes.

Mr. FREAR. How many billion feet?

Mr. DANT. Well, something like five to seven hundred billion feet in Oregon.

Mr. FREAR. Of timber of all kinds?

Mr. DANT. In Oregon.

Mr. FREAR. In Oregon alone, and then Washington has a large stand.

Mr. DANT. Two to three hundred billion.

Mr. FREAR. You could get three hundred billion, and that would have been enough to have shipped to any army, in view of the fact that not over 15,000 planes of all kinds, or less than that, were, I think, engaged altogether on both sides. It takes, as I understand, between—do you know how much it takes for an airplane?

Mr. DANT. Depends on the kind of airplane.

Mr. FREAR. Well, now, take the Spad, which is the fighting plane used by Richenbacher and many of the other American aviators—the French Spad.

Mr. DANT. It only takes a small amount. I could not tell you the feet.

Mr. FREAR. About six or seven hundred feet.

Mr. DANT. Something like that, I should say, I don't know exactly.

Mr. FREAR. You don't know. It is only a small amount, proportionately, so the question of production did not enter into it, as I understand.

Mr. DANT. I never thought that it did.

Mr. FREAR. Surely, if the Government had undertaken it and pursued the plan that was pursued in Canada, the production could have been largely augmented.

Mr. DANT. Well, I really don't know much about what they——

Mr. FREAR. Do you know Pendleton?

Mr. DANT. No, sir.

Mr. FREAR. You don't know anything about the conditions up there?

Mr. DANT. I was up there, but I haven't any close knowledge of it.

Mr. FREAR. Is there anything further that occurs to you?

Mr. DANT. No, sir.

Mr. FREAR. I guess that is all.

Mr. LEA. Do you remember what date this was when Mr. Holland was out here?

Mr. DANT. Well, I don't. It might have been in the spring, it might have been in the summer.

Mr. LEA. Of 1918?

Mr. DANT. Yes.

Mr. LEA. Do you know whether he was here more than once?

Mr. DANT. Well, he was here and in Seattle.

Mr. LEA. How long did he remain out here?

Mr. DANT. Oh, he was around here for some weeks; may have been only two weeks, may have been longer.

Mr. LEA. What was the capacity in which he was here?

Mr. DANT. He came here representing the French High Commission and especially the lumber, looking after their lumber requirements for airplanes.

Mr. LEA. Now, as to the shipments that occurred and whether or not they fell down, have you specific figures on that?

Mr. DANT. I have some figures, yes. I haven't them with me.

Mr. LEA. Well, now, with reference to what time do you say that these shipments fell down?

Mr. DANT. Wait a minute. [Examining paper.] Not in this letter.

Well, let's see, they commenced to—when they commenced to change the specifications, then the shipments fell down.

Mr. LEA. The specification change was agreed on by the Allies, wasn't it; the United States and the Allies got together and drew up the specifications that were to govern?

Mr. DANT. I don't know about that.

Mr. LEA. And the timber that was cut here was in accordance with the agreement that they made, and subsequently they changed it; isn't that the way you understand it?

Mr. DANT. There were certain men went to Washington and agreed on a new specification. Whether the Allies—how much the Allies had to do with that I do not know.

Mr. LEA. I see. Well, that is in evidence already. Do you remember about when that was that the specifications were changed?

Mr. DANT. It was—when did Col. Disque get here?

Mr. LEA. I think it was about the 15th of November, the first time, and then he returned about the 1st of December, approximately.

Mr. FREAR. Somewhere along November or December.

Mr. DANT. Yes. Well, it was soon after that.

Mr. LEA. Before that time a great deal of G list of materials had been shipped?

Mr. DANT. Yes.

Mr. FREAR. And a very large proportion of that was rejected for airplane use, wasn't it?

Mr. DANT. No, sir.

Mr. LEA. Have you any record of the amount of rejections of that?

Mr. DANT. I only have the words of people coming over here, back and forth from London and from France, that the quality being shipped was satisfactory.

Mr. LEA. Well, do you claim that a larger percentage of this lumber in 1917 was usable than it was in 1918?

Mr. DANT. I claim that a larger percentage of the lumber shipped by private concerns in 1917 was usable—and prior to that time—than was usable from the cut-up plant.

Mr. LEA. Do you know the total amount shipped by the private concerns before the Spruce Production Division was instituted?

Mr. DANT. No, I don't. I don't think any one does.

Mr. LEA. Well, now, a good deal of what you have said here about that is your general knowledge of it, but not so much on the specific facts as to amounts, isn't it?

Mr. DANT. Well, I don't know just what you refer to. If you will be a little more specific—

Mr. LEA. Yes; about the amount of rejections.

Mr. DANT. As I say, I have the word of people that were engaged in the business, going back and forth between here and England and France.

Mr. LEA. Did they ever submit an official report to you about the amount of rejections?

Mr. DANT. No, sir.

Mr. LEA. And do you know whether or not there is such a report in existence?

Mr. DANT. I don't think that there is such a report.

Mr. LEA. What I meant, as to these Government shipments. I presume there is no report—no official report—on private shipments.

Mr. DANT. Not that I know of.

Mr. LEA. Now, Mr. Holland, in speaking about these specifications, didn't tell you who had prepared them, did he?

Mr. DANT. Who had prepared these specifications?

Mr. LEA. Yes.

Mr. DANT. No, sir.

Mr. LEA. Now, do you know what date the cut-up plant began operations?

Mr. DANT. I do not.

Mr. LEA. Now, are you sure that any of this conversation was directed to the product of the cut-up plant?

Mr. DANT. Yes, sir; because he went to the cut-up plant from our office.

Mr. LEA. Did he say that the product from the cut-up plant had arrived on the other side of the water before he had left the other side?

Mr. DANT. He said that the stuff arriving in France was not—could not be used to any more than the extent of 15 per cent.

Mr. LEA. But you know, of your own knowledge, that no material from the cut-up plant arrived in Europe during the winter of 1917 and 1918?

Mr. DANT. Of 1918?

Mr. LEA. 1917 and 1918.

Mr. DANT. I didn't say that it did arrive in the winter. I said that he was here in the spring or summer.

Mr. LEA. Well, what I was getting at, Mr. Dant: I thought you might be mistaken as to the cut-up plant material.

Mr. DANT. No, sir; I am not.

Mr. LEA. Don't infer anything improper about this at all, because these things happened a long while ago.

Mr. DANT. Yes.

Mr. LEA. But I wanted to see how definitely—how certain you were as to whether that was really the cut-up plant material.

Mr. DANT. Well, they changed their specifications at his request, so, if the stuff had been satisfactory why would they change it?

Mr. LEA. Well, it was changed; there is no doubt about that.

Mr. DANT. Yes.

Mr. LEA. But it was changed before the cut-up plant material had arrived in Europe.

Mr. DANT. Well, the cut-up plant had been running quite a long while when he arrived here.

Mr. LEA. You say it was late in the winter before the cut-up plant was set up.

Mr. MAGEE. The cut-up plant got in operation about the middle of February, 1918.

Mr. LEA. Yes.

Mr. DANT. The stuff must have been arriving in France.

Mr. LEA. It began operation in February, about the 15th, I think.

Mr. DANT. In the spring or summer?

Mr. LEA. Yes; it arrived there early in the spring.

Mr. FREAR. Let me interject a question at this time. Were priorities given to shipments of airplane lumber?

Mr. DANT. Yes, sir.

Mr. FREAR. And about what would be the time occupied in shipping from here to European countries, if you know? That may help.

Mr. MAGEE. I think Gen. Belin's letter here speaks of the airplane stuff arriving from the Spruce Production in—

Mr. FREAR. I was wondering if you knew about the length of time?

Mr. DANT. If it went right through, it might go through in 20 days; it might be much longer, depending on the connection with boat, etc.

Mr. LEA. Yes. Well, undoubtedly there was time enough for it to arrive in the early spring in 1918.

Mr. DANT. Yes.

Mr. LEA. I think that is all. Oh, do you recall when you first shipped lumber—airplane lumber to Europe, after the war began?

Mr. DANT. Well, it must have been along near the end of 1914 or the first of 1915. That is only from recollection.

Mr. LEA. You shipped as early as anybody did from here, probably?

Mr. DANT. Yes, sir.

Mr. LEA. And did you ship directly to the English Government, or to private agencies?

Mr. DANT. We shipped to importers in England.

Mr. LEA. I think that is all.

Mr. MAGEE. You think, Mr. Dant, if I understand you, that the production would have been reasonably sufficient if the lumber had been cut as the French wanted it?

Mr. DANT. I think it would have been much larger than what it was.

Mr. MAGEE. You spoke of 15 per cent. Now, do we understand from that that the other 85 per cent, according to your contention, was not usable for airplane production?

Mr. DANT. Here is what happened: Now, for instance, you put it on the car here and you ship it to Boston, say, and then it is taken off there and it is laid out on the docks. The minute the sun strikes it, it opens up if it has the flat grain surface. Then it is grabbed up with chains and big slings on the steamer and it is dropped down into the hold of a steamer, and then it goes over to France or England, and it is taken with these chains again and it is yanked up out of the hold. Then it is put on the docks in France. The pieces they were shipping were so small, being the wing-beam sizes, that they would not stand that rough handling, nor would they stand to have any checks in them.

Mr. MAGEE. Not big enough?

Mr. DANT. Yes; it was too small. When it once checked, it was ruined, where, if you had a large piece, 4 to 6 or 8 inches thick and 8, 10, 12, 14 inches wide, even if it did check a little on a piece, they could cut that off.

Mr. MAGEE. Yes; I understand that.

Mr. DANT. They could cut that off and then they could take the larger wing beams off.

Mr. MAGEE. What I am getting at, is it your contention that they could use only 15 per cent of it, cut in that way.

Mr. DANT. In the way that they cut it, yes; as though they—

Mr. MAGEE. And that the other 85 per cent was worthless for aircraft purposes?

Mr. DANT. Yes.

Mr. MAGEE. What would you say if a car or ship load of lumber had been cut in the way that you say it was cut before the Spruce Production Division began to cut it, what percentage of that would have been proper to use for aircraft purposes?

Mr. DANT. Sixty to seventy-five per cent.

Mr. MAGEE. Now, do you know anything about spruce stands in this country here in the Northwest?

Mr. DANT. Well, I know something about them; yes.

Mr. MAGEE. Do you know whether or not there is any spruce in the Siletz Basin?

Mr. DANT. Yes, sir.

Mr. MAGEE. What do you say as to that?

Mr. DANT. Fine spruce.

Mr. MAGEE. What knowledge have you there? Now, there was evidence given by Mr. Benson here yesterday—Mr. Amos Benson, and by Mr. McDonald, which would lead one to believe that the

Siletz Basin, so far as spruce is concerned, is well on toward being a Sahara Desert. What do you know about it, of your own knowledge?

Mr. DANT. Well, coming down to my own knowledge, I don't know an awful lot about it. We own some spruce over there. The land that we own is pretty well covered with spruce. I think we have—I think that on the land that we own it is mostly spruce.

Mr. MAGEE. Well, other witnesses that have come up here place in the Siletz Basin a minimum of 550,000,000 feet of lumber—spruce—and a maximum of a billion feet, and the committee had been led to believe, at least the impression is made upon my mind, that in the Siletz Basin was one of the best spruce stands in the Northwest, or in the State of Oregon.

Mr. DANT. The spruce that we own over there is good.

Mr. MAGEE. What is the common understanding, if I may ask you that, as to whether or not it is regarded as one of the best spruce stands in the State of Oregon or the Northwest or the United States, or whether it is not?

Mr. DANT. It is regarded as a first-class lot of spruce—a good deal of it is.

Mr. MAGEE. A large amount of good spruce there for aircraft purposes?

Mr. DANT. I don't think there is any doubt about that.

Mr. MAGEE. Is it regarded as one of the best spruce stands here in the Northwest?

Mr. DANT. I have always understood that it was; yes, sir.

Mr. MAGEE. Now, you stated that you never had been able to see Gen. Disque but once, although you had tried several times. What do you mean by that?

Mr. DANT. Well, he was always busy, or would refuse to see you.

Mr. MAGEE. Well, did he refuse at any time to see you?

Mr. DANT. Yes.

Mr. MAGEE. When was that?

Mr. DANT. Oh, I don't know exactly when, but——

Mr. MAGEE. Here in Portland?

Mr. DANT. Yes, sir.

Mr. MAGEE. On more than one occasion?

Mr. DANT. Yes; at least two or three occasions.

Mr. MAGEE. Did you ever have any words with him, or trouble with him, or anything of that sort?

Mr. DANT. Well, he regarded all importers or middlemen—he didn't want anything to do with them at all, apparently.

Mr. MAGEE. I think that is all.

Mr. FREAR. That just reminds me of a shipment of a million feet here, that, as I now recollect, was called for, and you said you would be able to secure it in a very brief time, with your knowledge of production. Is that contained in here?

Mr. DANT. I don't remember what you are referring to.

Mr. FREAR. I have got that impression. I will see if I can find it. Go on.

Mr. LEA. Did any of the orders you had pending at the time the embargo was placed on middlemen—were any of those reinstated?

Mr. DANT. No, sir.

Mr. LEA. So that from the time that order went into effect you were deprived of any profits in your business on account of this spruce shipment to Europe?

Mr. DANT. As a matter of fact, by this embargo going into effect, we were relieved of a considerable amount of loss; that is, we would have made a loss if we had had to have filled our contracts, and we were benefited by the embargo going in.

Mr. LEA. Do you mean to say that this sale to England was not profitable?

Mr. DANT. It was not profitable, and I may explain the reason as being on account of embargoes on American railroads, making it impossible for us to get to the Atlantic coast and catch steamers on which we had space. As soon as those steamers sailed, our contracts were canceled, and we were continually paying higher rates than we had figured on to get our stuff forwarded.

Mr. LEA. A raise in freight rates, you mean?

Mr. DANT. A raise in freight rates.

Mr. LEA. And at the same time delay in investment, wasn't it?

Mr. DANT. Well, we were paying storage all over the Atlantic coast—Philadelphia, Boston, Baltimore, and New York, and elsewhere—and we were mighty glad to be relieved; so we didn't lose any money on that account.

Mr. LEA. When was it that this business became unprofitable, before or after the United States entered the war?

Mr. DANT. Largely after the United States entered the war. I can't tell you exactly about that, but we kept missing the boats, you see, and then when we tried to get more space the rates kept going up, and we filled a great many orders at a loss on that account.

Mr. LEA. You had to run the risk of priority shipments, too, didn't you?

Mr. DANT. Yes, sir.

Mr. FREAR. If 60 to 75 per cent of airplane lumber was accepted under the former method and only 15 per cent, as was stated by Lieut. Holland, was being received that was suitable, that would mean from 400 to 500 per cent more airplane lumber was usable out of the same quantity at that time of which you speak?

Mr. DANT. There is no doubt about it.

Mr. FREAR. Well, something has been said about your business matters, I notice here. What were you paying taxes for, or what were the taxes that you were paying along about that time? I see a list here in this private letter.

Mr. DANT. Well, I don't know—

Mr. FREAR. The suggestion here is \$50,000; is that right?

Mr. DANT. We pay that all right. We pay more than that.

Mr. FREAR. That is simply to indicate the size of the operations and what you were engaged in doing. That is a year?

Mr. DANT. Yes, sir. We pay more than that.

Mr. FREAR. That is all.

(Witness excused.)

TESTIMONY OF N. E. AYER.

(The witness was sworn by Mr. Frear.)

Mr. FREAR. You live in Portland, Oreg.?

Mr. AYER. Yes, sir.

Mr. FREAR. I learned, just a few moments ago, as you sat there, that you had had something to do with milling and with aircraft production, and I notice your name in this private letter which appears here of Mr. Dant's. Will you state briefly to the committee just exactly what your business is, how large, and what your experience was in airplane lumber shipment?

Mr. AYER. Why, I am the owner of the St. Johns Lumber Co. We manufacture about 55,000,000 to 60,000,000 feet a year, and in the year 1917 I had leased the Northern Pacific mill and was manufacturing about 65,000,000 there a year. We were furnishing some spruce lumber to the allied governments, through Mr. Dant, as a wholesaler and broker, and after we got started and were stopped on the furnishing of spruce, on account of the embargo placed, I suggested that we try shipping fir lumber, as fir, for wing-beam stock, in my opinion, is superior to the spruce or equally as good. We shipped a car and it proved satisfactory, and they wanted more of it very fast, and we were getting that out until we were stopped by the Spruce Production Division.

Mr. FREAR. That is, this one in which Col. Disque was the head?

Mr. AYER. Yes. Well, I don't think Col. Disque stopped us. I think we were stopped just before he came West.

Mr. FREAR. I was trying to locate the tie.

Mr. AYER. Yes. And then when Col. Disque first got here I could see then that they were not getting out the material that was wanted, and I took considerable interest in it, and I think when Col. Disque came here I—the very first day I heard he was here I wrote him a letter and told him I had a plan which I thought would help get production, and he replied in a letter thanking me for it. But I had nothing to do with Col. Disque for many months; he never wanted to see me. I called on him, but he would not see me. And after he started the cut-up plant he would not see me, but he would always refer me to some of his subordinates, and I could see that he was not preparing to handle the stock to get the production—the largest production for the Allies particularly. The cut-up plant at Vancouver was all right for the wing-beam stock and for the stock for our own factories, but it was not the stuff that the allied Governments wanted. But I didn't succeed in doing it, and when Lieut. Holland was here and Mr. Becett I tried then very hard to get to see Col. Disque and I did see him and I told him what they had said and what they wanted, and not to lose sight of the spruce mills and the fir mills to get the stuff that they wanted, and not try to simply ship stuff that they were manufacturing at the Vancouver plant.

Mr. FREAR. What did you tell that Lieut. Holland and the other representative said about it?

Mr. AYER. I told him just what they said, that the sizes and the way they were getting it was not satisfactory—there was too large a waste—and they were the wrong sizes and wrong lengths and everything. It was not satisfactory at all. They were shipping a great deal of stuff, but only a small proportion of it was getting into the airplanes.

Mr. FREAR. Well, now, was there anything done in reference to these milling operations?

Mr. AYER. In regard to the airplane?

Mr. FREAR. Yes.

Mr. AYER. Why, in April, 1917, I through—not to Mr. Disque personally, I tried it, but he would not take it, but through Mr. Van Duzer—

Mr. FREAR. You mean April, 1918.

Mr. AYER. No.

Mr. FREAR. 1917 was when the war was declared.

Mr. AYER. No; April, 1918.

Mr. FREAR. Yes.

Mr. AYER. Mr. Van Duzer had persuaded Col. Disque to try some fir in place of spruce, and he asked me to furnish it to him, which I did, and they found it was—and they sent men down to the mill to see it gotten out, and how to manufacture it when they got it at Vancouver, and after they got it there they telegraphed and telephoned and wanted all they could get of it; and that was the way that the fir got into the game. But as I understand it they only used the fir for wing beams, consequently only—although the production of fir from that time on was equal to that of spruce—that they probably shipped along 75 per cent of the amount of spruce that they received at the Vancouver plant, where they possibly shipped less than 50 per cent of the fir. So the fir really included about 75 per cent of the available stock that was suitable for the airplane.

Mr. FREAR. That could be used for the airplane?

Mr. AYER. Yes, sir.

Mr. FREAR. And before we reached the time of the signing of the armistice was being used to that extent?

Mr. AYER. To a very large extent.

Mr. FREAR. And you were the man, so far as you know, who developed this matter of the fir for airplane purposes—that is, in any merchantable degree, I mean.

Mr. AYER. Yes; I think so.

Mr. FREAR. What would be the approximate amount of shipments that you were making prior to this change that was made at that time, for airplane purposes, airplane lumber.

Mr. AYER. The amount shipped?

Mr. FREAR. Yes.

Mr. AYER. In 1917?

Mr. FREAR. That you were shipping, yes, or that you were turning over to Mr. —

Mr. AYER. Dant?

Mr. FREAR. Mr. Dant.

Mr. AYER. After the first car, I think we were shipping about—well, we shipped quite a lot of it, I think we shipped about two hundred or two hundred and fifty thousand feet before we were stopped.

Mr. FREAR. Before you were stopped?

Mr. AYER. Yes.

Mr. FREAR. Then you were stopped. What reason was given?

Mr. AYER. That they wanted all the export lumber to go through the hands of the Spruce Production Division.

Mr. FREAR. Did they ask you after that to continue sawing spruce lumber?

Mr. AYER. No; not until after the Vancouver plant wanted the sawing. I don't think there was but very little spruce shipped from November, 1917, until April, 1918.

Mr. FREAR. That would have caused a natural slowing up of operations if that same condition had extended generally, wouldn't it?

Mr. AYER. Oh, absolutely. There was no need of any slowing up in the operations.

Mr. FREAR. You could have continued right along just as well. .

Mr. AYER. Right along.

Mr. FREAR. About how much lumber would you say, Mr. Ayer, is contained—what is the comparison between the logs and the lumber—that is, how much lumber is taken out of a log. In 100,000 feet of logs, say, what would be the proportionate amount of lumber? That is what I am trying to get, on an average.

Mr. AYER. You probably do not realize that here in the Northwest we have several different sizes or grades of lumber.

Mr. FREAR. Yes.

Mr. AYER. And out of the red-fir log or a small log there would practically be none. Out of the old-growth yellow-fir log there would be quite a good percentage, probably in spruce it would run up as high as 30 or 40 per cent of airplane lumber. In fir not quite so high.

Mr. FREAR. I am taking, for instance, selective logging, which was suggested here, where airplane timber was selected and marked for cutting. Now, taking timber of that kind, what proportion of that timber would approximate—

Mr. AYER. You should get 40 per cent, then, out of selected logs, easily.

Mr. FREAR. You can get 40 per cent?

Mr. AYER. Yes, sir.

Mr. FREAR. Now, there was in the neighborhood of 7,000,000,000 feet of lumber, I understand, of all grades that was cut in 1917. I think that was the testimony suggested by Mr. Dant, or that is, at least, the capacity of the mills. Now, there are enough logs for that?

Mr. AYER. Yes.

Mr. FREAR. Now, that would be how many billion feet of logs, approximately, to bring out 7,000,000,000 feet of lumber, of all grades?

Mr. AYER. I do not quite catch the drift of your question.

Mr. FREAR. Would it take more than 7,000,000,000 feet of logs in the stump to bring out 7,000,000,000 feet of lumber in the mill?

Mr. AYER. No; 7,000,000,000 feet of logs would bring out more than 7,000,000,000 feet of sawed lumber. There is an overrun.

Mr. FREAR. There is an overrun from the log to the lumber?

Mr. AYER. Yes, sir.

Mr. FREAR. So that if 7,000,000,000 feet of lumber was manufactured, or 5,000,000,000 feet of lumber was manufactured, it indicated that there were logging facilities to bring out over 5,000,000,000 feet of logs?

Mr. AYER. Yes, sir.

Mr. FREAR. Now, that leads up to this question: You are engaged in manufacturing airplane lumber, and it was needed; the mills were engaged in manufacturing all kinds of lumber, commercial spruce and all other kinds?

Mr. AYER. Yes, sir.

Mr. FREAR. Three hundred and seventeen million feet, according to the uncontradicted testimony, was manufactured in both 1916 and 1917; it averaged within a million feet each year.

Mr. AYER. Yes, sir.

Mr. FREAR. Now, if all the capacity of the loggers and all the capacity of the mills, the private mills, had been turned to airplane lumber, or even 10 per cent of it, what would have been the result; wouldn't it have resulted in a great increase in airplane lumber?

Mr. AYER. A great increase.

Mr. FREAR. Necessarily so, because only about 2 per cent of the capacity was used in manufacturing the 317,000,000 feet?

Mr. AYER. Yes, sir.

Mr. FREAR. Now, with all that logging facilities, which was capable of bringing out over 5,000,000,000 feet of logs in this section of the country, and all the milling—and I am putting it conservatively—all the milling facilities that were capable of bringing out over 5,000,000,000 feet of lumber, what have you to say about the ability of the loggers and the lumbermen of the Northwest to have furnished several times as much airplane lumber, to put it modestly, as was brought out?

Mr. AYER. I do not think there is any question about it; they could have produced the lumber and produced the airplane stock without any trouble at all. They would have had to use fir along with the spruce.

Mr. FREAR. They would have to use fir along with the spruce?

Mr. AYER. Yes, sir.

Mr. FREAR. But even that spruce alone, in the sections that had been developed, that possibility existed, didn't it, so far as the spruce alone was concerned?

Mr. AYER. The sections that could have been developed; yes.

Mr. FREAR. I am referring to the new sections, for instance, the Pleasant Lake section—

Mr. AYER. And the Blodgett tract.

Mr. FREAR. And the Queniult.

Mr. AYER. Absolutely.

Mr. FREAR. There was plenty of it?

Mr. AYER. Yes.

Mr. FREAR. Did you determine, and I mean for the people over there, by your own work, that fir could be used as well and in some cases, as I understand, better than spruce?

Mr. AYER. Yes.

Mr. FREAR. Because you got the dimensions easier?

Mr. AYER. Yes.

Mr. FREAR. That is all.

Mr. LEA. Did you have any trouble selling spruce, airplane lumber, during the war?

Mr. AYER. No; not at all. I manufactured only a small proportion.

Mr. LEA. Wasn't that true of all the lumbermen?

Mr. AYER. Well, the spruce before we entered the war was largely manufactured by the mills that made a specialty of it.

Mr. LEA. After we entered the war couldn't any lumberman sell any airplane lumber that he wanted to offer?

Mr. AYER. Who to?

Mr. LEA. To the Spruce Production Corporation of the Government.

Mr. AYER. It was a pretty hard proposition, I think.

Mr. LEA. Efforts were constantly made, and they say the price was all right, why didn't they produce it?

Mr. AYER. One of the things was that when they were shipping lumber to the Allies they were doing it in a regular commercial specification. I think the specification was changed from the commercial to G-list specification, to what they call the Government specification No. 1, which was very much harder and very absurd. The Allied countries were satisfied with the G-list commercial specification, but when this country got into the game they wanted something better than the allied countries had had, and they changed the specification, and that itself cut down the production very materially. It was almost an impossibility. They sawed tree after tree that would not produce it, and it discouraged them.

Mr. LEA. Do you know who changed the specification or prepared it?

Mr. AYER. I understood that it was changed at a conference in Washington.

Mr. LEA. A conference with the Allies, wasn't it?

Mr. AYER. I think not; no, sir. It was changed, the No. 1 Government specification, I think, was changed at a conference in Washington.

Mr. LEA. And don't you know that the representatives of all the Allies' countries, and representatives of the United States got together and agreed on this specification?

Mr. AYER. I did not so understand it.

Mr. LEA. Well, that is the testimony, and the loggers here were offered a high price, that I understand was sufficient, this price offered by the Government was sufficient.

Mr. AYER. The price offered, I think, was \$70 and \$150, which made the average \$105, and they would only pay \$105, no matter whether you had a larger percentage of good or poor in it. They only gave you \$105 for it.

Mr. LEA. Do you think the price that the Government offered was high enough or not?

Mr. AYER. Not on that specification.

Mr. LEA. Well, do you know the prices for the different grades?

Mr. AYER. They were \$70 and \$150, and it was split to make \$105.

Mr. LEA. If you brought the best grade you could not get \$150 for it?

Mr. AYER. No, sir; when Mr. Hawkins was in charge of the spruce I asked him about that and he told me absolutely no.

Mr. LEA. Well, at any time after Mr. Disque came in charge here do you know of any time that a man could not get \$150 for the \$150 grade of spruce lumber?

Mr. AYER. I do not think Disque allowed them to saw the \$150 grade. He wanted them to saw it in cants for the Vancouver plant. There might have been a few outside mills that he had special contracts with that sawed \$150 lumber, but only a few.

Mr. LEA. Whatever the price was, do you know of anybody that had the lumber they wanted that could not get the price that the Government offered?

Mr. AYER. The lumber that they wanted, the mills had the lumber they wanted?

Mr. LEA. Yes.

Mr. AYER. I do not understand your question, Mr. Lea.

Mr. LEA. My idea is this, Mr. Ayer: As I understand it, it was getting all the lumber that it could get hold of at established prices.

Mr. AYER. Yes.

Mr. LEA. And that any logger or lumberman in this section, if he had the timber, could sell it?

Mr. AYER. Yes.

Mr. LEA. And that everybody that offered lumber did sell it?

Mr. AYER. Yes.

Mr. LEA. At the Government price?

Mr. AYER. Yes.

Mr. LEA. Now, what I want to get at is the merit of your contention that notwithstanding everybody could sell their lumber why didn't you produce more?

Mr. AYER. I think we are working a little at cross purposes. I think the mills that took spruce and fir over to the cut-up plant, they did try to give the Government the most that they could, but that was taken out of the hands of Mr. Disque and put it in the hands of the Fir Production Board, of which Mr. Van Duzer was in charge, and he hired a large number of men to go around to the mills to show them how to cut this lumber the way they wanted it at Vancouver, and they did produce quantities of fir. But they did not go far enough. I suggested to Mr. Disque and Mr. Van Duzer that they get the loggers to log fir in a selective proposition, to pay the loggers an extra price for putting in these logs, especially for the airplane cants, but they would not do that.

Mr. LEA. Now, you were here on the Pacific coast all the time, were you?

Mr. AYER. Yes, yes; 30 years.

Mr. LEA. Now, are you passing judgment on the wisdom of the leaders of the battle in Europe as to what they required? Is that the idea, or is it in reference to the proposition of producing lumber here on the Pacific coast?

Mr. FREAR. I object to that as containing a conclusion of counsel that is not supported by the testimony.

Mr. LEA. I am asking if it is.

Mr. FREAR. I think that is a very unfair question to put to any witness.

Mr. LEA. I will ask another question.

Mr. FREAR. I will ask counsel to read his own question.

Mr. LEA. I will ask another question. It is not your idea to pass on what they needed for airplanes, is it, in the matter of the technical construction?

Mr. AYER. I was doing that before the Government took hold of the production of airplane lumber. I was getting out stuff for that purpose.

Mr. LEA. You were manufacturing the material here.

Mr. AYER. I was shipping it also to some airplane factories in this country.

Mr. LEA. You understand that the Spruce Production Corporation had nothing to do with that phase of it, don't you?

Mr. AYER. Well, they claimed to have.

Mr. LEA. They simply tried to supply the demand that was requested; they did not create a demand for it, and they did not have any right to determine what it should be.

Mr. FREAR. That is one of the great issues.

Mr. AYER. I think they did.

Mr. FREAR. That is one of the issues in this investigation.

Mr. AYER. I think they did.

Mr. LEA. Of course there is no use to argue about it, because that is beyond question.

Mr. AYER. They had proof of it and requests for it, and afterwards they did try to get this lumber when Lieut. Holland and Col. Beckett wanted it. They sent flat-grained cants and even squared them up and made them look nice, but that was not what they wanted. Holland and Beckett told them exactly what they wanted, but they did not do it.

Mr. LEA. Now, going back to the question of spruce, and that is what my questions were directed at, was there any reason why any lumberman could not get pay for all the suitable airplane lumber that he produced?

Mr. AYER. If he would do it the Government way, I think he could, but he had to do it the Government way. I offered to put in a logging operation to get out the spruce and explained the whole thing to them, and I was turned down.

Mr. MAGEE. How could you get out the capacity if you were not permitted to work?

Mr. AYER. They did not get it, I guess, did they? I understand they did not.

Mr. LEA. You had furnished spruce lumber during the war to the Government?

Mr. AYER. Yes—not to this Government; no. I stopped sawing spruce.

Mr. LEA. Where did you operate, Mr. Ayer?

Mr. AYER. Here in Portland at St. Johns.

Mr. LEA. Do you conduct your own logging operations, or do you buy logs?

Mr. AYER. Both.

Mr. LEA. What did you do with the spruce material you got during the war?

Mr. AYER. Up to a certain point I manufactured, and after that I sold it to the mills that were making a speciality of getting out the Government spruce.

Mr. LEA. That is all.

Mr. FREAR. That is to say, you did not do any selective logging or anything like that for the spruce?

Mr. AYER. No.

Mr. FREAR. Now, the suggestion has come here whether or not any man manufacturing lumber could sell it to the Government. Of course, we understand from you that the question of specifications and the question of various limitations put by this Spruce Produc-

tion Corporation—the Government, but by the Spruce Production Corporation out here, was making it very difficult for you people to go on with the work.

Mr. AYER. That is, for a certain period. That was from the fall of 1917 up until the late spring and summer of 1918.

Mr. FREAR. Now, I understand, or is it a fact, that the organization here took charge of the labor situation, in regard to what should be done in the various mills, to this extent, that commercial lumbering had its limitations; that is, they held their hand—is that true, or was that true with you?

Mr. AYER. That the Government held its hand?

Mr. FREAR. Yes; through the labor situation.

Mr. AYER. Yes; the Government controlled the labor situation, and they put a maximum wage on which the labor should be paid.

Mr. FREAR. And the hours and all those conditions?

Mr. AYER. Yes, sir.

Mr. FREAR. Did that interfere with you—I do not know that it did; I am asking for information—in the matter of production by your mill, as to what it should saw?

Mr. AYER. It did.

Mr. FREAR. That is what I was asking. Now, in what particular; what way?

Mr. AYER. Why, I did not agree with the committee, or with Gen. Disque, in regard to this 8-hour day or the maximum-wage proposition; but I was then running my mill on a 9-hour day, 50 hours a week, and I continued to do it that way, and I was paying one or two or my men more than the maximum called for in the schedule. I was requested by Disque's office to discontinue—

Mr. FREAR. That is, by Mr. Disque's office?

Mr. AYER. Yes, sir. I tried to find out on what authority they had to make such a demand, and I could not find it out; but finally I had an order from the car service agent that they would supply me with no more cars until I complied with their demands. I worked with them and tried to find out, and finally, not being able to ship my lumber, I had to close the mill down.

Mr. FREAR. Do you know whether that condition was true of other mills?

Mr. AYER. I do not know of any other mill that had to shut down. I know they had control of the labor situation and were calling the mills to time for paying above the schedule set by the Government, set by Disque.

Mr. FREAR. They had control of priority shipments?

Mr. AYER. Yes, sir.

Mr. FREAR. They had the complete handling of all the transportation question here?

Mr. AYER. Yes.

Mr. FREAR. That is, in regard to the lumber situation?

Mr. AYER. Yes. The point I have never been able to find out was why Disque's office should control the railroad situation.

Mr. FREAR. What I mean to say is that in addition to all those things they were matters that affected a man who had his capital invested?

Mr. AYER. Absolutely.

Mr. FREAR. And who was trying to keep his mill going, and all that?

Mr. AYER. Yes, sir.

Mr. FREAR. And if organization had been had like occurred in British Columbia, where they took one of your loggers here, Pendleton, and placed him in charge, what would have been the result, by combining all the lumbering and logging forces there into a united effort to get out the spruce?

Mr. AYER. Well, that is a matter of opinion.

Mr. FREAR. I want your opinion.

Mr. AYER. I think they would have done better than they did.

Mr. FREAR. The testimony is that in British Columbia they brought the logs from Queen Charlotte Island, 175 miles, in Davis rafts to saw, and that they took them down from Queen Charlotte Island, a total distance of 500 miles, to Vancouver. Then they were able to build up in seven months shipments totaling 26,500,000 feet of airplane stuff, with only 10 per cent of the lumbering and logging facilities of this country. That is the testimony that Pendleton offered. Now, with all that in view—and without a soldier to help—with all that in view, I am asking you couldn't some such arrangement have been logically made here with the loggers and lumbermen?

Mr. AYER. It is my judgment it could have been done.

Mr. FREAR. You were patriotic here and willing to work?

Mr. AYER. Yes.

Mr. FREAR. You were willing to help along a purpose of that kind?

Mr. AYER. Absolutely.

Mr. LEA. If you wanted to help along, why didn't you conform to the Government regulations established here to settle the labor difficulties and try to encourage production?

Mr. AYER. I did not realize it was a Government proposition. I thought, as near as I could get it out, that it was simply an understanding between the Government and some of the mills, not all the mills, by any means.

Mr. LEA. That is all.

(Witness excused.)

TESTIMONY OF RUSSELL HAWKINS.

(The witness was sworn by Mr. Frear.)

Mr. FREAR. State your name.

Mr. HAWKINS. Russell Hawkins, Bay City, Oreg.

Mr. FREAR. What is your business, Mr. Hawkins?

Mr. HAWKINS. I am president of the Whitney Co., a lumber institution that has been logging and lumbering since 1856.

Mr. FREAR. How long have you been engaged in the lumber business?

Mr. HAWKINS. Since 1893.

Mr. FREAR. Whereabouts?

Mr. HAWKINS. In New England and Pennsylvania. I was with the Diamond Match Co. for 10 years, and they have operations in California, Wisconsin, and New England.

Mr. FREAR. What other business connections have you had besides this; or have you had other business besides this work with the Whitney Co.?

Mr. HAWKINS. None whatever.

Mr. FREAR. I mean in the past; you have been vice president, as I understand, of the Diamond Match Co.

Mr. HAWKINS. Prior to that I was lumbering in New York and in Pennsylvania.

Mr. FREAR. So you have had some experience in logging and lumbering?

Mr. HAWKINS. I have been lumbering and using lumber and connected with lumber concerns, sawing lumber, since 1893.

Mr. FREAR. Will you please just briefly state, for our information, the airplane situation as it arose after our entry into the war; anything that you know prior to the war in relation to it, and as it grew, and your own connection with it, please.

Mr. HAWKINS. I was unfamiliar with the needs for aircraft manufacture until probably August of 1917. Late in July I had been appointed as one of a committee of 10 or 12, which committee was asked to become interested in the greater production of aircraft material. In September I was asked to go to Washington to confer with the wood section of the Equipment Division of the Signal Corps with respect to List G, so called, and the creation of specifications that would reduce the cargo needs—I will get that straighter—there has been a claim that under List G that it took 2 feet of cargo space for 1 foot of what could be manufactured under specifications, so-called, No. 1. I had many talks with Maj. Sligh and with other lumbermen there, and the original No. 1 specification was arrived at. That was subsequently changed, I think, in November late, or early in December, by Capt. Oakleaf, who, I believe, was associated with the Inspection Division of the Signal Corps. I think that specification was 15021 or 15021-C, or a modification of 15021-C. In the latter part of September, 1917, Mr. Coffin sent for me and asked if I would go West and help to increase the production of spruce logs. I had not been associated intimately with lumber manufacturing; that is, the sawing of logs. Since I had been in this country, for 12 years, I have been more particularly interested in the production of basic materials—logs. Mr. Coffin wired the chief of our company, Mr. David Whitney, of Detroit, asking if he would release me for six months in order to aid in the production of a greater quantity of spruce logs, and at no loss of income to me. It was understood I was to be employed as a civilian, and Mr. Whitney replied that he would be glad indeed to have—

Mr. FREAR. If you have no objection, right now I would like to read into the record the two telegrams which I understand were sent at that time.

Mr. HAWKINS. I have the copies here.

Mr. FREAR. I have them right here, and I think there is no question about them.

Mr. LEA. Just insert them without reading them.

Mr. FREAR. No; I think it is important to show the way he was regarded.

Mr. HAWKINS. I would prefer to have them read, because I have been accused by Senator Chamberlain on certain lines and I would like to have them read and the matter understood.

Mr. LEA. I merely suggested that to save time.

Mr. HAWKINS. Yes, sir; but I do not want to save time in that connection. This telegram is dated September 30, 1917.

WASHINGTON, D. C., September 30, 1917.

DAVID C. WHITNEY,
172½ Ford Building, Detroit, Mich.:

The Aircraft Production Board very urgently requests that you will consent that Mr. Russell Hawkins accept an appointment as organizer of spruce loggers in Washington and Oregon for the next six months without any loss of salary. We are desperately in need of a man of his capacity to increase the production of spruce logs and you will be doing your country a service by complying with this request. Please wire your consent.

HOWARD E. COFFIN,
Chairman Aircraft Production Board.

Mr. FREAR. What was your position then with the Whitney Co.?

Mr. HAWKINS. I was then vice chairman of the Whitney Co. It was then a limited partnership. Mr. Whitney replied on October 1. I was in Washington at this date.

DETROIT, MICH., October 1, 1917.

Hon. HOWARD E. COFFIN,
Chairman Aircraft Production Board,
Munsey Building, Washington, D. C.:

Your wire just received. Both myself and company anxious to aid you and our Government all manners possible. We consent to request that Mr. Russell Hawkins accept appointment you mention. Mr. Hawkins has had entire active charge of our western affairs and we respectfully ask that you grant him permission to be in Detroit for 48 hours October 16 and 17 that certain very important matters that only he can handle be made clear to minority shareholders of Western Co. It is satisfactory if Mr. Hawkins report Friday morning Washington.

Mr. FREAR. Mr. Coffin at that time was at the head of the Aircraft Production Division?

Mr. HAWKINS. Chairman; yes, sir, of the Aircraft Board.

Mr. FREAR. All right, go on.

Mr. HAWKINS. On October 11 I received my assignment of duty. It is too long to read.

Mr. FREAR. Tell briefly what it is, if you will. That was by Mr. Coffin?

Mr. HAWKINS. No, sir; by Maj. Charles R. Sligh, approved by E. A. Deeds, colonel, Signal Corps.

Mr. FREAR. Whereabouts were you to serve? At Portland, Oreg., or in Washington?

Mr. HAWKINS. It is pretty broad.

You are hereby required to proceed as soon as possible to the Pacific coast and assume charge and control of the work of producing aircraft spruce as required in the manufacture of aircraft for the United States and her allies, and in this capacity you will act as the representative of the Equipment Division of the Signal Corps. You will be required to establish as soon as possible grades and specifications for logs and lumber, to negotiate contracts with loggers and millmen for their full capacity and the entire amount of their production of aircraft spruce, and to establish just and equitable prices for the same. Any differences as affecting this matter, between loggers and millmen you are authorized to adjust. You will also encourage the opening of new spruce tracts, the building of new roads and the extension of old roads, and to prosecute vigorously the increase in spruce-log production. You are also

authorized, in the event of necessity, to recommend an equitable price for stumpage, if the owners of stumpage and loggers can not agree. You are also authorized to recommend advances in cash by the United States Government to responsible parties for the purpose of building new roads and the extension of old ones into new spruce tracts.

In arrangements of this kind you are authorized to extend contracts over a period of 18 months, if necessary. You are also to perform such other duties in connection with this work as may be required of you by this division. You will make your reports directly to Maj. Charles R. Sligh, in charge of the Woods Section of this division.

2. A contract officer will be detailed from the Signal Corps with authority to sign contracts. There will also be detailed an officer from the Finance Division who will be authorized to make payments in Portland for shipments.

3. You will also be required to exercise a supervisory control in the assignment of orders to different sections, and in the shipment of the product to parties designated by this division.

By direction of the Chief Signal Officer.

CHAS. R. SLIGH,
Major, Signal Corps.

Approved.

E. A. DEEDS,
Colonel, Signal Corps.

Mr. FREAR. That was a very broad power that was conferred upon you. What did you do, if anything, pursuant to the authority there conferred?

Mr. HAWKINS. I immediately came west and conferred with every logger friend I had, and those who were not friends—I mean, not acquaintances.

Mr. FREAR. Well, you had an extended acquaintance, did you, on the coast with loggers?

Mr. HAWKINS. I think so; yes, sir; very.

Mr. FREAR. What percentage of the loggers engaged in the business would you say that you knew?

Mr. HAWKINS. Well, I knew every logger in the Columbia River waters, and I knew every logger in Oregon, with the exception of one or two in the southern end of the State.

Mr. FREAR. So you know practically all the loggers?

Mr. HAWKINS. I knew a great many in Washington and along the Straits of Juan de Fuca.

Mr. FREAR. You knew the lumbering interests generally, did you, lumbering people?

Mr. HAWKINS. Well, in selling logs in Columbia River waters—we sold logs until May 1, 1912, when we sold our plant to another concern, called Larkin-Greene Logging Co.—I came in contact with all the sawmills in the Columbia River Basin, and we had timber interests elsewhere and I came in contact with lumbermen and others who were dickering and trading for timber at times.

Mr. FREAR. I am speaking as to your general acquaintance with this work that you were called upon to fill at that time. All right. You can go on now. After you came on here west, what was done?

Mr. HAWKINS. Well, my thought was that the main essential was to get the fundamental supply of logs. But there was no provision made for supplying the logger with money. There was a provision made to contract—Lieut. Crisp at that time was authorized to make contracts with lumbermen for the production of lumber only, and he was authorized to advance lumbermen 30 per cent of the value of contract. These contracts were to be made for 18 months.

Mr. FREAR. That was consigned to lumbermen?

Mr. HAWKINS. To sawmills, the producers of lumber from logs; yes, sir.

Mr. FREAR. But did not reach the loggers?

Mr. HAWKINS. No, sir. There was absolutely no method suggested or adopted—I even think later; although my connection was only with the division for 85 days—by which loggers could be encouraged to produce more logs.

Mr. FREAR. And that was the beginning of the operation, was the getting out of logs?

Mr. HAWKINS. That is the way I viewed it; yes, sir.

Mr. FREAR. All right. What was done next?

Mr. HAWKINS. I trotted along with the game until in December when I went to Washington and was advised by Maj. Leadbetter that I should see Maj. McChord, in charge of the personnel for the Signal Corps, and Mr. McChord advised me, or Maj. McChord advised me, that I had senatorial objection lodged against the issuance of a commission. I then called on a Senator friend of mine who I knew would not object to me, and called on Adj. Gen. McCain, who told me that I must see the Secretary of War; that his office had filed objection to my being commissioned a captain. Now I understand in discussing the question of commission with Mr. Howard Coffin, and with Deeds, and with Col. Montgomery, and everybody in the division wanted to discuss it, Col. Secane and others, it was understood that I was not to be commissioned a captain, except in case of military necessity was I to serve; but I preferred to be a civilian. I did not think that men ought to be in soldier clothes doing this logging work and industrial work, and my papers were so—notations are on my papers to that effect—but when I found that George Chamberlain had objected to my appointment, I naturally wanted it. There is just enough Irish in me to expect it, then. And Adj. Gen. McCain suggested that I accompany my Senator friend to see the Secretary. I called on Mr. Secretary Baker on the 31st of December, and he said there was nothing in it; that I should go back home and attend to my business; I was doing fine. I insisted and suggested that perhaps it would slip through his office, he wasn't familiar with what was going on, and that I would come in in the morning. He said, "No: to-morrow is a holiday, and make it Tuesday"—"make it the 2d of January." I am not sure about the Tuesday part of it. We called on the Secretary on Tuesday and he advised me that unfortunately for me there had been senatorial objection lodged against me, and to go home and keep my mouth shut and mind my own business and be patriotic and forget all about the spruce production; stay away from it; that he wanted Disque surrounded with men not interested in the lumber business. And I have kept my mouth shut.

Mr. FREAR. Here is a letter dated December 20, Washington, D. C., to Col. Brice P. Disque, signed by Squier; he at that time was the general commanding—

Mr. HAWKINS (interrupting). The Signal Corps.

Mr. FREAR. The Signal Corps.

Mr. HAWKINS. What is the date of that, sir?

Mr. FREAR. This is Washington, D. C., December 20, addressed to Col. Brice P. Disque, Yeon Building, Portland, Oreg. I desire to insert this part of the telegram—it is a telegram—that relates only to the matter here before us, and, if necessary, why we can introduce the whole telegram. The other is long and refers to other matters: "Have inspected engineer papers; personal impression favorable. If you want him, inform McChord. Send no telegrams to Gen. Dade by address Air Executive or Air Spruce. Secretary of War disapproves commission of Hawkins on information from a Senator. Air Personnel reports no papers on L. H. Batson," and so forth. That is, that is the part that referred to the question of your commission, that brought you into the fire. Now what occurred after that?

Mr. HAWKINS. When I reached home, a friend of mine handed me a letter written by the Hon. George E. Chamberlain, dated January 2, in which he claims I am trying to serve God and mammon. George never does.

Mr. MAGEE. What year?

Mr. HAWKINS. 1918. It reads:

MY DEAR SIR: I am in receipt of your night letter of the 31st commendatory of Mr. Hawkins and begging me not to oppose his appointment on partisan or political considerations. I assure you I would not allow partisan considerations to influence me in this or any other matter of national moment. Mr. Hawkins. I am informed by officers connected with the War Department, has been on the pay roll of the Whitney Lumber Co. while serving the Government in the matter of the procurement of spruce timber, and while so acting as the agent of the Whitney Co. was undertaking to sell such timber to the Government. Whether these things be true or not, I do not know. If they are, he must be convinced yourself—

That is the way it is written; it is bad grammar—

that no man can serve God and mammon. The matter is being looked into by the authorities here now.

With kind personal regards and best wishes for the New Year, I am,

Yours, very sincerely,

GEORGE E. CHAMBERLAIN.

Mr. FREAR. What were the facts regarding your own position at that time?

Mr. HAWKINS. The telegram states there; the telegraphic request of Howard E. Coffin to Mr. Whitney asks me to devote six months of my time at no loss of income to me. I have never taken a cent from the Government for any effort that I have given them—in the way of salary or traveling orders or anything else. I may have been included in one or two parties where traveling orders were general, but I have never profited a cent that I know of from the Government since the war started in 1917.

Mr. FREAR. I understood you to say you were not engaged in the lumbering business at that time?

Mr. HAWKINS. No, sir; I was not a logger. We had sold our camp at Blind Slough May 12, 1912, at prices fixed for the life of the property. It made no difference if those loggers got a million dollars for their property, our prices were fixed as of May 1, 1912, and we would get no more.

Mr. FREAR. That is what I wanted to have clear. Now, going back to October 30, what did you do, if anything, in regard to grading

rules? You undertook certain matters here, but you passed over it; and I want to get back to showing the work that you undertook.

Mr. HAWKINS. During the month of October I called on Frank Dugan, J. G. Weatherwax, and E. I. Karr. These three men have probably scaled more logs than any other three men on the west coast. Dugan is in charge of the scaling bureau on Puget Sound; Weatherwax and one other man scaled practically all of the logs produced in the Grays Harbor country; and Karr is the manager of the Columbia River Log Scaling & Grading Bureau, and scales, I presume—I think the reports last year showed some 700,000,000 feet of logs. I figured that these men—prior to this time spruce logs were what we call jackpotted. Everything that came out was spruce, and they were sold on jackpot prices, so much a thousand clear through, whether there was 60 per cent of No. 1 or 60 per cent of No. 2 or 60 per cent of No. 3 in the raft.

Mr. FREAR. That is, it was considered as a poor grade, compared with the fir?

Mr. HAWKINS. No. The spruce business wasn't a big business in this country, and there had never been much occasion for grading spruce.

Mr. FREAR. Oh, I understand. It was a matter of grades which you are speaking of?

Mr. HAWKINS. Yes, sir. And these men had probably scaled more spruce than any man living here, and I figured they would know more about the peculiarities of spruce than any laymen or sawmill men, and they were in the umpire position between the sawmill and the loggers and naturally would try to produce what would be fair qualities. And I also knew No. 3 logs were not logs that would produce straight-grain aircraft stock and that the main thing was to establish the lines between Nos. 2 and 3. There is always plenty of stock in 1, and in 2, but very little in a 3 log. These men reported some time in October that they had agreed, after going over raft after raft they had agreed on certain specifications. I discussed the matter with Col. Disque. He said, "It is your circular; you are in charge of logging and milling." And on October 30 the circular was issued that the division would accept logs graded according to 1, 2, and 3 qualities, and that has been in effect ever since.

Mr. FREAR. That grading provision has been in effect that you established prior to the war?

Mr. HAWKINS. No; that was not prior to the war. It was October 30, 1917.

Mr. FREAR. I mean when you first came in.

Mr. HAWKINS. Yes, sir.

Mr. FREAR. That is what I meant to say. Now, did you have any conference with Mr. Coffin, who was chairman of the Aircraft Board, in December, in which certain recommendations were made? If so, what?

Mr. HAWKINS. I did, sir. I had probably several hours with Mr. Coffin and he asked me to give him the substance of the recommendations and suggestions, which I did; and I will read them, if you want them.

Mr. FREAR. Yes.

Mr. HAWKINS. December 31, 1917. Now these ideas are in brief. They do not cover the two or three hours' conversation.

These ideas are sincerely submitted for your consideration :

First. Commandeer all straight-grained spruce trees.

Second. Encourage the formation of several large companies with men of responsibility (contractors preferably). who would have tools, foremen, horses, and equipment that could be used for the purpose.

This is under the head of split spruce.

Third. Would deal with these companies on liberal lines, a cost-plus basis, with such conditions attached to the deliveries that would absolutely protect the Government and fix the profits.

It was not contemplated in this that men would not deliver.

Advances should be made on liberal lines to such companies, of course, with the usual provisions that an acceptable surety bond be furnished.

5. Would deliver rived spruce to local mills or would cut up spruce at Vancouver, or both.

And I would like, before I forget it, to explain that I am perfectly willing to take such responsibility as it is necessary to take with respect to the establishment of the cut-up mill at Vancouver, and I would like you to ask me why a little later, please.

Mr. FREAR. I am going to ask you why; and I can guess what the answer would be without any inquiry.

Mr. HAWKINS. Do you want it now?

Mr. FREAR. Yes. It is because, is it not, that your plan was not that that was ultimately decided upon? I am asking you isn't that so?

Mr. HAWKINS. Precisely.

Mr. FREAR. Well now, why?

Mr. HAWKINS. Well, we were getting 14 to 16 per cent yield from spruce logs on cars, and we all knew that there was from 12 to 15 per cent more in that log that could not be salvaged with the ordinary sawmills, and the object of this plant was to take these second-class cants and manhandle them at a mill that was built for a manhandling plant. That is not a sawmill in the sense of a sawmill. If the grain ran off at all sorts of angles, we could go through it and it could be salvaged and worked with the angles; you could put it through—it was impossible to put it through an edger and get that result.

Mr. FREAR. So you had to have special machinery; that is, some extra saws, for that purpose?

Mr. HAWKINS. And the bevels were so adjusted as to saw with the grain and not crosswise of it.

Mr. FREAR. Yes. But now what did they do in addition to that?

Mr. HAWKINS. Well, I think that—no, I am not familiar with what occurred after my experience there.

Mr. FREAR. What was your estimate of the cost of the mill?

Mr. HAWKINS. The mill was to have cost in the beginning about \$225,000.

Mr. FREAR. How much did it cost?

Mr. HAWKINS. Damned if I know. Excuse my English. I had nothing to do, however, with the dry kilns or with the power plant.

Mr. FREAR. Do you know anything about the saws that were first installed in that mill?

Mr. HAWKINS. Why, yes. The saws, I think, were all right. They were thin saws, circulars. As I say, the original idea of that mill was to take a second or third class cant, a second or third quality, rather, and it was to be juggled around so you would saw that cant first with the grain; then the product from that was to be taken over to the resaws and through the trimmers, the individual trimming saws, not gangs, and worked back until it produced a greater yield from the log. In other words, I felt this, and I think everybody coincided with me at that time, that if we could get 30 per cent of yield from the log we had saved 15 per cent of original effort of production.

Mr. FREAR. Surely.

Mr. HAWKINS. 6. Have Forestry Department give authority to enter reserve and select spruce trees needed.

Logging of spruce. Make advances to loggers for extensions of railroads and for purchases of standing timber and rights of way. Would restrict these advances to producers of spruce and fir logs.

If they were in a cedar country or a hemlock country purely, it was a waste of money to commandeer their products.

Would arrange for repayment of advances at so much per thousand feet from the time advance is made.

In other words, if you advanced a logger \$100,000, take a lien on his logs for \$3 pot run, as she goes, and you get it back.

And if workable, would arrange for disposal of logs at time advance is made to sawmills in same watershed as logger.

In order to prevent cost of transportation.

8. If "relaying rails" are offered for sale at prices higher than \$55 per ton for weights from 50 to 60 pounds, inclusive, I would commandeer the same and arrange for the payment of the \$55 and refer the balance elsewhere.

If wire rope suitable—

These were problems we had to face at that time.

Mr. FREAR. Yes.

Mr. HAWKINS (reading):

If wire rope suitable for logging purposes is held for sale by brokers or other handlers of the product at prices higher than list, I would commandeer the same.

You see, prior to the war lists the discount on wire rope were 30 and 40 per cent off list.

Present values are 20 to 25 per cent less than list.

And that was in 1917.

Wire rope should be obtained and deliveries made to loggers or consistent producers of logs needed for aircraft and shipbuilding purposes.

Idle donkey engines should be commandeered and put to work.

Wages of army men employed in the various branches of work in companies should conform to the going rates.

That was suggested to me, and at that time I didn't see any objection to it.

Army men should work prevailing hours.

That didn't mean eight hours.

In order to secure a greater yield of usable lumber from logs, orders should be made in carload lots in proportion or by number of pieces of the various lengths, thicknesses, and widths needed.

In other words, my notion was this: That if an aircraft manufacturer in the United States had an order for 5,000 planes, he needed 10,000 pieces of wing beam stock; he needed 70,000 or 80,000 pieces of arch pieces; he needed so many pieces for the fuselage, the under body, and if they would order intelligently, instead of sending them a lot of 12 by 12's, or 10 by 10's, or 8 by 8's, or 6 by 6's, we would come closer to giving him what he wanted in the carload as he wanted it. Of course, I may be wrong in all of this, but these were my notions at that time.

Mr. FREAR. Well, these were your recommendations to Mr. Coffin, weren't they?

Mr. HAWKINS. Yes, sir.

If the orders should come this way, the stock of the aircraft manufacturer will always be pretty well balanced, and the sizes should be as close to the ultimate sizes needed by the aircraft builder as common sense should dictate.

Future. The large stands of spruce are located in western Washington and western Oregon, but at present inaccessible to railroad transportation. Western Washington has about five billions of standing spruce timber, while western Oregon is said to have three and a half to four billion feet.

An extension of the Milwaukee Road west through Clallam County and south to Humptulps in Grays Harbor County, Washington, an extension of the Northern Pacific Railroad from Moclipis north to and through the Quinalt Reservation and an extension of the Oregon and Washington Union Pacific System south and west in Grays Harbor County—

That is on North River—

would make available for operators at least two-thirds of the total spruce stands in western Washington. These extensions might possibly cost four and a half million dollars.

I would like to say right here in discussing that with Coffin he said that the administration would not permit that, and I suggested to him:

Why not loan these railroads the money from the Signal Corps budget, giving them 25 or 50 years to pay therefor at a low rate of interest, in order to encourage them to go in and take the chance?

There would be no particular traffic after the war, or until such time as the country had grown up to the railroad.

Mr. FREAR. In that connection, it may be said that three railroads that were built by the present Spruce Production Corporation, just three railroads, cost in the neighborhood of seven and a half million dollars.

Mr. HAWKINS. I didn't spend the money, sir.

All the roads mentioned above have accurate surveys and topographical maps and estimates of costs so that the facts can be actually had.

In so far as Oregon is concerned, an extension of the Southern Pacific from Willamina, in Yamhill County, west to the Pacific Coast and then south through the Siletz and the Alsea Bay countries would make available about the largest bodies of spruce.

Mr. MAGEE. There is not any spruce in the Siletz Basin, is there?

Mr. HAWKINS. Well, I have never been in the Siletz Basin; that is, through it. I have been on the edge of it. There is a little there, I should say.

Certainly all spruce and fir aircraft lumber needed should be ordered and handled through one channel.

There was a great mixup and confusion. The Aircraft Board was ordering stuff from the mills, and Shipping and Emergency Board

ordering stuff for ships, and so on, and it all seemed sensible to put control, or to control it, through one channel. Whoever controlled it I didn't care.

Mr. FREAR. This question of priorities between the Shipping Board, spruce, and all, had created a good deal of confusion, hadn't it?

Mr. HAWKINS. It had; yes, sir.

All fir and spruce aircraft, and all other classes of lumber needed for governmental purposes rightfully should be handled by one organization, and the handlers of the organization should be in either Oregon or Washington.

In my humble opinion the military authorities should be divided from the civilian authority. While you may have one military head O. K., his successor might not be. Respectfully submitted.

Mr. FREAR. That was your recommendation to Coffin in December?

Mr. HAWKINS. December 31, yes, sir.

Mr. LEA. Let's see. What date, Mr. Hawkins, did you terminate your connection?

Mr. HAWKINS. The second of January is when I was told by the Secretary of War to go home and attend to my business.

Mr. FREAR. Now did you at that time make any recommendations for advances to loggers, extension of roads, purchase of standing timber and rights of way—that is, to loggers generally?

Mr. HAWKINS. It is included in this statement I just read.

Mr. FREAR. Yes. I think your statement makes that very clear. Now that was practically the conclusion of your work in charge of the spruce production for the Government?

Mr. HAWKINS. Yes, sir.

Mr. FREAR. As a public official. Now there is a notation which I have that has come from other parties, during April, 1918, you had a conference with Col. Disque regarding some logs on the Fawcett Creek tract?

Mr. HAWKINS. Yes, sir. In the month of April we offered to log the Fawcett Creek tract, provided he would supply a railroad. We offered to supply all of the money necessary, some \$600,000, to put in a logging camp and the connecting road to the railroad that was necessary to be built from Tillamook to the tract, six miles. We had several discussions about it, and finally we tried to arrive at a suitable freight rate for the six-mile haul. The reason for our asking him to arrange with the Southern Pacific to build this railroad was that this railroad for six miles goes through probably some of the richest farms in Tillamook County. No private corporation can possibly get through there without paying an immense sum.

Mr. FREAR. For the right of way?

Mr. HAWKINS. For rights of way. And the colonel considered that reasonable. He said, "All right; we will get rights of way." And Capt. Grant went over the line and did get rights of way. Then everything was supposed to have been fixed, and suddenly on May—rather, before this final date, we agreed to pay \$1.50 per thousand for hauling logs over this road, and it was agreed that we would put in 8,000,000 a month of logs. So that we felt that we would have had to pay for that 6 miles of road before we got through with it. We were to get the regular list price for logs, 35, 20, and 11; so that we had no advantage there.

Mr. FREAR. That is, the regular prices that had been fixed for these grades?

Mr. HAWKINS. Yes, sir; the same as anybody else. The only condition was this: There are no milling facilities of any size in Tillamook Bay, so that the production of these logs did not aid in any way, because there was no sawmills there to manufacture them. So the Cummings-Moberly Co., a cypress manufacturing concern, agreed they would put up a mill to saw this stuff, provided there was a three-cornered arrangement made by which they were protected, so these logs would not go by them or elsewhere. It was understood that Jesse Remmick, who represented the Cummings-Moberly Co., and myself, should meet Maj. Griggs on some day late in May.

Mr. FREAR. 1918?

Mr. HAWKINS. Yes, sir. Well, when we came there for the meeting colonel told me he was pretty busy that afternoon.

Mr. FREAR. Colonel—

Mr. HAWKINS. Disque. And I sat around in the anteroom. It is the first time I ever had to do that, because I was pretty good feathers there up to that time. But he finally came bustling out and said we would have to pay \$3.35 a thousand if we wanted to do business.

Mr. FREAR. That is, \$3.35 for feight?

Mr. HAWKINS. Per thousand; yes, sir.

Mr. FREAR. For hauling how far?

Mr. HAWKINS. Six miles over the new road and six miles over the old road; 12 miles.

Mr. FREAR. Was that a high price?

Mr. HAWKINS. Well, the Southern Pacific were carrying at that time logs from Cochran to Oswego, which is 52 miles, for \$2.40 a thousand. It didn't look like a business proposition to me.

Mr. FREAR. Then what occurred?

Mr. HAWKINS. They also offered at that time to carry logs from Yaquina to Portland, 134 miles, for \$3.37 a thousand. Of course, these figures were prior to the time the freight rates were raised. Well, there was nothing to do. I backed out, got chagrined, and waited. Then a little later they began to tell us in the papers that they wanted 30,000,000 a month—that is, spruce—so I thought I would take another crack at them. So, on July 17, I made them another offer to log the spruce—I thought that was popular—on a cost-plus one-tenth of 1 per cent basis.

Mr. FREAR. You had heard of other people who had cost-plus contracts?

Mr. HAWKINS. And the one-tenth of 1 per cent was to go to the Red Cross Society.

Mr. MAGEE. Wasn't that a scandalous offer, under the circumstances?

Mr. HAWKINS. It was pretty liberal.

Mr. FREAR. Were you charged with being a profiteer on the strength of that?

Mr. HAWKINS. Well, I was afraid George Chamberlain might give me another crack, you know, and I wanted to be in the clear on it. [Laughter.] Well, in the offer—I think you can get the offer out of the files. I haven't any other copy but this.

Mr. FREAR. It is here in the record.

Mr. HAWKINS. Have you got one?

Mr. FREAR. Yes; I can give it to him.

Mr. HAWKINS. Do you want to know the conditions under which the offer was made?

Mr. FREAR. Yes; you might read them briefly.

Mr. HAWKINS. Well, we claimed that this tract was cruised in 1912; that is, a few years before the war; that it contained one hundred eighty-six million of spruce and about one hundred million of other woods, of which thirty million were fir, hemlock forty-eight, cedar twenty-eight, larch five. These inspections, by the way, and estimates—rather, these estimates and cruises were gained from what we call a six-run cruise. Each forty had—in other words, a little over 200 feet each cruiser took, making strips of 200 feet wide; so that the quantities are fairly accurate—as accurate as one can get.

Mr. FREAR. That is about the extreme, isn't it, of a cruise, that is ordinarily taken?

Mr. HAWKINS. It comes pretty close to being a three-count cruise, if you have got good men and cruisers of good judgment. And these cruisers were John D. Edwards and George Williams, men who had lived in that county a great many years and whose sole business had been estimating and cruising.

Mr. FREAR. What occurred to that offer?

Mr. HAWKINS. Well, now, there is one other condition I wanted to get in here.

Mr. FREAR. Oh, yes.

Mr. HAWKINS. And that is that the Whitney Co. was to receive \$3 for the spruce and fir, a dollar and a quarter for hemlock and larch; that is stumpage, nothing else. And we also agreed to buy from the division any of the logs produced at market prices, that they could not use, so as to reimburse them, less stumpage. In other words, the only possible profit or value that we could get from the tract was the then price of \$3 per thousand for the spruce, fir, and cedar.

That we should "control without interference the actual practical operation and direction of production of logs from the standing timber and all the incidental operations necessary for economic results. The Whitney Co. to receive the hearty, vigorous, and unqualified" support, and so on.

"I made it a condition in here"—I want to give you the wording: "No officer, director, nor stockholder of the Whitney Co. shall receive compensation, but may be considered or classed as any part of the cost of producing logs from the described property."

Mr. FREAR. Why did you offer such a contract as that?

Mr. HAWKINS. I thought they wanted spruce.

Mr. FREAR. That is, to help furnish the Government with spruce?

Mr. HAWKINS. Yes. I had a boy on a submarine, and I wanted to help, to be honest with you.

Mr. MAGEE. What is that?

Mr. HAWKINS. I had a boy on a submarine, and I wanted to help, to be honest with you. Money didn't mean everything with our crowd. I could not afford to do anything else, sir.

Mr. MAGEE. What did they tell you about this offer?

Mr. HAWKINS. Here is their answer—August 1, 1918.

Mr. MAGEE. And that is this cost-plus contract of one-tenth of 1 per cent, is it?

Mr. HAWKINS. Yes. On August 1, 1918—I have a letter signed by Brice P. Disque, colonel, Signal Corps:

Mr. RUSSELL HAWKINS,
President The Whitney Co.,
Lewis Building, Portland Oreg.

DEAR SIR: Very careful consideration has been given to your letter of July 17, in which you propose to undertake logging operations in the area known as the Fawcett Creek tract in Tillamook County.

This office has made careful investigation of the timber in question and as yet has been unable to locate spruce of sufficient quality and quantity to justify the extension of any railroad.

The practice of making cost-plus contracts is one which we wish to avoid as far as possible and it is our present intention not to enter into any more of this nature.

Mr. MAGEE. The contention was, then, that there was not any spruce there.

Mr. HAWKINS (continuing reading):

Your extremely generous offer is appreciated, and if you can arrange for your cruisers to accompany one or two from this division I will be very glad to go into the matter further with the view to arriving at a definite understanding regarding the quantity and quality of timber available, after which it may be possible to come to some mutual understanding for a satisfactory contract.

Mr. FREAR. And there was 186,000,000 feet of spruce, according to the cruise that you have mentioned, on that tract?

Mr. HAWKINS. Yes, sir; made by responsible men and as good cruisers as there are in the State of Oregon.

On August 2, I addressed the colonel in these words:

We acknowledge receipt of your favor of August 1 in answer to the offer of July 17 relating to Fawcett Creek timber.

We will furnish you two competent cruisers, Mr. John D. Edwards and George Williams, who will go at once, with two cruisers to be furnished by you, and make complete, or partial cruise, or verify former cruise, as you may desire, of this contract.

We have no wish to hurry you, knowing as we do the many difficulties attending the getting out of the spruce by the Government and the time necessarily taken up in settlement of details and preliminaries. But we are anxious for you to go upon this tract at the earliest possible moment in order that you may be convinced that the timber is there, exactly as we have represented it. Then, if the Government wants it, we can close the contract.

Mr. FREAR. Did they go?

Mr. HAWKINS. I don't know. Our men were never called upon to go.

Mr. FREAR. Did you ever hear of them again?

Mr. HAWKINS. Yes; I saw a 40-page report, by a firm, Brown & Brown, and it was so long, for 7,500 acres, that I didn't care to read it, to be honest with you. I knew what our tract contained. It is over there to-day, the stuff is still there, it hasn't been burned.

Mr. FREAR. What was the character of the report?

Mr. HAWKINS. Well, the report was based on riving—the butchering of the tract.

Mr. FREAR. What did they propose, if anything?

Mr. HAWKINS. Didn't propose anything. It remains now where it was on August 2.

Mr. FREAR. And they never did anything in regard to it?

Mr. HAWKINS. No. All the papers in our little country—here is a long article that the Whitney Co. was holding out, unpatriotic. That is what I have stood since then. Had men come and say, "Why don't you go ahead and cut the spruce?" "I can't; hands tied." Remick went ahead and built his mill.

Mr. FREAR. How?

Mr. HAWKINS. With soldier labor. Labor account on that mill was over \$100,000.

Mr. FREAR. He received the assistance?

Mr. HAWKINS. They told him to go ahead and they would fill the bay with logs. The mill is there to-day.

Mr. FREAR. And they would not give you any order, although you offered to—

Mr. HAWKINS. I am where I was on August 2 after I wrote that letter.

Mr. FREAR. Now, getting back to this 12-mile shipment, your increase of freight, I notice here a note as to what the increase would have amounted to on an 18 months' contract. Have you got that there?

Mr. HAWKINS. Well, it is easy to figure. You take 8,000,000 a month—

Mr. FREAR. Then figure it.

Mr. HAWKINS. One hundred and forty-four million, and take at a dollar and a half freight—about \$206,000, isn't it?

Mr. FREAR. It is marked here \$237,500 increase.

Mr. HAWKINS. Well, there would be supplies in there, donkeys and all sorts of stuff to go in, you know, as well.

Mr. FREAR. What did Disque say to you in regard to that? Do you remember anything about the 20,000,000 of—

Mr. HAWKINS. Yes; he said he would make a monkey out of himself if he ordered the road built.

Mr. MAGEE. He said what?

(The statement of the witness was read by the stenographer.)

Mr. FREAR. Why?

Mr. HAWKINS. I don't know, sir.

Mr. FREAR. Now, what was done later when they increased the amount of demands from 11,000,000 to 30,000,000 feet of aircraft lumber? That was not spruce; that was aircraft lumber, then.

Mr. HAWKINS. Spruce has always been desired over fir, except for—

Mr. FREAR. But they had begun cutting fir before this, as Mr. Ayer has just testified; they were then discovering that they didn't have to confine their efforts to spruce, as I take it.

Mr. HAWKINS. The division shipped, in October, fir, and in November, fir. I think in October the shipment amounted to some—this is now just going back in memory—about 4,000,000 feet of—3,900,000 feet of spruce and a million and a quarter or million and a half or about a million of fir, if I recollect. Five million—there was about 5,000,000 shipped in November, of which about a million was fir.

Mr. FREAR. Have you mentioned the letter that you wrote to Disque on July 7; is that covered in this transaction that you have mentioned?

Mr. HAWKINS. Yes.

Mr. FREAR. That is, the 186,000,000 feet.

Mr. HAWKINS. Yes.

Mr. FREAR. What did you have about riving; is there anything there?

Mr. HAWKINS. Yes. During the fall of 1917 the Lumbermen's Protective Association, I think they called it, or bureau, which was managed by Mr. Grammer, Mr. Russell, and Mr. Sawyer, suggested that it would be wise to get all of the farmers in Skagit and Jefferson and Grays Harbor and Clallam Counties busy riving during the winter. It was foreseen that the product would be small that winter because there had been no drive made; business had been going along without much push or energy; and specifications were made—I think Circular No. 10 covered them—showing a farmer, for instance, could haul some rived pieces into the local station and measure for himself what was coming to him. Well, I guess I heard of it—the game was that in February they were on some of our land, chopping trees down—

Mr. FREAR. That is, February of what year?

Mr. HAWKINS. 1918; after I was out of the service. That some men were on our lands on the Mima River, and it was reported to us that they were cutting the stuff without regard to quality at all; the men were inexperienced; and they went over some twenty-one forties, if I am correct in my recollection, and paid us a very large price, apparently, per unit; but they have absolutely wasted the stuff—the balance of the stuff on the forties—because there is nothing there left to harvest; it is on the ground, never taken away from there.

Mr. FREAR. They left it there?

Mr. HAWKINS. It is there yet. You can go see it.

Mr. FREAR. It is there now?

Mr. HAWKINS. Yes.

Mr. FREAR. What was done about that? That was the Spruce Production Corporation here?

Mr. HAWKINS. No; that was a firm of contractors.

Mr. FREAR. Oh, a firm of contractors; let by whom?

Mr. HAWKINS. By the Spruce Division, I imagine.

Mr. FREAR. What authority had they to go on your land and rive?

Mr. HAWKINS. They came to me and wanted a contract. I said, "I won't give you a contract, because I don't believe in that sort of nonsense, but if you are in need of the spruce, go take it."

Mr. FREAR. And they proceeded under that supposed authority?

Mr. HAWKINS. Yes, sir.

Mr. FREAR. Now, what was the result?

Mr. HAWKINS. I would not take any payment for the stumpage until December, 1918, because I wanted to be protected against fire. It is all right to go in and cut down a lot of stuff and then bring a fire hazard which would endanger possibly six or seven other thousands of acres. The money was of less value to us than that risk, and we acted accordingly.

Mr. FREAR. What I desire to know is what settlement was ever made for the cutting of this timber, or what effect did it have upon the property, if any?

Mr. HAWKINS. Well, from the standpoint of a logger, it made worthless about 900 acres of land. They have taken—they probably cut 60 per cent of the spruce trees on the land. It only contained spruce and hemlock. That spruce, by the time we can reach it with logging roads, will be rotten. The spruce on the land won't last over two years.

Mr. FREAR. Who were these loggers, or these contractors?

Mr. HAWKINS. They were all men in uniform that were performing the job. The payments came through Porter Bros. for it.

Mr. FREAR. What was the loss, if anything, to you, and has there been any request for settlement; any movement?

Mr. HAWKINS. No, sir; we don't want anything.

Mr. FREAR. What was the loss?

Mr. HAWKINS. We checked up there their measurements. They overpaid us some several hundred dollars; I have forgotten the detail of it; it was returned to them.

Mr. FREAR. It was what?

Mr. HAWKINS. I say they overpaid us some several hundred dollars, which was returned. We checked the measurements.

Mr. FREAR. Is that for this riving proposition?

Mr. HAWKINS. Yes, sir; we concluded that 21 forties outside of the right of way through it was absolutely useless to us.

Mr. FREAR. That is, because—for what reason?

Mr. HAWKINS. Because they have denuded it and haven't taken the stuff from the ground.

Mr. FREAR. And what was the value of the timber before they went in there with their operations?

Mr. HAWKINS. Well, I should think \$60 an acre, or \$70 an acre would be low.

Mr. FREAR. And what would that total?

Mr. HAWKINS. Sixty to eighty thousand dollars, according to your buyer's notion.

Mr. FREAR. And what did you get for it?

Mr. HAWKINS. Twenty-one thousand, I think, if I recollect correctly.

Mr. FREAR. I am simply stating that so that if any criticism appears it may be based upon the record as to the situation.

Mr. HAWKINS. Yes, sir.

Mr. FREAR. What, Mr. Hawkins, is the amount of airplane lumber in a Spad machine, if you know?

Mr. HAWKINS. I am not sure, but my information was it was about 600 rough—of rough lumber would make a spad; that would be 175 or 200 feet finished.

Mr. FREAR. That is the ordinary—what is known as a fighting French machine?

Mr. HAWKINS. Yes.

Mr. FREAR. Used by Rickenbacher and others?

Mr. HAWKINS. Yes.

Mr. FREAR. Have you ever made any calculations as to what amount of, or how many machines—fighting machines—could ever have been placed upon the ground with the program that had been started out?

Mr. HAWKINS. Do you mean including motors?

Mr. FREAR. Well, including railroad trains and—yes; and Liberty motors and everything else, if you choose, and what I am trying to find out is have you ever made any calculations on this subject?

Mr. HAWKINS. I am not a mathematical wonder, but if it took 2,000 feet per plane 30,000,000 would be 15,000 planes a month that could be produced from 30,000,000 feet.

Mr. FREAR. That is as many planes as they ever had there at the front fighting at any one time, isn't it?

Mr. HAWKINS. I was not there. I am not certain.

Mr. FREAR. Well, we never had any more than that, and I think that is more than the exact number. Now, here is the situation, and I desire to state it, because you are a logger and a man who is familiar with the lumbering business. The testimony—I want to make it of record if I can; that is, what the facts are—the testimony of record here is that the milling facilities in Washington and Oregon reached approximately six to seven billion feet of sawed lumber a year.

Mr. HAWKINS. All kinds?

Mr. FREAR. Of all kinds.

Mr. HAWKINS. Yes.

Mr. FREAR. That is, the facilities. In other words, 30,000,000 feet a day and two shifts would be 60,000,000 feet?

Mr. HAWKINS. Yes.

Mr. FREAR. It takes fully that many feet of logs, does it not, to supply the mills?

Mr. HAWKINS. Yes; because you have got your overruns and scaling—yes; overruns and scale would require at least that much.

Mr. FREAR. So necessarily that many feet of logs must have been cut during the year in which that lumber was sawed; that is, for the same length of time?

Mr. HAWKINS. Naturally.

Mr. FREAR. Now, 317,000,000 feet of spruce logs were cut in 1916, and also in 1917. That would take about on the percentage of the total cut of 6,000,000?

Mr. HAWKINS. Total cut of—

Mr. FREAR. Of 6,000,000,000.

Mr. HAWKINS. Of 6,000,000,000.

Mr. FREAR. Yes.

Mr. HAWKINS. That would be 5 per cent, wouldn't it?

Mr. FREAR. Yes; something like that; yes.

Mr. HAWKINS. Five per cent. Sixteen per cent of 5 per cent would produce your aircraft stock under the old régime.

Mr. FREAR. And if you are going to double it and put in extra time, you can increase to any extent—that is, to double the amount, if you choose?

Mr. HAWKINS. Well—

Mr. FREAR. I mean run two shifts a day. They were talking of running three shifts a day up in the Port Angeles mill.

Mr. HAWKINS. You take spruce that is patchy, and you had to go where the spruce was, before the war there wasn't—in justice, to state the situation, there wasn't much spruce marketed, except to paper-makers and boxmakers, shoo-makers.

Mr. FREAR. But we developed another situation here in a very short time; that was that you could go into the fir as well, and from the Vancouver plant they were shipping over 50 per cent fir.

Mr. HAWKINS. Well, aside from your requirements for shipbuilding, which, of course, took a very high grade of lumber, took the clear grades of lumber, I don't think there should be any trouble about getting any quantity of fir aircraft stock you wanted, but I think that the demands for fir aircraft lumber were simply based on wingbeams, not on large pieces.

Mr. FREAR. But there was plenty, in view of the spruce that you could have manufactured, for a 1,000,000 or 100,000 planes inside of a year, at the rate they were going?

Mr. HAWKINS. I can't say that you ever needed anything over 10,000,000 a month of spruce.

Mr. FREAR. Yes. Well, what I was going to say is this—

Mr. HAWKINS. You can figure—

Mr. FREAR. This has not a particular relation to that, but it comes here. You started out when you came West to interest the loggers?

Mr. HAWKINS. Yes.

Mr. FREAR. To get them interested in this proposition of getting airplane stock, to get out the logs?

Mr. HAWKINS. Yes.

Mr. FREAR. You were to interest all parties, as I understood from the statement that was read there, from Mr. Coffin?

Mr. HAWKINS. Yes.

Mr. FREAR. You were going to bring about a sort of cooperation between the loggers and the lumbermen and work this thing out?

Mr. HAWKINS. Yes.

Mr. FREAR. Do you understand what was done when it was turned over to your successors?

Mr. HAWKINS. Only from what I get from the newspapers; because I have been doing what Baker told me—attend to my business, my own business.

Mr. FREAR. But you were trying to get employment here, that is, I mean you were trying on a cost-plus contract of one-tenth of 1 per cent that was to go into the Red Cross fund, you were trying to help?

Mr. HAWKINS. Doing my level best.

Mr. FREAR. The testimony before this committee heretofore was that other people were trying to volunteer here to contribute as best they could. What was the trouble?

Mr. HAWKINS. I have always thought I was blackballed by our dear Senator, to be honest with you.

Mr. FREAR. Would that be the only reason? Why were other people, who surely had no personal relations, no political relations that would be affected—they found themselves—at least they have so testified before the committee—in the same position?

Mr. HAWKINS. I can't explain the working of the other man's mind.

Mr. FREAR. Could a cooperation, if it had existed, with any help possible by the Government, certain aid in putting in logging roads and work of that kind—could they have produced all the demands that were made upon them in logs and lumber?

Mr. HAWKINS. If I hadn't believed that by the cooperation of the sawmill men and the loggers that the Government could have gotten all the spruce—I am not talking about fir—all the spruce lumber that they needed, I certainly would never have volunteered and never have even listened to a suggestion to come and handle a thing that has not been productive of results.

Mr. FREAR. And if you had taken into consideration the subject of fir production the problem would have been much simpler?

Mr. HAWKINS. It would seem so to me, sir.

Mr. FREAR. Now, do you know anything about the situation that occurred in Canada, or did you keep any—

Mr. HAWKINS. No; I am not familiar at all with the situation up there.

Mr. FREAR. Do you know anything about the lumber conditions up there?

Mr. HAWKINS. Somewhat. I have been in parts of Canada; yes, sir.

Mr. FREAR. Well, now, do you know Mr. Pendleton?

Mr. HAWKINS. No, sir; I never met the gentleman.

Mr. FREAR. You don't know him?

Mr. HAWKINS. No, sir.

Mr. FREAR. He was a logger in Aberdeen, and I understood he had been around here.

Mr. HAWKINS. No, sir; I don't know Mr. Pendleton.

Mr. FREAR. The testimony is to the effect that he was an American logger and went up and took charge of some work up there, according to the letters that have been filed before the committee, and in that work he was able to produce 26,500,000 feet of finished airplane lumber within seven months, and it was hauled from Queen Charlotte Island for 500 miles—that is, milled on the way after being rafted 174 miles. He had no soldiers. He had only one-tenth of the equipment, milling and logging, that we had here. Now, if he could produce that, couldn't you produce under the same conditions proportionately as much here?

Mr. HAWKINS. I think so; yes, sir. I don't see why not.

Mr. FREAR. That would have been in the same period of time. If we had ten times the amount of equipment here, we could have produced 250,000,000 feet, if it had been necessary?

Mr. HAWKINS. Well, in my opinion I think the boys got carried away with a scheme of production there that they didn't quit in time.

Mr. FREAR. Didn't they lose sight entirely of the fact that we needed the logs and the airplane lumber gotten out at once and placed over there at the earliest possible moment, in this effort to make a long continued program and building railroads everywhere?

Mr. HAWKINS. Well, they got into the game. I guess they had to stay with it; it looks that way to me.

Mr. FREAR. It is a pretty big game the way they were undertaking it. They were using mills down at Toledo, among other places, to saw the timber for putting in new railways way down 25 miles there at the Blodgett tract, and those mills were engaged before that in cutting airplane lumber. That is the testimony. What I mean to say is if we used all of our efforts to furnish them at once, like they were doing in British Columbia—

Mr. HAWKINS. You can't make bread without flour, and if you get the logs you can make lumber.

Mr. FREAR. Could you have made the lumber and got the logs out under the proposition that you started?

Mr. HAWKINS. I sincerely believe so, yes sir. I know in one case there was a gentleman came down here, a lumberman—his name is Philip Behner—I asked Philip Behner if he would move some of his donkeys, and he said it would be all right, and he moved, I think, about 12 donkeys. I know several cases where they saw what we were after, were glad to cooperate. I never had anything but the most cheerful cooperation from loggers since I have been in this country, on anything.

Mr. FREAR. Have you been so that you could be approached, that is, with proper credentials, could you see people?

Mr. HAWKINS. I do it now. You bet.

Mr. FREAR. Have you anything else in mind on this subject that you can enlighten the committee on?

Mr. HAWKINS. No. No, I don't know of anything. I can't volunteer anything. I think I have covered my situation about as much as I can.

Mr. FREAR. I will be very glad if you will give any information that you can give.

Mr. LEA. Where is the Fawcett tract?

Mr. HAWKINS. It is in Tillamook County, 6 miles from Tillamook.

Mr. LEA. Is the Whitney Lumber Co. millers?

Mr. HAWKINS. No, sir; loggers, purely, and timber owners.

Mr. LEA. Was the company itself engaged in logging during the war?

Mr. HAWKINS. No, sir. It has not controlled a log since May 1 or since September 1, 1913.

Mr. LEA. Well, did you have anything to do with the selling of logs?

Mr. HAWKINS. None whatever; no, sir. You see, on May 1, 1912, we disposed of our camp, plant, and the timber to Larkin Green Logging Co., on condition that as they cut and sold the timber from this land this timber was to be placed in the shape of logs and in rafts; that they would give us so much per thousand, log scale. The prices were fixed at May 1, 1912, and haven't changed since.

Mr. LEA. How long did their lease run?

Mr. HAWKINS. As long as the timber lasts on that particular acreage—say four years more.

Mr. LEA. How large an acreage is that?

Mr. HAWKINS. Eleven thousand acres in the tract.

Mr. LEA. That includes the whole Fawcett tract?

Mr. HAWKINS. No; you are talking about—another—you asked me about logs. Fawcett Creek, that is another location. Fawcett Creek has been untouched; there is no logging in that section, in Tillamook County; that is, within 4 or 5 miles of it.

Mr. LEA. The Brown & Brown that you speak of—were they cruisers?

Mr. HAWKINS. Yes, sir; they are public estimators of timber.

Mr. LEA. Where are they located?

Mr. HAWKINS. Portland.

Mr. LEA. Do you know if they cruised your property?

Mr. HAWKINS. I said that I saw a 40-page report that they had made.

Mr. LEA. Who showed you that?

Mr. HAWKINS. Col. Disque.

Mr. LEA. Do you know what the substance of it was?

Mr. HAWKINS. It was based on rived spruce, selective logging.

Mr. LEA. Well, did they report on the amount of spruce?

Mr. HAWKINS. No, sir; not to my knowledge.

Mr. LEA. It was just on the timber suitable for riving; is that it?

Mr. HAWKINS. Well, it was so large, voluminous, and unnecessary I paid no attention to it. I knew our cruisers had given us correct figures in 1912, and any report of Brown & Brown would not change that stand of timber; it is there this minute.

Mr. LEA. In that report, did he dispute the quality of this—

Mr. HAWKINS. Of this? No; because he said he would like to have me—to have his cruisers go with ours. He writes that in his letter.

Mr. LEA. Was this Brown & Brown report after that time, or before?

Mr. HAWKINS. No; prior to that time. After that time he sent a man named Hamilton into the tract. Hamilton went alone; not with our men.

Mr. LEA. So, seemingly, he contended that he had a different report from your cruisers?

Mr. HAWKINS. Well, his contention was, in his letter, that he was not making any more contracts. He said nothing about the Brown & Brown cruise in his letter, did he? Here is his letter.

Mr. LEA. I didn't notice whether he did or not. You referred to Brown & Brown.

Mr. HAWKINS. He said, "This office has made careful investigation of the timber in question, and as yet has been unable to locate spruce of sufficient quality and quantity to justify the extension of any railroads."

Mr. LEA. What date is that letter?

Mr. HAWKINS. August 1, 1918.

Mr. LEA. Now, that is your—

Mr. HAWKINS. Wait. He goes on—wait a minute. [Reading.]

I will be very glad to go into the matter further with a view to arriving at a definite understanding regarding the quantity and quality of timber available, after which it may be possible to come to some mutual understanding for a satisfactory contract.

Mr. LEA. Now, how much railroad had to be constructed?

Mr. HAWKINS. Six miles to the timber edge, not—nothing into the tract. We agreed to—it was the understanding in our first talk with him that we would construct from the timber line in and to provide all the plant necessary, at our expense.

Mr. LEA. So what you would have had to have constructed would have been 6 miles, simply to the edge?

Mr. HAWKINS. Well, he went so far as to bring the Southern Pacific people into a conference, and it was agreed that they were going to build the road.

Mr. LEA. The Southern Pacific.

Mr. HAWKINS. If there was not sufficient quantity of timber to warrant it, why would they have been brought into a meeting to

discuss the question of the construction of the road? Their engineer was sent on the line and surveyed part of the line.

Mr. LEA. When was that?

Mr. HAWKINS. Oh, in June. They were there on the 1st of June.

Mr. FREAR. Did the Southern Pacific finally agree to build the road?

Mr. HAWKINS. I don't know, because the things flattened out and then, as I say, later on when they thought they wanted spruce I made them another proposition.

Mr. MAGEE. You said something about the fact that the logs are there to-day; I did not get the force of that statement.

Mr. HAWKINS. I said the grading rules; I think I said the grade rules were in force to-day.

Mr. MAGEE. I thought you had reference to some logs that were cut under some contract.

Mr. HAWKINS. You mean on the riving game on the river; yes; the stuff is there.

Mr. MAGEE. That is what I had reference to. The logs were cut when?

Mr. HAWKINS. The logs were cut all during 1918.

Mr. MAGEE. Were any of them taken out?

Mr. HAWKINS. About 20 per cent.

Mr. MAGEE. The other 80 per cent are there to-day?

Mr. HAWKINS. Yes, sir; you can go and see them.

Mr. MAGEE. Now, you did not get a commission?

Mr. HAWKINS. I did not.

Mr. MAGEE. You did not get any compensation?

Mr. HAWKINS. I did not.

Mr. MAGEE. You paid your own expenses?

Mr. HAWKINS. I did, sir.

Mr. MAGEE. Amounting to what?

Mr. HAWKINS. Oh, I do not keep track of such small things.

Mr. MAGEE. Approximately?

Mr. HAWKINS. Oh, I haven't the slightest idea.

Mr. MAGEE. Several thousand dollars?

Mr. HAWKINS. No, no. I could live a long while on \$7,000. No; I went to Washington once or twice and back again, and rooted around in the Grays Harbor country and down the river, at Tillamook.

Mr. MAGEE. Then the Secretary of War told you to go home and keep still?

Mr. HAWKINS. To keep quiet and attend to my own business.

Mr. MAGEE. That is all.

Mr. FREAR. Did you?

Mr. HAWKINS. I tried to and they wouldn't let me.

Mr. FREAR. It is a very hard thing to do. You are here under a subpoena.

Mr. HAWKINS. Yes.

Mr. FREAR. I think the price is in evidence here, of \$105 a thousand.

Mr. HAWKINS. \$105 was the price for specification lumber No. 1, plus \$45 for wing beams, I think.

(Witness excused.)

TESTIMONY OF GUY GEORGE GABRIELSON—Recalled.

Mr. FREAR. In connection with your testimony, a part of which was furnished yesterday, Mr. Gabrielson, I have asked you to make some computations in regard to the production of aircraft lumber and the sales as they were made, and to place that in the record. That is one of the matters we would like to have light. Sixty-six million feet of airplane lumber was sent from outside mills; that is right, according to the testimony submitted before the committee?

Mr. GABRIELSON. Yes, sir.

Mr. FREAR. Have you computed this amount on the commercial price basis and what the cost is to the Government?

Mr. GABRIELSON. Yes, sir.

Mr. FREAR. On the spruce, fir, and cedar?

Mr. GABRIELSON. Yes, sir.

Mr. FREAR. What is it?

Mr. GABRIELSON. The price used in this is based on \$110 a thousand for spruce.

Mr. FREAR. \$110 a thousand?

Mr. GABRIELSON. \$110 a thousand for spruce, and \$65 for fir.

Mr. FREAR. Now, explain the methods of your computation and the results found.

Mr. GABRIELSON. As I stated yesterday in my testimony, this is based on the question of 40 per cent, 30 per cent, 20 per cent, and 10 per cent salvage. That is the percentage of resale money to the money cost. Now, in case they get 40 per cent salvage for all of the capital outlay here the total amount of investment here, or expenditures during the war, will equal \$41,789,866.56.

Mr. FREAR. That is for this airplane production?

Mr. GABRIELSON. That is taking the whole activities out here, considering the total net outlay, or total expenses that the people of the United States have to pay. Now, that is divided up between the cost of fir, spruce, and cedar. The cost of spruce is \$28,730,533.66.

Mr. FREAR. Now, wait a minute; just how have you arrived at that; what did you do first?

Mr. GABRIELSON. This is a continuation of the testimony yesterday.

Mr. FREAR. Do you deduct from your total any particular amount; are you including all outside as well as the Government spruce?

Mr. GABRIELSON. Up to date I am including all of the shipments, regardless of whether they were outside or inside. I am getting ready to distribute the outside from the inside, from the cut-up plant's shipments. Considering the shipments of spruce both from the cut-up plant and from the outside mills, based on the percentage of invoice cost of spruce, to the total invoices, we get an expenditure on spruce of \$28,730,533.26; for fir, \$10,447,466.64; and for cedar, \$2,611,866.66, or a total of \$41,789,866.56. If we take the price that these commodities could be purchased for on the outside market, or \$110 a thousand for spruce and cedar and \$65 for fir, deduct that cost from the total expenditure, through a subdivision of spruce, fir, and cedar, on the basis of 40 per cent salvage, we get a cost of spruce of \$667.36 a thousand, of fir \$240.20 a thousand, of cedar \$764.47 a thousand.

Mr. FREAR. On what basis is that?

Mr. GABRIELSON. This basis is now of the production cost of the manufacturer from the cut-up plant, excluding the outside mills, on a basis of 40 per cent salvage.

Mr. FREAR. And putting in the railroads and all the other expenditures that were here?

Mr. GABRIELSON. That is amortizing everything.

Mr. FREAR. On what basis of salvage is that?

Mr. GABRIELSON. This is on 40 per cent salvage basis.

Mr. FREAR. Give the other figures that you have there.

Mr. GABRIELSON. On the same hypothesis, on a 30 per cent salvage basis, the cost of spruce is \$712.30, of fir \$255.80, and cedar \$808. On a 20 per cent salvage basis—that is, getting one-fifth of its original cost at the time of the sale, of these resales of the cut-up plant and the sawmill, etc.—the cost of spruce is \$754.50, fir \$271.50, and cedar \$851.70. On a 10 per cent salvage basis, or the base of the English settlement, the cost of spruce in the cut-up plant was—I do not mean the cut-up plant; I mean, under Government operations; that is what I mean—spruce \$802.20 a thousand, fir \$287.20, and cedar \$895.20.

Mr. FREAR. That is to say, that it will all depend upon the amount of salvage that is received as to the exact amount that airplane timber will cost the Government?

Mr. GABRIELSON. Those who pay the bills; that is what it will ultimately cost the taxpayers; yes.

Mr. FREAR. Now, what is the total loss to the allied Governments over and above what the production would have cost if given to outside contractors and they had been able to provide, as was provided in Canada by Pendleton, by outside contractors in the way it was done?

Mr. GABRIELSON. The total production of 143,000,000 feet shipped, if placed with outside contractors at the rate of \$110 for spruce and cedar and \$65 a thousand for fir and the way it was handled, according to the English settlement, makes the losses as follows to the different Governments: On a 40 per cent salvage basis the loss to the English Government over what it would have cost them had they purchased it directly at \$110 and \$65 a thousand is \$8,914,070.46; to the French, \$6,901,215.84; the Italians, \$2,875,506.60; and the United States, \$10,064,273.10.

Mr. FREAR. That is on what basis?

Mr. GABRIELSON. That is on a 40 per cent salvage basis. I might say that the loss is split between the different Governments on the basis of the apportionment of the shipments to them.

Mr. FREAR. Go on with the other percentages.

Mr. GABRIELSON. Do you wish the figures of the losses according to the different countries?

Mr. FREAR. Yes.

Mr. GABRIELSON. On a 30 per cent salvage basis the total loss to the English was \$9,641,418.81; to the French, \$7,464,324.24; the Italians, \$3,110,135.10; and the United States, \$10,885,472.85. On a 20 per cent basis, the British, \$10,368,829.47; France, \$8,027,481.18; Italians, \$3,344,783.70; United States, \$11,706,742.95. On a 10 per cent basis, or the base of the English settlement, the loss to the British was \$11,096,859.82; the French, \$8,591,117.28; the Italians, \$3,579,632.20, and the United States, \$12,528,712.70.

Mr. FREAR. Is that all?

Mr. GABRIELSON. Yes, sir. I just have them in totals here, the total loss to all the Governments all combined.

Mr. FREAR. Just give that.

Mr. GABRIELSON. On a 40 per cent salvage the total loss was \$28,-755,066.56; on a 30 per cent salvage basis, \$31,101,351.84; on a 20 per cent salvage, \$33,447,837.28; on a 10 per cent salvage basis, \$35,796,322.70.

Mr. FREAR. That is, compared with the amount that was being paid to the outside private mills, independent of governmental operations?

Mr. GABRIELSON. Yes, sir. In fact, I think you will find that is a little higher price. I left a margin of security there.

Mr. FREAR. And that, of course, the inference there is that while the Government was making, or this Spruce Production Corporation out here was making preparations to get out a whole lot of spruce timber that eventually might be useful for airplanes, during that period other Governments—the Canadian Government, for instance—by adopting this private method, was bringing it out, and it was a matter of policy as to which should be pursued?

Mr. GABRIELSON. Now, as the war ceased when it did, this represents what it actually cost the people of the United States and the different Governments for the spruce, fir, and cedar that they actually received.

Mr. FREAR. That is the only asset we have, and we would have been willing to sacrifice it all if we could get the airplanes in time.

Mr. GABRIELSON. Certainly; production was the main thing.

Mr. LEA. I suppose, Mr. Gabrielson, it would be a reasonable conclusion from these figures that if the Germans had given us about one year's advance notice that they were going to quit on the 11th of November it would have saved us quite a lot of trouble and expense.

Mr. GABRIELSON. It probably would have saved us most of this, but here is the thing, Mr. Lea, and understand me this is looking at cold figures and disregarding the question of policy, the policy of making this outlay is something I am not interested in just now, this is the liquidation of a concern, and this is what it is going to cost the people of the United States for what spruce they got. That is the whole thing.

Mr. LEA. I was just making a joking remark, because your figures are undoubtedly correct.

Mr. FREAR. I will make a very serious remark, that after all those losses are figured up we are confronted with the proposition that with all that expenditure we never had an American built fighting or bombing plane at the front.

Mr. LEA. We had some mighty good fighters over there.

Mr. FREAR. We had some splendid men, and they certainly worked their heads off. Here is a letter of Mr. Leadbetter's that should be introduced in the record. We have all agreed on that so that it may go in the record.

SEPTEMBER 12, 1919.

Mr. FREAR,

Chairman Congressional Spruce Committee, City.

DEAR SIR: In accordance with your instructions this morning, I beg to hand you herewith the corrections in the written report of my testimony:

On page 3923, fourth paragraph: I was entered on the war records when I entered the Cavalry at 38 instead of 48.

On page 3928: The last word of the fourth line from the top should read "supplies" instead of replies.

On page 3932: Nothing much in it except a formal request. The insertion of the word "much" should be made as my recollection of the letter was that it was quite a lengthy communication without much to it.

On page 3924: Sixth line from the bottom reads, "I did not tell him that at all." This sentence should read "I did not blame them at all."

On page 3947, third paragraph from the bottom: In line with my conversation with you, I would like to qualify my statement regarding no arrangement or no agreement with Mr. Gompers, as Mr. Gompers, for whom I have the highest regard, might consider that in the conversation with Col. Disque and myself which satisfied Mr. Gompers that Col. Disque's attitude would not be inimical to labor and that there would not be unnecessary conflict between the soldiers and workers so that whereas there certainly was no arrangement nor agreement as to what Col. Disque would do when he arrived on the coast, we were able to satisfy Mr. Gompers that the colonel was the kind of a man who could be relied upon to give labor and operators each a square deal.

On page 3960, eighth line: The sentence reads, "He never claimed to have 'stated' anything." Should be, "He never claimed to have started anything."

Yours, very truly,

F. W. LEADBETTER.

(Thereupon, at 5 o'clock p. m., the committee adjourned subject to the call of the chairman.)

SUBCOMMITTEE NO. 1 (AVIATION) OF THE
SELECT COMMITTEE ON EXPENDITURES IN THE
WAR DEPARTMENT, HOUSE OF REPRESENTATIVES,
Portland, Oreg., September 13, 1919.

The subcommittee met at the Benson Hotel, Portland, Oreg., at 9.35 o'clock a. m., Hon. James A. Frear (chairman) presiding.

Also present: Hon. Walter W. Magee and Hon. Clarence F. Lea.

TESTIMONY OF GEO. H. KELLY.

(The witness was sworn by Mr. Frear.)

Mr. FREAR. A statement has been furnished of certain correspondence between the Loggers Association and Mr. Disque, or Col. Disque at that time, including two or three letters and telegrams, relating to what was claimed by Mr. Disque on the stand to be the negotiations which he said they desired to enter into for the making of a contract, and claiming that the negotiations were offered by them or were initiated by them. I have here a copy of the correspondence in relation to it, which has been requested to be placed as an exhibit, not to be entered in the record, and which I think amply covers the matter that they had in mind, and makes a direct issue with Col. Disque as to the facts.

Mr. Kirk, who is a member of the Loggers' Association, is present at the meeting and knows all the facts, but I desire not to enter it in the record, but attach it as an exhibit.

Mr. LEA. No; there is no use swearing the witness for that.

Mr. FREAR. All right.

(Copy of correspondence referred to was marked "Exhibit 34, Sept. 13, 1919.")

Mr. FREAR. Mr. Kelly, what is your business?

Mr. KELLY. Well, most of my life I have been in the lumber business. I don't do much of anything now. I retired from the lumber business in 1910, and I have lived here in Portland since that time, except about a year and a half that I was in the Army.

Mr. FREAR. And how long have you been in the lumbering business?

Mr. KELLY. Well, up to the time I retired, 26 years, and then I was one year in the lumber business in France.

Mr. FREAR. You were a miller and a logger during this period?

Mr. KELLY. I have logged ever since I was big enough.

Mr. FREAR. Large and small?

Mr. KELLY. I started with a small mill that cut 1,500 feet a day, in 11 hour, and when I quit we were making 700,000 feet a day.

Mr. FREAR. So you have a rather intimate experience with the lumbering business and logging business?

Mr. KELLY. At the time I retired from the lumber business we were the largest rail shippers in the State, had a very large operation.

Mr. FREAR. Under what name?

Mr. KELLY. Booth-Kelly Lumber Co.

Mr. FREAR. Located at?

Mr. KELLY. The principal office is at Eugene, Oreg., about 125 miles south of here, down the Willamette Valley. We had five mills around—a radius of 20 miles from Eugene.

Mr. FREAR. Will you state to the committee, now, briefly, your entrance into the service during the war with Germany, what brought it about—that is, I mean everything that led up to it and the character of operations there?

Mr. KELLY. I was one of several men recommended for a commission in the forestry regiment that was being raised in Washington in 1917, and these recommendations were made by the Lumbermen's Association of the Pacific Coast, and I was called to Washington, on a hurry-up wire, about the latter part of August or the first of September, 1917. I was put into the recruiting of what the department called the forestry troops and the selection of the officers for the forestry troops, which afterwards became the Twentieth Engineers, and also had supervision over the selection and purchase of all the logging and mill machinery that was to be taken over to France for the operation; that included rails, locomotives, every kind of equipment, both for the men and for the operation.

Mr. FREAR. You said you were selected. Will you please state, briefly, the manner of selection, how selected, and so on?

Mr. KELLY. Well, I was recommended by this Lumbermen's Association. They recommended a number, and my orders were from Gen. Black to report at Washington.

Mr. FREAR. Chief Engineer of the Army?

Mr. KELLY. Chief Engineer of the Army.

Mr. FREAR. And then you were given this authority to gather together this division, or whatever it may be?

Mr. KELLY. I was supposed to recruit 10 battalions, which would be approximately about 8,000 men, and then to go to France, but I got 6,500 together and—

Mr. FREAR. At Washington?

Mr. KELLY. At Washington; and then——

Mr. FREAR. Now, leading up to that, after you got these men together and got the material of which you have spoken, did you have an interview with Gen. Black before you left this country?

Mr. KELLY. Yes; I was ordered to go abroad, and I was taken out of my battalion; I was assigned first to the Ninth Battalion of the Twentieth Engineers, which would be one of the last to go over, and then I was moved up to go over with the Third and Fourth Battalions, and I think I had six days' notice. Well, just at the time that—we paraded before the Secretary of War and Gen. Black and other Army officials, and I was called out of the line, as soon as we passed the reviewing stand, by an orderly, and told that Gen. Black and Gen. Biddle wanted to talk with me about lumber conditions out in Oregon.

Mr. FREAR. Who was Gen. Biddle?

Mr. KELLY. He was at that time Chief of Staff.

Mr. FREAR. The Chief of Staff and the Chief Engineer of the Army wanted to talk with you?

Mr. KELLY. Well, Gen. Biddle was an engineer. And I went to Gen. Biddle's office, and they questioned me all about the lumber production out here, which was just then getting started, and particularly about the location of Vancouver, as to whether that would be or would not be a suitable place for the erection of a cut-up plant. The engineers, I think, were a little opposed to it, because it was an Engineer post, and they rather had the idea that if they put a saw-mill plant up there, it was going to ruin it as an Army post; and I explained to them the advantage that I thought Vancouver possessed. I talked with them at great length, all about the wood supply out here, and what I thought was the proper method of handling it. I inferred from the conversation that the Engineers rather expected to take it over, and rather expected to have charge of that, as they did of all of the lumber manufactured in the East. And they asked me who I thought was a proper man to handle it, and I told them that I thought it was in the hands of the very best man that could be selected, Mr. Hawkins; that he was a practical lumberman of wide experience and had the confidence and good will of all the millmen and the loggers; that he was a rustler, and that I thought that the thing was well handled.

Mr. FREAR. That is, you are referring to Mr. Russell Hawkins?

Mr. KELLY. Mr. Russell Hawkins.

Mr. FREAR. Who at that time was in control of the production?

Mr. KELLY. He was in charge at that time. I went to France, then, immediately after that. I was ordered to the port of embarkation, and went to France immediately.

Mr. FREAR. Now, will you briefly state to the committee what occurred in France—that is, what you undertook, and the time it required to get in operation, and the extent of those operations?

Mr. KELLY. Two battalions of the Twentieth Engineers went over on the ship that I was on, one battalion——

Mr. FREAR. About how many men would that be?

Mr. KELLY. About 800 men; that is, they were full strength of enlisted, noncoms, and officers, practically 800. And one battalion was sent to Dijon, in Old Burgundy—it is in eastern France—and

the First Battalion, which I commanded, was sent to the Department of Landes—that is between Bordeaux and the Spanish border—and to operate in a big pine forest there. Eighty days after the formation of the Fourth Battalion was authorized by the War Department, and 11 days after we landed at Brest, we bought an old French sawmill and moved it and set it up and were sawing lumber in Landes.

Mr. FREAR. Within 11 days after you landed?

Mr. KELLY. Yes. I have some of the lumber here in Portland, but it is packed down in the warehouse, that I brought home for a souvenir.

Mr. LEA. Did you say in 11 days after you landed?

Mr. KELLY. Yes; and three days of that was consumed on the train going from Brest to our location in Landes.

Mr. FREAR. And you then erected the sawmill—this old sawmill—and started sawing lumber?

Mr. KELLY. Yes; we went right out in a wilderness. We even had to dig our wells to get water. It was a sand-dune country, and we hauled water in there until we could get our wells dug.

Mr. FREAR. Will you briefly state what you did there after you erected the first sawmill, and how many men you had under your employ at that time, or under your command?

Mr. KELLY. I stayed there for 19 days, and received orders to report to Paris, which was then the headquarters, and I reported there and was put in charge of all of the sawmill operations—that is, the erection of the mills—all of the logging operations, and the placing of the troops. You see, we were getting over new troops all the time, and I should say where the troops were needed most, and was placed in charge of all of that operation.

Mr. FREAR. What was your rank at that time?

Mr. KELLY. I was a major. I was immediately recommended for promotion, but there was no vacancy in the regiment. My recommendation came to Washington three times before I finally was promoted.

Mr. FREAR. Now, what occurred after you got to Paris?

Mr. KELLY. I reported to Gen. Mason M. Patrick, who had charge of what was known as construction and forestry. He had charge of all the lumber operations in France for the American forces, and also the construction of all buildings and docks, hospitals, barracks, and everything of that kind; it was all under that department.

Mr. FREAR. That is, he was the American officer in charge?

Mr. KELLY. He was in charge. Col. Woodruff was next under Gen. Patrick, and Col. Woodruff was the colonel of the Twentieth Engineers. They turned over all of the operations to me. They said all they wanted was the lumber; to go and get it, which I proceeded to do, and I traveled continually from one plant to the other and from one forest to the other all the time I was in France, only reporting to the headquarters, which were afterwards removed to Tours.

Mr. FREAR. How long were you in France?

Mr. KELLY. About 13 months.

Mr. FREAR. To what extent did the operations go during the time you were in charge; that is, the number of mills and the number of men employed and other matters that related to that?

Mr. KELLY. Well, before I make a statement I will just explain that later in the war all of the wood production was turned over to us by

the quartermaster, so that we had charge of a lot of quartermaster troops who were not engaged in the lumbering business, but were still under my supervision.

I had 16,000 white men; I had 9,000 colored troops who were attached to the regiment for duty and 9,000 quartermaster colored troops who were under our supervision but under the command of their own company officers.

Mr. FREAR. That is, under your control and authority and directing where they should operate?

Mr. KELLY. Sixteen thousand white men and 18,000 negroes.

Mr. LEA. I do not believe we have just what your position was. Did you have any particular title in reference to this work?

Mr. KELLY. No; I simply had a letter of authority from Col. Woodruff, which I carried with me all the time, and it was that—

Mr. LEA. I didn't know but what you were called chief of some certain work or something of that sort.

Mr. KELLY. No; they didn't go much on titles over there.

Mr. FREAR. They were not getting titles and stars around there very numerously when you were major and had charge of all those troops?

Mr. KELLY. There was a lot of majors over there that ranked me, and that is the reason I had to carry this letter around. I had only been in the Army a very short time, and I had a letter of authority that could make a man that got his commission 24 hours before I got mine—I could make him mind.

The production, when I went to France, was about—that is, when I took charge of this work—was about 3,500,000 feet a month of sawed timber and—

Mr. FREAR. How many mills were engaged then?

Mr. KELLY. Well, there was—

Mr. FREAR. Generally speaking.

Mr. KELLY (continuing). Probably—possibly a dozen then, and some were half built, and it was very much in a chaotic state. Gen. Patrick told me that the maximum amount of lumber that they wanted would be 15,000,000 feet a month, and to organize along that line, which I proceeded to do, and in less than 90 days I was giving them a little over 18,000,000 feet a month.

Mr. FREAR. How many mills would that take, approximately?

Mr. KELLY. Well, those were small; we had some very small mills, a good many of those old French mills, and I suppose we had possibly 20 mills. And in October, 1918, we produced a little over 50,000,000 feet of sawed stuff in a month, and were operating 81 mills. In addition to that, I had 10 new mills set up, ready for operation, waiting for troops and also for changes. The timber there is small and in very small tracts, and it was necessary to keep mills set up ahead of the work, so that when a company cut out at one place, we just picked up the outfit and took it over to another mill, and then we would move that mill at our leisure. We had three gangs of millwrights moving and setting up these mills, and then, of course, we had men building railroads and things of that kind; we did a good deal of railroad logging and all that had to be prepared ahead.

Mr. FREAR. That would be that by October, 1918, you had 90 mills either in process or ready to start work?

Mr. KELLY. Yes. I had 10 more mills at the base ports, ready to come, and orders had been placed in the United States for about 70 more small mills. We were ordered to produce 100,000,000 feet of

Mr. FREAR. Did you cut any spruce?

Mr. KELLY. Yes; we had three mills in eastern France, in the foothills of the Jura Alps, that cut spruce, and one of those three mills cut spruce altogether.

Mr. FREAR. What was this used for?

Mr. KELLY. Well, we used it for general lumber purposes, and under our agreement with the French anything that was fit for airplane stock was cut into airplane stock and turned over to the French.

Mr. FREAR. A part of this was used for airplane?

Mr. KELLY. Yes. We got it wherever we could. There was, of course, a crying demand for everything of that kind, and we worked very closely with the French authorities, not only because we wanted to help them out in getting this stock, but also because they helped us to secure timber, which had to all be done through the French mission.

Mr. FREAR. Before we go on with that: What other operations—lumbering operations—were being conducted in France and by what governments, if you know?

Mr. KELLY. The British, the French, and the Canadians, in addition to the Americans, all had their sawmill operations.

Mr. FREAR. How was that conducted—that is, so far as districts or divisions were concerned, just generally?

Mr. KELLY. Each outfit; that is, each nation had its own district, except in two places. In the Department of the Landes both the Americans and the British operated. That was a pine forest, and the British shipped all of their stuff out through the Port of Bayonne and up to those channel ports. In one district, in the Jura, where there was some very large fir forests, the Canadians operated right alongside of us. There was a very large forest there, the forest of Levier; the Canadians had one end of it and we had the other. The Canadians had a big spruce mill, a big hand mill, that was the biggest mill in France, at a place called Malbuisson, and they cut entirely airplane stock for the French. That was the largest stand of spruce in France, and this Canadian mill was right in the middle of it. We had one mill about 14 kilometers—that would be about 8 miles—away from it, and another one about 3 miles off in another direction, where the timber was not so good. But the French foresters went out and picked all of the airplane stock for this Canadian mill and marked it and then the Canadians logged it and sawed it and loaded it on the P. L. & M. Railway for the French.

Mr. FREAR. How many people did they have in these operations—the Canadians—and about how many mills, if you know, generally speaking?

Mr. KELLY. Well, I don't know. They had a great many mills and they were scattered all over France.

Mr. FREAR. Give the scope of their operations.

Mr. KELLY. Yes; you see they sawed a lot of stuff for the British and Australians as well, and for the French, and the Canadians paid for a lot of the stumpage that they got from the French by turning over lumber—or sawing lumber—to them.

Mr. FREAR. What other nations were engaged in the lumbering operations over there?

Mr. FREAR. They would at least be able to handle, would they, in your judgment, the stock from which the wing beams could be sawn up; that is, as was testified to by Mr. Dant yesterday—did you hear his testimony?

Mr. KELLY. Well, just a portion of it.

Mr. FREAR. Well, his testimony was to the effect that in order to avoid checking and avoid the rejects which occurred in France, which represents, he said, as high as 85 per cent of the amount of material forwarded, that it was more advisable or it was advisable to send the timbers in such shape that the stock could be cut up abroad rather than here. Now, an ordinary up-to-date mill could have done that anyhow?

Mr. KELLY. Very easily.

Mr. FREAR. Without difficulty?

Mr. KELLY. But now I have seen a great deal of freight handled, both on this end before I went over, because I was at Hoboken and Harrison, N. J., where a great amount of these stocks were handled, and it was part of my business to see that this stuff got over, and I visited all the different ports here continually and I saw how they handled lumber and other stuff, and you take these big Gantry cranes, lift the stuff, load lumber and dump it down, and then probably dump the body of a flat car or something of that kind, or maybe a drum of gasoline, or something of that kind, right on top of it. They had negro stevedores there and seemed to try to see how much stuff they could smash.

Mr. FREAR. So that, as a matter of actual service, usefulness, which was the better method of cutting up and shipping airplane stock, in your judgment, the finished product here in the particular pieces, or having it in such shape that it could be cut up over there?

Mr. KELLY. Well, the stuff that the Allies wanted to cut up over there—would have been very much preferable to have shipped it in the large sizes, because it would not be damaged so in handling, and they had plenty of cheap labor and could have worked the stuff up over there very, very well. In fact, all of the stuff that the Canadians and the Americans furnished in the way of airplane stock was in big cants that the French called "deals," and they were unedged. They simply tried to get the grain as straight as possible and to get off as thick a cant as possible without getting too many knots.

Mr. FREAR. I think it should appear in the record that I have not discussed this matter with you, so I am asking entirely for information on the part of the committee. You said similar cants were furnished over there for final—

Mr. KELLY. Yes; all that the Canadians cut and all that the Americans cut in France, the instructions were to cut them as thick as possible; in fact, they didn't want anything thinner than 3-inch, and that was cut, as the lumberman says, plump—it was just a trifle over 3-inch, and as wide as possible, and unedged, like you see hardwood planks in this country.

Mr. FREAR. What kind of help did you have over there in your lumbering operations?

Mr. KELLY. We had skilled lumbermen, as far as we could get them, but, of course, we had a great many laborers, and, as I stated before, we had these 18,000 colored troops, and a part of those—

Mr. FREAR. Colored and white?

Mr. KELLY. But I say we had 18,000 colored troops.

Mr. FREAR. Colored troops alone?

Mr. KELLY. Yes; 9,000 of them were quartermaster troops that were engaged in cutting wood all the time around among our operations. We had to clean the forests as we went. We had a good many of those colored men that operated sawmills, but our white men were a very fine, high-class grade of men.

Mr. FREAR. You had white soldiers with you there?

Mr. KELLY. We had white soldiers with us; yes, sir, about 16,000.

Mr. FREAR. About 16,000 of those in addition to the colored?

Mr. KELLY. All of those were not sawmill men, originally. We got about 9,000 sawmill men and loggers, and, of course, truck drivers and a certain amount of stenographers, because we aimed to frame up a battalion so that it was a compact unit that could go out and do anything.

Mr. FREAR. How many men did you have, all together, would you say at the apex of your work; that is, the peak of the work; how many men did you have in your employ, these soldiers, how many soldiers?

Mr. KELLY. About 34,00.

Mr. FREAR. Thirty-four thousand soldiers were under your directions?

Mr. KELLY. Yes, sir.

Mr. FREAR. Now tell the committee, please, what these men were paid?

Mr. KELLY. Enlisted men were paid \$33 a month. The master engineers—they had about five of them in each battalion—the master engineers, senior grade, got \$96 a month. That was the highest paid to any man until you get into the officers.

Mr. FREAR. These men worked in the woods and mills and every way, did they?

Mr. KELLY. Oh, yes.

Mr. FREAR. Tell us under what conditions they worked during the winter months.

Mr. KELLY. Well, in the Vosges mountains, that was where our largest operation were, it was very high and very cold. The first men got in there right in midwinter, along about November or December, 1917, and they were all in tents. They had all the way from three to six feet of snow there that winter, and the thermometer got down to seven below zero. We lost quite a few men by pneumonia. Then we had about two battalions of men further south in the Jura Alps, right up next to the Swiss border, and they would get—the average snowfall in there in the winter is about two meters, that is right near seven feet, and it is very cold and bleak in there. But before I left over there we found that we would have to put in another winter and I put the men all in barracks, built wooden barracks and lined them with building paper. But the first winter they were all in tents.

Mr. FREAR. You are somewhat familiar, I assume, with lumbering operations in Washington and Oregon, the States of Washington and Oregon, these two States, and I will ask you whether or not, so far as the climatic conditions were concerned, it was easier or harder working over there, as you have detailed the conditions, as compared with the conditions here?

Mr. KELLY. Well, you would never pretend to work men in this country in the bad weather that we had to work in there. They never stopped there. All of those mills, up until April—the end of April, 1918—ran 20 hours a day, 6 days in the week. In April we reduced the time to 114 hours a week. That is, the men would stop at 3 o'clock Saturday afternoon, and then we had inspection from that on until 6 o'clock. But they worked every day, rain or shine or mud—no difference.

Mr. FREAR. How many hours?

Mr. KELLY. Up until the end of April they worked two 10-hour shifts. Then we would have a shift of 10 hours in the daytime and 10 hours in the night. After that we reduced it to 57 hours a week.

Mr. FREAR. Was there anyone over there who determined that you should reduce it to eight hours a day—have an eight-hour day?

Mr. KELLY. They had a good deal of agitation over that point. There are always a lot of agitators in the Army, like there are in civil life. They said they were on Government work, and they were going to work eight hours a day; but I soon talked them out of that.

Mr. FREAR. By what method did you persuade them that in times of war, when they were not engaged in the fighting line, they ought to be patriotic and work over eight hours a day, if necessary?

Mr. KELLY. Well, we only had serious trouble in just one or two places. We had a few I. W. W.

Mr. FREAR. You had the I. W. W. over there, did you?

Mr. KELLY. Oh, yes. We got some drafted men, and some men of the I. W. W. had enlisted. They started in to make trouble, and we just put them in the guardhouse on bread and water, and they soon came to their milk.

Mr. FREAR. With over 30,000 men in your employ, what was your title before you left?

Mr. KELLY. I was a lieutenant colonel.

Mr. FREAR. You were promoted to lieutenant colonel?

Mr. KELLY. Yes.

Mr. FREAR. Did you ever complain because you were not made a colonel or a brigadier general, or believe that you were entitled to be given the title of major general?

Mr. KELLY. No.

Mr. FREAR. That never occurred to you?

Mr. KELLY. No.

Mr. FREAR. Did you ever recommend your officers for distinguished-service medals for the work in the mills; and if so, to what extent?

Mr. KELLY. Did I ever recommend them?

Mr. FREAR. Yes.

Mr. KELLY. No. I recommended some of my officers for promotion.

Mr. FREAR. For promotion?

Mr. KELLY. Yes. There was a committee of three of our regiment that passed on all promotions and also the making of all noncoms. We had a great many noncoms, and that was handled through my office.

Mr. FREAR. The reason this is asked on the part of the committee is that an officer, for instance, who, so far as we know, had never seen military service before, Maj. Eaman, who came 3,000 miles to testify in the investigation, as he states, at his own expense, arrived here in September, 1918, five or six weeks before the armistice

was signed, and he was recommended for a distinguished service medal, while his headquarters were in the Yeon Building in this city he was one of 20 recommended here. Did you have any such cases in your experience over there?

Mr. KELLY. No. They were not giving out any medals up to the time I left.

Mr. FREAR. They were engaged in preparing for war.

Mr. KELLY. They were busy at something else all the time.

Mr. FREAR. How far were you from the fighting line during these operations?

Mr. KELLY. We had a great many troops that were in what they called the zone of the armies. France was divided into military zones, and what they called the zone of the armies, or the advanced section, I went through every four or six weeks. We had mills that were right at the front, and we lost some of our officers. I remember there was a captain and a lieutenant who both got into machine-gun nests.

Mr. FREAR. That is, you were right near the front in your operations?

Mr. KELLY. Yes.

Mr. FREAR. Did you find it necessary to keep about 140 or 150 officers, and about 400 men around you, surrounding you, as occurred in the Yeon Building in this city, according to the reports that have been filed with this committee, in order to carry on your operations?

Mr. LEA. I think that is an unfair question. I do not think this witness is seeking to criticize other people in the war.

Mr. FREAR. I am asking a question.

Mr. LEA. You are trying to place something in his mouth.

Mr. FREAR. I am asking what the conditions were, for comparison.

Mr. KELLY. I can tell you just what officers I had in my own headquarters. I do not know anything about what happened in the Yeon Building or any place out here. There was not to exceed 10 officers in the headquarters of all of those combined regiments at Tours, and perhaps 12 or 14 enlisted men. Now, they handled all of the acquisition of timber from the French, handled all of the orders that came in from everywhere for all of the lumber, rustled all of the cars—there was a chronic car shortage over there—and attended to all of the manufacturing of all of the lumber, all of the piling, all of the telegraph poles, all of the barbed-wire entanglement stakes that the American Army used, and all of the wood after the quartermaster turned this business over to us.

Mr. FREAR. Did you have any force of men who were carried as a reserve before they were sent into active operations, and if so, how many men would you have in a sort of receiving camp?

Mr. KELLY. We had none at all. The demand for lumber was growing so fast that we were constantly grabbing what they called service troops all the time, and finally the Twentieth Engineers was made the nucleus of a very large regiment.

Mr. FREAR. That was your regiment?

Mr. KELLY. My regiment. It was to contain 145 companies.

Mr. FREAR. And that would be how many men?

Mr. KELLY. That would be about 40,000 men. That would be that many white men. Then, in addition to that, we still had the authority to handle these 18,000 colored men, who were simply attached to us for service. We took in the Forty-first, Forty-second, and Forty-third Engineers, and several service battalions, and the Tenth Engineers, and then sent men to the United States, and they were here when the armistice was signed, to bring over about 12,000 or 15,000 more skilled sawmill men to carry out this increased program of 100,000,000 feet of sawed lumber a month.

Mr. FREAR. And your force had arisen to what in number, did you say, while you were there in command as lieutenant colonel?

Mr. KELLY. About 34,000, white and colored.

Mr. FREAR. You had no assembling or receiving camp, you say?

Mr. KELLY. No.

Mr. FREAR. Now, you had nothing to compare with the receiving camp over here at Vancouver, where the testimony shows over 9,000 men and over 400 officers were concentrated before they were sent out; you had nothing of that kind?

Mr. KELLY. No. We always had a place to put the men. We would get a cable from Washington before any men were headed over for Brest or Bordeaux or St. Nazaire, where they were going to land, and we knew that we were going to get them; so we had an officer to meet the transport and take the men immediately to where they were to go to work.

Mr. FREAR. You have testified now in regard to the soldiers, the conditions under which they served, and you have testified to the pay that they received and the number of men you had, the final total, and the production of the mills, the number of mills, and matters of that kind. So far I have only spoken with you for a few moments on the subject. Can you give us any further information regarding conditions—information that would be helpful to the committee, to show the means by which, with the cooperation of the men and the officers, and in the conditions there, you were able to bring out this production of which you speak?

Mr. KELLY. Well, we had a splendid lot of men. I recall one thing: There was a Maj. McKay came down there, and he was a doctor. He came up to Tours and complained that we were working our men to death. I investigated the thing, and his chief complaint was that over on the mess-house door every day on the blackboard we would put up how much the day shift cut and how much the night shift cut, and we were pitting one against the other, and he said we were absolutely crucifying those poor men over there. But the men were willing and worked, and I never saw such a good spirit as they had in those men. That kept up all the time until the war ceased, and then they took them out and put them to building roads. They took men, for instance, who had been filers in a sawmill here in civil life, getting \$10 or \$12 a day, and put them out with a pick and shovel over there for \$33 a month.

Mr. FREAR. And they worked?

Mr. KELLY. Yes.

Mr. FREAR. Willingly?

Mr. KELLY. Well, they worked; I do not know how willing they were. Of course, a man naturally would not feel very good about it.

Mr. FREAR. They were in the Army.

Mr. KELLY. As long as they were filing or any work of that kind they did it willingly for their \$33 a month. I had sawyers over there in some of those mills, just as good men as ever took hold of a lever, at \$33 a month, and there were men who would command from \$7 to \$10 a day here. We had them from all over the United States—from the South, North, East, and West.

Mr. FREAR. How many automobiles did you use for your 34,000 men over there?

Mr. KELLY. Passenger automobiles?

Mr. FREAR. Passenger automobiles.

Mr. KELLY. We were permitted two to a battalion—two Dodge cars to a battalion.

Mr. FREAR. How many would that make?

Mr. KELLY. We had 13 battalions—about 26.

Mr. FREAR. The reason I speak of that is that I believe that the number appearing in the statement of automobiles offered for sale, passenger automobiles, was in the neighborhood of 100. You used Army trucks, did you?

Mr. KELLY. Yes; a great many.

Mr. FREAR. How many?

Mr. KELLY. Well, I suppose we had nearly two thousand, and they were of all kinds. Now, they ran from three-quarters of a ton up to five and one-half tons. A great many of them were small trucks. We had to take what we could get, and occasionally when there would be a drive going on, like I remember one instance when they were getting ready for the drive at St. Mihiel, they came down and took all the good trucks away from us that we had, and a great many of our horses.

Mr. FREAR. To use for other operations?

Mr. KELLY. Yes. We had a great time getting them back, and when we did get them back we got a lot of old junk.

Mr. FREAR. What was the method of lumbering there, getting out the timber, did you use horses or Army trucks?

Mr. KELLY. We used—

Mr. FREAR. Or, donkey engines?

Mr. KELLY. In the Landes we used mules as far as we could get them, and we hauled with our trucks, big wheels, spool skidders, called "bummers" in the South, and then we had a lot of logging by motor truck where it was long distances. Some places we would haul 8 or 10 miles, and then we had quite a lot of railroad. We had, I suppose, 150 or 200 miles of railroad at different times, all kinds and conditions.

Mr. FREAR. I have never discussed this question with you, but I will ask you if you know what the cost of the railroad was there?

Mr. KELLY. Well, I could not give you any answer to that that would clarify the matter, because we had every kind of railroad, from 60 centimeter, the gauge of which would be 24 inches, and from 9 to 16 pound rail, on up to 80 pound, new steels on standard gauge, and hardwood ties.

Mr. FREAR. Did you condemn rights of way in establishing those railroads, or was that necessary?

Mr. KELLY. Well, in places we would have to deal with the owner, but we always did that through the French mission. We had a mission, an American mission up at Paris, under Maj. Woolsey that kept in touch with all those matters. Sometimes we would have to

pay a Frenchman for his crop, or something of that kind, but we had very little trouble with rights of way.

Mr. FREAR. Take the high-grade road—I know nothing about the matter—take the high-grade road there what we call a standard-gauge road over here, about what would be the cost of construction, if you know?

Mr. KELLY. I do not know, because I do not know what this heavy steel costs, because that was arranged by the Director General of Transportation. We simply requisitioned on him. We cut our own ties and did our own grading, sometimes with prisoners and sometimes with labor troops.

Mr. FREAR. You had entire charge of the operations, there were no other contractors, as I understand, no cost-plus operators, or anything like that.

Mr. KELLY. No.

Mr. FREAR. What else do you think of, Colonel?

Mr. KELLY. Well, I do not recall anything. I probably could talk on here all day about something that would not interest you at all.

Mr. FREAR. It is of great interest, because I do not think any of us have had this phase of the matter presented before, and we knew nothing about it until late last evening.

Mr. KELLY. You spoke of one thing, about where they were in the zone of the armies. I recall two or three operations that were up around in that vicinity, Toul and Nancy, where the fellows were bombed there every night. We were running day and night, and they would come over and bomb these fellows every night. We had bomb-proof shelters for them. We had a number of men killed in the Argonne that were cutting wood there. Some of them were blown up by traps that were left there by the Germans after they went out of that country.

Mr. FREAR. Taking all things into consideration would you think it would be as dangerous over there in operating as it would be here in Oregon and Washington?

Mr. KELLY. Yes, I think it would be quite so.

Mr. FREAR. That is, where they have 8 feet of rainfall here?

Mr. KELLY. They do not have any more rainfall here than they have in France. Believe me it rains every day.

Mr. FREAR. They recommended distinguished service medals, as I recollect, according to the order, on the basis of rainfall, which reached an aggregate of 8 feet.. Did anything of that kind occur over there?

Mr. KELLY. I did not see any swimmer's medals over there.

Mr. FREAR. What else do you know of? Anything else?

Mr. KELLY. I think you asked if I saw any planes over there.

Mr. FREAR. Any bombing or fighting planes of American manufacture at the front.

Mr. KELLY. I did not see any. Right along at the later end of the war I saw nine planes being unloaded from a ship at Bordeaux. Those were the only planes that I ever saw.

Mr. FREAR. And that was at what time?

Mr. KELLY. Well, I think that was right at the end of October, but it might possibly have been right at the end of September. I was there both times.

Mr. FREAR. That was just shortly before the signing of the armistice?

Mr. KELLY. Yes, sir; it was a short time before. There was nine of them on the transport there, being unloaded.

Mr. FREAR. Is there anything else you think of.

Mr. KELLY. I do not think of anything.

Mr. LEA. Now, these men that came to France had gone through the receiving camp before they arrived there, hadn't they?

Mr. KELLY. The men that I took over, for instance; that is, these forestry troops?

Mr. LEA. What I mean is this, they had their immunity treatment before they went to France?

Mr. KELLY. Well, they generally got that at Washington or some camp where they were rounded up. They rounded up battalions at a time. For instance, this Third Battalion was formed at Fort Myer, Va., and the Fourth Battalion was concentrated at Washington University, right outside of Washington. It takes 11 days to give them their immunity treatment, and, of course, they would all have to have that. They would not let an officer or an individual go abroad without that treatment. But we had some men that went over in the Fourth Battalion, 138 men, that came from Camp Lewis, that were sent over there in midwinter, late in December, in fact about Christmas. They were sent over there with cotton shirts and overalls. They had not been here long enough to get uniforms. They were only there 24 hours before we took them to Hoboken and took them on across. I think those men had not been in the Army more than five or six days before they went on the transport.

Mr. LEA. They went into your service?

Mr. KELLY. They were woodmen that we picked out. I fixed up a system in Washington of finding out all the loggers and sawmill men that were in the Army, that were in the draft, and then I would have them transferred. You see I would get an order through The Adjutant General's Office and have those fellows transferred. That is how I got my skilled men. Of course, I got lots of them by voluntary enlistment. If a fellow got in the Army, or I found out that he would be in the draft and was going to be drafted I inducted him in. I got men from all over the United States that way.

Mr. LEA. You got that from the records in the War Department, the qualification cards; that is, as to the drafted men?

Mr. KELLY. No. I sent letters. I sent 2,500 letters to sawmill operators all over the United States asking them for the names of any men, the names and addresses of any men who were going to be drafted. You see a man that had a sawmill down South somewhere and five or six men working for him were going to be drafted he knew it, and then I got in communication with them and found out the man's draft number, and I would catch him before he got into the Army. In other words, I beat the fighting units to it. Then I got lots of men, for instance, out of Camp Lewis or any of these big concentration camps, out of the classification cards. I got lots of them that way.

Mr. MAGEE. From other parts of the country, too?

Mr. KELLY. Oh, yes; all over the United States—east, west, and south.

Mr. LEA. These colored men, I suppose, were all from the South?

Mr. KELLY. Yes. You see the regiment itself was a white regiment, but we took these service battalions. A colored service battalion is 1,000 men; it is bigger than the ordinary battalion. We tried to get those battalions from the lumber districts wherever we could. The best ones we got were from Georgia. I had 3,000 Georgia niggers and they were all good woodsmen and good sawmill men. We got some cotton pickers and preachers and one thing and another, and they were not very good.

Mr. LEA. That is all, I think. I appreciate your testimony very much. It is interesting and enlightening.

Mr. MAGEE. I would like to ask you, Colonel, if you could give us any information as to whether any other wood than spruce was used in the production of airplanes over there, and the extent of the production under you, and the nature of the spruce that you found there.

Mr. KELLY. We did not produce any over there that went into aircraft except this spruce at this operations that I have testified to, but the French and Germans did use some aspen and some kind of a—well, it was a wood similar to our poplar here, a kind of linn.

Mr. MAGEE. Basswood?

Mr. KELLY. Yes; like basswood. They used that in some places.

Mr. MAGEE. Whatever spruce you sawed, the portions that were suitable for aircraft production, those portions that were turned over to the French?

Mr. KELLY. Yes. It was our agreement that we would turn that over to the French without cost.

Mr. MAGEE. Did you find a good stand of spruce there? What was the nature of the spruce growth there?

Mr. KELLY. Well, it was an artificial growth of spruce, and very thick. The spruce there would run from thirty-five to fifty thousand feet to the acre, and there were some pretty good specimens of spruce. I have seen quite a few spruce trees that would be 3 feet in diameter breast high, but it does not run tall and clear like our timber out here.

Mr. MAGEE. You could not get such lengths of log in the clear.

Mr. KELLY. The longest spruce logs that we got over there were 20 feet. We never attempted to get any wing-beam stock or anything of that kind.

Mr. MAGEE. How close to the ground did you cut the timber there?

Mr. KELLY. Just as close as a French forester could get at it with a hatchet and make a spot above the ground.

Mr. MAGEE. You did not leave any stumpage?

Mr. KELLY. No stump. You would see a timber faller there instead of working on a springboard he was down on his hands and knees.

Mr. MAGEE. How close did they get to the ground, in inches?

Mr. KELLY. As low as 4 inches. You take a big-butted tree, with the roots growing on it, and we used to have men go around and saw in all around the tree and then take axes and hew it down before they felled it. The stuff was like churned butter.

Mr. MAGEE. In what parts of France, if I may ask, did you find any spruce?

Mr. KELLY. In the eastern part, along the Swiss border, in the Department of Aisne and in the Jura. These spruce forests run right up to the Swiss frontier.

Mr. MAGEE. You mentioned the spruce as being artificial; you mean planted trees?

Mr. KELLY. Yes. All of the forests in France, except the oak, have been planted.

Mr. MAGEE. How old were those forests, if you know, where you found spruce trees 3 feet in diameter?

Mr. KELLY. We sawed one forest at a place called LaCluse, in the Department of Aisne, and it was planted by the Jesuits in the sixteenth century.

Mr. MAGEE. Pretty tall trees?

Mr. KELLY. Well, I measured one there one time that was about 4 feet in diameter and about 140 feet long, belonging to some French contractor there.

Mr. MAGEE. What distances would they plant them?

Mr. KELLY. They planted them very thick, just about as thick as a stand could be, and then they kept constantly thinning them for wood. Those forests, a great many of them, are owned by the communes, or little towns there, and are under the supervision of the communes, and they get their wood supply from them. Any defective tree, or crooked tree, or a tree that shows rot or fork, they thin them out. They cut so much out of the forests every year, what they call the expectation of the forest.

Mr. MAGEE. A forest is under careful supervision all the time?

Mr. KELLY. Oh, yes, indeed.

Mr. MAGEE. I think that is all.

Mr. FREAR. I omitted one question. There was an order or something of the kind, I believe, issued in the army that they should encourage singing among the soldiers. At least that was one of the rules. Did you have anything to do with that? Was it attempted?

Mr. KELLY. No.

Mr. FREAR. Well, there wasn't any attempt, was there, in your camp to indulge in singing in order to create promotions among the officers?

Mr. KELLY. No.

Mr. FREAR. There was nothing of that kind?

Mr. KELLY. No.

Mr. FREAR. Carols or ballads?

Mr. KELLY. No.

Mr. FREAR. Nothing of that kind?

Mr. KELLY. Not that I ever saw.

Mr. FREAR. I have had handed to me by some one else, and I understand that it is against the objection of the witness, some letters, and I ask that they be read into the record. I think these letters are such that they ought to be presented, and I desire to offer them for the permanent record and in connection with this testimony at this time:

WAR DEPARTMENT,
OFFICE OF THE CHIEF OF ENGINEERS,
Washington, January 4, 1919.

Lieut. Col. GEORGE H. KELLY,
Office Chief of Engineers, Washington, D. C.

DEAR SIR: I am forwarding you herewith your discharge from the Engineers, and wish to convey to you my appreciation of your efforts in behalf of your country during the recent emergency. The Engineers of the United States have

by their patriotic and self-sacrificing conduct well merited greater thanks and appreciation than it is possible for me or any other man to give them. I am sure, however, that when it is possible to relate in full the efforts and accomplishments of American Engineers, both overseas and in this country, that the people of the United States will show appreciation of their efforts in no uncertain terms.

2. That you have been one of these Engineers and have contributed your part toward this successful accomplishment constitutes in itself an honor greater than any official expression of opinion. Permit me, however, to extend to you my personal thanks and those of the Corps of Engineers for your efforts and assistance.

Very respectfully,

W. M. BLACK,
Major General, Chief of Engineers.

The other letter is signed by Maj. Gen. W. C. Langfitt, chief engineer of the American Expeditionary Forces, addressed to Lieut. Col. George H. Kelly, Engineers, Portland, Oreg.

Lieut. Col. GEORGE H. KELLY,
Engineers, c/o Chief Engineer, Washington, D. C.

MY DEAR COLONEL: As the work of the Engineer Department is rapidly drawing to a close I desire to express to you my appreciation of your loyal and energetic work in this department. The battalion of forestry troops under your command was among the earlier arrivals, and the promptness and energy with which they took hold of the work in the forests of the Landes showed a spirit deserving special commendation. Your later work at the headquarters of the Division of Construction and Forestry, directing the operation of the whole forestry enterprise, showed an ability to overcome difficult problems and to stimulate and maintain a standard of accomplishment which contributed heavily to the success of the operations.

Sincerely, yours,

W. G. LANGFITT.

This letter was dated June 1, 1919. I desire to make a brief statement for the record. I have been asked to call Davis, who was court-martialed here, and I would have done so and tried to make an appointment at one of the previous hearings, which he failed to understand. I will say that he desired to appear here, and the committee would have been glad to have heard him if it had been possible, but because of the number of witnesses and the brief time that was given us for the hearings it was impossible to have him present. This statement is made in justice to him.

Mr. FREAR. I ask that the following statement be inserted at the conclusion of G. H. Kelly's testimony taken in Portland, and as a conclusion to the Portland message:

EXHIBIT 37, SEPTEMBER 16, 1919.

Hon. FREDERICK W. GILLET,
Speaker House of Representatives, Washington, D. C.:

The subcommittee investigating aircraft production is in receipt of several telegrams, letters, and other communications criticizing the members on the grounds that both sides of the spruce-production controversy have not been a fair and unbiased hearing. The undersigned have been in attendance at every meeting of the committee in Seattle and Portland and unhesitatingly state that the conduct of the members has been fair from every point of view. Gen. Disque was given a full and fair opportunity to present all facts and figures he desired. He was before the committee three and one-half days, and as many of his witnesses, about a score, were called as could be heard without unduly delaying the proceedings. In our opinion the criticism of the committee is the result of a well-developed and well-directed propaganda which has been in evidence ever since the committee reached the Pacific coast. All acts of

the committee have been particularly fair and a most exhaustive examination has been made of each witness, and a thorough investigation has been the result, notwithstanding an opposition encountered, engineered without question by interests anxious that this committee shall not learn the true state of affairs that existed in the Spruce Production Division and Corporation.

WALTER H. LEE,
Official Reporter.

EARL FIELD,
Assistant Official Reporter.

ARTHUR FAIRBROTHER,
Providence Journal.

BEN H. LAMPMAN,
Portland Oregonian.

HENRY M. HANZEN,
Portland Telegram.

(Whereupon the committee adjourned, subject to the call of the chairman.)



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