



[No. 62]

SUBCOMMITTEE HEARINGS ON H. R. 4007, TO AMEND THE ACT ENTITLED "AN ACT TO AUTHORIZE THE CONSTRUCTION OF EXPERIMENTAL SUBMARINES, AND FOR OTHER PURPOSES," APPROVED MAY 16, 1947

HOUSE OF REPRESENTATIVES,
COMMITTEE ON ARMED SERVICES,
SUBCOMMITTEE No. 1,
Thursday, May 12, 1949.

Subcommittee No. 1 met at 10 a. m., Hon. Overton Brooks (chairman), presiding.

Mr. Brooks. The committee will please come to order.

First we have a bill, under the agreement entered into yesterday, H. R. 4007, to amend the act entitled "An act to authorize the construction of experimental submarines, and for other purposes."

(The bill referred to is as follows:)

[H. R. 4007, 81st Cong., 1st sess.]

A BILL To amend the Act entitled "An Act to authorize the construction of experimental submarines, and for other purposes," approved May 16, 1947

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the Act of May 16, 1947 (61 Stat. 96), is hereby amended by deleting the following: "": *Provided,* That the cost of the vessels, the construction of which is authorized by this Act, shall not exceed \$30,000,000." and substituting in lieu thereof a period.

[No. 34]

TO AUTHORIZE THE CONSTRUCTION OF EXPERIMENTAL SUBMARINES, AND FOR OTHER PURPOSES (H. R. 4007). MR. BROOKS

THE SECRETARY OF DEFENSE,
Washington, March 31, 1949.

HON. SAM RAYBURN,
Speaker of the House of Representatives.

DEAR MR. SPEAKER: Attached is a letter addressed to you by the Acting Secretary of the Navy recommending the enactment of a proposed draft of legislation, also attached, bearing the title "To amend the act to authorize the construction of experimental submarines, and for other purposes, approved May 16, 1947."

This legislation has been approved for inclusion in the National Military Establishment legislative program for the Eighty-first Congress, first session, and responsibility for handling it on behalf of the establishment has been placed in the Department of the Navy.

Sincerely yours,

LOUIS JOHNSON.

Attachment.

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THE SECRETARY OF THE NAVY,
Washington, March 24, 1949.

The Honorable SAM RAYBURN,
The Speaker of the House of Representatives, Washington, D. C.

DEAR MR. SPEAKER: There is transmitted herewith a proposed draft of a bill to amend the act to authorize the construction of experimental submarines, and for other purposes, approved May 16, 1947.

The purpose of the bill is to remove the limit of \$30,000,000 on the cost of the two experimental submarines authorized by the act of May 16, 1947 (61 Stat. 96).

At the time this cost limit was established only the rudimentary characteristics of the submarines in question were available. Primarily due to increases in the cost of labor and material, present estimates, based on a more definite conception of the ultimate design of these vessels, exceed the above limit by approximately 50 percent. Without the removal of the limit, therefore, it will be impossible to complete the submarines with the required characteristics.

The estimated cost of this legislation is \$10,500,000.

The Navy Department has been designated by the Office of the Secretary of Defense to sponsor this proposal on behalf of the National Military Establishment and accordingly recommends its enactment.

This report has been coordinated within the National Military Establishment in accordance with procedures prescribed by the Secretary of Defense.

The Navy Department has been advised by the Bureau of the Budget that the proposed bill is in accord with the program of the President.

Sincerely yours,

W. JOHN KENNEY,
Acting Secretary of the Navy.

Mr. BROOKS. Do we have witnesses on this bill?

Admiral CLARK. Yes, sir. I am Admiral Clark, Chief of the Bureau of Ships. Admiral Noble is here, sir. He is Chief of the Bureau of Ordnance.

Mr. BROOKS. Glad to have you gentlemen here. Would you mind having a seat, Admiral. Do you have a prepared statement?

Admiral CLARK. Yes, sir.

STATEMENT OF REAR ADM. DAVID H. CLARK, CHIEF OF THE BUREAU OF SHIPS

Admiral CLARK. Mr. Chairman and gentlemen, I should like to preface my formal statement by noting that time did not permit me to coordinate this statement within the National Military Establishment, or to secure clearance thereof by the Bureau of the Budget. However, H. R. 4007 is a Department bill, and the bill, together with all previous documents, has been cleared and coordinated.

The purpose of the proposed bill is to remove a statutory limit of cost contained in the act of May 16, 1947, Public Law 63, Eightieth Congress. That act authorized the Navy to undertake construction of two experimental submarines, and contained a proviso that "the cost of the vessels, the construction of which is authorized by this Act, shall not exceed \$30,000,000."

We presently estimate that the total cost of these two submarines will be approximately 40.5 million dollars. Hull and machinery estimates total 24.3 million dollars; ordnance estimates total 16.2 million dollars.

At first glance, this figure of 40.5 million dollars may seem to be disproportionately high compared to the 30-million-dollar limit of cost contained in the act of May 16, 1947. I believe a brief review of the facts causing the increase in the estimates is in order.

The two submarines authorized by the act are experimental, prototype attack submarines. Their design incorporates results of

wartime experience and subsequent technological advances. Undersea warfare enjoys the highest priority of any Navy project today, and progress in this field has been very rapid. Much of our time and energy is presently devoted to developing the weapons, devices, and tactics needed for modern offensive and defensive warfare beneath the sea.

More than 2 years ago the Navy appeared before this committee to request authorization to begin these submarines. From a design point of view, they represented wide departures from any submarines previously built. Our original cost estimates were based upon designs incorporating developments as of that date.

In the interim 2-year period, the design has been refined to include changes dictated by our continuing study of undersea warfare. These design revisions have increased the cost of the submarines over original estimates. The cost has also been increased by a very substantial rise in the cost of labor and materials. When the original cost estimates were made, the only basic cost data available was based upon our 1944-45 construction experience and the 1944-45 scale of wages and prices. In some instances, we are today paying more than twice as much for special equipment as we paid in 1945.

We are now in a position to make much closer cost estimates than we did 2 years ago. I am frank to state, however, that there are still areas of uncertainty concerning specific details of design and the cost of component materials. Our present estimates have been carefully prepared on the basis of known factors but further revisions may be required.

These prototype submarines are most important to our progress in the field of undersea warfare. Their construction should proceed. This cannot be done under the limitation of cost contained in the act. For that reason, we ask that the limitation be removed.

Mr. BROOKS. Mr. Chairman, do you have some questions?

Mr. VINSON. Yes, sir, Mr. Chairman, but I think you ought to go ahead, and the committee, first.

Mr. BROOKS. The committee is always glad to hear from the chairman.

Mr. VINSON. Well, Admiral, have we any assurance that you will not be back here now in about another year asking to increase the \$40,000,000? In 1947 you came here and said it would cost \$30,000,000 to build two submarines. Now in 1949 you estimate it is going to cost \$40,500,000. Now how far along have these submarines progressed?

Captain WEAVER. We have two keels laid, sir.

Mr. VINSON. Come up here, Captain. We can't hear you. Pull up a chair.

Captain WEAVER. Yes, sir.

Mr. VINSON. When were the keels laid on these first two submarines?

Captain WEAVER. The first keel was laid at Electric Boat Co. approximately 2 months ago.

Mr. VINSON. Two months ago.

Captain WEAVER. Approximately 2 months ago, sir, and the second keel was laid at Portsmouth Naval Shipyard early in April.

Mr. VINSON. How much material has been ordered?

Captain WEAVER. All of the structural material has been ordered, sir, and a major portion of the engineering components have been ordered and are in progress.

Mr. VINSON. Now, when you estimated your \$30,000,000 in 1947 you had tentative orders for the material then, did you not?

Admiral CLARK. No, sir.

Captain WEAVER. No, sir.

Mr. VINSON. You didn't have anything ordered?

Admiral CLARK. No, sir.

Mr. VINSON. So you couldn't tell in 1947 what the actual cost would be?

Admiral CLARK. No, sir.

Mr. VINSON. Now, can the committee be assured at this time that you can construct these two ships within this limitation of \$40,000,000 apiece?

Admiral CLARK. I am not a prophet, sir.

Mr. VINSON. What do you think now?

Admiral CLARK. We have no fixed-price contracts. We have been unable as yet, since the beginning of the war, to get a fixed price contract.

Mr. VINSON. One is being built by the Sperry Co. and the other one is being built where?

Admiral CLARK. One is being built by the Electric Boar Co. and one by the Naval Shipyard at Portsmouth, N. H.

Mr. VINSON. Which one do you think you will build the cheapest? Are they identical ships?

Admiral CLARK. The same class.

Mr. VINSON. That is a very good thing. I will find out the one which will be the cheapest. That is all I have to know, except whether this bill is approved by the Budget. Was the bill cleared by the Budget?

Admiral CLARK. It has been approved by the Bureau of the Budget, sir.

Mr. VINSON. Then it is a departmental bill sent up here. That is all.

Mr. BROOKS. Admiral, can I ask you this question. When the ceiling is taken off here, what effect is the decline in prices going to have on the construction costs?

Admiral CLARK. Any decline in prices, sir, will effect a reduction in the cost of the construction of these ships.

Mr. BROOKS. And taking the ceiling off, of course, won't make any difference at all as far as that is concerned?

Admiral CLARK. No, sir.

Mr. BROOKS. Any questions, Mr. Cole?

Mr. COLE. Yes, Mr. Chairman. My attention was arrested by the opening statement of Admiral Clark, in which he advised the committee that time did not permit him to "coordinate his statement within the National Military Establishment," which is the first information I have ever had that it was necessary for any member of any department appearing before a committee of Congress either for or against pending legislation to clear whatever statement they might have within the National Military Establishment.

Admiral, what did you have in mind when you said it hadn't been coordinated within the Establishment?

Admiral CLARK. There is a requirement, sir, that where time permits, prepared statements be cleared with the National Military Establishment.

Mr. COLE. Well, there is a requirement. What is the origin of that requirement?

Admiral CLARK. I will have to forward this to you. It is a Secretary of Defense order.

Mr. COLE. To all of the departments?

Admiral CLARK. Yes, sir; of about 2 years' standing.

Mr. COLE. Is it that before they can make a statement before any committee of Congress—

Admiral CLARK. No.

Mr. COLE. That statement must be prepared?

Admiral CLARK. No. The prepared statements should be cleared, but where the time does not permit, that is not a requirement.

Mr. COLE. Does that order require an officer who, because of a lack of time, is unable to get clearance to announce that fact at the time of the statement so that everybody listening can be advised and warned that the statement hasn't been coordinated?

Admiral CLARK. I believe that is a fact, sir.

Mr. HARDY. As a matter of fact, Admiral, there has been such an order in existence for a good many years; has there not?

Admiral CLARK. I understand it is of 2 years' standing, sir.

Mr. HARDY. Well, it may be since the National Defense Establishment was set up. But prior to that time there was such an order in the Navy; was there not?

Mr. VINSON. No.

Mr. HARDY. I think you are wrong, Mr. Chairman, because I had to get Secretary Forrestal when he was Secretary of the Navy to release all naval officers testifying before the Expenditures Committee before they could testify.

Admiral CLARK. You mean that we had to clear it within the Navy Department?

Mr. HARDY. You had to clear it within the Navy Department?

Admiral CLARK. Yes; on prepared statements.

Mr. HARDY. That is correct.

Mr. VINSON. I think, Mr. Chairman, the reason why these prepared statements are required to be cleared is due to the rules of Congress. Under a strict interpretation of the rules, we must have so many copies of a prepared statement submitted. And I think you have to submit them 2 or 3 days in advance before you appear, or something like that. Anyway, we are glad you came up here. And when you come up here you might as well understand that the questions we ask you might not be cleared but we always want frank and candid answers irrespective of what somebody else might think as to what your answer should be.

Mr. BROOKS. Admiral, there is nothing in the rules that has restrained your statement in this case, is there? It represents your true convictions on this subject?

Mr. VINSON. Mr. Chairman.

Mr. COLE. Well, Mr. Chairman, I hadn't quite finished. I was on one phase of it.

Mr. BROOKS. I beg your pardon.

Mr. COLE. I recall quite clearly that when this matter was presented to the Congress 2 years ago the estimated cost per ship was, as I recall, \$12,000,000.

Admiral CLARK. That is correct.

Mr. COLE. Twelve or thirteen million dollars. We felt that we were then being quite generous by putting a ceiling of \$15,000,000 per ship in the bill. And that ceiling was accepted rather readily by Admiral Mills at the time. The thing I can't understand is why, if it was in the minds of you people in the Bureau of Ships that the designs of these ships might be changed before they were constructed, thereby resulting in an increased cost, why that idea wasn't advanced at the time the ceiling was proposed.

Admiral CLARK. I don't believe it was possible for anyone to conceive at the time the increases in cost which would occur from at least two sources. One is the increased cost of labor and materials and the other the cost of the technical developments that must go in these ships if they are to be the effective prototype ships that we want them to be.

Mr. COLE. If you are going to base this added cost on change of design, I can understand that. But when you predicate it upon the increase in cost of production, I can't quite understand it because in all other fields of construction we have been led to believe that construction costs are going down. And certainly you can't justify a 30-percent increase in cost of construction of these ships in 2 years' time, which this bill would amount to. It would amount to a 30-percent increase in cost of construction.

Admiral CLARK. Actually, Mr. Cole, the labor costs themselves are about 30 percent up over—

Mr. COLE. Higher today than they were in 1947.

Admiral CLARK. Higher today. The estimates were based on construction in the 1944-45 period, sir, and the labor costs today are about 30 percent up both in private yards and naval shipyards over what they were then.

Mr. COLE. Well, estimates of cost in 1947 took that into consideration.

Admiral CLARK. These ships, when the estimates were given you, were not completed designs. They were only the visions of people who knew we needed new prototype submarines.

Mr. COLE. Is it contemplated that these designs might be changed between now and the time the lid is finally put on?

Admiral CLARK. Not significantly, sir. There are a few pieces of technical equipment under development which if they panned out we would like to see added here. But there will be no significant change in design from here in.

Mr. COLE. What reason is there that the present law containing the limitation of \$30,000,000 shouldn't be amended by changing that \$30,000,000 to \$41,000,000, instead of removing the limitation entirely?

Admiral CLARK. Well, the only thing that I can say is that we have no fixed-price contracts. The best estimates we have now are that \$41,000,000 would cover the completion of these vessels.

Mr. COLE. You see, about the only way that the Congress, and through the Congress this committee, has of checking on what is happening in the departments—not only the Navy but any other

department—is by putting in limitations, ceilings, and checks, so that if something happens which requires the removal of the limitation, then you must come to the Congress and through publicity it is known to the public. I wonder what objection you would have to reimposing a limitation of \$41,000,000?

Admiral CLARK. I have no objection, sir, if you will accept the possibility that even at that figure I might have to appear again.

Mr. VINSON. Well, may I say, Mr. Cole, we know he is going to appear again, whether he has a limitation on it or not, because your experience and mine has taught us that you can't tell what these ships are going to cost. They are going to come in time after time. But I think, as suggested by Mr. Cole, the lid shouldn't be taken off.

Congress always tries to hold you down. I think we ought to put in at least a limitation of \$41,000,000 for these two ships. You will be back here. You needn't worry. I know you will be back.

Mr. COLE. I don't mind your coming back. I think you should come back. But this is the only device we have of keeping informed of what is going on.

Mr. BROOKS. Any further questions?

Mr. RIVERS. Mr. Chairman.

Mr. BROOKS. Mr. Rivers has a question.

Mr. RIVERS. Admiral, have you the comparable cost between the contract at Kittery and the one at New London?

Admiral CLARK. In the naval shipyards, Mr. Rivers, we only get estimates. We can't make a contract with one of our naval shipyards.

Mr. RIVERS. I know, but you can certainly make an estimate of what it is going to cost you.

Admiral CLARK. I will give you those in just a moment.

May I sent those up to you by memorandum? I haven't them.

(The information is as follows:)

Ship No.	Builder	Estimated cost		
		Hull and machinery	Ordnance	Total
SS-563 . . .	Portsmouth Naval Shipyard	\$11,800,000	\$8,100,000	\$19,900,000
SS-564 . . .	Electric Boat Co.	12,500,000	8,100,000	20,600,000
	Total	24,300,000	16,200,000	40,500,000

¹ This is the estimated appropriation cost and, therefore, excludes any charges for such cost elements as depreciation, insurance, taxes, and profit, which for ships such as the SS-563, constructed in private shipyards, are necessary charges.

Mr. RIVERS. Now with respect to the cost of labor, I happen to know and I think the members who have the naval shipyards in their own districts are familiar with the surveys going on periodically under the act of 1862, which requires the Navy—and it comes under Admiral Nibecker and whomever is to be his successor as well as those who have gone before him—to periodically review the wage scales at the naval shipyards and other naval installations and make them comparable to industry. Isn't that true?

Admiral CLARK. That is correct, sir.

Mr. RIVERS. As a result of those studies and the information gathered pursuant to the directives, you have raised wages quite consistently. I know down in my part of the world you just recently

gave a raise. I believe now in Norfolk they are in process of getting them. And it applies to all the other Navy shipyards.

Admiral CLARK. That is correct.

Mr. RIVERS. So the labor has gone up quite consistently since 1944 and 1945.

Admiral CLARK. I think it is clear, sir. For instance, look at the cost of a home built today over homes that were built earlier, or the cost of an automobile. Everything has gone up in cost.

Mr. RIVERS. There is another cost which comes as a result of your constant experiments being conducted down at Key West.

Admiral CLARK. Yes, sir.

Mr. RIVERS. For the schnorkel type. These are schnorkel types.

Admiral CLARK. Yes, sir.

Mr. RIVERS. And the improvements on them. So it is safe to say, as the chairman has observed, that due to these intensive experiments that you are carrying on, the cost may go up.

Admiral CLARK. I rather think, unless there are factors introduced that are not in sight now, that we have the design firm enough so that we don't anticipate any serious increase beyond what we have now.

Mr. RIVERS. Now, these submarines have the highest priority, do they not?

Admiral CLARK. Yes; the No. 1 priority.

Mr. RIVERS. The details of their construction are very secret; is that correct?

Admiral CLARK. The design has many features that are highly classified.

Mr. RIVERS. Highly classified. Now have the Joint Chiefs of Staff had a "crack" at these yet? Have they approved them? Have they been consulted?

Admiral CLARK. I don't believe these have been referred, sir.

Mr. RIVERS. I mean the Joint Chiefs of Staff will have nothing to do with these boats? Or do you know?

Admiral CLARK. The money for this is all cleared through the National Military Establishment and the Joint Chiefs, sir.

Mr. RIVERS. Has the Secretary of Defense left the construction of these boats to the judgment of the Navy Department?

Admiral CLARK. So far as I know, sir. I get my directives from the Chief of Naval Operations.

Mr. RIVERS. That is right.

Admiral CLARK. And I am only the instrument for building these vessels. Any dealings that they have should be answered through them, sir.

Mr. RIVERS. I see, sir. I don't want to ask you anything that is embarrassing because that is not my mission.

Admiral CLARK. It isn't that, sir. I simply do not know.

Mr. RIVERS. I see, sir. Therefore, as far as you know, this is not a function of the Joint Chiefs of Staff, to approve or disapprove these boats.

Mr. VINSON. Oh, yes.

Mr. RIVERS. Is it? I don't know. I am asking. If I am wrong, then say so. I want to know.

Admiral CLARK. I got the approval in the directive, sir, from the Secretary of the Navy and have gotten my directives from the Secretary in each case.

Mr. RIVERS. Then, you don't know whether it is or not, do you, sir?

Admiral CLARK. No, sir.

Mr. RIVERS. That is all I wanted to know. Let me finish my questions. Anybody that wants to ask his, that is his business. I just want to know. It is my understanding—and now is a good time to find out if I am wrong—that instruments of war which the Navy operates are the Navy's business and the logistical set-up of it is supposedly, in my understanding, in the Joint Chiefs of Staff. Is that the general understanding; or would you prefer not to discuss that?

Admiral CLARK. I am not the person to answer that, sir.

Mr. RIVERS. All right.

Admiral CLARK. I would suggest that you ask the Chief of Naval Operations to send a witness.

Mr. RIVERS. That is all right, sir. But as far as you know, your directives come direct from the Chief of Naval Operations, and you don't know where else they go beyond that.

Admiral CLARK. Yes, sir.

Mr. RIVERS. Thank you, sir.

Mr. BROOKS. Any further questions from the committee?

Mr. VINSON. Mr. Chairman, I suggest that the bill be amended, by amending the proviso so it will read, "That the cost of the vessels, the construction of which is authorized by this Act, shall not exceed \$41,000,000." I think it is highly important that we put a limitation on it.

Mr. RIVERS. And scratch out the rest?

Mr. COLE. Take out the rest; yes.

Mr. VINSON. Scratch out the rest.

Mr. BROOKS. You heard the suggested amendment. Is there any objection? If there is no objection, so ordered. Is there a motion to report the bill to the full committee?

Mr. RIVERS. Yes.

Mr. BROOKS. There is a motion to report the bill to the full committee favorably. All in favor say "Aye." All opposed, "No." The bill will be reported to the full committee.

Mr. VINSON. Admiral Noble, there isn't any need to go into the question of ordnance. That is the reason we didn't ask you to testify.

Admiral NOBLE. I appreciate that.

