

JOLIET NATIONAL BANK, COMMERCIAL TRUST & SAVINGS BANK,
AND H. WILLIAM, JOHN J., EDWARD F., AND ELLEN C. SHARPE

JANUARY 20, 1930.—Committed to the Committee of the Whole House and
ordered to be printed

Mr. SINCLAIR, from the Committee on War Claims, submitted the
following

REPORT

[To accompany H. R. 3680]

The Committee on War Claims, to whom was referred the bill (H. R. 3680) entitled "A bill for the relief of Joliet National Bank, Commercial Trust & Savings Bank, and H. William, John J., Edward F., and Ellen C. Sharpe," having considered the same, report thereon with a recommendation that it do pass with the following amendments:

In line 5, strike out the figures "\$43,081.61", and insert in lieu thereof "\$25,000;" in line 6, strike out the figures "\$25,848.96", and insert in lieu thereof "\$15,000;" in line 7, strike out the figures "\$17,232.64", and insert in lieu thereof "\$10,000".

A similar bill, H. R. 5971, was introduced in the Seventieth Congress and favorably reported by your committee.

The facts in this case are fully set forth in House Report No. 2345, Seventieth Congress, second session, which is appended hereto and made a part of this report.

[House Report No. 2345, Seventieth Congress, second session]

The Committee on War Claims, to whom was referred the bill (H. R. 5971) entitled "A bill for the relief of William S. Welch, trustee of the estate of the Joliet Forge Co., bankrupt," having considered the same, report thereon with a recommendation that it do pass with the following amendments:

In line 5, strike out the figures "\$86,163.21", all of line "6", and the word "company", in line 7, and insert in lieu thereof "\$25,000 to Joliet National Bank, \$15,000 to Commercial Trust and Savings Bank of Joliet, and \$10,000 to the Sharpe family, consisting of H. William, John J., Edward F., and Ellen C. Sharpe."

In line 7, strike out the word "bankrupt".

STATEMENT OF FACTS

The evidence in this case shows that the Joliet Forge Co., prior to the entrance of the United States into the World War, was a small and flourishing forge company, which had been built up through a period of years by the Sharpe family, who were the sole owners thereof. Subsequent to the entrance of the United States into the World War, the Joliet Forge Co. received orders from the Ordnance, Navy, and Aircraft Departments for the furnishing of steel forgings and was operating to capacity in fulfilling these orders when, during the summer of 1918, it was ordered under the official seal of the United States Shipping Board Emergency Fleet Corporation, by E. O. Sessions, who was the then duly authorized and accredited representative of such corporation and who was acting for and under direct authorization from Charles Piez, vice president and general manager of such corporation, to increase its plant facilities and stock raw materials sufficient to furnish to the United States Government an additional 500 tons of steel forgings per month, the detailed orders for which were to be placed as soon as such additional facilities had been installed. In compliance with such order of the United States Government, the Joliet Forge Co. did increase the capacity of its plant to the extent demanded, but the signing of the armistice prevented the utilization of the increased facilities for the purpose contemplated. These additions to the plant were of no use to the Joliet Forge Co. for the fulfilling of commercial orders for steel forgings, as the capacity of its plant was sufficiently large for this purpose prior to the World War, and subsequent thereto the commercial orders which it was possible to secure were not sufficient to pay even the interest on the indebtedness incurred in increasing the capacity of the plant, and as a result thereof such company became and is now bankrupt.

In order to carry out the order of the United States Government to increase the capacity of its plant, it was necessary for the Joliet Forge Co. to expend its surplus and to negotiate loans in excess of \$50,000. These loans were secured from the banks of Joliet, Ill., upon the representations of E. O. Sessions and other representatives of the United States Government that said United States Government was in dire need of additional steel forgings and that no risk would be incurred in making the loans as the company would be able to repay the same as soon as it started production on the forging orders, to carry out which the capacity of the plant had been ordered increased.

The evidence also shows that the authority possessed by E. O. Sessions, as the representative of the United States Shipping Board Emergency Fleet Corporation and its district production manager in Chicago, Ill., was such that the United States Government is obligated to reimburse the Joliet Forge Co. for the losses sustained by it by reason of compliance with his orders and commands.

Furthermore, the testimony shows that the Sharpe family, consisting of three brothers and a sister, has lost not only its holdings in the Joliet Forge Co. but also that the said members thereof have lost their personal holdings solely because of the failure of the United States Government to reimburse said company for the expenditures made in complying with the order for the increasing of the capacity of the plant; and that the banks which made the loans referred to above and others who extended credit at the time will be compelled to incur losses unless the relief provided for in this bill is forthcoming. Your committee unanimously recommends that the bill do pass as amended.

The report of the acting chairman of the United States Shipping Board to the chairman Committee on War Claims is appended hereto and made a part of this report.

UNITED STATES SHIPPING BOARD,
Washington, May 17, 1928.

Hon. JAMES G. STRONG,
Chairman Committee on War Claims,
House of Representatives, Washington, D. C.

MY DEAR CONGRESSMAN: I am in receipt of your letter dated May 15, 1928, relative to H. R. 5971, a bill to recompense the trustee in bankruptcy of the Joliet Forge Co., of Joliet, Ill., requesting any information regarding the matter that the board may care to submit.

I am transmitting herewith copy of a report submitted by this board on March 2, 1926, to the House Committee on Claims, in opposition to H. R. 7154 (69th Cong.), which related to substantially the same claim.

On March 10, 1926, the Senate Committee on Claims was furnished with a copy of this report in connection with S. 2361 (69th Cong.), which related to the same subject.

In the light of the report thus submitted you will appreciate that we can not concur with the suggestion that the claim is meritorious.

It will be a pleasure to furnish you any additional information under our control and to arrange, should you request it, for representatives of the board to attend before your committees and explain the objections more fully.

Very respectfully,

P. S. TELLER, *Acting Chairman.*

HOUSE BILL 7154, AUTHORIZING PAYMENT OF \$86,163.21 ON CLAIM OF JOLIET FORGE CO.

This report relates to H. R. 7154, a bill introduced by Representative Reid of Illinois, providing for the relief of the Joliet Forge Co., by directing the Treasury to pay \$86,163.21 to that company.

The claim of the Joliet Forge Co. has been rejected repeatedly by two departments of the Government after thorough investigation and formal hearings. In fact, both the War Department and the Shipping Board granted rehearings to the claimants and gave them every opportunity to submit facts and argument in support of the claim. The rehearings simply accumulated more evidence to the effect that the claim should be disallowed.

The claim is for alleged losses on facilities which the company claims to have installed on orders and assurances of a Government representative.

At the inception of the claim it was the sworn statement of the claimant that these orders and assurances were from the War Department on account of ordnance work, but on the day that department rejected the claim the company switched its claim to the Shipping Board and put in a sworn statement to the effect that the facilities were installed by direction of a Shipping Board representative.

Both claims were sworn to by H. William Sharpe, secretary-treasurer of the Joliet Forge Co.

In the claim against the War Department, Sharpe swore that the facilities had been procured to enable the company to get out work for the Rock Island Arsenal and that his company acted on orders and assurances of E. A. Russell, Chicago district ordnance chief.

In the claim against the Shipping Board, Sharpe swore that the facilities had been procured to meet the demands of the Shipping Board for greater production, and that his company had acted on orders and assurances of E. O. Sessions, Chicago district manager of the supply division of the Fleet Corporation.

Necessarily, one of these two claims was false. When pressing his claim before the War Department Sharpe testified that his company had not installed the facilities in anticipation of Shipping Board work. In pressing his claim before the Shipping Board, after the War Department had rejected the claim, Sharpe testified that he had made the claim against the War Department because some one had told him that it would be easier to put a claim through the War Department. He said he had made a misstatement in his evidence before the War Department, and that his claim was against the Shipping Board.

SUDDEN SWITCH OF CLAIM

The original claim was presented against the War Department under date of November 10, 1919. It included almost 40 items of facilities and was for a net amount of \$56,014.16.

On July 30, 1920, the claim was disallowed by the Chicago district claims board of the War Department.

On that same day, June 30, 1920, Sharpe swore to a claim against the Shipping Board covering the same facilities listed in the rejected claim against the War Department. The item amounts varied somewhat, and the total claim was for \$101,388.79.

On August 31, 1920, the company filed a new claim against the War Department in which it claimed that the Rock Island Arsenal should pay 70.97 per cent of the net loss on increased facilities after making certain deductions. This reduced the claim against the War Department to \$24,974.63.

SECOND CLAIM AGAINST SHIPPING BOARD

On November 22, 1920, Sharpe swore to a second claim against the Shipping Board covering the same facilities. This time the net amount claimed was \$93,026.89.

AT WAR DEPARTMENT HEARINGS SHARPE DENIED HE HAD SHIPPING BOARD WORK

The investigator for the War Department reported on March 18, 1920, against the claim then pending before the Ordnance Department's district claims board. The report said:

"* * * the claim in its entirety seems to be an endeavor to increase their facilities and attempt to burden the United States Government with added cost of same."

On April 14, 1920, the claims board staff signed a report recommending that the claim be disallowed in its entirety. This recommendation was approved by the claims board advisory commission. One feature of this report is of interest in showing the very small extent to which this contractor did work for the Shipping Board. During the period from September 1, 1918, to June 30, 1919, the contractor's output was shown to be as follows:

	Per cent
War Department (Rock Island Arsenal orders)	70. 97
Miscellaneous orders	13. 53
Commercial orders	8. 64
Shipping Board	6. 71
Navy Department 15
Total	100. 00

The report contained the following statement:

"Contractor states that many of the facilities were purchased in anticipation of securing orders from the Shipping Board."

The claimant objected to this statement and to the recommendation. A rehearing was held by the district claims board on May 8, 1920, and Sharpe was given another opportunity to present his claim. Sharpe testified that Mr. Russell, an Ordnance Department man, had ordered him to provide the facilities. He said:

"We increased our plant to win the war—to do ordnance work. We didn't put in there for anything else. * * *

"The report says we were anticipating Shipping Board work. That is absolutely wrong. We didn't do any Shipping Board work for several different reasons."

AT SHIPPING BOARD HEARING SHARPE SWORE SHIPPING BOARD HAD ENTIRE PRACTICAL RIGHT OF WAY

The Shipping Board first denied the claim on November 14, 1922, but on November 10, 1923, the Shipping Board committee on claims held a rehearing. Sharpe testified under oath.

His testimony was quite the reverse of what he had testified to before the War Department.

When faced with his testimony before the War Department claims board, Sharpe attempted to explain that he had acted through ignorance. He said:

"I know we had claims against both departments and getting what I could there, amortize an amount there, and then push the other against the other department to get what was left."

He admitted that he had made the conflicting affidavits and had made misstatements in his testimony before the War Department. There was no evidence to justify his claim. Sessions, the Fleet Corporation representative on whose alleged assurances the claim was based, was wholly without any authority to make a contract or agreement binding the Fleet Corporation.

The claims committee recommended the rejection of the claim and on November 13, 1923, the Shipping Board denied the claim in a resolution, a copy of which is attached to this memorandum.

TILDEN ADAMSON, *Special Examiner.*

"Whereas under date of November 14, 1922, the United States Shipping Board disallowed the claim of the Joliet Forge Co., Serial No. 2585, Docket No. 225; and

"Whereas under date of May 25, 1923, claimant filed petition for reconsideration of said action, and for a hearing before the Committee on Claims; and

"Whereas under date of June 30, 1923, the Shipping Board granted the petition of said claimant for reconsideration; and

"Whereas the committee on claims has afforded claimant a hearing and has permitted him to present such evidence as he desired in support of his petition, but after full consideration of said evidence and the entire record of the case, said committee finds there is no evidence to justify this board in rescinding its action of November 14, 1922, disallowing said claim: Therefore be it

Resolved, That the action of the United States Shipping Board of November 14, 1922, disallowing the claim of the Joliet Forge Co., No. 2585, be and it is hereby approved, ratified, and confirmed."



