

C O P Y

January 6, 1941

MEMORANDUM TO: Mr. John D. Biggers,
National Defense Advisory Commission.

SUBJECT: Comments on Article Regarding Ford in December 30, 1940, "PM".

1. In conformity with your request of yesterday, the following outline of facts, at variance with certain statements contained in subject article, is submitted. I will quote from the article and comment on the quotation.

a. "If the President investigates he will find the new \$1,400,000 awarded Ford by the War Department has not yet been signed either by Ford or by the Government." The article is dated December 30. The Ford Motor Company had a legal and binding contract not later than November 26, 1940, in the form of an offer dated November 9, cleared with the Defense Commission and the Office of The Assistant Secretary of War on November 19, and accepted by the Contracting Officer with acceptance acknowledged on November 26, 1940. The fact that the written instrument embodying the agreement had not yet been executed, in no way affected the validity of the contract. The Reconstruction Finance Corporation has made loans on the strength of similar arrangements well in advance of the written instrument, and it is the understanding of this office that the Reconstruction Finance Corporation had actually made a loan to the American Bantam Car Company under an exactly similar arrangement.

b. "One reason the contract has yet to be signed is that Ford has not yet met the specifications...." The question of Ford's compliance with the specifications has never been injected into the matter of consummation of the contract. The provisions of the negotiations were that the production vehicles, in so far as design and delivery are concerned, would comply with changes directed by the War Department in the pilot model as submitted. This is no bar to the signing of the contract.

c. "Ford is bringing to bear all the influence he can muster.... in the Quartermaster Corps to get the specifications changed." To my knowledge there has been no influence attempted on the part of Ford to have these specifications modified. When the pilot model was presented Ford acknowledged that the pilot, tool-room built, represented an excess weight over that of quantity production vehicles and it was determined by the War Department that the actual weight limitation for the production item would be based on the result of pilot model test. The weight applicable to both the Ford and the Willys models was tentatively set at 2,160 lbs with the concurrence of the using services in a "trade" in the negotiations of the added weight allowance versus a lower silhouette.

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d. "The General Staff of the Army never wanted to give this contract to Ford anyway, they were forced to do so by pressure..... by the Defense Commission." The proposal to purchase 500 each from Bantam, Willys and Ford originated in the Motor Transport Division of the Quartermaster Corps and was verbally approved at that time by representatives of the General Staff. The three companies were invited to submit proposals on the basis of 500 each to the Holabird Quartermaster Depot and these proposals were submitted to the Motor Transport Sub-committee of the Quartermaster Corps Technical Committee between October 17 and October 22, and were approved by a majority of the committee in a report dated October 22, 1940. The decision to set aside the recommendation of the Committee and award the entire 1500 to Bantam was protested by The Quartermaster General on November 1, 1940, and the recommended award of 1500 to the American Bantam Car Company did not reach the Defense Commission until December 3, 1940. Nov. 8th The Quartermaster General's request to develop alternative sources was finally met by a decision to award 1500 to each.

e. "The result.....is to place a totally unnecessary burden on our machine tool facilities at a time when unfilled orders for essential arms machinery have created what is our most serious bottleneck." This is entirely incorrect. Introduction of Ford into this field materially assists rather than hinders the machine tool program. Ford has actually loaned needed machine tools to the Spicer Manufacturing Company, manufacturer of the axles of this vehicle, while it has been necessary on behalf of Bantam to exercise priorities to provide tools for Bantam's production program.

f. "The most important specification is that the car weigh not more than 2,000 lbs..... Ford is trying to get the specifications raised, despite Army opposition." There is no basis for the statement that gross weight is the most important detail. (See g. and g. above). The Bantam grosses at 2,030 lbs and this weight represents an increase of 130 lbs over the originally contemplated weight limit for this vehicle. The additional weight in the case of Bantam represents increased sturdiness and modifications determined as necessary from testing. The same is true of the Ford unit.

g. "In June..... Only Bantam and Willys-Overland bid and only the former was able to meet the Army requirements. News.....spread and Ford representatives appeared on the scene." The original invitation for 70 vehicles was furnished to Ford as well as other prospective bidders. The bid received from Willys-Overland was actually low on price basis but that organization did not offer delivery schedules meeting Army requirements and the original award of 70 units was made to Bantam, primarily on the basis of expedited deliveries. Bantam failed to meet promised deliveries and has been assessed liquidated damages. The purchase was discussed with representatives of Ford Motor Company concurrently with the bidding on the original 70 units.

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h. "After the first 70 cars had been given a successful test, the War Department ordered 1500..... it was proposed to split it into 500 cars each from Bantam, Ford, and Willys-Overland." The order with Bantam for 1500 cars for extended field test was given before the 70 original units had been delivered to the field. The proposal to split the 1500, suggested for procurement by the General Staff, equally between the three companies originated in this office and not in the Defense Commission. (See d. above).

i. "Bantam, with most of its working force on part time or idle, could handle all the Army needs. If it did it would be unnecessary for Spicer to tool up for more than 50 axles a day, and it would be unnecessary for Ford and Willys-Overland to duplicate the special tooling required by Bantam....." Bantam's potential production is much less than that of either Ford or Willys-Overland and an increase entails additional tooling cost in either case. Despite Bantam's inclusion in the price of the original 70 units of a considerable portion of tooling costs Fords prices were lower than Bantams. Bantam was paid and paid well for tooling for the manufacture of the original pilot model. Both Ford and Willys-Overland produced the pilot model without additional expense to the Government.

2. The desire to have Ford enter this field originated in this office from an evaluation of the several factors involved. These factors included:

a. The doubtful financial status of the American Bantam Car Company and the necessity for partially financing them for the production of the original order for 70 units both by advance payments on the contract and by Reconstruction Finance Corporation loans.

b. The previous lack of any use in the current procurement program for general purpose vehicles of the vast potential production for lighter trucks existing in the Ford Motor Company organization.

c. A desire to utilize Ford production capacity without complicating the standardization achieved through award of contracts for the other types that Ford normally produces, i.e., $\frac{1}{2}$ -ton and $1\frac{1}{2}$ -ton classes.

d. At least two sources of supply for every type of vehicle intended for quantity use.

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