

Despatches: H.A. 1228/8/4-

2

No. 830.

BRITISH EMBASSY,

WASHINGTON, D.C.

July 13th 1940.

My Lord,

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With reference to my despatch No. 831 of the 7th June I have the honour to transmit to Your Lordship herewith the text of an Act "to expedite national defence and for other purposes" (No. 671, H.R. 9822), which received the President's signature on July 1st. The Act lays down procedure for the placing, execution and certification of contracts for strengthening of the Coast Guard and for the acquisition, construction, repair or alteration of naval vessels, naval aircraft and equipment if necessary without calls for competitive bids. It reduces to 8% the legal ceiling on profits from naval contracts. It makes mandatory for the period of national emergency declared by the President last September an 8-hour day or 40-hour week for personnel employed in the execution of contracts, and provides for extension of hours as necessary and rates of overtime pay. It provides further for uniformity of these conditions as between the various branches of the services affected. It authorises the re-employment of retired War, Navy Department and Coast Guard personnel subject to certain safeguards in the case of personnel relieved of appointments in the interest of national security. It also places certain restrictions on aliens employed on confidential government contracts. It raises the limit on the cost of naval vessels laid down by the naval

The Right Honourable
The Viscount Halifax, K.G.
etc. etc. etc.

appropriation/

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appropriations act of 1937 and authorises such increases in personnel as may be required for the administration of the Act. The Government is also enabled to provide building facilities etc. of its own or take over and manage private plants where commercial contracts cannot be arranged. Title 11 of the Act ensures the provision of suitable housing of personnel engaged on defence contracts.

2. Section 14 (a) of the Act affects British interests insofar as it forbids the transfer of or sale of any military or naval weapon, ship, boat, aircraft, munitions, supplies or equipment, to which the United States has title in whole or in part or which have been contracted for, unless the Chief of Naval Operations or the Chief of Staff as the case may be satisfies himself that they "are not essential" to the national defence.

This clause was not included in the original bill. Its addition was suggested by the Senate Naval Affairs Committee, no doubt as the result of the attention called to the recent proposal to allow 20 motor torpedo boats on order for the United States Navy to be transferred to His Majesty's Government (see my telegram No. 1129) and of the publicity given to the recent sales to His Majesty's Government of surplus United States Army war material. Senator Walsh the chairman of the Committee is no believer in sending supplies to the Allies, and was bitterly opposed to - and perhaps largely responsible for preventing - the sale of the torpedo boats. The Committee first proposed that this additional clause be inserted in the bill with a further proviso that no such ships or weapons etc., the property/



property of the United States Government, should be disposed of without the approval of Congress. This proviso was however defeated in the Committee which then recommended the adoption of a clause providing that the ships or weapons etc. should not be disposed of unless the Chief of Staff had certified that they were "not essential to and cannot be used in the defence of the United States."

This wording was actually approved by the Senate on June 21st and it was not until later in the same sitting that the veteran Senator Hale from Massachusetts pointed out that the inclusion of the words "and cannot be used for the defence of the United States" would not only debar the sale to the Allies of aircraft now on order from the United States Government, but for which the deliveries could safely be deferred, but would prevent the sale of any surplus material which could still be used in some way or other for the defence of the country. Fortunately the Senate shared Senator Hale's views though they may not all have endorsed his frank statement that "it is more important to help the British out by supplying them with planes and material than anything else that we can do" and the words "and cannot be used in" were finally deleted.

Only experience will show what criterion is to be applied in determining what material is "essential" for the purpose of this section and to what extent therefore it will impair our ability to obtain transfer to ourselves of armaments already under order for or in the possession/

possession of the United States Government.

Section 14 (c) of the Act reaffirms the provisions of the Act of June 15th, 1917, which forbids the transfer to any belligerent of any war vessel the property of the United States when a neutral. It was under these provisions, the text of which I also enclose herein for convenience of reference, that the President, as mentioned above, was compelled to cancel the transfer to His Majesty's Government of certain motor torpedo boats.

3. I am sending a copy of this despatch to the High Commissioner for the United Kingdom at Ottawa.

I have the honour to be,
with the highest respect,

My Lord,

Your Lordship's most obedient,
humble servant.

Sd. LOTHIAN

ENC. K 1228/8/40

Extract from "Congressional Record" No. 124 of June 21st 1940.

During a war in which the United States is a neutral nation, it shall be unlawful to send out of the jurisdiction of the United States any vessel built, armed or equipped as a vessel of war, or converted from a private vessel into a vessel of war, with any intent or under any agreement or contract, written or oral, that such vessel shall be delivered to a belligerent nation, or to an agent, officer or citizen of such nation, or with reasonable cause to believe that the said vessel shall or will be employed in the service of any such belligerent nation after its departure from the jurisdiction of the United States (June 15, 1917, ch.30, title V, 3, 40 Stat. 222.)

Whoever, in violation of any of the provisions of sections 25, 27, and 31 to 38 of this title, shall take, or attempt or conspire to take, or authorize the taking of any such vessel, out of port or from the jurisdiction of the United States shall be fined not more than \$10,000 or imprisoned not more than 5 years, or both; and, in addition, such vessel, her tackle, apparel, furniture, equipment, and her cargo shall be forfeited to the United States (June 15, 1917, ch.30 title V.6,40 Stat.222.)