TERMINATION OF CONTRACTS
7 June 1946

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TERMINATION OF CONTRACTS.
June 7, 1946.

CAPTAIN WORTHINGTON:

Gentlemen, the speaker this morning is an industrial accountant. Mr. Maxfield attended the University of Wisconsin and the University of California at Los Angeles. Before entering the Army, where he was in contract termination, he was assistant treasurer of Basic Magnesium, Incorporated. He was on the staff of the Army Industrial College from July, 1944, to September, 1945. He is now an associate in the Accounting Division, Office of Contract Settlement. He has written numerous articles on the termination of contracts, which have appeared in Army Ordnance, Accounting, and other magazines. The subject of his lecture this morning is Termination of Contracts. Gentlemen, Mr. Jerry Maxfield.

MR. MAXFIELD:

I was just telling the Captain that it seems like getting back to Old Home Week to come back here to the College, because I have stood up on this lecture platform many times before. I have always enjoyed it here.

This morning, in considering contract termination, which you undoubtedly know can be a very large subject, we are going to try to condense it and give you at least a bird's eye view. The College at one time ran a course that was two months long-on contract termination alone.

To start out, let us see what this subject of contract settlement is. What is contract settlement? It is not new. There used to be a story, that has been told from time to time, that the first contract that was terminated, is mentioned in the Bible, back in Genesis. It seems that the Corps of Engineers, we will say, since they handle most of the construction contracts, were building the Tower of Babel; and the Lord, figuring that things were not going for his convenience, terminated that contract by confounding their languages.

Since that time we know contract termination as a recurring phenomenon in civilian life. It happens that a man orders something and he decides that he doesn't want it and terminates the contract. That is a breach of contract unless he has some provision in the contract which allows him to terminate it.

In the same way in prosecuting a war the Government, right back from the Revolutionary days, and probably in all wars before that, has certainly had some type of contract termination, because, as we all know, we decide we will need certain materials of war. We put in an order for these. Then before the things are finished and delivered to us, there is a change in tactics or a change in strategy, or technological improvements, one thing or another, which makes us decide that we no longer have any need for those particular materials of war. We want something else. So for the Government's convenience it terminates those contracts.

Once the contract is terminated, we have three problems which present themselves in the settling of that contract. First of all, we will have a lot of materials left on our hands. There will be the raw material that we were going to make into those finished materials of war. There will be the work in process, things that are half way through, or three quarters through. There will probably also be some of the tools of production that we purchased and were going to use in making those materials of war. They are now no longer useful for that purpose.

We have to dispose of that material. There are various ways by which it may be done. First of all, the contractor and the Government may agree that the material is now no longer useful for anything, in which case we probably will scrap it. We just get rid of it and sell it for junk. Or the materials are not useful to that contractor, but may be useful to someone else, and we sell them to a third party. Or the contractor may be able to use them in his other business; so he retains that inventory at a price agreed upon between himself and the Government. Or finally, if none of those things is true and the material is useful, the Government takes title to it.

When the Government takes title to it, we are approaching another phase, which is very important in the aftermath of war, surplus property disposition. What we have been talking about so far is disposing of the contractor's inventory. When the Government says it takes title to the material, it becomes part of a larger problem, at least in so far as inventory is concerned, what to do with all of the Government's surplus property. That we are not going into this morning.

That is one phase -- getting rid of the property left over when we terminate the contract.

The second phase is that of providing the contractor with fair compensation for the termination of his contract. He has expended money and expended his effort in working on that contract. Now we have terminated, and we must fairly compensate him for that termination, since, remember, it was for our convenience. He was perfectly willing to go on and finish the contract.

In general fair compensation involves four things: one, as far as he has completed articles on hand, up to date of termination, we will pay him the contract price. I am generally speaking now of fixed price contracts unless I specifically say otherwise. So we will pay him the contract price for those completed articles.

Then for the terminated portion of the contract we will pay him the costs he has incurred, plus a reasonable profit on those costs. Then, when the contract was terminated, he had to terminate the subcontractors, with whom he had orders, for parts that would go into his finished product. A third item which we would allow him as part of fair compensation is the cost of settling with those subcontractors. The fourth item is what we call settlement expenses, settlement expenses being the costs that he incurs in negotiating with the Government, and in protecting and disposing of that inventory that we just mentioned a few moments ago.

All right. Now we are rid of the property. We have given him his money. But in some cases, in fact, in most cases, it takes on the average in this war, four months before we have agreed as to what we owe him for that termination. Now, maybe this man has plenty of money and he says, "There is no hurry, boys. I have plenty of dough. When you get around to it, it will be all right."

On the other hand, he may be one of those contractors who say, "If you don't give me some money pretty soon, I am going to be bankrupt. I won't have any money to meet my current payroll." In that case we should make interim financing available within a reasonable time. A reasonable time has been determined in this war to be within thirty days after application.

That interim financing you are probably familiar with through your various studies here of the financing of war contracts and the financing of the war generally. It has been accomplished in many different ways.-- through guaranteed loans, through various V-loans, VT-loans, and T-loans; through the use of previously made advance payments; and finally, the major method used in financing, in termination, was partial payments. The contractor makes up an estimate of what his claim is going to be, and we then advance him a partial payment of 75 per cent, the usual percentage, of what he thinks his claim is going to be. In case he has a cost-supported application, or he has already determined what his claim is going to be, he may receive up to 90 per cent or more of that amount.

That, then, gives us what contract termination is -- the termination of a contract for the convenience of the Government. The problem is to settle it. In settling it we have three items -- to get rid of the property; second, to arrive at fair compensation for that termination; and, third, if he needs it, to provide the contractor with interim financing until we can pay him off.

Since we have now a bird's eye view of what contract termination is, let us go back and take an historical view and see what our experiences have been in contract termination in World War I and World War II, - for even before World War I the principle of the right of the Government to terminate and to settle contracts by negotiation had been established in the courts.

I think the first case of which there is any record was after the Civil War. It seems that back in the Civil War days the Quartermaster Corps had given a contract to some farmer to slaughter hogs at so much a head. He didn't provide the hogs. He just slaughtered them. The Quartermaster was to provide the hogs.

Well, because of a change in the supply need -- they moved the camp and they no longer wanted to slaughter any hogs there -- they had no termination article in their contract -- the Quartermaster just quit delivering any hogs. The man sued and it eventually went to the Supreme Court. It was held that the Government did have the right to terminate this contract, but the man had to be given fair compensation.

About 1890, in another case, the Corliss Steam Engine case, involving the Navy in regard to a partly finished ship, they had the same situation. Again the Government's right to terminate if it provided fair compensation was upheld in the courts.

So the legal right of the Government to terminate and to settle by negotiation had been pretty well established prior to World War I. However, when World War I came along, it didn't last long enough if we were looking at it from a termination viewpoint. They hadn't become prepared for mass terminations, which will probably take place at the end of any war. They hadn't made advance preparations. So when Armistice Day came along, they found themselves with some thirty thousand terminations and with no adequate preparation to take care of them.

Many contractors had informal contracts. They had no formal contracts whatsoever. As far as formal contracts were concerned, there were all different kinds of articles, both in the War Department, the Navy, and the other contracting agencies. Everybody had a different type of article. There were no procedures set up.

The National Defense Act had given the authority for the negotiated purchase and carried an implied authority to terminate and settle contracts by negotiation. That means, the formal contracts. It was also felt by many that they would have the right to settle informal contracts. But the Comptroller of the Treasury, in many ways we could designate him as the forerunner of the Comptroller General -- ruled that they could not honor a settlement of an informal contract without some statutory authority.

That decision immediately made it necessary for Congress to pass some law, and they passed the Dent Act in March of 1919, which gave statutory authority for the settlement of both formal and informal contracts.

Generally The Dent Act provided for the payment of the contract price for completed articles, and the costs incurred on the terminated portion plus a reasonable profit. It made a specific provision that there would be no anticipated profit, meaning that the man couldn't say, "If I had been allowed to complete the contract, I would have made a hundred thousand dollars profit. You took away from me the opportunity of completing the contract. Therefore give me one hundred thousand dollars profit, although I have never spent a dime on the contract so far." That is the old common law measure of damages. He could have made so much profit. You have taken away that opportunity. So he is entitled to it. The law specifically provided that there would be no anticipated profit.

However, the provision for the finality of the settlement entered into was not too definite; and that lack of at least the interpretation of that clause by the Department of Justice led them to start a war contracts investigation, which lasted from 1922 to 1926. In this four years they spent a great deal of money, looked over a great number of cases, did recover some money; but naturally it was most cumbersome, both to us and the contractors.

Another thing that was brought forth was the fact that no adequate preparation had been made. It meant that there were three thousand cases started in the Court of Claims out of thirty thousand contracts terminated. Out of thirty thousand termination claims, three thousand, or one out of every ten, finally went to the Court of Claims. They weren't satisfied with the settlement they got with the contracting agency.

Those cases took an average of three and a half years to process in the Court of Claims, with some cases requiring up to, with one case at least, twenty-four years to settle.

Therefore we could draw certain lessons from the World War, and those lessons were noted. One, there was a great need for finality of settlement. Secondly, there was a great need for a uniform termination article, uniform termination policy, uniform termination procedures. And there was a need for a statutory authority to have a negotiated settlement of the informal contracts. Finally, the right to give interim financing.

You might be interested in the World War I statistics. Later on we will give a comparison with World War II.

First of all, the total procurement in World War I approximated 21 billion dollars. Now, in regard to these figures I would like to give you this warning: I won't vouch for them. If you look them up later you might find some figures higher or some figures lower. In other words, the statistics of World War I, looking at them now, are not too firm. I am going to give you ones that I thought were nearest or most reliable.

As far as terminations in numbers, there were 30 thousand.

The dollar value of the canceled commitments -- By the way, so we will all know what we are talking about, that means that if the contract called for a hundred thousand items at a dollar apiece and we terminate sixty thousand items, then the dollar value of the canceled commitments was sixty thousand dollars. That was roughly 4 billion dollars. Those contracts were settled for approximately a payment of 560 million dollars, or, stated another way, cents on the dollar of canceled commitments, about 14 cents on the dollar. The average time to settle was eight months. Finally, as to the number of cases started in the Court of Claims -- we will call those appeals -- we had 3 thousand appeals, or one in ten. One in every ten terminations was appealed.

We can now see what happened in World War II. I would like to say that immediately on the declaration of war, that is, right after Pearl Harbor, we had all those things that we know are needed on contract termination. But naturally that was not the case. I say "naturally" because, as we all know, the most important thing when we went into the war was getting the materials of war, getting an army organized, getting our Navy all set and ready to do battle, not worrying about what might happen if we had terminated contracts. So things didn't develop too rapidly. But in the summer of 1941 the War Department adopted a termination article and in October of 1942 the principle of the negotiated settlement was introduced into that termination article.

Terminations became more important as we went along into the war, because the various changes in our supply needs resulted in the termination of more and more contracts. By the middle of 1943 there had been 9500 terminations in the War Department alone. In July of 1943 the War Department issued a Termination Accounting Manual for Fixed Price Contracts, setting up a definition of costs that could be used in trying to arrive at fair compensation, and also setting forth the various accounting and auditing procedures that should be used in settling the contract.

In August of 1943 Procurement Regulation 15 of the War Department came out, which set up standard policies and procedures for termination for the War Department. Also about this time the Army and Navy and the War Production Board were cooperating in trying to draft a uniform termination article. However, they hadn't been able to agree. Nobody had the authority to say "This will be it."

In November of 1943 the Joint Contract Termination Board was organized, and took over the work that had been done on the uniform termination article. In January of 1944 the Uniform Termination Article, the one that has been used since that time and is still the standard, went into use. That was put into use through a directive of the Office of War Mobilization. Jimmy Byrnes then issued it as Directive No. 1 of that office.

This article also set up the principles of cost allowances in a terminated fixed price contract.

At this time the Army Industrial College was reactivated, and started a termination course. The Army Finance School, which had been at Duke University, also started a termination course. Both of these schools were active in termination training through the next two years, until the end of 1945.

Work was proceeding in Congress to frame a bill to give such statutory provisions as were felt necessary, culminating in July of 1944 with the passage of the Contract Settlement Act. The Contract Settlement Act made statutory provision for covering both fixed price and CPFF contracts, and using the negotiated settlement idea in CPFF contracts for the first time.

This Act provided for, first, finality of settlement except for fraud. Neither the Government or the contractor can reopen such a case unless it is possible to prove fraud.

Secondly, a statutory basis was given to the negotiated settlement. It provided for property disposition, and also that plants must be cleared within sixty days after the request of the contractor.

This last provision was considered important, because, thinking back, contract settlement was considered to be possibly the number one headache of the reconversion period. If you had been here about a year or so ago, you would have heard Mr. Keller, of the Chrysler Corporation, say, "If the Government doesn't get the procedures necessary to clear our plants as quickly as possible on the mass termination of our contracts, the automobile industry won't be able to reconvert and we will be in a very bad way."

That was the consensus of opinion, and it did not develop because of termination procedures. Interim financing was provided, and it was set forth that it should be available within thirty days of application.

There was a provision for the settlement of informal contracts, and the Act also established the Office of Contract Settlement, of which I am a part; and gave the Director of that office the power through general regulations to provide for uniform termination policies and procedures throughout all the contracting agencies of the Government.

In addition the Act provided an Appeal Board to hear appeals from the determinations of contracting agencies without the necessity of going to the courts, although it does not remove the right of the contractor to go to the courts. He can go to the Court of Claims or the applicable federal courts, or, if he is dissatisfied with the decision of the Appeal Board of our office, he may then appeal to the Court of Claims.

The Director of the Office of Contract Settlement, who was first Mr. Robert Hinchley and is now Mr. H. Chapman Ross, has issued twenty regulations, which provided among other things for pre-termination agreements, one of the big helps and also expected to be one of the greatest helps in contract settlement. The contractor and the Government, before they had that Termination Act, would get together and say, "If our contract is terminated, what will we do?"

The Act provided for a uniform settlement proposal form. At one time not only did the Army and the Navy have different settlement forms, but the Ordnance had a different one from the Quartermaster. Everybody had his own form. These forms were of different shapes, sizes, types, descriptions, and colors. Both the Army and the Navy, before the Office of Contract Settlement provided for the present settlement proposal form, had standard forms for those agencies, but finally came out with uniform settlement proposal forms.

There was a further clarification of the statement of cost principles for fixed price supply contracts through the issuance of termination cost memoranda.

Finally we had the principle of direct company-wide settlement for the large corporations. Any large contractor with numerous subcontractors, such as General Electric, Westinghouse, and various others, could have all their contracts, both prime and sub, settled, by one team established at their plant.

To complete the chronological history of contract settlement, in November of 1944 the Army and the Navy issued their Joint Termination Regulation, which has become the so-called Bible in termination since that date. Everybody has used it. There are twenty-eight contracting agencies, and all of them have more or less used it as a supplement to their regulations, if not as the only regulation.

Now, we have seen what advance preparations were made in this war prior to our mass terminations. Let us see how those advance preparations paid off.

By VJ-Day the contracting agencies had had experience through settling 135 thousand terminations, involving 22.4 billion dollars. They had already had considerably more experience under their belt before the end of the second war than we had in total after the last war.

With this experience, from VJ-Day, in August of 1945, to April 30 of this year, the contracting agencies have settled 164 thousand contracts, involving 23.4 billion dollars, out of 182 thousand terminations, involving 43.5 billion, which were either pending at that date or have been terminated since. By April 30, only eight months after VJ-Day, we were down to 18 thousand contracts, involving approximately 20 billion dollars. That is all we had left to settle. In other words, we had settled 94 per cent in number and 69 per cent in dollar volume of all the terminations that had taken place since the beginning of the war.

Another interesting factor is that only 70 cases, to date, have been appealed to the Appeal Board of our office, or, one case out of every 4500 has been appealed. Of course, that is only to date. There will undoubtedly be more appeals, but no large number is anticipated.

It is also estimated, at this time, that by June 30 most of the remaining terminations will have been settled, and that by the end of the year all cases except impasse and appeal cases will have been finally closed.

Because of that condition, the reorganization plan of the President, which has been recently submitted to Congress, provides that our office will be closed at the end of June and any remaining functions will be transferred, - that is, the Appeal Board and whatever other functions were opened, would be transferred to the Office of War Mobilization and Reconversion.

Let us make a few comparisons here. The total value of the procurement in this war has been estimated at 251 billion dollars, or over 12 times as much as in the last war. The total contracts terminated in this war were 315 thousand, or over 10 times as many as the last time. The total value of the canceled commitments 65 billion, or 16 times as much in dollar volume.

What is it to be settled for? We haven't them all settled yet; but it is estimated at 6.8 billion to settle those 65 billion dollars worth of canceled commitments, or approximately ten cents on the dollar.

That 10 to 14 ratio, doesn't necessarily mean, that we are paying less money by not giving the man as much for his termination, but that in all probability we had longer-range contracts this time, and there was less done on the terminated portion than there was in the last war.

The average time to settle over-all in this war has been four months, or approximately one half as long as it took in the last war.

One item I didn't put in here, which is interesting, is that the time it took after the last war to settle the vast bulk of the claims was approximately 24 months or two years, and in this war it was eight months, or one third the time.

As to appeals, so far we have had 70 appeals, or one out of every 4500 cases. That will go up somewhat, but not to any appreciable extent. We probably will never have over 200 or 300 appeals at the most.

I think those are rather interesting comparative statistics. Our experience in termination in World War II is an outstanding example of Government and industry cooperation, as it certainly required a great of cooperation from industry to accomplish this job. They had to be fair minded. They had to be willing to get their claims in, which on the whole they have done, in a hurry. We have had individual cases and individual companies where that has not been true. But on the whole they have been most cooperative.

This proves, of course, something we all know -- the effectiveness of learning from past experience. It was anticipated through the experience in the last war that termination would be one of the major headaches, if not the major headache, of the reconversion period, and a year and a half ago or two years ago, they would show you movies to prove it. They would show you vast plants and what would happen "if VJ-Day comes and we won't be able to get these plants cleared. We won't be able to give the man his money. The country is going to go to hell just because you boys can't get out and settle these contracts." Of course, that was also a good pep talk to show what would happen if contracts were not settled.

However, advance planning and, I think, very effective cooperation between Congress, our own office, the contracting agencies of the Government, and the contractors, both prime and sub, have taken care of this problem. There actually has been no headache as far as termination is concerned. We have gone along smoothly and on the whole very rapidly.

Finally, I think you people as members of the Army and the Navy can be particularly proud of that job, because the Army and the Navy as the major contracting agencies have borne the brunt of settling these contracts.

Now, that has given us a bird's eye view of the whole situation. I would be glad to answer any questions on more detailed parts of the subject, any questions I can answer. I don't claim to be infallible, but I am willing to try.

A STUDENT:

I was once a contracting officer in Chicago. I would like to ask two questions.

One is as to the wisdom of paying the contractor 90 per cent. I found when I was out there that we settled most of the claims for 50 per cent. If you pay the man 90 per cent, you can't take it away from him very well.

MR. MAXFIELD:

The question was this: He says that the provision that on cost-supported applications for partial payment you can pay, and are directed,

as far as the regulation goes, to pay what in total approximates up to about 90 per cent of the claim, has caused him, a lot of trouble, because on the average he has settled a lot of the contracts for about 50 per cent. What bureau was that?

A STUDENT:

Yards and Docks.

MR. MAXFIELD:

I think the only thing we could say is that, if the contractor puts in a fair claim, 90 per cent should be a reasonable amount. Since it is a cost-supported claim and we have had previous experience with the contractor to guide us, and can have the review made by, in your case, the Cost Inspection Service; we should not have to pay more than the total amount that we think he is entitled to.

So if we know from experience with that contractor that his claim is not reliable, and the Cost Inspection in the case of the Navy tells you they don't think this charge can be substantiated, we are just leery, I think generally we could use our prerogative there and say, "We don't think that the total amount of your claim will be this much; so therefore we won't give you 90 per cent."

A STUDENT:

Wouldn't it have been better to pay him 50 per cent and then in special cases be able to increase it if necessary?

MR. MAXFIELD:

I think not. I imagine the reason for their general policy was this: that sometimes in individual cases we may have had contractors trying to get too much, but while in the last year contracting officers and the various people in the Government have become used to handling large sums of money and were willing to make payments, the earlier experience had been that, when a contractor told the contracting officer and the various government people involved to pay him so much money, they said, "By God, that is an awful lot of money -- 90 per cent of a million dollars, or even 75 per cent. I am just not going to sign my name to anything like that." There was a tendency to be overly conservative. I don't say that that was so in any particular case, but that was the over-all tendency, particularly in the early part of the war. So I think that the intention was to guarantee the man that he would get a reasonable partial payment.

A STUDENT:

My other question is this: The Army had teams that they sent around to the different agencies, and the Navy did it through their contracting officer. I would like to have your opinion as to which proved to be the better system.

MR. MAXFIELD:

The question is a discussion of the comparative ways in which the Army and the Navy were set up. I don't know if I, as a third party, in this office that is charged with general regulation over both these agencies, should become too involved in making a comparative analysis as to which is the more efficient system. However, for the benefit of those in the Army and the Navy who are not familiar with either system, since you are not primarily termination people, I will very briefly describe the two systems.

In the Army, while this varied somewhat between the various technical services, the general procedure was this: In each procurement office, let us take Ordnance as an example, in Detroit Ordnance we had the contracting officer. He was charged with procurement and with termination in the geographical districts covered by the Detroit Ordnance District.

He had to assist him all the people whom he felt necessary, which primarily were three. He had a negotiator, who went out and discussed the matter of the termination with the contractor and tried to arrive at a preliminary agreement. That agreement was always subject to the acceptance of the contracting officer, because he was the only one who could bind the War Department on that settlement. He was also assisted by an accountant, who would make an accounting review of the settlement proposal; and he was assisted by property disposal people, whose job it was to get rid of that property.

Now, primarily the outstanding thing about that system was that the contracting officer was out in Detroit. He had charge of settling these contracts and he had all the people that were going to advise him not only working under him and solely under his command, but they were all just three offices down the hall. He could call them all in and they could all sit together and in about five minutes discuss the whole thing without having to worry about how it would look on paper if they had to write a report. Naturally they wrote formal reports the same as anyone else, but they were all immediately available to talk the problem over at any time.

Since he was right on the job, and in the same place as the contractor, it was very easy to call the contractor on the phone or run out to his plant to see him. If the contractor was having trouble making up his mind whether to accept the settlement, they could use that indirect pressure of saying, "Here, meet Colonel Jones" or Major Jones or Captain Jones. "Shake hands with Captain Jones. He is the contracting officer and he is going to settle with you right now." They could sign the whole thing up just like "one, two, three." Of course, it had to be approved by the Settlement Review Board, but that was the case with the Army and the Navy and any other contracting agency for settlements over twenty-five thousand.

Now let us see how the Navy was set up. The bureau headquarters is in Washington. They do their contracting, that is, their procurement, in Washington. They do the settlement of their contracts in Washington.

The contracting officer sits in Washington. You have a contract to be settled out in Chicago. Out in Chicago we will have three people. We will have, one, the material inspector. He is the fellow who is cognizant of the termination, so to speak. He goes out. The man presents his claim to him. He checks it against the original inventory. He looks over the claim. He then gives it to a cost inspector. These are all separate chains of command. The cost inspector goes out and makes his review, either office or field accounting review. The material inspector writes up a formal report. The cost inspector writes up a formal report. A third outfit there is what we call MRDO, the Material Redistribution and Disposal Officer. He gets rid of the property and he writes up a report.

Three formal reports go in to Washington, to a contracting officer. The only primary source of information he has on that termination is those three reports, supplemented to whatever extent he cares to do so, by telephone calls to the various people in Chicago. In many cases, as I understand it -- I don't want to misrepresent this -- the negotiations between the contracting officer and the contractor require one of three things. Either the contractor comes into Washington, the contracting officer goes out to Chicago, or they do it over the phone by long distance.

So I don't think you have quite as close knit a team working on that contract and trying to get a settlement in the Navy. They are not right there together in the same location. It is harder for them to get together and settle their contract. I will leave it up to you as to which would probably be the most effective system.

A STUDENT:

I am glad you brought that up, because I quite agree with you.

MR. MAXFIELD:

You see why I can't give any opinion -- because I was in the Army.

A STUDENT:

I should think this 90 per cent would take a great deal of the pressure off the contractor to make a settlement. Wouldn't he be more anxious to reach some sort of agreement if he didn't get so much?

MR. MAXFIELD:

If you pay him 90 per cent, it is true that that probably would. But if you pay him 90 per cent, he has already put in a cost-supported application, which means that he has practically put his settlement proposal in. So there you are, just trying to agree. Once you get the settlement proposal in, half the battle at least is won. From there on it is just ironing out your disagreements and negotiating a settlement.

In the case of an unsupported partial payment, that is, where he does not give his costs in detail, but merely says, "Over all I think my claim

will be 50 thousand dollars. Therefore give me 75 percent of it," he only gets 75 percent, of course. You don't have the claim; so you are working harder on that.

However, from my knowledge of it and from the statistics of it, regardless of what may have happened in individual cases, over-all I have never heard that partial payments were holding up settlement. I mean, I don't think that the over-all experience would justify that thought.

When I used to be here, I think we used to have a break about this time. I would be glad, if anybody wants me to answer or try to answer any more questions, to do so after the break.

CAPTAIN WORTHINGTON:

Thank you very much.

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(At the request of one of the students, the table written by the speaker on the blackboard, is reproduced herewith.)

	WW I	WW II	
Proc.	21 B	251 B	0/12
Terms - No.	30,000	315,000	0/10
$ of Canc. Comt.	4 B	65 B	0/16
Settled for	560 M	est. 6.8 B	
¢ on $ of C.C.	14	10	
Avg. time to settle	8 mos.	4 mos.	1/2
Appeals	3000, one in 10	70, one in 4500	
Time to settle great bulk of claims	24 mos.	8 mos.	1/3

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