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WAR TIME CONTRACT FORMS.

by

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WAR TIME CONTRACT FORMS.

When the United States entered the World War, it was as unprepared in the matter of proper contract forms as it was in many other particulars. Each of the procuring branches of the Department had contract forms which were perfectly satisfactory to them for their peace time needs, but which, quite naturally, did not contemplate or provide for the many complicated questions which arise in time of war. As a result of this condition, war contracts were let either on these peace time forms as they stood, or with hastily improvised clauses which some individual saw fit to insert in the hope that he was taking care of the various contingencies which he foresaw.

After the end of the World War, involving as it did the sudden termination of thousands of contracts which were thus caught in all stages of completion of performance, it was realized that the forms used during the war were both incomplete and unsuitable for the purpose. As a result of the realization of this condition the Assistant Secretary of War convened a board to standardize war time contracts. It became the duty of this Board to provide forms which could be used by all the procuring branches of the department; which would, as far as possible, prevent a repetition of the troubles and experiences after the World War; which would, insofar as possible, be "Self settling"; which would provide for just treatment of contractors during performance, upon completion or upon sudden termination; and which would take the profit out of war insofar as possible.

The Board started its work by making studies of post-war claims by obtaining evidence from persons familiar with the claims set up by contractors and who were, therefore, familiar with the principal causes of trouble; and by noting particularly the danger points which must be watched for in the preparation of new forms; and by consulting large numbers of outside business men who were asked to suggest the general policy to be followed in these forms.

The Board was organized in August, 1921, and has been constantly at work since that date. Its personnel has been fairly constant and the general policies laid down in the beginning have been pretty generally adhered to. The program as developed contemplated the preparation of:

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- A Purchase Order,
- A Short Form Contract,
- An Adjustable Fixed Price Contract,
- An Adjusted Compensation Contract:
- Construction,
- Supplies.

With the exception of the two last mentioned, these forms have received tentative approval of the Secretary of War and have been sent to large numbers of business men, corporations, lawyers, etc., with a request for criticism and comment. The responses have been very gratifying and have been extracted in consolidated form for use by the Board when the time comes to revise each form for final approval.

PURCHASE ORDER.

This is similar to usual peace time form used by all procuring branches, except that it contains a clause permitting abrupt termination at any time. The instructions, however, provide for the deletion of this entire clause when it is definitely known that the Government will accept the entire order. Inasmuch as this purchase order will undoubtedly only be used for standard articles upon which there will be prompt delivery, the Board does not feel that this sudden termination will work a hardship in many cases.

SHORT FORM CONTRACT.

The first fifteen (15) paragraphs of this contract will be the same as the corresponding paragraphs of the Standard supply contract for time of peace which is being prepared by the Interdepartmental Board of Contracts and Adjustments. The remainder of the contract consists of articles similar to those found in any supply contract but which are adapted to war time conditions. Provision is made for the signature of this contract in time of peace for performance when war is declared. Among the special clauses are those providing for priority; making the contractor bailee for all government property in his possession; for the dismissal of undesirable employees; for appeal of disputed questions to the chief of the procuring branch, subject to appeal being taken within ten (10) days; and an article prescribing action to be taken in case of the contractor's failure to perform. Under this last article three (3) options are given. Specialists or other highly qualified Government personnel can be put into his factory to help him in expediting production or in such ways as by procuring needed material. Under the second option, the contracting officer can take over the plant and operate

it for the account of the contractor, in which case any excess cost will naturally be borne by the latter; or, thirdly, the articles called for may be procured elsewhere, if practicable, and all excess cost charged to the contractor.

ADJUSTABLE FIXED PRICE CONTRACT.

When the amount of work is sufficiently great, or the amount of additional facilities is too large to be taken care of by either of the previous forms mentioned, or where a large amount of raw material must be laid in or obligated and which would be excessive for the peace time needs of the contractor, it will be necessary to use a form which protects the contractor from these contingencies in case of sudden termination. For this purpose the Adjustable Fixed Price Contract has been devised.

It is accompanied by a proposal which, however, is not necessarily the result of actual competition. This proposal sets forth in detail the following points:

It offers to do certain work for a specified lump sum.

It makes payments possible without the necessity of waiting for the actual production of any of the finished articles.

It is accompanied by schedules of prices of labor and material, as of the date when the contract was negotiated. These prices are not referred to in any manner which would cause them to be subject, later, to proof as to whether or not they were the then current prices. They simply represent an agreed basis for calculation by both parties.

It provides that variations in the prices of labor and material, as set forth in these schedules, shall be compensated for when such prices have been fixed by the United States for the country at large, or where they have been approved before hand for this work, or ratified at a later date. These adjustments will not be actually reimbursed to the contractor as they occur, but will be recorded and included in the final settlement.

Changes in the Plans and specifications are permitted, as is usual, provision being made for proper adjustment of the lump sum price, plus or minus, as conditions require.

Excess deliveries, not exceeding ten (10) percent, are permitted where the amount of material purchased or supplied for the work is found to actually exceed the amount necessary for the exact fulfillment of the contract.

The rate of delivery, as agreed upon by the negotiators, is included in this proposal. Provision is also made for increasing this rate and for making adjustments in the contract price corresponding to the increased or decreased cost resulting therefrom.

It refers to and identifies plans, drawings, specifications, samples, etc., which will govern the details of the work.

It provides for payment concurrently with the work performed under each of the sub-headings referred to below, not to exceed ninety (90) percent of the total of each of these items.

Provision is also made that material may be furnished by the Government, either as part of the original contract or later on, when found necessary during performance. In the first case, the calculation of the lump sum price would take this item into consideration, but where material is furnished during performance it will be charged to the contractor at cost to the Government.

It provides that the contract may be terminated at any time, settlement to be made under the provisions set forth in the contract and which will be brought out in detail later.

It sets forth the amounts which go to make up the total of the contract price, under the following heads:

Preparatory Costs:

Plant Preparation: Including such items as rearranging, assembling and preparing the plant for this work.

Additional Tools: Cost of necessary patterns, jigs and tools necessary for the work and not already owned by the contractor. These will remain the property of the contractor upon completion or termination.

Additional Facilities: Which includes installation of necessary facilities, such as buildings, railroads, elevators, etc., not already owned or controlled by the contractor. From this total is deducted the estimated fair value of these facilities after completion of the contract, such fair value to be set out in a schedule by items.

Government Facilities: Cost of receiving assembling and installing equipment provided by the Government specified in schedule, including the cost of dismantling, packing and returning same to the Government, f.o.b. a certain point.

Preparatory Production Work: Which covers the cost of preliminary and preparatory production work necessary to enable contractor to plan for his main production in the most expeditious and economical manner.

Special Fees: Covering fees for necessary engineering, designing or similar technical personal services actually required but not available in the contractor's organization.

The above items, when totalled, constitute the estimated preparatory costs, and a certificate is provided to the effect that they are necessary for the performance of this contract and that none of the amounts have been or will be amortized in other contracts or work, Government or commercial.

Production Costs:

Direct Costs: Amount of direct labor and material cost chargeable to the production and delivery of the articles to be manufactured.

Indirect Costs: Amount of miscellaneous labor, material and services properly chargeable to the production and delivery of the articles to be manufactured and not included in Overhead or other accounts.

Material and Component Parts: Cost of material and component parts purchased or sub-contracted for. Such material and parts as are items of manufacture by this contractor are to be furnished out of stock, at wholesale prices less profit.

Royalties: Actual Cost without Overhead for patent and process royalties not owned or controlled by the contractor.

Rehabilitation Costs:

Plant and Equipment: Cost of re-arranging and restoring the contractor's plant and equipment used in this work to normal conditions as set out in the schedule.

The Contractor furnishes a certificate that no part of these rehabilitation costs have been or will be amortized in other contracts, per work, government or commercial, and that if paid for under this contract they will not be included in any subsequent government contract which requires the same facilities.

Profit:

In addition to the total of the above enumerated items of cost, there is stated the amount of profit which the contractor considers just, the grand total of all these items equalling the original lump sum price.

Termination:

Provision is made for the termination of a contract at any time by the Government upon written notice to the contractor, and the contractor, in this proposal, agrees to accept settlement in full in accordance with the definition of Contract Costs and of the contract itself.

Storage:

Provision is made for the storing of remaining Government property either upon completion or termination, the storage to be free of cost to the United States for such period as may be inserted in the contract and after the expiration of such period at specified rates per square foot per month for closed and open storage.

Certificate:

The party making the proposal certifies that he has read all provisions of the proposed form of contract and agrees to execute such contract with the provisions of the proposal incorporated therein. The proposal is certified to by both the contractor and the contracting officer.

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The particular features of the contract itself, which are different from normal contracts and to which special attention should be called, are as follows:

Performance:

This article, in addition to incorporating the proposal and other necessary papers, makes provision for the signing of the contract in time of peace, to be put into performance upon the declaration of war or other emergency. In the meantime the contract remains suspended for three (3) years, at the end of which time it expires automatically unless performance is required within that time. Provision is made whereby the contractor may, in the absence of an emergency, cancel the contract with sixty days' notice. In the case of contracts signed in time of peace, new schedules of prices of labor and material will be prepared and filed as of the date when performance is ordered to begin. These new schedules will then govern as the allowable costs.

Priority:

This contract will take priority over all contracts not directly connected with war activities and, as among war contracts, in the order of the dates of such contracts unless otherwise directed in writing by competent Federal authority.

Records:

The contractor is required to keep permanent records of the transaction pertaining to this contract. The general outline of the method of keeping records and accounts will be prescribed in the definition of costs, which are made a part of the contract. This definition of costs does not, in any sense, impose new methods of cost keeping upon the contractor but defines the items which are allowable as costs, and specifies the results required by the Government, leaving the methods very largely to the contractor's own bookkeeping and accounting forces. These records and accounts, if not actually delivered to the United States in the course of payment or settlements, are to be preserved by the contractor for a period of six (6) years after the final settlement and discharge of the contract and during this time shall be open to inspection and examination by authorized Government agencies.

Inspection:

This article differs from the normal contract only in being a little more strict and in imposing upon the contractor the duty of notifying the contracting officer of defects or errors found in plans or specifications, or of the unsuitability of materials or component parts furnished or specified by the United States. As far as practicable, the inspection of material, finished articles and parts, will be made at the place of production, manufacture or shipment. This is for the purpose of expediting production and of catching errors or imperfect processes at the earliest practical moment, saving time and valuable material.

Delays:

The contractor will not be held responsible for delays which, in the opinion of the contracting officer, were due to causes beyond the control of the contractor. The contractor must, however, promptly notify the contracting officer, in writing, of any actual or anticipated delay and must use his best effort to avoid such delay or take steps to minimize any serious effects which it may have upon production.

Failure:

The article on failure to perform is practically the same in this contract as in the Short Form.

Sub-Contracts:

The contractor is given a number of optional methods which he may use in procuring services, materials or parts necessary in connection with the work. These range from a simple commercial purchase up to an elaborate sub-contract built along practically the same lines as is this prime contract. The determining factor as to which method the contractor will use resolves itself into the question of whether or not the sub-contractor requires protection, in case of termination, against loss due to his commitments or to the installation of additional facilities. Under no circumstances will a sub-contractor, of a sub-contractor, be recognized in this matter of protection, if the sub-contractor finds that he requires large quantities of raw materials or additional facilities or tools upon which he cannot afford to take the risk

involved in a sudden termination, he must apply to the prime contractor who is authorized to execute another sub-contract for these purposes, the idea being to have only one line of sub-contractors below the prime contractor and thereby avoid the pyramiding of profits which so frequently took place in the settlement of contract claims following the World War. The contractor is to keep the contracting officer informed as to the names of his proposed sub-contractors, but he only needs to obtain definite authority for the execution of the sub-contracts in those cases where he contemplates protecting the sub-contractor against losses in case of termination.

Payments:

Shall be made as outlined in the proposal. Final payment will be made upon the completion or termination of the contract, as soon as true balances can be ascertained and after the contractor has furnished a release to the Government of claims arising under the contract, except such claims as he enumerates in the release. In those cases where accounts have been submitted which are either correct or are susceptible of being accurately checked, the Government will pay interest at four (4) percent per annum after the expiration of sixty (60) days from the filing of the account.

Termination:

Will be made by written notice from the contracting officer to the contractor, which notice will specify necessary details connected with the termination, such as the date upon which it will be effective, the procedure in connection with partly finished articles, etc. The contractor shall stop work and take steps to immediately terminate his commitments for material or parts. Unless the contractor has been held responsible for failure to delay, full and complete settlement will be made with him as quickly as possible. He will be paid the balances due on all expenditures made by him under the sub-divisions of his proposal, whether the total expenditures under the sub-divisions exceed the amount of his estimate or not, and, in addition, will be paid that proportion of his profit which the completed portion of the contract bears to the original figure. Similar provision for interest applies

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upon a terminated contract as provided for one which has gone to completion. The same remark is true with reference to storage. The object in this method of payment is that inasmuch as the contract has been terminated through no fault of the contractor himself, but solely in the Government's interest, it is only fair that he should be left free from loss and with at least a portion of the profit which he expected to make.

Property:

As the contractor is being constantly reimbursed for expenditures for material and parts, this material and these parts become the property of the United States, although not subject to the ordinary regulations concerning property accountability. The facilities which have been included in the contract price, after deducting the fair salvage value, are to remain the property of the contractor, the Government reserving the right, however, to purchase from the contractor any of these facilities at this fair salvage value. This provision should operate to prevent the contractor from placing too low a figure as the salvage value in order to cause the Government to assume an undue proportion of their amortization, his tendency will be to hold nearly to the true value to him for fear the Government may elect to purchase them back at the end of the contract. The contractor may, at the option of the United States, take over such raw material and parts as have become the property of the United States, if he desires the same in order to enable him to resume his peace time activities or for any other purpose, if they are surplus at completion or termination. This class of property will be sold to him at the prevailing market price, plus transportation and other charges, or, if no market price is ascertainable, then at a price not greater than the initial cost to the United States. This provision is designed to assist the contractor by putting him in a position where, with material on hand, he can resume his peace time activities with the least possible loss of time. It will also serve to dispose of the great quantity of surplus material no longer desired by the United States and the retention and ultimate disposition of which would involve a large amount of labor and a very probable loss

of revenue. The contractor is constituted the bailee of all United States property while in his possession, but is distinctly not required to protect such property by insurance.

Standard Articles:

The contract carries the usual articles prohibiting its transfer to any other party; forbidding the participation in it by members of Congress; the right to discharge employees who are undesirable or detrimental to the interests of the United States; and the final article in which is listed such changes and alterations as may have been made in the body of the contract.

ADJUSTED COMPENSATION CONTRACT FOR CONSTRUCTION.

The basis of this contract is, in general, that of an agreed estimated cost, arrived at generally by negotiation and a basic fee obtained from the table of fees which will be included in the definition of costs.

With this estimated cost as a basis, provision is made whereby the contractor may, by skillful buying, improved methods, maintenance of high morale among his employees, or in any other way, affect a saving upon this estimated cost and receive for himself a portion of the savings thus made. On the other hand, if his actual costs exceed the estimated cost, he will be penalized by a deduction from his basic fee of an amount proportionate to the excess cost but not in any case extending beyond fifty percent of the basic fee.

If the work costs less than the estimated cost, the contractor receives an additional compensation a percentage of the actual costs, the rate percent being one-quarter of a percentage of the saving figured on the estimated cost. To illustrate, we will assume that the estimated cost was one million (\$1,000,000) dollars and that the work was performed for eight hundred thousand (\$800,000) dollars, no changes or alterations being considered in this illustration. The saving thus made by the contractor amounts to two hundred thousand (\$200,000) dollars - or twenty percent of the estimated cost. One-quarter of this percentage is, of course, five percent. This five percent is applied not on the estimated cost, but on the actual cost, resulting in additional compensation or bonus to the contractor of forty thousand (\$40,000) dollars. By applying this bonus percentage rate to the actual cost,

the contractor receives additional compensation as his savings increase, but the ratio of the bonus is constantly decreasing. This is done in order to avoid excessive bonus profits where the estimated cost has been set too high, either innocently or by design. In any fixed price form of contract, a contractor who is able to talk the Government into giving him the contract above mentioned for two million (\$2,000,000) dollars, when its true value was not more than one million, and perhaps only \$800,000, would pocket the entire difference between the true cost and the so-called estimated cost. Under this form, if he is able to get by with a two million dollar estimated cost, he will receive a larger fee than he is entitled to, but as the fees are relatively small this is not serious. If he does perform the contract for eight hundred thousand (\$800,000) dollars, the saving will be apparently a tremendous percentage, but as his bonus percentage calculations are based upon the actual costs, his bonus is not seriously objectionable. A few simple calculations made by any one sufficiently interested in the subject to care to work them out will show that the maximum percentage of the estimated costs cannot exceed six and one-quarter, and when it is borne in mind, as stated above, that in a fixed price form all of this difference goes into the pocket of the contractor, it can be easily seen that in view of the large proportion which will be recovered by the Government under this form, it can well afford to take the chances of the increased fees and bonus involved in a contract which reaches the ridiculous figure of twice what it should be.

No actual proposals are contemplated in connection with this form and no blank has been prepared for that purpose. It is presumed that in the majority of cases of large construction projects the contractor will be selected by a Board or other competent authorities and that the determination of the estimated cost figure will be in the hands of experts representing the Government.

This form practically carries the same articles as are found in the Adjustable Fixed Price Contract, covering the signature in time of peace, priority, records and accounts, provisions for changes, questions of delays and of failure to perform, sub-contracts and purchases, right of appeal, transfer of contract, discharge of employees, and the article of members of Congress.

Performance:

The first article in the contract states what the work is, gives the date of completion, states the estimated cost and identifies the schedules of wages and prices which were used in arriving at this estimated cost. The labor items entering into

the estimated cost are based upon straight time and provision is made whereby overtime, when ordered, is carried as an additional amount to be added to the estimated cost upon completion or termination.

Costs:

The actual details of allowable costs are set forth in the definition of costs. Costs are broadly defined in the contract itself as being net costs to the contractor of all expenditures necessary or which could have been deemed necessary at the time for the performance of the work contracted for. Increases in the cost of labor and material are compensated for in the same manner as under the Adjustable Price Contract, the contractor being reimbursed at the time of actual expenditure by him, but the necessary adjustments in his estimated cost being deferred until the completion of the contract. Transportation charges of common carriers on materials, supplies or equipment purchased f.o.b. point of origin are to be borne by the United States direct and will not be included in the estimated cost. The Government will then make all adjustments with the carriers for loss, shortages or overages, as well as necessary corrections of freight rates. These costs are, of course, borne by the Government in any event and it has been deemed best to assume them openly and directly, thereby facilitating the settlement of the contract either upon completion or termination. This provision relative to freight charges will probably require special legislation at the outbreak of war. This method was used during the late war without legal sanction and no difficulty is anticipated along this line in the future. This incidentally is the only new legislation required in connection with any of these contracts.

Government Employees:

The contract provides, as a contractual provision, that the United States shall maintain the necessary force of accountants, clerks,

etc., until the completion and settlement of the final accounts with the contractor. This is done in order that the force working on this class of work will not be disturbed and disrupted by the inevitable reduction of employees which will follow the termination of the war.

Government Supplies:

The Government reserves the right to furnish at any time material or other supplies required for the performance of the contract, at prices to be determined by the United States. This provision is intended to take care of conditions where the United States actually owns or controls the entire stock of a given article or material, as well as cases where the contractor is unable to obtain such supplies in sufficient quantities or with sufficient rapidity to prevent delay in performance.

Changes:

Changes in the plans and specifications or in the quantity of work to be performed causing changes in the estimated cost will result in the determination of a new fee, based upon this new cost.

Inspection:

This article is very much the same as the corresponding article in the Adjustable Fixed Price Contract. Due to the peculiar nature of this contract, there was one feature which had to be provided for and that was the question of the cost of rejections. The cost of replacing defective work is carried as a cost under the contract and no penalty is assessed against the contractor on account of such rejections except that it will have a tendency to reduce his expected bonus. Where work has been continued improperly and positive orders have been given the contractor to stop such improper process, the cost of any rejections resulting therefrom will be charged directly against his fee.

Compensation:

This article states the sum which constitutes the basic fee and gives the details by means of which the bonus is determined. This has already been covered as far as is practicable in this short talk. Reimbursement will be made concurrently with the work and as fast as accounts, supported by proper evidence for payment, are submitted by the contractor. If our disbursing system is properly organized in time of war, these payments should be very promptly made and the necessity for the use of any large amount of capital on the part of the contractor would be obviated.

Completion:

If the contract goes to completion, the final settlement with the contractor will, so far as practicable, cover all items due him, including his fee, adjusted compensation and amounts due on account of adjustments resulting from changes in labor and material prices. Prior to the drawing of the final check, the contractor must furnish the United States with a release of all claims except such as he enumerates in the release itself. Delayed accounts draw interest, as stated in the other form.

Termination:

The contract may be terminated at any time by the United States, by a written notice which will give dates and details, in the same manner as under the previous form. All amounts due the contractor for expenditures made by him will be reimbursed him as rapidly as possible, and he will be given, in lieu of his original fee and bonus, a fee which is double the fee set forth in the definition of costs opposite the amount corresponding to the total of his actual costs under this termination.

Property:

Government property is to be conserved against loss, waste, theft, etc. Upon either completion or termination, the property will be assembled so far as may be practicable and a joint inventory taken, and the resulting value deducted from the actual costs.

ADJUSTED COMPENSATION CONTRACT FOR MANUFACTURED ARTICLES.

This contract is in process of being drafted at the present time. It is being formed along the same lines and utilizing the same principles as the one just described for construction. It contains the same estimated cost, basic fee and bonus provisions. It will, however, be accompanied by a brief proposal which will set forth very much the same items of cost as are given in the proposal pertaining to the Adjustable Fixed Price Form. The principal deviations from the Construction form are those made necessary by the difference in the kind of work to be performed. Such questions as overhead, materials taken from stock, additional tools and facilities, etc., are handled in very much the same manner as in the Adjustable Fixed Price form.

GENERAL REMARKS.

The advantages claimed by the Board for the Adjusted Compensation form of contract are many. In time of war, or when planning for work to be done during a war, neither side can name a figure which they are certain is correct. The amounts stated as the estimated cost will be the result of negotiations, estimating and some guessing. Most of the doubts will probably be resolved in favor of the contractor, who will naturally do his best to have the highest possible figure named. This condition is, however, true of all contracts, whether resulting from competitive bids, from negotiations or from the arbitrary selection of the given contractor to do the work. The Cost-Plus percentage form is the only exception to this rule.

In any Fixed Price form, this is especially true for two reasons: One is that the contractor takes all the risk, and the other, that inasmuch as he gets all the profit and saving, he naturally wants to make the figure as large as possible.

Under the Bonus form the bulk of the padding or of the legitimate saving comes back to the Government, although there is still enough to be made out of the Adjusted Compensation to induce the contractor to do his best to save money and material.

Profiteering was due partly to the ability of certain contractors to get by with a large initial figure in their contract. The instructions from the Assistant Secretary of War to the Board are to so draw our contract forms for use in the future that they will, as far as possible, take the "profit out of war".

How this has been accomplished has been explained above, and, if the table of fees and the rate percent of the Bonus have been correctly determined by the Board, no man is going to get rich as a result of having war contracts, nor, on the other hand, if the Board has acted wisely in the provisions of the contract which are designed to protect the contractor, will any man be ruined as a result of having accepted a contract for war material.

Every effort has been made to avoid putting anything into these contracts which would tend to slow up production or discourage the contractor and his people from putting forth their best efforts on behalf of the Government.

No bonds or insurance are required under any of these contract forms. The Government pays the premium on such bonds and insurance policies, whether they appear as direct costs or not, and inasmuch as production is what we are after rather than the doubtful recovery of any given sum of money, the Board is of the opinion that the magnitude of the Government's procurement program in time of war justifies it in acting as a self-insurer.

In addition to the work being done by this War Time Contract Board, a large and important work in the preparation of standard contract forms for peace time use is being done by the Interdepartmental Board of Contracts and Adjustments.

This Board was created by the Director of the Bureau of the Budget and consists of one representative from each of the thirty-one departments and independent establishments of the Government. It has been working now for nearly three years. It has produced a standard form of lease which has been approved by the President and whose use is obligatory upon all departments. It has completed the contract form for construction, together with the invitation for bids, the bid itself, the guarantee bond, the performance bond, and the instructions for bidders. All the above documents, with the exception of the contract itself, are so drawn as to be applicable for both construction and supply contracts. The above mentioned papers are now in the hands of the Director of the Bureau of the Budget for examination and submission to the President for approval.

The Board is now engaged upon the preparation of a standard form of contract for supplies, which it is hoped can be submitted for approval before July 1st, 1925. It will then take up the question of the final preparation of a modern up-to-date contract law. This proposed law has been submitted to the various departments for comment and the indications are that the new code will consist of about twenty-four

sections which will supersede two hundred and twenty-four statutes now on our law books.

(Following are questions and answers developed during Open Discussion of the Subject with the Student officers of the Army Industrial College).

Ques: What has been the general reaction from industry when the contract forms have been submitted?

Answ: Generally speaking, the reaction has been quite favorable. It was not expected that everyone would agree with everything in each of these forms, but my experience has been that when the questions arising as to advisability of certain new provisions, etc., were explained, the inquirer usually saw the light and in most every case agreed that we had done the best under the conditions - not being able to foresee everything that might happen, and yet having tried to cover every possible case by general provisions.

Ques: Was there any objection raised by any one during the proceedings of these Boards to the great amount of stress laid upon the termination clauses?

Answ: No, there could not be inasmuch as it was the need for such details of termination that caused the preparation of such forms.

Ques: The contract form provides that the Government may furnish material at any time desired. Does that mean that if the contractor had large stores on hand, the Government could furnish the material just the same?

Answ: Where the Government steps in and furnishes the material, after the contractor has committed himself for this same material, he will be reimbursed for the costs of canceling same. I do not see why the Government would furnish any if material was already on hand. There are a large number of details such as that in these contracts which I did not bring out.

Ques: Assuming that a manufacturer signed these in time of peace, could he use them as a potential good-will in an advertising campaign?

Answ: In England and other countries having royal houses, in the upper corner of letter heads appears the sentence "Purveyor to his Majesty, the King". Ours could be changed to read "Official Contractor for the War Department". The fact that a man was, in time of peace, accepted as an official contractor to do important work for the Government in time of war would be an asset to that man. It might encourage him to sign a contract and work with us where he might not otherwise do so.