

**FEDERAL RESERVE BANK
OF DALLAS**

Dallas, Texas, March 12, 1941

DEFENSE CONTRACT SERVICE

**To All Banking Institutions in the
Eleventh Federal Reserve District:**

In our circular letter of November 19, 1940, we described the plan under which the facilities of the Federal Reserve banks and branches were to be utilized to encourage the smaller business concerns in every part of the country to participate more fully in the national defense program. The Office of Small Business Activities was set up by the National Defense Advisory Commission and the Federal Reserve banks have cooperated with that office in carrying out that phase of the program.

Following the creation of the Office of Production Management, the functions of the Office of Small Business Activities were taken over by the Defense Contract Service of the Office of Production Management, and plans were made to enlarge the organization and personnel at the field offices located in the Federal Reserve banks and branches, in order to speed up the production of defense equipment and supplies, especially through subcontracting. These enlargement plans provide in general for the appointment of District Coordinators of Defense Contract Service at the various field offices, to be chosen from among outstanding industrialists and business men. The Coordinators will have general supervision of the activities of the district offices, and will serve without compensation. The plans also provide for the appointment of District Managers, who will work under the supervision of the District Coordinators and who will have charge of the technical phases of the work of the various district offices.

The Office of Production Management has just announced that Charles R. Moore, a member of the Industrial Advisory Committee of this bank and President of the Austin Bridge Company of Dallas, has been appointed District Coordinator for the Dallas area. Mr. Moore will maintain offices at the Federal Reserve Bank at Dallas. Consideration is being given to the appointment of District Coordinators for the Houston, San Antonio, and El Paso areas, and in the event of such appointments appropriate announcements will be made.

The District Manager, when appointed, will analyze surveys of production facilities, encourage the decentralization of defense orders and the use of subcontractors on defense work, and cooperate to the fullest extent possible with prime contractors, subcontractors, and the procurement offices of the Army and Navy. The District Manager will be chosen for his knowledge of production problems and will serve in a full-time capacity.

The Chief of the Defense Contract Service of the Office of Production Management in Washington is Robert L. Mehornay, who is on leave from his position as President of the North-Mehornay Companies of Kansas City, Missouri.

The prime objective of the organization of the Defense Contract Service is to obtain more acceptable production in less time. This objective involves spreading the work, getting more bidders and more subcontractors, employing all machinery that can be advantageously employed, and using existing plants and facilities to the fullest extent. To attain these objectives, the new service will be equipped to inform prime contractors when, where, how, and for what to bid; to broaden the use of subcontractors by prime contractors; and to inform potential subcontractors where their services and products might be utilized.

The officers at the various Federal Reserve banks and branches who formerly acted as field representatives for the Office of Small Business Activities are now designated as Federal Reserve Contract Officers and they will supervise financial and contract advisory services. In the Eleventh Federal Reserve District these officers are:

E. B. Stroud
First Vice President and General Counsel
Federal Reserve Bank of Dallas
Dallas, Texas

J. L. Hermann, Managing Director
Federal Reserve Bank Branch
El Paso, Texas

W. D. Gentry, Managing Director
Federal Reserve Bank Branch
Houston, Texas

W. E. Eagle, Cashier
Federal Reserve Bank Branch
San Antonio, Texas

The District Coordinators and the District Managers will have supervision of matters pertaining to contracting, subcontracting, analysis of facilities, and procurement information. The Federal Reserve bank officers listed above will be available for consultation about financial problems and contract provisions.

Yours very truly,

R. R. GILBERT

President