

A meeting of the Executive Committee of the Federal Reserve Board was held in Washington on Friday, August 12, 1932, at 11:05 a. m.

PRESENT: Mr. James, Presiding
Mr. Miller
Mr. Magee

Mr. McClelland, Assistant Secretary.

Mr. Sewall, Chairman of the building committee of the Federal Reserve Bank of Philadelphia, who had come to Washington for the purpose of discussing the proposal of the board of directors of the bank to employ the United Engineers and Constructors to supervise the construction work in connection with the enlargement of the Philadelphia building, presented a copy of the bank's existing agreement with the architect and called attention to condition 7 of the contract providing that:

"The architect will endeavor to guard the owner against defects and deficiencies in the work of the contractors, but he does not guarantee the performance of their contracts. The supervision of an architect is to be distinguished from the continuous personal superintendence to be obtained by the employment of a clerk-of-the-works.

"When authorized by the owner, a clerk-of-the-works acceptable to both owner and architect shall be engaged by the architect at a salary satisfactory to the owner and paid by the owner, upon presentation of the architect's monthly statements."

Mr. Sewall stated that, in his opinion, the supervision which it is proposed to secure through the employment of the United Engineers and Constructors would not be a duplication of the supervision to be provided by the architect. He presented a letter addressed to him as Chairman of the building committee, under date of August 9, by Mr. Dwight P. Robinson, President of the United Engineers and Constructors, outlining the services which that concern proposes to furnish, if employed by the bank, and explaining that these services do not cover any of the architect's functions but

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would eliminate the need of a clerk-of-the-works representing the architect and for whose services the architect would make an additional charge.

Mr. Sewall then reviewed the highly competitive circumstances under which the extremely low bids for the contract were submitted and stressed the resulting incentive for the contractor to effect all possible savings and short cuts. He also referred to the complicated character of the work involved in the enlargement of the bank building which must be carried on in such a manner as to permit the work of the bank to go on without interruption and so as to fully protect the bank's operations and its vaults. He expressed the conviction that in the circumstances the bank should have the benefit of highly competent engineers to see that materials are furnished and the work is done strictly in accordance with the contract of construction and the detailed specifications. He also called attention to the recent increase in the prices of materials and to the possibility of an increase in the cost of labor and stated that he believes the building committee of the bank should be relieved of direct responsibility in connection with the disputes, labor troubles, etc., which may arise as a result.

Mr. Sewall further stated that his position in this matter is based largely on his own previous experience, both in his business and as a director of the Insurance Company of North America, which recently erected large office buildings in Philadelphia and in New York. In both cases, he stated, supervision was furnished by an engineering firm and the results were very satisfactory. He also stated that the same plan was followed by the Girard Trust Company of Philadelphia in the erection of its building, although the Fidelity Philadelphia Trust Company, which erected its building with only

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the supervision of a clerk-of-the-works, had apparently obtained satisfactory results.

Mr. Sewall then withdrew from the meeting and the matter was discussed by the Executive Committee. The Assistant Secretary read a letter just received from the Chairman of the Philadelphia bank in which he stated that at a meeting of the building committee on July 19, 1932, at which the enlargement of the Philadelphia building was considered, some of the members, in order to have the most expert supervision, earnestly advocated the granting of the contract to one of the engineering firms, which had submitted estimates for handling the work on a cost plus basis approximately \$100,000 more than the price submitted by the lowest bidder on a general contract. Mr. Austin also stated that at that meeting attention was called to the clause in the architect's contract stipulating that part of his fee was to cover complete supervision of the work; that the architect's representative who was present at the meeting, waived that responsibility aside by saying that the best architects could not do that and did not do it at the present time; and that the architect's representative earnestly recommended that the contract be awarded to one of the engineering firms. The letter also stated that at the next meeting of the board of directors of the bank, six out of the seven members present voted to award the contract to the lowest bidder and to employ some party to supervise the construction, and that following the meeting negotiations were entered into with the United Engineers and Constructors to do the work of supervising the construction, although, in approving a fee of \$50,000 for this work, some of the directors expressed the thought that the fee was too high. The Chairman's letter further stated that Irwin

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and Leighton is a very reliable concern which has satisfactorily carried through a number of operations much larger than the enlargement of the Philadelphia building, and that he sees no reason for questioning their ability, purpose or desire to do anything but a good and satisfactory job.

Further discussion by the Executive Committee developed the fact that a unanimous action could not be taken on the matter, and upon ascertaining that Mr. Mills, Chairman, and Mr. Pole, Comptroller of the Currency, were available, these members were invited into the room and the meeting of the Executive Committee adjourned.

E. W. W. O'Connell
Assistant Secretary.

Approved:

Geo. P. James
Chairman, Executive Committee.