

**FEDERAL RESERVE BANK
OF NEW YORK**

[Circular No. 3011]
October 5, 1945

PREPARATION AND FILING OF CLAIMS UNDER CANCELED WAR CONTRACTS

*To all Banks and Trust Companies in the
Second Federal Reserve District:*

The Office of Contract Settlement is concerned about the delay on the part of war contractors in presenting claims resulting from the cancellation of war contracts, and has requested us to transmit the following message to the commercial banks in the Second Federal Reserve District:

“The victorious conclusion of the Japanese War was immediately followed by mass terminations of war contracts. Approximately \$24,000,000,000 in outstanding commitments was reported by the contracting agencies as canceled during the month of August. The backlog of canceled commitments pending settlement on August 31 was \$36,000,000,000. Furthermore, since the amount of canceled commitments involved in some of the August cancellations could not be immediately determined and must await a review of contract deliveries and since some additional terminations will probably be made in September, it is anticipated that at least \$40,000,000,000 in outstanding terminated commitments will be pending settlement on October 1, representing some 105,000 individual terminations.

In order that this vast backlog of canceled contracts may be settled with reasonable dispatch, an immediate substantial increase in the settlement rate must be achieved over the recent monthly average rate of \$1.4 billion representing 6,500 individual settlements. The contracting agencies are well prepared to handle this increased load. It is obvious, however, that contracts can be settled no faster than claims are presented, and consequently that the first move in achieving the all-important increase in this settlement rate is up to the contractors themselves.

The increasing pressure on the military services to release personnel is a factor that must not be overlooked. This applies to those engaged in contract settlement work just as much as other branches of the service. The present well-trained and competent settlement staffs cannot be held indefinitely by the Services, and while replacements will be found as needed, preparation and filing of claims at the earliest possible date will assure contractors of the benefit of negotiation and settlement with experienced Service personnel.

In compiling and presenting their claims with the greatest possible dispatch, war contractors will not only be aiding themselves, but also assisting the industrial economy as a whole to achieve full reconversion from a war to a peacetime basis. Probably no group is more aware of this fact than the commercial bankers. A concerted effort on their part to emphasize to their customers the importance of fast filing of claims and thus obtaining a quick honorable discharge from war production would be most timely. Our purpose in writing you is to enlist the aid of the Federal Reserve System in presenting this thought to its member banks throughout the country and requesting their assistance.”

We should appreciate it if you would cooperate with the Office of Contract Settlement and urge each of your customers that has claims under canceled war contracts to prepare and file such claims at the earliest practicable date.

ALLAN SPROUL,
President.