

Calendar No. 1035.

67TH CONGRESS,
4th Session.

SENATE.

REPORT
No. 1065.

CUSTOMS SERVICE REORGANIZATION BILL.

JANUARY 23 (calendar day, JANUARY 27), 1923.—Ordered to be printed.

Mr. CALDER, from the Committee on Finance, submitted the following

REPORT.

[To accompany S. 4245.]

The Committee on Finance, to which was referred the bill (S. 4245) to provide the necessary organization of the customs service for an adequate administration and enforcement of the tariff act of 1922 and all other customs revenue laws, having considered the same, report favorably thereon with the recommendation that the bill do pass with the following amendments:

On page 2, line 8, after the word "be," strike out "employees" and insert "officers."

On page 2, line 18, after the word "appoint," strike out "and fix the compensation."

On page 2, line 19, strike out the word "of," before "special agents," and after the word "service" insert "in number."

On page 2, line 20, after the word "law," insert "and fix their compensation."

On page 4, line 7, after the word "motion," strike out "from within the district," and insert "or transfer."

On page 4, strike out all of line 16, "traveling expenses and actual expenses incurred for sub-."

On page 5, line 2, after the word "employees," insert "including the Director and Assistant Director of Customs."

On page 5, line 5, after the word "that," strike out "section 1" and insert "sections 1 to 6, inclusive, as amended."

On page 5, line 6, strike out the entire line "limiting the compensation of laborers in the customs service," and insert "an act fixing the compensation of certain officials of the customs service and for other purposes."

The Secretary of the Treasury, in a letter dated January 9, 1923, addressed to the chairman Committee on Finance, approves the bill and suggests certain amendments. These have been practically adopted by the committee.

CUSTOMS SERVICE REORGANIZATION BILL.

The letter of the Secretary of the Treasury is as follows:

The CHAIRMAN COMMITTEE ON FINANCE,

United States Senate.

SIR: There is transmitted herewith a communication dated the 2d instant from the clerk Committee on Finance, United States Senate, inclosing a copy of S. 4245, a bill to provide the necessary organization of the customs service for an adequate administration and enforcement of the tariff act of 1922, and all other customs revenue laws.

This bill has my approval, especially in view of the fact that it would remedy the situation in regard to the compensation paid examiners and laborers whose compensations are now limited (Stat. L. 35, p. 1065), which limitation is embarrassing to the department. Such a bill would enable the department to introduce flexibility into the handling of the personnel, by expanding or contracting the force and adjusting compensations in response to new legislation.

I would suggest that section 6 of the bill be changed by inserting the following after the word "expenses" on line 15, page 4: "Not to exceed \$8 per day," and by inserting the following after the word "subsistence" on line 17 of page 4: "Or an allowance of \$6 per day in lieu of subsistence."

I would also suggest the following changes in the bill:

Page 2, line 8, the word "employees" to be stricken out and the word "officers" to be substituted.

Page 2, line 18, strike out the last four words, "and fix the compensation."

Page 2, line 19, strike out the first word, "of," and the comma after the word "service."

Page 2, line 20, strike out the comma after the second word and insert "and fix their compensation."

Page 4, line 7, strike out the words "from within the district."

Page 4, line 16, strike out the entire line, it being a repetition of the preceding line.

Page 5, line 2, after the second word, insert "including the director and assistant directors of customs."

Page 5, line 5, strike out "section 1" after "That" and insert the words "sections 1 to 6, inclusive, as amended."

Page 5, line 6, strike out the entire line and insert "an act fixing the compensation of certain officials of the customs service and for other purposes."

Respectfully,

A. W. MELLON, *Secretary.*

The Committee on Finance on January 10, 1923, held a special hearing on this bill and took the testimony of Mr. George C. Davis and Mr. Otto Fix, formerly connected with the customs service. Both Mr. Davis and Mr. Fix were attached to the Finance Committee as customs experts, and by reason of their great experience in all matters pertaining to customs rendered valuable services to the committee and the Senate in the framing of the tariff act of 1922. Their testimony before the committee was of great value and has much to do with the conclusion of your committee to recommend the passage of this bill.

Mr. Davis and Mr. Fix served in the customs service of the United States for over 30 years, beginning in very low positions and finally reaching the limit of promotion before they tendered their resignations. They were considered two of the most valuable officers in the customs service, and, as was brought out in their testimony, would have both remained in the service could they have seen before them any further opportunity for advancement or reward for meritorious services. They both pointed out the necessity for placing the positions of assistant appraisers within the classified civil service, testifying that such positions were highly technical and that it took years of study to attain the degree of expertness that is necessary to the appraisal and classifications of merchandise. The bill places these positions within the civil service, which will insure more competent appraising officers in the future. They brought out in fact

that examiners, upon whose shoulders rest the very grave responsibility of placing the correct values on millions of dollars worth of merchandise, are constantly leaving the service, securing positions in commercial life paying them far more than their salaries as examiners, now limited by statute to \$3,500 per annum. The bill remedies this limitation, not only for examiners but for assistant appraisers and deputy collectors, creating a line of promotion for the lower-paid employees of the customs service that will greatly strengthen the morale of the service and make it worth while as a career.

The bill remedies the limitation by statute of the pay of laborers at \$840 per annum. Mr. Davis testified that at the port of New York, where the greater majority of laborers in the customs service are employed, it is practically impossible to secure efficient men to take the positions at a wage of \$840 per annum.

The Secretary of the Treasury, in his letter of approval addressed to the committee, states that the bill will remedy the situation in regard to the compensations paid examiners and laborers that are now limited by statute, further stating that this limitation is embarrassing to the department, and that the bill will enable the department to introduce flexibility into the handling of the personnel by expanding or contracting the force and adjusting compensations in response to new legislation.

The committee has devoted much time and earnest thought to the consideration of this bill, and believes that for the best interests of the customs service it should be passed as early as possible.

Following is an extract from the hearings before the Committee on Finance on S. 4245, relative to the reorganization of the customs service:

STATEMENT OF MR. GEORGE C. DAVIS, CUSTOMS ATTORNEY, NEW YORK CITY, N. Y.

Mr. DAVIS. My name is George C. Davis.

The CHAIRMAN. Mr. Davis, we simply want your opinion concerning the Calder bill; I will give it that name for short; also any provisions that you may see fit to urge in favor of the bill or any suggestions with reference to amendments, etc. First, I should like you to state the positions you have held in the Government service.

Mr. DAVIS. I have spent practically my entire life in the service; I was in the customs service from 1890 to November 1, 1922; I then resigned from the customs service and am no longer connected with the customs service.

Senator McLEAN. What is your business now?

Mr. DAVIS. I am a customs attorney.

Senator McLEAN. A customs attorney?

Mr. DAVIS. Yes.

Senator SUTHERLAND. Do you practice here or in New York?

Mr. DAVIS. I practice in New York; I am not an attorney at law. I practice before the Board of United States General Appraisers and the department.

Senator McLEAN. For the importers?

Mr. DAVIS. For the importers or anybody who has any matter relating to customs, whether importer or American manufacturer.

This bill is practically the same thing that the Tariff Commission recommended in 1918. They made a very complete survey and investigation of the administration of the customs and they realized that there were certain positions in the customs requiring very great expert knowledge and long training that should be placed under the civil service in order to give the men in the lower grades some opportunity for advancement; something to look forward to; some stepping-stone to advancement.

Take my case, for instance. If I had spent my life in the customs service; if I could have seen a stepping-stone, something to look forward to, I would have remained in the customs service, but I got to a certain point where I had to stop; that is the objection to it.

Senator SIMMONS. Why did you have to stop?

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Mr. DAVIS. That was as far as I could go with the civil service.

Senator SIMONS. Could not you have gone higher outside of the civil service with equal chance with other people?

Mr. DAVIS. Then I would have had to devote my time to the field of politics in order to have become appointed in a political position. I had to spend my time with the customs service.

Senator MOLEAN. What was the highest compensation you could get?

Mr. DAVIS. The highest compensation I could get was \$4,380 a year, which I got. It took me 30 years to reach that point.

Senator MOLEAN. There was no possibility of promotion beyond that point?

Mr. DAVIS. There was no possibility of promotion beyond that.

Senator WILLIAMS. What place are you in now?

Mr. DAVIS. I am practicing customs law.

The CHAIRMAN. He has resigned his position.

Senator WILLIAMS. You are out of the service?

Mr. DAVIS. I am disinterested as far as the bill is concerned. It won't help me in any way, shape, or form.

The principal feature of this bill, in my opinion, is the placing of the assistant appraisers under civil service, removing their appointment from the field of politics, and by placing them under civil service you then have a stepping-stone for the advancement of the examiner of merchandise, on whose shoulders rests almost the entire responsibility of putting a tariff law into effect, because they appraise the merchandise; they find the value of the merchandise; they report the descriptions to the collector in order that he may classify it; it is then turned over to the assistant appraiser and by law he is the man that should appraise the merchandise, but that has fallen back on the shoulders of the examiner because the assistant appraisers come out of civil life; they are here two or three years and there is no reason why they should learn the business. There is no reason why they should learn the business; they know if they spend their time in learning the business that in two or three years they are going out. There is no incentive for the examiner to go beyond the position. That is one of the greatest reforms we can bring about in the customs service. The bill provides that the bill provides also for the general readjustment of the various positions in the customs service and that the Secretary of the Treasury shall appoint these officers under the rules of civil service and fix their duties and their compensation.

Senator WATSON. This bill provides that the President is authorized to appoint and fix the compensation for quite a number of persons and the Secretary of the Treasury shall appoint and fix the compensation of the other service.

Mr. DAVIS. The first section provides that the President shall fix the compensation of the collectors of customs, comptrollers of customs, surveyors of customs, and the appraisers of merchandise.

Senator WATSON. Yes.

Mr. DAVIS. The purpose of that is a general readjustment. They are being paid now from a very low salary of \$2,500 a year up to the final top notch at the port of New York of \$12,000. In many of the large cities, for instance, Chicago, Boston, and San Francisco, they are paying from \$3,000 to \$4,000 a year less than they are paying some of the examiners at the port of New York. Some get \$3,500, and they can not get the proper men who will do that work for that money. This permits the President to readjust the compensation of the officers throughout the United States within the appropriation.

Senator WATSON. In other words, you have to make a lump-sum appropriation and let the President distribute that to suit himself and fix the salaries?

Mr. DAVIS. I should say that the compensation of 98 per cent of the employees of the customs service, excluding the presidential appointees, is fixed by the Secretary of the Treasury now.

Senator WATSON. Yes.

Mr. DAVIS. And we are only going into this with just a few positions, like the examiner of merchandise, the deputy collector, and the laborer.

Senator WATSON. What do they get now?

Mr. DAVIS. The laborer gets \$840 a year. It is impossible for him to live, and it is impossible for him to support his family on that. By reason of that a tipping system is growing up in our service where the laborer is given 50 cents or a dollar to take one importer's goods and take it around some other cases to come out first. As I say, a tipping system is growing up, and these men have to take tips; they could not live and support their families without that.

Senator WILLIAMS. I suppose you know that some families are living on much less than \$850 a year.

Mr. DAVIS. I know, Senator, that no man with a family can live in New York.

Senator WILLIAMS. I know a thousand families doing that.

Mr. DAVIS. They could not live in the port of New York.

The CHAIRMAN. They are not living in New York, Senator Williams.

Senator WILLIAMS. I know that.

Mr. DAVIS. The result of that is when they need laborers they have to go out on to the street and find somebody who is broken down, or incapacitated, or discouraged, or out of a position, who takes this thing temporarily to give him a few dollars until he can find something better.

Senator WATSON. If the Secretary now has authority to fix the salaries and he fixes them that low, the only way you can increase the salaries would be to increase them by law?

Mr. DAVIS. No; the salary of the laborer—the maximum—is fixed by statute.

Senator WATSON. The Secretary of the Treasury does not fix it except within the maximum?

Mr. DAVIS. Not the laborer; the examiner and the deputy collectors—except within the limitation that Congress has set down; those officers are very few. He fixes the salary of 95 per cent of the employees. We want these positions put into that class; that is where we need the adjustment and must have it.

Senator WATSON. The only way you can overcome that is to repeal that statute.

Mr. DAVIS. Yes; repeal the statute.

The CHAIRMAN. Have you any opinion as to how much should be paid these men?

Mr. DAVIS. Yes; I have. When you call upon an examiner of merchandise to fix the value, report the classification to the collector of customs of from \$5,000,000 to \$10,000,000 worth of merchandise with practically no check to his work, I think it is an absolute crime to pay that man a salary of \$2,000 or \$2,200 a year, and the wonderful part of it is that with those salaries that are paid those men they remain honest in the customs service, which shows the morale that has been built up.

Senator WILLIAMS. What are the duties of the men that you class as laborers?

Mr. DAVIS. They have to handle the packages of imported merchandise.

Senator WALSH. It is stevedore's work?

Mr. DAVIS. Yes.

Senator WALSH. The ordinary duties of the laborer?

Mr. DAVIS. Yes; the laborer in the several walks of life gets two or three or four times that.

Senator WILLIAMS. I do not know about that; some of them get \$2 or \$3 a day.

Mr. DAVIS. Not at the port of New York, sir; there is where the greater majority are hired.

Senator WALSH. Are some colored laborers?

Mr. DAVIS. A small percentage.

Senator WALSH. They get about \$3 per day?

Mr. DAVIS. It is \$840 a year. The answer is we can not hire them; they can not get them.

The CHAIRMAN. They can not get good men?

Mr. DAVIS. They can not get good men; they get the older men.

Senator SMOOT. They get \$240 bonus?

Mr. DAVIS. They get the \$240 bonus.

Senator SMOOT. That would be \$1,080; that is \$90 a month; that is \$3 a day for every day of the year except Sunday.

The CHAIRMAN. I am interested in what the appraisers and those who determine the values and classification of goods get and how much we ought to pay men of that character.

Mr. DAVIS. My opinion is that the examiners of merchandise and the assistant appraisers, that their salaries should be graded, not from \$3,500 down, but from \$3,500 to \$6,000. You place the responsibilities upon these men that our tariff law places upon them.

Senator SMOOT. They are classified under the reclassification bill, and if I am not mistaken, I think they run up to about \$5,000 in the reclassification; I can find out just exactly what they are.

The CHAIRMAN. That has become a law?

Senator SMOOT. No.

Mr. DAVIS. That would not include our assistant appraisers.

Senator SMOOT. Why not?

Mr. DAVIS. Because they are not in the classified service.

Senator SMOOT. That does not make any difference; in the reclassification it is not whether they are in the classified service.

Mr. DAVIS. The reclassification would not cover a man whose salary is fixed by statute.

Senator SMOOT. It changes them all; the present law will be repealed entirely; it applies to every employee of the United States.

Mr. DAVIS. Including the presidential employees?

The CHAIRMAN. Those not under civil service?

Senator SMOOT. Absolutely; the reclassification bill reclassifies every employee in the Government; service outside of Senators and their clerks and Members of Congress and their clerks and the Cabinet. There is not a single man in the Government of the United States that is not—

Senator WALSH. Does that apply to the Public Health Service and every other branch?

Senator SMOOT. Absolutely every one.

Senator WALSH. The executive clerks?

Senator SMOOT. The executive clerks.

Senator WALSH. And fixes the salaries?

Senator SMOOT. Yes.

The CHAIRMAN. At what does it fix the salary of these?

Senator SMOOT. I can get the bill.

Senator WALSH. They have been on that bill a long time.

Senator SMOOT. They are graded as to the work they do. As I remember it, they run from \$2,400 to \$5,000, according to the grade of work they are doing in that division of our service. For instance, there will be in this more than \$240 added to all of the statutory salaries in existence to-day. Take the special laborers and special assistants like the appraisers of New York, and the special work which requires special qualification for it; this bill advances them sometimes nearly double.

Senator WALSH. When do you expect to report that?

Senator SMOOT. We expect to have it into law before the end of this session.

Mr. DAVIS. If this bill was passed it would simply put all these men together in the service and they would fall into the general reorganization.

Senator SIMMONS. Suppose you pass this bill and you pass your reclassification bill later; you will repeal this?

Senator SMOOT. I have not looked—

Senator WATSON. The President and the Secretary appoint them and fix their salaries.

Mr. DAVIS. The Sterling bill does not go into effect until three years after it passes.

Mr. FARRAR. The executive clerk of the port of New York told me to call that to your attention. Mr. Anderson will refer to it.

Mr. ANDERSON. I understand that Senator Sterling said that if the bill did pass it would take at least a year and a half or two years to put it into effect.

Senator SMOOT. I do not think his bill will pass that way.

Senator WALSH. I do not think any bill will pass.

Senator SMOOT. It is true under the Sterling bill that the whole reclassification of all the employees of the Government outside of the District of Columbia will take two years; that is one of the objections to the bill.

Mr. ANDERSON. That is what I wish to convey.

Mr. DAVIS. This particular bill would not interfere in any way, shape, or form.

Senator SMOOT. I would not want a higher rate here.

Mr. DAVIS. You would not have any rate here.

The CHAIRMAN. Do you wish to say anything further?

Mr. DAVIS. I want to take up another class of experts; the deputy collectors and the deputy surveyors and those who have the expert work of the classification and the construction of the legal aspects of our present tariff law. They are a body of experts in the same situation as the examiners; they are limited to that maximum; they can not get beyond it and the good men are leaving the service. Those are the important men, these deputy collectors and deputy auditors and examiners of merchandise; we wish those officers to be put in the same flexible position that 95 per cent of the other customs employees are in to-day; we want them in the civil service which gives the examiners and those men an opportunity to be promoted and something to look forward to.

Senator SMOOT. What is the maximum salary?

Mr. DAVIS. \$3,500; you mean the assistant appraisers?

Senator SMOOT. No; I was not talking about assistant appraisers; deputies.

Mr. DAVIS. Deputies, \$3,500.

The CHAIRMAN. Is that all, Mr. Davis?

Mr. DAVIS. Yes, sir.

STATEMENT OF MR. OTTO FIX.

Mr. FIX. I have nothing to say but to confirm what Mr. Davis has said. He has reiterated many times the necessity of retaining experienced men in the service. This bill would aid toward that; it would give a further opportunity for promotion and would place in executive positions men who by experience are qualified.

The CHAIRMAN. You are not in the service now?

Mr. FIX. No.

The CHAIRMAN. When did you resign?

Mr. FIX. October 15, 1922.

The CHAIRMAN. How long were you in the service?

Mr. FIX. Since 1888.

The CHAIRMAN. What was the last position you held?

Mr. FIX. The last position I held was customs agent. I went through all the positions in the appraisers' stores.

The CHAIRMAN. What salary did you draw when you resigned?

Mr. FIX. \$4,020.

Senator WALSH. Did you resign on account of the salary being insufficient?

Mr. FIX. I resigned because I had no future, no further chance of advancement.

Senator WALSH. Were there many other resignations in the service?

Mr. FIX. I think Mr. Anderson can give you a list; I think there were 22 from the office of the appraiser.

Senator WALSH. And on what ground?

Mr. FIX. The same ground; they accepted positions on the outside of the Government which offered greater remuneration.

Senator McLEAN. What limits can we put on to hold these men?

Mr. FIX. I would say that \$5,000 would be the maximum.

Senator McLEAN. What would be the maximum price?

Mr. FIX. That would be the minimum amount as a maximum; naturally it would be graded underneath.

Senator McLEAN. You think you and Mr. Davis would have remained if you had an additional \$900?

Mr. FIX. Yes, sir.

Senator McLEAN. You think you would have remained?

Mr. FIX. Yes, sir; I want to say this, that money has never been a consideration with me or else I would have left the Government service years before, but with my growing family it became a growing necessity.

Senator SIMMONS. You and Mr. Davis are high-class men; if you could not afford after it reached the point where you had a growing family on your hands, do you think an increase of only \$800 a year would be sufficient inducement for men of ability to enter that service?

Mr. FIX. There are any number of men in the Government service who could command in commercial life ten times or five times the salaries they are drawing from the Government, but men grow up there who have a pride in their work; there is a certain little distinction about it. There is an opportunity for constructive work, and they love it, and they remain regardless of the amount of pay; but the \$800, Senator, is just that little \$800 that might be saved when with the salary without that there is not a dollar being saved, and after 32 years I have not saved \$200 a year in the years I was in the service. When a man gets gray hair and he begins to realize there is only 10 years ahead of him to create a competency for his old age—

Senator WATSON. At the time the man's service would become the most helpful and the most valuable he is forced out?

Mr. FIX. Yes, sir; he realizes that age is coming on.

Senator WATSON. As a plain business proposition it is not economical for the Government to lose these men. Take the men all through the service, handling income tax and all that sort of thing, the same objection arises.

Mr. FIX. The salary in the Internal Revenue is a good deal higher than in the customs; that is due to the fact that it was created during the period of a higher maximum. Our system was put in when \$3,500 represented \$6,000 to-day.

Senator SMOOR. What is the salary of the employee in the Internal Revenue Service holding a similar position?

Mr. FIX. I may not have the exact figure, but we discussed that in the department, and I think that a similar position to the position of examiner is \$5,000, whereas the maximum in the customs is \$3,500.

Senator McLEAN. When Mr. Houston was Secretary of the Treasury he rather convinced me, when he appeared before a committee, that the Government would

lose because of the loss of the capable men; when they got up to the greatest value they went out, when if they had been retained the Government could have doubled their salaries or trebled them to advantage.

Mr. DAVIS. I think it is a business proposition.

The CHAIRMAN. That is the ground on which we will have to put it.

Mr. DAVIS. Wherever you have a responsibility which may mean millions of dollars, I think it is a business proposition.

Senator SMOOT. Isn't it true that when these resignations took place in the customs service a great many also took place in the Internal Revenue Service?

Mr. FIX. Yes, sir; I know as a matter of fact that some men stepped out into positions and they are earning to-day possibly twenty-five times what they received in the Government service.

Senator WALSH. That is why the Government educated them.

Mr. FIX. Why did they permit them to step out and fight the Government with the education they obtained in the Government service?

Senator WATSON. That is the point—whether we can hold them anyway, whether the premium they can get by leaving the service would not be so great in every instance that it would not make much difference.

Senator SIMMONS. But it is the employees of the customs service, nearly all of whom, or I should say 75 or 80 per cent, are located in the big cities where living is high; the employees in the Internal Revenue Service are not.

Mr. DAVIS. I do not think the salaries at this particular time under this appropriation can be raised. It is merely putting them in a position where they have something before them.