SUMMARY OF HEARINGS BEFORE SUBCOMMITTEE ON EXECUTIVE REORGANIZATION.
OF THE SENATE COMMITTEE ON EXECUTIVE REORGANIZATION

December 7, 1966 - Morning Session

Subject: Urban Problems

Witness: Gerald L. Phillippe, Chairman of the Board of the General
          Electric Company

Mr. Phillippe said that GE has 300,000 employees in the United States,
most of whom work and live in cities. He said that, as a consequence,
his company is deeply concerned with the well-being of cities and
the people who live and work there.

He told the Subcommittee that the remedies we seek now to solve the
problems of the cities must come through the creative joinder of
public and private resources to achieve what neither can conceivably
do alone.

Mr. Phillippe pointed out that industry contributes to the problems
of the cities through the disposal of unwanted wastes and traffic
congestion, resulting from movement of industry's goods and people.
On the other hand, industry is a major victim of these same problems
because it suffers added costs from traffic congestion, air pollution,
water pollution and vandalism.

Mr. Phillippe listed the major contributions being made by GE to
help improve cities: Production of high-performance equipment for
fast transit trains, manufacture of atomic-powered generating plants
which do not pollute the air, production of brighter outdoor lights
in the streets, parks and other open areas, which is greatly decreasing
crime in some cities. GE has constructed 35 treatment plants to
reduce and prevent water pollution. General Electric and Time,
Incorporated, have formed General Learning Corporation as a joint
venture to further the education of disadvantaged persons.

GE has tentative plans to create entire new cities. A Community
Systems Development Division has been set up to study:

1. Changes in the building process through the application of research
   and engineering to design electro-mechanical components that
   deliver better performance and lower-in-place costs.

2. Utilizing a systems planning approach to develop new prototype
   communities large enough to support a full complement of
   municipal services.

Mr. Phillippe said that work by GE scientists and information specialists has led to contracts for studies on applying systems analysis techniques to overall urban planning; to integrated police, fire and ambulance communication networks etc.

He suggested that there be more and better communication and cooperation between business leaders and political leaders in seeking the solutions to urban problems. He then described different projects in which his company has participated. He also said that more extensive research is needed into the demands of the city. GE is working to discover how it can effectively apply to city problems what was learned through its participation in systems development for the defense and the space programs.

TEMPO, a GE center in Santa Narbara, California, has an experimental program with the City of Detroit to introduce program packaging and budgeting techniques learned through its cost/effectiveness work on Defense Department problems. It is also working with the University of Minnesota on an experimental city program to be built near Minneapolis.

One big complaint which Mr. Phillippe made concerning present conditions was that building codes or housing codes, electrical or plumbing codes do not promote efficiency in construction and are, in fact, institutional inhibitors to efficiency in rebuilding our urban areas.

He also criticized present governmental policy in regard to the distribution of patent rights to inventions arising out of research and development carried on by private industry, but financed in whole or in part by the Government. He said that present policy discourages participation by private industry.

He approved of forming new types of combined public and private corporations geared to meeting urban needs, but did not favor a COMSAT type of corporation. He believes it would be better to have an agency like NASA, with an accepted objective for the general public. He said this is a social problem and should be kept in the nonprofit area. In his opinion, rehabilitation and low-income housing in general are not attractive to private investors. He said that Thomas Paine, the manager of GE's TEMPO organization, is urging creation of an Urban Development Corporation to build five million new housing units in slum areas over the next decade at an estimated cost of some $50 billion.

Witness: Philip B. Hallen, President, Maurice Falk Medical Fund,
           Pittsburgh, Pennsylvania.

Mr. Hallen told the Subcommittee that the potential role for the
smaller foundations in the United States has not yet been tapped
in relation to the urban condition.

He suggested that the Subcommittee or some other appropriate agency
should convene at the national level a working conference on the crisis
in the cities, inviting as many of the smaller foundations as could
be interested and induced into attending such a session.

In Mr. Hallen's opinion, by utilizing its freedom to act in supporting
and initiating solutions to the urban problems which are resistant
to action by existing public agencies and institutions, the foundation
can point out proven paths for society to follow.

Main questions raised by the Subcommittee:

1. Building codes as inhibitors to progress.

    Senator Ribicoff was very interested in why localities keep
    antiquated building codes. He said that nearly every witness
    so far during the hearings has complained about obsolete
    building codes. Mr. Phillippe said that GE has two men making
    a study of building codes and that in examining these in each
    of the 50 states they have found that there have been no sub-
    stantial efforts made to up-date these codes. Local people
    seem disinclined to make changes because they may have to learn
    new skills, local political interests are opposed, labor factors
    come into play, there is an inertia in this area, and most
    cities have piecemeal policies of purchasing.

    It was agreed that the Demonstrations Cities Act may bring about
    some progress in this area because of the requirement in the
    Act that the cities have modern building codes in order to
    qualify for assistance.

2. Anti-pollution incentives.

    Senator Ribicoff asked whether a vast tax write-off for anit-
    pollution measures would be an incentive to private industry
    to take steps in this direction. Mr. Phillippe said it would
    encourage private efforts in that field. However, the real
    problem is that it is not efficient to add to old plants. It
    would be better to build new plants with anti-pollution features,
    but it will take a long time to replace existing plants.

3. Building plants in Ghettoes.

Senator Kennedy of New York was extremely interested in trying to get private industry to build plants in such areas as Harlem and Bedford-Stuyvesant. After much questioning, the Chairman of GE finally admitted that his company would not be interested in locating in such areas because of the following disadvantages:

1. Would not be central to a market for the product.

2. Would not be close to supplies and materials.

3. The climate would not be attractive because of riots, labor strife, etc.

4. The cost of power and other items is too high in New York City.

5. It is too hard to get goods in and out because of traffic congestion.

6. Land costs are too high and large enough areas would not be available. (He said that GE is not interested in cottage-type industry which is carried on in the crowded country of Japan.)

Mr. Phillippe said that GE had a 30-year-old plant in a ghetto area which it was recently forced to sell because of the disadvantages and hardships. He would not name the location, and told Senator Kennedy that he would tell him the location in private. He said that some of the things which had happened to the plant were very unusual and that he had suffered personal unpleasant experiences when visiting the plant.

Although Senator Kennedy contended that there would be an untapped market for workers and goods in such an area, the Chairman of GE seemed unconvinced and would not agree that his Company might be interested in locating in such an area.

Senator present:

Ribicoff and Kennedy of N. Y.