

Kaisers business acumen transformed the country

By Nancy Dingler

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Henry J. Kaiser, the son of German immigrants, a self-made 20th century American industrialist multi-millionaire, co-founded Kaiser-Permanente. This year, that institution is celebrating its 60th anniversary.

Henry was born May 9, 1882. His father, Francis, was a shoemaker and his mother, Mary, was a practical nurse. One of four children, he was born into modest surroundings a white frame farmhouse in Sprout Brook, N.Y.

Henry left school at age 13 to take a job as a cash boy in a dry goods store in Utica, N.Y., to help support his family. The job paid \$1.50 a week.

To boost his income, he began taking photographs after work hours. This led to a job as a traveling photographic salesman. At Lake Placid, he offered to work for nothing for the owner of a photo studio on the condition that if he doubled the business in a year, he would receive a half interest.

Henry's hard work and drive trebled the business. He became a junior partner at 22, buying out the business a year later. Henry added new stores at Daytona Beach, Miami and Nassau.

In 1906, Henry decided his future was in the West. He went to work for a hardware company in Spokane, Wash., and soon became sales manager. In 1902, he began as a salesman and manager of road-paving contracts in Washington and British Columbia.

In 1914, at age 32, Henry took out a loan for \$20,000 to establish his first company, Henry J. Kaiser Co., Ltd. at Vancouver, B.C. His first contract was to pave a two-and-a-half mile long street.

The year 1927 was the big turning point. Henry landed a contract to build a 200-mile highway and 500 bridges in Cuba.

It was a huge project, too large for the young company. He reached out to other contractors to partner on the project. This way of doing cooperative business became a Kaiser trademark.

Henry had proven that he could manage enormous projects, which led his company into the dam-building business. His first dam, Hoover (Boulder) was 726 feet high on the Colorado River, followed by Bonneville and Grand Coulee on the Columbia.

The Shasta dam project, in Northern California, was a challenge because Kaiser had no cement plant. He successfully bid to supply 6 million barrels of cement.

To meet the demands of the contract, Henry had a cement plant at Permanente constructed. Kaiser also supplied 11 million tons of aggregates for the dam construction. He had a nine-and-one-half mile conveyer belt built to bring the material through the mountains in place of having to build a rail line.

By the 1940s, the 'free world' was at war. America and her allies needed ships. Britain contracted to build shipyards and 30 cargo ships.

At the peak of the shipbuilding era, Kaiser and his associates operated 58 shipways at seven yards that build 1,490 'Liberty' and 'Victory' ships during World War II, roughly 27 percent of the American production of merchant ships.

The consortium constructed 50 small aircraft carriers. The Kaiser shipyards averaged one new ship a day and an aircraft carrier in a week.

For many years, the Suisun Bay Mothball Fleet was home to miles of World War II ships, of which many were Kaiser built Victories and Liberties.

The one remaining ship, the Red Oak Victory, is being restored by volunteers who plan on making it the centerpiece of the Rosie the Riveter/World War II Home Front National Historic Park under development in Richmond by the National Park Service.

Also during the war, Kaiser managed the largest artillery shell operation in the U.S. He supplied all the bulk cement used by the U.S. to construct Pacific fortifications.

Henry operated an aircraft and aircraft parts manufacturing plant and joined with Howard Hughes in the development of the famous 'Spruce Goose.' One acute problem for the World War II shipbuilder was the availability of steel ship plate.

So, Henry had his own steel plant built at Fontana, in Southern California. This venture was the forerunner to the Kaiser Steel Corp.

Henry envisioned postwar needs. He knew four essentials would be in great demand: Metals, building materials, homes and automobiles.

The year 1946 saw Kaiser leasing surplus aluminum plants from the War Assets Administration. Industry sources did not think that there was much of a future for aluminum, because of the huge surplus that was produced during the war.

Once again, Henry proved the experts wrong. From building ships faster and at lower cost than before, Henry believed that his workers could make a contribution to the postwar production of automobiles. Kaiser formed the Kaiser-Frazer Corp. in 1945.

The auto manufacturing plant at Willow Run, Mich., dealt with terrific shortages of materials in its first full year of operation. The plant produced its own engines, bodies and steering gears. Kaiser built a new dealer organization and broke all records in the history of the auto industry for number of new cars produced by a new company in a new plant.

After 10 years, Henry withdrew from the passenger car market in the United States and began production here and overseas of the famous four-wheel-drive 'Jeep.'

Closest to Henry Kaisers heart was the development of Kaiser Permanente, the worlds largest privately sponsored health care delivery system. Henry and his son, Edgar, approached doctor Sidney R. Garfield to organize a prepaid medical plan for their construction workers and their families at Grand Coulee Dam in 1938.

Garfield first applied the principles of a prepaid group medical practice while he was providing medical and hospital services for construction workers building the Colorado River Aqueduct in 1933. Sidney borrowed money to build a small hospital that could be moved on skids across the desert as the construction site progressed westward.

Soon, however, he found himself near bankruptcy operating on a fee for services basis. The idea for pre-paid medical care through payroll deductions was born.

When Henry Kaiser died in Honolulu in 1967 at age 85, his small road-paving company had blossomed into more than 100 enterprises that encompassed 300 products and services, 180 plants, projects and hospitals, in 33 states and 41 countries. It had more than 90,000 employees; annual payrolls exceeding \$630 million and annual sales of more than \$2.1 billion.

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