

# **TRANSCRIPT OF PROCEEDINGS**

In the Matter of:

Meeting of  
NATIONAL PETROLEUM COUNCIL

Date: October 9, 1947.

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EXCERPTS "relative to exploration, production, refining, transportation marketing, or pricing of petroleum and its products outside the United States."

	<u>Exploration</u>	<u>Production</u>	<u>Refining</u>	<u>Trans.</u>	<u>Marketing</u>	<u>Pricing</u>
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Other

Pages	<u>Production &amp; Refining under Marshall plan</u>
"	<u>in Foreign countries - Pages 114 to 138</u>
"	<u>Tankers for imports into U.S. from Caribbean</u>
"	<u>Page 175 (Mr. Russell Brown)</u>
"	<u>Discussion on "Trans-Arabian Problem" 177 to 191</u>

Excerpts pertain solely to petroleum outside the United States - in the rest of the world - in any foreign country and abroad. Excerpts do not include any matter dealing with petroleum inside the United States.

## Meeting of

## NATIONAL PETROLEUM COUNCIL

October 9, 1947

Secretary's Conference Room  
 Department of the Interior  
 Washington, D. C.

## PRESENT:

Walter S. Hallanan, Chairman  
 James V. Brown, Secretary  
 Burt R. Bay  
 Merle Becker  
 Jacob Blaustein  
 William R. Boyd, Jr.  
 Reid Brazell  
 J. S. Bridwell  
 Bruce K. Brown  
 Russell B. Brown  
 Henry M. Dawes  
 O. D. Donnell, represented by J. C. Donnell  
 Fayette B. Dow  
 John Dressler  
 Gordon Duke  
 James P. Dunnigan  
 Louis M. Faber  
 R. G. Follis  
 Alexander Fraser  
 D. P. Hamilton  
 George A. Hill, Jr.  
 W. T. Holliday  
 Eugene Holman, represented by John R. Suman  
 D. A. Hulcy  
 William F. Humphrey, represented by B. I. Graves  
 A. Jacobsen  
 B. Brewster Jennings  
 W. Alton Jones  
 Ardon B. Judd  
 John M. Lovejoy  
 B. L. Majewski  
 A. C. Mattei  
 J. Howard Marshall  
 N. C. McGowen  
 Clyde G. Morrill, represented by John W. Scott

Gibbs  
 Rptd.  
 trans.

Daily

**PRESENT: (Cont'd.)****S. B. Mosher****J. R. Parten****Joseph E. Pogue****Frank M. Porter****H. J. Porter****E. E. Pyles****D. T. Ring****M. H. Robineau****Charles F. Roeser****H. L. Thatcher****W. W. Vandever****H. C. Wiess****Russel S. Williams****Robert E. Wilson****Ralph T. Zook**

(Whereupon, at 10 a.m. the meeting convened, Walter S. Hallanan presiding.)

CHAIRMAN HALLANAN: Gentlemen, the Council will please come to order. The secretary will call the roll.

(The roll was called by the secretary.)

CHAIRMAN HALLANAN: I have a telegraph, Mr. Secretary, from Colonel Barton from Little Rock. He says, "Trying to get to Washington for your meeting. Turned back twice on account of bad weather. Regret not to be with you. Best regards."

Mr. Becker, will you please stand?

Gentlemen, I desire to introduce to you at this time Mr. Merle Becker of St. Louis, Executive Vice-president of the M. C. McBride Company and the newly elected president of the Independent Petroleum Association of America and a new member of this council.

(Applause.)

CHAIRMAN HALLANAN: Mr. Bruce Brown, will you rise?

Gentlemen of the Council, I desire, not to introduce to you because I think you all know him pretty well, but to present a new member of the Council, Mr. Bruce Brown, Vice-president of the Standard Oil Company of Indiana, President of the Panama Petroleum Company, and a man who has made a fine contribution to the work of this Council. We are glad to welcome you to this membership, Mr. Brown.

Mr. Williams, will you rise, please?

Gentlemen, I desire to present to you a new member of the Council, Mr. Russel Williams of Indianapolis, President of the Individually Branded Petroleum Association of America and President of Gasateria, Inc., of Indianapolis. We all welcome you, Mr. Williams, to the Council.

Gentlemen of the Council, I have the sad duty to announce that since our last meeting one of our members passed to the Beyond, Mr. C. L. Henderson, President of The Vickers Petroleum Company. I think it appropriate at this time, and if there is no objection the chair will designate a committee to prepare an appropriate memorial resolution to be presented to the Council before adjournment.

I have a letter which was sent to me by Mrs. Henderson in response to a telegram I directed to her at the time of Mr. Henderson's passing, and I think that I shall read it to the members of the Council who remember our association with her beloved husband.

"Dear Mr. Hallanan:

"The office has handed me your kind message of sympathy. Our children join with me in thanking you for the fine things you have expressed about Curt. He became ill on the way home from his last Council meeting, so he literally gave his last bit of strength to the industry he loved.

"His host of friends testified to his own capacity for friendship and his abiding faith in men and their right and

privilege to work and fight for their own betterment. In over thirty years I have never known him to speak evil of anyone. I am proud to have shared in his life of faith and deeds.

"Our two older boys -- adopted boys -- are carrying on, one in oil refining, and our younger, Jimmy, is exactly like his father. He expects to enter the oil world when he is through school in a few more years. His father still lives in these boys and in the memories of the fine men who have known him.

"Sincerely yours, Zana Henderson."

I will appoint Major Parten, Mr. Hamilton and Mr. Roeser as a committee to prepare a memorial.

The next order of business is the approval of the minutes of the last meeting. You had the minutes mailed to you. Are there any remarks?

(No response.)

If not, the motion for approval is in order.

MR. MAJEWSKI: I move approval of the minutes.

(The motion having been seconded, the vote was called for and carried unanimously.)

CHAIRMAN HALLANAN: Next, the report of the Secretary-Treasurer.

MR. JAMES V. BROWN: I have mimeographed the details of this report, so I will read to you the little summary.

"During the third quarter we received \$9,634.90. Included

in that, however, is sale of some fixtures at the old office. As you know, we have moved into our new location, and the rugs and some of the fixtures could not be transferred, so we received \$1300 from the sale of that material, which is included in the total receipts of \$9600.

"Total disbursements during the last quarter were \$12,406. For the nine months of this year ending on September 30, our total receipts were \$39,095. Our total expenditures were \$31,391. We have a balance on hand in the bank of \$29,768."

CHAIRMAN HALLANAN: You have heard the report of the Secretary-Treasurer, which will be filed as a part of the minutes of this meeting.

The next order of business is the reports of special committees. The first report is that of Materials Requirements by the Oil and Gas Industry, Mr. Claude Parsons, Chairman. Mr. Parsons is not at the meeting today, but we have a letter from him transmitting his report. Mr. Secretary will read the letter, and we will distribute the report.

MR. JAMES V. BROWN: (Reading)

"Dear Mr. Hallanan:

"Prior to the last meeting of the Council the materials committee made a report on the current materials situation.

"As you are holding another meeting in a few days, the following developments have occurred since the last report of the committee:

"I attended a meeting in New York with the IPA materials committee, the American Iron and Steel Institute and representatives of U. S. Steel Company and Bethlehem Steel Co. for the purpose of reconciling figures relative to production and export of pipe. The discussion disclosed that: (1), there are no figures either in the Steel Institute or in the Department of Commerce that show the amount of casing exported; (2) there are figures which show that the total amount of casing and line pipe exported during 1946 amounted to 8.7%. Following the meeting the IPA materials committee compiled a set of seven tables relating to pipe production and export. These tables are very comprehensive and I believe as authentic as possible. However, I question the last column of figures in Table 6 because it shows percentages based upon comparing the total export of both oil country tubular goods and line pipe with the production of only oil country tubular goods.

"Table 7 shows that approximately 45,000 tons of casing and line pipe were shipped during the first half of 1947 to foreign governments in which Americans have little, if any, petroleum interests.

"Referring to the list of critical materials in our report of June 6th, the following materials have eased sufficiently to be taken off the list: Compressors, pumps, phosphates, tank trucks, valves and fittings.

"Casing has been put on the export positive list. As

casing is a material used exclusively by the petroleum industry I see nothing to be gained by such action, either from the viewpoint of the American operator at home or abroad. It places some government agency in the position of deciding matters which I believe can be best worked out between the American Petroleum Industry and the manufacturers of casing.

"In view of the recent labor legislation which now has become law, our recommendation relative to such legislation in our June 6th report is no longer necessary.

"The demand for drilling materials continues to increase. At the beginning of September there were 1985 rotary rigs in operation in the U. S., which is 111 over the peak of any previous year in the history of the business.

"Aside from the above, our report of June 6th, is still current. As the committee is industry wide in scope representing both domestic and foreign operations of the American Petroleum Industry, the report was made on that basis."

And there is attached to his letter the report on oil field material shortages by the Oil Field Material Shortage Committee at the 18th annual meeting of the Independent Petroleum Association of America, Oklahoma City, September 29 and 30. These reports will be distributed to you.

CHAIRMAN HALLANAN: Any remarks?

MR. ROESER: Mr. Chairman, I would like to say something in defense of this Council. I don't think the Council can do

anything about it; I doubt if the API can do anything about it, but there is a racket which is going on which is one of the most efficient things that has sprung up in years. That is the fact that badly needed casing is being diverted from the manufacturer through brokers to the industry.

In many instances I have known of companies and contractors themselves who have gone out and paid a premium of as much as a dollar a foot and more in order to get a string of pipe for a deep well. In my judgment any company that goes out and pays one cent premium for pipe is doing a disservice to the industry.

I have been on partnership operations and we were not handling that, but I have the word of our president that our company would not be a party to any such procedure.

It is something that we should probably take up with the manufacturer, but it is a racket that is going through the Southwest and, I assume, other places in the United States. It is something that should not be allowed to be continued. There is bound to be some way of keeping that pipe out of the hands of brokers, who are really not a part of our industry.

MR. MAJEWSKI: Would you permit a question of Mr. Roeser?

CHAIRMAN HALLANAN: Yes.

MR. MAJEWSKI: I wonder if Charley feels that way about the payment of premiums on crude oil, too.

MR. ROESER: Yes. I don't believe in premiums on crude oil. I believe we should set the market price and everyone

abide by it. I have stood for that for 25 years.

MR. RUSSELL BROWN: I think probably we ought to have a little more discussion before we pass on this report on this subject, and if the Commerce Department is going to be here it would be helpful to us to have some explanations and questions.

MR. BALL: Mr. Nitze and his department are going to be here this morning. I don't know whether he is here now or not. I don't believe that he would be ready yet to get into this, because he is just being put into a new position. They are going to create a division in their Office of International Trade on Metals and Petroleum in their commodity groups, which, I think, is a big step in advance to get petroleum where there is somebody whose particular business it is to consider petroleum matters.

I don't think Mr. Mayes has been able to come over today, and I don't know that anyone from Commerce -- this happens to be a very bad week for them. They have got Congressional appearances and budget things on their hands. So I don't know, Russell, whether anyone from Commerce will be here. I hope someone will later in the day, but I can't be sure.

CHAIRMAN HALLANAN: Mr. Brown, this report is being distributed at this time. I would not ask for any action on it, but it will be available for discussion at any later time.

Mr. Secretary, it occurs to me that quite a number of members of the Council have come into the room since the original

roll call. I think it might be proper for you to call the roll so that those who were not here in the first instance will have an opportunity to answer.

MR. MAJEWSKI: If I might suggest it, let those who came in late identify themselves.

CHAIRMAN HALLANAN: That's doing it the hard way, Barney, I'd say.

MR. MAJEWSKI: The hard way is the way we do all things in this industry.

(Whereupon, the Secretary called the names of those who did not respond to the first roll call.)

CHAIRMAN HALLANAN: Is Mr. Bartlett here as an alternate of Colonel Drake?

(No response.)

CHAIRMAN HALLANAN: Gentlemen, the next order of business is the report of Mr. Howard Page, Chairman of the Committee on Military and Government Petroleum Requirements.

Mr. Page was designated as Acting Chairman after Colonel Drake indicated that he would be unable to carry on inasmuch as he was going to be out of the country for several months. Mr. Page had been chairman of the subcommittee, and at my instigation sent in his resignation as accounting chairman of the whole committee and has been doing a yeoman service in mobilizing the data and the resources to take care of military and government requirements.

Mr. Page, will you come forward now and give your report?

MR. PAGE: This is a report of the subcommittee which contains all of the information as regards the military requirements and the requirements of the Bureau of Federal Supply for the entire fiscal year - that is, July this year to June 30th next year - also a report as to how much of those requirements as far as the military is concerned have been covered for the first six months of the year.

Now, there is a good deal of detail in that. On September that will be passed out. I will simply try to summarize it.

In the report of the committee itself the report of the subcommittee was discussed and accepted, including the suggestions and recommendations made therein. Copy of that subcommittee report is attached, and I will read those recommendations.

The report shows that the military has greatly increased their requirements for aviation by 33.6 per cent and for motor gasoline by 38.6 per cent since May 28, 1947. That was the date of the original requirements that were given the first time to the <sup>National</sup> Asphalt Petroleum Council.

In spite of the sudden and drastic increase the industry has already offered in total volume 99.2 per cent of the latest aviation requirements for the first six months and 95 per cent of the latest motor gasoline requirements for the first six months of the fiscal year. These offers are compared with the original military requirements of 133.4 per cent and 131.6 per

cent.

The committee calls this an outstanding performance by the industry, particularly in view of the price difficulties that have been experienced this summer by the industry nation wide.'

The committee wishes to bring to the attention of the National Petroleum Council shortages of offers versus requirements, which are shown in detail in the subcommittee report.

On the West Coast, while the offers of aviation gasoline in total have been satisfactory, large additional amounts of 115/145 grade will be required during the second six months period - that is, January to June, 1948 - partly as additional quantities and partly in place of 100/130 grade. Actually, that amount represents some five times the present production of 115/145 grade in California. Small additional amounts of jet fuel and navy diesel are requirements. On the West Coast, this is.

While total motor gasoline offers exceed requirements, the military needs for white gasoline have been difficult to obtain. A total of 1,240,000 barrels is required during the next nine months, of which 180,000 barrels is required this month.

The military stated that off-specification product would be considered, as a large portion of this gasoline is for automotive use overseas.

In the inland area additional aviation gasoline is required.

On the Gulf Coast, East Coast and Caribbean area Navy diesel and Navy special fuel oil offers to date are far below requirements, and some additional motor gasoline is required promptly. The committee wishes to stress the need for assistance by all suppliers in meeting the large requirements in the military and the federal government.

The committee makes the following recommendations in addition to those contained in the subcommittee's report:

First, that military purchases be centralized. That recommendation has been made before by members of the committee.

Second, that federal agency purchases be decentralized. It was the opinion of a number of the committee members that purchases of the very small individual quantities can be handled better in the areas where they are required; that is, post offices, and so forth, and that they are being handled that way to some extent at the present time.

The third recommendation, that this report be distributed to all refiners who were sent letters by Secretary Krug on September 5 regarding military and government supplies, in addition to members of the National Petroleum Council, and

Fourth, that this report be given wide publicity through the trade journals.

The reasons for those recommendations are that this gives full information as to the total requirements and the total coverage, and apparently that information is not gotten out to

everybody in the industry.

On the subcommittee report the recommendations which have been made are as follows:

That the National Petroleum Council Committee on Military Aircraft Fuel Productive Capacity be requested to study the West Coast situation and report on the maximum amount of 115/145 grade production which could be expected after meeting requirements for other military grades and for civilian aircraft during the January-to-June-'48 period. In other words, there was some question as to whether or not there is a capacity in the industry on the West Coast to make the full amount of 115/145 which has been requested on new requirements of the military for that area.

Secondly, that upon receipt of the above information the Army-Navy Petroleum Board be requested to adjust their requirements by area and plan to ship 115/145 grade from the Gulf Coast to the Pacific area to the extent required to balance overall supplies and requirements. That is, to the extent that that particular grade cannot be made in California, it is suggested that military readjust their requirements and plans for obtaining supplies.

The second one is suggested that the Oil and Gas Division request West Coast suppliers to study plans individually to provide adequate supplies of white gasoline, on which the military has been having considerable difficulty in obtaining enough

offers of this particular special grade.

The next recommendation is that the Committee on Military Aircraft Fuel Productive Capacity be requested by the Oil and Gas Division and military security agencies to review the military and determine what steps would be necessary in the industry in that area to meet the full aviation requirements during the January-to-June-1948 period.

The coverage during the first six months in that area was 64 per cent of requirements, the deficiencies being made up by shipments in from other areas. The committee thought that there might be a problem in view of the large increase in total aviation gasoline requirements in getting enough from other areas to continue to ship into the inland area, and therefore it might be necessary in order to meet the total aviation requirements to have the local requirements in the inland area made in that area, if that can be done.

The other recommendations are, as regards Navy diesel and Navy special fuel oil, of which there are considerable shortages of offers against requirements in the Gulf, East Coast and Caribbean areas, that the Oil and Gas Division and military procurement agencies request those suppliers who are unable to meet specifications for these products to attempt to develop exchanges with other suppliers who can make the product in order that they will be in a position through such means to offer to the military.

Now, as regards the subcommittee report, an attempt was made to break down by areas and by products the shortages of offers against the military requirements for the first six months. Briefly, the main shortages are Navy diesel and Navy special fuel oil in the East Coast, Gulf Coast area with some motor gasoline. There was about a million gallons of motor gasoline required to be offered in this eastern area over the last half of this year. But on Navy diesel the shortage against requirements is two and a half million barrels, and on Navy special fuel oil, 3,780,000 barrels, on which additional offers will be required over this period.

In the inland area the only military requirements of any importance are aviation gasoline. As I stated, they are only 64 per cent covered, although for the country as a whole they have been covered during the first six months.

On the West Coast, I think it is well to mention that the total offers by the industry exceed even the new requirements for the first six months. In other words, the West Coast in total volume have come up with more offers already than the total requirements of the military during the first six-months period.

However, there are some shortages that are small in volume in particular products. There is a small shortage in jet fuels -- that is shortage of offers against requirements -- a little bit of kerosene and Navy diesel, and I mentioned the white

gasoline, which is a special product. It is a question of really converting the other offers to white gasoline. In total volume that does not amount to much, but, of course, it is important to get it if they can.

On products like that there have always been limited supplies available on the West Coast. If I remember correctly, the present offers of Navy diesel on the West Coast are equal to the maximum amount that was obtained during the war when every effort was made to get the maximum there. So I think the West Coast has done a very excellent job in that respect.

As regards aviation gasoline, that's been treated as a separate subject in the subcommittee report. And I think it is well to note that the increase in 115/145 grade in their estimates has been 80 per cent since the first requirements were given us by the military.

Now, that presents a very difficult problem for the industry, and that was the reason why it was recommended that the Military Aircraft Fuel Productive Capacity Committee would study that and see what could be done.

I should mention that during the first six-months period, while the industry has not produced all of the 115 grade that was requested, actually substitution of 100/130 was going on, and therefore the requirements have been secured in total volume. However, requirements for the 115 grade in the second half for which substitution cannot be made does increase considerably,

and while Bruce Brown's committee's original forecast showed that the industry had planned to make enough total aviation gasoline to meet the original requirements in total, the requirements have increased since that time, and also there has been a big switch to 115 grade. So that is going to present a problem during the second six-months period.

I don't think I need to go into any more detail on this. It is broken down by areas so that those who are interested in a particular area can look at their requirements and what has come up in those particular areas by reading the report.

CHAIRMAN HALLANAN: Before inviting any general discussion of Mr. Page's report I want to call on Mr. Bruce Brown as chairman of the Military Aircraft Fuel Capacity Committee to make such comment, Mr. Brown, as you desire in connection with the report you have just had.

MR. BRUCE BROWN: Mr. Page's report is entirely lucid, and he has given a good exposition of it. But there is so much subject matter that maybe it would be well to say some of it over again.

True, we are statistically, on a percentage basis we have come pretty close to these aviation gasoline requirements, but the importance cannot be overemphasized of the way there is an increased demand for the grade 115/145. That is the material we were going to use if the war had lasted long enough before. There was one experimental batch made. That is the fuel that

fighter plane engines were being made to use. As more military requirements come in more and more is needed of that.

Most refiners, outside of the West Coast people and one or two exceptions in the rest of the country, make 115/145 fuel. It is very little different than making Alkylate. There is very little besides Alkylate that can go in it. We contacted all the people we knew who were making aviation gasoline. We asked them how much they planned to make during this fiscal year. They said they planned to make a little over 4 million barrels of grade 145, which went somewhat to civilian use. That civilian use is essential. That is aircraft factories, and so forth.

Now, the military is up to requirement for grade 115/145. It is about three times what the companies told us they planned to make. That's a very serious thing. Further, each time they increase their demands for the super fuel they do decrease their demands for the garden variety we used to make during the war, but that isn't highly helpful if the companies aren't tooled up to make 115/145.

All this total demand for this super fuel, about half of it is on the West Coast. Now, the West Coast Refining Committee doesn't produce anything like half of the total fuel requirements. They were pretty well equipped with special equipment, but it is awful slow to expect Standard, California, Union, Richfield and Tidewater to supply half of the super fuel, even

if that is where the Navy needs it.

I just want to say I have stayed as close to this thing as I can, and personally I am not at all placid about the prospects as to supplying the aircraft fuels for the military. I think everybody who can do anything about it ought to continually renew their ability to do it.

On these specific points recommended by Mr. Page's committee, it was that our Council committee take a look and see how much 145 might reasonably be made on the West Coast. I don't know whether the significance of that was immediately apparent, but what he is suggesting is that our committee, from the data that we have or that we can persuade these West Coast companies to give us, try to figure out how much of that super fuel might be made there so we can tell the military they will have to bring the rest of it from some other part of the country.

I presume we can do that, and if the companies could cooperate with us and we came up with an end result and the military wouldn't feel they were being put off by the West Coast companies if the West Coast companies would produce all they could.

The other suggestion that is made in Mr. Page's report is a very interesting one about this inland situation.

Now, summarizing and simplifying what is in this report for the second half of the fiscal year - that is, January to

June of the next calendar year - the aviation gasoline required by the military and inland area is about 8,000 barrels a day. Part of it is super fuel and part of it is grade 100/130. Mr. Page points out that as the demand for aviation gasoline increases in other areas, such as the Gulf Coast, East Coast, Caribbean and West Coast, that those areas may not be able to physically make enough aviation fuel to ship into the Middle West.

It isn't a question of barrels of gasoline. They may have plenty of gasoline, but they may be working their special equipment as hard as they feasibly can in peacetime. So he says it looks as though the inland area companies are going to have to make aviation gasoline to supply the area instead of having the military ship it in, and he suggests that our committee be requested by OGD and the military equipment agencies to review the inland situation and determine what steps should be necessary for the industry in that area to meet full aviation requirements.

Well, you are all aware of the situation we have in the Mid-West. We have now, with the terrific shortage of gasoline, stations closed. And the answer to this question you can give off-hand. There are only one or two answers. Either you have got to continue to ship aviation gasoline by tank car into the inland area, or you have got to ship some other kind of gasoline by tank car into the area so that the inland companies can use their equipment for aviation gasoline.

My own company made an offer sometime ago, we wired some 20 refiners operating in our area, said that we were willing to provide 100,000 barrels of aviation gasoline to the services in that last quarter, that is, about 3,000 barrels a day, barrel for barrel. Every time we could get our hands on some house brand or motor gasoline that we can use in our distribution, we would ship a barrel of 100 octane to the military and give the supplying company credit for it.

Some rather interesting results from that telegraphic effort have come in. In the first place, I am pleased to say we did get 44,000 barrels from three companies who saw the point, who are supplying motor gasoline to us, and we are going to supply that much aircraft gasoline.

Second was that some of the companies who didn't offer to sell me any gasoline replied very cleverly that they would rather have my end of the proposition; that is, for every barrel of motor gasoline I give them they supply a barrel of military. That's all good clean fun, but it indicates that we have got a terrific shortage of gasoline in the Middle West, and unless you have got a short civilian demand, you have either got to ship in more aviation gasoline, or ship in more motor gasoline so we can make more aviation gasoline.

MR. MAJEWSKI: Mr. Bruce Brown started what I wanted to say, and at the proper time, because he is such a considerate gentleman, he stopped.

What he wanted to say to you, as I interpret it, in District 2 we got this letter from the Secretary, and we all answered it, and we are going to do everything we can for the Army and the Navy, but the more we do the more we short essential needs in the Middle West.

If you are going to have food from the Middle West, you have got to quit shorting the Middle West with gasoline, even for the military. Now, we are going to -- and I am not speaking for my company, because our president has already written to the proper people. He said after conferences with me we are going to do it. I did it reluctantly, and he was the head man, and he said, "We have got to take care of the Army and the Navy. The reaction would be bad if we didn't." We are giving it under pressure and rationing deeper.

Now, I ask you, is any other area in the United States rationing gasoline? Are they rationing heating oils? No. As a matter of fact, they are making speeches that there is no shortage of petroleum products. They whisper about it and say, "Those people who are saying there is a shortage are calamity howlers. There is a scarcity." What the hell is the difference? Sotto voce. I mean, what is the difference.

Oh, I have another good word, too. I brought the definition by a good dictionary. I do not possess a monodistic mind. It means singing alone; an ode sung by one voice, as in a tragedy; a funeral song; a dirge. A species of poem in which

a single mourner laments.

You can laugh all you want about that, but you will all be single mourners in the minds of the people of the United States, and you will all be guilty of monody. That's a good word. Look it up, weigh it.

Now, even in our district -- and I say this about the whole industry in the United States -- they have done a magnificent job with what they have at hand. And they are continuing to do a magnificent job, but that isn't enough. You are not going to get away with telling people to stop buying oil burners, particularly vets who buy these over-priced houses and who like this increased standard of living and use automatic heat. You are not going to get by by telling them "you can't have oil."

Why don't some of you bold venturers tell them they can't buy an automobile. You have got just as much right to tell them they shouldn't buy an automobile as you have that they shouldn't buy an oil burner, or a diesel engine. And you ought to quit talking like that. You ought to quit warning people not to do this, because it will get you into that, I warn you.

Now, this is what is confronting you. You have all overlooked, in the Oil and Gas Journal in its last edition pointed out that there is an intermediate market that all of you overlook, or you consider as a temporary market.

The only reason there is great strength in crude oil and in the petroleum industry - I mean profitwise - is because you

have this intermediate market which is growing so rapidly and which has outstripped the gasoline market. Do you think that is temporary? Do you think the fellow that has bought a \$400 oil burner, you are going to convince him that there is a shortage of oil for one reason or another? You are not.

You are going to supply it, or they are going to ask the government to supply it. And they have a perfect right to. If you can't do the job, they have a perfect right to. I am going to deal with that in a larger way.

I have been reported in the press as having a super-duper plan. Well, I have a plan, but I am going to give it to you this afternoon.

Now, I want to settle one or two points that I think you ought to discuss and do something about without the government stepping in. Is there any reason why the distillate yield at the Atlantic Coast and Gulf Coast refineries are not increased proportionately with the rise in average daily crude runs? You can all do that. The reason you haven't done it is because the money crop is gasoline. That's why you haven't increased them.

Now, you asked us at District 2, Mr. Ball, to do our utmost for Uncle Sam. We will do it. But why don't you ask other districts to ration voluntarily before you ask us to yield up some more and penalize the consumer in the Middle West. There is no rationing anywhere else. Oh, one or two people are thinking about it.

And I warn you that if you look at these statistics of this consumption you will all be rationing east of the Rocky Mountains. I don't know nothing about the West Coast, but I hope they don't have you, too, out there. But they have one advantage over us. Up North, if I believe their Chamber of Commerce, it is mild there, they don't have to get cold, they can go to Los Angeles -- or to Hell, I don't know which. Just to keep warm, people don't give a damn.

Now, it seems to me that everyone, even in our district, ought to yield more heating oil. Therefore, there will be less gasoline. You will all have to ration. And you are 15 to 18 million barrels short right now in my district, and somebody said, I read, "We hope it doesn't get cold." Only God can regulate that; you can't.

And according to the Almanac -- and I read it carefully, because the damned thing works if you read it year after year -- it's going to be cold. Even the squirrels are gathering their nuts early - so early that within the petroleum world will be nuts before it gets cold. (Laughter.)

Now, this may be a laugh to you, but to me, who has got to serve that public out there along with Bob Drexel and other people here who regard it as their responsibility. You people, East Coast, Gulf Coast, everywhere east of the Rocky Mountains, seriously and today -- not wait till tomorrow -- if you wait until tomorrow the government will do it for you.

And I am not now talking about equitable distribution, which is important as between units in the industry. I am saying that if you take care of these quantities that are specified in this report of Mr. Page's committee, you are going to have to ration gasoline and heating oils east of the Rocky Mountains.

And what can you do? Why do you conduct an octane race for no good reason in many sections of the country east of the Rocky Mountains at great expense to yourselves and which yields you less gasoline and less heating oil, distillate. Just why do you do that? Why do you have to sell 83 octane gasoline in Ohio? in Illinois? For what competitive reason? The automobiles don't need it; the public doesn't need it, and yet you do it. Tell me why.

If you would quit this octane race and confine yourselves to 74-octane for house brands and 78½ on premium ethyl gasoline you would have enough gasoline to take care of the military and at a profit.

Now, those are things that you can do without any conferences, and so forth. I urge you that before you leave today, and I hope you don't leave today until you get the job done, that you do something about solving the problem. Words are no longer the solution. You have strained every gut to do a tremendous job for which you should be commended, but you haven't done enough. And when you fail to supply the public this

winter, they won't blame all of these exigencies that you face. They won't credit you with the fine job that you have done, straining at every pore. They will blame you because for years you have said you could take care of the oil business and the needs of this country without any help from the government.

You are right up against the gun now, and I say to you, Mr. Ball, and you Army and Navy people, that if you want anything more out of the Middle West - and most of us said we are going to give it to you, and I told you how you are going to do it: by taking it away from the people out there who need it.

Mind you, all of this has been rationing; that is, most of it. We have some of these individualists who are rugged out in our area, and it is no use condemning them. They will find out the error of their ways too late.

I don't think you should call upon us in the Middle West to do another thing for the military, or for any other purpose, excepting to take care of the legitimate consumer demand until some of these things that I have mentioned, not critically, mind you, I love every one of you as a man could love another, as he could love his brother. I think you are a grand bunch of fellows. I think you are smart as you can be. But you overlook one or two things sometimes.

You ought to take a street car ride on a Sunday morning after church. I go to mass; after mass I take a street car ride. I leave my automobile at home, because then I can take

the street car. When I take the street car ride I meet the people, and I wend my way -- Chicago, you know, is a cosmopolitan melting pot -- I wend my way through the Irish, German, Polish, Bohemian, Chinese, Negro sections and sit down with all of these peasantry from which I came, and I find out what they are thinking and saying. And, you know, they think soundly. And they are thinking about this oil shortage in the Middle West.

Although many of them do not have automobiles or don't use oil excepting the thing they call range oil and a space heater -- and there have been literally thousands of them put in, because those people, too, want that higher standard of living. They don't want Mama to go carry up coal and sifting the ashes. They want some of that higher standard of living that the country has taught them to avail themselves of.

And they are not talking good about you. They think that you are doing all of this to create an artificial shortage so that you can get more money from the people of the United States. I know that's not true, I tell them so, tell them I am an oil peddler. I don't tell them for who, but I do tell them, I admit that.

Now, if I could only convince you, all of you -- and you could do it, men, in 48 hours, if you put your minds to it, if you just forgot about your individual problems today. If you only didn't think you should, because you have got that "cat

cracker" in there that you ought to push the prongs on the other fellow a little deeper -- forget about that. Let's make enough petroleum products by controlling yields voluntarily. Let's do that first. Ration all over the United States east of the Rockies and west if you have to. Quit this octane race that is costing you precious gallons of gasoline. Do some of those things -- and that's only a part.

If I could only have the brain of Bruce Brown and his ability to throw it out, I would paint this picture so that you would seriously face and accept the responsibility that is yours.

MR. FABER: May I have a few words? I certainly have to concur in Mr. Majewski's remarks. I come from the Middle West. I represent the retailers on this council.

We had trouble in the beginning of the war with the East. It had its first part of voluntary rationing, and they blamed the Middle West of having the golden harvest. Today that is in reverse, as Mr. Majewski has reported. The East has the golden harvest at the present time and the Middle West is in the shortcomings.

And gentlemen, I don't care, of all the money you spend on public relations programs, you might just as well forget them. As far as the Middle West is concerned, that is a part of these United States, on the point of getting some products there.

The public in the Middle West - and we meet them as retailers, we don't meet them alone as gasoline customers, we meet them because they are the industry's fuel oil customers and they are also our gasoline customers. And we are short, and it is hard to explain, gentlemen, with products having gone up at retail pumps anywhere from three to four cents per gallon in the last year and a half. The public is definitely feeling in the Middle West that the industry is creating a shortage to force the prices higher.

In fact, the history of the Middle West, as I see it, the tank car market has gone up a half a cent since the last tank wagon increase -- or the refinery market has gone up a half a cent, and the tank wagon market has not gone up and reflected that half a cent. And I suppose it is partly because that part of the industry being afraid for more abuse because of the shortage.

if you

Now, gentlemen of the industry want to carry on the swell reputation it built during the war, I suggest that the industry become a national project. We are sitting here today as National Petroleum Council trying to work out problems for the country, and we are not working them out for the country, because we are leaving certain important areas of this nation stranded.

They are out on an island, and if the industry wants to come through this with a proper reputation, wants to have something back up its public relations program, have it accepted,

they will have to see that all states, all communities, have the equal amount of what the petroleum industry guaranteed at one time to give them. And the Middle West needs it, and your reputation out there is getting to a low level, and it is about time that it comes out and is brought to an equitable basis on a national plan.

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CHAIRMAN HALLANAN: Gentlemen, we have with us this morning Vice Admiral John H. Hoover, Chairman of the Army-Navy Petroleum Board, and while I have not expected to call on Admiral Hoover until later in the day, it seems to me that he might desire to comment on the report of Mr. Page's committee, which is before the Council for consideration.

Admiral Hoover, would you come forward and present any view you have?

STATEMENT OF VICE ADMIRAL JOHN H. HOOVER

Vice ADMIRAL HOOVER: I think this is a good time to make this little statement.

I fear I am going to repeat what has been said here, but it probably won't do any harm.

The Current military petroleum supplies situation remains critical. This is despite the strenuous and commendable efforts of your National Petroleum Council Committee headed by Mr. Drake, and now by Mr. Page.

Their cooperation and understanding has resulted in noticeable improvement in short-term offers, but still, from the security standpoint, the armed forces' petroleum supply problem is unresolved.

I will state a few of these factors and then perhaps suggestions can be made, if there are any.

The armed forces have depended on industry for two major factors in their oil supply; first, the available oil

must be offered against our invitations, and, second, the oil must be offered where desired.

That is, the industry has heretofore taken a large portion of the burden of distribution for the military service.

The latest indications of the availability, as prepared by the Army and Navy Petroleum Board, shows that from July 1 to October 1 the services were generally in short position in regard to supplies. This was chiefly reflected in aviation gasoline and resulted in curtailment of desired operations.

For the second quarter, from October 1 to December 1, the availability of aviation gasoline from industry has increased, but the inability of industry to offer at the desired point of delivery has resulted in a continued shortage situation.

With reference to other products, the second quarter indicates that present offerings are insufficient to cover motor gasoline, kerosene and diesel. We are assured by the industry that this is primarily due to a short term offering policy, and when the time comes they will supply it.

This has been reflected in our report to our superiors as the intended offerings.

This is indeed a very untenable ground for those of us who are responsible for military supplies. Our dilemma has been further complicated by the addition of requirements to

implement other portions of our national policy.

This is particularly true of the Greek-Turkish Aid Program which industry has not supplied directly.

It is still further complicated by our inability to substitute one hundred octane gasoline for 115 octane gasoline during the second half of this fiscal year.

This considerably complicates the alkylate situation, and the best evidence that we can obtain to date indicates that industry has not yet planned a sufficient supply of alkylate, nor that our full aviation requirements in the grades desired shall be met.

A reinvitation has gone to industry to cover this salient factor.

Gentlemen, we still need your help.

CHAIRMAN HALLANAN: Admiral, we thank you for your statement.

Gentlemen, are there any questions that any member would like to propound to Admiral Hoover?

MR. MAJEWSKI: I want to say here that I was talking on the subject as to how to do this, and now I formally make a motion suggesting that the Council approve the recommendations made by the Committee on Military and Government Petroleum Requirements, with this one further suggestion that I overlooked:

Why do you pick on refiners of ten thousand and

over? There are many under ten thousand -- eight thousand, seven thousand, and six thousand, all who ought to contribute their share.

So, whilst you don't want to bother with the smaller than the ten thousand divisor, I suggest that this report be sent to every refiner in the United States so that he may take it upon himself to do his patriotic duty to contribute his share.

Therefore, I move the adoption of the report and the promulgation of the suggestion. That is, with the further suggestion that I have just offered.

CHAIRMAN HALLANAN: Mr. Page, do you have any objection to the acceptance of Mr. Majewski's proposal?

MR. PAGE: No. None at all. I feel the report should go to everybody possible, because in the interest of the paper shortage, I think we should send it to the trade journals and get it around that way.

DR. WILSON: I would like to ask one question as to why the smaller purchasers be centralized and the other federal purchasers be decentralized. It seems rather contradictory.

MR. RUSSEL BROWN: I want to second the motion. I think that is important. I hope before we get through that the military group will speak with us on the discussion of the case, and that is involved in the other report. I hope that we will get the Commerce Department and the Navy

Department here on that.

MR. PAGE: In answer to Dr. Wilson's argument on the Federal Government supply, excluding the military, they are all very small quantities, scattered throughout the whole country, and they normally ask for bids over at least a six months period.

Some of the members of the committee felt that a lot of companies were not in a position to contract in advance for all of these detailed requirements, but when the actual need came up for a post office in a particular town, one company might be able to handle it one month, and another company another month, and actually that was what was happening, both as regards state and city requirements as well as the federal requirements.

Apparently, on the forms to fill out, it takes a lot of time and there is a great deal of detail involved in it, and also some of the companies, not knowing exactly what their source of supply is going to be in the future, feel that they are unable to commit themselves that far ahead, but it is felt that the industry as a whole, not knowing which individual can do it, will come up with the requirement in the end.

It may be one company one time and another company another time.

As to the military requirement, aside from the aviation gasoline for on-shore, these are practically all cargo bases.

There it is felt that by centralizing those requirements which are large in volume, perhaps we can avoid such things as have been happening where refiners have offered products to the military and have been turned down simply because the amount of the offer did not quite make a cargo, or something of that sort, whereas if that were centralized the military could probably work out trades with other refiners in order to get those products that are offered into their requirements.

I think it has been harmful to certain people, certainly, that have been working very hard to supply some products to the military, and then have been turned down on those products merely because they did not fit exactly what was necessary.

I think in this situation we will have to pick up the pieces as well as the large cargoes. If we centralize in the military so that one group did not turn it down where another could fit it in with something else, or could not trade with other companies, I think it would be helpful.

CHAIRMAN HALLANAN: Before formalizing Mr. Majewski's motion, I do want to call on any other representatives of the Army-Navy Petroleum Board that may be here to comment on the report.

Captain Wilson of the Army-Navy Petroleum Board, would you have any comment to make at this time in the matter

pending?

CAPTAIN WILSON: Well, I would like to point out that in regard to this 115 aviation gasoline, we are now getting and have expectations of getting, supplies from the Gulf area to the West Coast. That is in fact being done.

In order to maintain these supplies to the Eastern Seaboard, we are now bringing in approximately 500 barrels a month from the Gulf to the Eastern Seaboard.

We are using Persian gulf oil, within the limitations of the product available to supply our demands in Europe and in the Mediterranean in this very recent Grecian aid program which has descended upon us.

In that program, our furnishing of the products to Greece is in lieu of their being supplied by one American company and two or three British companies, all of which, in combination with short supply and sterling markets and various other economic factors, I am sure, has resulted in the presence of the State Department mission and the Navy Department mission in Greece practically demanding that these essential Grecian supplies be furnished by the military and also by the Navy.

The matter of joint procurement was discussed in Mr. Page's report and furthermore, that is having the closest consideration at the moment by all of the secretaries involved, and we expect a more workable solution that we have

at the present time. Even at the present time there is no question, and there has not been for the last two months, of one service receiving an order and not informing the other service or making it available to the other service by which it was needed.

We have that interim authority on the Army-Navy Petroleum Board now, so that every offer that comes in for any of the three services is considered to be a joint offer until it is resolved on all three sides and is accepted by one or jointly by all of the services.

I will be glad to answer any questions that you may have.

CHAIRMAN HALLANAN: Are there any questions, Gentlemen?

(No response)

CHAIRMAN HALLANAN: Thank you very much.

Colonel Lombard of the Quartermaster General's Office is here; also on the Army-Navy Petroleum Board.

Colonel Lombard.

COLONEL LOMBARD: I think there is nothing I can add beyond what Captain Wilson has brought out as regards the Army-Navy Petroleum Board.

CAPTAIN WILSON: I think it is well to add that Colonel Lombard is now of the new airforce, rather than the Quartermaster General's Office.

CHAIRMAN HALLANAN: We will have that corrected for the record. Thank you very much.

Mr. Bruce Brown?

MR. BRUCE BROWN: I would like to talk just a little bit more about this.

I feel that some of my friends here have all been guessing about this 100 octane gas during all these years, particularly the men who think they can't do anything about it, such as those men whose field perhaps is natural gasoline or the marketing or equipment field.

I think maybe I can interest you by summarizing some of the things that have not been pointed out. Maybe it will be interesting, and perhaps you can help in this situation.

Prior to the war there were about eight companies that made 100 octane gasoline. During the war there were about 65 refineries producing 100 octane gasoline or more. That was when we obtained this big production.

Some of those companies and refineries were owned by more than one company. There must be 35 or 40. Most of these refining companies who made 100 octane gasoline before the war felt -- and I think they probably felt correctly -- that there was no peacetime place for them in the aviation fuel business. They were not those kind of refiners.

They didn't want to compete in that field, so, they promptly stopped after the war, and they were justified in doing it, and the military lived on its surplus stocks for so long that some of the people who had been in the aviation

gasoline business before the war sort of forgot about the military requirements.

Now, as of today, all this conversation about 100, 115, and 145 octane gasoline is going to about 12 to 14 companies. That is all the companies that there are that make this stuff. We in that industry are damned if we do and damned if we don't.

The procurement authorities have criticized us, and properly, I suppose, by saying, "Well, it is very nice for you to say you are going to make an offer."

Maybe we will get some more gasoline, but we cannot run the service that way.

Senator O'Mahoney says -- and you all read his letter -- the fact that the companies do not rush forward and make competitive bids on aviation gasoline may convince him and other Senators there is not any competition.

Look at the position of the refiners who are in the aviation gasoline business and who have some equipment. They say they just can't make the gasoline. He has scheduled his crews, he has scheduled his markets and he is running his plant and does not know whether in making a bid for aviation gasoline it will be accepted, or not, he doesn't know whether he can make a low bid or when he is pressed enough he sometimes might make a bid to the three services. He says: "If you absolutely have to have gasoline I will

make it, but you have to give me a contract. I have to know and I have to be able to make a different product and plan my production and my cost."

When he said that kind of thing, we are told there is no competition in the oil industry.

On this Public Relations Program that we all discussed, from time to time we will bog down of course, if we don't serve the public, and it will certainly bog down if we don't serve the military.

There are about 12 or 15 companies that make aviation gasoline. There are three or four others than can be dragged in by the heels on a contract if it is necessary to do it, but in the 12 to 15 companies there rests a good share of what our relations will be with the military.

So, those of you who are approached can at least exhibit some sympathetic interest, and those of you who have special equipment and those of you who plan to produce more gasoline but can't or won't produce 100, can have a sympathetic approach for those people who may make aviation gasoline who are going to be expected to carry the whole military load.

Thank you very much.

CHAIRMAN HALLANAN: Thank you, Mr. Brown.

Mr. WEISS: I would like to have a word on this subject. I think one of the decisions made during the war, as much as any other I know with relation to the petroleum end of it,

was the decision to concentrate our effort on the manufacture of 100 octane aviation gasoline.

If you had made a better quality, we could not have, by any stretch of the imagination, met the quantity requirements, and if we had made any poorer quality, it is my belief that the efficiency of the fighter plane and the flexibility of a the bomber plane would have been so restricted that our military effort would have been seriously lessened.

We considered during the war the manufacture of this 115 and 145. Those of us who know anything about it well realize that it would have cut production in two instead of having reached a maximum production of 600,000 barrels a day, approximately, by the end of the war. The quantity would have been half or less than half.

The remainder would have been motor gasoline quality at least, for the great depreciation of the gasoline.

We hear that -- and I am sure I can refer to it, and I am not divulging any secrets because I presume it is public knowledge -- that a jet plane or a fighter plane will use as much fuel as a bomber used during the war -- a 4-motored bomber. The quantities required for such purposes in case of combat might be so great as seriously deplete -- and draw in a most serious way on, our whole stock of light hydrocarbons in the light gasoline range, and presumably such planes would be in use -- would be essential in use.

We cannot have everything.

There is just so much crude oil and there is so much of many commodities.

If we are going to have jet fuel and if we are going to have heater fuel and if we are to have 115 and 145, I wonder what we will do for motor gasoline and other essential hydrocarbons.

I don't pretend to go into this subject in detail, but I do mean to say that the increased use of 115 and 145 quality at this critical time when supplies are generally -- I believe Barney said "scarce" instead of "short".

MR. MAJEWSKI: Yes, scarce.

MR. WEISS: We should call to mind those facts which we encountered at a time when our total supply and total demand from other sources for oil was less than it is now, and merely ask the military to take a few of the -- a view of the overall supply situation and restrict so far as possible the requirements for the super gasoline.

That is the gasoline which we found wholly impossible to meet in the period past the emergency when the military requirements relatively were less and we were led to believe there would be a case of another emergency.

CHAIRMAN HALLANAN: Dr. Wilson?

DR. WILSON: I would like to reinforce first what Mr. Weiss has stated. I am disturbed at the demand for 115 and

145 actually going up beyond that for 100 octane because we are thereby just limiting how much we can produce with everything given to the Army and civilian rationing and everybody else. We are just about cutting in half what we can do for them intotal volume of gasoline.

I understand, and I was sympathetic to the proposal of having some absolute super duper device that would run rings around anything else anybody else had. I think they are trying to standardize on that, and I think it is dangerous to get ready for war. I don't know how to do it.

I assume this Military Affairs Committee has impressed that on the Army and Navy, but that, plus the jet fuel program, are tremendously hampering the volume that we can possibly make available for future use.

Reverting to another subject entirely unrelated, but for fear I don't get a chance to speak again before we adopt this report, on this decentralization of treasury purchases, I am afraid that is just going to result in hundreds of forms because if you have to fill out a separate form for each "podunk" post office that you bid on, lots of companies will not be willing to bother to fill out the form when there is an office in Podunk.

They do have some methods by which they can make local temporary purchases and many buy that up if we do not cover it by the wide offerings. I don't believe the present method cuts out anyone.

It seems to me that without thorough knowledge of the situation, we are asking the Treasury Department to take a step backwards, and we are asking for something that is contrary to what we have asked in the military purchases, so I am not satisfied.

I wonder, Mr. Chairman, if there is a representative here from the Treasury Department Procurement Division and if we could have some of his views on that.

CHAIRMAN HALLANAN: I think Mr. Gannon from the Treasury Department is here.

MR. GANNON: I don't know just what he means by small purchases. I think probably Mr. Page could tell us.

MR. PAGE: As I understand it, the purchases are in individual areas, and by small, I mean maybe 100,000 gallons or something of that sort, as compared to 100,000 barrels for the military.

MR. GANNON: It would be a very bad practice for us to stop our present system because the Department wishes to control their buying centrally.

For instance, the War Department would not allow each post, camp, or station, to buy his own. We do not advertise for the various small quantities.

We do not advertise anymore. We send out our invitations regularly to everyone who has offered to bid.

Mr. Wilson says they can take five items or 50 items.

If we get no bids, we are authorized immediately to make open market purchases, so they are accomplishing what the committee recommends.

I don't believe we should be asked to change.

CHAIRMAN HALLANAN: Do you have any further comment in relation to the report that is before the Council?

MR. GANNON: There is only one. Our trouble really stems from the fact that there are certain large companies that have discontinued bidding on our business. They not only have discontinued, but refuse. I would like to have that understood.

CHAIRMAN HALLANAN: Mr. Majewski ?

MR. MAJEWSKI: I would like to make one small observation -- that the Government does not want decentralization.

Did you ever read one of these forms?

I read everyone of them because it scares our legal department, and they say "Hell, you take the responsibility," so we do, as peddlers, take a lot of responsibility.

My suggestion is that if they don't want to decentralize, to put it in these concise words that Mr. Gannon just did now -- this does not prohibit you from bidding on one, two, three, or four, or fifty places, and that you will get as much consideration as if you bid on every item, and I think you will get a lot more bids.

That is all I wanted to say.

DR. WILSON: I favor that.

CHAIRMAN HALLANAN: The question is --

MR. GANNON: We will agree to do that.

CHAIRMAN HALLANAN: The question is upon Mr. Majewski's motion for the adoption of the report submitted by Mr. Page.

DR. WILSON: I would like to offer an amendment in view of what Mr. Gannon has said.

CHAIRMAN HALLANAN: Mr. Page, what is your thought about that?

MR. PAGE: I have no personal opinion on the subject myself inasmuch as I was not close to it, and I think that the suggestions that were made here by Mr. Gannon and Mr. Majewski would cover the ideas of the committee members on that.

MR. FRASER: I would like to direct an answer to Mr. Brown.

In the report of September 23 it says that there are indications that it may be necessary to divert the entire alkylate production to meet the requirements in the second half of the fiscal year for 115 and 145.

These requirements are indicated countrywide to be 5,440,000 barrels. If all of the alkylate production of the country is diverted to 115 and 145, will the gasoline requirements be met?

MR. BROWN: I think that may be confused. I meant

between half years and full years.

MR. FRASER: I see. The second half of the fiscal year.

MR. BROWN: In making a general answer to your question, I think it is in Mr. Page's report somewhere, but I can find it easier somewhere in the committee report.

It is estimated by about 18 companies. That is not every company that makes alkylate. They are going to make 27 million barrels of alkylate in the fiscal year 1948. If you made your fuel entirely out of alkylate, you would be pretty close to having enough alkylate to meet all of these needs.

However, I think I am answering a broader question than you asked. More specifically, than stating a fact, I will express an opinion: We can and will produce enough alkylate in this country to make the volumes of 100 octane gasoline that are going to be required.

The bigger question is whether we can push the companies enough to get 115 and 145 instead of 130, and I think the difficulty is a double one.

In the first place, I haven't been near the background, but there is more difficulty in setting a price on that because it is a more expensive commodity, and the companies are not so sure how they are going to come out on it, and that probably affects the military unfavorably.

The other thing is, it is such a new thing that some of our refiners have been afraid to tackle it.

While I am on my feet, I would like to comment on some of the things said by my friends on the other side of the table. I am sorry I was gone for a part of the time, but I got your note and I didn't hear the full conversation.

For whatever good this is, this is just information, not argument, but let me say this: Our military committee yesterday got a look at the war plants, at the petroleum war plants. It is stated that we need eight million barrels a day of petroleum in case we have another war. If jet propulsion comes out of development, as they evidently expect, and if they have the kind of war that they are figuring on, in my opinion we can meet the 100 octane requirement all through.

DR. WILSON: Including the 115?

MR. BROWN: Yes.

And we might need a little more special refining equipment in there, but the policy of the war plant as to jet fuel is in 100 octane.

My opinion is that the grades 115 and 145 is a better fuel for internal combustion planes and it represents the best fighter that they have available of any now. They are looking at jet propelled fighters, but they are not planning on complete conversion to them. That would be foolish.

Cargo planes certainly would be necessary along with the others. However, we are meeting jet fuel requirements.

MR. BLAUSTEIN: But what about transferring from the 100 to the 115? Is there a satisfactory answer to that?

MR. BROWN: I think you and I were both present at the conference when we got the best answer, and that was in the Pentagon when Secretary Forrestal spoke regarding the problem. I am not quoting him directly, but you know what he said. He said, in effect, that if you fellows object to supplying us with super fuel, you are just standing in the way of progress. We have to go ahead and develop planes. The best plane we know of uses 115 and 145.

That is what he said.

DR. WILSON: In addition to that, they have this 115 and 145 and if production gets to be beyond our capacity, I should judge that the jet propulsion could become quite a problem.

CHAIRMAN HALLANAN: The question before us is for the adoption of this report.

MR. MAJEWSKI: Before you do that, I think instead of suggesting an amendment, why don't you let Mr. Page take No. 2 and rewrite it with the understanding that it was just in accordance with what was explained by Mr. Gannon?

DR. WILSON: That will be satisfactory.

MR. MAJEWSKI: I would like to suggest that we adopt this report, omitting No. 2 which has been suggested by Mr. Gannon, and he will distribute that when he has time.

MR. WEISS: I would like to ask Mr. Brown to clarify his statement. One might infer that he felt that the industry could supply eight million barrels of crude oil.

MR. BROWN: No. I said that as far as special equipment for 100 octane is concerned, that is the thing that makes this thing difficult. I was trying to reassure you that from the way I was looking at it, it would indicate to me that if we had to start, we would not be far out of balance on the special equipment we need for it.

Jet fuel is gasoline, or kerosene, or anything that might burn.

MR. WEISS: If you have 100 octane gasoline, you are confronted with the same problem we were confronted with in World War II, a balance of quality versus total quantity.

MR. BROWN: You mean if we don't have enough total liquid product to run the jet engines wastefully, we would stick with the internal combustion plane?

MR. WEISS: That is what I am saying.

MR. BROWN: I think that is possible.

MR. WEISS: Then you make the 100 instead of the 155.

MR. BROWN: But we have to supply what they are ready to use.

MR. WEISS: That is the reason we make 100 octane.

MR. BROWN: They could turn around and set up another engine production plant. In the last war, we were making fuel

for the engines before the engines were complete, and unless you can stop them from doing it, they will want jet fuel.

MR. BAKER: It seems to me that there is another question. To my mind, the jet engine would be standard equipment for internal combustion of 115 and 145. The question is, can they adapt that program to what can be supplied them in the manufacture of their engines.

MR. MAJEWSKI: I think we are talking about two different things and that we should not be discussing this subject here. After all, we are guessing on what this military situation is and I don't think that the two should be discussed here.

Their point is well taken.

CHAIRMAN HALLANAN: Gentlemen, the matter before us is the adoption of this interim report.

Mr. Page, I hope you understand that this committee is a continuing committee; that this is in no sense a final report. This is a problem that we are going to have with us and we are looking to you to carry on in the future as you have in the absence of Colonel Gray, the Chairman of this committee.

The question is on the adoption of the report with the amendment proposed by Mr. Majewski.

Are you ready for the question?

All in favor please indicate by saying aye.

(General response aye)

CHAIRMAN HALLANAN: All those not in favor?

(No response)

CHAIRMAN HALLANAN: The motion is carried.

The next order of business, gentlemen, is the report of the Agenda Committee.

The Director of the Oil and Gas Division, Mr. Ball, has written me in which he called attention to certain matters which come to the Oil and Gas Division and industry problems upon which they seek advice, counsel and support of the National Petroleum Council.

In our procedure, all of these matters have been in turn referred to the Agenda Committee. That committee was in session all yesterday, and I now recognize Mr. Hill, the Chairman of the committee, to present his report.

MR. HILL: Mr. Chairman, and gentlemen:

I think it should be said in prefacing this report something of the reciprocating sentiment expressed yesterday by our Director, Mr. Ball.

It has certainly been a very distinct pleasure and source of deep satisfaction to work with one who has striven so hard to accommodate the objectives and the methods of the Oil and Gas Division to the views of the industry and to the procedures that office established for the conduct of our work and our collaboration.

Mr. Ball has given us the most complete cooperation and it has been a pleasure to work with him, and I think I should tell you that he has been most generous in his expressions of the cooperation of the committee and Council with his department.

Since the last meeting of the Council problems have been submitted to or approved by the Director of the Oil and Gas Division for Council consideration.

Your committee considered each of these problems at a meeting held October 8, 1947; and has consulted with officials of the Oil and Gas Division and with other members of the Council regarding them. These problems and the recommendations of your committee with respect thereto are set forth below:

1. The Director of the Oil and Gas Division approved for Council consideration a suggestion by D. P. Hamilton, one of the members of the Council, reading as follows:

"Recommend that committee be appointed to gather information from all petroleum sources, particularly the following: integrated companies, refineries, purchasers of wartime 100 octane plants, butadiene plants and other plants, producing companies, etc., requesting that lists be prepared of all surplus steel products, including tanks, tubular goods, fittings, plate steel, chemicals and other supplies. It is

believed that these lists, if made complete, will contain many items of much needed material and will disclose much surplus not now known by the companies owning such equipment. These lists could be made available by distribution or otherwise to the various branches of the oil industry, thereby assisting both purchaser and seller, and to substantial extent relieving the present shortages of steel products."

Your committee recommends that a committee of the Council should be appointed to gather the suggested information and to report the same to the Council.

It is believed that the Materials Committee heretofore appointed by the Council might furnish the best medium for the expeditious discharge of this assignment.

I want to direct your attention to the fact that this is a list of what those receiving the questionnaire regard to be surplus.

2. The Director of the Oil and Gas Division submitted the following problem for Council consideration:

"United States

Department of the Interior

Oil and Gas Division

Washington 25, D. C.

"Dear Mr. Hallanan:

"There have been disturbing indications since the submission by the Council's committee on Petroleum Tanker Transportation of its excellent report dated June 10, 1947, of an unfavorable change in the domestic and worldwide tanker position.

"In view of the immediate and direct impact of a shortage of tanker tonnage on the adequacy of petroleum products in areas dependent upon marine transportation for supplies, if such a shortage does exist or is threatened there is need for the Government to be informed accurately and promptly concerning the situation.

"In order that the Department may be adequately informed the Council is requested to establish a committee or to reactivate the former committee on Petroleum Tanker Transportation to study this matter and to submit such report and recommendation with respect thereto as may be deemed appropriate.

"Sincerely,

"Signed) Max W. Ball

"Director.

"Mr. Walter S. Hallanan, Chairman  
National Petroleum Council  
Suite 310, 1025 Connecticut Avenue  
Washington, D. C."

Your committee recommends that a committee of the Council should be appointed to ascertain the facts and report to the Council on the worldwide tanker position.

It is believed that the committee on Petroleum Tanker Transportation heretofore appointed by the Council may be advantageously reactivated for the expeditious discharge of this assignment.

3. The Director of the Oil and Gas Division submitted the following problem for Council consideration:

"United States

Department of the Interior

Oil and Gas Division

Washington 25, D. C.

October 8, 1947.

"Dear Mr. Hallanan;  
been

"I have advised by members of the petroleum and inland waterways shipping industries that there is urgent need for keeping the Illinois River ice free for barge traffic this winter.

"In view of the countrywide shortage of tank cars and the apparent need for moving large quantities of petroleum into the Chicago area from the lower Mississippi and St. Louis, the project would appear to be a highly desirable one.

"However, certain operational and fiscal obstacles to the accomplishment of the project exist.

"In order to convince the agencies of the Government directly concerned in this matter of its importance, it is necessary that the Department be informed as to the extent of the relief it would provide to the transportation problem.

"In order that the Department may obtain this information and the views of the industry as to whether the project should be attempted, the Council is requested to establish a committee to study the matter and to submit such report and recommendations with respect thereto as may be deemed appropriate.

"Sincerely

"(Signed) Max W. Ball

"Director.

"Mr. Walter S. Hallanan, Chairman

National Petroleum Council

1625 K Street, N.W.,

Washington, D. C."

Your committee recommends that a committee of the Council should be appointed to ascertain the need for keeping the Illinois River ice free for traffic this winter; the extent of the relief such a project would provide to the petroleum transportation problem; and the feasibility of the project and to report to the Council thereon.

4. The Director of the Oil and Gas Division

submitted the following problem for Council consideration:

"United States

Department of the Interior

Oil and Gas Division

Washington, 25, D. C.

"Dear Mr. Hallanan:                      October 8, 1947

"We request the Council to appoint a committee to analyze the report of the 16 nations, submitted under the so-called Marshall Plan, with respect to petroleum, petroleum products, and petroleum equipment, and to report their analysis to the Council.

"Sincerely

"Max W. Ball

"Director

"Mr. Walter S. Hallanan, Chairman

National Petroleum Council

1625 K Street, N.W.

Washington, D. C.

Your committee recommends that a committee of the Council should be appointed to analyze the report of the 16 nations, submitted under the so-called Marshall Plan, with respect to petroleum, petroleum products, and petroleum equipment, and to report their analysis.

5. The Director of the Oil and Gas Division has submitted to the Council a request for the establishment

of a committee to consider the matter of the formulation by the Department of the Interior for submission to Congress of a proposed policy and implementing legislation with respect to the exploration and development of submerged tide lands and to prepare and submit a report of recommendations on the subject.

This request is contained in the following letter to Mr. Walter S. Hallanan, Chairman of the Council:

"United States

Department of the Interior

Oil and Gas Division

Washington 25, D. C.

"October 2, 1947

"Dear Mr. Hallanan:

"The Department of the Interior is formulating, for submission to the Congress, a proposed policy and implementing legislation with respect to the exploration and development of such of the lands underlying the marginal seas off the coast of the United States, including the continental shelf, as may be owned by the Federal Government.

"Many issues remain unsettled with respect to this matter, including the applicability of the decision in the case of United States vs. California to the submerged lands lying off the shores of other

states. Nonetheless, in view of the pressing need for the discovery and development of new petroleum deposits within the territorial boundaries of the United States, the Department is proceeding with the formulation of a general policy for submission to the Congress at the earliest possible date.

"The project presents many novel and difficult problems of policy and practical operation. The advice and counsel of the Petroleum Industry on these matters is essential if the Department's recommendations to the Congress are to be informed, practical, and in the public interest; and are to be based on a full understanding of all of the available facts and experience.

"The Council is requested, therefore, to establish a committee to study the matter, to confer with appropriate officials of the Department, to consider such draft legislation as the Department may prepare, and to submit such report and recommendations on the subject as may be deemed appropriate.

"Sincerely

"(Signed) Max W. Ball

"Director

The Agenda Committee has carefully considered this letter and the request contained in it; and while appreciative of

the degree of confidence shown by the Director in the Council, and of his desire to obtain its advice and counsel, the Agenda Committee recommends that the requested committee be not appointed for the following reasons, among others:

1. Any committee appointed by the Council to carry out this assignment would be required to assume that the Federal Government owns, or should own, these lands. The committee could not make such assumption. Since the establishment of the United States, it has been generally agreed that the several states are the owners of the soil beneath their marginal seas within their boundaries.

In a recent opinion by the Supreme Court in the case of the United States vs. California, the Court said that the Federal Government rather than the states has paramount rights in, and power over, such marginal seas, an incident to which is full dominion over the resources of the soil under that water area. However, this decision is not final. A motion for rehearing is pending. No decree has been entered.

Furthermore, several states have special defenses in addition to those presented by California; and no suits have been filed against other states. And there

is doubt as to the full meaning and application of the decision.

2. All, including the Supreme Court, recognize that the policy of the Federal Government in regard to this matter is for determination by Congress. In 1945, the Congress passed a joint resolution quit-claiming to the states these marginal seas within their several boundaries. There is no reason to assume that Congress feels differently today.

The Governors of 44 states have passed a resolution in the Governor's Conference requesting that the Congress enact legislation confirming the ownership of these lands by the states. The State Attorneys General Association has moved for similar action as have the Interstate Oil Compact Commission, and various state agencies, trade associations, and civic bodies. There is wide support for Federal policy recognizing and making state ownership fully effective.

3. Ownership by the states seems in the public interest. From the beginning the states have exercised ownership over and used the resources of their marginal seas. Several states have granted leases for the exploration and development of the oil and gas resources of these lands. Much development has already occurred resulting in oil discoveries and

the location of additional oil prospects. Leases for exploration and development are still being granted by the states. They maintain that the quickest and surest way to make available from these lands oil and gas for both civilian and military use lies in Congressional action to remove all doubts as to their ownership. They believe that this is in the public and national interest.

4. In 1945, the President issued a proclamation and executive order extending the jurisdiction of the United States over the resources and subsoil of the marginal seas to the outer limits of the continental shelf. In extending this jurisdiction no effort was made to claim for the United States ownership of such resources and subsoil whether within or outside the three-mile limit, the determination of such ownership as between the United States and the several states being left for "determination by legislation or judicial decree."

This was no doubt in recognition of the polity of the nation from the beginning that lands acquired by the United States are held in trust for future states; and that since the continental shelf is appurtenant to the abutting state and could not become a separate state it must be a part of the state to which it

is appurtenant. Hence, the committee appointed by the Council could not assume that the United States owns or should own the continental shelf beyond the three-mile limit.

In view of the conflicting claims of the Federal and State Governments, of the undetermined policy of the United States regarding the matter of quit-claiming in favor of the states, and of the general belief by the states and within the oil industry that the states should own the resources of the subsoil in the marginal seas, the Agenda Committee deems it inadvisable for the Council to appoint the committee requested, and so recommends.

This is the unanimous recommendation of the Agenda Committee.

MR. JACOBSON: I move its adoption.

DR. WILSON: Including the appointment or recommendation of the committee?

MR. JACOBSON: Yes. My motion covers the entire report.

MR. ZOOK: Mr. Chairman, I question the advisability of the Council doing work recommended under paragraph No. 1. I don't question the value of having that survey made, but it seems to me that we are taking on a task that is of such enormous proportions that I can readily visualize the Oil and Gas Division or the National Petroleum Council having as many as 50 people to do that work.

If you read the recommendation and consider it in detail, it is very broad, and it is recommended that a committee be appointed to gather information from all petroleum sources, particularly the following:

"integrated companies, refineries, purchasers of wartime 100 octane plants, butadiene plants and other plants, producing companies, et cetera."

And then that list should include all surplus steel products, including tanks, tubular goods, fittings, plate steel, chemicals and other supplies.

That contemplates a request to the industry and the industry coming back with their surplus products, the segregation of them, and the listing of them and distribution to the industry, and then what happens?

They are valueless unless somebody makes the one who has the surplus products and the buyer possible for them to get together.

I think it is entirely beyond the scope of this Council. I don't believe we should do it. It would seem to me that the American Petroleum Institute might have the facilities to do that, and if they don't certainly it seems to me it is an industry job, or of the trade association rather than this council.

If the American Petroleum Institute can't do it, perhaps in cooperation with the Independent Petroleum Association, the

Mid-Continent Oil and Gas Association, the Western Petroleum Refineries and the Retail Gasoline Distributors and jobbers, et cetera.

CHAIRMAN HALLANAN: Mr. Zook, I may say, for your information, all of that was pretty thoroughly talked about and discussed in the meeting of the Agenda Committee.

However, we did feel that we have at this time presently constituted a committee on the material shortages and supplies and if you will observe the recommendations, we are merely passing this along to that committee for such survey that they are able to make.

We are not proposing the setting up of any elaborate machinery for that purpose. We are passing this along to the committee that is already organized to see what they might be able to work out.

MR. ZOOK: That is not my interpretation of this report.

MR. HILL: I would like to go a little bit further. It was the unanimous opinion of the members of the committee not only in relation to their own particular operation, but everybody in the industry that they know that there is going to be practically a uniform reply, and that reply would not consist of schedules and lists.

It is directed to whether there is any surplus. Our belief was that there will be practically a universal reply,

"No".

We then canvassed the view of why send out the questionnaire if indeed and in fact all units of the industry are short instead of having surpluses of any kind of material of any consequence.

We know that we went through the war period rationed on steel products. Those of us that are in the producing business know that if you want to drill a well, you have to go out and beg and borrow and get the loan of maybe two or three accommodating units in the industry to make up a string of pipe.

So, we then considered the merits of having a report. In other words, the committee did not take the same view that the proponents, Mr. Hamilton, took of this. We thought that from our experience that covered a pretty good cross-section in the committee; that there would be reflected in the report what seems to be a well known and accepted fact -- that the industry is without surplus and that that would be a very useful report to have -- and a timely one to have when the question now is uppermost in higher circles in the Government as to what steel there is available for us in the 16 nation plan under the Marshall Plan.

MR. ZOOK: I am ready to step down. I know what you are thinking.

MR. HILL: I think, also -- and I won't speak for the

Directors explicitly, but my impression is this: He definitely did not wish to visit upon the industry an unnecessary questionnaire. He was even willing if we entertained the belief that it would be an onerous and burdensome function without use as far as making available surpluses susceptible of distribution was concerned, but when we all considered together what seems to be a unanimous view, that no surpluses would be disclosed, and that the two facts would be shown as to our shortages, it would be a report useful to many government agencies.

CHAIRMAN HALLANAN: Mr. Hamilton, do you desire to make any comment upon this matter?

MR. HAMILTON: I don't quite agree with Mr. Hill when our company began looking for certain materials, we took it up with certain department heads and we asked them if they had any surplus and the answer was as Mr. Hill anticipated. They didn't have any.

I would suggest a more careful check of all possible sources. We are a comparatively small company, operating at about 20,000 barrels a day. We bought a government plant and during the war there were many items supplied by the government plant and two government plants that anticipated what they might need.

Today they are not needed.

Some of those plants are shut down and some of their

spare parts may never be used.

We took a yardstick of anticipated consumption of various parts over a period of years. We had a list in our small company of 30 to 40 pages of legal sheets showing various materials that they considered surplus that we could use, besides some that would probably never be used. A large portion of them is new or unused.

I think the industry itself may have the impression that they have not any surplus and if they check their stocks they will find they have substantial surpluses that could be used by somebody else in the industry. It may be too large an undertaking, but the materials are there. I am convinced of that.

MR. ZOOK: That is the subject I was talking about.

I think it is worthy, as Mr. <sup>H</sup>amilton has stated. But it is an enormous task and I don't think that is in the scope of the National Petroleum Council.

CHAIRMAN HALLANAN: I think, Mr. Zook, that by referring this to Mr. Parsons' committee, we might have the benefit of the judgment of those men who have been in contact with this situation.

MR. ZOOK: You recommended in this report that this suggested information be obtained. You don't leave me any leeway to make a survey in this recommendation.

CHAIRMAN HALLANAN: If you read further, it says, "It is

believed that the Materials Committee heretofore appointed by the Council might furnish the best medium for the expeditious discharge of this assignment."

MR. ZOOK: Which is a very broad assignment. That is what I think is wrong. There is no question as to what they are instructed to do.

MR. MAJEWSKI: You probably don't read into it what he is saying. You may talk to that committee further on the limit of what they are going to do. That is what I get from listening to all this.

CHAIRMAN HALLANAN: Dr. Wilson?

DR. WILSON: I am inclined to agree with Mr. Hamilton that almost every company that has more than one refinery has a list of surplus materials that they keep up to date and which they keep circulated among various refineries so they won't say that something for some other refinery is surplus. It is mostly odds and ends.

They are not going to get up in large amount the type of thing that we are really short of. I think you may find a fair number of it is obsolete or semi-obsolete, and some new pieces of equipment. I think if they made the survey they would not have to list some things like one thousand bolts and such and such size, or something of that sort, and monkey around with little things of that kind, but I believe there

would be a fair amount of things that we are willing to consider surplus. I think the main thing is that the committee not attempt to set up any criterion of surplus or not attempt to say that you should not have more than a three months' supply of something.

They should leave it entirely to the companies as to what they consider surplus.

CHAIRMAN HALLANAN: Mr. Ball, we will be glad to have you make any comment to the Council at this time.

MR. BALL: I do not want to see this committee start out just to prove that there is no surplus. I think that would be a mistake.

In other words, I would not want to see this committee undertake this task unless they were going to do a job and inform the industry of what surplus there is.

My own guess is that they will find some things that Mr. Hamilton and Dr. Wilson have said.

As Dr. Wilson has said, it won't add up to a lot of material, or enough material to greatly affect our overall problem.

The committee's report, when it comes, will be that they have been able to turn up a fair amount of surplus material which is useful to all in the overall. There just isn't any large available surplus that the industry has of material.

I am not trying to foreshadow the committee's report.

I am merely guessing at about what it will come out with, and it seems to me there is no conflict between those two things at all.

Should we undertake this task to do a job and the best job it can and if it should, by some miracle, turn up a lot of material, God bless them.

On the other hand, if their final report is that although they turned up some, it is not enough to affect the situation very materially; that is something we need to know.

MR. DUKE: My thoughts were that there are people within this industry that think that they have a lot of surplus here and certainly there are sure to be people outside the industry who, until they have seen an inventory of some certainly are surely going to challenge.

I will ask to have a government push for a little more industry for the oil equipment.

I have talked to Mr. Hamilton who believe we have a lot of material badly located. How can we expect the government to urge more material for the oil industry if people in the industry have a great deal of surplus.

However long it takes to make this study, I do not believe we are long on material. I think it might show that some of the material is where it is not most urgently and immediately needed.

It was on that basis that I voted for a study despite the

fact we all realize it might entail a considerable volume of work.

MR. MAJEWSKI: There is another amendment which I would like to bring to the attention of this committee. I would like to report on Item No. 3 of the item of keeping the Illinois River free of ice.

I want to see the ice broken now. Not when it is too late. You can't get ice breakers to break the ice when it forms. You have to start now to keep the river free. We may have a freeze out there at any time according to the almanac. According to the calendar it will sure as hell be frozen in two or three places on November 15.

It seems to me that what you ought to do and what the government ought to do particularly, since the government asks us to hold the line policy and makes no exceptions -- this is the cheapest way to serve the public -- up the Illinois River, and for that reason alone the government ought to keep the river open 12 months a year if they are really interested in holding the line.

If you don't keep the river open, you are going to add about one to one and a quarter cents additional cost to the transportation which they are going to ask us to assume. Keep the river open. I have reason to know about that. If you keep the river open 12 months a year, we will keep the cost down. We never pass on reduced costs. We don't

keep them. We give to the public in this business.

That is what we do with them, and that is good enough reason for you now to keep the river open and get the necessary

money to do it.

I know just what it entails. You don't need any

committee to go out and say you have to keep it open for the benefit of the public. You need money.

MR. WILSON: Would you keep it open for whatever amount of money it cost? The government can't keep every river ice free. You have to get the [factual] picture as to how that would come in.

MR. MAJEWSKI: If you have to do it, then appoint a

committee, but don't put me on it. I know, because I walked across the river when it was frozen. All I ask is that you don't waste time. When it is frozen in November, it is too late. You don't need ice breakers because it is too late to get the river open.

MR. BALL: I might let Bob Freedman talk about this in

a minute because as in so many things, Bob carries the brunt of our pack. We need to know more than the two things that you have mentioned (a) that it is frozen and (b) if it is

not frozen, that it is the cheapest form of transportation.

In order to bring the necessary pressure at the necessary

places, we need to know how much traffic would move, or have some idea of how much traffic would move, and whether that

traffic would be moved by other means and things of that sort that only the industry can tell us.

We have to comply with certain technicalities. One of those technicalities is a committee appointed by the Council to report to the Council.

As a practical matter, while the committee is formulating its report for submission to the Council there is also another little provision that any representative of the Director of the Oil and Gas Division can sit in with any committee while it is carrying on its considerations, and we usually do because the committee usually asks us to and in the course of that committee's consideration, we will get the facts that we need and we will be bringing pressure to bear and we will be doing the best job we can and eventually you will get a report from the committee to the Council.

I would like to have Bob amplify anything on that to his knowledge.

MR. FREEDMAN: I don't think much needs to be added except to state that we had been in contact with representatives of the Coast Guard on the subject of keeping the river open. It is because of the reaction we got from that agency that we have not really needed a more persuasive case than we had.

I talked with Mr. Brown and other people who are interested in seeing the river being kept open. They have

considerable information and they will get it for us. There is going to be a meeting in Chicago tomorrow among not only the oil industry, but also the coal shippers and the inland waterways boys, and what they wanted was a channel of communications to the government and they will use this as that channel, of giving information to us in some sort of formal way, so I think the approach is fairly well in hand and I think it can be done by the 15th of November.

MR. JONES: Mr. Chairman, before you move for the adoption of this report, may I ask Mr. Ball a question?

CHAIRMAN HALLANAN: All right, Mr. Jones.

MR. JONES: Has this Council ever taken any position in the matter of title to the tidelands? As far as you know, Mr. Secretary, do you have any information on this tidelands question which has been before the Supreme Court?

..... MR. SECRETARY: It has not.

MR. JONES: Has it been your intention to ask the Council to do so at this time?

MR. BALL: No, it was not my intention.

MR. JONES: Now, I would like to call your attention, Mr. Hill, to the language of proposal 5, paragraph 3.

The first two seem all right, but it seems that 3 and 4 are rather argumentative and you seem to take a position there. It is all right with me. I am willing to go along with the Council. It may want to say here that the tidelands belong to

the state, and I would say it in a different way.

I would be resolute on the question. If it is approved by the Council, it becomes a council function.

In general words, you state that the matter is in the public interest and then you discuss that question at some length.

The fourth paragraph does seem long. It is argumentative as to what you are asked to do.

In your closing comment you say:

"The Agenda Committee says in view of the claims of the federal and state governments on the undetermined policy of the United States regarding the matter, etc.",

I think I would strike those out unless you want to ask this Council at this time to take a position on this question, which I am perfectly willing to do. But you are doing just that in those paragraphs and nothing else. Let's don't kid ourselves.

CHAIRMAN HALLANAN: Mr. Hill, would you care to reply to that?

MR. HILL: That was not done ineptly or unconsciously. It was done with malice aforethought.

MR. JONES: I would like to do it by the direct approach.

MR. HILL: Mr. Jones, the Council does not have the authority to be resolute except in relation to a matter that has

has been submitted to it by the Director or the Secretary. I cannot imagine anything more apposite.

There is an immediate relevancy in my judgment of reasons 3 and 4 in response to the requests of the Director of the Oil and Gas Division for this reason: The Department of the Interior, under the power of the Presidential proclamation and the Presidential executive order and the decision of the Supreme Court of the United States was committed to a policy by a former Secretary of the Interior which policy was diametrically opposed to that enunciated by the industry in their trade association resolution that has been adopted upon the subject in opposition to the policy declared to be in the national interest by the members of the Interstate Oil Compact Commission, and in direct opposition to the policy declared by 44 Governors at their recent conference in July in Salt Lake City and in conflict with every resolution or action taken by any group in this industry which which I am familiar.

MR. JONES: We are not debating that.

MR. HILL: I am not through.

MR. JONES: It seems to me --

MR. HILL: Let me get through.

MR. JONES: I have an answer to my question. You feel that by indirection we want to do something that I think we can more effectively do by direction. I would like to clarify

this language and say that the Agenda Committee recommends that no committee be appointed to study this subject because we do not believe that the Federal Government should exercise control. That is what we are saying.

MR. HILL: I want my chance on the floor.

MR. JONES: I won't deny you that.

MR. HILL: You don't understand my position because it is not for the Secretary of the Interior to name that policy for the Government of the United States. That is within the province of the Congress of the United States. That is recognized by the President of the United States when he made his proclamation. Nevertheless there is the assumption which you must take if you pursue favorably the request made by the Director of the Oil and Gas Division.

First, that the policy of development and exploration which he is formulating and preparing draft statutes to effectuate is one of federal ownership as well as control, and all of the aspects of ownership in addition to the admitted federal power to control navigation, commerce, both interstate and foreign, etc.

In addition to that, there is the assumption of ownership which is in defense of, and in the teeth of, known Congressional sentiment as stressed in legislation in recently enacted and vetoed by the President.

So, it is entirely germane and it is entirely appropriate

in my opinion, and I think we would be deficient in forthrightness if we did not lay it on the table that the oil industry believes that the public interest is best served by the effectuation of that Congressional policy which we are entitled to believe persists, notwithstanding the veto, and that we cannot permit ourselves, by indirection, inuendo, or other ambiguous action, to ally ourselves with the formulation of a polity and the draft of statutes to effect it and which we don't believe in.

MR. JONES: You are wasting your argument on me, because I am for you. I object to the language of these two paragraphs because they do not say what you are talking about. It is said in a halfhearted way. I would like to have you condense that in about a single sentence. You go along with a big speech and say, "Ownership by the states seems to be in the public interest."

I will stop there and agree with you. But then you go on in the closing paragraph and say, "In view of the conflicting claims of the Federal and State Governments of undetermined policies of the United States regarding the matter of quitclaiming in favor of the states and of the general belief by the states, etc", you appoint a committee. That seems to negative your points.

I am only trying to get you to strengthen it.

I think you could say it more definitely than you have.

CHAIRMAN HALLNAN: I think Dr. Ball would like to comment on this matter.

MR. BALL: I want to say that the Oil and Gas Division in making this request, had no thought of putting the industry in an embarrassing position, or putting the Council in an embarrassing position, or of suggesting to the Council that the industry should issue a report from what the industry obviously considers its first line position, namely, that these lands ought to be state lands rather than federal lands.

..... Our only thought with that that might prevail was that if it did not prevail the industry should have a voice in what happens next. I had not seen this committee's report. We discussed it fully yesterday. I had not seen this committee's report.

I would like to suggest, as a means of just clarifying the discussion between you two here that if one sentence is stricken from here, it would be all right from their standpoint.

As Mr. Jones said, paragraphs 1 and 2 are statements of condition, conditions that exist which in the opinion of the committee make it inappropriate for the Council to act at this time.

If you leave out the first sentence of paragraph No. 3, that, too, becomes a statement of conditions that exist at this time. If you leave out the first sentence of paragraph 4,

I think it is primarily a statement of facts as they exist rather than a statement of opinion or policy.

MR. MAJEWSKI: Mr. Chairman, I think you ought to strike a lot on this one.

I usually get most every suggestion I make stricken or ignored, but this one deals with a question that is yet undetermined.

Why do we project ourselves into the middle of it? We have a request made from the Director of the Oil and Gas Division. I would answer by striking out everything that you have -- these assumptions and these conditions, or whatever they are, and say, "In view of the conflicting claims of the Federal and State Governments of the undetermined policy of the United States regarding this matter, the Agenda Committee deems it inadvisable for the Council to appoint a committee requested and so recommends."

Let us get out of the realm of speculation, argument, and sides entirely. It is none of your business. The National Petroleum Council is not concerned in legislation of any kind, and I do not think this is the forum.

You are constituted for quite a different purpose, and if you adopt this, then you are going to have to do something for me that is really pressing on the public mind. I make the suggestion advisedly, that you reply to the Secretary's letter by this amendment: Strike everything and state:

"In view of the conflicting claims of the Federal and State Governments, and of the undetermined policy of the United States regarding these matters, the Agenda Committee deems it inadvisable for the Council to appoint the committee requested, and so recommends."

I move that as an amendment.

MR. PORTER: Mr. Chairman, I don't know whether this can be done, or not. I don't think the oil industry should be projected into the leading role in this title controversy. Our attorneys tell me that the implication of the Supreme Court decision goes far beyond the tideland issue.

They say it amounts to a new ruling. I wonder if it would be possible for Mr. Ball to withdraw his request that the Council and the Council committee strike out this entire report.

DR. WILSON: It seems to me that we are in very much the situation that a witness sometimes gets in; that some of the testimony that he believes pertinent he cannot get in on direct examination, and we are also in that position, and then the attorney asks him on cross-examination, to which the answer is perfectly pertinent and they would stop us from saying what the situation is.

I think we have such an opportunity here and I think we should say so. I don't think we should confine ourselves to

stating our position.

I think we ought to give some of the reasons here. I do not think we are putting ourselves in the middle of it.

Here is a chance for a body of men to say, "Regarding the matter of quit-claiming in favor of the states and of the general belief by the states and within the oil industry that the states should own the resources of the subsoil -- Why don't we state it?"

MR. JACOBSON: When we discussed yesterday with the Agenda Committee, I was all for making every effort, but it was pointed out to me and I was convinced by the argument.

CHAIRMAN HALLANAN: The matter before the Council at this time is Mr. Majewski's motion.

MR. MAJEWSKI: I withdraw my amendment in view of what has been said subsequently.

MR. HILL: If it was not in there and had never been put in there, it would be a simple matter of draftsmanship for the reason that the same idea arises by implication from any other statement.

But to do so upon request, that a certain line be stricken, which is the essence of the whole question, would be misinterpreted, I feel.

MR. BALL: I was just wondering off the record if that could not just be omitted and not make a serious point of it at all. It just struck me as being a little better and would

meet the same objection that Mr. Jones raised.

MR. JONES: I don't want to press it. If you are going to take a position, I don't like to use the indirect method that Bob Wilson refers to. I do not think it is an effective way to state policy.

I don't agree with another remark made. That is, that the industry should not inject itself into this issue. Maybe this Council should not, but I think the industry should inject itself.

I don't think, Max, in deference to your objection, it would solve the problem of the vagueness and the actual inaccuracies of the thought expressed in those two paragraphs. They do not hang together. You give it as an excuse for not appointing a committee, not a reason.

You don't state your view in unequivocal language, which I think it should. I won't press the point.

MR. HILL: May I make this one observation on Jack Porter's statement? That is if the Council should prefer it, of course we would gladly withdraw our request.

MR. DOW: Would you be willing to substitute the word "is" for "seems"?

MR. HILL: Yes.

MR. DOW: It seems to me that there might be some doubt in the minds of the people who wrote it.

MR. JONES: Substitute that and strike all the rest.

MR. HILL: Parenthetically, there has never been anybody more honest with the replies than you. I will accept that amendment.

MR. PORTER: Mr. Chairman, I come from a state that has a little stake in this point. Apparently the Council does not want the record to withdraw the request. What I don't want to see is having it stated before the industry that it is being put in the position of carrying the ball.

I think we probably all believe in states' rights, and I don't believe the Federal Government, in taking over these lands or the other lands is the right thing.

I would like to offer a motion that we strike out the first sentence in paragraph 3 and the phrase in the last paragraph:

"And within the oil industry."

CHAIRMAN HALLANAN: Will you state that again, Mr. Porter?

MR. PORTER: The motion is that we strike out entirely the first sentence in paragraph 3 and in the last paragraph the phrase, "And within the oil industry".

THE SECRETARY: Do you mean at the end of the report, in the concluding paragraph?

MR. PORTER: Yes.

CHAIRMAN HALLANAN: You have heard Mr. Porter's motion. Is there a second?

MR. HILL: I would like to say this --

MR. MAJEWSKI: There is no motion before the house until it is seconded.

MR. HILL: I may second it before I get through.

MR. MAJEWSKI: I will second it, so you can talk on it, but I probably will vote against it.

MR. HILL: Mr. Porter has made a very good point in my judgment in relation to striking out "and within the oil industry" of that particular paragraph for this reason: There is a number of us in this room who have been working on this matter for a long time. The issue is really between the states and the Federal Government. The states are entirely competent in the field of politics to carry the ball in this matter.

They have evinced a zealous desire not to have that ball wrested from their hands by what might be deemed to be a selfish interest which, in so far as our citizens having a financial interest, present or prospective is concerned, the Congress will be more forcefully influenced by the stress that is placed upon the interest of these states than by the incidental and subsidiary interests of the industry.

I am sure that Mr. Porter is speaking in relation to that view which prevails among those who have been most active up to now in dealing with this subject, and if you would split his motion and ignore "and within the industry",

I believe that is a particularly apt place in which to say, "and within the industry."

MR. BAKER: I think it is pertinent in this way: I am in full accord with what Mr. Porter said and what Mr. Hill has said in regard to the industry getting out in front. I think that the industry's position is one of support and not leadership and this is an issue between the states.

We are asked here as an industry to appoint a committee to advise the Department on a bill which will provide for the handling of government lands. We do not believe that the government owns or should own those lands and that is one of the reasons why we should not appoint the committee.

We should not appoint the committee to work with the Department in writing out legislation covering the operation of those properties as government-owned properties.

So, it seems to me, Mr. Hill, that it is one of the very pertinent reasons tied in with these others why no committee should be appointed.

The industry is not in accord with the idea that the government should own those lands and, therefore, should not participate in the drafting of legislation by which the government would own and operate and develop the lands. It seems to me it is quite pertinent at this point.

MR. PORTER: Mr. Chairman, I will be willing to withdraw

the motion in so far as it covers the first sentence in paragraph 3, eliminating "and within the industry".

CHAIRMAN HALLANAN: You are urging the second proposal, "and within the oil industry"?

MR. HILL: It seems to me that we have otherwise stated that it would not be necessary to repeat that statement in that place.

MR. BAKER: Except that is the summary of the various reasons and it is placed along with the other items in the summary.

MR. MAJEWSKI: Aren't we talking tweedle dum and tweedle dee? If you leave in the first sentence of paragraph 3, who is speaking? The National Petroleum Council is speaking, but it says that the ownership by the states is in the public interest.

You are talking about tweedle dee when you are removing it in the last paragraph. You are saying it. The Council is supposed to be representative of industry, and I speak in response to a request made by the government on this subject for the industry.

Therefore, I think this is all superfluous conversation.

MR. PORTER: What other view might be made of it?

MR. MAJEWSKI: I am interested in this because I have six grandchildren and seven grandchildren and the buggies have green flags on them, meaning more coming.

MR. HILL: Inasmuch as I have only one grandchild, I am going to retire from the argument.

MR. DUKE: I support the statement of Jack Porter because if I understand it, we do not want to close the door that this industry cannot be consulted with respect to legislation should a bad result occur.

It seems to me if we strike out this "and the oil industry" you are leaving the door open at some later date not to have it said we want no part of helping the government if they decided to become the owner of this property.

MR. ZOOK: Wouldn't the words "within the industry" cover it? Under any circumstances, do we want to be consulted by prospective legislation?

My only point on that was that while I agree thoroughly with the members to see to it that the states can come into ownership, if there is any possible way of doing it if that does not materialize, I think Mr. Ball ought to have the A opportunity and this council ought to be interested in the kind of legislation that might be forthcoming.

MR. JACOBSON: I would like to ask Mr. Hill this question: Assume that the worst result comes up and that the Federal Government ends up with the final ownership of this land, would you then, on the basis of this result, never ask us again what our opinion is?

MR. MAJEWSKI: We would ask you; yes, sir.

MR. HILL: The answer is no. I think it would be a little easier to come back if Jack Porter's motion was adopted.

CHAIRMAN HALLANAN: The question is on Mr. Porter's motion, to eliminate the last paragraph, or the words therein, "and within the oil industry".

That motion was seconded by Mr. Majewski.

MR. MAJEWSKI: That is right.

CHAIRMAN HALLANAN: The question is upon the adoption of Mr. Porter's amendment.

All in favor say aye.

..... (General response aye)

CHAIRMAN HALLANAN: Those not in favor?

..... (General response no).

CHAIRMAN HALLANAN: The motion fails.

The question now is upon the adoption of the report of the Agenda Committee.

MR. WILSON: I think the word "seems" is too weak.

CHAIRMAN HALLANAN: You accepted that, as I understood it. That has been accepted.

DR. WILSON: I think the word "seems" is too weak. You have a lot of facts in here.

MR. HILL: If we say "is" and don't say "in our opinion" we are asserting it to be a fact. I would rather leave it "in our opinion", I believe. I don't like "seems" myself,

but I think it was in the area of diplomacy.

DR. WILSON: I think "is" is a flat contention for making statements that you can clearly prove.

MR. HILL: I think that is provable.

CHAIRMAN HALLANAN: All in favor of the adoption of the report of the Agenda Committee will indicate by saying aye.

(General response aye)

CHAIRMAN HALLANAN: All those not in favor?

(No response)

CHAIRMAN HALLANAN: The report is adopted.

MR. MAJEWSKI: I would like about five minutes if I can have it, and this is a most serious matter which I think ever approached the oil industry.

CHAIRMAN HALLANAN: Can you defer until the afternoon session in view of the fact that we have some representatives here from the ODT who cannot be here this afternoon?

MR. MAJEWSKI: Maybe they would like to hear what I have to say.

CHAIRMAN HALLANAN: Perhaps so.

MR. MAJEWSKI: Maybe they are interested.

CHAIRMAN HALLANAN: All right, proceed.

MR. MAJEWSKI: I will limit myself and be through in five minutes.

We were appointed to advise or inform the Secretary of the Interior or the Director of the Oil and Gas Division with

respect to any matter relating to petroleum or the petroleum industry submitted today by the Secretary or the Director.

We then drew up rules and regulations which gave us conduct. We called it the Articles of Organization. It required that matters, or if a council member wished to have a matter considered by the Council, that he present it to the Chairman who will then automatically refer it to the Agenda Committee.

It does not cover these Articles of Organization. As to the next authority we have, these Articles of Organization are silent on that point.

It says:

"B. To raise on its own motion any matter relating to petroleum or the petroleum industry within the purview of the President's letter of May 3, 1946, after approval by me (Secretary Krug) or the Director of the Oil and Gas Division consider such matter and advise me or the Director with respect thereto."

Proceeding under that authority, I want to present a plan without going directly to the Agenda Committee.

I have told you this morning of the seriousness of the situation. I made three concrete proposals as to how we might bring additional products into the market provided that you do certain things and bury individual selfishness by a minority of the oil industry.

MR. HILL: Barney, may I ask you a question?

MR. MAJEWSKI: You may, George, but I will not be ruled out of order by yielding to your question.

MR. HILL: Is this germane to a matter that has been approved and submitted by the Secretary of the Interior or the Director of the Oil and Gas Division?

MR. MAJEWSKI: This is not germane because it is in the embryo and I am developing it.

MR. JONES: Is this the proper forum?

MR. MAJEWSKI: Yes. I quoted you the authority.

MR. JONES: The authority says you are permitted to present of the Director of the Oil and Gas Division or to the Secretary of the Interior any matter that you think is germane. But, is it appropriate?

I do not want to argue with you, because I do not want to deny you the right to present anything or take any of your time, but I do think you are proceeding in a manner .....foreign to our matter of procedure.

Would you say you have already submitted this matter to the Director or the Secretary and have had approval? It is something that cannot be done until that procedure is complied with.

MR. MAJEWSKI: If you are going to use a gag on what is apparently the law which you failed to cover in your Articles of Organization, then I submit to a gag.

MR. JONES: I beg your pardon. I am not suggesting a gag, but that language was carefully considered.

MR. MAJEWSKI: It remains a gag.

MR. JONES: Mr. Chairman, let me finish. That language was very carefully considered. It was understood when that procedure was written that this body was created by the Secretary of the Interior in pursuance of a letter from the President of the United States, and that in effect we were a body advisory to the Secretary of the Interior.

It seemed inappropriate in the drafting of that procedure that we should initiate and discuss matters here which the Secretary of the Interior, who had sponsored our creation, had not asked for advice on or had not approved the discussion of. That is not the question to be debated here. I do not want to shut you off.

I am the last man in this room to do that. I think you can accomplish what you want by orderly procedure, and I don't agree with your way of doing it here.

MR. MAJEWSKI: What is he saying? Tempus Fugit and Memento Mori? That means that time flies and remember death.

MR. JONES: You should first get the necessary approval.

MR. MAJEWSKI: Are you raising a parliamentary question that I am out of order?

MR. JONES: I do.

MR. MAJEWSKI: Will you rule, Mr. Chairman? I can get this

in the newspaper and win my point. I want to know if this is the forum for the petroleum industry to discuss pressing problems. If it is not, then you ought to be disbanded. Why talk about the tidelands when Rome is burning?

Why I am -- Why am I out of order when I plead for an opportunity --

CHAIRMAN HALLANAN: The Chairman has not ruled that you are out of order. I do want, Mr. Majewski, with reluctance, however, to call attention to an error in your first statement that any matter which was raised by you in this Council would then be referred by me to the Chairman -- as Chairman to the Agenda Committee. That is not the procedure.

Only such matters as originate with the Director of the Oil and Gas Division and referred to me are in turn referred to the Agenda Committee.

We have no authority, under our articles of organization, to bring before this Council any matter that does not arise originally from the Secretary of the Interior or the Director of the Oil and Gas Division.

MR. MAJEWSKI: I will accept that interpretation. I think it is a minor point, really. All I am trying to point out is that under your articles of organization you must present the matter to the Agenda Committee and then you take what they say to the Secretary or the Director of the Oil and Gas Division.

CHAIRMAN HALLANAN: No.

MR. MAJEWSKI: And then you must refer it to the Agenda Committee.

That is what it says. Do you want me to read it?

CHAIRMAN HALLANAN: You have it in reverse. Only such matters as come to me from the Oil and Gas Division are referred to the Agenda Committee.

I have no authority to refer any matter that you have presented for discussion here to the Agenda Committee. That is not provided for.

MR. MAJEWSKI: No. You refer to the Secretary and when he approves it, then you refer it to the Agenda Committee.

CHAIRMAN HALLANAN: That is right.

MR. MAJEWSKI: But I can bring up anything I want here.

MR. JONES: I think you are out of order.

Under the procedure, you are out of order. You can speak to Max Ball during the noon hour and bring the matter before this committee this afternoon.

MR. MAJEWSKI: No, I could not do that. I know then what would happen, because if I spoke to Max, Max will ask Walter, and Walter must automatically refer it to the Agenda Committee.

I am reading from the thing.

MR. JONES: I am only trying to help you expedite it. I don't think you are getting anywhere with this discussion.

MR. MAJEWSKI: It is a simple matter if you would listen to me and then rule me out of order, because I am bound that the people will be taken care of. I don't care what you do.

CHAIRMAN HALLANAN: I don't want to rule you out of order, but I think in order that we may all get the right perspective, I should like to call your attention to the provisions in page 3, in which it is said -- and I think this covers your point -- "Should any Council member wish to

have a matter considered by the Council, he should submit the matter in writing to the Chairman of the Council who should thereupon and prior to any discussion by the Council refer the matter to the Secretary or the Director for his approval or disapproval, and if approved the matter should then be referred to the Agenda Committee for its report. Adoption of these procedures assures that each problem will be carefully considered from the standpoint of its legal aspects as well as its propriety and advisability for Council consideration."

MR. MAJEWSKI: Yes, I have that underscored. I understand that.

CHAIRMAN HALLANAN: I think that is plain, but there is no desire to impose any gag on any matter you want to discuss here.

MR. MAJEWSKI: I wanted to present a matter to the Oil and Gas Division, not to the Council.

MR. JONES: I submit, he does not need the action of the Council to submit a matter to the Oil and Gas Division.

MR. MAJEWSKI: I wanted to do it without writing a letter.

MR. JONES: Aside from that point, the appropriate way to proceed here would be for Mr. Majewski to present the matter to Mr. Ball, and it should not take long.

Are you ready to receive a suggestion?

CHAIRMAN HALLANAN: Perfectly willing.

MR. JONES: The Agenda Committee could convene during the lunch hour, I am sure, and it will do so at Barney's request.

MR. DUKE: It seems it is a question of either amending our articles of organization or take the interpretation of Peter Jones. Maybe it should be amended.

MR. JONES: That requires notice. That cannot be done here.

MR. MAJEWSKI: I know it requires notice. I helped write it.

CHAIRMAN HALLANAN: I hope you understand that I am interested in helping you.

MR. MAJEWSKI: It says that no Council member shall have a matter considered by the Council, but I don't want the

Council to consider the matter. I am coming before the Oil Industry forum and on the Council's own motion asking the Secretary of the Interior and the Oil and Gas Division to do something which is not covered here.

MR. DUKE: This is not the forum for that.

MR. MAJEWSKI: Sure it is. I helped to write a part of our Magna -- whatever it is. Relating to the petroleum industry within the purview of the President's letter of May 3, 1946. That is your authority.

That is why you were founded and created. That is what I want to talk about. I am not out of order. I hve the right to do it, and this is the forum.

If you don't want me to go on, it can go to the newspapers. You will give me hell. I don't play that way. If you don't like my proposal, defeat it here and you won't hear any more about it, but I am proceeding according to the rules and I want to defend my position.

CHAIRMAN HALLANAN: Mr. Majewski, may we at this time call on the representatives of the ODT and have the benefit of any discussion before we have the noon recess?

MR. MAJEWSKI: You may, but I will not be put off this subject any further.

CHAIRMAN HALLANAN: You will not lose any right at all, and I do hope to have these gentlemen before the noon adjournment.

Mr. Glen, with the Office of Defense Transportation.

MR. GLENN: Mr. Chairman, Max, and gentlemen:

The ODT was brought into the tank car program in the latter part of last year. Tank car production was down, I guess, to about as low as at any time in the car building industry.

The months of August and September of 1946 showed that cars were were scheduled for production in two car building plants and amounted to 41 cars a month.

Efforts were made through the directive powers of government to allocate steel and allocate the number of cars, stopping all other production in the tank car plants on all other tank cars, so that anhydrous ammonia and LPG cars could be produced.

We have made steady strides since the month of October of last year. Starting in January, when we received deliveries, each month has shown an increase and during the year, from the first of January to the first of October, the two car plants have delivered to the industry various type cars, the bulk of them high pressure cars -- a little over 2600 cars.

The anticipation for the plants this year will be around 300 cars a month.

Production is running anywhere from 250 to 424 cars a month. In the last two months we have hit a little over 400

cars a month.

We have in the ODT a committee of 12 representing the steel industry who were appointed by the Iron and Steel Institute to work with the ODT, first with the CPA and then the ODT, and then the car building program.

They have made an allotment and committed themselves for an allotment of steel. Unfortunately, the capacity for building tank cars is restricted. I think the maximum that we can expect out of both plants working on a 24-hour schedule on a six-day week would be between 500 and 600 cars a month. They are pretty near hitting that schedule now.

The steel industry has assured the ODT this week -- we put out a letter on some rumors in connection with the Marshall Plan that our car building would suffer. They said that the allotment of steel for car building purposes would be drastically reduced at the end of this quarter that we are now in.

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Both the Iron and Steel Institute as well as the members of the steel industry have assured Colonel Johnson that the program for the 10,000 car minimum production on a monthly basis will be continued through the balance of this year and on into next year.

We are doing everything humanly possible to increase production. We are finding now that probably some conditions that you gentlemen are running into -- we are running into the

manpower shortage. We are also running into so-called slow downs. The men in the car plants have been unable to get them in some plants to step up their production. They set a scale of so many cars a day, and when they reach that number of cars for the day's work, they go home, whether it is one o'clock or two o'clock, or earlier. They are through for that day, regardless of what other offers of bonuses are paid -- or anything else -- are paid to them. Just how we are going to overcome that we don't know.

The general situation on tank cars is slightly better than what it was last year and in pressure cars, too, but I think the situation on tank car building is every bit as bad, and if we have much cold weather, a little worse, in spots, than it was last winter.

Mr. Howard is here, who is our consultant on tank car transportation, and I am sure that he will bring you up on that.

I will arrange to keep Mr. Ball advised each month on tank car production so that he can pass that information on. We have been trying to obtain from the builders the number and types of tankers each month, and if I can have that information developed properly, I will furnish that to Mr. Ball, so he can notify this committee.

Thank you.

CHAIRMAN HALLANAN: Are there any questions?

MR. RUSSEL BROWN: Do you at the present time have sufficient tank cars to meet petroleum requirements?

MR. GLENN: No, sir. Mr. Howard, I think, will cover that. He is here.

MR. RUSSEL BROWN: May I ask you: Are you relieved in your demand for petroleum tank cars if you have transportation through pipelines?

MR. GLENN: Pipelines would help transportation, but Mr. Howard will cover that.

MR. HOWARD: Mr. Chairman, and gentlemen:

Previously we reported as of December 1, 1946, in the high pressure liquified petroleum cars 2,534 cars. From December 1 of last year to September 30 this year, there were approximately 1,549 high pressure cars.

That makes a total of 4,083 at the moment.

From September 30 to the end of the year we expect an average of 300 cars a month, or a total of 600 cars, and that will bring it to 4,683.

Balancing that as to estimated requirements in 1945 and 1946, we had 2,534, and that met the situation. Adding 40 percent onto the 3,534 for the winter of 1946-1947, left us last winter a shortage of about 1,000 cars.

We estimate additional 40 percent requirement in the winter of 1947-1948 over last year will bring it to 4,967.

That, as against 4,683, which we expect to have at the

end of the year, will leave us 284, or, in round figures, 300 cars short as against an average of last winter in January, February, and March, of about one thousand cars. That should be under a ten percent shortage.

Incidentally, we found during the war that when we got within ten percent shortage it does not seriously affect any part of the industry too seriously.

15 percent is terrible, and 20 percent is unbearable, but five percent, if our figures are correct, should not be too bad.

In the loading of the tank cars, of the tank cars in the United States in the four weeks of September 1946, 191,775 cars were loaded.

This year, in the same period, 216,300 cars, an increase in loading of about 8.8 percent, with an increase of new cars of about 1.8 percent.

I don't know how we are going to continue on a basis of 1.8 percent increase overall. We are getting all the tank cars for which we have steel.

Mr. Glenn has told you about the tank cars in general. Presently, there are about 6,500 cars on order. At our present rate, that is over a year and a half to two years manufacturing capacity at the moment on the available steel.

Some question was asked on general tank cars. So far as I know, we are in fairly good balance with the exception of

some crude movements that are probably lagging in immediate movement. I don't believe that spells out the picture that is going to confront you this winter.

Where we are going to get the tank cars, I don't know and, incidentally, the vegetable oil business and the packing house products -- their season is coming up and coming up fast. During the war we used to get from the petroleum industry in the winter from three to four thousand tank cars and use them in the vegetable oil business.

Under an arrangement with the government and in February and March of 1946, they came back into petroleum. I don't see how we are going to wrest those cars from petroleum to vegetable oil and yet I believe vegetable oil and packing house products have to be handled in some way, shape or form.

Probably cooperation with the industry can do better than anything I can think of in connection with any government order.

CHAIRMAN HALLANAN: Any questions?

MR. RUSEL BROWN: Would it relieve your situation any if a number of tank cars could be taken from petroleum through the use of pipeline transportation and turned back to you for other uses?

MR. HOWARD: Certainly. Anything that would relieve any tank car. We can make the switch, except on the propane cars

or the pressure cars. You are not talking about that. You mean general tank cars?

MR. RUSSEL BROWN: Yes.

MR. HOWARD: Certainly, anything you can put through pipelines or on a barge or anything that relieves a tank car relieves both the petroleum and the vegetable oil industry. We can switch these back and forth.

MR. DUKE: Mr. Howard, I would like to know if you people feel that eliminating the shorter hauls on the railroads in railroad cars, and approving trucks would in any way make available more cars?

MR. HOWARD: Naturally. Anything you take by tankcars and put it on tank trucks would make that tank car available for service. Our records, as far as I can find out show that we never went back within the petroleum industry to moving tank cars in short haul anything like in the comparison we had before the war.

The movements of the Sun Oil Company showed that their average movement was 322 miles one way. That, I believe, is approximate for union tank cars. That is probably 40 percent higher than it was for tank cars prior to the war, so that the oil industry has not gone back to using tank cars in short haul comparable to that which existed prior to the late war.

MR. DUKE: Would you have any objection, sir, if we

asked that they even tighten up that slip-back into that? Would that disrupt the old program?

MR. HOWARD: No. The industry would itself have that in their own peer. It is a question, Mr. Chairman, of costs, primarily, and the availability of tank trucks. Tank trucks are subject to considerable increase in volume.

It could be handled provided that the oil industry will load tank trucks 24 hours aday, possibly six or seven days a week. They are not doing that. No industry is doing that.

I don't think your industry could be criticized for that.

MR. DUKE: May I ask one other question, Mr. Chairman?

I understand that petroleum cars are left sitting at the railroad station. Does that come within your province, or Mr. Glenn's province?

MR. HOWARD: I would not think so. The record shows here that with the increase of 1.8 percent of cars, -- new cars, in service since January 1, in the last four weeks you have been doing only nine percent more business with practically the same cars.

MR. DUKE: Is it true that we have a priority on the movement of grain cars?

MR. HOWARD: I never heard of such.

MR. GLENN: There is no priority on grain cars. The railroads are directed to ship boxcars suitable for grain into the grain fields. But on the other hand, the movement of

grain -- there are no priorities for that.

There is no priority in production at all.

MR. HOWARD: There isn't anything, as I understand it, that makes the tank car below any other traffic.

MR. DUKE: Thank you.

MR. BALL: May I ask one question?

What is the limiting factor on the output of tank cars? Is it primarily steel, or is it plant capacity?

MR. GLENN: Plant capacity.

They are getting all the steel they can use at the present time.

MR. PORTER: Mr. Chairman, I do not think that we are going to have an eatless Thursday.

I move that we recess for lunch.

CHAIRMAN HALLANAN: I was going to try to get our program for this afternoon.

We will have a representative here from the State Department at 2:30. He will present to us some aspects of the Marshall Plan.

I suggest a recess now until 2:30 this afternoon.

(thereupon at 1:20 o'clock p.m. a recess was taken until 2:30 o'clock p.m., of the same day).

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## AFTERNOON SESSION

2:30 p.m.

CHAIRMAN HALLANAN: Gentlemen, the Council will be in order.

Mr. Jones, following the adoption of the agenda report this morning, which was for the appointment for a number of committees, I am now referring to you that report with the request that the appointment committee set up its recommendation at as early time as possible.

MR. JONES: The committee will submit its report as early a time as possible.

CHAIRMAN HALLANAN: Gentlemen of the Council, we have with us this afternoon, at our invitation, representatives of the Department of State, Mr. Paul H. Nitze, who is Deputy Director of the Office of International Trade Policy.

Mr. Nitze is here to give us some of the background of the Marshal Plan for European relief and I am happy to present him to you at this time.

STATEMENT OF PAUL H. NITZE, DEPUTY DIRECTOR,  
OFFICE, INTERNATIONAL TRADE POLICY, DEPARTMENT  
OF STATE.

MR. NITZE: Thank you.

I remember last Spring we were talking with Secretary Marshal about his very difficult problem, it is full of all kinds of bugs, and the Secretary turned to us and he said, "Don't fight the problem, try to solve the problem."

I think that was very apt with respect to the Marshal

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Plan, it is a problem we are going to solve, the European problem, rather than fight the problem.

But you go back to the winter of 1946, it looks like as though things were going along reasonably well, as though the plan had been laid down at the end of the war with respect to European policies would work out.

The British had spent in 1946 only 600 million dollars of the loan, while it had been estimated that they would spend a billion dollars. Their exports were getting back somewhat faster than people had anticipated. Production in France and Belgium and some of the other countries had come back somewhat faster than had been anticipated and even in Italy, there was quite a bit of progress.

But going to the Winter and Spring of 1946-47, it became evident that the thing was not going to work out and I think the bad winter had something to do with it, the fact that the recovery in production in Europe seemed to hit the ceiling with the limit of available coal, which is really the bottle-neck of industry production. The fact that their exports were not overall coming up to what had been anticipated, and the recovery in American production had been so rapid that we have exports available to send to Europe, which were absorbed in larger volume than had been anticipated.

As you look at the figures in 1947 and saw that if the trend continued through 1948 or the beginning of 1949, a lot

of countries would be indifficulty. In fact the first, as a result of that determination was evident in Congress, and a program had to be worked up in a good deal of a hurry in order to meet.

In fact, the first overt result of that determination of course was evident in Greece, and the Greek Program had to be worked out in a good deal of a hurry in order to meet a real threat in Greece.

In that situation it became evident that had two choices, either you could adopt a policy of trying either to prepare to meet this, meet that bad situation as it developed country by country or else you could address yourself to a program of trying to work out the program which would prevent the Greek situation occurring first in this country then in that country, then in the other country, and it was out of those considerations that Mr. Marshall made his speech in June.

It was felt that a country by country approach was just bound to lead to a series of Greek situations which we could not handle, you had to have an overall European Program and that overall European Program, if it was to be successful, was to be worked out by the Europeans themselves, it was something that we here could not sit down and plan out for them.

If we planned it out then they would not execute it. If

you want to have something which would actually work, you would have to throw the burden of development of the program on the Europeans.

Now, as to the time schedule, it was thought that, certainly with respect to most of the countries, you could average their getting through 1948 and into the Spring of 1949 and if you started this thing in June, that would give enough time for the Europeans to work out a program and have it presented to us so it could be presented to Congress for its consideration.

Of course, that estimate of the time schedule did not turn out completely correct, two factors came into play, the French difficulties which had been startling, greater than had been anticipated in the Spring, and the bad crops in Europe which could not have been estimated in the Spring.

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I think also the biggest and the greatest opposition from the U.S.S.R. countries has been greater than what could be anticipated in the Spring.

But to turn for a minute to what the policies of the other European countries to the speech in June, I think the reaction in Europe to the Marshal speech was even greater than we had anticipated it would be. It really took hold like wildfire in Europe, it threw out a symbol of hope to them, that perhaps there was an alternative course which would work in the recovery.

They got together very promptly and of course, the first blow was the battle with Mr. Molotov in Paris when not only did Molotov walk out, but he pulled out all the satellite countries thus making the problem more difficult than it would have been if you could have had the cooperation of Poland and Czechoslovakia.

The remaining 16 countries got to work with really great rapidity. Of course the problem of developing a European Program in a short period of time is such an immense problem, you can't work out a detailed program in the time which was available.

They got up their questionnaires in a matter, I think, of eight days and they gave these various countries a further period of eight days to prepare the answers and then that material had to be put together on the basis of all the 16 countries together, and had to be analyzed. These reports had to be written.

I think you probably all have had a chance to look at the Volume I of the report. If not, I think it is well worth while reading. A document in which the broad policy lines which it sets forth, I think are good. I think we in the State Department feel that we can go along with the broad policy objectives which are expressed in Volume I of this report.

I might for a moment touch on some of the principal

difficulties of a political nature which beset the harmony and cooperation of the meeting in Paris.

One of the principal difficulties was the French stand as to the treatment of Western Germany. The Russians, of course, had made it one of the key accusations of their propaganda campaign, the statement that the Marshall Plan was really just a plan to build up Germany at the expense of other European countries. And that propaganda campaign had had considerable effect among certain segments of the populace of France and presented a real political problem to the French participants in the Paris conference.

Between the end of July and September when the final draft of the report was published, real progress was made in reducing the magnitude of that problem. I think the handling of the situation as to the Ruhr undoubtedly had a great effect in reducing the fears of the French as to the effect of the treatment of Western Germany.

There was another consideration which revolved around some of the countries, like the Scandinavian countries. Their need of assistance from the United States is far less than that of France or Italy or some of the other countries.

The Scandinavian countries basically would like to be far away from the major problems of this European controversy if they could avoid getting mixed up in anything which presents a problem to them in their relations with the United States,

they would like to avoid that if they could. And they feel very strongly that they do not want to get too deeply enmeshed with the 16 other countries; they did not want to have too many connections with those 16 countries or they could not go along with the program which involves to such degree those 16 countries.

There was also a serious problem of the U.K. The U.K. traditionally has felt itself to have one foot in Europe and one foot in the British Empire. They did not feel that it was either desirable for them or political advisable for the U.K. to participate in programs which would have the effect of throwing them with both feet in Europe and no set relations with the other Empire countries.

I think they felt that their greatest hopes lie with the Dominions and not with Europe. I think their objection, for instance, to some of the more vigorous measures, that Europe as a whole, and including them, that if they want assistance from the other Empire countries, and they feel that the other Empire countries are in a position to give them assistance where the rest of Europe is obviously not in a position to really give them much assistance.

The attack that the Russians have made on the Marshall idea, that it would involve interference in the sovereignty in each one of the countries was another factor which made the negotiations in Paris difficult.

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I think if you look at the final report in the light of the principal problems that face those countries, it is a very great step forward and really represents a considerable accomplishment in the time period that was available to us.

We of course, are not satisfied and we have not had a chance to satisfy ourselves with respect to the statistics and the figures and the details of a program as it is outlined, both in Volume I and in the technical appendices in Volume II.

Representatives of the C.E.C. have just this week arrived in Washington and departmental groups are asking them questions right now with respect to each one of the technical reports, trying to get clear the basis on which those reports were prepared. The justification for the requirements that are stated in those reports and also some clarification as to the steps which the European countries are prepared to take in order to implement the programs that are outlined in those reports.

I might spend just a minute in giving some greater detail on some of the problems that revolve around the time schedule from hereon out.

As I said last Spring, we felt that most of the European countries could certainly last through until the beginning of 1949. It has developed that real problems have emerged in

France and Italy. That they have run out of funds more rapidly than we had anticipated that they would run out of funds. There is a real problem immediately with respect to getting emergency aid for France and Italy. It looks as though Congress could not give any consideration to a long term program such as the Marshall<sup>1</sup> Program in less than a number of months.

Frankly, it would surprise me if they could take affirmative action on a long range program earlier than some time in April, May or June. So that even if we can find ways and means of meeting the emergency situation which is on us now, we have the further problem of meeting the requirements from the First of the year until such time as Congress could take action on the Marshall<sup>1</sup> Program.

I would also like to say a few words about the reaction which has developed from the Eastern European countries to the Marshall<sup>1</sup> Program. Certainly, we have always had to contemplate that if the Marshall idea developed along the lines which gave promise of success that you could anticipate some sort of reaction of the Eastern European countries. I think that reaction has been extremely vigorous. The reason for this vigor, I think, is that that they feel that the Marshall<sup>1</sup> Program has got a chance of being adopted, and a chance of its, if it is adopted, of being a success.

Well, I think that those are the main points that I

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wanted to mention, and if someone has any questions, I would be delighted to try to answer them.

CHAIRMAN HALLANAN: Any questions, gentlemen, that you would like to ask Mr. Nitze?

MR. HILL: Mr. Nitze, the program years envisioned at this time contemplates some character of interim relief, does it not?

MR. NITZE: That is correct.

MR. HILL: And that will be in the field of foods rather than other character of supplies in large degree?

MR. NITZE: I think in a large degree, yes.

Obviously, It would profit us little to send them food and coal if they ran out of certain of the other basic materials to keep their industry going.

MR. HILL: Would you care to comment on two or three things that I have in mind and the affect of the various reactions among the satellite countries, I presume.

MR. NITZE: Yes.

MR. HILL: In Eastern Europe.

Now, would you care to comment on that as distinguished from other reaction in the direction of the formation of the fourth international. I would like a comment if you care to comment on that, and also on how you would interpret the changes in the ministers of the British Labor Government which occurred the last few days, with respect to the ability

of England to do something herself in connection with this problem. Those are two things which seem to me of paramount importance.

MR. NITZE: I do not believe, on the second part of your question, on the effect of changes in recent days in England that I would be able to express an opinion, I just haven't talked to the people who worked on that range of problems in the last few days.

On the first part of the question of the reestablishment of the Comintern or a common turn among the nine countries that have participated, it would seem to me that that was just a part of a general campaign against the success of the Marshall Program. I think it would put more weight on the propaganda methods which it is possible for them to take under their own battle in Europe as a whole, than it had upon the effect which this action might have on Congress in its action and the action of the United States in appropriating funds.

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MR. HILL: You spoke of our study of Volume I and Volume II, are these publications of the 16 countries, or by the State Department?

MR. NITZE: They are published by the 16 countries.

MR. HILL: And are they in English language and available for us?

MR. NITZE: Volume I is available, the Government Printing

Office has printed up some 20,000 copies, I think, and that is available.

Volume II is still in proof form in the Government Printing Office but should be available in the next few days.

CHAIRMAN HALLANAN: Are they in English?

MR. NITZE: They are, yes.

MR. HILL: Thank you, sir.

MR. JONES: Do you want to give us any idea as to the magnitude of the interim relief which we are faced with as to these 16 countries, as reported? Have you any idea as to just what that means, because we are faced here with a right smart supply problem that may complicate this matter.

MR. NITZE: I am afraid I am not prepared on that. I think Mr. Ball is probably much better prepared than I am.

MR. JONES: Do you understand that it will be a substantial matter?

MR. NITZE: As I understand it, the requirements which are stated in the report are substantial, that they rise at a very rapid rate.

MR. JONES: Have you any basic figures?

MR. BALL: This will give you the overall; there is no breakdown. The report as prepared by the 16 nations, according to preliminary figures, which have not yet been analyzed, calls for two and a half million dollars. This program runs from 1948 through 1951. It is a four-year program,

two and a half billion dollars worth of dollar oil.

Now if on that statement you should ask me further, oil produced by an American Company in a sterling area is dollar oil or whether oil produced by a British Company in a dollar area is dollar oil, I would have to tell you, I did not know, because this report hasn't been analyzed to that extent.

Now there is operating right today and yesterday and the day before an inter-departmental petroleum committee which is interrogating the technical representatives on petroleum of the 16 countries and that committee will probably be able to supply some of the answers, but on most of them, I think he is going to have to go back to the original report and then when those facts are available, just what they mean by two and a half billion dollars worth of dollar oil and to what country, and in what amount to each country, and what is dollar oil, and what prices they took in arriving at their values so you can convert it back into dollars; when that is all done then somebody is going to have to sit down and screen the detail of the requirements, which means the possibility of further rationing. The necessity of converting from coal to oil as this plan appears to contemplate in some spots, and against a lot of other things. Finally against the practicability of finding that much oil.

These are things which are still ahead.

MR. JONES: It is simply a question of how soon they

will know what the requirements are going to be.

MR. WILSON: I have some very good figures; I think we could make a very good guess on that and I would be glad to offer them.

MR. JONES: We don't want guessing.

MR. BALL: Those are still unscreened.

MR. WILSON: I know they are unscreened, but they are big enough to make them, make your head swim.

MR. BALL: I think we can say this: That as they stand now, maybe I am speaking a little out of turn, but I think just looking at them as they stand, I do not believe that they can be met without wrecking the economies of the United States.

MR. JONES: Might wreck the economy of the Oil Business in this country.

MR. BALL: That is what I mean.

CHAIRMAN HALLAHAN: Gentlemen, let's be in order.

Mr. Ball has the floor. If anyone desires to ask him a question, please stand.

MR. POGUE: I want to ask if those figures are to be added to or superimposed on the requests now, or are they inclusive of them?

MR. BALL: That is one of the things I cannot answer, right yet. But obviously, the two and a half billion dollars of dollar oil --

MR. POGUE: Are those figures inclusive?

MR. BALL: In addition to the petroleum, we have got what probably will be as difficult a question as to petroleum equipment, in addition to this two and a half billion dollars for petroleum and petroleum products, dollar oil, there is a requirement for \$531 million for petroleum equipment.

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Now, in what countries, for what specific purposes, how much of that is the French idea that they can go and drill a lot of oil holes and get the production in France and how much of it is refining capacity. Here is a question that is very important, is this in excess of what American and British countries were already planning to spend for refineries and refining capacity in the same countries? I do not know.

MR. JONES: May I interpose a question on it, because you are speaking in what seems to me astronomical figures here, and then Mr. Nitze says that these things were put together in eight days.

MR. NITZE: The questionnaire was worked out in eight days, but it was not put together in eight days.

MR. BALL: The thing has been put together very hurriedly, all along, no doubt about it. And that is why the series of interrogatories that are going on this week, and that is why I say that when those interrogatories are over and reports have been received, it will have to go back to some of these countries for verification. Then perhaps there is going to

have to be further cross-questioning before anybody knows what the real basic minimum requirements are and whether the industry of the world can come within gunshot of meeting them.

All this explains why we have asked the Council to appoint a committee to analyze the 16-nation report.

MR. JONES: My question was directed to the type of commodity you need and the type of committee you need to check and verify those conclusions.

MR. BALL: I do not know anything more important before us all than to see that this thing is analyzed.

The requirements of the plan at this interrogatory period is over, and that is being handled by a series of committees, one of which committees we were asked to chairman, the one on petroleum, but it had to be done this week. You can see why it could not be done this week so the State Department is chairmaning that committee.

Then when it comes to screening and analysis, that will be done by another committee, by the interdepartmental petroleum committee, which is our standing committee, which we chairman and when we get to that. We stated the very first day the thing was sprung on us, well that is just going to be altogether too much for us to answer without industry advice.

MR. JONES: Mr. Ball, I know it is very harsh and in-

considerate of us under the Marshall Plan to ask those people to work, but I wonder if they have explored the possibility of increasing production by requiring of them that they work more than 25 hours a week. Thereby make their contribution.

MR. BALL: Well, I think that is one of the things that has got to be inquired into, whether or not the petroleum committee can do it alone or get together with the coal committee, there is going to be need for a lot of correlation. It is a big thing as I said, too big for one group. There are estimates of agricultural machinery requirements and it includes an awful lot of tractors and trucks.

We do not know today, and I am sure nobody knows today, whether in setting up their program requirements they included the trucks they would have to have.

Naturally, those things have all got to be geared together and you put your finger on one thing that is under discussion, the original cablegram that came over on this before this report came to us, well they admitted in the meeting, because we said this is wrong from several standpoints.

In the first place, it will make those countries primarily importers instead of building their own industry. In other words, it will be taking away self-support from them rather than building their own self-support.

And secondly, it will greatly increase their drain on dollars and will continue to do so.

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Third, it throws the burden on a commodity which is already worldwide in short supply or in very tight supply. So that is one of the things that has got to be screened down to see whether they are going to minimize their needs and maximize their core of production to the very greatest extent that their needs for petroleum and petroleum products will be minimized.

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MR. JONES: Have they given consideration to the amount of time they are willing to work. They have cut their work week and that created shortage of an additional 42 million tons, and that is just the amount of additional coal they want from this country, so they cut their work day, and now ask for this additional amount.

That is the answer to the \$64 question and I think it would be very interesting to have the suggestion made to them that they work more.

MR. BAIL: Yes, and considering the fact in oil, they draw the amount that comes out of our load and those questions will have to be asked and answered.

MR. SWANSON: There is one other slight detail: The Harriman Committee, which is the public committee, is participating in these interrogatories and they have named, among other consultants, they have named three oil men to participate in the interrogatories. Mr. Berry, of the Standard of New Jersey; Mr. Stevans of the Socony-Vacuum; and Mr. Ernest

and they are to participate in the interrogatories so that with their first-hand knowledge they will be able to get much of this information.

MR. BALL: The President set up three committees to work on the Marshall Plan Program.

First, the so-called Krug Committee on national requirements and that was chairmaned by Secretary Krug and was composed entirely of Government men and that was a committee to survey the capacity of the country, without inquiring into what the requirements were going to be by the capacity of that country.

The report of that committee is now in the final stages of editing. It has just gone to the White House and it will be available in the very near future.

At the same time the President created a committee of which Secretary Harriman is Chairman, which is ordinarily known as the Harriman Committee or Committee of 19. That is non-Governmental. That committee has special committees, on the machinery program, coal, assistance, and so on.

One of those subcommittees is the Koenig Committee and that Koenig subcommittee is now acting as adviser to the interrogating committee that is trying to get some sense out of the questions.

Now, the third committee that the President appointed was the Economics Committee, which is the Economic Advisory

Committee to the President, and they will pass on the impact of these things on the national economy.

Now, I understand a question was asked which I did not get about sources.

Dollar source certainly is not going to close down to just the United States sources. Certainly oil produced by United States companies in dollar areas is dollar oil. Now that is not to say anything that comes out of Eritrea is dollar oil, I cannot say at this time that what comes out of Curacao is dollar oil or sterling oil.

MR. SWANSON: If I can go further, with the explanation as I understand the question and insofar as my understanding goes, the way the quantities to be supplied by the United States sources is determined, is broken down in two parts in the matter of petroleum products. The percentage of the market in these 16 countries which is supplied by American companies is classified as United States sources regardless of the origin of the oil.

In other words, coming from an American holding is holding by an American company, is classified so that regardless of where they get they oil. Whether they get it from the Near East, or from Iran, anyplace it is considered United States oil and would be classed as a United States source.

It does not necessarily mean that is all from the United States, but it is the oil which would be supplied by United

States companies, which is 44 per cent, as I remember the figures of the total.

Now, with the crude oil, it is a question of the ownership of the refinery. If an American company has a refinery in these 16 countries the crude oil that would be put through that refinery is classified as United States oil, whether the oil comes from Venezuela, or Iran or whatever country it came from.

I asked one of our men a question that might illustrate it, the contract applying in Venezuela between the Gulf Company, there was a subsidiary, and the Royal Dutch Shell would by purchase arrangement would have one force of the crude oil originally produced, and in that group most of it goes to Caracas there are refineries of the Shell organization and that is classed as sterling. That is because the refining is done by a sterling company.

Is that clear?

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MR. BALL: That is much clearer than I had it before, and I am glad that the interrogating committee has made progress in securing the answers to some of these questions.

MR. WILSON: There is one further point which is a fact, and which will come out ultimately, the equipment requirements of the British, Dutch and possibly French countries. Not only in Western Europe, but in the dependent countries and other areas of the world. And that equipment is broken down thusly,

as \$300 million in the 16 countries. \$30 million in the dependencies and some \$270 million, adds up to more than 200 million but something around \$200 million dollars for other areas of the world.

Certain interrogations on that developed that that included certain countries which were not in Western Europe, and there is something in the order of 8 million tons, as I remember it, which would be roughly 60 million of the 51 figure which is in dependent countries, not in Western Europe.

It may be premature to mention that now, but those countries have come out when you put these questions and get the answers. I would not want it to be said at this time that I had revealed such a deep dark guess as that.

MR. BALL: This is what the committee has gotten in the last two days, and when the other questions are asked and the answers are given, and the matters are clarified, why then we will know a lot better just where we are at on this thing.

And I might say this: This gets back to the basic query as I stated the other day in the course of the discussion that I am inclined to think that this program does not make very much difference to the world-wide situation; that what these 16 countries are going to get will be just about what they would be needing and have to have and would get out of world commerce, the Marshall Plan or no Marshall Plan.

MR. SWANSON: In terms of oil?

MR. BALL: In terms of oil, yes. As a matter of fact, that is about all there is, and I think is about what they need.

That is all of the Marshall Plan discussion, I would like to pass to another subject.

MR. PORTER: Is it contemplated on this material we are going to give away that Shell Oil Company will get their pro rata share as a British Company.

MR. SWANSON: No breakdown by companies, Mr. Porter, yet. We have asked for that information but it has not come through yet.

MR. PORTER: We are used to it, but I was just wondering.

MR. SWANSON: We have asked that identical question.

MR. BALL: Now, turning to something entirely different, effects us right here at home and right now. And that is tankers. We had a report from the Tanker Committee, Europe Tank Transportation Committee, after the meeting in June, which was an excellent report, which gave us the one, easy, comfortable feeling that there was in the whole entire situation, that there was one thing that we had something of.

We had tankers, and at that time that certainly looked to be the case, that we had tankers enough to do business on but like everything else in the oil business, it can change overnight and that thing has just slipped right out from under

us and from under our feet, and today we are up against a serious tanker shortage.

The Maritime Commission which is, as you know, still chartering tankers, was able to meet only 50 per cent of their applications for tankers this current month. It does not look much better for next month, and I don't know whether it looks better further along for next month. That is one of the reasons why we asked the reactivation of the Tanker Committee, and that is a serious situation. That is a situation such as that stops our being built up on the Gulf Coast which should be on the East Coast and if it continues as it now looks, with all the working that everybody has had about the situation in the middlewest, it may very well be that before the winter is far advanced and before very long, in fact, the East Coast will be in at least as bad a situation as the middlewest.

There is refinery capacity in the Gulf Coast now but is not being used because they can't get the stocks taken away. Stocks on the Gulf Coast are up as compared to last year, and on the East Coast are down as to last year.

MR. MAJEWSKI: Did I hear you say that stocks on the Gulf Coast which should be on the East Coast, did I understand you correctly?

MR. BALL: Right.

MR. MAJEWSKI: I will say that that was heresy.

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MR. BALL: What is heretical about that?

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MR. MAJEWSKI: Why, since when did the oil on the Gulf Coast belong to the East Coast?

MR. BALL: I have not said that it belongs to the East Coast.

MR. MAJEWSKI: They wanted to take it from the middlewest, in the processing of the oil, they wanted to get it earmarked for the East Coast. I say that oil in any part of the United States belongs to the people of the middlewest, to all the people south, north, anybody in any area.

MR. BALL: I am not going to interrupt to give an answer. In a few minutes I will give you an answer.

MR. MAJEWSKI: There is no answer.

MR. BALL: Oh, there is an answer. There are many answers.

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CHAIRMAN HALLANAN: Gentlemen of the Council, we are delighted to have here this afternoon the distinguished Cabinet officer who is responsible for our efficient existence.

I don't know whether you were bearing it in mind, Mr. Secretary, but this is the last meeting of this Council, and you will have another crack at us before your next meeting, and it is a pleasure -- and I assure you that I speak the sentiments of this Council -- to have you with us on this occasion when we have a great many problems that certainly have shown the wisdom and the soundness of your judgment in bringing about this industry-government relationship.

We haven't seen much of you, and we haven't tried to bother you very much, but in good conscience we have attempted to work along the concepts of what you outlined when this body was created.

We have not always had a common understanding, or an understanding completely in accord with what we should do or what we should not do, but we have found it very profitable, very advisable and very helpful to work with the staff which you have assigned to us.

I bespeak the sentiments of every man of this Council, I know, when I say to you that we couldn't have had a finer or a more constructive fellow to work with than your director, Mr. Max Ball and your assistant, Mr. Bob Friedman, and the staff with which they have surrounded your august position.

We feel that we have, during the course of our existence, justified our creation. We have been exploring new fields. This has been a new experiment. Nevertheless, as we have moved along, we have found it very constructively worth while to the government and to the people of the United States, and to the petroleum industry.

Now, I take pleasure, gentlemen, in presenting to you Secretary of the Interior Krug.

SECRETARY KRUG: Thank you, Mr. Chairman.

I want to tell the men of the Council that I am very pleased that you are all here with us again, and that we are here together, apparently, in a very good spirit after about a year of dealing with some pretty hectic problems. I believe I am being only candid if I say that I detected about a year ago when we established this Council, at least a degree of cynicism on the part of a few, and perhaps skepticism on the part of a few more that this Council could contribute anything to the nation in peace time.

But you approached it with good will, and I am very pleased, Mr. Chairman, to hear you state that the Council now feels that it is achieving the result that we had hoped for when it was established a year ago.

I guess everybody knows, that not only in the petroleum industry, but perhaps more particularly in the whole scheme of our economy and world economy we have never faced up to such

extremely difficult problems.

I spent a good deal of my personal time during the last three months on examining our resources with reference to what, of anything, we could do in helping the stumbling economy of our friends in Europe get back on their feet, and when I look at their problems in comparison to our own, I must say it gives me a real degree of encouragement that we don't have all the headaches in the world, by far; that in perspective, perhaps, our problems are not in the range of seriousness with those encountered by our friends across the sea.

They are not only serious, but they will not be remedied in a short period of time. They will be with the world, and because they are with the world, they will be with us for a considerable period of time.

It restores my faith, however, in the basic concept which prompted the creation of this Council, namely, that in this country we can find a way for industry to carry the brunt in resolving economic problems with the government maintaining its proper perspective in the entire field. It was with that concept in mind that the Council was set up, and I think our experience during the past year does demonstrate that that is a good, sound American philosophy, and that we can readily make it work.

I deeply appreciate the work of the Council during this period. It is true I haven't spent a great deal of time

with you, Mr. Chairman, but I think I had a right to believe, after five years of experience with the petroleum industry during the war, that if you fellows couldn't solve the problem, I wouldn't be a <sup>xxx</sup>hell of a lot of help on the side. But I think you knew I was available any time you needed me, and I was very pleased with the confidence that this group manifested in going forward, setting up its organization and getting prepared to take on the various problems of the day.

We have had some tough problems. I think everybody in the government is grateful to the job that the Council did in working out a plan for meeting the military requirements in this period of at least potential shortage. Colonel Drake and his committee are certainly entitled to a great deal of credit for digging into that thing vigorously and moving along to a solution.

I guess all of us realize that for a considerable period ahead the supply of petroleum will have to be pushed to the limit to <sup>supply</sup>~~retard~~ demand, and even with that we are going to have our headaches. Even the military program is not completely resolved, but I am confident that it will be. But we do have a headache this winter, and perhaps for a continued period thereafter, an extended problem of meeting domestic requirements. It is going to hit us at a time when, unfortunately, all forms of fuel and energy will be short. I would say, offhand, petroleum is no worse off than the supply situation for some

grades of coal, for natural gas, artificial gas and electric power, and their all being short at the same time aggravates the problems for each of the industries involved.

I hope that we will find a way.

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You referred to this as being the last meeting of this Council. I am not sure that I understand you, but I hope you are not meaning that this is not going to be the last meeting of this Council -- of this kind of an enterprise, because I think we are just starting to show our true worth.

I believe this winter will be a critical test. There are people who seem to doubt that we can get the maximum in the way of resolving these problems through the kind of a free play of industry and government that we have tried to work out in this Council, and with the petroleum industry. I am sure that we get the best results that way, and this winter we will have a good chance to prove it.

I hope that the Council will find a way to parallel the work that Colonel Drake's group did on military requirements in formulating the very best proposals for doing the best job we can, and meeting all demands in the difficult months ahead.

I know you men know how to do it, and I know you will find working with us the best machinery to that end.

I suppose it is needless for me to comment on some of the basic, underlying problems that you are facing, but I want you

know that I appreciate it. You can't be expected to meet the increasing demands without having the wherewithal for new petroleum development, for the pipe lines that you will need to bring the products to refineries, and to the market, and for transportation and supplies and steel and all the equipment that goes in expanding this industry to meet the expanding market.

We have not, perhaps, done everything possible in that field, but I think there, too, we can set up to accomplish the maximum result by making sure that the different government agencies are all contributing their part so that industry can do its job which, of course, is the major part of it.

I believe you will be interested to know that in this general field of developing and conserving all resources of the world, the President, through the United Nations, has called for a conference of technicians, which will be set up in this country, I think, in the spring of 1949; is that right?

MR. BALL: Yes, sir.)

SECRETARY KRUG: Petroleum is so important in that picture that I hope the Council will find a way to make <sup>itself</sup> available to the committee <sup>that</sup> what we are setting up to prepare for that conference, so that we fully cover the petroleum aspects in looking at the overall world picture.

I have been very proud, too, of the way Max Ball has performed. He has been telling me he wants to leave, and if

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I can't persuade him to say, we are going to have to find an equally capable replacement, and there, too, I hope the industry will help to see that we get the kind of a man who can carry this work on in the way we have set it up, and the way we will want it to go forward.

I guess, in closing, I should say that this tidelands controversy that has occupied the attention of some part of the industry should be resolved by Congress in the coming session, and I hope it will permit the speedy development and exploration of the oil deposits in the tidelands in such a way that the petroleum industry will get the maximum result at the earliest possible date.

In all of our procedures where the Department of Interior has to do with development of new oil reserves, our people have been instructed to give the maximum cooperation, and I think under the new regulations, there has been a considerable improvement.

I hope very much that the deep interests that you gentlemen have shown in this Council, with the sacrifice and time it has meant to many of you, will be continued and devoted to the same cause, because I am sure if it is we will produce some equally fine results in the year ahead.

I trust, from your remarks, Mr. Chairman, that the Council feels, through the direction of Max Ball, we have fulfilled our general promise as to the way we would operate. The Council

has certainly done an excellent job on its side. I look forward to a pleasant continuation to this relationship as a really productive mechanism of government and industry working hand in hand together in a vital field.

I would like to participate in any further discussions there might be, but these conclude my remarks.

CHAIRMAN HALLANAN: Thank you very much.

(Applause.)

CHAIRMAN HALLANAN: I might suggest that some men of the Council would desire to propound a question to you, Mr. Secretary. I don't think they are considering any embarrassing ones, but if you say the forum is open, we might ask for any questions from the floor.

Gentlemen, any questions on your minds?

MR. DUKE: I would like to ask Mr. Krug to consider seriously, since I believe it is his duty to appoint the Council members from year to year, that he give some serious consideration to placing men here that will attend these meetings, or some provision that they might send alternates if that does not already exist.

It rather distresses me to notice that from meeting to meeting, that some of the men are not here continuously. I hope that will be kept in mind for the coming year.

SECRETARY KRUG: Do you think alternates are practical? In most of the meetings that I have participated in in the past,

if you have alternates, you end up with alternates at the meetings.

MR. DUKE: Probably it would be better if you didn't have them, but it does seem there is some room for putting different people on who will attend and take part in performing the work.

CHAIRMAN HALLANAN: Mr. Duke, under our Articles of Incorporation it is provided that only members of the Council shall have a vote at the meetings thereof, and any amendment to this corporation could only be provided through ratification after notice on the Council.

I think, therefore, it would require amendment to our National Petroleum Council Charter before there could be any change in that arrangement.

In that connection, you will find in a group of 85 men it is not always possible to get a date that is comparatively agreeable to everybody. We have attempted in fixing the dates of these meetings to get a date that would be convenient to as many as possible, but I know in this particular instance, the meeting now in session, the number of members are not able to come because of other commitments.

MR. DUKE: Perfectly good reasons.

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CHAIRMAN HALLANAN: I think that's a human factor that it would be difficult to overcome. On the whole I think we have had a pretty good attendance. There has been no session at which we have not had more than a majority of the members, which seems to me a pretty good record.

A good many of these men come all the way from the West Coast, and they have been very faithful in their attendance.

SECRETARY KRUG: At this meeting of the Council has any consideration been given to whether additional steps should be undertaken by the Council or by Interior Department to meet the situation that we might encounter this winter?

MR. MAJEWSKI: That leaves the door wide open for me. I wonder if the chair would now recognize me where we left off this morning and I got nowhere.

CHAIRMAN HALLANAN: The chairman recognizes Mr. Majewski but must, of course, conform to the rules of procedure.

MR. MAJEWSKI: I shall conform to them and set you all at ease, comply with the rules.

You made a very fine and accurate speech and the Secretary responded in kind and showed that there was great amity between the government and the industry. Everything both of you said was true. I want you to extend that same love and amity to me while I finish, and I want you to imagine yourselves now as not being here, you members of the Council, because I am only transgressing on your presence. Therefore, I comply, I hope, with

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the rules by you just imagining you are not here and my talking in a room where there are only present the Secretary of the Interior and the Director of the Oil and Gas Division.

SECRETARY KRUG: Maybe we could save everybody a lot of time by having this meeting in that form, Mr. Majewski.

MR. MAJEWSKI: No, I want them to hear it, but they need not participate if they don't want. If they don't do it, if this industry doesn't do it, somebody else will do it.

I pick up a newspaper and I see that some senator -- and I am not mentioning any names, but looking him up I find he is an undertaker and a licensed embalmer. I won't mention his name on a bet. He says that he has an astounding report to make about the oil industry, and if this oil industry doesn't do something about the situation which is prevailing, not only will this senator, but other people, have astounding reports to make. They will be cold. And there are things that can be done.

Speaking to the Secretary and the Director, I believe that the time has come for the declaration of an emergency east of the Rocky Mountains, a proclamation by the President of the United States declaring such an emergency in petroleum.

Faced with meeting the demands of the Marshall plan, faced with meeting the demands of the military, which have not yet been met, and faced with meeting the conservative demands of the public, which is being exhorted to conserve and use the

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oil that we have for them efficiently and wisely, the industry has done a good job. And in making these statements I want to preface them all by saying that the industry has done an extremely good job throughout the United States, but which job is not sufficient. And the reason that it is not sufficient, there is not enough oil, and we might as well face the fact.

I heard this morning that tank cars were scarce. I know where there are tank cars. I know where there are barges. I know where there are other modes of transportation -- true, not in sufficient volume to take care of the demand but for the available transportation facilities, Mr. Secretary, there isn't the oil, say what you want and go where you will for it in these United States.

Now, since the Office of Defense Transportation is properly concerned with military requirements, which we have not as yet met, the State Department properly concerned with the fulfillment of the Marshall Plan, and the Department of the Interior interested in the overall problem, and in my plea I am not talking now about equitable availability as between units in the industry -- forget that. Let us supply the demand of the public, and the other will take care of itself, if we have the facilities and the supplies.

So these three departments, knowing fully that we do not have the petroleum, that we do not have the facilities, the President should declare an emergency requested by these three

important departments of our government, Defense, State and Interior. Then call upon the Oil and Gas Division, if you will, and the National Petroleum Council to formulate a plan which will result in these things, any plan that is to be formulated to be first approved in its entirety by the Department of Justice.

And that plan is simple. Knowing that we are coming into a winter without sufficient supplies and knowing that we have a substantial increase in demand for kerosene and distillate, with inadequate inventories running at the highest rate we have ever run in our history, straining at every muscle, if I might put it that way, we will not have enough merchandise, and I am convinced that the people east of the Rocky Mountains in the United States will suffer.

Therefore, I think three things, and maybe four, should be done: Recommended by the President in issuing his proclamation of an emergency, the industry east of the Rockies must maximize the yield of kerosene and distillate at the expense of gasoline and each and every unit in the industry do its full share.

We now have units in the industry that are working on an economy of gasoline, don't want to cut in any heating oils, don't feel they have any obligation to do so. And they are large units and small units. I think that degree of selfishness must be eliminated if the problem is to be solved, and it can be solved if these things are done. At least the problem

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can be alleviated.

There is a shortage of 20 million barrels -- a deficiency, let me put it -- of kerosene and distillate in sight for District 2, which will have to be imported from Districts 1 and 3, respectively, the East and Gulf Coasts. These products must be made available in quantity, and the transportation therefor must be made available, particularly by the proponents of such a thing as a hold-the-line policy. I mean, we make those statements, and then don't produce the material.

Now, to get these products from the Gulf Coast into the interior of the United States by substitute or uneconomic forms, let me say not normal forms of transportation, pipe line and barges, we must use tank cars. And we have to pay freight to bring that merchandise up.

And digressing just a moment, I notice the railroads get an authority one day to increase freight rates and make it effective next Monday. They got that authority yesterday, and they make this effective Monday. And I asked myself, "Where does the hold-the-line begin and where does it end?" But that is a little apart in another question that I will bring up later.

Now, the third proposal is in this proclamation that the industry stop its foolish race for octanes, which wastes products. If we didn't indulge in this wasteful, unnecessary, uneconomic race for octanes we would increase the amount of gasoline. We could take care of the full requirements of the Army and the

6 Navy and go a long way toward fulfilling the requirements of the Marshall Plan, if we cut out this silly thing on our part. But no one wants to do it.

The fourth thing, I'd like to suggest that the President announce in this emergency -- and we talked about scarcity this morning, some of us; there is no shortage. The fellows that use the word "scarcity" make speeches that the country is not short of oil.

I want to face this issue because I love this industry -- first, I love this country, and then I love this industry and everybody in it. I mean affectionately I like these guys in the organization. But I am asking them to forget their selfishness again like they have time after time, and you know the only way they will do it is when we regiment them. They won't do it voluntarily.

I made this speech for them complimenting them and myself for what a swell job we have done. But we are through doing that good job. We can't go no further, and we hate like Hell to admit it. I am admitting it to you.

Now, I am not trying to be a wise prophet, but back in October of last year, January and April of this year, I talked almost like John in the wilderness. And everybody said, "Oh, there will be plenty of stuff. That old Slav temperament of yours has got you again and you are excited."

Well, this time the Slav was right, and he is going to

7 brag about it a little bit. Now, we just escaped the <sup>crisis</sup> prices in the Middle West. You know how we did it? We rationed in the Middle West, most of us did. We rationed our customers so that the farmer could have enough petroleum products to plant his crops, harvest them, and again do his fall plowing.

But the rest of the country didn't ration. I swear upon my honor that people, emissaries from the East, and not two wise men, came out to the Middle West and said, "Do business with us and there will be no shortage." You, my distributors won't be short, and they are sitting in this room the tops of those companies are.

I don't understand that kind of logic. And I plead that we do not have government rationing, which is going to be upon us, because this shortage is not only this year, we are going to be short in 1948, 1949, 1950 and 1951. And to solve it we are going to have to have your help, the President's help, and we are going to have to import oil, as much as we hate to admit it.

I'd rather import oil and have my domestic import business go to Hell than have one American say the oil industry failed in its task, in its responsibility, in its job.

Now, this oil in the United States belongs to everybody in it, not only to the guy that has had an opportunity to -- I don't want to use the word "exploit", because that isn't the word. Well, I will get to it in a minute, but what I want to

8 say is that this oil is everybody's oil and that I have had the privilege in a small part to help supply it to the American people, and I want to continue to do it. .

But the President of this country has to declare today an emergency existing east of the Rocky Mountains, and making certain recommendations we can solve this if we get the Department of Justice clearance. But we can only solve it if everybody in this industry will submerge any possible selfish desire. I don't think it is intended, even. People have been going along for so many years on a gasoline economy in the oil industry that they don't know what's hit them, that this diesel oil and this heating oil demand is on us and it is here to stay.

You can't stop this demand by saying, "Don't put in an oil burner." What right have you to say that? Why don't you tell the motor car manufacturer to stop making automobiles. In my opinion automobiles for pleasure are less essential than keeping the diesel engines operating and the farm equipment, which the farms are all mechanized, almost, today, keep them operating, and keeping the efficient part of our transportation system going.

So now that you gentlemen who are here haven't been listening, I have made my statement to the Secretary of the Interior and the Director of the Oil and Gas Division, who are responsible for your being here. If we don't do it, someone else is going to do it for us, but we have got to have some help from you,

9 legal protection, to do a job that can't be solved by talk, platitudes, or even resorting to mumbling of the beads.

SECRETARY KRUG: I would just like to make one brief observation on what you have to say. If this Council thinks, in its wisdom, there are steps that the government should be taking to meet a situation it expects at any time, we want it laid before us. Whether we can do it or not as a matter of government policy is something else. But we want it laid before us.

I assume that the oil industry generally is aware of the conditions that we will face this winter and as an industry doing everything within its power to meet it, and I would not second the gentleman's remarks that regimentation of the industry is going to improve its capacity to meet those demands. But on the other hand, if the industry has in mind steps the government can take to help it meet the problems, those steps will be carefully weighed and their impact on other steps carefully considered.

MR. JONES: As I understand it, it is his purpose to file with the Secretary a memorandum covering these points, at which time he can consider the wisdom of specific action.

CHAIRMAN HALLANAN: Is that your purpose, Mr. Majewski?

MR. MAJEWSKI: That is my purpose in part, but I thought -- maybe I am wrong. Maybe somebody here has got this oil. Has anybody got this oil in volume necessary to overcome this

deficiency. Does anybody dispute the figures and statements I am making? If they do, if they do have the oil and if I am wrong in what I am saying, then I will put said body into said seat and relax.

But even the Secretary, I thought, would come forward with something from my peregrination, and that was this: Certainly the President of the United States can proclaim that home owners and industrial users should conserve all fuels. You yourself said that gas, coal, oil, all these various items making up our fuel and power economy, are short. Why don't you proclaim to the people of the United States, through the President, that we should economically and efficiently use all of these products?

SECRETARY KRUG: That has been said three or four dozen times.

MR. MAJEWSKI: I was wondering if you don't have to repeat these things.

SECRETARY KRUG: Maybe so. Certainly no harm in it.

MR. MAJEWSKI: The Indiana governor and Mid-western governors are proclaiming it. It will save transportation, and I think the President could do that.

I don't know, Walter, Maybe I am making a pest of myself, but I feel like you do, a responsibility and we are not fulfilling. You can move on to another item on your agenda which will conclude, almost, this meeting. But there are the brains

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of the industry in this room. I am only a small figment in it. But I look around this room and I find the greatest intelligence in this country, part of the oil industry, not strangers to the subject, and I am wondering if they have any reaction as to what can be done.

MR. HILL: Mr. Chairman, I would like to make an observation. The Secretary created this organization pursuant to the authority granted to him along specific lines by the President of the United States. Within the scope of that authority he invited certain members of the industry to serve upon this Council and very graciously and generously awaited our determination through a committee of 15 selected by the membership to chart the course and to submit to the Secretary and the Oil and Gas Division the limits within which both he and we could safely proceed under principles listed by him from the Department of Justice.

We spent a period of 90 days of legal study and screening, as well as the consideration of procedural effectiveness and brought in a report, which was adopted by the members of the Council and then either thoroughly approved or at least abided by without complaint by the Secretary and his department.

Both under the opinion of the Department of Justice and our own determinations we felt that we could only safely proceed when matters were initiated by the Secretary or the director of the Oil and Gas Division and for the protection of the

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members of this Council from deliberations that might be construed to be illegal, we selected from our body a group that would make recommendations upon the consideration, or lack of consideration of matters proposed to us for study and recommendation.

In order to be sure that every member of this Council might of his own volition bring up a matter, it was provided that at his free election any member of the Council could submit, in or out of season, <sup>to</sup> the Secretary or the Director of the Oil and Gas Division any matter which he thought of sufficient urgency to be considered by them and by us.

That procedure has been followed for over a year. That is a procedure that is still available. That is something which we have set upon ourselves and asked their approval of for our own protection. All of us do not always agree about what is or what is not a safe and legally permissible subject of discussion.

I do not feel that this meeting should pass without saying to the Secretary that I think that that still is the prevailing sentiment of the members of the Council and that that is a very safe and a workable procedure. We have considered and have passed upon and have approved at this meeting matters submitted no later than yesterday afternoon that had their origin and written submission, and that went through this procedure.

A matter of this sort that has just been discussed could

have been transacted over the noon hour. Therefore, there is nothing, Mr. Secretary, in my opinion, that prevents the timely and orderly and the quick dispatch, either by approval or disapproval of anything that the Secretary or the Director of the Oil and Gas Division or any member of the Council might think worthy of study, of reports and action in the form of a recommendation.

And I believe it would be not conducive to the conduct of an orderly and sober, serious ascertainment of the bases for advice for the Secretary to come in and verbally submit off the cuff questions for decision by debate and vote, and in like fashion I do not think it proper that when the Secretary comes here that a member of the Council should make such a proposal as any member might feel called upon to make and call for an extemporaneous decision and short-cut the procedure which we have with great deliberation established.

MR. MAJEWSKI: Mr. Chairman.

CHAIRMAN HALLANAN: Mr. Majewski.

MR. MAJEWSKI: I didn't ask the Secretary for an extemporaneous decision. I didn't realize that I was asking it.

Now, I would like to ask you a question and propound three matters to you as chairman of the Agenda Committee in the manner you describe "off the cuff." Will your Agenda Committee consider the proposal of mobilizing all supplies and transportation facilities, and by supplies I mean crude oil and

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petroleum products of all descriptions on an allocation basis in all of the United States east of the Rocky Mountains -- proposal number one.

May I finish them, and then I will sit down and you can answer them.

Two, will your committee consider and approve the proposal to limit octanes to 74 for house brands and 78½ for premium ethyl gasoline, which will save considerable amount of gasoline and heating oils which will be available for the military and for the consuming trade?

And thirdly, will your committee consider a plan to maximize the yield of heating oils and diesel fuel oils at the expense of gasoline?

Those are the three proposals I present to the Agenda Committee now for consideration at an early date.

MR. HILL: Well, I'd like to answer that very briefly, Barney.

MR. BALL: Mr. Chairman, I think it is proper to say that Mr. Majewski is going too direct a route to the Agenda Committee.

MR. HILL: That is what I was going to say.

MR. MAJEWSKI: Majewski is so damned anxious to serve the public that to Hell with red tape, says he.

A MEMBER: Why didn't you submit this a week ago?

MR. MAJEWSKI: A week ago I was in bed, John, or I would have submitted it.

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MR. HILL: Barney, before lunch I didn't know what was on your mind, and nobody can question my devotion to you personally, professionally, politically and every other way, but I suggested to you before lunch that if you would do like everyone else and submit in writing to the Secretary of the Interior whatever you desired to do and if they found that they were able, either the Director or the Secretary, to make a decision as to whether they approved or disapproved and they followed the established procedure and submitted it, Mr. Hallanan and he referred it to the Agenda Committee, that during the noon hour I would undertake to assemble the Agenda Committee.

Now, any problem that you have is no different from one that I have or any other member of the Council has. You could have done that before noon, and if they had thought that in their wisdom this was the type of thing which the Secretary of the Department of the Interior should seek the advice of this council upon, they could have transmitted that to Mr. Hallanan, and he could have transmitted it to me, and the Agenda Committee would have met, as I urged you to do.

I think you can well understand that, of course, the Agenda Committee cannot consider anything that you submit directly to them in the teeth of the established practice that we all agreed upon and in which you participated as a member of the committee of 15, and not forgetting that you were a member

of this Agenda Committee yourself and asked that somebody else be appointed in your place.

MR. MAJEWSKI: I don't want to take up a lot of time, but let me just say one more thing. George, I love you, too. That was the lousiest answer I ever heard to what I said.

You are not doing it for me. I don't want you to do anything for me. I am not asking you to do a thing for me. I am interested in this oil business, fulfilling its responsibility.

Now, if I have transgressed against some words on a piece of paper, I am sorry, and I will never transgress again, because I won't bring proposals before you. I will go where they will be listened to. And this is no threat. I am so determined to see that the Mid-west gets its fair share of oil that I will go to every end to accomplish it, whether it means my demise in the oil business or not, with my own company or competitively.

And when George tells me at 20 minutes after 12 today when he spoke to me, that I should have it ready by the time I get back, I think that's again that tweedle-dee and tweedle-dum. And all I ask you, if you can't do it today, when will you do it? I didn't ask George's committee to give me an off-the-cuff answer. I said at the earliest date, because there is a crisis confronting us, and your whole industry's reputation is at stake.

I will say no more.

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CHAIRMAN HALLANAN: Mr. Majewski, may I ask you this question. Do you have any objection to submitting to the Secretary in written form the proposals which you just now directed to Mr. Hill?

MR. MAJEWSKI: I intended to do that, because I thought I could have protection, because there is so much that should have been done today and before. I intended to do that.

SECRETARY KRUG: I would just like to make this suggestion. I have to leave this meeting in a few minutes, and I don't want it to appear that I am dictating the way this council should operate. I realize that there are dozens of questions that the petroleum industry is interested in as an industry. There are dozens that we in the government are interested in that affect the petroleum industry, and those that affect us are interrelated with a lot of other questions that affect other industries and I suppose likewise your own problems.

I also recognize that no council of this kind can operate without some ground rules if you are going to have anything of an orderly discussion of the pressing problems. At the same time I think that all of us admit that there are at least three areas where your interest is primary our interest is present, too, and it seems to me at the time we set up the council it was these three questions that were foremost in our minds -- I might say three areas of responsibility, rather than three questions.

Number one, the industry has to meet all of the demands of the nation for oil.

Number two, it should do that at the lowest possible cost to the consumer of petroleum products, and

Three, in line with number one and to whatever extent number two is involved, it should be done, that we make the maximum use of our oil resources and conserve them for the maximum length of time.

Personally, I think number one is so important that we at all times should be alert to be doing whatever we can to make sure that this country never has a shortage of petroleum products. I realize that when you get into a period where any set of contingencies might create a serious problem there are all kinds of ideas about what ought to be done about it. Mr. Majewski has some ideas, and I suppose some other gentlemen have other ideas.

It is important that the very best ideas of industry and, to the extent we can help, the government are called upon to get the best solution. I certainly agree with you, Mr. Majewski, if we don't have the best solution somebody is going to come around and try to offer one, and it may be a lot worse than the one we get on our own, assuming there is one.

I am concerned about what is going to happen this winter, and I am sure you gentlemen are, because you have told me from time to time that you are. Wouldn't it be a reasonable propo-

sition to set up a special group of the Council to immediately start an appraisal of what the situation is and the various steps that might be submitted by various members of the Council in dealing with it so that if necessary at a special meeting of the whole Council, and certainly through meetings of this group, we can be alerted as to steps that might be taken to meet the situation that might come this winter? If it doesn't eventuate we are not in difficulty. If it does, we have taken the steps to prepare for it to the best of our ability.

I am suggesting that without being acquainted with all of the discussions that probably transpired here today, but I do feel a real and personal responsibility that our cooperative efforts are producing the maximum result in meeting the demands of our people for petroleum products in the period ahead.

The use of subcommittees of that kind have worked very effectively in the past and unless somebody has some better suggestion, I should think a group of that kind actively reviewing the serious proposals and giving us the benefit of their advice would be an exceedingly helpful step for the future.

DR. WILSON: Mr. Chairman, the Secretary may recall that a similar question was raised this spring and separate committees were appointed by the Council which reported at our last meeting on the crude production, availability, the refining

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availability and transportation and all those factors. I am not saying those are up to the minute. There may have been some development since then, but we had a committee of experts in each field, and it is hard to summarize a thing as complicated as that in a few words, but basically it was indicated that the shortage that we were faced with was one of transportation, and that was spelled out in considerable detail, and certain recommendations were made in connection with that. And I still think that transportation is our fundamental shortage, both tankers and pipe lines, and tank cars in the Middle West.

I am going to have to go shortly, so I would like to advert to another thing that we were discussing when Mr. Secretary came in. I attempted to answer Mr. Roeser based on my understanding when I shouldn't have and when Mr. Ball knew the right answer. He said some oil was coming in tankers from the Middle East to the Atlantic seaboard.

I agree with you most of it is going to the Mediterranean. I agree with you that is a waste of transportation. If there are any products going to Europe in private tanker of the same character of those being taken by Navy tanker to the East Coast that they ought to be exchanged and we shouldn't waste tankers in that cross-haul.

MR. RUSSELL BROWN: Your first field of activity I was impressed with. That is the question of working together to insure a supply of oil within the United States to meet these

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requirements.

Yesterday I had a letter from you in which you said you approved the allotment of steel going to the Trans-Arabian pipe line. You said that you did it reluctantly. I was wondering if in that field we might not have been some help to you to have had the advice of the Council on that. I suggested that and it was done before advice was asked.

SECRETARY KRUG: I think that kind of question could have come before the Council, and I think objectively we ought to have a more personal relation to the field. It was our own feeling that so impressing were the data as to the contribution that that pipe line would make to the total oil supply, including our own, that there was no possible question in anybody's mind once he saw the facts. Mr. Ball has those facts. They ought to be made available to the Council so that the Council does know the true story of what the Arabian pipe line will mean and what it will do in oil supply.

If any of those facts are controverted by the Council it isn't too late to do something about it.

MR. RUSSELL BROWN: I think the main thing is I wanted to be sure we had an opportunity to discuss that.

SECRETARY KRUG: I am sorry that I have to do that. I do hope the council today will re-examine our working relationship and make sure that we are set up to do everything within our power to meet these critical problems, particularly in the

three areas that I mentioned. If we don't have the most flexible setup that produces an orderly result, let's try to get it. But I think the supply of oil for this country is so vital to so many people that we should leave no stone unturned in making certain that we have the best, most workable plan for getting the best council of industry, the best council of government meshed together to do the best job.

I know that is the hope of the Council, and it certainly is my hope, and we would be glad to adjust my procedure to fit in with that end.

CHAIRMAN HALLANAN: Thank you very much, Mr. Secretary.

(Applause.)

(At this point Secretary Krug left the meeting.)

MR. RUSSELL BROWN: Now, Mr. Chairman, in view of the statement of the Secretary of State, if it isn't too late I would like to have Mr. Ball explain the views on that why he turned down the suggestion of letting the Council advise him on it, and perhaps we might go along with him. Certainly I think we are entitled to know why.

He did, it's true, in Mr. Krug's letter, say he did it reluctantly. I had a very important case before the court one time in which the girl said she did it reluctantly, but the damage was done just the same. And I want to direct his attention to the fact that even if you do it reluctantly sometimes the damage is just as bad.

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You also in the same letter -- that is one other question that I didn't raise and I do want to raise -- stated that the Trans-Arabian case seemed to be the case of one company, and I wonder if it is advisable for this Council to advise on that.

Now, if you looked at it as just a one-company proposition you missed the whole point, and I'd like that discussed too.

MR. BALL: Which way do you want me to go? Do you want me to get into that discussion or to go through with the tanker thing and shipyard strike?

CHAIRMAN HALLANAN: I think inasmuch as Mr. Ball was on the tanker matter that we had better conclude that, Russell.

MR. MAJEWSKI: Walter, may I say at the proper time will you try to tell me where the Hell I am at. I know I am going to persist until you adjourn, and then after that there is only one alternative left.

MR. BALL: Since I seem to be on the firing line at the moment, shall I just make an answer?

CHAIRMAN HALLANAN: Whatever you wish.

MR. BALL: Addressing myself to your inquiry, Barney, what you have proposed is an extremely far-reaching series of steps, or a stairs with a series of steps to it, so far-reaching that I might say in peacetime it is revolutionary. You wouldn't want me to have an opinion on it off the cuff.

MR. MAJEWSKI: I didn't ask for that.

MR. BALL: I know it, and I don't think you expect it.

Now, the thing that we all labor against, the thing to which the Secretary just referred and the thing that comes up here -- it affects Russell Brown's inquiry, too -- is the size of our machine and the length of time it takes it to function. It is like the mills of the Gods. It grinds exceedingly fine but it grinds slowly. And I know what you are worried about is that if you present this to me in writing or to the Secretary in writing and we wait until the next Council meeting before anything is done, that's in January, I mean, the next regular date for Council meeting, that's in January and the damage is too late then to do anything about this winter, much.

I would suggest that you give us your proposal in writing. I can assure you -- don't have to assure you, you know -- that it will get the most serious consideration. There may be some things that off the bat and quickly can be done without further consultation. If there are other things in it that seem to us to be practicable and worthy of the Council's further consideration and on which we need Council recommendation and study and advice, the nature of the situation is such that much as it means to you all in time and money, we would have no hesitation calling the Council back in a special meeting to consider those things.

Now, does that answer you?

MR. MAJEWSKI: Yes, I am going to follow through and put before you and before the Agenda Committee and ask for some

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quick action, this serious matter. It won't wait until January. The oil industry can spend twenty million dollars in public relations activities, and for each dollar that they spend it will be throwing it down the rat hole.

They are not doing their job, all of them, and equitably, and they ought to be censured for it, and that is what I am attempting to do today. There shouldn't be any need, if I might be permitted, to tell people that they ought to maximize the yield of heating oil, if that's the essential thing. There shouldn't be any need to tell the selfish few that they ought to quit starting an octane race that is unnecessary. There shouldn't be any need for this conversation, and yet, do you know that's the only way you can tell it to these people that do it?

Somebody has got to do it, and Mary's oldest boy likes this industry well enough that he wants to tell them to do what they ought to be doing now without any - as Jake says - government control. But I tell you, the people come first, and if you don't do it, you ought to have government control.

CHAIRMAN HALLANAN: Mr. Ball has the floor, and I think as a matter of courtesy we should permit him to proceed, because he is attempting to answer some of the questions that have been asked.

MR. BALL: I am not worried at all about the courtesy of the situation, Walter.

Walter says we don't want to get too many balls in the air at once. (That isn't what he said, but it is my interpretation.)

I was talking a minute ago about the tanker situation and how serious it is, and again I am going to have to explain myself to Barney. Let me put it this way, Barney, as an amendment to what I said before: There are products piling up on the Gulf Coast that should be at the points where they are needed, whether it is in the Middle West or on the seacoast. Now, as I understand it, transportation facilities in the Middle West are working pretty close to capacity, and so are transportation facilities to the East Coast and the East Coast thing resolves itself, of course, into a matter of tankers.

And just within the past 24 hours I have been told that a large refinery on the Gulf Coast is having to cut back because the products can't be lifted. Now, that's a serious situation when we need every barrel of refining capacity we can have in the United States.

Now, if you want to know what has made that come about, there are several factors, and one of them has been the shipyard strike, because these tankers have to go into the yards every now and then for overhaul between voyages. And we had asked Mr. Hollander of the Labor Department to tell us today how the shipyard strike looked and what is tied up by the shipyard strike.

Mr. Hollander was here this morning but he couldn't be

here this afternoon, because he had another meeting to attend. But he gave me these figures. Approximately half of the more than 60,000 workers who originally went on strike on June 26 in the shipyards are still out, mainly in the Bethlehem yards.

But the ships that are now held up by the strike are seven under the United States flag, four under the Panamanian flag, four under the French flag, three under the Norwegian flag, one under the Italian flag and one under British. Those are all held up in the Bethlehem East Coast yards.

That is quite a bunch of tankers, when you add them up, that ought to be out in service at a time when tankers are short. He told me to pass on to you -- I mean, these are questions that I asked him and I told him that I would try to convey his report on to you for your information, that it looks as though that strike would end sometime within the near future, not in a satisfactory settlement but in a resumption of work. So that we will begin to get tankers coming out of the repair yards at least sometime within the next month or two, and even a few coming out will help very materially.

That covers the labor front so far as I had it in mind.

MR. MAJEWSKI: Will you permit a question, Mr. Chairman?

CHAIRMAN HALLAHAN: Surely.

MR. MAJEWSKI: Why shouldn't plants and workers during an emergency be required to work during negotiations? I mean, if

the emergency is there, why shouldn't the government require them to be operating if there is an emergency?

MR. BALL: We didn't even succeed in getting that during the war.

MR. MAJEWSKI: It seems to me we ought to make a good case to the government and operate instead of strike and create a greater emergency.

MR. BALL: One reason we are short of coal this winter is because of coal strikes in the last two years which have cost scores of millions of tons, and that aggravates our whole overall fuel shortage.

MR. RUSSELL BROWN: While you are on that tanker business, may I ask you a question on that? We had a very good tanker report made here in June -- now, that wasn't so long ago -- in which it showed we had available 795 tankers, that we required about 60 tankers for imports into this country from the Caribbean, leaving 456 tankers for any national emergency. Do you mean they have all been wiped out?

MR. BALL: No, not all of them. There are still some tankers in the laid-up fleet, but it is very much reduced from that.

MR. RUSSELL BROWN: How many are left, do you know?

MR. BALL: Ninety-six T-2's.

MR. RUSSELL BROWN: Any reason why they should remain there in the mud?

MR. BALL: That is being the subject of a series of conferences at the White House level, Russell. There was a meeting held last week to see what steps could be taken to get those tankers out of the mud and into operation. And I think I can simply say to you that every possible pressure to get that done as fast as possible is being put on.

There is another meeting at the White House this afternoon that I couldn't attend because I am here, and that is why Mr. Hollander is not here; he is at that meeting.

MR. RUSSELL BROWN: The reason I raised that is because the man that got the steel, I wanted to say here, says he got it because there were no tankers available.

MR. BALL: Even when those 96 get into operation we are still short world wide. The sad fact is although the tanker situation looked good in June, today it doesn't look good at all, even looking ahead through the years.

Now, when you come to estimating what tanker requirements are going to be needed three, four or five years from now, you almost get into crystal-ball gazing, because you have got the question of what are your tanker rates going to be, whether these old Liberty ships, for instance, can be operated that have been converted into tankers and whether the little T-1's will be in operation and whether anybody will go to the cost of operating the Mission Pack (?).

These are things I know nothing about. Lord knows I am

not a tanker man, but like a lot of other things to learn a little smattering of these days. By forward look that we have been able to get or 1941 the world will either be short of tankers or will be barely in balance, provided that all of these lines being discussed in the Middle East are being built.

Now, that brings us right down to Trans-Arabian. I may say this, taking your queries up one at a time, Russell, why we didn't submit this Trans-Arabian thing to the Council. It was a time factor that we didn't control, because we don't have the say on exports. We simply advise the Department of Commerce, and they called the turn on when the thing was considered and when it was acted on. And there simply wasn't time and no way to delay it until a meeting of the Council.

Now, we went before the meetings of the committees which we attended, and we put up more argument as to the need of that steel in this country than anybody else, and we made it strong. There were people there who said, "Well, after all, this steel is going to be converted into 30-inch pipe, and there isn't any need for 30-inch pipe in the United States."

And we said, "You are wrong on both counts. As a matter of fact, 30-inch pipe would be snapped up by gas companies which need it and need it badly to put fuel into the Middle West which would help to relieve the oil situation, because it would be relief to the general fuel situation. That pipe

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itself could be used and would be used right here in the United States."

"Moreover that pipe has not yet been made, and every bit of steel that goes into that pipe could be converted into casing, into drill pipe, into line pipe, every single foot of which the industry of the United States could use and use right now if it had it."

We said, "We want you to understand that that is true and that when you make this decision you are making it on the basis of the fact that everything you export to Trans-Arabia could be used right here in the United States by the oil and gas industry right now."

Now, as I say, we put up a stronger argument than anybody else did as to need for that steel in the United States. Now, facing those facts, we had a lot of other things to consider. This matter of tankers was in my mind just about the uppermost, that if we have the Trans-Arabian line in operation by the middle of 1950, as it is hoped, there still will not be enough tankers to meet world supply.

And I don't think you can get away from this basic factor, that world supply is so tight and world need so great for petroleum products that a barrel of oil anywhere in the world today is pretty close to the equivalent of a barrel in the United States, because no matter how much we may want to protect our American industry and our American standard of

living, there is a limit below which you can't cut other countries. And if oil for Europe doesn't come out of the Middle East it is going to come out of the Caribbean area, or it is going to come out of the United States, maybe not all of it, but enough of it to hurt us worse than we are now.

So our initial position on this, you know, was if we can't give them bread, let them eat cake. In other words, we can't spare this pipe, let them use tankers, we have got tankers in abundant supply. But when we got to digging into that one we were just forced to the conclusion that tankers are not in abundant supply, and tankers will not be in abundant supply. And then when you start to convert pipe line into tanker, in other words, when you start to figure that you have got to make the tankers to take the place of the pipe line, then you get to the point where you are using more steel for tankers and a great deal more time than you will have to to build the pipe line.

Now, it was a tough decision to make. That's why when we finally cast our voice and said we favored granting this license to export, we said, "We do it with the greatest reluctance," but we did cast our voice for granting the license.

There were reasons of security advanced by the Army and Navy which, of course, had their weight with us. There were reasons of statecraft advanced by the State Department that had a great deal of weight with us. The State Department made what

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seemed to us a very convincing case for the need for this as a matter of international policy.

But basically our decision got down, supported by these other things, to the question of where can that steel be best invested to keep the world going through the next four or five years petroleum-wise.

MR. RUSSELL BROWN: You have really got me confused now. Let's see if I understand you. You said it was a pressing matter that had to be passed on now, is that correct? You said the time became a very important element, because this permitted ships to be available. And then did I understand you to say it wasn't even fabricated yet?

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MR. BALL: I think some of it is being fabricated now.

MR. JONES: At the time he made his appearance.

MR. RUSSELL BROWN: Do you know whether it is now?

MR. JONES: Some of it is fabricated. It is being fabricated every day.

MR. RUSSELL BROWN: Now I wonder who makes this policy, the Congress or the Departments. The Congress in setting up this authority made a very definite statement that under no condition should this be done if it injured the domestic production at home.

MR. BALL: Domestic economy.

MR. RUSSELL BROWN: Domestic economy, that is correct. "No such priority based on the certification of the Secretary of State shall be effective unless and until the Secretary of Commerce shall have <sup>arrived</sup> saved himself that proposed action, will not have any unduly adverse effect on the domestic economy of the United States."

Then Congress remade this declaration of policy. In that connection, "Congress hereby declares that it is the general policy of the United States to eliminate shortages of war time material to the extent necessary, (1) to protect domestic economy from the injury which would result from the adverse distribution of materials which continues in short-world supply."

That is generally admitted we are in short supply here at home. I know that to be true. I have just gotten back from

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where wells are being pulled, casing pulled out of them to get casing for wells that might produce more oil. I also know of hundreds of wells that are not being drilled because of lack of material and also I am conscious of the fact that for 5 years we have listened to this lack of steel because it is necessary for somebody else in war economy.

We are short 67,000 tons of steel that we need for the petroleum industry, because that is a matter for you people to determine after Congress has determined on it and then you go counter-decision from what they have told you to do.

I am trying to get myself clear on this. That is why I thought--beginning back in June we submitted all of this to you hoping that you would ask the industry to take a look at this. Then I have repeatedly called it to your attention since June. Certainly between that time you have had an opportunity. It couldn't have been so pressing but what we could have looked at it, and if these compelling things are to be brought to the Secretary of the Interior so that the argument seems so strong-- I mean the argument when he has only heard one side of it. He didn't hear ours because he didn't submit it to us and yet his argument was so compelling that he could jump the guns and decide before submitting it to us.

MR. BAIL: Russell, you say we had this all before us in June.

MR. RUSSELL BROWN: June 11, I submitted it to you.

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This petroleum industry is our peculiar thing near to our hearts, and what we were trying to use our best judgment on -- and that's all we have got to use -- was what is going to leave the United States in the best position petroleum-wise over this period that we have got to look forward to.

Now, as to consulting with the industry, when we got to that stage there wasn't time to consult with anybody, and Commerce was calling the meetings.

We did have though, Russell, and we gave very careful study to and used, I might say, a number of the things out of it, the splendid brief that you submitted, so that we were not operating in the dark, so far as the arguments that you would have adduced because we had them before us in writing.

MR. RUSSELL BROWN: Mr. Krug said the thing wasn't too late yet to take action on.

MR. BALL: No, I don't think that's quite true.

MR. RUSSELL BROWN: I am trying to figure, what is the hurry, because we had 600 tankers here a few months ago. Now could that have affected this? My mind doesn't grasp that. Particularly when there are 90 over here in the mud now.

MR. BALL: It takes quite a while to get them so we can get them out.

MR. RUSSELL BROWN: It takes a while to get this pipe line, too.

MR. BALL: I know it does. I confess, Russell, I don't

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MR. BALL: We had in June your discussion here. We had in June the report of our tanker committee. We had a situation which looked to us as though the Trans-Arabian line could be deferred. We so voted in July at a meeting that the Trans-Arabian line be deferred.

But then comes along a lot of change in conditions and particularly this change in the tanker situation. And when I say we voted no in July, we said this.

We said, "So far as the petroleum situation is concerned by itself, we think this license should not be granted. But we think that before a decision is reached that both the international aspect of it should be considered by the State Department and the security aspect of it should be considered by the Army and Navy," neither of whom were represented at that meeting.

So, in the course of time, Commerce, which has the final decision in these things, explored those phases and by the time these meetings were called recently, when the thing came up fairly suddenly, that a decision was going to be made in order that shipments could start with the fourth quarter. The tanker situation had changed completely from what it looked like in June and it was that, as I say, that mainly influenced us in deciding to cast our voice the other way.

Now I don't think that we have gone contrary to the mandate of Congress because I think the effect on the domestic economy--and Russell, we were thinking in terms of the domestic economy.

know where the tankers went all of a sudden, but I know they have gone.

MR. RUSSELL BROWN: Don't you think it would be helpful to you that we would make the study of this tanker situation and oil pipe line and steel situation and that you ask that this be held up until we have had a chance to report to you on that?

MR. BAILL: As a matter of holding up the line, Russell, we were pretty well convinced by the facts laid before us by the applicant that to hold up the line now longer would mean a year's delay in the line.

Now among the things that we said to the Commerce Committee were these things:

"Don't grant any license at all, unless you are going to go clear through with the thing, because then you are just shipping out pipe that does no good to anybody, either the Trans-Arabian or the domestic industry. Either do this thing or don't do it."

Now, we think that that decision should be made now, because if they don't get that pipe going fast so that they can get it over there and build the line this winter, they can't build pipe line in that country in the summer time, and there just won't be any start on it for a year. So it's either a years delay or to go ahead now.

MR. RUSSELL BROWN: I was wondering if we might not have helped in answering it. You only had of course, the applicant's view. I didn't know he was bringing up all of these. He thinks

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of course, that all the tankers are used. He told us out at Oklahoma City that every one is being used. So we could give you help on answering some of these things and might help us all, and that is the point I am trying to explain and I would like still to have the opportunity to do it.

MR. DUKE: Can we tell brother Brown to do what brother Brown has asked Mr. Majewski to do?

MR. RUSSELL BROWN: This is of the first importance to this Council. That is the very problem that the Secretary said we solve and he put it as number one, the supply of oil in the United States.

MR. DUKE: It has to go through the same channel as the rest of it.

MR. RUSSELL BROWN: That is why I am trying to get before the Council in proper form.

MR. JONES: You have already done what Mr. Majewski was asked to do.

MR. MAJEWSKI: No, I have agreed to do something and what he is talking about and is so delicate about--

CHAIRMAN HALLANAN: May I interpose just a moment, Mr. Brown, to indicate to you that we have reactivated the committee on tanker transportation by the authority of the agenda committee today.

MR. RUSSELL BROWN: That would be one phase of it.

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CHAIRMAN HALLANAN: That is one phase of it that you can develop and it seems to me you have got some place there already established.

MR. BALL: And we have already reactivated the materials shortage committee.

MR. RUSSELL BROWN: Now if you will submit this question to us, we can pass on that.

MR. MAJEWSKI: Mr. Chairman?

CHAIRMAN HALLANAN: Mr. Ball has the floor.

MR. MAJEWSKI: I want to ask him a question right on this subject. I heard him say a most important thing that went right over Russell's head, I think.

When they committed for this 20,000 tons, they committed for the building of the oil line.

MR. BALL: That was our advice.

MR. MAJEWSKI: That's what he just said, and that is what this man wants to look into and I can't see any harm in looking into the other two-odd thousands, if there is no harm done for a year. I think he has got a very real good question.

MR. BALL: Our advice was, "either go through with the thing entirely or don't start it. If you license this initial quarter, why, don't do it unless you are going to license the thing clear through."

MR. RUSSELL BROWN: We would like to take another look at that position and that's why we wish you would submit it to us--

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some of us would. If we don't get an opportunity to look at it, we surely can't provide--

MR. BALL: One thing that we don't want to do is to fail to receive the advice either of the Council itself or of any group in the industry on a thing as important as this, because it is a highly important one.

MR. RUSSELL BROWN: It is too important to depend on some weak brief that I submit. You shouldn't depend on me alone.

CHAIRMAN HALLANAN: I understood the Secretary today to say that he was very anxious to have you go over the data which he referred to as developing very compelling reasons why this should be read.

MR. RUSSELL BROWN: I thought he was then referring to the Council, not me. It won't do any good for me to go over. I have got my mind made up. I am prejudiced in this, but I would like the Council to have the benefit and I thought that is what Mr. Ball was going to give us.

MR. BALL: I would like to read the reply to Russell's letter. Russell's letter wasn't a request for consideration for a reconsideration; it was rather a request as to why the Council hadn't consulted about it.

MR. RUSSELL BROWN: That's my primary question.

MR. BALL: I'd like to read the Secretary's reply.

"Dear Mr. Brown:

" Your letter of September 24, expressing your hope, that

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I would ask the advice of the National Petroleum Council on the export of steel for the Trans-Arabian pipeline before giving my opinion to the Secretary of Commerce on the matter, was received after Interior's position had already been stated to the other Governmental agencies concerned. At the time your letter was received the Department of Commerce had already sought and obtained Interior's views on the matter, which are: that although the need for additional steel for the domestic petroleum industry is urgent, in view of all of the factors involved, including the strategic, diplomatic, and military considerations presented by the Departments of State and National Defense, Interior reluctantly joined with other Departments in recommending issuance of the necessary licenses.

"As you know, the Department was fortunate in having already received the advice of the National Petroleum Council through the excellent reports of the Materials, Government Supply, Transportation, and other Committees on all of the basic, over-all, issues involved in this matter insofar as they affect the American petroleum industry. In addition, we had the benefit of your able analysis of the matter.

"Although the Trans-Arabian pipeline case has been decided, I should be glad to have the benefit of Council discussions as to whether consideration by it of individual

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company projects, and advice and recommendation with respect thereto to the Government, is an appropriate Council activity. Persuasive arguments can be advanced on both sides, and my mind is completely open on the subject."

MR. RUSSELL BROWN: That was the cause of alarm. You seem to have treated that as a one company problem.

MR. BALL: It is an individual competitive project, but on the other hand, of course, it involves much broader things than that and that's why if it had been solely an individual competitive project I think the Secretary would have said right off the bat, "well, it isn't appropriate for discussion before the Council."

But this has broader implications which made the Secretary say that his mind was completely open on the subject as to whether this should be considered by Council.

MR. RUSSELL BROWN: Does that mean that you will submit that to the Council? Is that a request or may I file this letter as a request to you for Council consideration?

MR. BALL: Again we are up against the time factor.

MR. RUSSELL BROWN: We have got the time. They tell you frankly it will be 2 years before they get this thing built.

MR. BALL: They are shipping steel.

MR. RUSSELL BROWN: That rush act gets a lot of people in trouble. Lets don't get into that one.

MR. BALL: If the Council thinks it is an appropriate

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matter for Council consideration and advice, I certainly should not resist the appointment of Council Committee to advise on it.

CHAIRMAN HALLANAN: Major Parten, are you ready to present your committee report?

MAJOR PARTEN: Yes, Mr. Chairman.

"Moved to deepest sorrow by the untimely passing of a beloved friend and colleague, Curtis L. Henderson of Wichita, Kansas, on August 26, 1947:

"The members of the National Petroleum Council, in meeting assembled at Washington, D. C., this 9th day of October, 1947, unanimously record here appreciation of his services to the Petroleum Industry and to this Council.

"Mr. Henderson, for many years, brought to the service of the Petroleum Industry rich experience, wisdom and understanding which has greatly assisted the Industry in meeting its responsibilities in peace and in war.

"He gave unsparingly of his time in active participation in the cooperative programs designed to serve his country and his Industry. His record of service is long. In addition to his duties as President of the Vickers Petroleum Company, Inc., and his membership in the National Petroleum Council, he has been associated with the activities of the Petroleum Industry War Council; Western Petroleum Refiners Association; American Petroleum Institute; Independent Petroleum Association of America; American Chemical Society; American Institute of Mining

LA 12 and Metallurgical Engineers and numerous other Government and Industry associations and committees.

"At all times he met courageously and successfully the many problems confronting the Oil Industry and inspired intense loyalty and unflagging efforts among his colleagues.

"We express our grief in the personal loss to each of us of his friendship, his unfailing ability, and constant devotion to duty. His abiding faith in man and gentlemanly bearing will forever be remembered by his associates.

"Remembering these things, we today record and give public expression of appreciation of the services rendered by Curtis L. Henderson to the industry and to the nation and extend to his family, friends, and business associates sympathy in this mutual loss.

"The Secretary is directed to inscribe these resolutions in the permanent minutes of the National Petroleum Council and the Chairman is requested to present properly attested copies thereof to Mrs. Henderson and her children."

On behalf of the Committee, I move the adoption of these declarations.

(The motion was seconded)

CHAIRMAN HALLANAN: I suggest that the report be adopted by rising vote.

(Rising vote was taken and the motion was unanimously carried)

CHAIRMAN HALLANAN: Gentlemen, under our articles of in-

LA 13 corporation, otherwise our constitution, it is provided that the Chairman shall prepare and submit annually to the Council for its approval at its last regular meeting preceding, an organization meeting, that a budget for the year commencing with the date of the next organization meeting.

Such budget shall not exceed \$50,000. In accordance with that provision, I am submitting for your approval today a budget in the amount of \$50,000 for the ensuing year, which is broken down as follows: Payroll, \$24,000; Rent \$7,500; Committee meetings, travel, and so on, \$5,000; Office supplies, \$4,000; Postage, \$1,500; Telegraph and telephone, \$2,000; Subscriptions, publications, and so on, \$1,000; Furniture and fixtures, \$1,000; Miscellaneous, \$4,000, total of \$50,000.

Now we have a shrinkage in the budget of this year of approximately 20 per cent. It was contemplated that assessments should be made on the membership upon an equal basis and in our practical experience it has been developed that some of the associations represented here and some of the individual members have not felt that they were able to make the contribution to that extent. Now we have kept within that \$40,000 and will have a balance at the end of the year.

So I think that a renewal of this budget of \$50,000 will carry us through the next year even though our income is not any greater than it has been realized during the past 12 months and I submit that at this time for your approval.

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MR. DUKE:

100.

(The motion was seco.

CHAIRMAN HALLANAN: Any remarks?

MR. HILL: Yes.

(Vote called for motion carried unanimously)

CHAIRMAN HALLANAN: So ordered.

Now, Mr. Ball, do you have some concluding remarks?

MR. BALL: I want to bring up a subject or two that is not always pleasant but since you have just adopted a budget, now let me mention ours.

I suppose you folks who went to bat so valiantly before Congress last winter think that we ought to forget budget for a day or two, but we didn't any more than have our appropriation for the fiscal year 1948, which we didn't finally get until well along in July, before we were called down to start making our budget for 1949 and Monday we appeared before the Budget Bureau on our 1949 budget and as I understand it the plan is for the appropriation committees to meet in January and start working on making up their appropriation bills.

So that we will probably be before the House Appropriations Committee sometime in December or at the latest early in January. I thought I would tell you just exactly what we are asking for in this year's appropriation.

As you know we got \$100,000 for what we call our advisory and service activities. Those are the things we do here in

Washington, those are the things that you see and h  
with. And I might emphasize that they are strictly & solely  
advisory and service. They are not control activities in any  
sense. We got \$100,000 for that for those activities and  
\$175,000 for the administration of the Connally-Hart Oil Act.

We have asked for the same amount for the fiscal year 1949  
for Connally-Hart Oil activities and have asked for \$225,000 for  
our advisory and service activities. They are Washington activ-  
ities.

That, we feel, is the least on which we can do the kind of  
a job that you want us to do. Now it's true we are getting  
along this year on \$100,000, but we are getting along at the  
expense of working 10 hours a day, 6 days a week at a pace that  
simply can't be maintained.

I wouldn't want to maintain it myself for very long because  
I don't feel that a man can stand up under it. The tension is  
too high and the pace is too fast. And we are doing too much  
improvising. We are having to answer too many important ques-  
tions without either the staff or the time to dig out all the  
facts that we should have and we are running pretty largely on  
the knowledge with which we came into OGD. Whether we came in  
from industry or PAM and the time comes when we run off the edge  
of that or it will begin to run thin on that.

So we do need another \$225,000 and after all, \$225,000 is  
not a very large amount of money for the type of service we are

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trying to render to the Government  
hope that the Budget Bureau will  
it very favorably. And their  
that they won't go along with  
will be at least fair and generous  
amount.

The Department of the Treasury  
more than it got this year  
this year's ceiling.  
to ask for another \$1.  
Department, which  
thinks that our

at as a whole any

is staying within

has given us the right

use of other parts of the

indication that the Department

is importance.

MR. DOW: I get any reaction from the Bureau of the  
Budget on Monday

MR. BAILL: Such reaction as we got was entirely favorable.

Mr. Bailmore stayed on to answer questions and give details,  
as to what are those things known as the green sheets, balance,  
and so forth. He reported to us afterwards that all the comment  
after Mr. Friedman and Mr. Swanson and I left the meeting was  
favorable.

So we are encouraged to think that the Budget Bureau is  
going to approve what we have asked.

Now I hope that those who are our friends and who believe  
that this work should be continued and that it should have ad-  
equate support, don't forget this year that the time and place

to make yourselves heard is while the House committee is considering this thing and not after the House committee has turned it down or cut it in two, or something else.

LA MR. BRUCE BROWN: Will you have available to the Council any breakdown of what you will do with the money? We all know that you have about four or five people to do all the work, but suppose you did get the \$125,000, what would that mean to us?

MR. BALL: There are four of us on the firing line, Friedman, Swanson, Fentriss and me. We are trying to handle the whole thing, and the result of that is that we are unrepresented at a State Department meeting on the Marshall Plan today. We are unrepresented at this meeting in the White House on tankers today simply because there aren't enough of us to go around.

MR. BRUCE BROWN: And you missed the military meeting for the same reason.

MR. BALL: I had to miss all the meetings of the Military Patrol Advisory Committee because the Lord didn't make me twins, and as a matter of fact, we only had one representative there where we should have had at least two. Four of us just can't cover the waterfront.

That \$125,000 would go into trying to get eight men instead of four to do that kind of a job, just double that number of men to do that kind of a job. Now, those are all generals. This is a Mexican army. Those are all generals. We do need

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some colonels and majors and captains. In other words, we need some men to go and dig out facts for us and analyze them so that we can meet these important questions that come before us with assurance and facts.

Now, in connection with our presentation to the Budget, we made up a partial summary of our advisory and service activities, and it is only partial for two reasons. One is a lot of this stuff goes by so fast and a lot -- important stuff, too, it's handled by telephone -- that nobody gets it down on paper, and we just didn't have a complete record of all the things we had been in, and I know some important things are not included here.

The other is that since this was going to the Budget Bureau and eventually to the committee of Congress, and remembering what was said last year about our existing for the purpose of serving the industry and not for the purpose of serving the government, there are not included in this list services we have rendered that we have considered distinctively for the industry. So that this is a partial list.

Now, I gave a copy to Walter thinking it might interest him, and Walter turned around and said, "I think that would interest every member of the Council," that he would like to have a copy for all of you. So we are going to supply them to him. And I want you to remember when you go through it that it is a partial and not complete list of the things we have done.

There have been some cases that we have alerted the industry of a situation that existed that we thought was highly important to it and might be detrimental to it. Those things are not in here. So that that list is just partial.

Now just one final word. Two or three references have been made today to the fact that reports have been circulated that I was getting to Hell out of here. Now, I think all of you know the circumstances under which I came in, that I agreed to come in long enough to get the thing organized and running, to get a pattern and principles established and to find a successor. It has taken longer than I expected. I don't feel that I can stay indefinitely.

I would like to find a successor whom you folks would like and who would carry on with the same principles and the same ideals that I have tried to do. How soon I can find him I don't know, but I can tell you that there is no immediate or imminent chance of my resigning. I will be with you whether you like it or not for a while longer anyway.

However, I do have something that I wish you would think about and give us some help on. Out of this \$100,000, because of the fact that we have been running short-handed so far, we have got money enough to put on another man, and I would like all the help and assistance that any of you can give me in picking that man.

Now, he has got to be a general. We still have got to run

a Mexican army, a few generals at the top and then our clerical staff supporting it. Every one of us has to be, in the first place, has to know the oil business well enough so that he can take and analyze almost any sort of problem that comes up affecting the economics or operations of the industry and can go to a conference at any level up to sub-cabinet - and any of us may find ourselves in a meeting at cabinet level - and maintain a position with conviction, with assurance and without making more than the necessary number of enemies.

Now, we have got four men who not only can do it but have to do it every day. We need another man of that type and calibre, and if any of you have any suggestions as to where we can find that man, I will appreciate it from the bottom of my heart, because we can use him and we can use him quick.

CHAIRMAN HALLANAN: Thank you, Mr. Ball.

Gentlemen, is there any other matter?

A MEMBER: Mr. Chairman, I move we adjourn.

(The motion to adjourn was seconded, vote called for and carried unanimously.)

(Whereupon, at 5:30 p.m. the meeting was closed.)