

REPORT OF THE
NATIONAL PETROLEUM COUNCIL'S COMMITTEE
ON
MILITARY & GOVERNMENT PETROLEUM REQUIREMENTS
JUNE 10, 1947

CHAIRMAN: J. FRANK DRAKE

REPORT OF THE NATIONAL PETROLEUM COUNCIL'S
COMMITTEE ON MILITARY AND GOVERNMENT PETROLEUM REQUIREMENTS

The Committee on Military and Government Petroleum Requirements was appointed by the National Petroleum Council at the suggestion of the Oil and Gas Division of the Interior Department and was given the following instructions:

"...to ascertain the facts and report to the Council the requirements of the armed forces and other government agencies and to make such recommendations, not involving plans, programs or allocations as may appear helpful in having such requirements duly met."

A subcommittee was appointed by the Chairman, J. F. Drake, to assemble and report upon the facts bearing on the Military and Government Petroleum Requirements. The members of the subcommittee are: H. W. Page, Chairman, R. B. Brown and F. B. Dow.

A meeting was held in Washington at the Hotel Statler on June 10, 1947 and the following members were present:

J. F. Drake	Fayette B. Dow	Howard W. Page
Paul G. Benedum	J. A. Lentz	Reese H. Taylor
Russell B. Brown	B. L. Majewski	R.G.A. van der Woude
E. DeGolyer	J. Howard Marshall	

In addition, the following alternates attended for committee members:

H. W. Ferguson	for H. C. Wiess
John Boatwright	for B. K. Brown
J. S. Worden)	for W. S. S. Rodgers
A. W. Stearns	

The following members were unable to attend and were not represented by alternates:

B. H. Dresser	J. L. Taylor
R. G. Follis	Ralph T. Zook

In addition to the above, the meeting was attended by Max W. Ball, Director of the Oil and Gas Division of the Interior Department and Robert E. Friedman, Oil and Gas Division of the Interior Department. During the afternoon session, starting at 2:30 P.M., members of Petroleum Procurement Agencies attended:

<u>Army-Navy Petroleum Board</u>	<u>Bureau of Federal Supply</u>
Colonel G. H. Vogel	W. E. Gannon, Purchasing Officer
Captain Ralph E. Wilson, U.S.N.	Frederick R. Speed
Captain Paul P. Blackburn, Jr., U.S.N.	

In addition, the afternoon session was attended by M. S. Jameson, Jr., Independent Petroleum Association.

The report of the subcommittee, previously distributed, was discussed and accepted. A copy of the subcommittee's report is attached hereto. This report embraces -

- 1 - Total government purchase requirements for petroleum, both military and civil, summarized by areas of desired purchase and by principal product classifications.
- 2 - Suitable alternative areas of purchase.
- 3 - Minutes of Subcommittee Meeting May 20, 1947.
- 4 - Complete statement of military purchase requirements, broken down by products, areas, and quarterly periods for the fiscal year 1948.
- 5 - Quarterly requirements of Federal Bureau of Supplies, fiscal year 1948, broken down by regions and products.
- 6 - Questions asked Government Procurement Agencies by the subcommittee regarding methods of procurement and replies received.

A supplementary report from the Army-Navy Petroleum Board, requested by the subcommittee, showing coverage of total requirements for the fiscal year 1948 as of June 9, 1947, is also attached. It should be noted that this is an interim report and does not include bids on aviation gasoline which were scheduled for opening on June 12, 1947.

The report indicates that residual fuel oil coverage from the Persian Gulf is 1,500,000 bbls. in excess of the amount shown as a requirement in the subcommittee's report for the first and second quarters of the fiscal year. The requirements from United States/Caribbean sources, therefore, will be less than shown by 1,500,000 barrels in each of these quarters. No coverage was shown from the Persian Gulf for the third and fourth quarters of the fiscal year. It is the understanding of the committee that it is reasonable to expect offers will be made in relation to the requirements shown for the third and fourth quarter at a later date.

The Committee asked for comments by the members of the Army-Navy Petroleum Board and the Bureau of Federal Supply who were present at the afternoon session.

The Committee was informed by the Army-Navy Petroleum Board at the Bureau of Federal Supply authorities that if there are any provisions in the government invitations for bids which any supplier believes he cannot meet, the government will be glad to consider bids subject to such specific reservations or modifications as any supplier deems necessary. It is believed that this attitude on the part of the government, if made known to the industry as a whole will encourage additional offerings from a wider number of suppliers.

The Committee discussed the physical problem of supplying the very small quantities of 80 octane all-purpose gasoline indicated as required by the Army. The quantities of this special grade of gasoline are so small that in many cases it would be impractical for refiners to attempt to segregate equipment and tankage for the preparation of this material. Also, to the extent that it can reasonably be produced in a few localities, the distribution by the Army to the point of consumption would require a disproportionately higher use of transportation facilities than if the requirements were obtained in local areas. For these reasons, it was suggested that under present conditions the Army give careful consideration to the possibility of using commercial grades of gasoline rather than this special grade. Information obtained by the subcommittee to the effect that the armed forces would consider the purchase and use of 100/130 aviation gasoline containing more than the specified 3 cc's of lead per gallon was brought to the attention of the committee. It was felt that the industry, as a whole, should be acquainted with this information, as it was believed that relaxation of the lead specification would result in increasing the number of suppliers who would be able to bid on this material.

The Committee, in discussing the overall supply situation in its relation to the availability for military and government requirements, concluded that the immediate situation is complicated by the shortage of all transportation media -- water, railroad, and pipe line. This shortage exists, in turn, because steel and other materials have not been, and are not presently, available in adequate quantities for the new facilities which have been projected to meet the rapidly increasing petroleum requirements. These requirements have already reached a level considerably above the peak demand of the war period, as well as that of any previous peace-time year. The Committee also was advised that some individual companies have already taken steps to improve the transportation situation by more effectively using existing facilities. Examples were cited where trucks were substituted for tank cars on short hauls, thereby releasing tank cars for required long distance movements. Steps have been taken to improve the turn-around time on tank car utilization by faster loading and unloading and maintenance of these operations on Saturdays and Sundays. The tank cars released by such activities have enabled several of the companies to obtain train-load movements of crude oil from areas where pipe line facilities are presently inadequate to handle full efficient production.

It was the Committee's opinion that a further improvement in the transportation situation could result from additional companies analyzing their own operations to reduce or eliminate cross-hauls and improve loading and unloading operations. Such further improvement would, in the Committee's opinion, materially aid in increasing current supply and, thereby, increase petroleum availability for offering against military and other government requirements.

The Committee wishes to emphasize the extreme importance and necessity of the continued availability of tankers now made possible through existing legislation which will expire June 30, 1947, unless extended.

The supply of the government's petroleum requirements is, of course, a matter of first importance. These requirements have been met at all times in the past, and there is every reason to believe that they will be fully met in the future. The response to the government's request for bids is a matter which properly calls for individual company action. To insure the fullest freedom in purchase of supplies, it is recommended that, not only those suppliers who have heretofore responded to requests by bids now respond to the fullest extent of their ability, but, in addition, that all other suppliers bid on government business to the maximum extent possible. It is felt that this is desirable -- not only that the government agencies may obtain the volumes they require in total, but that adequate offers will be available from which Governmental Procurement Agents may select those offers which are most suitable for their operations.

Respectfully submitted,

J. F. Drake, Chairman
Paul G. Benedum
Bruce K. Brown
Russell B. Brown
E. DeGolyer
Fayette B. Dow
B. H. Dresser
R. G. Follis
J. A. Lentz

B. L. Majewski
J. Howard Marshall
Howard W. Page
W. S. S. Rodgers
J. L. Taylor
Reese H. Taylor
R.G.A. van der Woude
H. C. Wiess
Ralph T. Zook

June 10, 1947
Washington, D. C.

REPORT OF THE SUBCOMMITTEE
OF THE NATIONAL PETROLEUM COUNCIL'S
COMMITTEE ON MILITARY AND GOVERNMENT
PETROLEUM REQUIREMENTS

As requested by J. F. Drake, Chairman of the main Committee, the Subcommittee has obtained the full Military and Government Petroleum Requirements for the Fiscal Year 1948. This information is consolidated and summarized and compared with recent industry refinery operations in the United States and by American companies abroad to give an indication of the relative size of these requirements in the various supply areas, as follows:

Total Government Requirement
for Principal Petroleum Products Average
for Fiscal Year 1948

	<u>Requirements (a)</u> (Barrels Daily)	<u>Crude Runs</u>	<u>% of Crude Runs</u>
West Coast	131,900	861,000	15.3
Gulf/East Coast (e)	112,200	2,359,000	4.8
Inland (f)	19,200	1,750,000	1.1
Total U. S.	<u>263,300</u>	4,970,000 (b)	<u>5.3</u>
Caribbean	12,800	365,000 (c)	3.5
Persian Gulf	54,100	200,000 (d)	27.1
	<u>330,200</u>	<u>5,535,000</u>	<u>6.0</u>

- (a) Excludes lubes, greases, asphalts, etc.
- (b) API Report Week ending May 24, 1947
- (c) American Owned
- (d) American Owned (approximate)
- (e) Includes regions 1 and 2 of Federal Bureau of Supply
(See Attachments)
- (f) Includes regions 3, 4 and 5 of Federal Bureau of Supply
(See Attachments)

Breakdown by Above Government Requirements

Major Product Categories and Areas

West Coast	26,764	37.5	43,813	63.5	61,278	49.9
Gulf/East Coast	36,127	50.5	20,628	29.9	55,430	45.2
Inland	8,573	12.0	4,587	6.6	6,075	4.9
Total U. S.	<u>71,464</u>	<u>100.0</u>	<u>69,028</u>	<u>100.0</u>	<u>122,783</u>	<u>100.0</u>
Total U. S.	71,464	90.1	69,028	77.8	122,783	75.7
Caribbean	-	-	2,951	3.3	9,836	6.1
Persian Gulf	7,869	9.9	16,721	18.9	29,508	18.2
Total Requirements	<u>79,333</u>	<u>100.0</u>	<u>88,700</u>	<u>100.0</u>	<u>162,127</u>	<u>100.0</u>

The above purchase requirements for each product are constant throughout the fiscal year 1948 with the following exceptions:

<u>Barrels Daily</u>	<u>1st Quarter</u>	<u>2nd Quarter</u>	<u>3rd Quarter</u>	<u>4th Quarter</u>	<u>Average</u>
Aviation Gasoline (100/130, 91/98, 73)	16,300	26,600	28,900	28,900	25,000
Jet Fuel	<u>1,700</u>	<u>3,400</u>	<u>3,500</u>	<u>3,500</u>	<u>3,000</u>
Total	<u>18,000</u>	<u>30,000</u>	<u>32,400</u>	<u>32,400</u>	<u>28,000</u>

The lower requirement for aviation gasoline in the first quarter of the fiscal year results from utilization of surplus military stocks. Increasing Jet Fuel requirements result from increasing availability of jet planes.

The figures as submitted represent purchase requirement and not necessarily consumption. They also represent complete requirements and include any quantities already contracted.

Full details as submitted by the government agencies are shown in the attachments to this report.

The breakdown by areas has been made on the basis of preferred area of purchase. However, as regards the military requirements the following alternative supply sources will be considered:

ALTERNATE PICKUP LOCATIONS:

	<u>Alternate Source</u>
A. Onshore	
1. West Coast	Gulf Coast
2. Gulf Coast	Caribbean
3. East Coast	Gulf Coast
4. Inland	Gulf Coast
B. Offshore	
1. Caribbean	Gulf Coast
2. Persian Gulf	West Coast for Pacific delivery and Caribbean for European delivery.

An estimate of the amount of military requirements for the fiscal year 1948 not covered will be forwarded by the Army-Navy Petroleum Board on June 9 for the information of the main Committee.

In view of the complexity of the requirements purchased by the Bureau of Federal Supply under Treasury Procurement Schedule contracts they will be unable to furnish an estimate of uncovered requirements but state that only part of the fuel oil for two of six regions had been secured as of May 23, 1947.

Statements from the various procurement agencies as to methods of procurement are also attached to this report.

Respectfully submitted,

H. W. Page, Chairman
Russell B. Brown
Fayette B. Dow

Attachments:

1. Minutes of Subcommittee meeting - May 20, 1947
2. Estimated Onshore-Offshore Military Petroleum Requirements - Fiscal Year 1948 by Quarters
3. Quarterly Requirements of Federal Bureau of Supplies - Fiscal Year 1948
4. Navy-Air Force-Army Comments on Procurement Procedure
5. Federal Bureau of Supplies Comments on Procurement Procedure

June 2, 1947
Washington, D. C.

MINUTES OF THE MEETING
OF THE SUBCOMMITTEE OF THE
NATIONAL PETROLEUM COUNCIL'S COMMITTEE ON
MILITARY AND GOVERNMENT PETROLEUM REQUIREMENTS

May 20, 1947

A meeting was held at 2:30 PM, May 20th, 1947, in Room 6071 in the Interior Building, Washington, D. C. The individuals shown on the attached list were present.

The meeting was opened by Mr. Max W. Ball, Director of the Oil and Gas Division of the Interior Department, who briefly outlined the purpose of the Military and Government Petroleum Requirements Committee, read a list of the membership of this Committee and introduced the members of the Subcommittee, all of whom were present.

The chair was then turned over to Mr. Page, Chairman of the Subcommittee, who outlined the reasons for the meeting and the subjects suggested for discussion, as well as the functions of the Subcommittee. In regard to the latter, it was pointed out that the Subcommittee would accumulate, consolidate, and analyze data on military and other governmental requirements for the fiscal year 1948 for presentation to the main Committee. The Subcommittee would also pass on to the main Committee such information as regards purchasing methods and product specifications, which the procurement agencies felt would be helpful to the Committee. It was pointed out that in no case would the Subcommittee make recommendations, but, in addition to passing on facts, it would pass on any recommendations or suggestions of the procurement agencies. Mr. Brown and Mr. Dow joined in outlining the functions of the Subcommittee.

There was considerable discussion of the breakdown of information required and the form in which information as to requirements could be made available. It was agreed that the request for information which was available would be presented in a letter to the procurement agencies by the Subcommittee. This was done subsequently and copy of the letter is attached.

Discussion of requirements brought out the following points:

1. That a breakdown of requirements, by products, into areas of preferred purchase could be made available by all procurement agencies.
2. That information heretofore presented to the industry had not included the Army's civil requirements and it was agreed that these requirements would be included in the consolidation of the Armed Forces Requirements.

3. That the Treasury procurement contracts now required only 125% guaranteed coverage as compared with a much larger percentage coverage in the past.

As regards purchasing methods, it was pointed out that all procurement agencies of the government are required to request bids and purchase on the basis of the lowest prices. However, recently the bids have been insufficient to cover the requirements and, as a result, permission had been obtained to negotiate purchases with individual companies. It was requested that a memorandum on this problem from the point of view of each procurement agency be submitted for the Committee's consideration. Procurement agencies indicated that they would give consideration to industry recommendations as to changes in purchasing methods, particularly as regards the length of contract, provided, of course, that such recommendations were within the legal prerogatives of the procurement agencies.

As regards product specifications, the only product discussed in detail was Aviation Gasoline. In this case it was pointed out that while the request for bids give the military specifications, alternate bids on other qualities were acceptable. As regards 100/130 Aviation Gasoline, it was pointed out that recently a large quantity had been purchased containing 4cc's of TEL per gallon, as compared to the specification of 3cc's of TEL per gallon.

Without making any commitments, representatives of the Armed Forces indicated that it would be in order for the Committee to recommend the use of products deviating to a reasonable degree from the military specifications, if this would be an aid to Supply and Procurement.

Mr. Page thanked the various members of the Procurement Agencies for their attendance and assistance and expressed the opinion that, as a result of their cooperation, the main committee would be in a much better position to consider and make recommendations on the procurement problem.

Attendance list of Meeting of Subcommittee of National Petroleum Council's Committee on Military and Government Petroleum Requirements held 2:30 PM, May 20, 1947, Room 6071, Interior Building.

Howard W. Page, Chairman - Standard Oil Company (N.J.)
Russell B. Brown - Independent Petroleum Assn. of America
Fayette B. Dow - National Petroleum Association

GUESTS:

Oil and Gas Division:

Max W. Ball, Director
Robert E. Friedman
E. E. Swanson
Carroll D. Fentress

Army-Navy Petroleum Board:

Admiral J. H. Hoover, U.S.N., Chairman
Captain Ralph E. Wilson, U.S.N.
Captain Paul P. Blackburn, Jr., U.S.N.
Lt. Colonel Robert C. Whipple
Paul C. Stratton
W. Randolph Pietsch

Joint Army-Navy Petroleum Purchasing Agency:

Forest V. Thompson

Office of the Quartermaster General:

Edward B. Juliber Lt. Colonel G. C. Abert (F & L
Branch)

Bureau of Federal Supply:

Frederic R. Speed
W. M. B. Freeman, Deputy Director
W. E. Gannon, Purchasing Officer
Daniel Klatzke, Acting Chief Specifications Division

Bureau of Ships:

Commander W. N. Saunders

Office of Chief of Ordnance:

N. L. Klein

Bureau of Supplies and Accounts - Fuel Division:

Lt. Commander W. W. Alexander

Independent Petroleum Association of America:

Minor S. Jameson, Jr.

COVERAGE OF MILITARY PETROLEUM REQUIREMENTS - FISCAL YEAR 1948

June 9, 1947

(Unit: M/Bbls)

Product	West Coast	Gulf Coast	East Coast	Inland	Carib-bean	Persian Gulf
<u>NAVY SPECIAL</u>						
<u>First Quarter:</u>						
Required	3600.0	-	2700.0	-	-	2700.0
Committed	N 1485.0				N 1200.0	N 4200.0
Balance	2115.0	-	2700.0	-	/ 1200.0	/ 1500.0
Offered but not Contracted For	N 540.0					
<u>Second Quarter</u>						
Required	3600.0	-	2700.0	-	-	2700.0
Committed	N 990.0				N 1200.0	N 4200.0
Balance	2610.0		2700.0		/ 1200.0	/ 1500.0
Offered but not Contracted For	N 1035.0					
<u>Third Quarter:</u>						
Required	3600.0	-	2250.0	-	-	2700.0
Committed	N 540.0				N 900.0	
Balance	3060.0		2250.0		/ 900.0	2700.0
Offered but not Contracted For	N 990.0					
<u>Fourth Quarter:</u>						
Required	3600.0	-	1800.0	-	-	2700.0
Committed	N 540.0				N 900.0	
Balance	3060.0		1800.0		/ 900.0	2700.0
Offered but not Contracted For	N 990.0					
<u>NAVY DIESEL</u>						
<u>First Quarter:</u>						
Required	900.0	-	594.0	-	270.0	1530.0
Committed	N 522.0		N 684.0			N 1250.0
Balance	378.0		/ 90.0		270.0	280.0
Offered but not Contracted For	N 360.0					
<u>Second Quarter:</u>						
Required	900.0	-	594.0	-	270.0	1530.0
Committed	N 522.0		N 684.0			N 1250.0
Balance	378.0		/ 90.0		270.0	280.0
Offered but not Contracted For	N 360.0					
<u>Third Quarter:</u>						
Required	900.0	-	594.0	-	270.0	1530.0
Committed	N 369.0		N 342.0			Present Contract Expires 12/31/47
Balance	531		252.0		270.0	1530.0
Offered but Not Contracted For	N 360.0		N 342.0			
<u>Fourth Quarter:</u>						
Required	900.0	-	594.0	-	270.0	1530.0
Committed	N 369.0		N 342.0			
Balance	531.0		252.0		270.0	1530.0
Offered but not Contracted For	N 360.0		N 342.0			

<u>Product</u>	<u>West Coast</u>	<u>Gulf Coast</u>	<u>East Coast</u>	<u>Inland</u>	<u>Carib- bean</u>	<u>Persian Gulf</u>
<u>OTHER HEAVY</u>						
<u>First Quarter:</u>						
Required	1056.0	780.7	1280.0	416.6	900.0	-
Committed			N 450.0*			
Balance (See att.Navy Coverage Memorandum)			830.0			
Offered but not contracted for						
<u>Second Quarter:</u>						
Required	1056.0	780.7	1280.0	416.6	900.0	-
Committed			N 450.0*			
Balance (See attached Navy Coverage Memo)			830.0			
Offered but not contracted for						
<u>Third Quarter:</u>						
Required	1056.0	780.7	1280.0	416.6	900.0	-
Committed		N 450.0*				
Balance		330.0				
Offered but not contracted for						
<u>Fourth Quarter:</u>						
Required	1056.0	780.7	1280.0	416.6	900.0	-
Committed		N 450.0*				
Balance		330.0				
Offered but not contracted for						
<u>OTHER DIESEL</u>						
<u>First Quarter:</u>						
Required	1490.6	61.3	216.5	27.5	-	-
Committed	A 77.0					
Balance (See attached Navy Coverage Memorandum)						
Offered but not contracted for						
<u>Second Quarter:</u>						
Required	1490.6	61.3	216.5	27.5	-	-
Committed						
Balance (See attached Navy Coverage Memorandum)						
Offered but not contracted for						
<u>Third Quarter:</u>						
Required	1490.6	61.3	216.5	27.5	-	-
Committed						
Balance						
Offered but not contracted for						
<u>Fourth Quarter:</u>						
Required	1490.6	61.3	216.5	27.5	-	-
Committed						
Balance						
Offered but not contracted for						

* Grade II (No. 6) for cargo liftings.

NAVY COVERAGE MEMORANDUM

9 June 1947

ONSHORE

Region #1 (Fuel Oils, Diesels, Kerosene and Gasoline.) Expires
31 October 1947.

(East Coast) This requirement is approximately 99% covered.
There is no coverage beyond 31 October 1947

Region #2 (Fuel Oils, Diesels, Kerosene and Gasoline.) Expires
31 August 1947.

(Gulf Coast) This requirement is approximately 99% covered.
There is no coverage beyond 31 August 1947

Regions #3, 4, and 5. (Fuel Oils, Diesels, Kerosene and Gasoline.)
Expires 30 November 1947.

(Inland) This requirement is approximately 90% covered. There
is no coverage beyond 30 November 1947.

Region #6. (Fuel Oils, Diesels, Kerosene and Gasoline.) Expires
31 July 1947.

(West Coast) This requirement is approximately 90% covered.
There is no coverage beyond 31 July 1947.

Marine Delivery-West Coast. (Navy Specials, Diesels and Grade II
gasoline.) Expires 31 December 1947.

This requirement is approximately 75% covered. There is no
coverage beyond 31 December 1947.

Marine Delivery-East Coast. (Navy Special, Navy Diesel and Grade
II Gasoline)

Expires 30 September 1947. There is no coverage beyond 30
September 1947. This requirement is approximately 70% covered.

<u>Product</u>	<u>West Coast</u>	<u>Gulf Coast</u>	<u>East Coast</u>	<u>Inland</u>	<u>Carib- bean</u>	<u>Persian Gulf</u>
<u>BURNER FUEL</u>						
<u>First Quarter:</u>						
Required	731.2	221.4	355.3	132.8	-	-
Committed						
Balance	(See attached Navy Coverage Memorandum)					
Offered but not contracted for						
<u>Second Quarter:</u>						
Required	731.2	221.4	355.3	132.8	-	-
Committed						
Balance	(See attached Navy Coverage Memorandum)					
Offered but not contracted for						
<u>Third Quarter:</u>						
Required	731.2	221.4	355.3	132.8	-	-
Committed						
Balance	(See attached Navy Coverage Memorandum)					
Offered but not contracted for						
<u>Fourth Quarter:</u>						
Required	731.2	221.4	355.3	132.8	-	-
Committed						
Balance	(See attached Navy Coverage Memorandum)					
Offered but not contracted for						

KEROSENE

<u>First Quarter:</u>						
Required	153.3	5.5	23.9	1.7	-	-
Committed	A 34.0		A 34.0			
Balance	(See attached Navy Coverage Memorandum)					
Offered but not contracted for						
<u>Second Quarter:</u>						
Required	153.3	5.5	23.9	1.7	-	-
Committed						
Balance	(See attached Navy Coverage Memorandum)					
Offered but not contracted for						
<u>Third Quarter:</u>						
Required	153.3	5.5	23.9	1.7	-	-
Committed						
Balance	(See attached Navy Coverage Memorandum)					
Offered but not contracted for						
<u>Fourth Quarter:</u>						
Required	153.3	5.5	23.9	1.7	-	-
Committed						
Balance	(See attached Navy Coverage Memorandum)					
Offered but not contracted for						

<u>Product</u>	<u>West Coast</u>	<u>Gulf Coast</u>	<u>East Coast</u>	<u>Inland</u>	<u>Carib- bean</u>	<u>Persian Gulf</u>
<u>MoGAS</u>						
<u>First Quarter:</u>						
Required	700.8	61.6	961.8	25.7	-	720.0
Committed	White Gas A1050.0 A 265.0		A 260.0			N 250.0
Balance (See att.Navy Memo)	614.2					
Offered but not contracted for	N162.5					
<u>Second Quarter:</u>						
Required	700.8	61.6	961.8	25.7	-	720.0
Committed						N 250.0
Balance (See att. Navy Coverage Memorandum)						470.0
Offered but not contracted for						
<u>Third Quarter:</u>						
Required	700.8	61.6	961.8	25.7	-	720.0
Committed						
Balance						
Offered but not contracted for	N162.5					
<u>Fourth Quarter:</u>						
Required	700.8	61.6	961.8	25.7	-	720.0
Committed						
Balance						
Offered but not contracted for	N162.5					
<u>LUBES</u>						
<u>First Quarter:</u>						
Required	85.0	70.0	179.0	50.0	-	-
Committed	N 117.0 A 300.6	N117.0	N117.0			
Balance						
Offered but not contracted for						
<u>Second Quarter:</u>						
Required	85.0	70.0	179.0	50.0	-	-
Committed	N 117.0	N117.0	N117.0			
Balance						
Offered but not contracted for						
<u>Third Quarter:</u>						
Required	85.0	70.0	179.0	50.0	-	-
Committed	N 117.0	N117.0	N117.0			
Balance						
Offered but not contracted for						
<u>Fourth Quarter:</u>						
Required	85.0	70.0	179.0	50.0	-	-
Committed	N 117.0	N117.0	N117.0			
Balance						
Offered but not contracted for						

<u>Product</u>	<u>West Coast</u>	<u>Gulf Coast</u>	<u>East Coast</u>	<u>Inland</u>	<u>Carib-bean</u>	<u>Persian Gulf</u>
<u>AvGAS 115/145</u>						
<u>First Quarter:</u>						
Required	731.3	254.3	320.5			
Committed (Navy Bid Opening 12 June)	N 21.6	N 267.5	N110.3			
Balance	466.3	34.8	210.2			
Offered but not contracted for	N117.0					
<u>Second Quarter:</u>						
Required	731.3	254.3	320.5			
Committed (Navy Bid Opening 12 June)	N 21.6	N 267.5	N110.3			
Balance	466.3	34.8	210.2			
Offered but not contracted for						
<u>Third Quarter:</u>						
Required	731.3	254.3	320.5			
Committed						
Balance						
Offered but not contracted for	N72.0					
<u>Fourth Quarter:</u>						
Required	731.3	254.3	320.5			
Committed						
Balance						
Offered but not contracted for	N72.0					
<u>AvGAS 100/130</u>						
<u>First Quarter:</u>						
Required	521.2	179.7	200.8	140.0	-	-
Committed	AAF 318.0	N 3.5	N 1.1			
Balance (Navy Bid Opening 12 June)	203.2	176.2	199.7	140.0		
Offered but not contracted for			AAF241.7			
<u>Second Quarter:</u>						
Required	576.6	623.8	201.0	385.6		
Committed	AAF 318.0	N 3.5	N 1.1			
Balance (Navy Bid Opening 12 June)	258.6	620.3	199.9	385.6		
Offered but not contracted for			AAF241.7			
<u>Third Quarter:</u>						
Required	714.6	744.6	201.7	377.6	-	-
Committed						
Balance						
Offered but not contracted for						
<u>Fourth Quarter:</u>						
Required	714.4	744.4	201.5	377.4	-	-
Committed						
Balance						
Offered but not contracted for						

<u>Product</u>	<u>West Coast</u>	<u>Gulf Coast</u>	<u>East Coast</u>	<u>Inland</u>	<u>Carib- bean</u>	<u>Persian Gulf</u>
<u>AvGAS 91/98</u>						
<u>First Quarter:</u>						
Required	137.3	141.2	96.7	27.8	-	-
Committed (Navy Bid Opening 12 June)		N66.3	N48.3			
Balance	137.3	74.9	48.4	27.8		
Offered but not contracted for						
<u>Second Quarter:</u>						
Required	156.2	207.0	96.7	82.4	-	-
Committed (Navy Bid Opening 12 June)		N66.3	48.3			
Balance	156.2	140.7	48.4	82.4		
Offered but not contracted for						
<u>Third Quarter:</u>						
Required	156.2	199.2	96.7	79.5	-	-
Committed						
Balance						
Offered but not contracted for						
<u>Fourth Quarter:</u>						
Required	156.2	199.2	96.7	79.5	-	-
Committed						
Balance						
Offered but not contracted for						

<u>AvGAS 73</u>						
<u>First Quarter:</u>						
Required	14.7	20.8	3.2	2.9	-	-
Committed (Navy Bid Opening 12 June)		N30.0				
Balance	14.7	9.2	3.2	2.9		
Offered but not contracted for	AAF 6.3	AAF 5.8		AAF.7		
<u>Second Quarter:</u>						
Required	15.1	66.5	3.2	8.6	-	-
Committed (Navy Bid Opening 12 June)		N30.0				
Balance	15.1	36.5	3.2	8.6		
Offered but not contracted for	AAF 6.3	AAF 5.8		AAF.7		
<u>Third Quarter:</u>						
Required	16.9	34.1	3.2	5.6	-	-
Committed						
Balance						
Offered but not contracted for	AAF 6.3	AAF 5.8		AAF.7		
<u>Fourth Quarter:</u>						
Required	16.9	34.1	3.2	5.6	-	-
Committed						
Balance						
Offered but not contracted for	AAF 6.3	AAF 5.8		AAF.7		

<u>Product</u>	<u>West Coast</u>	<u>Gulf Coast</u>	<u>East Coast</u>	<u>Inland</u>	<u>Carib- bean</u>	<u>Persian Gulf</u>
JP						
<u>First Quarter:</u>						
Required	91.9	15.5	21.1	26.1	-	-
Committed						
Balance						
Offered but not contracted for	AAF85.5	AAF16.4	AAF21.4	AAF8.9		
<u>Second Quarter:</u>						
Required	111.7	101.5	21.5	73.3	-	-
Committed						
Balance						
Offered but not contracted for	AAF85.5	AAF16.4	AAF21.4	AAF8.9		
<u>Third Quarter:</u>						
Required	133.3	65.1	22.3	100.7	-	-
Committed						
Balance						
Offered but not contracted for	AAF85.5	AAF16.4	AAF21.4	AAF8.9		
<u>Fourth Quarter:</u>						
Required	133.6	65.4	22.6	101.0	-	-
Committed						
Balance						
Offered but not contracted for	AAF85.5	AAF16.4	AAF21.4	AAF8.9		

ESTIMATED ONSHORE-OFFSHORE MILITARY PETROLEUM REQUIREMENTS
 Covering Anticipated Purchases for Fiscal Year 1948 (1)

All figures in M. Barrels

Consolidated 28 May 1947 by
 Army-Navy Petroleum Board from
 estimates of the Navy - Air -
 Army Forces.

First Quarter 1 July 1947 Through 30 September 1947

PRODUCT	West Coast	Gulf Coast	East Coast	Inland	Tot. Onshore	Caribbean	Persian	Tot-Offshore	Total
NAVY SPECIAL (7-0-1)	3,600.00	-----	2,700.0	-----	6,300.0	-----	2,700.0	2,700.0	9,000.0
(2) Other Heavy Fuels	1,056.0	780.7	1,280.0	416.6	3,533.3	900.0	-----	900.0	4,433.3
Navy Diesel (7-0-2)	900.0	-----	594.0	-----	1,494.0	270.0	1,530.0	1,800.0	3,294.0
Other Diesel Fuels	1,490.6	61.3	216.5	27.5	1,795.9	-----	-----	-----	1,795.9
(3) Burner Fuels	731.2	221.4	355.3	132.8	1,440.7	-----	-----	-----	1,440.7
(4) Kerosene	153.3	5.5	23.9	1.7	184.4	-----	-----	-----	184.4
Mogas	700.8	61.6	961.8	25.7	1,749.9	-----	720.0	720.0	2,469.9
Lubes	85.0	70.0	179.0	50.0	384.0	-----	-----	-----	384.0
Greases	1.1	.9	1.8	.6	4.4	-----	-----	-----	4.4
(5) Aviation Fuels									
115/145	731.3	254.3	320.5	-----	1,306.1	-----	-----	-----	1,306.1
100/130	521.2	179.7	200.8	140.0	1,041.7	-----	-----	-----	1,041.7
91/98	137.3	141.2	96.7	27.8	403.0	-----	-----	-----	403.0
73	14.7	20.8	3.2	2.9	41.6	-----	-----	-----	41.6
JP	91.9	15.5	21.1	26.1	154.6	-----	-----	-----	154.6
Avlubes	14.6	5.1	6.4	-----	26.1	-----	-----	-----	26.1
TOTAL	10,229.0	1,818.0	6,961.0	851.7	19,859.7	1,170.0	4,950.0	6,120.0	25,979.7

SPECIFIC NOTES:

- (1) All figures as shown on this chart represent the anticipated purchase program, and do not show estimated consumption by the Military Forces. Petroleum products that will be required by the Military Forces onshore, and which are obtained under Treasury Procurement Contracts are not included herein.
- (2) Other Heavy Fuels includes Bunker "C" and Nos. 5 and 6 residual fuel.
- (3) Burner Fuels includes distillate Nos. 1, 2, and 3.
- (4) Solvents included with kerosene figures.
- (5) At this time it is not believed that any of the aviation fuel requirement can be met from offshore production.

ESTIMATED ONSHORE-OFFSHORE MILITARY PETROLEUM REQUIREMENTS
Covering Anticipated Purchases for Fiscal Year 1948 (1)

All figures in M. Barrels

Consolidated 28 May 1947 by Army-
Navy Petroleum Board from estimates
of the Navy - Air - Army Forces.

THIRD QUARTER 1 JANUARY 1948 THROUGH 31 MARCH 1948

P R O D U C T	West Coast	Gulf Coast	East Coast	Inland	Tot. Onshore	Caribbean	Persian	Tot. Offshore	Total
NAVY SPECIAL (7-0-1)	3,600.0	----	2,250.0	----	5,850.0	----	2,700.0	2,700.0	8,550.0
(2) Other Heavy Fuels	1,056.0	780.7	1,280.0	416.6	3,533.3	900.0	----	900.0	4,433.3
Navy Diesel (7-0-2)	900.0	----	594.0	----	1,494.0	270.0	1,530.0	1,800.0	3,294.0
Other Diesel Fuels	1,490.6	61.3	216.5	27.5	1,795.9	----	----	----	1,795.9
(3) Burner Fuels	731.2	221.4	355.3	132.8	1,440.7	----	----	----	1,440.7
(4) Kerosene	153.3	5.5	23.9	1.7	184.4	----	----	----	184.4
Mogas	700.8	61.6	961.8	25.7	1,749.9	----	720.0	720.0	2,469.9
Lubes	85.0	70.0	179.0	50.0	384.0	----	----	----	384.0
Greases	1.1	.9	1.8	.6	4.4	----	----	----	4.4
(5) Aviation Fuels									
115/145	731.3	254.3	320.5	----	1,306.1	----	----	----	1,306.1
100/130	714.6	744.6	201.7	377.6	2,038.5	----	----	----	2,038.5
91/98	156.2	199.2	96.7	79.5	531.6	----	----	----	531.6
73	16.9	34.1	3.2	5.6	59.8	----	----	----	59.8
JP	133.3	65.1	22.3	100.7	321.4	----	----	----	321.4
Avlubes	14.6	5.1	6.4	----	26.1	----	----	----	26.1
TOTAL	10,484.9	2,503.8	6,513.1	1,218.3	20,720.1	1,170.0	4,950.0	6,120.0	26,840.1

See Specific Notes On Page I

ESTIMATED ONSHORE-OFFSHORE MILITARY PETROLEUM REQUIREMENTS
Covering Anticipated Purchases for Fiscal Year 1948 (1)

All figures in M. Barrels

Consolidated 28 May 1947 by Army-
Navy Petroleum Board from estimates
of the Navy - Air - Army Forces.

		Total Fiscal Year 1948							
P R O D U C T	West Coast	Gulf Coast	East Coast	Inland	Tot. Onshore	Caribbean	Persian	Tot. Offshore	Total
NAVY SPECIAL (7-0-1)	14,400.0	----	9,450.0	---	23,850.00	---	10,800.0	10,800.0	34,650.0
(2) Other Heavy Fuels	4,224.0	3,122.8	5,120.0	1,666.4	14,133.2	3,600.0	---	3,600.0	17,733.2
Navy Diesel (7-0-2)	3,600.0	----	2,376.0	---	5,976.0	1,080.0	6,120.0	7,200.0	13,176.0
Other Diesel Fuels	5,962.4	245.2	866.0	110.0	7,183.6	---	---	---	7,183.6
(3) Burner Fuels	2,924.8	885.6	1,421.2	531.2	5,762.8	---	---	---	5,762.8
(4) Kerosene	613.2	22.0	95.6	6.8	737.6	---	---	---	737.6
Mogas	2,803.2	246.4	3,847.2	102.8	6,999.6	---	2,880.0	2,880.0	9,879.6
Lubes	340.0	280.0	716.0	200.0	1,536.0	---	---	---	1,536.0
Greases	4.4	3.6	7.2	2.4	17.6	---	---	---	17.6
(5) Aviation Fuels									
115/145	2,925.2	1,017.2	1,282.0	---	5,224.4	---	---	---	5,224.4
100/130	2,526.8	2,292.5	805.0	1,280.6	6,904.9	---	---	---	6,904.9
91/98	605.9	746.6	386.8	269.2	2,008.5	---	---	---	2,008.5
73	63.6	155.5	12.8	22.7	254.6	---	---	---	254.6
JP	470.5	247.5	87.5	301.1	1,106.6	---	---	---	1,106.6
Avlubes	58.4	20.4	25.6	---	104.4	---	---	---	104.4
TOTAL	41,522.4	9,285.3	26,498.9	4,493.2	81,799.8	4,680.0	19,800.0	24,480.0	106,279.8

See Specific Notes On Page I

ESTIMATED ONSHORE-OFFSHORE MILITARY PETROLEUM REQUIREMENTS
Covering Anticipated Purchases For Fiscal Year 1948 (1)

All figures in M. Barrels

Consolidated 28 May 1947 by
Army-Navy Petroleum Board from
estimates of the Navy - Air -
Army Forces.

SECOND QUARTER 1 OCTOBER 1947 THROUGH 31 DECEMBER 1947

P. R O D U C T	West Coast	Gulf Coast	East Coast	Inland	Tot. Onshore	Caribbean	Persian G.	Tot. Offshore	Total
NAVY SPECIAL (7-0-1)	3,600.0	---	2,700.0	---	6,300.0	---	2,700.0	2,700.0	9,000.0
(2) Other Heavy Fuels	1,056.0	780.7	1,280.0	416.6	3,533.3	900.0	---	900.0	4,433.3
Navy Diesel (7-0-2)	900.0	---	594.0	---	1,494.0	270.0	1,530.0	1,800.0	3,294.0
Other Diesel Fuels	1,490.6	61.3	216.5	27.5	1,795.9	---	---	---	1,795.9
(3) Burner Fuels	731.2	221.4	355.3	132.8	1,440.7	---	---	---	1,440.7
(4) Kerosene	153.3	5.5	23.9	1.7	184.4	---	---	---	184.4
Mogas	700.8	61.6	961.8	25.7	1,749.9	---	720.0	720.0	2,469.9
Lubes	85.0	70.0	179.0	50.0	384.0	---	---	---	384.0
Greases	1.1	.9	1.8	.6	4.4	---	---	---	4.4
(5) Aviation Fuels									
115/145	731.3	254.3	320.5	---	1,306.1	---	---	---	1,306.1
100/130	576.6	623.8	201.0	385.6	1,787.0	---	---	---	1,787.0
91/98	156.2	207.0	96.7	82.4	542.3	---	---	---	542.3
73	15.1	66.5	3.2	8.6	93.4	---	---	---	93.4
JP	111.7	101.5	21.5	73.3	308.0	---	---	---	308.0
Avlubes	14.6	5.1	6.4	---	26.1	---	---	---	26.1
TOTAL	10,323.5	2,459.6	6,961.6	1,204.8	20,949.5	1,170.0	4,950.0	6,120.0	27,069.5

See Specific Notes On Page I

ESTIMATED ONSHORE-OFFSHORE MILITARY PETROLEUM REQUIREMENTS
Covering Anticipated Purchases For Fiscal Year 1948 (1)

All figures in M. Barrels

Consolidated 28 May 1947 by Army-
Navy Petroleum Board from estimates
of the Navy - Air - Army Forces.

FOURTH QUARTER 1 APRIL 1948 THROUGH 30 JUNE 1948

P R O D U C T	West Coast	Gulf Coast	East Coast	Inland	Tot. Onshore	Caribbean	Persian G.	Tot. Offshore	Total
NAVY SPECIAL (7-0-1)	3,600.0	-----	1,800.0	----	5,400.0	-----	2,700.0	2,700.0	8,100.0
(2) Other Heavy Fuels	1,056.0	780.7	1,280.0	416.6	3,533.3	900.0	----	900.0	4,433.3
Navy Diesel (7-0-2)	900.0	-----	594.0	----	1,494.0	270.0	1,530.0	1,800.0	3,294.0
Other Diesel Fuels	1,490.6	61.3	216.5	27.5	1,795.9	-----	----	----	1,795.9
(3) Burner Fuels	731.2	221.4	355.3	132.8	1,440.7	-----	----	----	1,440.7
(4) Kerosene	153.3	5.5	23.9	1.7	184.4	-----	----	----	184.4
Mogas	700.8	61.6	961.8	25.7	1,749.9	-----	720.0	720.0	2,469.9
Lubes	85.0	70.0	179.0	50.0	384.0	-----	----	----	384.0
Greases	1.1	.9	1.8	.6	4.4	-----	----	----	4.4
(5) Aviation Fuels									
115/145	731.3	254.3	320.5	----	1,306.1	-----	----	----	1,306.1
100/130	714.4	744.4	201.5	377.4	2,037.7	-----	----	----	2,037.7
91/98	156.2	199.2	96.7	79.5	531.6	-----	----	----	531.6
73	16.9	34.1	3.2	5.6	59.9	-----	----	----	59.8
JP	133.6	65.4	22.6	101.0	322.6	-----	----	----	322.6
Avlubes	14.6	5.1	6.4	----	26.1	-----	----	----	26.1
TOTAL	10,485.0	2,503.9	6,063.2	1,218.4	20,270.5	1,170.0	4,950.0	6,120.0	26,390.5

See Specific Notes On Page I

ESTIMATED ONSHORE-OFFSHORE MILITARY PETROLEUM REQUIREMENTS
 Covering Anticipated Purchases for Fiscal Year 1948 (1)

All figures in M. Barrels

Consolidated 28 May 1947 by
 Army-Navy Petroleum Board from
 estimates of the Navy - Air -
 Army Forces.

ALTERNATE PICKUP LOCATIONS

A. Onshore	<u>Alternate Source</u>
1. West Coast	Gulf Coast
2. Gulf Coast	Caribbean
3. East Coast	Gulf Coast
4. Inland	Gulf Coast
B. Offshore	
1. Caribbean	Gulf Coast
2. Persian Gulf	West Coast for Pacific delivery and Caribbean for European delivery

METHODS OF DELIVERY

A. Onshore	<u>Method</u>
1. West Coast	For offshore deliveries pickup will be by tanker from coastal point; all delivery up to that point, or for on-shore redistribution, will be by pipeline, tank car or truck, and barge.
2. Gulf Coast	
3. East Coast	
4. Inland	
B. Offshore	
1. Caribbean	Tanker
2. Persian Gulf	

Quarterly Requirements of Federal Bureau of Supplies
 Fiscal Year 1948
 Includes Civilian Government
 And On-Shore Army Ground Force Requirements

(All figures in thous. of bbls.)

	Region 1	Region 2	Region 3	Region 4	Region 5	Region 6	Total
Navy Special	9.3	20.6	8.8	1.3	.2	28.7	68.9
Other Hvy. Fuels	463.9	154.8	102.3	25.7	1.0	922.2	1669.9
Navy Diesel	68.6	56.7	50.7	34.6	12.5	48.0	271.1
Burner Fuels	144.5	39.8	34.9	32.1	7.9	563.0	822.2
Kerosene	5.4	10.8	3.8	4.8	1.1	5.2	31.1
Motor Gaso.	375.2	229.2	129.3	138.8	70.2	212.1	1154.8
White Gaso.	1.6	1.6	3.6	2.0	21.7	5.6	36.1
Total	1068.5	513.5	333.4	239.3	114.6	1784.8	4054.1

Source of data: Computed from data prepared by Bureau of Federal Supply, Treasury Department. The original data covered requirements for the full fiscal year, expressed in gallons per year under a somewhat different product classification. In computing the above figures, the full year's requirements were put on a quarterly basis by arbitrarily dividing into four equal parts. The gallonage figures were converted to barrels by dividing by 42 and the products were regrouped to conform with other Government requirements, submitted by the Army-Navy Petroleum Board, as follows:

Above Product Classification	Includes following Products as Classified by Federal Bureau of Supplies
Navy Special	No. 5 L Fuel Oil
Other Hvy. Fuels	(No. 5 Fuel Oil (No. 6 Fuel Oil
Navy Diesel	2-102 Diesel
Burner Fuels	(No. 1 Fuel Oil (No. 2 Fuel Oil (No. 3 Fuel Oil
Kerosene	Kerosene
Motor Gaso.	(R. Gasoline (P. Gasoline
White Gaso.	(2-116 Gasoline (G Gasoline

Definition of Regions:

- REGION 1 (Comprising States of Connecticut; Delaware; Maine; Maryland; Massachusetts; New Hampshire; New Jersey; New York; Pennsylvania; Rhode Island; Vermont; Virginia; West Virginia; and the District of Columbia)
- REGION 2 (Comprising States of Alabama; Arkansas; Florida; Georgia; Kentucky; Louisiana; Mississippi; N. Carolina; So. Carolina; and Tennessee)
- REGION 3 (Comprising States of Illinois; Indiana; Iowa; Michigan; Minnesota; Missouri; Nebraska; No. Dakota; Ohio; So. Dakota; and Wisconsin)
- REGION 4 (Comprising States of Kansas; New Mexico; Oklahoma; and Texas)
- REGION 5 (Comprising States of Colorado; Idaho; Montana; Utah; Wyoming)
- REGION 6 (Comprising States of Arizona; California; Nevada; Oregon; and Washington)

STATEMENT II

METHODS OF PROCUREMENT

The following information is requested for transmission to the members of the Committee on Military and Government Petroleum Requirements on the subject of methods of procurement as affecting supply. This statement might answer the following questions as well as others which you may deem pertinent.

- (a) What are the present requirements of law governing purchases of your Agency?
- (b) What exceptions to these requirements have been made covering purchases for the fiscal year 1947?
- (c) To what extent have the methods of procurement affected the obtaining of a sufficient supply during the fiscal year 1947?
- (d) Any further comments or suggestions on this subject.

NAVY DEPARTMENT
BUREAU OF SUPPLIES AND ACCOUNTS
Washington 25, D. C.

JJ7-6 (PF-2-ert)

29 May 1947

MEMORANDUM

From: Fuel Division, RF
To: The Joint Chiefs of Staff
Army-Navy Petroleum Board
Building L
Washington, D.C.

Subj: Information requested by Subcommittee of Committee on
Military and Government Petroleum Requirements NPC

Ref: ANPB Memo Serial 30-36 dtd 23 May 1947 for Col. Anderson,
Cdr. Drescher and Lt. Col. Young

1. As requested in the reference the following answers are submitted to the questions raised in Statement II transmitted therewith. The answers pertain to the subparagraphs contained in Statement II.

(a) Navy purchases of petroleum products have been and are being negotiated in accordance with authority contained in the First War Powers Act, 1941.

(b) Contracts have been negotiated only after obtaining the widest competition possible. In making awards, all offers and available sources of supply were prudently considered so that the interests of the Government might be served most satisfactorily. Whenever offers were not adequate to cover the entire needs, new offers were requested or contact was made with the industry by dispatch, telephone or personal conference.

(c) It is not considered that the method of procurement has been detrimental to obtaining an adequate supply of petroleum products; on the contrary, the practice followed has been most advantageous to the Government. There has been a sellers' market instead of a buyers' market and consequently sales were made along the lines of least resistance; i.e., to commercial accounts. In some instances suppliers are uninformed as to Government procedure and are reluctant to enter into Government contracts. Every effort is being made to acquaint such suppliers with the facts. A further difficulty in fully covering the Government needs of petroleum products results from the fact that many commercial suppliers prefer to sell their product to commercial interests thereby building up good will which is deemed advantageous in further business transactions. There are certain restrictions which must be imposed in the expenditure of public funds and although a supplier has performed acceptably during one year, if his competitor offers a lower price for a like product for the next year, award must necessarily be made to the lowest responsible bidder.

/s/ C. G. DRESCHER

26 May 1947

MEMORANDUM FOR: Lt. Col. A. M. Galletly, AAF Representative, ANPB

SUBJECT: Information Requested by Subcommittee of Committee on
Military and Government Petroleum Requirements NPC

1. Reference is made to Memorandum dated 23 May 1947 from ANPB, Serial 30-36, relative to the above subject.

2. The following information answers questions raised by Statement II:

- a. Present law - - - Rev. Statutes 3709
1st War Powers
2nd War Powers

Actually, the War Department is operating under HR 3866 which is expected to become law 1 July 1947. The new statute supersedes the above and permits negotiation of procurements where formal advertisement is not practical.

b. The War Department desired to use formal advertisement procedures as set forth in R.S. 3709, however, during Fiscal Year 1947 it was often necessary to follow negotiation procedures authorized by the War Powers and Executive Order 9001, December 27, 1941.

c. Formal advertisement procedures have not been satisfactory in the present market and the use of such procedures during Fiscal Year 1947 delayed many procurements. However, delay was the only undesirable result, because the War Powers which were still in effect could be used to negotiate necessary procurements.

/s/ ALFRED D. HAGEN, Capt., AC
for A. S. YOUNG
Lt. Colonel, Air Corps
Chief, AAF Branch
Joint Army-Navy Petroleum
Purchase Agency

STATEMENT II
METHODS OF PROCUREMENT

- (a) Section 3709 of the Revised Statutes is the law governing the procurement of liquid fuels and gasoline by the Bureau of Federal Supply.
- (b) No exceptions were made from the procedure prescribed by Section 3709 of the Revised Statutes in the procurement of liquid fuels and gasoline during the fiscal year 1947.
- (c) Until February of this year no difficulty was experienced in securing contracts for gasoline and liquid fuels under the method prescribed by the Statute.

It is suggested that the companies which held contracts to supply certain activities of the Government during the fiscal year 1947 are morally bound to bid to retain that business during the fiscal year 1948, unless they anticipate liquidation.

QMGKP 463 ANPB

1st Ind

War Dept., OQMG, Washington 25, D. C. 26 May 1947

To: The Army-Navy Petroleum Board, Washington 25, D. C.

1. Information pertaining to Statement I referred to in basic communication was coordinated by Mr. Barton of this office with Commander Norton of your office.

2. Reference is made to Statement II,

a. (1) Formal advertising by sealed bids, without benefit of escalator clause.

(2) Negotiation in cases where formal advertising fails to accomplish the desired results.

(3) Local procurement by spot purchases where authorized in emergency situations.

b. Negotiation has been authorized in cases of directed purchase for overseas shipment.

c. In view of the fact that a sealed bid is at a set price without benefit of an escalator clause, there is a decided reluctance upon the part of industry to submit bids.

d. The approval of the escalator clause will induce industry to submit bids.

FOR THE QUARTERMASTER GENERAL:

/s/ WEBSTER ANDERSON
Colonel, QMC
Supply Division

1 Incl (not prev. listed)
Cy Ltr f/Mr. Page
w/Incls