

TRANSCRIPT OF PROCEEDINGS

In the Matter of:

**MEETING OF THE
NATIONAL PETROLEUM COUNCIL**

Date: Tuesday, March 23, 1954

Place: Washington, D. C. -- Departmental Auditorium

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PROCEEDINGS

Meeting of the

NATIONAL PETROLEUM COUNCIL

Conference Rooms A and B - Departmental Auditorium

Washington, D. C.

Tuesday

March 23, 1953

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TUESDAY MORNING

March 23, 1954

The Meeting of the National Petroleum Council, held in Conference Rooms A and B of the Departmental Auditorium, between 12th and 14th Streets on Constitution Avenue, Washington, D. C., was called to order at 10:15 o'clock a.m. by Walter S. Hallanan, Chairman.

CHAIRMAN HALLANAN: The Council will please come to order.

Gentlemen, this is the first meeting of the newly appointed National Petroleum Council for the year 1954, appointed by the Secretary of the Interior, Mr. McKay.

At this meeting it is always provided that we have an organization of the Council for the ensuing year, for which we will name a committee within a few minutes.

In the meantime I should like to ask the Secretary to call the roll. We have some new members of the Council, and as their names are called I should like to have them rise so that I can present them personally to the members of the Council.

SECRETARY-TREASURER JAMES V. BROWN: If there are alternates present for members who are not here, when I call the names, will the alternate please rise and give his name for the record.

... The following members and alternates responded

to the roll call ...

Robert O. Anderson	B. C. Graves
Hines H. Baker	B. I. Graves
Max W. Ball	Walter Hallanan
Munger T. Ball	Jake L. Hamon
Fred E. Bergfors	George J. Hanks
Jacob Blaustein	B. A. Hardey
Paul G. Blazer	John Harper
Reid Brazell	Mr. McClure
J. S. Bridwell	Harry B. Hilts
Bruce K. Brown	Eugene Holman
Russell B. Brown	A. Jacobsen
Frank Hayes	W. Alton Jones
Charles A. Chipman	Mr. Johnson
J. P. Jones	K. L. Kellogg
Stuart M. Crocker	Richard G. Lawton
Otis Ellis	D. K. Ludwig
H. L. Kennedy	J. J. Cosgrove
Fayette B. Dow	Ed Falk
Warwick M. Downing	A. Adamowski
Wesley E. Downing	A. C. Mattei
Gordon Duke	W. A. Moncrief
James P. Dunnigan	S. F. Niness
W. W. Flenniken	John F. O'Shaughnessy
A. A. Stambaugh	J. R. Parten

Joseph E. Pogue

Frank M. Porter

Walter R. Reitz

Sid W. Richardson

M. H. Robineau

J. French Robinson

Roland V. Rodman

A. H. Rowan

John Ruan

Mr. O'Hara

P. C. Spencer

Lee Parsons

W. K. Whiteford

Otis Ellis

William M. Vaughey

S. M. Vockel

J. Ed Warren

William K. Warren

R. L. Milligan

Otis Ellis

R. E. Nelson, Jr.

Claude Wilde

W. G. Whaley

... During the roll call Chairman Hallanan
introduced new members and made the following remarks ...

... When Mr. K. L. Kellogg's name was called ...

CHAIRMAN HALLANAN: Mr. Kellogg, would you please rise. I desire to present to the Council Mr. Kellogg, of the American Association of Oilwell Drilling Contractors, of Compton, California. We are delighted to welcome you to the Council, Mr. Kellogg. (Applause)

... When Mr. Ludwig's name was called ...

CHAIRMAN HALLANAN: Mr. Ludwig, will you please rise. Gentlemen, I desire to present a new member of the Council, D. K. Ludwig, President, National Bulk Carriers, Inc., New York. We are delighted to have you here, Mr. Ludwig. (Applause)

... When Mr. Moncrief's name was called ...

CHAIRMAN HALLANAN: Mr. Moncrief, I don't think it is necessary to introduce you to this crowd; everybody knows you anyway -- Mr. Moncrief, of Fort Worth, Texas, independent oil producer. (Applause)

... When Mr. Ruan's name was called ...

CHAIRMAN HALLANAN: Mr. Ruan, will you please rise, sir. Gentlemen, I desire to present a new member of the Council, Mr. John Ruan, President, National Tank Truck Carriers, Inc., Des Moines, Iowa. Mr. Ruan we are glad to have you as a member of the Council. (Applause)

... When Robert E. Wilson's name was called ...

CHAIRMAN HALLANAN: I might say, gentlemen, in

passing, that this is the first meeting of the Council which Dr. Wilson has missed since its organization, and he wanted me to express his great regret that his perfect record was going to be marred by his inability to be here today; but it is indicative of the fine record we have had at these meetings from the members of the Council over these years.

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CHAIRMAN HALLANAN: Gentlemen of the Council, I have the sad duty to notify you officially that since the last meeting of the Council we have lost in death two very valued and beloved members of this group, Mr. R. H. Hargrove, of Shreveport and Mr. C. A. Johnson, of Los Angeles.

I desire to recognize at this time Major R. H. Hardey -- to present the memorial resolution in respect to the passing of Mr. Hargrove. Major Hardey.

MR. B. A. HARDEY: Mr. Chairman and Members of the Council:

On January 10, 1954, there were no survivors of a plane crash near Shreveport, Louisiana. One of the ten passengers was R. H. Hargrove, president of Texas Eastern Transmission Corporation.

Mr. Hargrove lost his life at the zenith of a brilliant career that had been gathering momentum with the passing years. For over a quarter of a century he had been associated with the oil and gas industries in Texas

and Louisiana. During that time he made a significant contribution to the advancement of both.

Reginald H. Hargrove was born on October 6, 1897, in Marshall, Texas, but grew up in Shreveport where he was graduated from Shreveport High School. He attended Rice Institute in Houston, and with the advent of World War I he entered the Army as a second lieutenant in the Coast Artillery Corps. He served two years, several months of which were spent in France.

Upon his return from the service at the end of World War I, he became general manager of an abstract company in Shreveport, where he remained until 1928. At this time he became associated with the land department of the Palmer Corporation, a predecessor company of United Gas Corporation. His loyalty, tremendous capacity for work and outstanding ability foreshadowed his continuous rise in positions of importance and responsibility in his chosen field.

In a little more than a year, R. H. Hargrove was elected vice-president of Louisiana Gas and Fuel Company and subsidiaries, which included the Palmer Corporation. And in yet another year, following the organization of United Gas Corporation, he was elected vice-president of all active domestic operating subsidiaries of that company.

His years of service to United Gas continued to 1947, and during this time the scope of his responsibility

increased to a point where he was vice-president and general manager of Union Producing Company, United Gas Pipe Line Company, and United Oil Pipe Line Company, as well as vice-president and a director of United Gas Corporation, parent company of the United Gas group.

"Reg" Hargrove quickly became identified as a leader in the community life of Shreveport, and through the years gave freely of his time and abilities to promote its growth. This included active participation in both church and civic affairs.

As an outstanding citizen and businessman it was logical that with the formation of a new company with great potential he should be considered for a position of leadership. Therefore, on March 1, 1947, he became associated with Texas Eastern Transmission Corporation, and on May 28, 1947, he was elected president. Subsequently he built the organization and completed the financing and other arrangements to purchase and operate the war-built Big Inch and Little Big Inch pipelines. The successful conversion of these oil and product lines to gas transmission lines was an outstanding industry achievement. He continued to lead Texas Eastern through the next seven years with conviction, courage, and wisdom, so that at the time of his death it was one of the nation's major natural gas carriers.

Upon the outbreak of the Korean War he was called

upon to help organize and establish the Gas Division of the Petroleum Administration for Defense. He served from February 12 to April 1, 1951, as acting assistant deputy administrator in charge of gas matters in the establishment of the Petroleum Administration for Defense Gas Division. He was a member of several oil and gas advisory groups. He was a member and past president of the American Gas Association, a director of the Independent Natural Gas Association of America, and a member of the American Petroleum Institute, Mid-Continental Oil and Gas Association, and Texas Mid-Continental Oil & Gas Association.

WHEREAS, R. H. Hargrove, a member of the National Petroleum Council since December 29, 1949, lost his life in an untimely accident on January 10, 1954; and

WHEREAS, he made an outstanding and significant contribution during his lifetime to the progress and development of the oil and gas industries; and

WHEREAS, the National Petroleum Council, by his passing has lost a close friend and valuable member;

NOW THEREFORE BE IT RESOLVED:

That the National Petroleum Council does record its sincere regret in his passing and resolve that copies of this resolution be filed in the permanent records of the National Petroleum Council.

BE IT ALSO RESOLVED, that copies of this minute be

forwarded to the members of the immediate family of R. H. Hargrove, together with the deepest sympathy of the members of this council.

Mr. Chairman, I move the adoption of the resolution.

CHAIRMAN HALLANAN: May I ask for a rising vote on the adoption of this resolution.

... The audience arose ...

CHAIRMAN HALLANAN: The resolution is unanimously adopted.

The Chair recognizes Mr. Russell Brown.

MR. RUSSELL B. BROWN: Mr. Chairman and Fellow Members of the Council: It is with deep regret that I have to announce the death of Carl A. Johnson. Carl has been a member of the Council since its inception and has contributed greatly to the welfare of the petroleum industry. He was a quiet man; he was a man of great integrity and firm personality. He was a great addition to the oil industry in California and to this nation. I therefore offer a resolution in memorium as follows:

It is with a sense of great regret and deep sorrow that the National Petroleum Council records the passing of Carl A. Johnson on March 2, 1954.

Born in Martinsburg, Nebraska, March 13, 1877, Carl Johnson became associated with the Holly Sugar Company, Holly, Colorado, in 1908; in 1910 he moved to California,

where he was Pacific Coast manager of the Holly Sugar Corporation. He was one of the organizers of the Holly Development Company, of which company he served as president from 1933 until his death.

He was one of the organizers of the Wyoming-California Petroleum Company and served as president of that company since 1933.

At the time of his death he was chairman of the board of the Holly Oil Company, and also chairman of the board of Socal Oil and Refining Company -- both at Los Angeles, California.

He was past president and director of the Independent Refiners Association of California, a director of the Oil Producers Agency of California and the Western Oil and Gas Association. He was the first vice-president of the Independent Petroleum Association of America for Southern California and was a director and member of the executive committee of that Association until his death.

He was a member of the Petroleum Industry War Council, and has been a member of the National Petroleum Council since its organization in 1946.

He was a member of the California Club, the Jonathan Club, and the Al Malaikah Temple of the Shrine, Los Angeles, California.

Carl A. Johnson, in the fullest sense,

participated in the industrial and social life of the community in which he lived. For years he has, through his patience of character, his fullness of experience and understanding of the petroleum industry, been a leading contributor to the development of the petroleum industry in the United States and the contribution this industry has made to the building of our country.

On passing, he left surviving him his widow, Mary D. Johnson, and two sons, Loomis and Arthur Johnson.

IT IS RESOLVED THAT on this, the 23rd day of March, 1954, the National Petroleum Council, meeting in Washington, D. C., express its appreciation for the many useful contributions to the progress of the work of this Council and the petroleum industry that have been made by Carl A. Johnson, record its profound sense of loss on his passing, and extend its sincere sympathy to his family and associates.

IT IS FURTHER RESOLVED that this resolution be entered upon the permanent records of the Council and a copy thereof delivered to his family.

Mr. Chairman, I move the adoption of this resolution.

CHAIRMAN HALLANAN: May I again ask, gentlemen, for a rising vote on the adoption of this resolution.

... The audience arose ...

CHAIRMAN HALLANAN: The resolution is unanimously

adopted.

Copies of the minutes of the last meeting of the Council held on December 3, 1953 were mailed to the members on December 29, 1953. What is your pleasure?

... It was moved and duly seconded that the minutes be adopted ...

CHAIRMAN HALLANAN: It has been moved and seconded that the minutes as mailed be adopted. All in favor indicate by saying "aye"; contrary-minded "no." It is so ordered.

... Unanimous ...

CHAIRMAN HALLANAN: The next is the report of the Secretary-Treasurer.

MR. JAMES B. BROWN: Our first report on the calendar year '53, for which year you very kindly voted a budget of \$85,000 -- we started the year with \$7,998; we took in \$112,499 from contributions, publications, and so on. Out of the money we spent \$87,440, of which \$12,000 was transferred to our permanent or reserve fund. That left us with \$23,056 at the end of the calendar year. We have been operating since then without a budget.

We have taken in \$553; we spent \$13,023; and have at the present time \$10,586 in our general fund.

The reserve or permanent fund is \$77,000. All but \$3,500 of that is in Government bonds.

CHAIRMAN HALLANAN: You have heard the report.

... It was duly moved and seconded that the report be approved ...

CHAIRMAN HALLANAN: You have heard the report, and it has been moved and seconded that the report be approved and received. All in favor indicate by saying "aye"; contrary, "no." The report is adopted.

... Unanimous ...

CHAIRMAN HALLANAN: The Chair recognizes Mr. Ed Warren.

MR. J. ED WARREN: Mr. Chairman, I move that the Chairman be empowered to appoint a Nominating Committee of five to retire and consider nominations for the Chairman, Vice Chairman, and the two permanent committees of the Council, the Agenda Committee and the Nominating Committee.

... The motion was duly seconded ...

CHAIRMAN HALLANAN: You have heard the motion. All in favor signify by saying "aye"; contrary "no." The motion is adopted.

... Unanimous ...

CHAIRMAN HALLANAN: The Chair will appoint as members of the Nominating Committee:

Mr. Warren, Chairman

Mr. Jake Hamon

J. French Robinson

Eugene Holman

B. C. Graves.

MR. WARREN: If the Nominating Committee will meet with me in the back room we can go over the slate and bring it back in.

CHAIRMAN HALLANAN: While the Nominating Committee has retired for the conference, I will ask Mr. Jacobsen to present the report of the Agenda Committee. Mr. Jacobsen.

... Mr. Jacobsen presented the report of the Agenda Committee ...

MR. JACOBSEN: I recommend adoption by the Council of this report.

... The motion was duly seconded ...

CHAIRMAN HALLANAN: You have heard the report submitted by Mr. Jacobsen as Chairman of the Agenda Committee. It has been moved and seconded that the report be adopted. All in favor indicate by saying "aye"; contrary "no." The report is unanimously adopted.

... Unanimous ...

CHAIRMAN HALLANAN: Gentlemen, we have a visitor here this morning, a representative of the Office of Defense Mobilization, and we are delighted to have this opportunity to have him come and sit in with us and for us to hear a message from him. This Council is closely tied in with the problems of national defense, and I have great pleasure in presenting to the Council at this time Colonel Enter,

Director, Continuity of Industry Division, Office of
Defense Mobilization. (Applause)

COLONEL TED E. ENTER: Thank you, Mr. Chairman.

Gentlemen, it is a great pleasure to have the opportunity to appear before you today; and it was very gratifying to hear the letter that the Secretary just read from Mr. Stewart concerning this very realistic problem of attack damage upon the United States, and to see that the Council has presented to them the challenge of looking into it and see what, I might say, one of the most vital industries of the United States can do about it -- the petroleum and refining industry.

As you are all well aware, it was not very long ago that the President of the United States indicated in a message to the people that the Soviets have the atomic bomb and they have the capability of delivering it. But what I would like to do today is just briefly outline what the programs and policies are from the standpoint of dealing with this with industry and the Government's assistance, and the Government planning inviting industry with the basis of getting on with trying to take care of the job within industry.

Since this capability does exist the capability of atomic attack upon the United States does develop a whole new scope in our mobilization plan.

As you all are aware of the establishment of our mobilization base and the capacity to produce the requirements of war has developed largely under the conventional considerations attendant to a dynamic economy under stable internal conditions.

In other words, the attack principle was not the overriding principle in developing our great mobilization base that we have today.

Now, considerations of massive damage to the United States, to its industrial capacity, has not, until very recently, become a prominent factor in mobilization plans.

Now, since we are faced with this new capability and with the very grim fact that if attack is possible, a major portion of the capacity that we have thus far created and established may be very vulnerable and it may not be available if attack is successful when we need it the most. And in thinking in these terms, this, you might say, new dimension of nuclear attack in mobilization planning creates at least four new problems which have to be taken into consideration.

The first is the availability of capacity to meet defense production requirements. Where is it? Is it vulnerable if we have an attack -- will it be there?

The second, requirements, means new levels, new

types of requirements that must be considered from the standpoint of shifting programs to meet the rehabilitation requirements and to adjust production in line with surviving capacity.

And the third, the procedures, such as emergency controls which might have to be established in the event of attack in the bomb-devastated areas, including the maximum decentralization of authority so as to swiftly determine priorities and allocations and facilitate the necessity of making decisions, or the necessary decisions that have to be made.

And fourth is the recuperation problem, the recuperation cycle of industry to come back, that is, new techniques and measures to speed up this rehabilitation and to maintain the continuity of production, even under attack conditions. Those must be developed.

Now, some of these include the unique and unprecedented procedures for transferring production from damaged to undamaged facilities, and to areas which are not subject to attack, as well as effective and expeditious procedures for facility rehabilitation, and many pre-attack measures such as dispersal and stockpiling.

In order to get at a problem of this nature we have to make some basic assumptions. If we accept this thesis of attack, and surely we must in the face of not only what

the President says, but with what we know the capability to be of those who oppose us, we must accept the conclusion that our planning assumptions must include this implication and such capability to come back from attack.

Our conventional assumptions heretofore have always been based on plain mobilization planning, that is -- one -- the factors that fall into four categories -- one was, "Well, what is the length of the war?"

Second, "Where is it likely to be fought?"

Third, "The nature of the combat"; and

Fourth, "The size of the armed forces and probable distribution."

With those, you could pretty well measure your requirements, your program, your scheduling.

Now we come to an extension of these assumptions -- in order to consider any type of current planning, we will say the nuclear thesis, these assumptions must be extended to include the major capability of attack upon the U. S. -- just what can they do to us -- what is the nature of the attack on us -- whether it will be on strategic targets or target systems, or whether it will be a combination of strategic targets and tactical targets.

When I say "strategic targets" I am thinking mostly in terms of our prime industrial centers and our prime industrial complexes, and many of those complexes are

refining complexes.

Preliminary investigation and just analysis of the problem you are able to make by your daily reading, indicates that it is very likely or quite likely that while some tactical targets will be selected, considerable emphasis will be put on our industrial targets. It seems fairly evident, too, that our industrial centers will be prime targets, because, having twice attained victory in war through the mobilization of our industrial potential, it is most reasonable to assume that any enemy would attempt to destroy or immobilize this potentiaion at the very outset of any war.

Therefore, in addition to the other assumptions we may assume that our industrial centers will become front line targets. I mean, the rear echelon has moved up to the fox hole under these conditions, and for the first time in our history we may be faced with a problem of production while under attack -- something we have not heretofore ever, in the history of our country, thought about.

Now, the last assumption, you might take into consideration is, in planning for this type of thing in industry or in any type of industry planning, is the weight and frequency of the attack and number of successful hits, together with the radius of probable damage. And all of those make a balance to approach the problem.

Now, individually we can't do that. But from a standpoint of weighing the problem within Government and giving advice, those things must be integrated into a general overall thinking plan.

Now, I said strategic targets or industrial targets are likely to be hit, and that our industrial potentials have twice won victory for us.

Let me just show you in one chart here what I mean, what I mean by that. I have one small chart here that shows concentration of our production in the United States.

(Chart)

These are thirty cities -- thirty-one -- fifty cities -- let's just stop right here at fifty cities (indicating). Let's just pause for a moment at fifty cities. At fifty cities we have 71 per cent, in fifty metropolitan areas we have 71 per cent of our industrial capacity, industrial potential capacity to produce, and in this point eight million workers represents 54 per cent of our industrial workers -- fifty targets of a manageable target system for the enemy.

Just pausing right here you can see it does not go up very much -- fifty cities -- we have got 71 per cent, and we have 54 per cent of our industrial workers.

Now, getting behind that, just getting down a

little bit lower to show the manageability of our industrial potential by attack by the enemy, let's take ten cities here which are broken down into defense production categories -- the thing is the hard core that we have to have to fight in these industrial categories.

We find in ten cities, which are New York, Chicago, Detroit, Los Angeles, Pittsburgh, Cleveland, Boston, St. Louis, San Francisco, forty per cent of our industrial capacity in the following defense categories: 52 per cent of our electrical machinery is in ten cities; 51 per cent of transportation equipment; 48 per cent of the instruments and related products; 48 per cent (and that is close to your industry) petroleum and coal products; 46 per cent fabricated metal products; 43 per cent of primary metal products; 43 per cent of chemical and allied products; and 35 per cent machinery and electrical products.

That is pretty tight concentration. It has been necessary through our past history to have an integrated industry complex. But at the same time, we have made ourselves very vulnerable to this extent:

Now, I have taken here hypothetical damage assumptions -- this is merely taken from the census, there is nothing classified about it, taken on the basis of thirty cities, the same defense production categories on a fifty per cent damage basis to those cities. These are the

cities here (indicating).

This is something of what it would look like. We would lose, on fifty per cent damage assumption, 28 per cent of chemical and allied products production capacity; 27 per cent of petroleum and coal production; 32 per cent of rubber production; 30 per cent of primary metal, and so on.

Now, that is at the moment of impact of the bomb. That does not take into account the recuperative cycle of industry. Maybe ten days later this would change greatly. But from the standpoint of at the moment and at the optimum place of the bomb where the enemy should put it to get the maximum amount of damage and the relation of industry of that area, of those cities, and on a fifty per cent basis we would look something like that. And it would be a pretty tough job if we just let it happen, gave no thought to it, and then saw what we could do afterwards.

Now, I showed you some charts here. However, large scale damage is not necessarily any kind of a criteria or criterion for any type of occasion of what we are faced with. One single city in the United States, just taking one which represents less than one per cent of the total production in the United States of dollar value added, has in it -- it produces 95 per cent of the national total of an item most essential to aircraft production, without which

aircraft production could not go forward; 74 per cent of the national total of an item essential to tank production; and 67 per cent of the national total of an item essential to automobive production -- one single city.

So it spreads across the board. You can say, "Well, we can lose 32 per cent; we can lose 10 per cent." Yet, this one city with one per cent would immobilize vast segments of production.

Now, we face two problems. One is the direct loss, the direct loss of capacity where facilities are knocked out, can no longer produce. And the other is the indirect loss, the dependency aspect, where a facility has been knocked out, and it has serious concentric impact upon many others.

A case in point that I think you are all familiar with is the General Motors Livonia plant, where a disaster at the transmission plant occurred. Now, at the transmission plant there was only displaced 8000 workers at that time, yet, as the suplier to dependency plants there were 25,000 workers displaced.

Now, just translate that into production, and you have the same problem. I bring that up because, in terms of just plain national disaster it is important -- I mean, natural disaster, it is important, it is important to have some sort of plans to offset facility destruction or

facility loss.

Now, what can we do? What is the Government doing to sort of plan to offset this attack damage?

Well, in approaching a program to cope with industrial damage due to attack, we immediately find ourselves faced with two brand new problems.

First, and this is the hard one, first is the thought that bombing of industrial cities is fantastic in terms of anything we have previously experienced. The "It can't happen here thesis" is rapidly fading, but it certainly isn't fading fast enough.

And second, a program of this nature reaches and affects all other areas of planning within the country.

And third, the actions that have to be taken to offset possible bomb damage are of a type which will permanently affect the nature of our industrial economy.

Most other planning for mobilization has been in the field of increasing total capacity for particular products or in the planning of particular procedures.

In the case of continuity of industry planning, what can we do to make sure it will be there, a pre-attack plan to offset this possible damage? It is necessary to revamp the physical arrangement of our industrial complex in many directions.

Now, this will require, of course, a very effective

and intelligent public relations program. Some of the things that we -- when I say "public relations program" I mean, not from the sense of a public relations man, but a sense of industry itself accepting the problem and doing something about it. And you gentlemen in the refining and petroleum industry who have lived with disaster probably understand it much better than any other industry, probably, except the chemical industry.

Some of the things that can be undertaken within this particular field are protective construction; the protection of plant services and utilities -- which you have already done, and I might say, in protective construction I think you are aware that the Office of Defense Mobilization has offered one hundred per cent tax amortization for any cost of any protective construction you undertake. I know it is very difficult in the petroleum and in the refining industry, and perhaps in the petrochemical aspects; there are many phases where protective construction would be useful in the production of vital products.

You have also undertaken many provisions for fire fighting to minimize disaster, and many physical security measures against sabotage and the various subversive types of actions that could paralyze a facility by enemy action within our own boundaries.

One of the things that I think it is important to

consider at the moment is industrial dispersion. To the greatest extent possible we have been asking industry to look into the dispersion of the facilities from congested areas.

Dispersion does not mean moving from the North to the South, but getting a few miles out from the identified target area of an attractive target -- getting outside of Cleveland, outside of Chicago, outside of Pittsburgh and Philadelphia -- not moving many miles, but getting away so that if the bomb hits where it would be the most likely target, you would have a chance of survival of your facilities.

Within our tax amortization structure I think, as many of you are aware, we tried to make sure that tax amortization is not granted to a facility that is located within an already built up target area. And it has been very gratifying in the petroleum industry to find several of the major companies seeking sites at nonvulnerable locations rather than in locations that would offer the necessary requirements, such as deep water, and processing water, terrain, and rail facilities which are usually found in target areas. But a number of companies that are looking towards expansion have been looking towards some more long range problem of "can we place our facility where we feel that it will not be taken out because we are within an

already rich target area."

Today we have some thirty industries that are at work on this problem that have accepted it, formed task groups and tried to see what they could do. One particular industry which is a very major industry in the United States that had one of its most vital defense products, 85 per cent of it centered in two key target cities, worked out a system in task group how they could find dispersed sites, locations, and get that particular vital product out of target areas. And they have located facilities. They are now at work on a time and cost study for production in these new sites.

Now, there are two approaches that the Government has. I mentioned one in tax amortization. But they are really -- one is a direct approach and the other is an indirect approach.

An example of a direct approach is a stockpiling of raw materials where we stockpile things directly under Government control. Another is the expansion goal program, so that there is direct activity there under which industry can receive certain incentives. And the other, and last, is procurement placement.

There are others involved in it, but those are the three major ones, in which procurement placement, both within the Office of Defense Mobilization by contractual procurement arrangements, and the other, through the Defense

Department itself, who have recognized this very strongly and have directives which favor, and to the fullest extent practicable recognize the placement of contracts with facilities, we will say, for safe location.

And the other is the indirect, which is more of the oblique approach, like tax amortization, and where we would have a certain requirement for a safe location in order to receive that tax amortization. Of course, it is doubtful now, whether you still have to put your own money into it. And we also have the indirect where private money is used to assist facilities where it is some encouragement to see that private money goes into safe locations.

Defense loans is also, you might say, to some extent an indirect -- and also, we may have to look forward to extend our stockpiling conditions or our stockpiling program to include certain specific measures that will assist in making sure that the materials, equipment, the components are available when we need them, in case that destroyed facilities must be repeatedly put back. That includes even the possibility and considerations for long lead-time equipment.

Now, those are some of the things that the Government can do. But the Government, the Federal Government, is not in the key position. It is in the leadership position. It can tell you the problem; it can tell you the danger. But

the results, the effectiveness lies with industry. Because with you gentlemen it is the resourcefulness, the knowhow, the competence to do something about it.

Now, what are some of the things that you can do? Well, three categories seem to present themselves as a way that action can be taken, and has been taken in some of the other types of industries. I realize yours is a little different complex. But we break it down into what we call preventive measures, supply measures, or logistic measures, and reconstruction measures.

What are some of the preventive measures? These are pre-attack measures. What can we do to prevent the damage?

Well, I mentioned the dispersion. Dispersion can be facilities, but at the same time, are within your own complexes. There can be within facilities a real amount of dispersion that will produce effectiveness such as your very key departments or your key areas that might be right centered in the midst of what would be the target area. But if you could move certain portions of it to make sure that there would be a continuity there of operations, that would be most effective, and that includes management, too -- take into consideration that the succession of command within your organization is protected -- not all in New York, or not all in Philadelphia, or not all in Chicago, or Los

Angeles -- but there are some alternate procedure, that if massive attack happened your facility would be able to be operated under intelligent control.

Also, this applies, of course, to the fabricated industries such as jigs, and dies, and fixtures; and long lead-time equipment can be placed in safe locations, away from the target area or away from the facility, so that reconstruction and resumption can be begun as quickly as possible.

And lastly, but sometimes very much overlooked, engineering drawings, designs, specifications, layouts, processes, and flow charts where they would be safe, where you could quickly get them and could resume an operation.

It was not long ago that I was talking with the president of one of the biggest airplane companies on the West Coast on this problem of drawings and designs and specifications, and he said, "Goodness, come to think of it," he said, "we have all our master drawings, all our drawings -- it fills up about two and a half rooms, and it is right in the center of our plant. If our plant went," he said, "we'd be at least twenty-four months getting back into production. But if I had all those drawings, if I had every one of them," he said, "we'd be back in seven months."

Well, that is a tremendous difference in "down-time." And, of course, it all has to be considered.

Now, in the second category, the supply or logistic measure is more or less the type of making the operating from what type of things you preplan from -- just plain supply. Some of those are production transfers: What can you transfer; what kind of planning can you make in advance that, if you had a facility knocked out, that you would transfer to something, to some other area?

Naturally, you don't transfer all those. You don't transfer refineries. But there are many elements within your production -- your aviation catalysts, and types of production that are very vital, that if you are knocked out maybe there is a possibility that with industry arrangements you could make some security in seeing that the production is arranged somewhere else.

This remains all down-line from just even locating a source that can do it, to actually undertaking ghost orders and having them do it.

Then there is the storage of reserve stocks, to give considerable different thought from the standpoint of getting levels that would keep you going in case of large scale damage -- not the normal maintenance in operating, but the amount of equipment that would have to be on hand and the amount of things that you would have to have if you were partially or badly damaged. I am not talking about being underground zero where you are destroyed, but where

you are damaged and you have to come back, especially your long lead-time equipment and your most essential maintenance equipment.

It was not very long ago that we were talking with one large firm, and they were very, very delighted about their three million dollar repair facility. They said, "We could build a whole plant, build a whole facility with our repair and maintenance organization."

Well, we looked where the repair and maintenance organization was; it was right in the center of the plant. If the plant went, why, the repair and maintenance went. It made sense when they put it there from the standpoint of operating procedure. But today they are thinking about getting that maintenance facility, which could do major repair in case of plant damage, some place where it would be safe. And then they could come back in and lend assistance with it.

Then I would like to briefly touch on the last category, which is the reconstruction measure. What advance engineering planning can be done? There is a lot of engineering planning that can be undertaken. What kind of plans and designs can be drawn up in advance to offset quick repair and to get the facility back as fast as possible?

Those are things that only you yourself can look at to determine and come up with some kind of a plan and work

it out with some kind of a contractor.

What is the advance construction planning that can be undertaken? What type of construction has to be applied? And what kind of agreements would you have to make intra-industry or with local community level to have bulldozers, or tractors, or whatever the necessary equipment might be that could be located and could be earmarked and could be part of your recovery program?

And then lastly, the amount of equipment planning that you could have, the type of equipment that is necessary to be there.

Now, in considering all of these things you gentlemen actually become what we might term an industrial strategist -- you just don't do these things unless you make sense. They have to have good, prudent business management. And I was very delighted the other day to hear a gentleman who is vice president of one of the largest chemical companies come in and say, "This does make sense." He said, "But by developing succession of management," he said, "we brought out many young men, we brought out a better manpower program in our company. We had put in this alternate system in case of loss of a key official and we started training them, and we brought to the surface many men that we had not noticed before.

"Secondly," he said, "in analyzing our departments

for loss of production we found that we could save lots of down-time, and we improved our production time. And lastly, and very important," he said, "because we did get a very good facility plan, because we did have an up-to-the-minute safety procedure we had our insurance base rate lowered. So," he said, "we did find tangibles." And they have plants in thirty-eight states.

So in approaching this problem you become, as I said, the industrial strategist; you look at it -- what is it actually worth in terms of continued production and national security before you undertake the action? How much does it cost? How much can I afford to spend, and how can I get the most for the amount spent?

Now, the question of value which -- you can sum it all up -- can be termed in this case:

1. To keep the plant function as a part of the national war effort; and
2. To safeguard the lives and jobs and the morale of the employees; and
3. To preserve the capital investment of the stockholders; and
4. To maintain the competitive position of the company in the industry.

Now, in your own area in the petroleum refining you have considerable concentration. You are faced with

considerable problems. You have the production aspect. You have the refining aspect. You have the pipeline transportation. And you have terminal storage.

All of those, either singly or as a combination represent targets. Some of your target areas -- some of the locations which are in target areas, not because they are refineries, but because there is already very highly attractive industrial targets, as you are all well aware:

The Bay area of San Francisco.

The Wilmington - San Pedro area.

The Houston - Galveston area; and

Port Arthur, with its terminal facilities.

The Delaware River area.

New York Harbor and Bayonne Area.

All of those are very attractive targets, not because of refining, but because there is already heavily industrial congestion which would make a lucrative target. And the planning that you do will be essential so that you aren't part of the casualty.

I would just like to point out one last thing in summing this up. As much as possible, we can look forward and see an ever-increasing technique development of weapons technique, and the more the weapons increase without some effect of decrease upon our targets, the more effective the new weapons become. But the more we do in planning to

offset these weapons either by dispersion, by pre-attack planning, of maintaining continuity of production, we offset a certain amount of these weapon technique increases.

These things that we do do not obsolesce in effect; they offset to some degree the increase in the weapons technique. And while the weapons obsolesce and you have to go to new ones, the measures to reduce our target concentrations, the measures to effect more dispersion, to make sure that our industries will be there, have no obsolescence, in fact, they contribute to our national security and to the continuing entity of your companies and, of course, your country, is the general gist of what we are trying to accomplish.

And I sincerely hope that in this brief period that you will undertake some thoughts of how you can make a contribution in the most vital area -- the petroleum and refining area, in making sure that we have the fuel when we need it.

Thank you very much! (Applause)

CHAIRMAN HALLANAN: Colonel, we are very grateful to you for that interesting presentation of this very vital matter; and I hope from time to time that you will come back to attend these sessions and give us the benefit of any advice or counsel that you think will be helpful.

We are tremendously interested in the problem that

you are dealing with.

Gentlemen, this Council membership meets here today in response to the appointment of Secretary of the Interior McKay. This is the first meeting of his Council under his appointment. I am delighted to have the privilege of introducing him to you at this time. Honorable Douglas

McKay.

Honorable Douglas McKay and wife
Secretary of the Interior
Petroleum Administration
 20/

~~(The audience arose and applauded) ...~~

~~HONORABLE DOUGLAS MCKAY:~~ Mr. Chairman, Ladies and

Gentlemen: It is always a pleasure for me to appear before this Council, because I am very proud of what you have done. I know of no other organization that has done a better job than this one in cooperation between industry and Government. I want to congratulate you on what you have done in the past, and I hope that you will continue to cooperate in the future, because we always need you.

"I am glad to be here today; but I don't know that I can tell you anything about the petroleum business. You know so much more about it than I do. But I have noticed in the Wall Street Journal that the earnings are good, with the major companies, at least, and, of course, I am one of those who believes in earnings. I like to see people make money. I like to see business prosper, because this whole economy and this United States has produced the highest living standard in the world, the wealthiest nation with

the widest distribution of wealth, and it has been built by private enterprise. So I say hurrah for profits, and let's not apologize for them.

" I also realize that you have some problems of long inventories, and so forth. But I also have faith in the industry, that you will be able to handle those problems as they arise to the benefit of yourselves and to the American people.

"The thing that I have always been concerned about since I have been in Washington is that we people that happen to be sitting in some of these positions today as business men, we want to be sure that we operate on a fair, safe basis for the interest of all the people of America. That is my job as Secretary of the Interior, where we are largely a natural resource department, in my opinion; so all the problems we look at, we must look at them on the broad view of what is good for the most people for the longest time. And I am sure that business men generally do the same thing. They are interested in the future of this country and the welfare, and their contribution that they make will be made on the premise that you have got to make a profit, but a reasonable profit is all that you can expect.

"In my own business, the automobile business, we have been riding the gravy train, as I have said before, for a good many years. Now, the boys that haven't saved their

money are going to be a little out of luck right now. But I haven't any sympathy for the marginal operators who haven't got brains enough to run their business and save their money when it is easy. But some of the boys can't stand prosperity, you know. They buy too many yachts, too many cattle ranches, and so forth; so some of them are a little embarrassed right now. I feel sorry for them. But they should read their history. You can't get into some of these things on a high market and expect it to last forever. Percentages is what takes care of you over a long haul.

" I don't know that I can say anything to you. I think I would be presumptuous if I said anything to you about your business, because you know so much more than I do about it.

" There is one other thing I want to say, though, that you might be interested in. I was interested in this defense program the Colonel was just talking about. Now, we have an opportunity to do some sane planning in Washington on the overall defense program -- not under the stress of battle, but when we can take from our book the experience of two major world wars, and the third one in Korea, which brings us up to date on modern weapons. And so ODM is taking a fresh look at all of these things, stockpiling, and all of these things. Felix, here, and I have been on a committee for several weeks - months, on a Cabinet level

on the mineral situation in America, which isn't good, as you know. And one of the things that we have worked out so far is a new plan on stockpiling, which I think you will all be very much pleased with when you see it. I don't know that it particularly affects the petroleum industry, but it would in the lead and zinc and some of the others.

" It is awfully good to have a look at things when they are fresh in your mind, as they are today, and defense and planning for the future with that in view -- and people that have never seen damage by aerial attack will just be amazed when they see it. I haven't seen the new bombs, but I saw Pearl Harbor immediately after the attack. It makes you feel kind of sick to see your fleet, practically your entire fleet sunk. It gives you a sick feeling. And it is much worse today.

" I think we have got a good program in the Administration. And there is just one other thing I would like to touch on. I hope I am off the record. - - -

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" Here is where you come in -- we were down looking over the offshore drilling -- saw the LST tied up -- where you're spending a million bucks. Orm Lewis is in charge of the Bureau of Land Management. He will set up the leases whereby we lease this stuff to some of you fellows, and, we hope, at a big price. And we service those leases --

that is in the Bureau of Land Management. So the producing end of the industry in the Gulf of Mexico will have something to do with Orm Lewis. And when I looked around down there I thought we were going to have a lot to do. The smart boys tell me there is lots of oil out there in deep water, and they are going to get it. And so then, Felix and Herbert, you will hear from them directly about some of the things he has to do in his Department of Minerals, Mining and Geological Survey. Very happy to be here -- want you to know Orm Lewis, and I want you to know again if there is any problem in your industry, this Council will do its best, I am sure, to solve it. And if we don't do our job right, go ahead and give me hell. You do anyway.

"I have gotten a lot of letters. We get about six thousand pieces of mail a day. And some people get mad because I don't read them all. Gentlemen, I couldn't even open them. I get quite a few myself. So if you ever want to tell me what you think of me address me "personal" or send it to Miss Phillips, my secretary. Some of you don't need that invitation, because I already received them.

"You know, the Interior Department is trying to do a good job for the public. Our philosophy is this, that we are hired men working for the Government temporarily. We are all expendable. And while we are here we want to do the best we can for the most people and try to do a better

job, particularly for the taxpayers, and render more service for less money. So if you don't think we are doing it right, let us know.

to here
 "Thanks a lot! (Applause)"

CHAIRMAN HALLANAN: Pending the report of the Nominating Committee, I want to ask our distinguished senior member, Judge Warwick Downing, of Colorado, to come forward and take over as presiding officer at this time. (Applause)

... Mr. Downing assumed the Chair ...

CHAIRMAN DOWNING: Thank you very much, Mr. Chairman. This is an honor that I thought I would never have.

Let's have the report of the Nominating Committee. That is what we are waiting for.

MR. WARREN: Mr. Chairman, on behalf of the Nominating Committee I wish to nominate for the Appointment Committee, one of the permanent committees of the Council, the following names:

① Mr. Robert F. Windfohr

② Mr. L. S. Wescoat

③ Mr. Reese H. Taylor

④ Mr. Roland V. Rodman

⑤ Mr. M. H. Robineau

⑥ Mr. M. C. McGowen

⑦ Mr. J. Sales Leach

③ Mr. B. Brewster Jennings

② Mr. J. C. Donnell, II

① Mr. J. S. Bridwell

Mr. Frank M. Porter, as Chairman.

For the Agenda Committee -- do you want me to take these one at a time, or--

CHAIRMAN DOWNING: I think you had better present them all at this time.

MR. WARREN: For the Agenda Committee:

⑤ Mr. L. F. McCollum

⑥ Mr. A. C. Mattei

⑦ Mr. J. Howard Marshall

⑧ Mr. B. L. Majewski

④ Mr. W. Alton Jones

③ Mr. B. A. Hardey

⑩ Mr. P. C. Spencer

② Mr. Russell B. Brown

⑨ Mr. J. R. Parten

① Mr. Hines H. Baker

✓ Mr. A. Jacobsen, as Chairman.

For Officers of the Council:

For Vice Chairman, Mr. R. G. Follis.

For Chairman, Mr. Walter S. Hallanan.

Mr. Chairman, I wish to place these names in nomination.

CHAIRMAN DOWNING: You have heard the report of the Committee. If there is no objection, we will vote to approve the report in one vote.

Does anyone want a separate vote on the nominations for Chairman, Vice Chairman, or members of the Committee?

... It was duly moved and seconded that the report of the Nominating Committee be adopted...

CHAIRMAN DOWNING: Hearing no objection, the motion is that the report of the committee be adopted, which carries with it the election of our Chairman, Vice Chairman, and members of the committees. All in favor please rise.

... The members arose ... (Applause)

CHAIRMAN DOWNING: The vote is unanimous.

Walter, you are the incoming Chairman, and with due modesty, you asked me to preside in your place. Now will you continue to preside. It is not, maybe, so much the honor -- but you have done a magnificent job -- I think you have almost been the Council, and in behalf of the members I certainly hope that you will accept this election as a tribute of our confidence in the success of the Council, which depends upon your leadership. Thank you.

... Chairman Hallanan resumed the Chair ...

CHAIRMAN HALLANAN: Thank you very much.

Gentlemen of the Council, may I tell you how deeply honored I am to have this further expression of your confidence. The Chairmanship of the National Petroleum Council is an honor which I hold in the highest respect. It has been a real privilege to preside over the sessions of this Council and to direct the affairs of this group of men who have been brought together to serve our Government in these critical days of world confusion and uncertainty.

This Council is now entering its eighth year of service as an industry advisory group. Any impartial review, I think, will show that during those years the Council has, in response to the requests of our Government, made a tremendously valuable contribution to the problems of national welfare and security.

We meet today as a newly appointed group by a new Secretary of the Interior. We have every reason here today to believe that Secretary of the Interior McKay and Assistant Secretary Wormser have every confidence that this Council is serving the Government in a very essential and worth while way, and that they wish it to continue as a wholly independent group in making the petroleum industry's important contribution to the national defense and security.

In the conduct of modern warfare the defense of the nation depends on logistics and transportation. The

fuel and lubricant for transportation today, whether by water, land, or air is oil, and oil serves not only as the fuel and lubricant in the movement in the civilian economy and in the implements of war, but it provides a substantial part of the ammunition itself.

This means that oil must be available in the right volume in the right form at the place and at the time required. This, I am sure you understand, requires a dynamic, flexible industry, the leaders of which realize their opportunities and responsibilities and are willing to work toward the accomplishment of the objectives of national defense, both before and during war, to assist the Government in the attainment of this purpose.

There is great need, therefore, for the National Petroleum Council. Its predecessor, the Petroleum Industry War Council, served with brilliant success during World War II.

This Council has served with equal effectiveness since that war and both before, during, and following the emergency in Korea. We have a record of thirteen years of outstanding success behind us, and a challenge for like service before us in the future. Its achievements in the past have grown out of its independence and freedom of action within the sphere of its undertaking.

This has nurtured a spirit of mission and a

spirit of cooperation. It has brought to bear on problems full initiative, energy, and intelligence, and it has thus made available the knowledge, the experience, the resourcefulness, the organizational skills, and the resources of a great and essentially energy in preparation for and in carrying out war for the defense of our country and all that it represents in the life of the world.

This is a unique organization in many respects. Representatives of all segments of the petroleum industry who have accepted membership on this Council have done so with a sense of high responsibility. They have enlisted in an assignment that has been given first priority. They have been prepared to give of their time and energies in a truly patriotic service. They are ready to give their wholehearted and devoted energies to a government-industry team devoted to the solution of those problems so vital to our national welfare.

It has been the rarest thing to have any member decline to accept any assignment that he has been asked to undertake; and then it has only been for good and sufficient reason.

It has been a great source of satisfaction to me as Chairman to know that the talents, the skill, and the abilities of the men composing this Council have been available to the Government at any hour. With that kind

of teamwork we have been able to carve out a record of achievement that I am certain has constituted a new milestone in government-industry relations.

Now, this has been done without any impairment of the petroleum industry's independence. We have maintained, during this important era of national defense activity, the same character that was put forth by the petroleum industry during the years of World War II in placing our industry at the service of our Government wherever and whenever it was needed. The military authorities have never found it necessary to call more than once when a situation arose that demanded immediate attention.

Now, this National Petroleum Council did not "just happen." It didn't grow up just like Topsy. The basic structure and functioning of this Council were carved out with meticulous design. The organization of this Council represents many months of earnest and sincere study, not only by the Committee of Sixteen that was originally named to draft its charter and to define its limit of activities and authority; but it also represented the conclusions of the best legal talent as to how the oil industry could constitute itself as a economic, independent, advisory group to cooperate with the Government on problems of national security and national defense -- just as it had given its full and complete cooperation through the

instrumentality of the Petroleum Industry War Council during World War II.

The outstanding record of achievement which the petroleum industry was able to make in winning World War II could not have been possible only through the coordinated efforts of the industry working in every problem of military necessity through the Petroleum Administration for War.

What we did in war time we have been continuing to do as a patriotic service in the succeeding years when our country had been preparing for any emergency that America might find upon its doorstep.

During these years the Government has asked the Council for studies and many statistical reports on every phase of the oil industry's ability to meet demands that could arise from a national emergency. Every request that has come within the limitation of our industry has been promptly met. As an industry, we are proud of the job that has been done, and we shall continue to meet these responsibilities on the same cooperative basis in the future as we have in the past.

Gentlemen, I thank you! (Applause)

I now desire to present the Assistant Secretary of the Interior, Honorable Felix Wormser. Mr. Wormser.
(Applause)

HONORABLE FELIX WORMSER: "Mr. Chairman and Gentlemen: At the outset let me tell you most candidly, I subscribe to the statement you made, Mr. Hallanan, about the work of this Council. I have considered it, and I consider it a magnificent illustration of industry and Government cooperation.

"In the year that I have served the Department it has been my good fortune to observe the operations of the Council and the Government agencies cooperating, and while I am about it, Mr. LaFortune, may I express the deep appreciation that I have had in working with you, as I did -- for your predecessor, Ed Warren -- and tell you how much I shall miss you after your official duties have been concluded in the Department. It has been a great pleasure to me, and I hope I can call on you at times when I feel I will need you.

"I did have two things I thought I would tell you about, and one, I shall sketch very briefly for you, because in Government, as you well know, things happen so broadly that very often we do not realize the impact on our own industry of actions that are taken which may appear to us very remote.

"Now, what I have reference to is an action of this Administration which was taken about three weeks ago when it notified various foreign, interested foreign

governments that it would not sign the international tin agreement.

Now, that may be very remote from petroleum. But, as a matter of fact, gentlemen, as time goes on I think you will see the impact of this decision, for the simple reason that there has been a trend in Washington for many years to introduce, in my humble estimation, an international bureaucracy, on top of whatever domestic bureaucracy we have, to direct the flow of international commodities.

We have one illustration, of course, which was thrown up at Interior at the time this tin agreement was under discussion, in the form of wheat. We have an international wheat agreement. And the tendency has been to foster the development of these international commodity agreements.

Why? Generally, for two reasons. In the case of the tin agreement the reason was, (1), political -- to help the Bolivian and the Indonesians from going Communistic; and, (2), to stabilize the tin economy.

Now, it will be quickly apparent to you, as it was to me -- and before I drop that, let me point out to you that both the Bolivian and Indonesians have socialized their domestic tin mining industry -- it will be quickly apparent to you, as it was to me, that if that is the proper procedure to apply to any international commodity like tin,

and if you have others in wheat, it is a simple step to apply the same procedure to copper, lead, zinc, and petroleum, if you will -- in fact, there is a rubber agreement which has been spoken of; there is also a sugar agreement before the Senate of the United States today.

"Well, Interior took the stand that we didn't like it. We objected. And we objected because we did not think it was consonant with our conception of free enterprise, of which our distinguished Secretary has spoken from time to time.

"We also were very skeptical of the efficacy of these agreements. And I think history will bear me out that they don't work. Nevertheless, there is a group that is sincerely convinced -- and I must recognize that they have their arguments -- that this is the answer to our difficulties in a fluctuating economy.

START "As a matter of fact, the United Nations has just recently distributed a report on international commodity agreements recognizing for the first time, I believe, that to be sure, some of these commodity agreements do not work individually -- and the wheat agreement has cost us already, as taxpayers, over six hundred million dollars. But they say, "I grant you that one agreement or two agreements do not work; therefore, let's have sixteen or twenty, so that the overall stabilization effect will

perhaps be effective."

"At any rate, I was delighted to see that the Randall Commission came to grips with this problem. Not only did it criticize the international wheat agreement, but it made a statement to the effect that it did not think these commodity agreements should be supported as a matter of national policy.

"Well, without going into details, let me tell you that that is now history; that the Administration has decided not to go into this tin agreement. I am delighted because I think for some time to come you won't need to worry about your own commodities as being drawn into this particular sphere.

"I did feel that I ought to bring it to your attention. But I did notice that many people with whom I spoke when this thing was brewing did not realize its implications; and, as a matter of fact, I was shocked to find that even some people -- I shall not mention the names -- who had studied this tin agreement, had felt it was desirable to support it because they had had such trouble in the violent fluctuations in the price of tin.

"I am pleased, however, to tell you that when the Department of Commerce held an industry advisory committee meeting representing all the people turning out tinsplate, solder, and whatnot, and asked for an expression of

opinion, there wasn't a single primary user of tin -- I say primary -- in the United States, and there were twenty-nine of them represented, who was in favor of this particular agreement.

"That, I believe, also will help to bring about the Administration's final decision.

"Well, so much for that. And now perhaps for something a little more pleasant. Ed Swanson -- is he in the room? I am informed he has just gone. That is too bad, because I was going to introduce to you one of our Interior Department staff who has served the Government for about twenty-five years, and is now about to retire.

"It was my experience to have been an employee of the Department at the time Ed came into the Department. And here I am again, an employee of the Government, while he is retiring.

"I think you will agree with me that Ed has been one of our outstanding petroleum economists, and I just thought he would be here so I could wish him the best of luck from the Department on the occasion of his retirement. But I am afraid I shall not have that pleasure.

"At any rate, let me assure you, gentlemen, it has been wonderful working with you. And I am looking forward to many occasions when we can work to mutual advantage.

"Thank you very much."

~~Thank you very much! (Applause)~~

~~CHAIRMAN HALLANAN: Passing to the next order of business, gentlemen, I desire to present Colonel Will W. White, Staff Director, Petroleum Logistics, Office of the Assistant Secretary for Defense for Supply and Logistics. Colonel White will discuss the "Military Petroleum Requirements" as of the present. Colonel White. (Applause)~~

here COLONEL WILL W. WHITE: "Thank you, Mr. Hallanan. Ladies and Gentlemen: I want to tell you to start off with that I feel very highly honored to be up here in this uniform, and as a member of the Department of Defense, instead of in my normal guise as a working member of the oil industry.

"The job which I have for the next year is that of Director of Petroleum Logistics for the Department of Defense. And the Department felt, or, at least, they told me that they felt that due to the fact of the Petroleum Administration for Defense being disbanded after having done such a wonderful job, and also, to the fact that a reorganization within the Department of Defense had taken out of existence the Munitions Board under which the Petroleum Logistics job had been handled, they thought it might be a good idea, they hoped it would be a good idea to ask an industry man who had had some petroleum, some military experience to come in and help in the

transition period.

" That is my reason for being here today. And, as was stated a moment ago by Secretary McKay, I am extremely expendable.

" I would like to have the industry members feel that I would like to be their torch bearer with the Department of Defense to the extent that I can. I would like to think that I might help to interpret the industry's ideas in some measure to the people in the Department of Defense. I know that all of you have been and are continuing to be extremely eager to help the people in uniform and those who are responsible for the defense of this country to do the job which they are setting out to do, or which they are continuing to do.

" We will need your help and the help of your colleagues continuously, and very, very often in the future.

" So far as the petroleum requirements position, Mr. Hallanan, is concerned, there has been no change in the picture since General Johnson reported to the Council in December. But since there may be some few people here who did not hear the last report, the general situation shapes up about as follows:

" There seems to be, according to the present criteria which has been applied, reason to think that the petroleum industry cannot support the war plans as they have

been drawn up to date. We are, however, in the midst of a restudy which, of course, is a continuance restudy; but there will be within the next few weeks, we hope, a new set of, or a new capabilities plan, I should say, and a new strategies plan from which we and you will be asked to re-evaluate the oil industry's abilities and the possibilities to perform the modified mission which is under study at the moment.

" The only thing that still worries us is the matter of aviation gasoline. You are all familiar with the fact that the program for increased allocation facilities is still about six thousand barrels a day short of the target that was set under the National Petroleum Program.

" We don't yet know what the effect of the removal of PAD Orders 3 and 4 will be on the immediate availability. But I understand that Colonel Douglas Brown, of ASPPA, is going to speak to you in regard to the procurement program that is ahead of us just at the moment.

" Once again, I do want to offer my services to whatever extent you feel that you would like to use them, as the man who did come from industry just a short time ago, and who hopes very much indeed to get back to industry in the not too distant future.

" Thank you! " (~~Applause~~)

~~CHAIRMAN HALLANAN: Thank you very much, Colonel~~

White.

MR. BRUCE BROWN: Mr. Chairman, might I have a moment? They say there is around every refinery some old fuddy duddy who remembers when all the pipes were laid. I guess I have been around here too long, because maybe I am one of the few people who could correct Will Walter White's speech for him -- and I would like to go back over it a little bit and tell you something neither he nor the Chairman told you. He is not only experienced in the military, the Air Force, and in the petroleum industry, as he said; he is also an ex-bureaucrat -- he has been around here before as the Aviation Officer of the Petroleum Administration for War.

It is nice to see you back at work again!

(Applause)

CHAIRMAN HALLANAN: May I now present Colonel Douglas R. Brown, Director of Armed Services Petroleum Purchasing Agency, who will speak on "Military Petroleum Procurement." Colonel Brown. (Applause)

here COLONEL DOUGLAS R. BROWN: "Mr. Chairman, Members of the National Petroleum Council, and Guests: I am privileged to once again be able to appear here and address the Council and to acquaint you with the current matters of mutual interest and benefit to both the Government and to this Agency.

"The primary concern is the armed services' requirements for this coming fiscal year, starting June 1, '54. The petroleum purchases for the three departments for 1955 will increase about ten per cent over the present high level, and will approximate 226 million barrels of product, costing over \$1 billion.

"This figure represents 20 million barrels over the current fiscal year's purchases. This total program, although subject, as you know, to the availability of Congressional appropriation, reflects the plans of the Army, the Navy, and the Air Force as of today.

"We have sent our solicitations to industry for all aviation fuels, and expect to send out those for other bulk fuels in the next ten days.

"Aerialwise, the percentage of our military purchases from U. S. sources in 1955 will be about the same as in 1954, roughly, seven per cent from the East Coast, 21 per cent from the West Coast, and 72 per cent from the Gulf and Middle West.

"Product-wise, too, the distribution of our purchases will not vary greatly from the fiscal year '54, except that the jet fuel purchases will continue to increase sharply, and other fuel will remain about the same. High octane fuel will increase slightly -- the increase in the grades 115 and 145, with a slight level off in 100.

Jet fuel now is our largest single program. And since 1948 we have increased purchases from 2,500,000 barrels to a current 83,000,000 barrels for 1955, an increase of over 3300 per cent.

In this connection it should be noted that JP 3 purchases continue as a large portion of Navy requirements. Of course, they are in that grade. When I saw this figure of 3300 per cent I realized the significance of it. And I wanted you to see the trend. So I brought a chart, which I would like to show you.

~~(Chart)~~

For the fiscal year 1948 there is the trend I was talking to you about a while ago, two million and a half barrels.

We go over to 1955, and we run off the top. There is the 83,000,000. It is quite a trend, as you can see. It is almost double over this fiscal year '54.

We are buying 47 million this year -- we are going to 83 million in the new fiscal year.

That ought to provide a market for some of this motor gasoline.

Your Council is only too aware of the shortage of high octane which prevailed one year ago and the subsequent sudden sharp increase in the availability of supplies to the military. Of course, this increased supply has provided

for our current operations and has, as noted by Colonel White a while ago -- we are still 6000 barrels a day short for mobilization requirements.

" The indications are this availability of supply will continue in the new fiscal year, and adequate coverage without resort to incremental increase in production is anticipated. As I said, last year's supply and demand in so far as the current operations are concerned, was pretty much in balance.

" To cover these heavy requirements for the fiscal year '55 the ASPPA has requested bids by formal advertising for all products -- for all products with the exception of high octane fuel. This will be a departure from our past procurement on jet fuel, as we have heretofore negotiated for this product. We will continue to negotiate for high octane fuel until such time as it is determined that sufficient quantities may be available in all areas.

" We have no way of knowing exactly how product offers may be influenced in certain areas in the U. S. as a result of the withdrawal of PAD Orders 3 and 4 in the latter part of last year.

" As I have stated before, we believe that an adequate supply of high octane fuel is available. But the location of supply may constitute a problem of transportation cost under an advertised bid program. For this reason we

will negotiate for high octane fuel, at least, for the first half of this new fiscal year.

Gentlemen, in about three months I will end my tour as Director of ASPPA. This may be, of course, my last opportunity to appear before this Council. It has been one of the most satisfying tours I have ever experienced during my entire military career, and one which, of course, I will long remember. I think the reason is because of my close contacts and friendships that I have been able to build with the petroleum industry.

"It is a gratifying thing to see a group of people work as you have worked, and sincerely, without the type of cooperation which you have given us in the military we couldn't possibly meet our mobilization goal. I know that you have done it at great sacrifice to your own companies economically. I have seen it in the construction of your aviation program when applied to the military. So I would like to thank you for the type of cooperation you have given me and for the friendship which you have shown me."

~~(Applause)~~

CHAIRMAN HALLANAN: Colonel, may I express to you the appreciation of the Council for the very fine and intelligent and understanding way in which you have presented the problems of the Military Procurement. And it has been a great privilege to have you with us at these

meetings.

COLONEL BROWN: Thank you, Mr. Chairman.

(Applause)

CHAIRMAN HALLANAN: Mr. Jones, from the Government Personnel Committee, has a problem that was put in your lap the other day. It relates to the problem of special help for the oil and gas division, for the rather important aspect of this work, and this seemed to be a very good time to review it.

MR. JONES: If I can have a couple of minutes, Mr. Chairman.

The work of the Personnel Committee of the Council is one that has wide swings of demand peak and valleys. A good deal has been said here this morning about the success and the service of the National Petroleum Council and the Petroleum Industry War Council, which preceded it.

I think we will agree that a great deal of the success of these two organizations has been due to the kind of leadership we have had; and without trying to polish Walter's halo, I would like to add my word of appreciation for the fine leadership you have furnished us during these peacetime years -- and, of course, the kind that Bill Boyce supplied during the war days.

But I think, too, most of you who know the facts realize that one of the reasons this government-industry

team has worked so well is because the industry has fulfilled its responsibility in supplying the Government with top flight personnel and highly trained technicians.

Now, this is not any sacrifice we should not have been prepared to make; it is a sacrifice that we should have been perfectly willing to make; and I am sure in the end it has paid substantial dividends to the country and to our own industry. It is a record that I think we can be justly proud of.

Now, as we come to another punctuation mark in this industry-government team, we should take a new look at the importance of continuing this type of service that will be needed again by Mr. Stewart, Mr. Fentriss, and in the Oil and Gas Division of the Department of the Interior. Mr. LaFortune will soon step down as the Deputy Petroleum Administrator, and the regular organization of the Oil and Gas Division will take over during this period as the liaison between the oil industry and the Department.

Now, there are many problems present that were not present when the PIWC liquidated its operations in '46. The Office of Defense Mobilization is going ahead full steam. And you heard something this morning of the long range planning and the new plan, new type of planning that has to be done by that organization. And it is all the more important that we continue to support Mr. Stewart and his

organization with competent and trained personnel. We have got a good deal at stake. As the representative of the Office of Defense Mobilization told us this morning, many new requirements will be made of this industry. Studies need to be made on the question of decentralization; providing of additional facilities, some of which we will get under accelerated amortization. And I think that is one problem that I think Mr. Stewart will face rather promptly in dealing with this new work that he will take over with the passage of PAD.

And so, Mr. Chairman, about all I wish to emphasize here this morning is, with the passing of PAD the responsibility of industry to supply the Government with competent personnel does not cease.

Now, as most of you know, we have not taken it upon ourselves to pick men and plant them in Government. That has never been the objective or the program of industry or the Personnel Committee. It has been our business to supply required or requisitioned personnel as needed and, of course, when the men come here they come here as agents and representatives of the Government and sever, to all intents and purposes, their official connection with business and with the industry of which they have been a part.

But please bear in mind that the committee that

has become dubbed more or less the "arm-twisting committee" of the Council will continue its function; and we will expect you, as a matter of duty and responsibility, to continue to give us the kind of men that Mr. Stewart and Mr. Fentriss and the others here in Washington will require.

That is all, I think, Mr. Chairman. (Applause)

CHAIRMAN HALLANAN: Thank you.

About a year ago, gentlemen, in the face of the realization that Mr. Ed Warren was compelled to forego a continuance of the duties as Deputy Petroleum Administrator, they looked for a successor down in Washington to step into a very active direction of the affairs of the Petroleum Administration. The Committee on Personnel was able to prevail upon a man of fine achievement in the industry to make the necessary sacrifice that is involved in giving up his private activities and to come to Washington and to take over what, in many respects, is more or less of a thankless job, but a very important job.

We were, I think, exceedingly lucky to be able to prevail upon Joe LaFortune to undertake this assignment. And I, as I said in a remark previously -- it has been a wonderful thing to go through the years that I have gone through as Chairman of this Council to realize the fine acceptance that we have from men in undertaking an assignment which does not offer very much in the way of financial

reward, but a lot of hard work.

Joe LaFortune has carried on in this capacity with great credit and with outstanding success. And I want to supplement what the Secretary said this morning and what was said by Mr. Wormser, Assistant Secretary, in expressing our gratitude for him as he prepares to leave the Petroleum Administration for Defense with the conclusion of PAD.

Joe, it has been a fine opportunity to cooperate with you, and you have done grand work, and I know I bespeak of the sentiments of every member of the Council when I tell you that we have a deep sense of thankfulness to you for what you have done.

Mr. Joe LaFortune. (Applause)

here MR. JOSEPH A. LaFORTUNE: "Mr. Chairman, Ladies and Gentlemen: I come before you to give you my farewell speech, and I do not have a prepared speech. I do have a few notes; and I am going to show them to you, and then quickly bring to an end the few words that I think that I should address you.

"Here are the notes that I have been handed (indicating document). For the benefit of you who don't know what it says, it says "PAD foams, deodorizes, sanitizes, then simply flushes away." (Laughter)

"That is just about my position here today. For the past three months we have been liquidating, planning

Paul was Director.

on reactivating the ~~O G and D~~. We would like to see the Oil and ~~gas~~ ^{gas} Division operate on a smaller scale than the PAD. And I believe we have set it up to do that job.

"It is going to need a little help, as Mr. Jones has intimated to you, from time to time. And, to be specific, Mr. Stewart is going to need a good refinery man and a good pipeline man.

We have lost Joe Boice just recently, who has completed forty-two years with the Government; and the refinery man has also departed. So we do need those two particular individuals. And any help from any of you who know of a good man who you think would fit in on this particular work, it would be a steady job with the ~~O G and D~~ ^{ODM}.

"The pipeline work that we have been on for the past three months has not been very fruitful. I am going to prepare a report to Dr. Flemming, of the ODM giving our efforts, at least.

"The tax amortization continues on at the rate of fifteen to twenty requests per month. So far we have O.K.'d in excess of four billion two hundred million dollars worth of tax amortization since PAD started. That is quite a record. All of you are quite aware of your own respective setups. And I think that will continue on until negotiations have been reached.

"In regard to working and assuming this position, I

have been very happy to work under Secretary McKay. He has just been a wonderful man.

"Mr. Felix Wormser will now head the ^{O.G.D.} ~~O-G and D~~. Mr. Stewart will be working under him. Mr. Wormser, you will find to be very, very cooperative; and he thinks our way and acts our way. I am sorry -- he just now came in -- he didn't hear what I had to say about him. But Felix, I am just telling the gentlemen that I have enjoyed working with you, and that you are now going to be taking over ^{O.G.D.} ~~O-G and D~~, and I can assure them that a very fine job will be done by Mr. Wormser and Mr. Stewart for the ^{O.G.D.} ~~O-G and D~~.

"I have had some very pleasant experiences up here in Washington. Only yesterday I received an invitation to have luncheon at the White House. It was not with our good President, but with one of his men. I had the opportunity to pick his hat off the hat rack and put it on, just to say that "I wore the President's hat" even if it was just for a moment.

My closing here, gentlemen, comes with a little regret; but at the same time, I feel like the job has been done. I hope that I have done a satisfactory one for all of you; and I know that I can tell you that I have been down at nine in the morning, and leaving at five-thirty, and I have missed out on some of the things I have been used to. But perhaps from now on, why, I may be able to

enjoy a little more of that down the road.

" I want to thank each and every one of you for the cooperation you have given me.

" In conclusion, I want you to know that it has been a happy assignment for me here in Washington. Thank you very much! (~~Applause~~)

CHAIRMAN HALLANAN: Gentlemen, I feel that Mr. Jones' remarks were particularly appropriate when he referred to the sacrifices that have been made by those of our industry who have come here to staff the Government's Departments, PAD and the oil and gas division, and the other agencies related to our petroleum activity.

It recalled to my mind that at a former meeting of the Council Mr. Frank Porter suggested that appropriate action be taken to express the appreciation of the Council and the thanks of the Council for these men who have served in the Petroleum Administration for Defense, and are leaving the Government to go back into industry.

That statement of Mr. Porter's was formalized in a resolution which was adopted by the Council asking for the appointment of a committee to assume that responsibility. I did not appoint the committee because I felt at the time it would be better for the whole job to be done when PAD was finally concluded. And now, as we face the conclusion and the finality of PAD as an agency, it

seems to me that we should look forward to expressing in some appropriate manner the thanks of our industry for the sacrifices and the time that these men have made.

There are a great many of them. I see Dick Lawton sitting here, who gave valuably of his time for a good many months, and Alfred George Wilson, and many others. And I now propose to appoint the committee to take such appropriate action, and that committee will consist of:

Mr. Frank Porter, as Chairman

Mr. W. Alton Jones

Mr. W. K. Warren

Paul Endacott

Jacob Blaustein

William Vaughey

Max Ball

W. W. Flenniken.

Mr. Porter, I hope that in due course you will call your committee together, and the facilities of the Council will be at your disposal for whatever purpose you may desire to undertake.

Now, as we heard the swan song of Joe LaFortune, we now want to hear the new song of the Director of Oil and Gas Division, Mr. Hugh A. Stewart. (Applause)

how MR. HUGH A. STEWART: Mr. Chairman and Gentlemen:

There is very little left for me to say. It appears that I

am destined to get the Oil and Gas division back on the tracks and to try to get it steamed up to the point where it can successfully carry on the part of the work that PAD will leave behind.

" How much of a job we will be able to do is going to depend directly upon the personnel we will be able to recruit. In numbers, that will be controlled by the appropriation which the Congress will grant for the next fiscal year. That report is not yet out of the Appropriations Committee; so we have no way of knowing what the Congress' thinking is.

" But to the extent that Congress appropriates money to us we will have to go to the industry to pick men to fill these jobs that we may need to fill in order to carry on the way the Oil and Gas division should go and the way I know you men want to have it go.

As Joe LaFortune said, we need right now a good pipeline transportation man who has enough engineering background to be able to analyze carefully these places for accelerated tax amortization. We have the same need in the refining end. Those are jobs that need to be filled at once.

" Now, the OGD can make use of the industry personnel without compensation, at least, as long as the Defense Production Act stays in force, as presently it is.

" We may have to call on the industry directly for some additional "without compensation" men. We don't want to do it. However, if we can recruit satisfactory skilled, experienced technicians in the several lines where we need them -- we will have a tougher time in this than PAD had. When PAD was growing we had the benefit of a lot of men with wide acquaintanceship. It was relatively simple for them to get together and pick out one or two individuals here or there through the country and "put the finger" on them.

" Now, when the staff is reduced to its present size, that simply isn't possible for us. And we are going to have to ask the good graces of Mr. Jones and his committee to try to give us selections of names; to give us some candidates whom we can consider, and who then can be made available for the Government service.

" Now, beyond that, there is one question, one subject that we have been struggling with -- and I noticed the rest of the people in speaking very carefully skated around it. It is a question that I have been asked at least twice each day for the last three months. That question is: "When is PAD going to fold?"

" I still don't have that answer. But we have, internally, every step taken down to the final signature of the order by the Secretary. The orders as set up will give

the Oil and Gas Division all of the responsibility that it carried pre-Korea, and it also will delegate to the Oil and Gas Division ~~the~~ the defense responsibilities which are placed on the Secretary with respect to oil and gas in the delegation coming from the Office of Defense Mobilization.

" That is going to increase our load. It involves a lot of other problems. But I think we can set it up to make it go. Now, the order can be presented to the Secretary just as soon as we have certain rather minor administrative matters concluded. That can't be this week. It could be next week, or within a matter of two or three weeks. And the only thing I want to say is that we have been straining every effort in the past ninety days to get everything cleared up.

" We have one important problem that we had to get behind us. That was the reestablishment of the Foreign Supply Committee under the voluntary agreement in a form that would permit Secretary Wormser, as the Assistant Secretary for Mineral Resources to replace the deputy and would permit him to delegate supervisory responsibilities for that committee to personnel in the Oil and Gas Division. That is now reaching its conclusion. And I think in the next week the new voluntary agreement will be set up, the new committee will be organized as well as appointed, and

that we will have that one thing behind us.

" Those of you who have -- I beg your pardon, that Foreign Petroleum Supply Committee probably realizes the contribution that has been made to the military and to the PAD. Others don't realize it. But we get through that route a quality and an amount of oil information obtainable no other way. And it is one of the things that we were very much concerned about in having it reestablished in an appropriate manner.

" Now, Walter, I want to express to you and to the whole group my own appreciation for the job the Council and the industry has done in the support they have given PAD over the past three and a half years, and with a continued wish for that sort of support, and I have no question in the world but what we will have it. We will get the ^{Oil} and ^{Gas} Division going, and we will maintain this liaison which is so vitally necessary for the defense of this country.

" Thank you!" ~~(Applause)~~

CHAIRMAN HALLANAN: Mr. Secretary, are you prepared now to present the budget for the year?

SECRETARY-TREASURER BROWN: In order to maintain the administrative work, that is, the office requirements of the Council for the calendar year 1954, I would appreciate your approval of a budget in the amount of \$85,000.

... It was duly moved and seconded that the pro-

posed budget be approved ...

CHAIRMAN HALLANAN: You have heard the motion. All in favor indicate by saying "aye" contrary "no." It is so ordered.

... Unanimous ...

CHAIRMAN HALLANAN: Is there any New Business, gentlemen?

MR. JACOBSEN: Mr. Chairman, my business isn't exactly new; it is rather old; but I would like to add my voice to the tributes that have been expressed this morning to our very distinguished Chairman. We are proud of you, Walter. You are doing a splendid job. It has made great demands on your time, and you give it willingly for the good of our industry and of our country.

If I may be allowed to be a little bit critical of Ed Warren's Nominating Committee this morning, he should have nominated you for life, and I am quite sure it would come through unanimously. As a matter of fact, I don't think there is any way that you can get rid of this job except by committing suicide, and I hope you won't go that far! (Applause)

CHAIRMAN HALLANAN: Well, the one reason that we have been able to go as far as we have is because we had a good, competent, alert Chairman of the Agenda Committee, Al Jacobsen. So I will put it right back in your lap,

Jake. You have done a grand job through the Agenda Committee.

Is there any further new business?

(No response)

CHAIRMAN HALLANAN: If not, a motion to adjourn is in order.

... It was duly moved and seconded that the Council adjourn ...

CHAIRMAN HALLANAN: All in favor of the motion to adjourn signify by saying "aye"; contrary-minded "no." The motion is carried.

... Whereupon, at 12:45 o'clock p.m., the Council adjourned sine die ...

ADJOURNMENT