

OFFICIAL REPORT OF PROCEEDINGS

COPY

Before The

NATIONAL PETROLEUM COUNCIL MEETING

DEPARTMENT OF THE INTERIOR

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Docket No. ....

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Washington, D.C.

Place -----

Date 14 December 1956 -----

Pages 1 thru 68 -----

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NATIONAL PETROLEUM COUNCIL MEETING

December 14, 1956

COPY

Conference Rooms A & B

Departmental Auditorium

Washington, D.C.

MEMBERS PRESENT:

8	Jack Abernathy	R. G. Follis
9	Robert O. Anderson	B. C. Graves
10	Hines H. Baker	Walter S. Hallanan (Chairman)
11	Paul G. Bennedum	Jake L. Hamon
12	Fred E. Bergfors, Sr.	John Harper
13	Jacob Braustein	I. W. Hartman
14	Reid Brazell	Cash B. Hawley
15	J. S. Bridwell	A. E. Herrmann
16	Robert W. Carney	Harry B. Hilts
17	Charles A. Chipman	G. B. Hunter
18	Howard A. Cowden	A. Jacobsen
19	William E. Curry	B. Brewster Jennings
20	J. C. Dennerl, II	Paul Kayser
21	Fayette F. Dow	W. W. Keeler
22	Gordon Duke	B. J. Majewski
23	Rainey Elliott	J. Howard Marshall

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1 MEMBERS PRESENT (Continued)

2 Glenn E Nielson A H Rowan  
3 S. F. Niness D. T Staples  
4 Maston Nixon Sidney A Swensrud  
5 Joseph L. Nolan W. W. Vandever  
6 J.R. Parten S. M Vockel  
7 Joseph E Pogue J. Ed Warren  
8 Frank M. Porter John H. White  
9 Maurice G Powers Robert E Windfohr

10 James V Brown, Secretary-Treasurer

11 OBSERVERS FOR COUNCIL MEMBERS:

12 Douglas Campbell for Munger T Ball  
13 E. F. Wells for Paul G. Blazer  
14 Dan Jones for Russell B. Brown  
15 F. J. Hayes for H.S.M. Burns  
16 Otis Ellis for John F. Cummins  
17 Homer Batzell for James P Dunnigan, Richard G. Lawton and  
M. H. Robineau  
18 Mr. Schiller for Max M. Fisher  
19 Mr. Barr for Clyde T Foster  
20 Donald O'Hara for George J. Hanks  
21 B. Watson for W. Alton Jones  
22 Mr. Johnson for William M. Keck, Sr.  
23 Mr. Parkinson for L.F. McCollum  
24 M Schwarz for R.S. Mc Farland  
25 Oscar Morton for William G. Maguire

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1 OBSERVERS FOR COUNCIL MEMBERS (Continued)

- 2 L. S. Wescoat for R. L. Milligan
- 3 Mr. Hargrove for George T. Naiff
- 4 Cecil Morgan for M.J. Rathbone
- 5 Jim Dyer for P.C. Spencer
- 6 L.A. Webb for Henderson Supplee, Jr.
- 7 Mr. James for William K. Warren
- 8 Mr. F. O. Prior for Robert E. Wilson
- 9 Mr. Jameson for Robert L. Wood
- 10 Mr. Alfred Kaltz for John Wrather

11 ALSO PRESENT:

- 12 The Honorable Joseph C. O'Mahoney, U.S. Senator from Wyoming
- 13 The Honorable Fred A. Seaton, Secretary of the Interior
- 14 The Honorable Herbert Hoover, Jr. Under Secretary of State
- 15 The Honorable Arthur S. Flemming, Director, Office of  
Defense Mobilization
- 16 The Honorable Felix Wormser, Assistant Secretary of the  
17 Interior
- 18 Mr. Hugh A. Stewart, Director, Office of Oil and Gas.
- 19 Maj. Gen. L.E. Cotulla, Office of Ass't Secretary of Defense
- 20 Rear Admiral O. P. Lattu, Military Petroleum Supply Agency

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P R O C E E D I N G S

1  
2 CHAIRMAN HALLANAN: The Council will please come to  
3 order.

4 The Secretary will now call the roll. Before proceed-  
5 ing, however, I would like to present to you a new member of the  
6 Council, Mr. Jack Abernathy, who is the President of the  
7 American Association of Oilwell Drilling Contractors of Oklahoma  
8 City. We are happy to have you as a member of the Council, Mr.  
9 Abernathy.

10 (Appluase.)

11 (Whereupon, the Secretary proceeded with the roll call.)

12 CHAIRMAN HALLANAN: Gentlemen, you have received  
13 copies of the minutes of the last meeting of the Council held  
14 on September 28 last. What is your pleasure?

15 MR. MAJEWSKI: I move that they be accepted.

16 VOICE: I second it.

17 CHAIRMAN HALLANAN: It has been moved and second that  
18 the minutes be approved.

19 (Whereupon, the motion was put to a vote and carried  
20 unanimously.)

21 CHAIRMAN HALLANAN: Mr. Jacobsen, may I call on you  
22 at this time to present the report of the Agenda Committee?

23 REPORT OF AGENDA COMMITTEE

24 MR. JACOBSEN: On the date of October 30, 1956, Mr.  
25 Walter S. Hallanan, Chairman of the National Petroleum Council,

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1 sent to the members of the Agenda Committee a copy of a letter  
2 addressed to him on October 29, 1956 by Mr. Felix E. Wormser,  
3 Assistant Secretary of the Interior, a copy of which is  
4 attached, in which Mr. Wormser requests that a committee of  
5 the National Petroleum Council be appointed to make a study  
6 of the petroleum tanker situation.

7           In accordance with the emergency procedure provided  
8 in the Articles of Organization of the Council, the Chairman of  
9 the Agenda Committee communicated by telephone or telegraph with  
10 all the members of the Committee, who agreed unanimously that  
11 a committee of the National Petroleum Council be appointed to  
12 prepare the study requested by Mr. Wormser on the understanding  
13 that the committee should not suggest, or participate in the  
14 discussion of, plans or programs, but should confine its report  
15 to findings of fact.

16           Respectfully submitted, A Jacobsen, Chairman, Agenda  
17 Committee, National Petroleum Council.

18           This report was forwarded to Mr. Hallanan, who immed-  
19 iately appointed a committee to study the subject and the  
20 interim report will be in your hands this morning.

21           A meeting of the Agenda Committee had been called for  
22 yesterday in order to be able to deal promptly with any last  
23 minute requests for study that might come from the Department of  
24 Interior. No such request was forthcoming, so the meeting that  
25 had been called for yesterday was not held.

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1 I move the adoption of this report.

2 CHAIRMAN HALLANAN: You have heard the report of  
3 the Agenda Committee as presented by the Chairman, Mr. Jacobsen,  
4 who has moved its adoption. Is there a second?

5 VOICE: I second the motion.

6 (Whereupon, the motion was put to a vote and carried  
7 unanimously.)

8 CHAIRMAN HALLANAN: Now gentlemen, we move to the  
9 matter of hearing an interim report from the Committee on  
10 Tanker Requirements which was authorized under the proceedings  
11 just referred to by Mr. Jacobsen.

12 This is an interim report, as Mr. Jennings the Chair-  
13 man will indicate and there has been no opportunity to have the  
14 interim report presented to the full Committee for consider-  
15 ation. However, in view of the importance of this report, we  
16 would like to ask for its consideration at this time. Mr.  
17 Jennings.

18 INTERIM REPORT OF THE WORKING GROUP OF THE COMMITTEE  
19 ON TANKER REQUIREMENTS

20 MR. JENNINGS: Mr. Chairman, gentlemen: As Mr.  
21 Hallanan explained, we have been trying to get on with this job  
22 as quickly as we could, and the working group was unable to  
23 prepare this interim report and have it completed before Wednes-  
24 day afternoon and that, obviously, left no time for the main  
25 Committee to consider it, and so I would like to present this as

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1 an interim report of the working group with the understanding  
2 that it is subject to further review by our Committee.

3 I might add that the latter part of last week we mailed  
4 out to all of the tanker owners of any consequence, world-wide,  
5 letters which included with them a statement of the ships that  
6 we understood that each owner had on order and asking the owner  
7 to write back and tell us whether those lists were correct, and  
8 if they were not correct, to correct them. And we hope by that  
9 means to have a really very accurate report ready to be sub-  
10 mitted sometime in January.

11 I will now read this report of the subcommittee.

12 As of November 1, 1956 there were 2,509 ships of  
13 43,195,426 deadweight tons (that includes 6,000 deadweight tons  
14 and over) in the world fleet, including government and military  
15 tankers and excluding those flying the flag of Russia and its  
16 satellite countries. These tankers expressed in equivalent T-2  
17 carry capacity, that is, 16,000 tons at 14 and six-tenths knots,  
18 aggregate 2544 T-2's. Prior to the closure of the Suez Canal  
19 and loss of certain Middle East pipelines, there were only three  
20 over-age tankers (1.2 T-2) in tie-up which leads the Working  
21 Group to believe that the tanker requirements just balanced  
22 availability at that time.

23 As of November 1, in tankers of 6,000 dwt and over,  
24 there were 814 ships of 23,352,200 deadweight tons (estimated  
25 equivalent to 1,545 T-2's) on order or under construction for

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1 which contracts had been definitely signed. This information  
2 was obtained from Maritime Administration sources and does not  
3 include a number of tankers which the Committee feels has reached  
4 a firm point in negotiations between shipowners and shipyards  
5 and, therefore, should be added to the Maritime Administration  
6 list.

7 Therefore, the Working Group, through preliminary in-  
8 vestigations of their own, show an indication of 5,570,400 dead-  
9 weight tons, equivalent to 383 T-2's of tankers on order or  
10 planned over and above the 23,352,200 dwt indicated in the  
11 preceding paragraph. Letters have been sent to major shipowners,  
12 world-wide, requesting their plans for tankers to be delivered  
13 before the end of 1965, and an analysis of their replies will  
14 be reported in the final report of the Working Group.

SR

15 Statement "A" attached shows a breakdown by size  
16 categories of the 23, 352,200 dwt definitely on order or under  
17 construction as of November 1, 1956, plus the 5,570,400 dwt  
18 additional indicated on order or planned. It is interesting  
19 to note on Statement "A" the number of large sized tankers  
20 definitely on order or under construction over the next several  
21 years. You will notice, if you add those figures together, that  
22 approximately 25 percent of the new ships planned will be  
23 40,000 tons or better.

24 The Working Group feels that the tanker construction  
25 capacity of the world shipyards is about 300 equivalent T-2's

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1 per year, broken down 275 in free foreign yards and 25, in U.S.  
2 yards. This indication of shipyard capacity has been arrived  
3 at by analyzing building performance of the world shipyards  
4 and assessing total shipbuilding capacity vis-a-vis ways avail-  
5 able for tanker construction. In view of the present indicated  
6 steel shortage over the next few years, it is felt that the  
7 assessed shipyard capacity is probably a maximum figure.

8           It will be noted on Statement "B" that the last two  
9 months of 1956 and the years 1957 and 1958 indicate tanker  
10 deliveries in excess of this assessed shipyard capacity. The  
11 rate of delivery in that period suggests a rate higher than  
12 the 300 T-2's, but it is felt that slippages in delivery dates  
13 will bring these deliveries in line with estimated yard capacity.

14           It is recognized that the combined effects of tanker  
15 scrappage, conversions to dry cargo and other non-petroleum  
16 services plus any marine losses, will partially offset the  
17 estimated future construction mentioned above. However, the  
18 Working Group feels these reductions will be only nominal  
19 (approximately 25 T-2s annually) during the 1957-1961 period.  
20 On this basis it appears that the world fleet will be increased  
21 54 percent between now and 1961 by tankers now under construction  
22 or on order for which contracts have been signed based on  
23 Maritime Administration figures alone; this amounts to a  
24 compounded annual growth rate of 9 percent for the next five  
25 years. This rate of growth should continue through 1962  
when considering those tankers, aggregating 5,570,400 dwt, which

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1 as yet have not been contracted for but are, to the knowledge  
2 of the Working Group, definitely planned.

3 It is difficult to estimate the number of tankers  
4 now on order or under construction which could be increased in  
5 size although it is felt that an increase would be possible in  
6 particular yards for those tankers scheduled for delivery from  
7 1959 on. A very rough estimate under these conditions would  
8 indicate about 25 to 50 ships could be enlarged to the 60,000  
9 ton or over category. However, the exact amount of additional  
10 tonnage that could be gained by enlarging individual vessels  
11 over the size now ordered or planned is somewhat academic, since  
12 increasing the size of each tanker would cause a delay in its  
13 completion and thus only accomplish building big ships at the  
14 expense of reducing the number delivered. Furthermore, even  
15 with larger ships delivered, the shipyard capacities would not  
16 be appreciably increased above the approximate annual 300 T-2  
17 equivalents mentioned previously, particularly in view of  
18 anticipated short supply of steel.

19 The Working Group feels that its preliminary report  
20 would not be complete without mentioning the apparent shortage  
21 of drydocks, world-wide, in which repairs could be made to  
22 tankers of 60,000 dwt and over. A list of drydocks available,  
23 worldwide, to handle ships in excess of 102 foot beam, which is  
34 24 about 50,000 dwt, is attached, from which it will be noted  
25 that the United States East Coast is woefully lacking in these  
facilities.

1 A statement showing salient characteristics of typical  
2 tankers of various sizes is also attached, and attention is  
3 particularly directed to the beam and draft of these large tankers.  
4 In general, the tankers of 45,000 dwt and over can only be  
5 utilized efficiently in certain specific long-haul trades, such  
6 as Persian Gulf to the U.S. West Coast, and Persian Gulf to  
7 certain major European and U.S. East Coast ports. Tankers of  
8 60,000 tons and up can only be loaded fully in certain Persian  
9 Gulf ports and could be discharged fully loaded only at LeHavre  
10 and possibly lower Delaware Bay and certain U.S. West Coast ports,  
11 which indicates the port development job ahead in order to  
12 utilize these larger ships efficiently. In this connection,  
13 certain Caribbean loading ports are now being improved to fully  
14 load 60,000 dwt tankers.

15 It appears that the Suez Canal and Panama Canal under  
16 present conditions would limit vessels to a maximum of about  
17 60,000 dwt with draft limitations of about 30 feet in Suez and  
18 about 37 feet 6 inches in Panama.

19 I would like to mention at this point that the actual  
20 depth of the water in the Suez Canal is greater than 30 feet.  
21 The ships drawing 35 feet were able to transit prior to shut-  
22 down and the project department would have permitted about 36  
23 feet to be carried through next year. The reason for this  
24 limitation of 30 feet is that there is a ruling in the Canal  
25 operation that the total area of the skin of the ship has to

1 have a certain relation to the area of the Canal banks and  
2 bottom to limit the amount of wash and that is what this 30  
3 foot limitation results from, the application of that limit.

4 In the case of the Panama Canal, the limitations  
5 are a maximum beam of 107 feet on account of the lock width of  
6 109 feet and 41 to 42 feet depth in fresh water. Within these  
7 limitations vessels larger than 60,000 dwt, up to a maximum length  
8 of 900 feet, could transit the Panama Canal locks.

9 A preliminary review of this Interim Report indicates  
10 to the Committee the following:

- 11 (1) Active world shipyards are presently booked to  
12 capacity through 1961.
- 13 (2) There is an indicated shortage of steel for the  
14 present ship construction program.
- 15 (3) Considerable work is required in development of  
16 ports and port facilities, including drydocks and repair  
17 facilities, for large vessels.

18 A final report will be submitted, we hope, by the  
19 Working Group during the first part of January.

20 That is all I have, Mr. Chairman. I don't know whether  
21 you want to formally adopt the report or not; I think it is  
22 just for information. However, if you do, I move the adoption of  
23 the report.

24 CHAIRMAN HALLANAN: Gentlemen, you have heard the  
25 interim report of the tanker facilities committee presented by

1 Mr. Jennings, and while Mr. Jennings is on his feet, I should  
2 like to ask if there are questions that any of the members desire  
3 to ask.

4 Mr. Morse of the Maritime Commission, do you have any  
5 comments in connection with the report just made?

6 MR. MORSE: No, we find it substantially coincides with  
7 the information available to us, and it is a very good document.

8 CHAIRMAN HALLANAN: Any questions, gentlemen?

9 (No response.)

10 If not, the motion is for the adoption of this interim  
11 report as presented by Mr. Jennings.

12 VOICE: I second the motion.

13 (Whereupon, the motion was put to a vote and carried  
14 unanimously.)

15 CHAIRMAN HALLANAN: The report is unanimously adopted.  
16 Thank you very much, Mr. Chairman.

17 While we are waiting for some of the government repre-  
18 sentative to arrive who were delayed by reason of a cabinet  
19 meeting this morning, I should like to jump over the agenda  
20 at this time to item number 10 and present Major General L.E.  
21 Cotulla, Staff Director of the Petroleum Logistics Division of  
22 the Office of the Assistant Secretary of Defense. He will bring  
23 us up to date on the military petroleum requirements.

24 REMARKS OF MAJ. GENERAL L.E. COTULLA

25 GENERAL COTULLA: The agenda item bills me for a

1 discussion of military requirements. At this particular  
2 juncture I think it is perhaps not the best time in the world  
3 to be discussing military requirements, because actually the  
4 picture is a little bit hazy at the present time as to the  
5 future trend in military requirements, and perhaps Admiral  
6 Lattu who will speak to you in a few minutes will give you more  
7 specific information on that.

8 I personally would not predict precisely the military  
9 requirements over the next few years. So rather than talk about  
10 that, I thought perhaps you would be interested, since you have  
11 just heard a very excellent report on the tanker situation,  
12 in my bringing you up to date on what the military has done  
13 with its tanker fleet.

SR 14 There seems to have been a good deal of mis-information  
15 that has inadvertently gotten out and circulated both here  
16 and abroad as to the capabilities of the military transport  
17 fleet. It could be summed up briefly in that the Military  
18 Sea Transportation Service has had a basic T-2 tanker fleet of  
19 about 47 vessels in service hauling military products from  
20 various points to military forces overseas and in some instances  
21 to the East Coast and West Coast.

22 Now this has been augmented within the past few weeks  
23 by the activation or the proposed activation of some 12 of  
24 the Maritime Reserve fleet tankers, 13 Navy fleet oilers and  
25 8 MSTs, that is, Military Sea Transportation Service, Reserve  
fleet.



1           So we have a total of 8 and 12 and 13, or 33 additional  
2 vessels going into the military fleet at the present time.  
3 Eight of those are in service at the present time and the rest  
4 are proceeding on activation schedule and will probably be in  
5 service within the next month or six weeks.

6           In addition to that, we are getting, I hope this week  
7 or next week at any rate, one new tanker from construction,  
8 a 25,000 tonner, and we hope to get one more next month with  
9 two more coming off sometime early in the Spring. That will  
10 give us a basic fleet of about 84 vessels. Then of course we  
11 had a few -- I say we; I am using that as a broad term because  
12 actually this is strictly a Navy and Military Sea Transpor-  
13 tation Service matter, although those of us in the Defense  
14 Department attempt to keep close track of these things -- in  
15 addition to that we have a certain number of voyage, of time  
16 charter vessels, which MSTTS has secured in order to meet the  
17 military requirements. At the present time we have eight of  
18 those. The type of charter, the length of charter, whether  
19 they are just voyage or long-term time charters, I do not know.

20           So we will have, potentially, 92 vessels in the  
21 military fleet sometime within the next few months. That, I  
22 feel, is just about marginal so far as meeting the military  
23 requirements as we see them now.

24           You must remember that in addition to causing certain  
25 disturbances in the normal pattern distribution and supply-

1 demand picture in overseas areas, this has also caused certain  
2 repercussions in the military demand. We normally have local  
3 procurement contracts in certain countries; it is questionable  
4 whether they will be able to perform and in certain instances  
5 we have had additional requirements generated because of  
6 increased tempo and activity. We are just about even with the  
7 board now. Whether or not we are going to be able to say that  
8 in the next month or not, I don't know. It is quite likely  
9 that there may be some additional demands placed on the  
10 commercial fleet in order to take care of the U.S. military  
11 requirements. I don't wish to alarm you at all, because that  
12 certainly isn't going to help the situation if we find it  
13 necessary. It will not be done unless it is absolutely mandatory  
14 but there is that possibility. So that, very briefly, is  
15 the military tanker fleet. There are no reserve tankers  
16 hanging on the hook any place that we can use. We are about  
17 up to the ears at the present time.

18 If there are any questions in that connection, I would  
19 be happy to answer them. Thank you very much.

20 CHAIRMAN HALLANAN: Thank you, General Cotulla.

21 Next we will hear from Rear Admiral Lattu, who is  
22 Executive Director of the Military Petroleum Supply Agency.

23 REMARKS OF ADMIRAL LATTU

24 ADMIRAL LATTU: "Mr. Chairman, gentlemen: My remarks  
25 will be confined to two points this morning: the procurements

1 in the European theatre and some of the problems that happen  
2 during this crisis.

3 "Now the bulk of our military requirements for the  
4 European theatre are purchased from the East Coast and the Gulf  
5 Coast and the Caribbean area. We do buy some products from  
6 our European contractors, maybe special, some jet, particularly  
7 JP 4 keorsene and diesel oil. Now our European contracts were  
8 firm through March 1957 and naturally a month ago we were very  
9 much concerned whether they would be able to deliver. And as  
10 General Cotulla pointed out, the tanker situation was bad and  
11 we were very much concerned whether we could cover those require-  
12 ments from the United States. At that time our suppliers stated  
13 that they felt that they could meet our requirements through  
14 31 December, but could promise nothing beyond that.

15 "Fortunately, things perhaps have eased up and today  
16 we get the word that most of the contractors feel they can  
17 meet our requirements through those contracts, through 31  
18 March 1957. There have been some losses here and there that  
19 we have managed to cover in spot cargoes and things of that  
20 sort.

21 "Now in addition to this, of course there were increased  
22 deployments of fleet units and there were increased uses by the  
23 Air Force. This meant that we had sudden requirements which  
24 we had not anticipated. Our worst problem was the 115 and 145  
25 Av gas and JP 5. Our normal procurement methods did not bring

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1 sufficient supplies to meet these sudden requirements and we  
2 had to send a telegram to our normal suppliers, to the president  
3 of the companies, to bring it to their attention to try and  
4 get these urgent requirements.

5 (' Now your response was very good indeed, and our  
6 immediate requirements were met. I certainly want to take  
7 this opportunity to thank all of all gentlemen who came to  
8 my rescue during that tight period. We were unable to procure  
9 all of our JP 5 requirements. The Navy in the future will need  
10 larger amounts of this particular fuel. We estimate that  
11 today we are using 6,000 barrels a day and in the next 12 months  
12 it will go up to 10,000 barrels a day.

13 (' Now you will probably want to know what is this JP 5  
14 and why does the Navy need this particular fuel. It has two  
15 requirements which set it apart from the commercial kerosene.  
16 First, the flash point of 140 degrees Fahrenheit is 20 degrees  
17 higher. Secondly, the freezing point is minus 55 degrees. The  
18 flash point is necessary for the safety of the personnel  
19 on aircraft carriers who store this on the outside of the ship in  
20 the hull, in the skin of the ship. We are now getting jet  
21 aircraft with tanks in the wing structure and because of the  
22 thinness and complexity of the structure, thermoinsulation is  
23 not feasible. Aircraft flying combat air patrols at 40,000  
24 feet altitude must have this minus 55 degrees freezing point  
25 fuel. Our requirements in the past for JP 5 were small and

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1 there were only two or three contractors who made this for  
2 us and they satisfied our requirements. Now, in the future,  
3 we certainly want to develop more sources for this product,  
4 particularly on the West and East Coasts. Therefore, essentially  
5 our European distribution has not changed materially due to  
6 the crisis. Our longer range picture not only for JP 5 but  
7 for 115 and 145 Av Gas is tight. In addition, we have always  
8 had difficulty securing sufficient navy special on the West  
9 Coast. We hope that we can correct this in the future.

10 Now from this, from my remarks, you may gather that  
11 we have many problems. Petroleum has been a very hot subject  
12 in Washington and in the month that I have taken over at  
13 MPSA most of my problems were putting out fires and believe  
14 me there were plenty of them. We had a conference for three  
15 days of representatives from all over the world who represen-  
16 ted those commands in petroleum matters, and they brought a  
17 lot of excellent suggestions in as to how to meet some of  
18 their emergency problems.

19 One of the longer range problems that has developed  
20 as a result of this crisis is storage. That is our problem, to  
21 try and get more storage in certain particular areas. Again,  
22 I would like to thank those gentlemen that came to my rescue  
23 recently.

24 Thanks very much for this opportunity of giving you  
25 a few remarks, thank you."

CHAIRMAN HALLAHAN: ~~Thank you very much,~~ Admiral.

1 We are tremendously honored and pleased to have a  
 2 distinguished member of the United States Senate as a visitor  
 3 with us this morning, a man who has always taken a very  
 4 devoted and a very keen interest in the problems of the petrol-  
 5 eum industry. It has been my observation that Senator O'Mahoney  
 6 of Wyoming has given such attention to the problems of the oil  
 7 industry that he has always constituted himself as one of  
 8 the very best informed men in Congress on the problems that  
 9 face us. I know that from the experience we had with the  
 10 old O'Mahoney committee which was organized some years ago to  
 11 investigate and to look into this oil problem, that his  
 12 approach was constructive, friendly, and was completely object-  
 13 ive and those of us who had an opportunity to appear before  
 14 him at that time when he was conducting those hearings, recall  
 15 his eminent fairness and his great prudence and wisdom in  
 16 approaching all of the varied problems that stack up with a  
 17 great industry like ours.

18 I know that he is very much interested in the problems  
 19 of this day and he is here this morning because of that interest.  
 20 I know that there is a great respect within the men of the oil  
 21 industry for Senator O'Mahoney, and I am delighted to present  
 22 him to the Council at this time.

(Applause.)

SR

REMARKS OF THE HONORABLE JOSEPH C. O'MAHONEY

1  
 2 8. SENATOR O'MAHONEY: "Mr. Jennings tells me that I have  
 3 got to hold a hand on a button here in order to be heard.  
 4 Well, I am accustomed to having buttons around and seeing buttons  
 5 into  
 6 around in the managerial economy/which this nation has come .

7 "Mr. Hallanan, I didn't recognize myself from the very  
 8 gracious introduction that you have given to me and I thank  
 9 you for it. I will wear the disguise for a few moments as  
 10 I stand before this very efficient group.

11 I would like to say first of all that the National  
 12 Petroleum Council during World War II and during World War  
 13 I, cooperated with the government without reservation in  
 14 the great task that the Government had of conducting these  
 15 military ventures. Fortunately they were successfully conducted.

16 The National Petroleum Council and the government were  
 17 responsible for supplying the fuel, without which the military  
 18 activities which were necessary to win those wars could not  
 19 have been carried on.

20 I want to express my appreciation also of the cooper-  
 21 ation of the government, the Executive Branch of the government,  
 22 in the present crisis. The State Department, the Office of  
 23 Defense Mobilization, the Department of Justice, have come to me  
 24 because I express some opinions with respect to the organization  
 25 which must take place in my view. If the same success which the  
 petroleum industry and the government had in past years is to

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1 be achieved in the present turbulent state of the world, it is  
2 important I think to remember that the Defense Product Act  
3 under which the new Middle East Emergency Committee has been  
4 established is a law of Congress, delegating legislative powers  
5 to the Executive. It is important to remember that the very  
6 central point of the world-wide struggle that is now going on,  
7 an economic struggle, the cold war it is sometimes called,  
8 is the just participation of the masses of the people in  
9 what government does with respect to the regulation of commerce. \*

10       It is important also to remember that the great  
11 achievements of the United States as a people have been due  
12 to the fact that we have had freedom in this country and that  
13 every mind, every human body, wherever it existed, both mind  
14 and body, were free to utilize the resources of nature, the  
15 advance of technology and of science in order to better serve  
16 the needs of the people and of the states. We are struggling  
17 to maintain that principle of government. It cannot be main-  
18 tained if we drift into the field of theory that management  
19 itself is sufficient. Management, from a central resource,  
20 whether political or economic, is not the basis upon which the  
21 Constitution of the United States was drafted.

22       Now in this industry of yours, the public land states  
23 are vitally interested because many of them when they were  
24 admitted to the Union were granted public land to be used for  
25 the support of schools and they draw royalties from the



1 development of the oil on the school lands which they lease.  
2 These leases are granted to small companies, and to big compan-  
3 ies. There are interested those who purchase the oil products  
4 of the oil industry, whether they be industrial corporations  
5 using diesel fuel, transportation companies, or just a man  
6 and his wife and family going on a Sunday jaunt in a jalopy.  
7 They are entitled to receive these products and to know that  
8 they are receiving them at a price which is fair and just to  
9 all concerned. That is what the Constitution, that is the  
10 power which the Constitution gave to the Congress, namely,  
11 to regulate commerce among the states, with foreign nations,  
12 and with independent distributors. Now the whole world is  
13 in turmoil. A special committee has been established, the  
14 Middle East Emergency Committee. That committee has been  
15 representative, as originally conceived, only of those corpor-  
16 ations which are engaged in the international oil industry.  
17 But what is done in the world at large is bound to affect the  
18 plain citizen of the United States, the independent refiner,  
19 the independent producer, the states, and the land owners on whose  
20 land oil is to be found.

21 If we are to maintain the economic superiority of the  
22 United States, we have got to make certain that in the admin-  
23 istration of world affairs we do not take steps which undermine  
24 the economic capacity of the United States to produce the  
25 revenue which must after all finance this whole economic war

1 on the part of free men. We know that the Bureau of the Budget  
2 is now struggling with the problem of increasing the expendi-  
3 tures of the United States next year, next fiscal year, by  
4 probably two and a half to three billion dollars. That in  
5 itself, because of the government expenditure for defense, for  
6 economic aid abroad, will have an effect upon the economy of  
7 the United States. We know that there is a demand in domestic  
8 United States for more dollars than are available. This demand  
9 upon the shortage of dollars is already producing rising rates  
10 of interest, with the strange result too that the Government  
11 is now required to pay more for the money it needs to carry  
12 on this program fighting the economic war on the world scene  
13 than ever before.

14 So there are <sup>so</sup> many aspects to this problem that I want  
15 to say not only thank you to the representatives of the govern-  
16 ment, who have cooperated with the Congress-- through me I was  
17 about to say: Congress is in recess. I happen to be a member  
18 of the committee on Interior and Insular Affairs which deals  
19 with the production and distribution of oil in the United  
20 States on the public lands. I happen to be a member, also  
21 acting chairman, of the Judiciary Subcommittee on Anti-trust  
22 and Monopoly. If we fight for a free world at all, we fight  
23 for a free world in which monopoly does not fall into the  
24 hands of private groups. We shall have lost the whole struggle  
25 which has been going on all through this century if we fail

1 to preserve absolutely free independent enterprise with its  
2 opportunity.

3 " I am confident that the cooperation of the government,  
4 the National Petroleum Council, the leaders of the oil industry  
5 big and little with the times, will produce as successful  
6 a result as was produced during World War II and during the  
7 Korean War. So I say, I am happy to be with you in your  
8 consideration of these problems and I venture to call your  
9 attention to the fundamental principles which are at stake and  
10 I feel confident that there will be a success to the cooperative  
11 effort which is now being made. The fact that your Council  
12 has been called to meet here today to discuss with the leaders  
13 of the government, the Executive Branch of the government, this  
14 problem is an indication that it is going to come out all  
15 right, and I want to assure you, Mr. Hallanan and all who are  
16 here, that I shall attempt to cooperate in the future as I  
17 have done in the past. I am now merely a junior senator, but  
18 I will do my best."

19 (Applause.) *S. H. Hallanan*

20 CHAIRMAN HALLANAN: " Senator, it isn't necessary for  
21 me to stress our great pleasure in having you here and hearing  
22 what you have had to say. I think it is appropriate at this time  
23 to say that originally when this Council was organized, that it  
24 was contemplated specifically in the Articles of Organization  
25 that these meetings should be open to the representatives of the

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1 government, to the representatives of Congress, and it gives  
2 us a very heartening feeling to have men like you come to  
3 join us in these deliberations and we are happy and we hope  
4 you will come frequently, Senator.

5 " While waiting for the arrival of some of our other  
6 government representatives, I am going to call for a recess of  
7 10 minutes."

8 ~~(Whereupon, a short recess was taken.)~~

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1 CHAIRMAN HALLANAN: The Council will be in order,  
 2 gentlemen. This special meeting of the National Petroleum  
 3 Council was called for the purpose of having the member hear  
 4 a review of the overall situation facing the petroleum indus-  
 5 try as a result of the Middle East crisis. The purpose is  
 6 to inform the industry on the nature of the crisis and to  
 7 enable the members and units in the industry to act with  
 8 intelligence on the problems that are involved.

9 This meeting is not for the purpose of Council action.  
 10 All of us on the Council and the Secretary and the Director  
 11 of the Office of Oil and Gas and their staff well know the  
 12 procedures involved in council action. If Secretary Seaton  
 13 or the Director of the Office of Oil and Gas wishes council  
 14 action on any matters related to the crisis, they will no  
 15 doubt submit them to the Council in accordance with the  
 16 procedures established in the Articles of Organization and  
 17 if this is done, such matters will be considered promptly in  
 18 accordance with our procedure.

19 I know that we are all happy to have this opportunity  
 20 to hear first hand from the representatives of government as  
 21 to the fact involved in the Middle East crisis as they affect  
 22 the petroleum industry and we are honored this morning to have  
 23 with us those gentlemen who are dealing directly with the  
 24 problems at issue.

25 I now take pleasure in presenting to the Council the

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1 distinguished Secretary of the Interior, the Honorable Fred  
2 A. Seaton.

3 (Applause.)

4 REMARKS OF THE HONORABLE FRED A. SEATON, SECRETARY  
5 OF THE INTERIOR

6 MR. SEATON: Chairman Hallanan and members of the  
7 National Petroleum Council: Some of you in the room here know  
8 that I have just returned from a visit to the Virgin Islands  
9 and therefore there hasn't been enough time for me to catch up  
10 on all recent developments in our oil problems. While I was  
11 away, Fleix Wormser and Hugh Stewart have been carrying forward  
12 the Department's oil activities in connection with the Middle  
13 East emergency. On them -- and I honor them for it -- has  
14 fallen the burden of developing a petroleum program within the  
15 administration's overall policies.

16 I am well aware, as I know you are, of the seriousness  
17 of the problem which the free world faces as a result of  
18 transportation stoppages in the Middle East. I am also aware  
19 of the complications that you in the industry are facing.

20 A few principles, I should like to remind you for the  
21 record, have guided our efforts to date and will continue to  
22 guide our efforts until oil from the Middle East flows normally  
23 again. The first principle is this: Let the industry handle  
24 this problem to the maximum extent possible with the least  
25 governmental interference consistent with the national interest

1 and Federal law. The Middle East Emergency Committee was  
2 created to meet a government need. The plan of action under  
3 which it operates was developed jointly by government and  
4 industry and approved by the government as a means of permitting  
5 the industry to take actions to supply oil to Europe. Govern-  
6 ment gave industry extraordinary freedom including certain  
7 immunity under the anti-trust laws. The government has an  
8 obligation to review the actions of the Middle East Emergency  
9 Committee. We gave the American petroleum industry tools  
10 to help solve a mutual problem and at the same time the  
11 government holds a check rein.

12 The second principle is: The increased flow of  
13 Western Hemisphere oil to Europe and the rest of the free world  
14 must not result in petroleum shortages in the United States.  
15 The American petroleum companies represented on the Middle East  
16 Emergency Committee must be, and I hope will be, constantly  
17 alert to the effect of their proposed actions on the supplies  
18 of oil for the American people.

19 The third principle is: Efforts will be made to  
20 keep to a minimum the adverse effect on the various segments  
21 of the petroleum industry. Here the administration has only  
22 limited authority granted by the Congress. You in the  
23 petroleum industry must by your own actions ward off adverse  
24 effects on other segments of your industry.

25 The question frequently raised is what will happen

1 to prices? The Administration, as you know, has no authority  
2 to control the prices. And therefore the industry must be  
3 fully aware of and certainly is responsible for the effects  
4 of any price changes it makes.

5 The fourth principle is: To meet the objective without  
6 burdensome controls over the petroleum industry and here the  
7 Administration believes and hopes that this can be done through  
8 the voluntary cooperative action of government and industry.

9 The fifth principle: The Federal Government will  
10 not encroach upon states rights. In the solution of this  
11 petroleum problem, the Federal Government will rely on cooper-  
12 ation and support of the oil regulatory bodies of the states.  
13 There is no reason to believe that the states will not by their  
14 own individual actions render maximum support to this program.

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15 The Office of Oil and Gas has been assigned Interior's  
16 oil responsibilities in connection with this Middle East  
17 emergency. Mr. Hugh Stewart will explain later how that  
18 office plans to increase its staff to discharge its increased  
19 responsibilities and now I have called upon Mr. Herbert Hoover,  
20 Jr., the Under Secretary of State, Doctor Arthur Flemming,  
21 Director of the Office of Defense Mobilization, Assistant  
22 Secretary Felix Wormser, and Mr. Hugh Stewart to outline to  
23 you the administration's general policies on this problem and  
24 their application to oil.

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25 They will describe the critical nature of the emergency  
caused by the transportation stoppage in the Middle East and



1 the reasons why the government decided to reduce the oil  
2 deficiencies of the free world.

3 Now in closing, I would like to say this, and say it  
4 with all the sincerity at my command: So far as I am con-  
5 cerned and I am sure that I speak for the administration, we  
6 are delighted you gentlemen are here today; we think your  
7 participation in this meeting and those of you who participate  
8 in the Committee are simply another evidence that industry  
9 and government can work together under a proper framework  
10 of understanding and intent and purpose, and I am quite certain  
11 that your efforts will rebound to the benefit of your country  
12 and I say that to you gentlemen in spite of the certain critics  
13 of your position and ours, who either reflect themselves in  
14 editorial columns or quite properly, as certainly is their  
15 privilege, in the halls of Congress. At least so far as we  
16 and you are concerned today, yesterday and tomorrow, we are  
17 together in the objectives for which we are striving in this  
18 present emergency.

19 Thank you very much.

20 (Applause.)

21 CHAIRMAN MALLANAN: Thank you very much, Secretary  
22 Seaton. Gentlemen, as Secretary Seaton has indicated, we  
23 are also honored here this morning with the presence of the  
24 Under Secretary of State, a man who has carried a tremendous  
25 burden since the development of this international crisis, the

1 man for whom we have the greatest respect and regard and  
2 affection, and I am happy to introduce the Honorable Herbert  
3 Hoover, Jr., the Under Secretary of State.

4 (Applause.)

5 REMARKS OF THE HONORABLE HERBERT HOOVER, JR.,

6 UNDER SECRETARY OF STATE

7 MR. HOOVER: Thank you very much, Walter. I am grateful  
8 for this opportunity to speak briefly to the National Petroleum  
9 Council representing as it does the entire petroleum industry  
10 of the United States.

11 The events of the last few weeks are well known to all  
12 of you and I do not need to review them in any detail here  
13 this morning. I might simply say that the United States has  
14 stood firmly for certain basic and fundamental principles. This  
15 has taken a great deal of courage because among other things we  
16 have had to differ with some of our oldest friends and that we  
17 deeply regret. At the same time we have averted the most  
18 serious threat to world peace since the end of World War II.  
19 But the danger to our National security is by no means past,  
20 and the problems that face us today are ones in which you, the  
21 members of this Council, must play a very vital part.

22 Within the next week it is expected that the last  
23 of the British and French troops will be withdrawn from the  
24 Suez Canal area, and the United Nations' forces will have taken  
25 over. There remains an urgent task of restoring the Canal to

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1 its functions as a useful waterway. A considerable amount of  
2 progress has already been made in the vicinity of Port Said  
3 but still there remains much to be done. In the meantime,  
4 a million and a half barrels of oil daily passing through the  
5 Canal, most of which was destined for Western Europe, has been  
6 cut off. A preliminary survey indicates that even if no  
7 unforeseen obstacles arise, shallow draft traffic will not be  
8 able to move through the Canal for at least three months.  
9 Restoring the Canal to its full capacity will take very much  
10 longer, of course.

11 The work of clearing the obstructions, a responsibility  
12 which the United Nations has assumed, is under the capable  
13 direction of Raymond A. Wheeler, who is formerly Chief of  
14 the Corps of Engineers of the United States Army. We have  
15 full confidence that the project will be accomplished as rapidly  
16 as it is humanly possible to do it.

17 At the same time that fighting broke out in Egypt  
18 and the Suez Canal was blocked, the pipelines were sabotaged  
19 in Syria. This action cut off an additional 540,000 barrels  
20 a day, virtually all of which was also destined for western  
21 Europe. The most strong and continuing representations are  
22 being made to the Syrian Government to permit repairs to these  
23 lines, but so far they have not seen fit to grant such per-  
24 mission. In the meantime production in Iraq is practically at  
25 a standstill. It is our hope and our expectation, however,

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1 that the Syrian Government in its own interest as well as that  
2 of the world at large will accede to these requests.

3 It has been estimated that temporary repairs could  
4 be effected to the pipelines within about three months from  
5 the time of commencing work, and that would restore approxi-  
6 mately from 200,000 to 300,000 barrels daily through these  
7 lines.

8 It is believe that almost a year will be required to  
9 rebuild the pumping stations and bring back the system to  
10 its full capacity. There is, therefore, today a blockage of  
11 normal shipments to western Europe through the Suez Canal and  
12 the Syrian pipelines of approximately 1,700,000 barrels per  
13 day out of a normal consumption of 2,800,000 barrels per day,  
14 or a blockage of over 60 percent.

15 Sufficient tankers are available to divert part of  
16 this flow around the Cape of Good Hope, but it will probably  
17 be six months before an appreciable volume can be restored  
18 through the normal channels. In the meantime, western Europe,  
19 which for geographic reasons is the area where the major  
20 impact of the Canal and pipeline stoppage is felt, must look  
21 to the Eastern Hemisphere for help in meeting its requirements.  
22 At best, however, shortages of 20 percent are expected to  
23 remain. Already Europe has sharply reduced its use of oil.  
24 Last summer soon after the expiration of the Suez Canal, the  
25 11 nations of western Europe called a meeting of the Organization

1 for European Economic Cooperation, known as the OEEC, to  
2 consider plans to cope with the petroleum shortage in the event  
3 that the Canal should become closed. These governments  
4 decided that in the event of a blockage they would share and  
5 share alike if an emergency arose and that any necessary  
6 deviations from this principle should be settled in the OEEC.  
7 At the same time they set up the machinery for a special  
8 committee to handle the practical problems of the industry  
9 in the distribution in Europe.

10 In August also the Office of Defense Mobilization,  
11 under Doctor Fleming, requested the formation of the Middle  
12 East Emergency Committee under the authority of the Defense  
13 Production Act. It was formed, and it undertook extensive  
14 studies of the actions that would be required to meet whatever  
15 contingencies might arise. The plans and machinery were ready  
16 when the time came therefore, and virtually no time was lost  
17 before it was possible for it to go into action.

18 Since the close of World War II, the economy of Western  
19 Europe was becoming increasingly dependent upon oil. This is  
20 demonstrated by the fact very simply that the annual increase  
21 in consumption due to the change-over from coal had been almost  
22 twice as high as in the United States. It has averaged almost  
23 14 percent each year over the preceding year. Under such cir-  
24 cumstances, these countries with their highly industrialized  
25 economy and often with rigorous climates, face untold hardships  
in a period of petroleum shortage. Difficulties in power

1 generation and transportation, together with industrial unemploy-  
2 ment and the approaching winter, make the problem one of  
3 immediate gravity. While the situation is not one of our  
4 making, it is one where we naturally wish to minimize the  
5 threat of an economic depression in Europe with all of the  
6 implications of political and social instability that inevitably  
7 might accompany it.

8           Furthermore, most of the countries that are affected  
9 in Western Europe are our allies in NATO. With them, in  
10 our mutual defense, we have counteracted the threat of outright  
11 military aggression by the Soviets with increasing effectiveness.  
12 There is no question whatsoever that a serious petroleum short-  
13 age in NATO will vitally affect our own national security.

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14           There has been considerable public misunderstanding  
15 perhaps of the financial problems that are involved in the  
16 new pattern of petroleum supply. Actually two problems arose  
17 simultaneously. The first one was to restore confidence in  
18 sterling, which is the medium of exchange for an important  
19 percentage of the world's international trade. This was  
20 accomplished primarily through the establishment of a 1.3  
21 billion dollar credit in the international monetary fund.

22           The second was to assure that sufficient foreign  
23 exchange is available in Europe to cover purchases of dollar  
24 oil through the normal commercial channels. These objectives  
25 have also been assured in part by a secured short-term loan

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1 which is now being negotiated from the import-export bank  
2 and which will facilitate commercial exchange transactions  
3 over the period of the emergency.

4 In closing, may I emphasize one additional point.  
5 Incident to recent developments, we have to win the respect and  
6 confidence of the large majority of free nations in the world  
7 to a greater extent than perhaps ever before in recent history.  
8 These countries are looking to the United States for leader-  
9 ship and support in the present emergency and particularly  
10 with respect to their petroleum requirements. Our government  
11 has done and is doing everything that it is possible to do to  
12 meet this situation. I have no doubt that the petroleum industry  
13 in all its branches will do likewise.

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14 Thank you.  
15 *Presidential Representative of Honorable Arthur Flemming*  
*Director of Office of Defense Mobilization*  
*(Appointed) Walter S. Hallam, Chairman*

16 CHAIRMAN HALLANAN: Thank you very much, Mr. Secretary.  
17 It is a very great pleasure to have these gentlemen with us  
18 this morning who have been dealing with this crisis from the  
19 time of its inception to give us an opportunity to get a  
20 panoramic picture of the overall world situation today.

21 When this situation developed in its early stages,  
22 I received a communication from Doctor Fleming, Director of  
23 the Office of Defense Mobilization, having to do with a  
24 conference, an informal conference, to discuss the matter of  
25 tanker facilities. And that preliminary conference brought

1 about the report which was presented, the interim report which  
2 was presented earlier in the session dealing with the  
3 projected tanker situation over the next several years.

4 Doctor Flemming, of course, is on the firing line  
5 as the Director of Defense Mobilization, in this problem. I  
6 want him to be assured that this Council is ready to work  
7 and cooperate with him through the Department of Interior and  
8 to give him the very best that we have in the way of talent and  
9 ability and service. And we are happy to have Doctor Flemming  
10 here this morning and I take great pleasure in presenting  
11 at this time to the Council the Director of the Office of  
12 Defense Mobilization.

13 ~~ANNOUNCEMENT~~

14 REMARKS OF THE HONORABLE ARTHUR S. FLEMMING,

15 DIRECTOR, OFFICE OF DEFENSE MOBILIZATION

16 DOCTOR FLEMMING: Mr. Chairman and members of the  
17 Council May I say first of all that I appreciate very much  
18 having the opportunity of meeting with you at this time. I  
19 think this is the first time that I have had the privilege  
20 of meeting with the Council as a whole, although as many of  
21 you know, I have had the opportunity of meeting with many of  
22 you in other meetings dealing with the various segments of the  
23 problems that have confronted this industry over a period of  
24 the past few years.

25 I would like to say this, that as a result of the



1 contact and associations that I have had with all segments  
2 of this industry, I have developed a great respect and a great  
3 admiration for the willingness of all segments of the industry  
4 to make whatever contributions it is possible for you to  
5 make to the security of our nation. And personally, I feel  
6 that all of us who are in positions of responsibility in the  
7 government are deeply indebted to you for your willingness to  
8 make these contributions.

9 AS most of you know, the Director of the Office of  
10 Defense Mobilization really functions as a coordinator in  
11 dealing with problems such as the one we have been dealing with  
12 over a period of the past few months. In fact, the Executive  
13 Order which the President issued in 1953 identifies him as  
14 the person who coordinates in behalf of the President all  
15 aspects of the mobilization program. And so it is in that role  
16 that I have been working in this particular area for the  
17 past few months.

18 I want to say this, that in all of the experiences that  
19 I have had in government, particularly over a period of the  
20 past four years, I do not know of any experience that has  
21 been more heartening to me than the experience that I have  
22 had of working with the various departments and agencies of  
23 the Executive Branch of the government in connection with this  
24 very serious problem. And contrary to what you may read in the  
25 newspapers from time to time, I can say to you that throughout

1 this crisis the Executive Branch has functioned as a team and  
2 those who have had a direct and vital interest in this problem  
3 have at all times been in agreement as to the steps that should  
4 be taken and as to the timing of those steps. Let me be  
5 very specific. You have read in the newspapers, as I have,  
6 and others have, statements to the effect that the distinguished  
7 public servant whom you have just heard was reluctant to put  
8 the plan of action into operation for various reasons that are  
9 assigned by various writers. I happen to know, because of the  
10 fact that I have been in the middle of this operation, that  
11 that is not true. The reverse of that is true. The Under  
12 Secretary, Acting Secretary of State, was very anxious to  
13 put this plan of action into operation just as soon as the inter-  
14 national situation made it possible to do so. We met constantly,  
15 those of us who are charged with responsibility in this area,  
16 and we did, throughout this very difficult period, function as  
17 a team.

18 As I see it, that is the responsibility of one who  
19 serves in the kind of office we serve in, to make sure that  
20 all interested departments and agencies have the opportunity  
21 of expressing their point of view and to make sure of the fact  
22 that those points of view are before the President before he  
23 makes a final decision. ~~\_\_\_\_\_~~

24 As you know, one of the responsibilities of the Director  
25 of Defense Mobilization is to supervise the administration of

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1 the Defense Production Act. And as you also know, the action  
 2 which has been taken in this particular area has been taken under  
 3 the authority of the Defense Production Act. The particular  
 4 section under which we are operating is a section that was  
 5 subjected to very close scrutiny by the Congress of the United  
 6 States when the Act was up for extension just two years ago.  
 7 I have had the opportunity of testifying before the Senate  
 8 Banking and Currency Committee and before the House Banking  
 9 and Currency Committee on this section. There were those who  
 10 felt that this particular section should be stricken from the  
 11 law. We took the position that this section was still needed,  
 12 that emergencies could develop which would call for the kind  
 13 of action provided for under this section. And in the light  
 14 of the developments of the past few months, I am very thankful  
 15 that we did maintain that particular position and I am very  
 16 thankful that a majority of both the Senate and House Banking  
 17 and Currency Committees and the Senate and House as bodies  
 18 concurred in our judgment.

19           However, as I participated in the discussions which  
 20 led to the decision to include or to keep this particular  
 21 section in the Defense Production Act, I did become very much  
 22 aware of the issues of public policy that are involved in the  
 23 United States of this particular section. —

24           Personally, I feel that it should be used only when  
 25 this nation is confronted with a very serious emergency. And

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1 I also feel that when it is used, those of us who are in a  
2 position of public office should recognize the fact that  
3 we assume responsibility for what happens when the section  
4 is brought into being or when the section is used to bring  
5 a plan of action into being. I like to think of it in this  
6 way, as I think particularly in terms of the Middle East  
7 Emergency Committee. The government of the United States  
8 has really delegated authority to act to that committee. The  
9 members of that committee have expressed their willingness on  
10 a voluntary basis to accept that delegation of authority to  
11 act from the United States Government. We can delegate authority  
12 to act, but we cannot divest ourselves of responsibility for  
13 what happens. And I know that I express the feelings of all  
14 of the heads of the Departments and agencies that are concerned  
15 when I say we recognize the fact that we cannot divest our-  
16 selves of the responsibility for what happens.

17 That is why, of course, under the plan of action we  
18 have provided for the submission to the government, specifically  
19 to the Secretary of the Interior, for his approval, the  
20 programs or schedules. As you undoubtedly know, when those  
21 programs and schedules are referred to the Secretary of the  
22 Interior, the Secretary of the Interior is making sure of the  
23 fact that all of the interested departments and agencies have  
24 the opportunity of examining those programs or schedules and  
25 making recommendations relative to the programs and schedules

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1 before they are approved. Two have been submitted to him and  
2 I can assure you that they were subjected to very careful  
3 scrutiny on the part of the interested agencies of the  
4 government before the Acting Secretary of Interior, Mr. Woraser,  
5 indicates his approval of those programs or schedules. Having  
6 approved the programs or schedules, we feel of course that  
7 there is a responsibility upon us to keep in touch with the  
8 actions that are taken under those programs or schedules and  
9 to subject them to a careful post-audit. If the post-audit  
10 brings to light any issues of public policy, those matters  
11 will be called immediately to the attention of the heads of the  
12 departments and agencies that have responsibility in this  
13 area, and if necessary the programs and schedules of course will  
14 be amended in order to make sure of the fact that not only  
15 the programs and schedules but the actions under those programs  
16 and schedules conform to public policy.

17 I appreciate the fact that there are a great many  
18 currents and cross currents playing in on this situation and  
19 I appreciate the fact that they have to be weighed very very  
20 carefully. And I know that all of you will cooperate with us  
21 in making sure of the fact that they are balanced in such a  
22 way that we serve just a single objective, namely, promoting  
23 the national defense and national security interests of our  
24 nation. I think it is tremendously important as far as our  
25 total defense mobilization is concerned, for this plan of

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1 action to operate in such a way as to commend itself to the  
2 Congress of the United States and to the people of this nation  
3 because if it does, then there won't be any question about  
4 using it again if an emergency develops in the realm of  
5 national security that requires it to be used.

6           In order to do everything we can to inspire confidence  
7 on the part of the people in the way in which government and  
8 industry is working together in this particular area, the  
9 government has adopted the policy of full publicity as far as  
10 our operations are concerned under this plan of action. We  
11 feel that if no air of mystery surrounds what is going on,  
12 that the people of the nation will have a great deal more  
13 confidence in what we are doing than would otherwise be the  
14 case.

15           May I just say this to you; although in a sense  
16 I am repeating what both Secretary Seaton and Secretary Hoover  
17 have already said. As you know, the Director of Defense  
18 Mobilization has the privilege of serving as a member of the  
19 National Security Council. Consequently, it has been possible  
20 for me to watch the development of this crisis and the handling  
21 of this crisis from the inside. It is difficult for me to  
22 underline too emphatically the seriousness of the situation.  
23 The objectives that are set forth in this plan of action, the  
24 objectives that are set forth in connection with the work of  
25 the Middle East Emergency Committee, must be achieved in the

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1 interests of the security of our nation and the security of  
2 the free world. And as we work towards the achievement of those  
3 objectives, I know I speak for all of my colleagues in the  
4 government, when I say to all of you, if you have the slightest  
5 question about the way in which a particular aspect of the  
6 problem is being handled, give us the benefit of your view,  
7 give us the opportunity of going into the point or points  
8 thoroughly that you feel should be raised and should be looked  
9 into.

10 I know that in an industry as large as this, that  
11 not all segments of the industry will at all times be completely  
12 in agreement with the things that are done. If you are not,  
13 please tell us about the point which you disagree with  
14 the action that has been taken so that we will be able to  
15 explore what is being done in the light of your point of view.

16 We solicit your comments and your recommendations  
17 at all times just as we solicit the comments and recommendations  
18 of the members of Congress and of any other segment of the  
19 public at all times. Our sole desire and I know it is the  
20 sole desire of this industry, is to make this plan work in  
21 such a way as to strengthen the position of the United States  
22 and of the free world. And I am sure that as all of us have  
23 watched developments over a period of the past few months,  
24 we are more convinced than ever before of the absolute  
25 necessity of our nation and the free world dealing with the

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1 forces of international communism from a position of strength  
2 rather than weakness. When one occupies the kind of a position  
3 I occupy, it seems to me that he has to develop some kind of  
4 a personal philosophy of life in relation to the duties and  
5 responsibilities which are assigned to him. The longer I have  
6 been in this job, the more convinced I have been that in this  
7 kind of a world it is imperative for us to deal with the forces  
8 of international communism from a position of strength rather  
9 than a position of weakness and that if we do, it is altogether  
10 possible that we may deter the potential aggressor.

11 It seems to me that all of us who have the privilege  
12 of an opportunity of dealing with this particular crisis as  
13 it relates to the petroleum industry have an obligation to  
14 make a major contribution to the strengthening of our nation  
15 and of the free world and to demonstrate to the forces of inter-  
16 national communism that we can proceed from a position of  
17 strength rather than from a position of weakness and in so  
18 doing I believe that each one of us is making a contribution  
19 to the prevention of war. We are making a contribution in  
20 the direction of deterring the potential aggressor and I am  
21 sure that all of us are going to approach our work in the  
22 weeks that lie ahead in that particular spirit.

23 May I express to you my deep appreciation for the  
24 work that your Committee has done in connection with this  
25 problem of the large tankers. I am delighted that your report



1 is now available to us, and as soon as I have the opportunity  
2 of becoming acquainted with it, I will ask representatives  
3 of the Council to meet again with the Cabinet officers desig-  
4 nated by the President in his memorandum to me a couple of  
5 months ago, and on the basis of this report, we in turn will  
6 make a report with recommendations to the President, as to what,  
7 if anything, the government should be doing in this particular  
8 area.

9 I know that this is going to be an invaluable report  
10 to us as we seek to deal with this particular segment of the  
11 total problem.

12 Again, thanks a lot for all that you have done to  
13 strengthen our mobilization program in the past, and thanks  
14 a lot for all that you are doing today and that I know you  
15 will continue to do in the future. It is a great privilege  
16 to work with you.

17 ~~(Applause.)~~ *Stop*

18 CHAIRMAN HALLANAN: Doctor Flemming, may I, on behalf  
19 of the Council, express to you our genuine appreciation for  
20 coming. I think you are correct in your statement that this  
21 is the first time that you have appeared before the Council,  
22 but we hope that in the course of the future you will be back  
23 with us again, and it is fine to have you with us and to  
24 enjoy the opportunity of hearing your inspirational speech.

25 We now pass along in the agenda to the Assistant

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1 Secretary of the Interior, Mr. Felix Wormser, who has been  
2 in close touch with the problems that have arisen since the  
3 Middle East crisis and I know that the members of the Council  
4 are always pleased to hear from Felix Wormser.

5 I present the Assistant Secretary of the Interior.

6 REMARKS OF THE HONORABLE FELIX WORMSER,

7 ASSISTANT SECRETARY OF THE INTERIOR

8 MR. WORMSER: Mr. Chairman, distinguished friends,  
9 members of the Council: There is little that I can add to the  
10 eloquence and lucidity with which Doctor Flemming expressed  
11 his attitude towards the work of the National Petroleum Council.  
12 It has been my good fortune, as you know, to have worked closely  
13 with you for several years and I too am almost inexpressibly  
14 delighted with the attitude, the cooperation, and the industry  
15 with which you have tackled some of the serious problems  
16 facing the government in relation to your own productive  
17 activities.

18 Now the Department of the Interior has been delegated  
19 as you know as the administrative agency for the operation  
20 of the Voluntary Agreement. And I think today therefore it  
21 is quite appropriate that we put on the record what the  
22 Department's policies and activities will be at this time. So  
23 I should like to state that in administering the Voluntary  
24 Agreement, the Department of the Interior will furnish super-  
25 vision and guidance to accomplish the following objectives:

1 (a) Maintain domestic supply levels to take care of  
2 all requirements.

3 (b) To administer supervisory controls upon all  
4 and every program and transaction taken under the  
5 Voluntary Agreement.

6 (c) To compile statistical information on crude oil  
7 and products supply and demand, current statistics on  
8 all movements resulting from NEEC action, and capability  
9 and availability studies necessary for planning these.

10 I think also it may be desirable to insert in our  
11 record some of the criteria which the Department has used in  
12 approving the schedules that have been presented so far and  
13 may be presented in the future.

SR 14 They are, as you probably already know: (1) That the  
15 program set forth in the schedule is reasonably calculated  
16 to reduce petroleum shortages in friendly foreign nations  
17 which have arisen as a result of the Middle East petroleum  
18 transport stoppage; and (2) That the program will not either  
19 by itself or in conjunction with actions taken under the  
20 approved schedules, cause a deficiency of petroleum supplies  
21 within the United States; and finally, that the program is in  
22 the public interest.

23 That, gentlemen, will guide the Department in its  
24 cooperation in making this terribly important program completely  
25 effective. Thank you.

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1 (Applause.)

2 CHAIRMAN HALLANAN: The next one who will present a  
3 continuance of the review and the briefing which we are  
4 receiving today is Mr. Hugh Stewart, Director of the Office of  
5 Oil and Gas. Mr. Stewart.

6 (Applause.)

7 REMARKS OF HUGH A. STEWART, DIRECTOR, OFFICE  
8 OF OIL AND GAS

9 MR. STEWART: Mr. Chairman, gentlemen: This is an  
10 awkward position for me because the last time we had a council  
11 meeting I did all the talking. Now we have had some eminent  
12 speakers who have been able to give you clear-cut pictures  
13 of their position in this current emergency.

14 Before I launch into some of the particular detail  
15 that I want to cover, I want to make a comment on one statement  
16 that Doctor Flemming made to the effect that we proposed  
17 in the government to make a post-audit of each individual  
18 transaction under the schedule or program as well as reviewing  
19 the schedule or program itself. Now the word "post-audit"  
20 means afterwards, and a post-audit two or three or six  
21 months late would have no value whatever. And it is not that  
22 type of a post-audit that Doctor Flemming meant. We propose  
23 to make two audits, one an audit day by day in our New York  
24 office at which time any feature of any action under the  
25 schedule will be scrutinized from the standpoint of the

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1 government alone. Then when those reports come into our  
 2 office in Washington, they will again be scrutinized to make  
 3 sure that the schedules as adopted, the individual transactions  
 4 as set up, do conform exactly to the criteria and to the needs.

5 We, of course, are very conscious of the anti-trust  
 6 problems involved; we are very conscious of the questions that  
 7 arise in the government and in the Congress on the anti-trust  
 8 aspects. We likewise know that there is no other way in  
 9 which we can meet this emergency except through the type of  
 10 machine that is set up in this Middle East Committee.

11 We know that when the emergency fades, the Middle East  
 12 Committee will be disbanded, a plan of action will be annulled.  
 13 But we want to have as we go along close supervision, close  
 14 auditing, and a clear-cut record and we want to convince any  
 15 of the people who want to know or people who might otherwise be  
 16 critics, of what we are doing, how we are doing it, and if  
 17 they can help us improve it, we will be glad to adopt their  
 18 suggestions.

19 Now getting away from that, Under Secretary Hoover,  
 20 Doctor Flemming, our own Secretary, and Secretary Wormser have  
 21 covered this problem quite effectively. All that remains is  
 22 for me to carry out the job that they have outlined to you.  
 23 I have got to pick up the pieces, I have got to keep the  
 24 machine put together and I have got to keep it working and  
 25 in doing that, I have already some top flight help, and I am

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1 going to need some more. I thought it would be well to tell  
2 you that because of the operation of the Middle East Committee,  
3 we have had to establish an office in New York City, in which  
4 the Middle East Committee and its subcommittees will meet and  
5 in which we have Mr. Ralph S. Fowler, one of our fulltime  
6 employees, as Director of the Voluntary Agreement, and Ralph  
7 is here. Will you please stand, Ralph?

8           Ralph Fowler has a peculiar advantage to us. He  
9 was a lawyer in his earlier days, he has had long experience in  
10 actual oil operations, and long experience in Europe. So that  
11 he understands many of the problems that we face in Europe today.

12           We have Mr. Charles E. Gaitly (?) working in the  
13 Washington office along with Mr. Fowler. Then when the  
14 committees or subcommittees are working, we have to have a  
15 technical man from our staff present at each one of the meetings  
16 as his particular line makes it important, because we have  
17 to understand thoroughly down here just exactly what is done  
18 and what it means and how the picture unfolds as the information  
19 comes in to the subcommittees or the committee itself.

20           We have a fair staff to carry on that part of the  
21 work, that is our regular staff, but we don't have some of  
22 the specialists whom we need in Washington to help us through  
23 this present emergency. Among the ones we need is a man who  
24 has a thorough knowledge of domestic supply and transportation.  
25 we have got to get somebody in for 1, 2, 3 months to make sure

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1 that the maximum is being attained from the supply available  
2 to us for shipment abroad and that the transportation capacity  
3 of the country is being used to its maximum capacity.

4 Likewise, we need him to guide us in reaching any  
5 conclusions that we have to reach for any actions that may need  
6 to be made somewhere down the road.

7 Now refining is a serious matter both in this country  
8 and abroad and we must have clear-cut understanding of the  
9 refining problems, current refining problems in the industry  
10 here at home and the industry abroad. And we were very fortunate  
11 in being able to induce Mr. William Argyyle, who is retired  
12 vice president of refining for the Sinclair Oil Company to  
13 come in and sit with us on a consultant basis until we get  
14 that part of the work well organized.

15 I think most of you have known Bill Argyyle at one  
16 time or another, but Bill, I wish you would stand up and let  
17 them all look at you.

18 (Applause.)

19 We need one more man, that is a man thoroughly versed  
20 in the production problems in the United States and we believe  
21 particularly the production problems in the State of Texas.  
22 There we have not only the largest reserves and the largest  
23 reserve producing capacity, but it is close to tidewater and  
24 the problems of Texas are very complex in relation to meeting  
25 the requirements as we see them developing for oil to meet the

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1 present emergency. Consequently, we want a production man,  
2 we want a good one, and we would like to have him from  
3 Texas.

4 Now we are currently trying to persuade one individual  
5 to come in. I think he will be **thoroughly acceptable** to the  
6 Texans and thoroughly acceptable to the members of this Council  
7 if we can only get him. We may be calling on some of you whom  
8 we think may have some influence with the gentleman to help  
9 put the twist on him to get him in here.

10 Our program work will have to be **expanded**. We have  
11 this week brought in on a temporary basis four consultants on  
12 programming because here at home we must be sure of  
13 what the petroleum requirements by products are going to be  
14 by areas. We must be sure of the deliverability of those products,  
15 where needed, and on a timely basis, and we must be able to  
16 feed at a proper rate information from the domestic situation  
17 to the Middle East Committee so that they in turn can  
18 have a realistic appraisal of the petroleum that we can make  
19 available from this side.

20 In the programming, this Committee yesterday advised  
21 that they believed that two program men would serve our purpose  
22 in addition to the programming division that we have under  
23 Fred Fowler and we are now undertaking to recruit those two  
24 men.

25 Beyond these, we presently don't see the need for



1 additional staff. We are looking at what we hope will be  
2 a short period. We are throwing the main burden overseas on  
3 the Middle East Committee and we think that with this small  
4 accrual to our staff and the assistance we can get directly  
5 from the industry, in the flow of information, that we will be  
6 able to do a satisfactory job and keep abreast of our require-  
7 ments.

8 Now the Defense Production Act as amended still  
9 authorizes the employment of consultants on a without compen-  
10 sation basis. We intend to go that route in order to get the  
11 very best men we can get. They will be here as consultants;  
12 they will not be in here to take any administrative respon-  
13 sibility but they will be here as consultants and they will be  
14 here for the shortest time that we find we have got to keep  
15 them, and under that general principle, we can again use  
16 consultants or even regular employees if necessary on a without  
17 compensation basis and do it with no fear of any recriminations.

18 I think that at this time -- and we have a few minutes  
19 -- that I would like to have Mr. Ralph Fowler come up and with  
20 the use of the map give you quickly some of the efforts that  
21 are being made and the problem that we are trying to solve in  
22 meeting our needs abroad. But while Mr. Fowler comes forward,  
23 I would like to give you certain figures. Before we could  
24 get this Middle East Committee in motion, before the President  
25 would release the operation, the United States had already been

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1 contributing material supplies of oil to Europe. In Europe  
2 there were lots of newspaper comments to the effect that we  
3 were denying Europe oil, that United States was lagging, that  
4 we wouldn't come to their assistance in any way. When we shut  
5 down on November first, it was done with a statement to the  
6 company that any normal transactions of any of the companies  
7 wanted to carry on they were free to do so and if they wanted  
8 to ship oil from this country to Europe, they were free to do  
9 it, but we would not interfere in any way nor would we dictate.  
10 We simply couldn't give the blessing of the government until  
11 we got the release which came the last of November.

12 Now it might interest you to know that in the first  
13 week of November there were 41,000 barrels a day of products,  
14 no crude oil, shipped to Europe. In the second week of  
15 November the shipments had risen to 212,000 barrels, of which  
16 81,000 barrels per day was crude. In the third week, the  
17 shipments rose to 321,000 barrels daily of which 233 barrels  
18 were crude oil. In the fourth week, **shipments had risen**  
19 to 944,000 barrels per day, and I don't think our friends in  
20 Europe can complain that we denied them oil.

21 I think that the industry going through their normal  
22 routes was doing an excellent job. The total shipments from  
23 this country to Europe of crude oil and products in the month  
24 of November was approximately 12,000,000 barrels and by the fifth  
25 of December it had reached 14,000,000 barrels.

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1 MR. MAJEWSKI: Mr. Chairman, while Mr. Fowler is  
2 going up to the map, will we have an opportunity while we  
3 have the distinguished Senator from Wyoming and Doctor Flemming  
4 present and Mr. Wormser, to make an observation or two? We  
5 come from the hinterlands and I am a terrible writer and I  
6 would like to say something. These figures are interesting, but  
7 dull. I would like to get down to the meat cutting.

8 CHAIRMAN HALLANAN: You will have an opportunity for  
9 that later.

10 MR. STEWART: This is Ralph Fowler, Director of the  
11 Voluntary Agreement and he has the active supervision of the  
12 operation of the Committee, of following them and reporting  
13 to us. I would like to have you give them the broad outline  
14 without a lot of figures because Mr. Majewski doesn't like  
15 them.

16 REMARKS OF MR. RALPH FOWLER, DIRECT OF VOLUNTARY  
17 AGREEMENT

18 MR. FOWLER: Well, gentlemen, I think perhaps if I  
19 can give you briefly just the way the Committee is functioning,  
20 it might help to clarify a lot of questions.

21 First, there are six subcommittees to the main committee:  
22 Supply and Distribution, Pipeline, Production, Tanker Trans-  
23 portation, Refining, and Statistical. The supply and distri-  
24 bution subcommittee, together with the tanker committee, are  
25 really the working group. The refining subcommittee and the

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1 other three are technical advisors you might say. The  
2 Committee is doing this: It is endeavoring to find out what  
3 the European requirements are going to be in the affected  
4 area, which is primarily Europe, the Mediterranean, and parts  
5 of Africa. To find out what the normal requirements will be  
6 for the first quarter of 1957, giving due account to the  
7 ration programs which have already been put in.

8 They are then gathering information of the stock position  
9 in each of the affected countries, together with the movements  
10 of crude oil or products which are to be shipped into those  
11 countries during a given month. That information is collected  
12 twice a month. It comes into the Committee on Friday and goes  
13 into the IBM machines over the weekend, and comes back to  
14 the staff on Monday, and the Committee reviews it on Tuesday,  
15 so that they are talking about information which is only three  
16 or four days old.

17 Now the problems that the committee is faced with are  
18 one, lack of supplies in the proper places, and two, lack  
19 of transportation facilities. The only thing that the Committee  
20 can do is to endeavor to increase tonnage by a number of  
21 means, eliminate the long hauls such as from the Persian Gulf  
22 to the East Coast of United States and Canada, to endeavor  
23 to have the tankers employed in shorter hauls and to make  
24 full utilization of back hauls. Another method is to increase  
25 the tonnage by relaxing the load line regulations, speeding up

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1 turn-around time in port, eliminating lack of or loss of time  
2 in quarantine and such other methods that were employed during  
3 the war.

4 I should also mention that the Committee is not without  
5 a great many obstacles. Those are one, the restrictions which  
6 are placed upon coast-wise movements in the United States  
7 that an American flag tanker has to be used, and secondly,  
8 certain restrictions which have been imposed by the producing  
9 countries, restricting the destination of cargoes and even  
10 in some cases restricting the certain vessels from loading.  
11 Some of the load line relaxations are governed by an inter-  
12 national convention and there being no war on, there is no  
13 provision for having that relaxation world-wide.

14 The availability of supplies in places where they  
15 should be is one that produces a very serious problem. I am  
16 not going to give you any figures because as has been pointed  
17 out neither Mr. Stewart or Mr. Majewski like them, but I do  
18 want to say this, that if we could, speaking for the Committee,  
19 get all of the supplies that were necessary, it would still be  
20 impossible to meet the full requirements of Europe. The only  
21 thing that can be done is to minimize those requirements.

22 The information which the Committee solicits is not  
23 from within the United States. It has nothing to do with  
24 any refining operations in the United States, any producing oper-  
25 ations in the United States. It does touch Canada and the rest

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1 of the free world. Any information as to the availability of  
2 supplies is submitted to the Committee through the Department  
3 of the Interior. The Committee has absolutely no authority  
4 to impose any pooling of tankers, or pooling of stocks or  
5 any other combination of steps which might be advantageous.  
6 The pooling that may be done, or the combining of stocks,  
7 changing of refining operations abroad, can only be done on  
8 a voluntary basis. And that is by agreement of the parties  
9 immediately affected by that particular operation. Whether or  
10 not the Committee will ultimately be successful remains to be  
11 seen. We certainly hope that it will, and I can assure you  
12 that all the people working on the main committee as well as  
13 the subcommittees and the staff, are devoting their entire  
14 time and energy and thought to meet the desired objective.

15 I don't know if there is anything else I can add, but  
16 I will be happy to answer any questions if I can.

17 CHAIRMAN HALLANAN: Are there any questions?

18 VOICE: I would like to ask if these pools of tankers  
19 are going to operate at any common rate?

20 MR. FOWLER: No, sir, they will not. We have no way  
21 either as the government or as the Committee to control the  
22 rates. We are in hopes that some of the foreign governments  
23 who have that ability will put some ceilings on the rates to  
24 keep them from going up.

25 VOICE: Do you have any program for increasing the

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1 view of steel plate to the yards so that they can get these  
2 tankers out?

3 MR. FOWLER: That would not be a function of the Middle  
4 East Emergency Committee. That would be strictly a government  
5 operation.

6 CHAIRMAN HALLANAN: Thank you very much, Mr. Fowler.  
7 (Applause.)

8 CHAIRMAN HALLANAN: I should like at this time to  
9 call upon another gentleman who has been here acting as a  
10 consultant both with the Department of Interior and to Doctor  
11 Fleming. He is a member and President of the Independent  
12 Petroleum Association and former Director of the Petroleum  
13 Administration for Defense and a member of the Council, Mr.  
14 Ed Warren.

15 (Applause.)

16 REMARKS OF MR. EDWARD WARREN

17 MR. WARREN: Gentlemen, I passed a note up to  
18 Walter to skip me because I thought everything was very well  
19 stated and that there was very little I could add.

20 I might say that I am a consultant and a government  
21 consultant has no administrative powers. He offers advice that  
22 can be taken or it can be rejected. So what I have to say here  
23 in these very few minutes is pretty much my personal opinion and  
24 ideas and if it has any significance, it might be related to  
25 the advice I have been dishing out, and so the government on

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1 Stewart and the others have received several telegrams, are  
2 really concerned, at least part of them, about what is going to  
3 happen in this sort of a situation.

4 I certainly haven't got the answers to all of those  
5 questions, and the only thing I would like to say is that I  
6 think at this time it behooves all of us to seriously analyze  
7 and appraise the situation in the light of sound and responsible  
8 procedures. And in that connection, I think that there are  
9 two things that are realities that have been expressed here,  
10 that what is happening in the industry happened before the  
11 Middle East Emergency Committee was activated, and secondly,  
12 that the Middle East Emergency Committee only answered that  
13 in a degree.

SR 14 If, in making supplies available, if the industry or  
15 a segment of the industry wants to have the balance achieved  
16 by the government in this thing, it can only be done by con-  
17 trols. And I don't think with the temporary nature of this  
18 thing that anybody in the industry or the government wants  
19 that sort of thing.

20 So I urge you, and it is everybody's privilege  
21 certainly to look into it and to advocate a position in this  
22 thing and I know the government is going to invite that, but  
23 let's as an industry do it in a responsible way and try to  
24 get this job over for the industry and the nation in the best  
25 way possible.

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Thank you very much.

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(Applause.)

CHAIRMAN HALLINAN: That completes the program, I believe, that we have been called here to hear. We now pass on to new business.

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1 CHAIRMAN HALLANAN: Are there any remarks, gentlemen?

2 MR. WHITE: Mr. Chairman, I feel that this is a matter  
3 that comes within the scope of the Council. I have been a  
4 member of this Council for four years now, and this is the first  
5 time that I have felt that it is necessary for me to rise to  
6 my feet and comment.

7 From the reports that I have heard this morning, I  
8 have not been aware that there has been any consideration given  
9 to the impact upon our economy as far as it relates to the small  
10 independent distributor who distributes a large portion of the  
11 products in this country. I believe the figure is -- and we  
12 have not had these contested as yet -- 35 percent of the  
13 gasoline and better than 50 percent of the fuel oil, which  
14 in turn, this impact, would affect the consumer also.

15 Now I present this matter not in a controversial spirit  
16 to this Council, but in a constructive spirit and Mr. Edward  
17 Warren touched briefly on this matter in his remarks, and I  
18 request that such consideration of this impact upon the small  
19 independent distributor and the consumers which they serve,  
20 that serious consideration be given by this Council to appoint  
21 a committee to study this matter and I make this request on  
22 behalf of the small jobbers of this country, numbering 12 to  
23 15 thousand, and also in the interest of the consumers which  
24 they serve.

25 CHAIRMAN HALLANAN: You are familiar, of course, with

1 our procedure. You are entirely within your province in  
2 making that request. But it should be directed to the  
3 Director of Oil and Gas, who in turn considers it in the  
4 light of its importance in this particular matter. In other  
5 words, there is no way for the Council to act directly upon  
6 any matter that does not originate in request form from the  
7 government department.

8 MR. WHITE: Mr. Chairman, I take that to mean that I  
9 should make this request in writing specifically?

10 CHAIRMAN HALLANAN: That is right.

11 MR. WHITE: Through the proper channels and that you,  
12 as Chairman, cannot make that request?

13 CHAIRMAN HALLANAN: That is right.

14 MR. JACOBSEN: I haven't got the book with me, but  
15 if I remember correctly, the procedure is that the request  
16 for the study should be made to you as Chairman and then you  
17 pass it over to the Department of the Interior.

18 CHAIRMAN HALLANAN: Not with Council action. It is  
19 just made directly, from an individual.

20 MR. JACOBSEN: Yes, but I think he addresses his  
21 communication to you. I may be wrong, but I believe that is the  
22 case, and then I believe you pass it on to Interior. And then  
23 they come back to you and say either yes or no.

24 CHAIRMAN HALLANAN: Mr. White, if you will direct  
25 that request to me, I will be glad to follow it through.

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MR. WHITE: I do so now orally, and if you request,

2 I shall do so in writing.

*CASH B HAWLEY*  
MR. ~~HAINY ELLIOTT~~

3 Mr. Chairman, I was rising to  
4 a point of information following Mr. White's because he spoke  
5 of the jobber and the consumer. As you know, I represent the  
6 dealers and there are several hundred thousand of them, I  
7 believe 181 to 200 thousand, and I wanted to get the dealer in  
8 there somewhere between the jobber and the consumer. We do  
9 pump a little gas.

10 I have my information now, so we will direct the  
11 same letter to you.

12 CHAIRMAN HALLANAN: Is there anything further, gentlemen?

13 VOICE: I move we adjourn.

14 CHAIRMAN HALLANAN: I hope that the members feel amply  
15 rewarded for their coming here to hear the briefing on the  
16 critical situation which we have had from the government today.

17 The meeting is now adjourned.

18 (Whereupon, at 12:35 p.m. the meeting was adjourned.)

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COPY

THE ATTACHED TRANSCRIPT OF REMARKS MADE BY MR. B. L. MAJEWSKI, MEMBER OF THE NATIONAL PETROLEUM COUNCIL, AT THE COUNCIL MEETING ON DECEMBER 14, 1956, WERE RULED OUT OF ORDER BY THE CHAIRMAN INsofar AS THESE REMARKS TOUCHED ON ECONOMIC AND COMPETITIVE MATTERS, WHICH THE COUNCIL UNDER ITS ARTICLES OF ORGANIZATION IS PROHIBITED FROM CONSIDERING. AFTER THE MEETING, MR. MAJEWSKI REQUESTED THAT HIS REMARKS BE EXPUNGED FROM THE RECORD. IN VIEW OF THE SITUATION, THAT PORTION OF THE TRANSCRIPT INCLUDING MR. MAJEWSKI'S REMARKS WAS, UNDER MY INSTRUCTIONS, PREPARED SEPARATELY FROM THE MAIN TRANSCRIPT.



H. A. STEWART  
DIRECTOR  
OFFICE OF OIL AND GAS

December 17, 1956