

REPORT

BY THE CHAIRMAN

OF THE NATIONAL PETROLEUM COUNCIL'S
COMMITTEE ON PETROLEUM INDUSTRY STEEL REQUIREMENTS

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The detailed report on the industry's steel requirements, prepared by the National Petroleum Council's Committee on Petroleum Industry Steel Requirements, was completed in March of this year. It was submitted to the Department of Interior on March 16, 1948 and forwarded to the Department of Commerce. It was presented to the Council at the April 15, 1948 meeting and was adopted by the Council on that date. The developments since the April 15th meeting of the Council are briefly summarized below.

At the outset it should be understood that the Council's Committee on Petroleum Industry Steel Requirements has acted only as a fact-finding group to estimate the steel needs of the petroleum industry, as requested by the Oil and Gas Division of the Department of the Interior. The Committee has no responsibilities regarding the formulation or adoption of any program of voluntary allocation of materials. With the exception of certain supplemental information furnished in support of its estimates, the Committee has not participated formally in any of the activities relating to voluntary agreements in connection with the steel needs of the industry. The consideration and negotiation of proposed agreements has been entirely a matter of concern by Government agencies and representatives of the steel industry. This Committee has not been called upon for any advice in connection with these matters.

The Committee's report, as submitted in March of this year, showed a total estimated steel requirement for all branches of the industry amounting to 10,381,000 tons on an annual basis for all steel mill products for all branches of the industry. This requirement included all direct and indirect needs for material and equipment containing steel whether this steel was shipped direct from the mill to the industry, as in the case of certain tubular requirements, or whether the material reached the industry indirectly through suppliers and fabricators in the form of finished material and equipment. Included in the total industry's requirements was a figure of 216,200 tons for the construction of railroad tank cars. A voluntary agreement was already in operation covering freight cars and, if this quantity is deducted from the industry's total needs, the remaining requirement equals 10,164,800 tons on an annual basis.

As of this date there is no voluntary agreement in effect for supplying the industry's steel needs, with the exception of the above-mentioned freight car program which was in operation prior to this Committee's report. The Department of Commerce, however, has announced two proposed plans for the voluntary allocation of steel as follows:

A - A proposed voluntary plan to allocate steel to oil field tanks and surface production equipment including separators, heaters, emulsion treaters, etc.: This proposed plan would provide 16,529 tons per month for this equipment, or a total of approximately 200,000 tons on an annual basis. This plan is scheduled for public hearing on August 4, 1948.

B - A proposed plan for the voluntary allocation of steel for freight-carrying barges and towing vessels (both wet and dry cargo barges): This plan would provide approximately 20,000 tons of steel products monthly, or about 240,000 tons on an annual basis. The petroleum barge requirements, as set forth in this Committee's report, amounted to 212,700 tons on an annual basis which would not include, of course, dry cargo barges or barges used by other industries. This proposed plan is scheduled for public hearing on August 5, 1948.

The two proposals outlined above covering surface production equipment and barges deal with a little over 400,000 tons of steel or approximately 4% of the industry's total steel needs.

In addition of the two above proposals, it is understood that a proposed plan for the allocation of steel for tankers is being formulated. The tanker requirements, as set forth in this Committee's report, amounted to 247,200 tons on an annual basis or a little less than $2\frac{1}{2}\%$ of the industry's total steel needs.

According to the Department of Commerce, surveys are being conducted by that Department with a view toward obtaining further information on steel requirements for storage tanks covering both the tanks used by the industry as well as farm and home storage tanks. With the completion of these surveys, consideration will be given to a possible voluntary agreement to provide steel for petroleum tanks.

Approximately 50% of the industry's total steel requirements, as set forth in this Committee's report, were for tubular goods including Oil Country Goods (casing, tubing and drill pipe) and Line Pipe for both oil and natural gas. These tubular requirements have been the subject of considerable study and discussion by the Commerce Department and representatives of the steel industry. No plan for voluntary allocation of these goods has been approved by the Steel Products Advisory Committee to the Commerce Department. According to the Commerce Department releases, the failure to adopt any plan as yet for the voluntary allocation of steel for tubular goods is based on the assumption by representatives of the steel industry that present production of these materials is at a maximum and they feel that a voluntary agreement would serve no useful purpose. In

this connection it should be noted that the representatives of the steel industry have stated that the current output of Oil Country Goods will be at a rate of approximately 1,600,000 tons per year. This would be approximately equal to the estimated requirements of American companies in the United States and abroad and would represent an increase of 45% over the 1946 volume and 15% greater than the 1947 output. In the case of Line Pipe, the planned annual rate of production equals 1,725,000 tons per year which is almost 80% larger than 1946 and 44% above the 1947 production rate but far below the industry's current needs. It is apparent that the petroleum industry's increased needs for tubular goods have been recognized by the steel industry and a substantially larger total tonnage is being made available even though no voluntary allocation plan is in effect or under immediate consideration.

In connection with the distribution of tubular goods, the following statement appears in a release of July 20, 1947 of the Department of Commerce commenting on a meeting of the Steel Products Advisory Committee:

"In connection with a proposal that the steel industry consider a voluntary agreement to require certification by usage by purchasers of oil country goods, the committee expressed the view that 'the steel industry cannot supervise the ultimate distribution and use of oil country goods once the material passes into the hands of consumers.'"

In conclusion it would appear that the voluntary agreements now under consideration for the allocation of steel to the petroleum industry cover a relatively small portion of the industry's total

steel needs. Although a substantial increase in steel for tubular goods will be provided whether or not an agreement is formulated for these materials, the representatives of the steel industry have expressed an unwillingness to incorporate any provisions in a voluntary agreement dealing with the distribution of these steel materials.

Respectfully submitted:

Russell B. Brown, Chairman
N.P.C. Committee on Petroleum
Industry Steel Requirements