

UNITED STATES OF AMERICA
DEPARTMENT OF THE INTERIOR

TRANSCRIPT OF PROCEEDINGS
OF THE 16TH MEETING
OF THE
NATIONAL PETROLEUM COUNCIL

Room 5160
Interior Building
Washington, D. C.
Wednesday, April 26, 1950

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

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

Pages	<u>54-64</u>	<u>(Eakens-"Dollar Sterling Oil Problem")</u>	_____	_____	_____	_____
"	<u>64-71</u>	<u>(Discussion of Dollar Sterling Oil Problem)</u>	_____	_____	_____	_____
"	<u>107</u>	<u>(Canadian Oil Reference)</u>	_____	_____	_____	_____
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Excerpts pertain solely to petroleum outside the United States - in the rest of the world - in any foreign country and abroad. Excerpts do not include any matter dealing with petroleum inside the United States.

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OF THE 16TH MEETING
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NATIONAL PETROLEUM COUNCIL

Room 5160,
Interior Building,
Washington, D. C.,
Wednesday, April 26, 1950.

PRESENT:

- J. Howard Marshall, Chairman
- H. T. Ashton
- Hines H. Baker
- Jacob Blaustein
- Rush M. Blodget
- William R. Boyd, Jr.
- Reid Brazell
- J. S. Bridwell
- Bruce K. Brown
- Russell B. Brown
- Warren S. Churchill
- J. F. Cummins
- J. C. Dennell, II
- Fayette B. Dow
- James P. Dunnigan
- Robert L. Foree
- B. C. Graves
- I. W. Hartman
- Harry B. Hilts
- Eugene Holman

PRESENT (Continued):

J. Jacobsen
B. Brewster Jennings
J. P. Jones
William M. Keck, Jr.
Frank H. Lerch, Jr.
Harry L. Leyendecker
John M. Lovejoy
B. L. Majewski
Brown L. Meece
S. F. Ninness
J. R. Parten
Rankin P. Peck
Joseph E. Pogue
Frank M. Porter
E. E. Pyles
Walter R. Reitz
Sid W. Richardson
A. S. Ritchie
M. H. Robineau
W. S. S. Rodgers
Roland V. Rodman
A. H. Rowan
Cecil W. Smith
Clarendon E. Streeter
Reese H. Taylor
W. W. Vandever
S. M. Veckel
J. Ed Warren
W. K. Warren
L. S. Wescoat
Robert E. Wilson
H. E. Zoller

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P R O C E E D I N G S

(The Council was called to order at 10:05 o'clock a.m.)

CHAIRMAN MARSHALL: Gentlemen of the Council, for those of you who were not at the meeting last night, the reason for the present acting chairman sitting in this post is that Walter Hallanan has had to undergo a minor operation, and Glen Follis, the vice chairman of the Council, was unable to make the trip from California at this time. As the result, you have inflicted on you at Walter's request, a pinch-hitter.

Now, first of all, we will have the roll call, if Jim Brown will be good enough to read it.

(The roll was called, and those listed on the title page were present. During the roll call new members were introduced by the Chairman.)

CHAIRMAN MARSHALL: The secretary reports a quorum is present.

There has been mailed to each of the members of the Council under date of February 25 a copy of the minutes of the last meeting of the Council.

Do I hear a motion that the minutes as submitted be approved?

(It was moved and seconded that the minutes be approved.)

CHAIRMAN MARSHALL: Is there any discussion?

(No response.)

CHAIRMAN MARSHALL: All those in favor of approving the

minutes will indicate by saying "aye."

(Chorus of "ayes.")

CHAIRMAN MARSHALL: Contrary?

(No response.)

CHAIRMAN MARSHALL: So ordered.

The first item on the agenda is the report of the secretary-treasurer.

MR. J. V. BROWN: We began the year with a balance in the general fund of \$1379.69. We did have also a reserve fund. In the general fund we have deposited so far this year as coming from contributions \$75,000. Other receipts were \$100,231, or a total of \$175,231 received so far this year.

The total disbursements for the first quarter were \$16,967, leaving net receipts of money over disbursements of \$58,264. Adding our original balance we have in the bank, or did have at the end of March in the general fund, \$59,643.69.

CHAIRMAN MARSHALL: You have heard the report of the secretary-treasurer. Are there any comments?

(No response.)

CHAIRMAN MARSHALL: Unless I hear some discussion to the contrary, I assume it is the desire of the council that the secretary-treasurer's report be accepted and filed.

The secretary-treasurer wants to make another statement.

MR. J. V. BROWN: Mr. Hallanan has asked that we report to you a continued interest in the publication which was produced

through this Council, the booklet on National Oil Policy.

We are having many inquiries for it from libraries all over the country and even in other parts of the world. We thought you would be interested in knowing that.

Some of the very recent inquirers are:

The University of Illinois, the Federal Reserve Bank of Philadelphia, the University of Oklahoma, McClure Branch Library at Peoria, Illinois, the Emory University, Georgia, the Georgia Institute of Technology, the University of Toledo, Cornell University, Tufts College, the State of Illinois Geological Survey Division, the Los Angeles Public Library, the Armed Forces Staff College, the Baker Library at Harvard University, the Department of Mines and Technical Surveys of Canada; also, Trinity University, and many others.

CHAIRMAN MARSHALL: We have the report of the Committee on Liquefied Petroleum Gas, of which Mr. W. K. Warren is the Chairman.

MR. J. V. BROWN: He did not answer roll call.

From the Floor: He's not here.

CHAIRMAN MARSHALL: He did not seem to answer the roll call, so I presume we will have to hold that up.

MR. J. V. BROWN: I suggest we do that. Although I have not heard from him, he was supposed to be here.

CHAIRMAN MARSHALL: Very well. Then the next item on the agenda is a presentation by Mr. Eakens, the Chief of Petroleum

Policy Staff of the State Department. Has he arrived?

MR. J. V. BROWN: He was here.

From the Floor: He just stepped out. He will be right back.

CHAIRMAN MARSHALL: I suppose we had better wait for either one to come in.

(Short pause.)

MR. BAKENS: Mr. Chairman, there has been a delay in getting copies of my paper, so I wish you would skip over it for the moment.

CHAIRMAN MARSHALL: The secretary asks that the members who were not here at the time he called the roll to please rise and give their names to the secretary so they may be included among those present.

(Several members complied.)

CHAIRMAN MARSHALL: While we are waiting, gentlemen, I would like to present to the Council Dr. Jose Matarano, who is the General Director for the Department of the Interior of all the petroleum business in Venezuela. Dr. Matarano is a graduate of the University of Oklahoma and he is a petroleum engineer, and I am sure he will feel right at home in this group.

(Applause.)

Now, I think in order to conserve time we had better jump to the report of the Agenda Committee, of which Mr. Jacobsen is the Chairman. We will call on you, Jake, to do that.

REPORT OF THE AGENDA COMMITTEE

MR. JACOBSEN: The Agenda Committee had before it the question of a report on the impact of natural gas on the oil business in the United States. After consultation with all of the members of the Agenda Committee, the following report was adopted:

"TO THE MEMBERS OF THE NATIONAL PETROLEUM COUNCIL:

"On January 26, 1950, the Chairman of the National Petroleum Council transmitted to the Agenda Committee a letter from the Honorable Oscar L. Chapman, Secretary of the Interior, dated January 17, 1950, in which the Secretary requested the Council 'to appoint a committee to study supplies of and requirements for natural and manufactured gas and heating and fuel oils by geographic areas and by Classes of uses.' The Secretary stated that in the event the Council should decide to undertake such a study he would also request the National Bituminous Coal Advisory Council to make a similar study with respect to solid fuels, and that he hoped 'that means will be found to frame these studies upon the common sets of assumptions with respect to scope and relevance of the level of national economic activity in its various sectors, and to otherwise insure that the individual studies will be sufficiently coordinated that they can be brought together to form a sensible whole.' In his letter, the Secretary stated that 'The inter-relationships between gas and oil are part of a larger

pattern of inter-relationships among all energy products, and between energy products and the national economy. Coal, oil, gas, and other energy products are highly substitutable, and therefore they compete with each other. There is also a high degree of convertibility of one form of energy into another, and this increases the degree of substitutability.'

"The Agenda Committee has given careful consideration to the Secretary's request and has concluded that it would not be proper and advisable to make such a study, and recommends that no committee be appointed for this purpose, for the following reasons:

"a. The study would call for an investigation of supplies of and requirements for manufactured gas, which is the product of a competing industry upon which the Council is not fully informed and the subject matter of which is really outside the scope of the council action.

"b. The Committee agrees with the statement in the Secretary's letter that 'Coal, oil, gas, and other energy products are highly substitutable, and therefore they compete with each other.' The suggested study would involve the full inter-play of competitive forces among the oil and gas industry, the manufactured gas industry and the coal industry and within the oil and gas industry itself, and must necessarily involve the effect of price upon the relative supply of and requirements for the products of these industries for the country as a whole and in

the various geographic areas and for the various classes of uses mentioned by the Secretary. Such a study, and particularly if it is coordinated with a similar study by the Bituminous Coal Advisory Council for solid fuel, involving the use of a common set of assumptions, would be outside of the proper scope of the activities of the Council under its Articles of Organization and of questionable propriety in view of the exchange of letters between the Attorney General and the Secretary of Interior dealing with the organization of the Council."

The report is respectfully submitted by the Agenda Committee, and I move the adoption of this report.

MR. LOVEJOY: I second the motion.

(Simultaneous discussion.)

CHAIRMAN MARSHALL: You have heard the motion, seconded by Mr. Lovejoy. There seems to be a desire for discussion. Mr. Majewski, I believe you had the floor first.

MR. MAJEWSKI: Mr. Chairman, having initiated this by the letter to the Council on this, I would like to speak. I am in favor of the Agenda Committee's report and action. I do feel, however, that if you will permit me, I would like to make a statement. I don't usually change my mind, but being the father of the letter written to the council chairman on this, I would like to make one or two observations -- not by way of alibiing but by way of explanation, because many people, members of

this Council, and many people in the industry, this industry, have asked me to present the matter to the Council for action.

My original conception appeared in the letter I have mentioned, the letter being one dated October 26, 1949, which initiated this action, and it visualized an objective study in the public interest by the Council, and not a soul-searching exploration into the energy product situation. I am concerned primarily with the national economy and the national security.

Strange as it may seem, I am not generally interested in the profit side or the competitive impact on the component products comprising the energy product group. My interest lies rather in the economic conservation of the irreplaceable natural resources solely for reasons of the national security and the national economy, and all of my thinking adds up to the continued up-building of a strong domestic oil industry free from interference from those seeking to overthrow the free-enterprise system.

My devotion, as my record will bear out, lies in the preservation of the small free enterprises in oil and gas -- not because I am small in the business but because that is what American free enterprise guarantees -- at least I interpret it so -- to all of us.

And on that subject we have had some very serious discussions in this Council in the past or emanating from this Council group on the subject of imports, et cetera, which has

led to some very sound observations, one of them being the fact that too many of us are interfering with the other guy's way of conducting his business.

Well, I take that advice seriously, I take it wholeheartedly, and I think there is a lot to it.

I heard a man who heads an organization of 5,000 employees say to his board of directors, and I was privileged to be present -- he said, "You know, in response to all of this urging that we become interested in the national problem" -- he said, "You know, gentlemen, I feel that if I can and if you can as heads of this great enterprise convince the 5,000 people who are gainfully employed with us, convince them in the American way of life, I have made my full contribution."

I don't say that I will never plaguy you again, but I was quite impressed by the advice given by this gentleman. In this oil business, the only reason I think that we have for having a national organization or for having a council of this type is to be damn sure we can remain free enterprises. I am not running for office, and I have but one more minute, Mr. Marshall.

I believe in a strong domestic industry. I have opposed and shall energetically continue to oppose imports of crude oil and products which supplant rather than supplement domestic availability -- again, for reasons solely of national security.

My original request for the study did not envisage or even

contemplate concern about competition between energy products of the oil and gas industries and others. If the oil and gas industry can not compete with other fuels, it is not entitled to a position in the national economy.

I would like to have this statement made a part of this record for only one reason -- not for posterity (laughter) but because we are all of us doubting Thomases, and they will say, "What the hell made this guy change his mind -- who reached him?" (Laughter.) I am like a fellow at a dinner -- last night, who said, "I am on Coke strictly but with lime, however." (Laughter.) (Applause.)

CHAIRMAN MARSHALL: The Chair recognizes Mr. Dunnigan.

MR. DUNNIGAN: I have neither a silver tongue nor a golden mind, and I won't try to compete with Barney in either. But I raise an objection to this resolution.

I feel that too often the Agenda Committee has taken a non-position against the views of the majority of the Council. I realize we have the right to vote against these resolutions but -- that is, we have the right to vote for them, and we also have the right to vote against them.

But, too often, we are inclined to sit back and believe in their profound studies. And I believe and I know that Mr. Jacobsen and the other members of that committee have given this a lot of study. On the other hand, I think we would do better to express our own views, and that we should so express

our own views. Many of us have made a sitting duck of the Interior Department over this import question, and have said things like, "I was afraid to make a statement on the subject that I wouldn't make or take a position on before various committees." But he has now thrown it on our lap, and --

MR. WILSON: Excuse me, but this is not the import question.

MR. DUNNIGAN: It is not?

MR. WILSON: No, not import.

MR. DUNNIGAN: What question are we talking about?

MR. JACOBSEN: Adoption of the committee's report on --

MR. DUNNIGAN: Yes, and I am talking about the Agenda Committee, I am not talking about any particular problem now. I am talking about the Agenda Committee.

And I maintain my position, that too often we have just taken for granted the fact that the Agenda Committee has made a study of this and we as a Council have voluntarily gone along with it.

I believe this question should be studied by the Council. I believe if we have any reason for being as the National Petroleum Council, it is to study this type of question.

I oppose the resolution the gentleman has offered.

CHAIRMAN MARSHALL: Is there further discussion?

MR. JACOBSEN: Yes.

CHAIRMAN MARSHALL: Mr. Jacobsen.

MR. JACOBSEN: I would like to say Mr. Dunnigan is certainly right in saying that each member of the council has not only the right but the duty to vote according to his convictions. That has been understood all of the time.

And it would be too much to hope that the Agenda Committee or any other body of men could, month in and month out, prepare reports that would be unanimously approved by 80 or 90 people. We naturally never would expect that.

So, we have felt we should be writing these reports according to our idea of the best way of writing them, and we could not know that it would necessarily be approved by everybody else. And all we can do when we get one of these problems is to make the best study of it that we can and then put down our best thoughts and put them before you gentlemen on the table and say, "Gentlemen, here's the best we can do with it. What do you want to do?"

MR. WILSON: It is true there is a separate report on the import study?

MR. JACOBSEN: Yes.

CHAIRMAN MARSHALL: Mr. Majewski.

MR. MAJEWSKI: I just want to mention, Mr. Chairman, that I originated the idea of the study, and then I found out what it had degenerated into, and I was first to say I wouldn't go for that, that wasn't what I had in mind. And frankly, what the Secretary asks us to do compared with my original request of

the Council -- why, I hardly could recognize it.

And about being a "sitting duck," that's the wrong word, Jimmy. "Silence was screaming." Silence was screaming on this import thing and I will deal with that when we come to it and when the Secretary comes, and I understand he is going to be here, because I am one of those fellows that thinks "silence isscreaming" -- and it is not a "sitting duck."

However, don't let anybody get the impression I am against the resolution of the Agenda Committee. I am for it 100 per-cent.

MR. JACOBSEN: I would like to say just this much more about it. So as not to make the report too long-winded it has perhaps been telescoped a little bit too much. But there are some elements in it that we in the Agenda Committee felt we could not properly deal with .

Now, we have invariably, and I think rightly, taken the stand that it is not a question of this Council, to deal with the question of supply in relation to the demand. That unavoidably and inevitably brings up the question of price. And I am quite certain, without being a lawyer, that if the committee were to present a report of this nature and if various oil companies were to follow the tenor of the thought and act in accordance with it, they would have trouble on their hands as sure as God made little apples -- and that is not what they want.

CHAIRMAN MARSHALL: Mr. Duke.

MR. DUKE: Mr. Chairman, I am confused. I don't know if we are talking about the import issue or if we are talking on this report with respect to natural gas. Mr. Dunnigan seemed --
(Simultaneous discussion.)

CHAIRMAN MARSHALL: The report relates to natural gas and other fuels.

MR. JACOBSEN: Right.

CHAIRMAN MARSHALL: And I imagine Mr. Dunnigan was talking in part about that, but more about the Agenda Committee in general.

MR. DUNNIGAN: I understand you have another report.

MR. JACOBSEN: This is only the report on the gas.

CHAIRMAN MARSHALL: You can reserve your remarks in connection with the subsequent report of the Agenda Committee. Is there any further discussion?

(No response.)

CHAIRMAN MARSHALL: Would you read your motion back again, Jake, so we may have it before us?

MR. JACOBSEN: Yes. Well, it is not really a motion. The report is presented, and I move the adoption of the report. That is the way we usually do it.

CHAIRMAN MARSHALL: It has been moved and seconded by Mr. Lovejoy that the report of the Agenda Committee on the subject-matter of natural gas and other fuels be approved by the Coun-

oil. If there is no further discussion, all those in favor will indicate by saying "aye."

(Chorus of "ayes.")

CHAIRMAN MARSHALL: Contrary?

(One "nay.")

CHAIRMAN MARSHALL: The motion is carried.

Will you continue with the report of the Agenda Committee, Jake?

MR. JACOBSEN: Yes, I will. Very late in the day, so to speak, two other subjects were presented to us. Unfortunately, we did not get them in time to act on them because we only got them the day before yesterday.

I might as well explain here that the Book of Words by which we live, the Articles of Organization of the Council, lays down quite definite rules as to how we are to proceed in respect to matters referred to the Agenda Committee.

If we get the request in time to enable a study to be made and if we can get a quorum of the Agenda Committee just prior to the meeting, then the matter is handled by the Agenda Committee, and that is that.

If, as happened in the case of the two subjects I am going to bring up now, we get the request too late or if we cannot secure an immediate quorum of the Agenda Committee, machinery has been set up to avoid a delay of the whole thing until the next Council meeting.

That machinery consists of the Chairman of the Committee communicating by telephone or by letter or by telegraph with each of the members of the Agenda Committee to get their individual views. Then he takes the majority of those views and passes them on to the Chairman. That is what we shall have to do with the two subjects that come up now.

I had addressed to me a letter by Mr. Hallanan dated April 22, saying:

"Dear Mr. Jacobsen:

"There are enclosed, in accordance with our procedure and for the information of the Agenda Committee, copies of two letters from the Honorable Oscar L. Chapman, Secretary of the Interior, which I have received on April 21, 1950.

"These letters request the following:

"1. That the Council continue the study of petroleum imports with a view to formulating such recommendations with respect thereto, as may be deemed appropriate.

"and,

"2. That the Council create a committee to: (a) review the estimates made by the Bureau of Mines for the cost of producing synthetic liquid fuels and its estimates of comparative costs of producing liquid fuels from crude oil, (b) prepare independent cost estimates, and (c) make recommendations as to ways and means, if any, for improvement of future cost estimates by the Bureau of Mines.

"I will appreciate the consideration and recommendations of your Committee on these matters.

"Sincerely,

Walter A. Hallanan."

Now, with your permission, I will take up the second subject first, because it is the simpler one of the two; and I shall read the letter from Secretary Chapman to Mr. Hallanan. It reads, and I quote:

"My dear Mr. Hallanan:

"During and immediately after World War II when the problem of adequate supplies of liquid fuels was uppermost in the minds of Government and industry and while there was uncertainty as to whether this country possessed an adequate supply of petroleum in the event of another emergency, the Bureau of Mines, of the Department of the Interior, was charged by Congress with the responsibility for investigating and developing processes for producing synthetic liquid fuels from oil shale and coal.

"One of the requirements was to construct and operate demonstration plants to enable Government to furnish industry with the necessary cost and engineering data for the development of a synthetic liquid fuels industry.

"Since the Bureau of Mines experimental work is sufficiently advanced to enable it to furnish some of the data called for, the Bureau would now welcome a critical study of its cost

data by the National Petroleum Council and will cooperate fully in furnishing its data for such a study.

"Therefore, I request that the National Petroleum Council create a committee to: (1) review the estimates made by the Bureau of Mines for the cost of producing synthetic liquid fuels and its estimates of comparative costs of producing liquid fuels from crude oil, (2) prepare independent cost estimates, and (3) make recommendations as to ways and means, if any, for improvement of future cost estimates by the Bureau of Mines.

"Sincerely,

Oscar L. Chapman

Secretary of the Interior."

Unfortunately, we did not have yesterday a quorum of the Agenda Committee so, following the rules of the book by which we live, we could not pass a resolution on this thing. However, the members who were there -- and incidentally, I should say that when there wasn't a quorum -- I want to say that while we did not have a quorum, that was not due to any negligence or lack of interest on the part of the members of the Agenda Committee. Each and every one of them had a perfectly valid and good reason for not being there. Colonel Drake, for instance, is in Brazil. Major Hardey had to testify before a congressional committee in Louisiana. Pete Jones had a stockholders' meeting -- and so on.

We discussed that thing yesterday. We could only do it informally because we did not have a quorum, and the unanimous opinion of those present is that we could and should comply with the Secretary's request of preparing the estimates of cost that he asks for in his letter.

I shall immediately follow the procedure laid down by our rules and get in touch with each one of the members as soon as I can. And I might stress here that lacking a quorum, unless we want to delay the thing for three months, I have to get the expression of the view of every one of the members, not merely a majority.

However, I am quite certain that the end point will be an agreement with the request made by Secretary Chapman. There are members of this Council, representatives of this Council, who have done a good deal of work along that line, and I have every reason to believe and expect that they will gladly cooperate in this thing.

It will, therefore, as I see it, just be a question of a very short time to go through the necessary formalities when this thing will be going along and we will be complying with the Secretary's request.

That is all I can do at the moment because we could not act yesterday.

CHAIRMAN MARSHALL: Mr. Bruce Brown.

MR. BRUCE BROWN: Question: Is any action by this Council

necessary or desirable to expedite that?

MR. JACOBSEN: I do not think that the Council can do anything to expedite it. The procedure is laid down. I have to get in touch with the committee members, and get them to agree to it.

CHAIRMAN MARSHALL: Mr. Wilson.

MR. WILSON: Well, can't we ask the Chairman to appoint a committee promptly on receiving advice from you?

MR. JACOBSEN: Yes. But, he would do it anyway, because according to this Book of Words, that is the procedure he is to follow when he gets the report.

MR. WILSON: I see.

MR. JACOBSEN: And I do not think that anybody has the slightest interest in delaying this, and everybody is quite prepared to do it as quickly as he can.

CHAIRMAN MARSHALL: Jake, it might possibly be advisable for the Council to pass a motion authorizing the Board to appoint a committee for this purpose when, as and if the Agenda Committee approves the request.

MR. JACOBSEN: Well, that is not necessary, because the Book of Rules says that is what he is to do.

CHAIRMAN MARSHALL: Mr. Blaustein.

MR. BLAUSTEIN: I thought that the reports of the Agenda Committee had to come to the Council for approval and that then the committee would be appointed.

(Simultaneous discussion.)

MR. JACOBSEN: Wait a moment, I will read you what the book says.

CHAIRMAN MARSHALL: I think that would be a good idea.

MR. MAJEWSKI: Well, Mr. Chairman, irrespective of what the book says, we should recommend the appointment of such a committee. There might be members of this Council who are opposed to going into this matter, and this would give them an opportunity preliminarily to state their opposition. You might get unanimous consent on the Secretary's letter and then you could be guided by it -- otherwise, you foreclose the right to speak in opposition.

CHAIRMAN MARSHALL: Mr. Baker.

MR. BAKER: Mr. Chairman, I think we are getting into a little confusion here by reason of the fact that in effect the Agenda Committee is expressing here an opinion in advance as to the action that may be taken later.

The situation we are in today is that we have had some matters referred to the Agenda Committee which under normal procedure would have been handled prior to this meeting. But we were unable to handle it prior to the meeting, and therefore it passes this meeting and the action of the Agenda Committee would follow the convening of this meeting and the Council is not in position to act upon the matter referred to the Agenda Committee until it gets a report from the Agenda

Committee.

Now, in those cases where there is an emergency situation arising, the provision simply is that the action of the Agenda Committee can be taken in the interim period, as the Chairman in effect has suggested. And in those emergency cases if it calls for the appointment of a committee, the Chairman of the Council appoints the committee and the action of the Agenda Committee then comes up at the ensuing meeting for confirmation.

But the work contemplated goes on in the interim between the time of the action of the Agenda Committee and the submission of the report of the Agenda Committee to the Council at the ensuing meeting.

Now, if the Agenda Committee should take the action which Mr. Jacobsen has pointed out, the committee would be appointed, and the work would go on, and the Council will have its opportunity to pass upon this after the report is submitted and is before us.

Now, we have nothing before us as a Council in the way of a report from the Agenda Committee and, therefore, under our Articles of Organization, there is nothing to be done today by the Council on these two submissions.

CHAIRMAN MARSHALL: Mr. Blaustein, did you have a further question?

MR. BLAUSTEIN: Well, of course, in reply I would like to

ask Mr. Jacobsen whether the book says what Mr. Baker just said. Is it a fact or is --

MR. JACOBSEN: You want to know if Hines Baker is a liar (laughter)?

CHAIRMAN MARSHALL: Mr. Jacobsen, I will suggest you read from that book.

MR. JACOBSEN: Well, that is what I have been trying to do, what I want to do. It talks about if the report is rendered within a reasonable time, and so on, and then it says:

"If an Agenda Committee report is favorable to Council consideration" -- which is what we expect to get in this case -- "and is made at a time other than specified in the preceding sentence, the report shall be made to the Chairman of the Council and he may refer the matter in question to a Committee for study and recommendation to the Council."

In other words if, as we anticipate will happen here, the Agenda Committee recommends that, it will promptly go to Mr. Hallanan and Mr. Hallanan will immediately appoint the committee, and that committee will do the work, as Hines Baker said, between now and the next Council meeting, and what will be presented to the Council meeting the next time then will not be the question as to whether we should or should not do the work. It will be the report itself, if they get through in time.

MR. BLAUSTEIN: Well, I will have to say Hines Baker is

truthful, then (laughter).

CHAIRMAN MARSHALL: Unless the Chair hears some dissent from that point of view, we will assume that there is nothing before the Council.

MR. JACOBSEN: This is just an explanation of how the thing will be done.

CHAIRMAN MARSHALL: All right. You want to continue then, Mr. Jacobsen?

MR. JACOBSEN: Yep. Now, we come to the next one. That is about imports, and I come to the letter from Secretary Chapman to Mr. Hallanan, also dated April 21:

"My dear Mr. Hallanan:

"In accord with a request of the Secretary of the Interior, dated June 14, 1949, the National Petroleum Council at its meeting on July 28, 1949, established the Committee on Petroleum Imports to make a factual study of the matter of petroleum imports, including the effect on the domestic economy, the domestic industry and national security. The committee was authorized to confine its report to findings of fact.

"At the last meeting of the National Petroleum Council, the Committee on Petroleum Imports included in its report the following:

"Much historical and explanatory data on the problem of petroleum imports has been assembled and digested. A study of these data leads this committee to the conclusion that:

"1. The sharp increase in imports of crude oil and its products coupled with the continuing decline in exports of crude oil and its products has hurt the domestic oil industry.

"2. If imports continue to increase without regard to the principle of only supplementing the domestic production of crude and products -- they will seriously damage the oil industry and thus adversely affect the national economy and the national security."

"In view of these findings of the Council and the continuing level of imports, I am convinced that further Council consideration of the matter of petroleum imports, including recommendations with respect thereto, would be greatly in the public interest and of much value to the Government.

"Accordingly, I request the National Petroleum Council to continue the study of petroleum imports with a view to formulating such recommendations with respect thereto, as may be deemed appropriate.

"Sincerely yours,

Oscar L. Chapman

Secretary of the Interior."

This subject was also discussed quite fully in our session yesterday and the general opinion -- in fact, more than the general opinion -- the unanimous opinion of those who participated in the discussion was that the Secretary's request should be complied with.

It was pointed out that it is necessary to have the same

limitation put upon this study as we had in the former, namely, that the study cannot embody plans and programs for action by the companies, for the simple reason that if this Council were to make specific recommendations to the importing companies regarding their action in a matter of this sort and if those companies were to comply voluntarily with them, they would, in the opinion of the lawyers who have been consulted on this subject, be very definitely in danger of violating the anti-trust laws because they would be acting in concert, although they did not have any discussion among themselves.

Then it was likewise felt, though, by all of us who were present yesterday that there has been a good deal of change in the situation during the last three or four months since this report was prepared. It was also felt that definitely valuable results might be expected from further study by the same committee that was appointed to deal with imports before, and that the report, the new report, might quite well bring forth phases and ideas and suggestions, without being definite plans and programs, that might be of value to this Council.

The procedure, according to the book of words, will have to be the same that I have mentioned in connection with the gas report, namely, that I will have to get in touch with and get the reaction of each individual member of the Agenda Committee, whereupon I will promptly report to Walter Hallanan, who can certainly be counted upon to promptly give his instruc-

tions to the committee.

I have already said and I will repeat that those of us who were present yesterday were unanimously of the opinion that we can comply with the Secretary's request and still stay within the legal safeguards that we must have if the thing is to be of any value to the industry.

MR. MAJEWSKI: Mr. Chairman.

CHAIRMAN MARSHALL: Mr. Majewski.

MR. MAJEWSKI: I agree fully with what Mr. Jacobsen has said on the procedure by the Agenda Committee. However, I wish to call the attention of the Council as to the Council's supporting the wisdom of Mr. Hallanan at the last meeting by reading just a brief excerpt from the minutes of the last meeting. You don't have to go, I think, through this procedure that the book of words or the Book of Isaac says, and I will read, if I may, from page 27 of the minutes:

"Chairman Hallanan's thought was that upon receipt of the report of the Committee, the Secretary of the Interior might find it desirable to address a letter to the Chairman of the Council asking for some additional information, in which circumstances he felt it preferable to continue the present Committee rather than meet the necessity later of appointing another Committee, if called upon by the Secretary of the Interior for further consideration of the problem.

"ACTION: Upon motion duly made and seconded, it was

unanimously voted to continue the Committee on Imports."

I submit that that is exactly this, that Walter suspected maybe that the Secretary would ask for further consideration, and this motion acted upon unanimously by the Council permits him to proceed with a referral of the subject to the Committee on Imports for action.

I do not mean to imply one iota that Mr. Jacobsen's procedure was in error. It was totally and wholly correct. However, because of this motion, I think you don't have to wait strictly on a check of the Committee on the Agenda.

MR. JACOBSEN: Mr. Chairman.

MR. DUNNIGAN: Mr. Chairman.

CHAIRMAN MARSHALL: Mr. Dunnigan.

MR. DUNNIGAN: I just wanted to ask when this report was made on the manufactured gas and heating oil, when the Agenda Committee met on that.

MR. JACOBSEN: We adopted the report yesterday, but --

MR. DUNNIGAN: I just wondered. I mean, is the Agenda Committee -- I am confused. I was confused before, and I am confused now. How can we accept this after the report of the Agenda Committee and then discuss these other problems which you say no quorum was available for?

MR. JACOBSEN: For this reason, Mr. Dunnigan. The report on gas we got three months ago. We got that, if I remember correctly, on the 26th of January, and there has been

more than sufficient time for me in the interval between the 26th of January and this meeting to consult, as I did, every member of the Agenda Committee and get their views and, therefore, we were able to act on this thing yesterday without having a quorum because I have followed the procedure laid down in the book of words, of consultation with the Agenda Committee members in advance.

But, due to the fact that these other two things only reached our hands on Monday and one member is on his way to Honolulu and another on his way to Brazil, there was no possible way for me to do it on account of lack of time.

CHAIRMAN MARSHALL: The Chair, as a member of the Agenda Committee, will assure the Council he was consulted.

MR. JACOBSEN: And I would like to say this, that Barney spoke to me last night about the thing that he brought up, anyhow, and I thought it was a swell idea, and I still think it is a good idea.

But, I am not a lawyer and a couple of very eminent counsel this morning told me that -- I mean, on whether we can proceed in this manner -- that we should not do it, that we should proceed as outlined before, of consulting the committee members. That was what they told me.

And now, I will say this. The netresult, I am absolutely certain, will be precisely the same, namely, that there will be a recommendation to make the report, and that it will be

proceeded with.

The only difference is that there may be a difference in time of a week or ten days, possibly as much as two weeks, until I can get in touch with all the committee members and then advise Hallanan. But, in any event, the net result will be the same, for the reason that the report which this committee, headed by Mr. Frank Porter, may present will in any event go before this Council for approval at the next Council meeting.

Consequently, no time will be gained by taking the short-cut suggested by Barney, which I thought was a good idea until the lawyers told me I did not know what I was talking about, and that there will be no time saved by following Barney's suggestion, and there will be no time lost by letting you follow the regular routine.

CHAIRMAN MARSHALL: Mr. Baker.

MR. BAKER: I just wanted to add this one thing, that Mr. Hallanan recognizes the fact that this is new subject-matter, by submitting it to the committee, because he referred it to the Agenda Committee for action and that it, therefore, puts it in exactly the same category as the matter of the cost appraisal which we have acted on before.

MR. MAJEWSKI: Mr. Chairman.

CHAIRMAN MARSHALL: Mr. Majewski.

MR. MAJEWSKI: As to that, I am a lawyer, but not an

eminent one (laughter) -- hell, I am a curbstone lawyer. And I disagree with that 1,000 percent.

This committee was continued, and we argued it out, for the very specific purpose of considering any further matters that the Secretary would put before us on this subject, and the limitations on us remain the same. Now, look -- Mr. Hallanan probably forgot he had all this wisdom and foresight in what happened on January 26. If it was called to Mr. Hallanan's attention, and I assume Jim should have -- Jim Brown -- it never would have reached the Agenda Committee.

But I agree with Jake again that time flies. Remember that -- tempus fugit; memento mori.

MR. JACOBSEN: Yes.

MR. MAJEWSKI: I know more Greek than Latin now.

MR. JACOBSON: Well, that was Latin, not Greek.

MR. MAJEWSKI: Oh. Well, I know more Greek anyway, but I am showing you how much Latin I do remember (laughter). And this motto of tempus fugit; memento mori applies very pertinently to this import question. Some of you who are Greek and not Latin scholars might take heed that that means, "Time flies; remember death."

Now, there are people, all kinds of different people, everybody but the oil business, who are interested in oil imports now. Everybody but the oil business, the oil people. Now, I believe you should continue on this anyway you want to,

if you do it expeditiously, Mr. Jacobsen, and it makes no difference, excepting one thing -- don't leave any doubt in the mind of anyone that we on the Agenda Committee are stalling, because I think we want a complete airing of this thing.

MR. JACOBSEN: Yes.

CHAIRMAN MARSHALL: Mr. Jim Brown asked me if he could make a comment.

MR. J. V. BROWN: The letter that was received from the Secretary, of course, was brought to Mr. Hallanan's attention and his first reaction was to follow the procedure that Barney and I believe Mr. Russell Brown believe is in order, that he transmit it immediately to the Import Committee. That was continued by formal action of the Council at the last meeting.

There was also brought to his attention -- I think from his own thinking -- that we do have an Agenda Committee. There is always the question of proper procedure so, in order that there could be no question about procedure, it was transmitted to the Agenda Committee.

I am sure Mr. Hallanan himself is agreeable to whichever method of approach might be adopted by the Council; but to be in perfect order and somewhat against his own thinking he did transmit it to the Agenda Committee, in order that it be given all the consideration with regard to procedure.

MR. JACOBSEN: And, Mr. Chairman, I can confirm what Jim just said. Walter Hallanan called me on the phone the same

date he sent me the letter. I got his phone call before the letter reached me. He told me what was in the letter, and then he said, "This import thing, I thought that to be on the safe side I better refer it to the Agenda Committee."

So, it is quite clear that he was not entirely sure in his own mind.

Now, I would like to express my own view on it. I told Barney, and I have also told Russell Brown, that I thought the suggestion of Barney was a good one. I still think so. But I also have high respect for the opinion of the two eminent counsel who have spoken to me about it and said I am nuts if I think so, in view of the fact that there will be no delay in the rendering of the report because whether we -- well, whichever way we go that report will be before the Council at the next meeting, whichever of the two courses we take.

In view of the fact that we will gain nothing by taking a shortcut which some people think isn't quite according to Hoyle, my own opinion is that why not follow the course that we know to be right, if the net result is going to be exactly the same?

MR. JACOBSEN: I move that we follow the regular procedure as regards the Agenda Committee on this import matter.

From the Floor: Second the motion.

MR. RUSSELL BROWN: Mr. Chairman.

CHAIRMAN MARSHALL: Mr. Russell Brown.

MR. RUSSELL BROWN: Mr. Jacobsen, you assume that the Agenda Committee, when it is submitted to you, will approve it?

MR. JACOBSEN: Yes.

MR. RUSSELL BROWN: All right, but --

MR. JACOBSEN: Now, wait a minute. I base that on this assumption, that there are eleven members on the Agenda Committee. We have five who have expressed their concurrence in the idea as advanced, so that one more vote of the Agenda Committee will give us the majority that we need, and that is in the book of words, too.

MR. MAJEWSKI: Mr. Chairman.

CHAIRMAN MARSHALL: Mr. Majewski.

MR. MAJEWSKI: I would like to make a request. We are trying to be so careful, talking to two eminent lawyers and so on. And I am for that, I want to expedite matters, too, but it will not expedite matters.

You knew, this is a non-pay organization, and you have to pay your own expenses, and you got some other work to do. I just looked around this room and I find there is more than a quorum of the committee on imports here -- and if you really wanted to go to work expeditiously, since we are all in agreement, why in the hell don't we do that, just as a matter of expedition? I don't think we would be losing anything, and it would be demonstrating, even for me, that we are not putting impediments in the way.

MR. DUNNIGAN: Mr. Chairman.

CHAIRMAN MARSHALL: Mr. Dunnigan.

MR. DUNNIGAN: Just for the record on this question of imports. We small -- and I mean, real small -- oil producers and refiners, we don't know how we stand on this question of imports, so I am carrying no brief on this subject. We don't know whether we are for or against, any more than we did on the Kerr Bill and on a lot of other things.

But we read in the newspapers where some of our big brothers say that today the world is flat, and tomorrow, they say the world is round.

And I say: Unless ye who be our brethren be also our Magellan, then we little fellows, the small oil men, can rightfully say, "Quo vadis, Councilman?" -- "Whither goest thou, Councilman?" And, "We know not whither thou goest, so we don't know where we go."

CHAIRMAN MARSHALL: The question is on the receiving of the report of the Chairman of the Agenda Committee and following the usual procedure in the absence of a quorum of the Agenda Committee as regards this import matter which has been referred to Mr. Hallanan and by Mr. Hallanan to the Agenda Committee.

MR. JACOBSEN: I would like to add, excuse me, just this, that I believe you members realize that as Chairman of the Agenda Committee that is the only thing I can do, because that

is what the book of words says that is what the Chairman is to do -- and if anybody else wants the job, they can do it.

(Laughter.)

CHAIRMAN MARSHALL: Mr. Russell Brown.

MR. RUSSELL BROWN: I want to make a substitute motion, for the pending motion: That the Council authorize the Chairman to refer the request of the Secretary of the Interior on imports to the Import Committee.

CHAIRMAN MARSHALL: Mr. Brown moves a substitute motion.

FROM THE FLOOR: I would like to second Mr. Brown's motion.

CHAIRMAN MARSHALL: A seconded substitute motion I think takes precedence over Mr. Jacobsen's motion.

MR. BAKER: May I speak?

CHAIRMAN MARSHALL: Mr. Baker.

MR. BAKER: When the Council was organized, a great deal of time and attention was given to the matter of establishing safe procedures for carrying on the work of the Council to avoid two things, primarily.

One was the difficulty of anti-trust matters that the Attorney General had pointed out in his correspondence with the Secretary of the Interior. The other was a matter of getting a body in here that would finally become a planning body for the enlargement and expansion of federal power and authority, and there were a good many members appointed on the Council who did not want to accept appointment unless there

were certain definite restrictions and limitations set up.

And after a great deal of study the Articles of Organization under which we were to work were adopted, formally adopted, and the Agenda Committee has been functioning under the able leadership of George Hill, following the Articles of Organization, which are not just a bare legal matter that is set up here to confuse us, but a fundamental document set up here to protect us.

Now, this document provides the manner in which a subject-matter shall come before the Council and provides that, the normal procedure for taking the protective steps that are required.

Now, here we have a requirement of the Articles of Organization. The mere fact that you may have continued a committee beyond its initial report does not mean that the Chairman has got the right to refer anything and everything to that committee. It means that when subject-matter relating to that is properly before the Council, that it may then be submitted to this committee for consideration.

And the procedure by which it properly comes before the Council is for it to be referred to the Agenda Committee for action.

Now, that is not merely a legal or technical matter. It is a matter of fundamental importance for our protection, and the procedure is laid down and the Chairman in following that

has submitted it to the Agenda Committee. He has submitted the matter to the Agenda Committee, and it is before the Agenda Committee. It has been referred to the Agenda Committee by the Chairman.

And I do not believe that the Council, on a sudden, can come up here and vote on Mr. Brown's motion and set aside in effect the Articles of Organization. It seems to me that we are just making haste and that we are setting precedents that will get us in the jackpot later on, if we are going to sidestep the Articles of Organization.

Now, Mr. Jacobsen is Chairman of the Agenda Committee, and he has pointed out to you that to follow the established procedure in the Articles of Organization is not going to impair the efficiency or the effectiveness of the work procedure. I think we are making a big mistake here, if we come up here with this, just because we have some feelings about this particular subject, whatever it may be, and shortcut the organization procedures that we have laid down, by this kind of action. You are going to undermine the fundamentals of our organization and some of us later on are going to wish we are not a member of it.

I believe that we ought to follow the established procedures here that are laid down for good and basic reasons, and that we ought to follow the suggestion of the Chairman of the Agenda Committee in this matter and vote down this substitute

motion and vote for the original motion to uphold the position
which has been taken.

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MR. MAJEWSKI: May I be privileged to ask Mr. Baker a question? He is a member of the Agenda Committee. He stated something that has me completely confused. Here is a committee that has continued to deal with this subject. The letter from the Secretary of the Interior is strictly within the confines of the original authority of the Agenda Committee. I am merely asking for additional information on the subject, because additional time has elapsed. This is a correct procedure of this Continuation Committee and in accordance with the Articles of Organization, because I think I have the only complete master journal of the proceedings of how this was done. I kept it just for fun and to write a book sometime when I had time enough to do it.

Do I understand, Mr. Baker, that you would vote against Mr. Hallanan's action of referring the matter directly to the Committee on Imports and by-passing the Agenda Committee?

MR. BAKER: I certainly would.

CHAIRMAN MARSHALL: You don't mean Mr. Hallanan's action. You mean Mr. Brown's motion, don't you?

MR. MAJEWSKI: No. I understood from what Mr. Baker said that if Mr. Hallanan would have taken this letter from the Secretary, asking additional information, and referred it to the Standing Committee --

MR. BAKER: It isn't Standing Committee.

MR. MAJEWSKI: I mean it is still in existence -- for the

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purpose of advising the Secretary on this subject, would you oppose that action?

MR. BAKER: Yes, I think I would. I think this is new subject matter. This is new subject matter being referred to the committee and, as stated by the Secretary, calls for possibly more than the original committee was appointed for, and the procedure is for new subject matter to be submitted to the Agenda Committee, as Mr. Hallanan did. He submitted it to the Agenda Committee and it is now before the Agenda Committee, and if the motion made by Mr. Russell Brown is passed, you are withdrawing from the Agenda Committee and acting upon a matter which has been referred to the Agenda Committee by the Chairman.

MR. MAJEWSKI: May I, while I have the floor, pursue one more point? I would just as soon we didn't have substitutes, etc. This is a very hot question in the industry. The people in the field that don't hear all of this discussion don't understand that it is for strictly highly technical reasons that we don't refer the matter to this committee and will never know it. They will put something ulterior into our action. The press when we get out of here will get ten different interpretations as to why this was messed up, and I hope that you can take expeditious action without leaving any bad taste, because none of us on the Agenda Committee wish to delay it or were in favor of a referral of the matter to the original committee to give the additional information, and I think to have a split right

ds3 now -- I believe that Russell's motion is perfectly in order and wouldn't in any way overthrow the Agenda Committee. If there is any new thing that comes up out of Secretary Chapman's letter, the Agenda Committee can advise the existing Committee on Imports.

MR. WILSON: Gentlemen, as you know, I subscribe heartily to the fact that imports have hurt the domestic industry. I think imports are too high. I would gravely question the report of the Agenda Committee, in spite of my respect for it, if they say we shouldn't make a further study of this. On the other hand, the result accomplished will not be one wit different. I certainly would hesitate very greatly to override the orderly procedure. You may remember, there are two large companies and probably quite a number of smaller ones that have refused to join this Council because they were afraid of what might happen, and our lawyers say they have good grounds for that fear, and if we ever start going off half-cocked and not taking full advantage of the precautions that are set for our own protection, by referring these to the Agenda Committee who considers the legal angle, we will live to regret it, and there may be other companies that will feel it is not safe to stay on the Council unless we do have that protection. As I say, the day may come when we will vote down a recommendation of the Agenda Committee, but I hope we will do it with very careful and level vision and careful thought, but here we are doing it without

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accomplishing any useful purpose because the end result will be the same.

MR. LOVEJOY: Mr. Chairman, I simply wanted to endorse everything that was said by Mr. Baker and now Mr. Wilson. It seems to me that the very life of this Council depends on the safeguards that we have in the by-laws and Articles of Incorporation and the procedures that are established there, and I feel we should never take any step merely for expediency if it requires divergence from those procedures as established in this particular matter. We are just wasting time. I would like to see a vote on Russell Brown's motion and I trust that it will be voted down. In my opinion, it will be the greatest mistake in the world for this Council to short-cut or take any steps which would be a divergence from these policies. I think the very life of the Council depends on those safeguards which were so carefully set up.

MR. BLAUSTEIN: There certainly will be no delay as to its being acted upon, provided the Agenda Committee approves this matter being referred to the Import Committee. The only other thing that may cause a delay is if the Agenda Committee votes adversely. Then can't we have it this way: In the event the Agenda Committee votes adversely, then the matter be submitted to the Council members by mail poll, so that there will not be a delay until the next Council meeting. I should think, then, that that might meet Mr. Brown's thought in the matter.

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I mean, certainly, there is no delay if the thing moves on affirmatively. If the Agenda Committee should decide that it is inadvisable for the Import Committee to consider it, then perhaps you would not want a delay until the Council next meets, but then it seems to me such an adverse report of the Agenda Committee might be submitted to the members of the Council by mail poll.

MR. RUSSELL: Mr. Chairman, I, probably for a different reason or something, am concerned with the Council probably more than anyone here. I thought what I was doing was trying to get some action to help. I certainly don't want to cause any split over this question. As a matter of fact, my purpose is better served by you folks doing nothing, because I am trying to get some legislation, and I would like to be able to show that we can't get these fellows to do anything about it, but I wanted to give the light of my own position by saying that the Council will try to meet these things, and I think the Council is better served by facing these things as quickly as you can. I am not urging this motion. I simply want to get it before you. I don't care whether you submit it now or not. I don't believe the procedure will be quick. I don't believe it will be quick because there is one member in Brazil, another member in Hawaii. My personal interest will be better served by you people doing nothing. I think the Council's interest would be hurt when people outside find on an issue as important

ds6 as this the Council wouldn't take a position. That is the point I make. So I am not trying to urge my motion.

CHAIRMAN MARSHALL: Mr. Brown, may I get clear whether your motion, in proposing to refer this matter to the existing Committee on Imports, refers this matter within the terms of reference which presently bind the Import Committee, namely, that it merely makes a factual study and does not make recommendations? I notice that the Secretary's letter refers to recommendations. That is not included, of course, in the present terms of reference of the Import Committee.

MR. RUSSELL BROWN: That is quite true, but the original letter of the Secretary is the same thing. There is nothing new in this letter.

CHAIRMAN MARSHALL: But you would consider the Import Committee, if it were referred, bound by the present terms of reference as specified both by the Agenda Committee and the Council, would you not?

MR. RUSSELL BROWN: Absolutely. That is the only way they can act.

MR. JACOBSEN: I would like to say two things. First, I am sorry to have to tell Russell that we are not going to further his aims by doing nothing. That is not part of the scheme, and I know he didn't mean it, because we discussed this thing very fully. Secondly, I would like to say that it was fully understood yesterday by those of us who discussed the

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thing that we would stay precisely within the limits of the original authorization with regard to recommendations, and we had a long argument about the difference between recommendations and suggestions and plans and God knows what -- maybe it was semantics, I think they call it -- and somebody pointed out, and quite rightly, that the original report of the Import Committee, as a matter of fact, did contain very specific and definite recommendations, it did with respect to the foreign situation, and my own understanding of the wording of the limitations in respect to the original plans and programs was that the committee was not to come forward with any suggestion that the Jersey company stop importing residue or that the Gulf cut down by 10 percent or anything specific like that. The idea was that you can perfectly well make what I would call recommendations without going counter to the wording of the limitations we have in the original report, because, I repeat again, we actually did that in the report of the Import Committee. That was suggested and that committee made very specific recommendations with regard to the foreign situation, and, incidentally, some of the fellows who don't like recommendations, they were well pleased to see the recommendations about the foreign situation.

MR. RUSSELL BROWN: Mr. Chairman, may I ask a question?

Jake, as chairman of the committee, which course would you rather take?

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MR. JACOBSEN: I would rather follow the book of words because that I know to be right, and I feel thoroughly convinced that it will not mean any delay.

MR. RUSSELL BROWN: Out of respect to that, Mr. Chairman, I will withdraw my motion.

CHAIRMAN MARSHALL: Mr. Brown withdraws his motion. Is that acceptable to Mr. Ritchie?

MR. RITCHIE: That is all right.

MR. JACOBSEN: I would like to say there, if I may, please, with regard to Russell withdrawing his motion, that we will act on this as promptly as we can. There will be no delay.

MR. PARTEN: I call for the question.

CHAIRMAN MARSHALL: Mr. Swensrud asked for the floor.

MR. SWENSRUD: I just want to say in commenting on Mr. Brown's observation that Mr. Drake is in Brazil and there is a considerable delay in getting his views about this thing. He wouldn't be back for several weeks, but I don't believe that there will be any delay in getting his view as to the submission of this to the committee.

MR. JACOBSEN: But you can transmit it to me. I don't have to talk to him personally.

MR. SWENSRUD: Mr. Drake is very prompt in answering cables. I just sent him one yesterday and got it back the same day. So I don't believe that would necessarily be a source of delay in getting the matter before the committee.

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MR. BLAUSTEIN: I do think the suggestion made a while back, that if the Agenda Committee decides adversely to the Import Committee considering this thing, by then, a poll vote might be taken, a mail vote of the members of the Council, without delaying the whole matter until the Council meets three months hence.

MR. JACOBSEN: Is a poll vote provided for in the bible?

MR. BLAUSTEIN: Which bible now?

MR. JACOBSEN: This is the book of words.

MR. BLAUSTEIN: My impression is it does, though I may be wrong.

CHAIRMAN MARSHALL: My recollection, Mr. Blaustein, is that there is no provision for a mail vote of the Council, and the Council only votes in a regular or a called meeting, an especially called meeting.

MR. BLAUSTEIN: If that is so, then I withdraw the suggestion.

CHAIRMAN MARSHALL: Are you ready for the question?

The question is now on Mr. Jacobsen's motion, which in substance is that we follow the regular procedure as regards the Agenda Committee in connection with this import matter that has been submitted to us.

All those in favor will indicate by saying "aye".

(A chorus of "ayes".)

Contrary?

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(No response.)

Apparently it is unanimously carried.

U. S. SAVINGS BONDS CITATION

CHAIRMAN MARSHALL: Gentlemen, we have with us the Under Secretary of the Treasury, Mr. Edward H. Foley, who desires to address the Council on the general subject of the U. S. Savings Bonds Citation.

It is a pleasure to present Under Secretary Foley.

(Applause)

MR. FOLEY: Ladies and gentlemen, I appreciate very much the opportunity you have given me to come over here and speak to you briefly this morning. I am sorry and I apologize for being just a little bit late. I went by the swearing in ceremonies for our friend Stuart Symington, who today takes over as Chairman of the National Resources Security Board, and I know you all feel as I do that Stuart will do a great job there in that organization.

We are instituting on the 15th of May our Independence Savings Bond Drive. The symbol for the drive is the Liberty Bell, which has been made possible in this connection by the Copper Institute of America. The copper industry has provided the basic material for the bell. The bell has been made for us in France, and the first bells are now arriving in this country. Beginning on the 15th of May, they will be distributed

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around the country and will give people an opportunity to see the exact replica of the Liberty Bell who would otherwise not have an opportunity to get to Philadelphia and see the original. It is our intention in the end to make available to each State in the Union one of these bells. We want to say that it is particularly important from the standpoint of the management of the public debt, which is quite a problem for us these days, that we continue with all our activities in connection with the promotion of our savings bonds.

The National Petroleum Council has been most effective in the past in helping us and we wanted to come here this morning to tell you how much we appreciated what Mr. Hallanan and Mr. Brown and the other members of your Council have done for us and bespeak your assistance in connection with the forthcoming campaign. If all of you will continue your payroll savings plans in your plants, and if those of you who have not been able to do it up to now will inaugurate such a plan, I am sure it will contribute greatly to the success of our savings bond campaign.

Now, Mr. Chairman, it is my privilege to present the United States Treasury's Distinguished Service Award to the National Petroleum Council in grateful remembrance of the fine leadership and help which you have given us in connection with our savings bonds campaigns in the past.

CHAIRMAN MARSHALL: Thank you, Mr. Secretary. (Applause)

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I know I speak for the members of the Council when I say that anything the members have done and anything that the companies whom they represent have done is very much their pleasure and their privilege in support of the work that you are doing.

MR. FOLEY: Thank you very much.

CHAIRMAN MARSHALL: We are delighted to have you here with us today. (Applause)

THE DOLLAR-STERLING OIL PROBLEM

CHAIRMAN MARSHALL: A few moments ago, we almost got to the dollar-sterling oil problem. There has been a goodly amount of debate about some of the things that are related, Mr. Eakens. In the meantime, we will now call upon you.

MR. EAKENS: Mr. Chairman and members of the National Petroleum Council and visitors, the Department of State welcomes this opportunity to have me discuss the dollar-sterling oil problem with this representative group of the American oil industry. The problem has been discussed in detail on several occasions with the companies whose interests have been most directly affected by it. It will not be possible to discuss it in the same detail here today. Consequently, for some of you, there may not be anything new in what I have to say. I hope, however, for those of you not so familiar with the problem, to indicate more clearly the conditions out of which it has developed, to point up some of its main elements, and to describe what has taken place thus far in regard to it.

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You will notice from my remarks that the problem isn't solved, that we are still in the process of negotiations with the British on it, and if the Council is interested, I hope that I can have the opportunity to report further on this problem at a later date, and I hope that our report will be a reasonably favorable one.

What is the sterling-dollar oil problem? Why is it a sterling-dollar problem and not a franc-dollar problem or a peso-dollar problem? Actually, it is all three of these, and more.

Foreign countries currently do not earn enough dollars to purchase all of the things they want, or, indeed, need to buy from the United States. This situation has existed over a long period of time. Prior to World War II, it led to the accumulation of about half of the world's supply of gold in the United States. Since the war, with the gold reserves of most countries virtually exhausted, the deficit has been largely made up by relief aid, by loans and, under the European Recovery Program, by both grants-in-aid and loans. This is the problem of the dollar gap. It is a problem that will exist as long as the United States is not willing, or able, to purchase as much from foreign countries as it sells to them.

The sterling-dollar problem is one aspect -- an important aspect -- of the problem of the dollar gap. For the ECA countries as a whole, for example, almost 20 percent of funds

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provided by ECA for the fiscal year 1950 were for the purchase of petroleum, petroleum equipment and tanker transportation. For the sterling area, another important trading segment of the world, the gold and dollar deficit in 1949 was \$1.5 billion. The net deficit on oil account was about 45 percent of the total. In 1950, the net deficit on oil account in the sterling area was expected to amount to \$625 million before taking account of the substitution program discussed below. Almost without exception, other countries are in a similar stringent position in regard to gold and dollars.

In these circumstances, it is understandable that foreign countries should endeavor to reduce their dollar purchases wherever possible. Basically, this can be accomplished by any one or a combination of several methods -- by reducing the consumption of things being bought for dollars, by purchasing the same things for other and more plentiful currencies, or by producing and selling more goods and services for dollars. Obviously the most painless, usually the most expeditious, and often the only feasible course is the second one of shifting purchases away from the dollar area. And this is where the sterling aspect of the oil problem comes in.

Obviously a country cannot discontinue buying oil or anything else for dollars, and obtain the same quantities from other sources for soft currencies, unless soft currency areas have supplies available for sale and the potential buyer and

ds15 seller can get together on the currency to be used in payment.

Oil is available to importing countries only for two currencies -- dollars and sterling. At the same time, oil is an essential commodity. No country is able to get along without it today. Moreover, most countries have some dollars. And they used some of them for oil -- not all they wanted, of course -- as long as oil was not available for other currencies. The expansion last year of the capacity of British companies beyond that required to satisfy their usual markets changed this. As a result, foreign countries, including the sterling area, could for the first time begin to shift that part of their purchases of oil for dollars to purchases for sterling.

The foregoing touches upon two of the basic elements in the problem -- the shortage of dollars and the increasing availability of oil which can be purchases for sterling.

Another element is the fact that American oil companies, by virtue of British trade and exchange arrangements, cannot sell oil for sterling in third markets. If the British permitted such sales, they would have to convert the sterling into dollars under the Anglo-American Financial Agreement of 1945, with the result that the British would be paying dollars on behalf of third countries for imports of American company oil. In these circumstances when a country decides for exchange reasons, and not on commercial considerations, to purchase oil for sterling to replace its normal purchases of oil

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for dollars, American companies no longer are able to compete in the market, either to maintain their sales, or to expand them.

This, in brief, is the difficult sterling-dollar oil problem which began to develop early in 1949. Its central issue is whether and to what extent dollar expenditures of the non-dollar area for oil can be reduced without serious injury to the commercial interests of American companies and to any political and strategic interest of the United States which may be involved.

This problem developed, as I indicated above, during the past year. During that time, sterling oil has threatened to displace, or has actually displaced, dollar oil in several markets. In April, 1949, the British, in the Anglo-Egyptian Financial Agreement, agreed to supply all of Egypt's oil imports during the remainder of the year for sterling though American companies had been supplying about four-sevenths, 11,000 barrels daily, of the import market.

After we had made representations to the British, they agreed to arrangements under which American companies were able to retain their former share of petroleum imports into Egypt. The first large quantity of American company oil affected, however, was in the case of Argentina, where the British undertook, in the Anglo-Argentine Agreement signed in June, 1949, to make available for sterling payment virtually all of

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Argentina's import requirements for oil. American companies had supplied about 40,000 barrels daily, or 42 percent of Argentina's imports. Discussion of the Argentine case has not yet led to a solution of it.

Late in November, while this complex problem was being discussed by the governments of the United States and the United Kingdom and by United States' companies and the British Government, the latter announced that British companies would have in 1950 nearly 4,000,000 tons of petroleum products, or about 75,000 barrels daily, surplus to their normal market needs in that year and that in order to save dollars, it would be necessary, effective January 1, 1950, to substitute this surplus in the sterling area for an equivalent amount of American company oil. The total market for American company oil in the sterling area in 1949 was 13,000,000 tons. Nearly two-thirds of the surplus consisted of heavy fuel oil available principally in Iran. The remainder, about evenly divided between gasoline and other products, was mainly a Western Hemisphere surplus.

The effective date of the British action was postponed from January 1 to February 15, 1950. The result of the action is to eliminate all of the fuel oil formerly supplied by American companies to the sterling area and one-third of the gasoline formerly supplied to the United Kingdom. It is now estimated that sterling oil has displaced about 135,000 barrels

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daily of dollar oil. This quantity is equivalent to about 9 percent of the total overseas production of American companies.

The United States Government is seriously concerned not only regarding the current displacement but also in regard to the possibility of continuing and increasing displacement. The reason for that concern is to be found in the commercial, political and strategic value of American oil concessions and facilities overseas.

In September, 1949, representatives of the United States, the United Kingdom and Canada met in Washington to discuss the critical gold and dollar position of the sterling area. Early in the Tripartite Discussions, it was recognized that, as previously noted, a very large drain on the gold and dollar resources of the United Kingdom resulted from oil transactions and that the problems involved were extremely complex. It was decided to consider the petroleum problem separately and British representatives came to Washington on September 15 to begin meetings which have been continuing ever since.

The process is necessarily time consuming. The problem is not only exceedingly complex in itself but involves the interests of many companies and countries, and concerns many different agencies of Government both here and in the United Kingdom.

It was established early in the discussions that the dollar drain on oil account resulted not only from the dollar outlay

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for American company products and operations but that a substantial dollar element existed in British company operations. British dollar costs are incurred because British company oil is produced principally in non-sterling countries. Consequently, substantial dollar payments must be made by British companies for royalties, certain local costs of production and purchases of dollar supplies, equipment and services in their world-wide operations outside of the United States.

The fact that a substantial and unavoidable part of British production costs are incurred in dollars may be the most important in finding a solution to the problem of effecting dollar savings to oil importing countries without the necessity of a large displacement of dollar oil in world markets.

Three memoranda have been exchanged between United States and United Kingdom representatives on this problem. On November 16, 1949, the United States submitted the first. Briefly summarized, it stated that the United States (1) favored the adoption by United States oil companies of measures designed to reduce the dollar cost of their operations to the sterling area, (2) desired an understanding with the British that they would not enter into arrangements with third countries that precluded United States competitive participation in third country markets, and (3) favored the negotiation of arrangements between the United States oil companies and the British

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Government which would permit United States companies to compete in markets where it was impossible or impractical to sell oil for dollars or local currency and where, in the absence of such arrangements, British companies would take over the United States part of the market. The United States did not desire, however, to have such arrangements substantially increase the dollar drain of the sterling area.

The British reply to the first United States memorandum was received February 1, 1950. There had been inconclusive discussions between various American companies and the British Government in the interval.

The British reply said, in effect, that the United Kingdom was willing (1) to agree not to disturb arrangements under which crude oil was being supplied to the sterling area by American companies, (2) to limit the displacement of American company refined products in the sterling area to a maximum of 4,000,000 tons a year, and (3) to agree to sales of oil for sterling by American companies under conditions which would prevent such sales from causing any additional dollar drain on the sterling area.

Under the foregoing proposals, American oil companies would continue to receive 100 percent dollar payment for 9,000,000 tons, that is, 70 percent of their normal market in the sterling area. In terms of their world-wide operations, they would be receiving full dollar payment for 91 percent of

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their overseas production.

An additional proposal was made under which American companies meeting certain criteria would be treated the same as British companies in the matter of sales for sterling.

The proposals were based on an assumption of satisfactory progress being made toward the elimination of the gold and dollar deficit of the sterling area. A significant change in that respect would require reexamination of the situation.

After discussion of the British proposals with the American companies concerned, and after discussion among the Government departments which have worked on this problem continuously since it first arose, a reply was made by the United States on March 29.

The reply stated that with modifications which the United States suggested the British proposals of February 1 constituted a framework within which a solution to the problem could be found. The modifications propose that American companies be permitted to compete to sell oil for sterling to the sterling area and to third markets to the extent that their oil has been displaced, or would otherwise be displaced, by British company oil sold for sterling. For such sales, they would receive in dollars the average dollar cost of producing an equivalent amount of sterling oil and would undertake to use the remaining sterling for certain types of expenditures in the sterling area.

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It is the view of the United States Government that the March 29th proposal should go far toward meeting the British problem and the United States objectives. Under it, the British should be able to save substantially the same amount of dollars that they would save by substituting British company oil, that is, approximately \$50 million on an annual basis.

In our view, it is highly important that an agreed solution to the problem be found. It is also important that the dollar gap problem not be enlarged in the process. Unless this larger problem can be solved, the prospects of lessening the restrictions against dollar oil and other dollar products, and solving on any permanent basis such problems as the one I have been discussing, are exceedingly doubtful.

CHAIRMAN MARSHALL: We certainly thank you for that illuminating report. (Applause)

I wonder if any of the members of the Council have any questions they would like to ask, if you would be willing to try to answer them either on or off the record.

MR. WARREN: Mr. Chairman, there has been a great deal of testimony by officials of the State Department and also the Commerce Department about this dollar gap as a reason for bringing imported oil into the country, and I would like to ask, Mr. Eakens, as I understand it, the dollar gap is somewhere around an average of \$450 million a month for 1949. Is that about right?

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MR. EAKENS: I don't have the figure in mind. I believe it is a little less than that.

MR. WARREN: I was wondering what part oil played in it and just how much of the dollar gap has been closed by imported oil.

MR. EAKENS: I am afraid I couldn't give you a specific answer, but oil imports have gone up and there has been some closing, undoubtedly, by that movement. I am not sure, however, that the oil imports have been necessarily related to the specific problem or encouraged for the specific purpose of closing the dollar gap. Personally, I don't believe that is the case.

MR. JACOBSEN: I was just going to touch on the same subject, but you have partly answered my question regarding the closing of the dollar gap. When an American oil company, an American controlled oil company, brings in oil from Venezuela to the United States, they are not helping to close any dollar gap, are they? It is an American company, American owned oil and brought into the United States. That doesn't help close the dollar gap, does it?

MR. EAKENS: Well, you pick a specific case. The answer probably on that is no. Our trade with Venezuela is at a high level. Venezuela earns a lot of dollars from oil royalties, from getting their production costs in dollars, from some of the oil coming to the United States, and they spend those

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dollars in the United States for exports; in fact, they spend substantially more dollars in the United States than they get from their imports in oil to the United States, but in this particular case, I think the answer is no.

MR. JACOBSEN: I fully realize that the more dollars Venezuela has to spend, the more she can buy in the United States, but that importation does not help to close the dollar gap that we have been quarreling with the British about. That is my point.

MR. EAKENS: I think that is right.

MR. LOVEJOY: On page 4 of your statement, that deals with the question of selling dollar oil in third markets. You say, "If the British permitted such sales, they would have to convert the sterling into dollars under the Anglo-American Financial Agreement of 1945, with the result that the British would be paying dollars on behalf of third countries for imports of American company oil."

If an American company were to deal with Denmark or some third country which is willing to accept the sterling, can the British Government dishonor that sterling in any way? Do they have to convert that sterling back into dollars?

MR. EAKENS: Without some modification of this agreement, the oil company receiving the sterling can go to the British Treasury and demand dollars and get them.

MR. LOVEJOY: Suppose they are willing to take the ster-

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ling.

MR. EAKENS: If they are willing to take the sterling without applying for conversion -- and some of our oil companies have been willing to do that -- the British are the ones who have not allowed that. The British do control the sterling supply throughout the world.

MR. LOVEJOY: Well, if the country has sterling and wanted to pay an American country in sterling, how can the British stop it?

MR. EAKENS: I think there, Mr. Lovejoy, you get into a technical proposition. Actually, if Denmark has some sterling, it is probably on deposit in the Bank of England, and Denmark would have to write a check on it, so to speak, and the Bank of England would have to decide whether the payee could receive the sterling. It wouldn't honor the check. That is an oversimplification.

MR. LOVEJOY: In other words, they have pretty good control of the sterling.

MR. JACOBSEN: Mr. Swensrud here just called my attention to a point that I want to mention. It is entirely correct and it modifies to some extent what you and I talked about, to the extent, of course, that Venezuela can use the dollars which she gets for sale of oil in the United States, to the extent that she uses those dollars to purchase goods in sterling areas, to that extent, Venezuela's exports to this country

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will help close the dollar gap.

MR. EAKENS: That is right -- or in other countries which have a dollar gap.

MR. JACOBSEN: Sure, but with regard to the point you mentioned just now, it seems to me that is where the British attitude is really the most high-handed. For instance, in the case of Denmark that you mentioned, she simply says we will not allow you to transfer your sterling balance to an American company. I mean that is, as I see it, entirely high-handed, because Denmark is not really in the sterling area. It is in an area that is to some extent dominated by the sterling, but it isn't part of the sterling area.

MR. EAKENS: But the problem that I mention in the paper does apply. If Denmark pays an American company and the American company can convert it, then that means that the British are having to put up that many dollars.

MR. JACOBSEN: Yes, but suppose the American company were to say, all right, we'll take sterling and we are willing to let it be frozen, indefinitely. Then it would be entirely a high-handed action on the part of the British to say we will prevent the American companies from getting that sterling. And I have a strong suspicion that the British are actually using the inconvertibility of sterling as a direct means for controlling trade and helping British industry.

MR. EAKENS: Well, the purpose of our proposal was to

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fully meet their balance of payments arguments so that we can make sure we are keeping it on a balance of payments and not a trade discrimination basis.

MR. JACOBSEN: That is right.

MR. JENNINGS: I would like to ask one question. Where you give the dollar deficit as a billion and a half in 1949, that is before any Marshall Plan transaction funds, I take it.

MR. EAKENS: That is right. That was their deficit which they made up.

MR. MAJEWSKI: We have been thoroughly informed on Venezuela by the good doctor and his delegation and by the economic delegation and from the various Venezuelan chambers of commerce who visited the midwest to bring the Good Neighbor Policy to us, and we are thoroughly informed, and we quote from their figures. I was wondering if the State Department took recognition of the fact that there was a thousand and three millions of dollars of exports from Venezuela to the world. Is Venezuela affected too much by this sterling problem? Most of their other exports have been oil, nearly five hundred millions of dollars. Have they been much affected by this sterling problem as we Americans have?

MR. EAKENS: There is probably a person in the audience who can speak better for Venezuela than I can.

MR. HOLMAN: I had a little experience with that. I might give my observations on it. Normally, in the case of the

Jersey group companies, a good part of their supplies came from Venezuela to the United Kingdom, and to the extent that we have to substitute sterling on it for export that originally came from Venezuela, of course, Venezuela would be affected.

On the point that Jake has been talking about, it is a rather complicated subject but, as I understand it, Jake, the balance of trade is what we are talking about here, and the only difference between a strong currency country, such as Venezuela, and a weak currency country, such as the Australian bloc, as it is labeled today, is the fact that on the balance of trade, it all works out the same, it seems to me.

MR. JACOBSEN: If the trade is allowed; if the trade isn't controlled.

MR. HOLMAN: That is right. On the question Ed Warren raised, I think that is quite an important subject, and you will recall, Ed, that in the report the Import Committee made to the Council, there were some statistics on that, and I had hoped the committee would make another report and that they would bring that phase of it up to date, which would give you a pretty good idea as to how the balance stands now.

MR. WARREN: It has been pursued by Mr. Hoffman, by the Under Secretary of Commerce and also by State. They are in favor of an import policy because it helps to balance this dollar deficit or dollar gap. What we would like to know is how much weight does it have. From the information we have

now, the imports and exports are almost in balance with the dollar value and that the oil industry has gone a long ways percentagewise in doing their part of the job, and I think it would be an interesting thing for the Import Committee to investigate.

CHAIRMAN MARSHALL: Are there any further questions?

MR. DUKE: Mr. Marshall, I would like to compliment Mr. Eakens and the State Department for enlightening those of us who haven't been in the discussions for the clarity of this report and I think they deserve the congratulations of us in this room who haven't been able to follow it until this paper.

CHAIRMAN MARSHALL: I think all of us feel that way, Mr. Eakens, and we very much appreciate your coming over and talking to us. (Applause)

In order to clear up one matter that we passed on the agenda, I think I will ask the Secretary if he wouldn't read the report of the Committee on Liquefied Petroleum Gas, since the chairman of that committee isn't here.

REPORT OF THE COMMITTEE ON LIQUEFIED PETROLEUM GAS

MR. JAMES BROWN: (Reading)

"The Committee on Liquefied Petroleum Gas, appointed by the National Petroleum Council to bring up to date a 1948 study of the liquefied petroleum gas situation, has completed its work sufficiently to submit a report.

"The Chairman of the 1949-1950 Committee followed the pro-

cedure of the 1948 Committee by appointing subcommittees to prepare separate reports on Demand, Transportation and Production.

"This report, accordingly, contains the completed studies and conclusions of the Demand and Transportation Subcommittees, and the data which has been obtained to date by the Production Subcommittee.

"Since 54 out of a total of 161 companies had not replied to the Production Subcommittee's questionnaire by the deadline for this report, and since some 12 or 14 of those companies are of such size that their combined production represents a sizable portion of the total national production, the Production Subcommittee now is engaged in a re-solicitation by mail and personal contacts for data so that it can have the most accurate picture possible of the production outlook for the next two years. The subcommittee accordingly has suggested that it be permitted to supplement its current report when, and if, sufficient additional data has been obtained to justify such action.

"Most of the factors which forced the 1948 Committee to subject its conclusions and recommendations to numerous qualifications now have lost most of their importance. New and increased producing facilities were completed at a speedier rate than had been anticipated as the materials of construction suddenly became freely available. At the same time, the mild

winter of 1948-1949 in most of the areas of heaviest consumption of LP-Gas kept demand from accelerating as rapidly as had been predicted. Potential production accordingly gained sufficient ground over demand to eliminate the old bug-a-boo of extreme shortages in seasonal periods of heaviest demand.

"Particularly was this true as transportation facilities were brought more nearly in balance.

"The Demand Subcommittee estimates an over-all increase of 11 percent in demand for liquefied petroleum gas in 1950 over the preceding year. It estimates domestic demand will be up 19.5 percent; chemical manufacturing demand up 5 percent, utility and gas manufacturing requirements up 2 percent, and refinery uses from outside sources up 2 percent. It sees no increase for industrial and synthetic rubber uses.

"The Production Subcommittee reports that, on the basis of replies from approximately two-thirds of the companies to whom questionnaires were sent, production will increase 15.8 percent this year. The addition of the combined production of certain large companies who have delayed replying to the questionnaire, would materially increase this percentage figure.

"The Transportation Subcommittee reports that the 9680 tank cars already available and the 200 to 300 likely to be added to the fleet in 1950 should be adequate to meet the needs

of the industry, providing, of course, that the same transportation agencies are used in the percentage relationship as previously experienced.

"The Committee on Liquefied Petroleum Gas accordingly is of the opinion that producing capacity and transportation facilities now are sufficient to meet adequately the anticipated demands for liquefied petroleum gas for the next year or two."

Shall I read the subcommittee report also?

CHAIRMAN MARSHALL: I would presume so.

MR. JAMES BROWN: This is the report of the Demand Subcommittee.

CHAIRMAN MARSHALL: Jim, before you get into that, in order that the members of the Council may set their plans, we have a note here that the Secretary of the Interior is driving down from Wilkes-Barre and will be here at approximately 2:30. It would be my thought that what we should do is when Mr. Brown has completed this report, that we should adjourn for lunch and gather again at approximately 2:30. We want to hear from Mr. Stewart and from Bruce Brown, Chairman of the Military Petroleum Advisory Board, and the Secretary of the Interior. I would think that that would be the best schedule, and if that is all right with the members of the Council, we will follow it about that way.

All right, Jim.

MR. MAJEWSKI: May I ask a question? I thought we couldn't

discuss demand. I wonder how this got by the Agenda Committee, and this is a report by the Demand Subcommittee of the Committee on Liquefied Petroleum Gas, and if it is so illegal to do this in other directions, I don't want my heirs in any way tainted with illegal procedure (laughter). I suggest we don't read it.

MR. JACOBSEN: The Agenda Committee didn't like that report and didn't have a doggone thing to do with it.

MR. MAJEWSKI: My point is I am on the alert to keep you free from sin, if I can (laughter).

MR. JACOBSEN: That is a hard job (laughter).

MR. MAJEWSKI: I know, but I don't think we ought to lend our ears to the Demand Subcommittee report because that would be sinful, and I suggest we don't read it.

CHAIRMAN MARSHALL: What is the pleasure of the Council? Do you desire to have the report read? It would seem to me that the report ought to be submitted to the Council. If the Council desires not to accept it or to refer it to the Agenda Committee, that is your privilege, of course.

MR. MAJEWSKI: I move that the report be referred to the Agenda Committee to purge it of any sin (laughter).

CHAIRMAN MARSHALL: It seems to me it is a little difficult to decide whether there is any sin involved, Barney, until we find out what is in it.

MR. MAJEWSKI: Howard, you have got to try it a little,

and you ought to try it out on the Agenda Committee.

CHAIRMAN MARSHALL: Well, you are a member of it.

Mr. Brown suggests we might read the assignment. Have you got it there?

MR. JAMES BROWN: The assignment is to this committee. "The Agenda Committee unanimously recommends the reactivation of the National Petroleum Council Committee on Liquefied Petroleum Gas *** and that that committee be requested to make a factual study of it as may be deemed appropriate."

MR. JACOBSEN: There is nothing said about demand.

MR. MAJEWSKI: You see, that is why I want to keep you from sin.

CHAIRMAN MARSHALL: Mr. Baker points out it hasn't anything to do with demand.

MR. MAJEWSKI: That is right.

MR. BRUCE BROWN: How are you going to determine how you get enough transportation unless you know how much you have got to move.

CHAIRMAN MARSHALL: It will be a little difficult, Bruce.

MR. MAJEWSKI: Frankly, I would like to see you say this is okay, because I have got some other ideas.

MR. JAMES BROWN: The last report in '48 of this committee did include the subject of demand. It was read to the Council and was accepted by the Council.

CHAIRMAN MARSHALL: It seems to me it would be appropriate

to read the report, and then the Council can decide what, if anything, it wants to do with it.

MR. MAJEWSKI: Of course, there is a motion before the house. Do you wish to read the report?

CHAIRMAN MARSHALL: Well, put the motion, if you desire, Barney. Is there any discussion on the motion? What is your motion? (Laughter)

MR. MAJEWSKI: No matter, if we committed sin once, let's not do it again, Jim. That is no license to do it again. I am concerned about this demand report, and I would like to move you that this report be referred to the Agenda Committee to see if it is within the confines of its approval.

MR. JACOBSEN: I don't think that is the function of the Agenda Committee. We are not censors. A subject comes up and it is referred to us by the chairman, but I don't think that we should act as censors on a report that has been written, and you are a member of the committee, too.

MR. MAJEWSKI: I know, but I accept full responsibility and I rise to that. We say that you could deal with the production and the transportation availability; we have done it on crude, but when we start forecasting demand for crude, we get stepped on in a minute, and properly so, because it is not within the charter of this group. The Committee on Liquefied Petroleum Gas was told the same thing -- deal with production and transportation but not with demand. I, therefore, move that

since this goes beyond the approval extended by the Agenda Committee, that the report not be read.

MR. JAMES BROWN: Mr. Chairman, first of all, I am not a member of the committee. I am pinch-hitting for the chairman. If he has entered the room since I started, I will give way. I haven't seen him. However, in attempting to explain for them, and they have talked with me on the telephone, I will assure you that I have had in mind in all the conversations I have had with the representatives of this committee, that it has been one of those sinful things, Barney, to talk about or prepare demands. However, the position, I believe, is that in order to carry out their assignment, it was necessary for them as a part of their work to estimate demand in order to answer the rest of the assignment.

MR. GRAVES: You cannot possibly determine the adequacy of the determination of the liquefied gas field unless you know what the demand is for the product, because there is a lot that is produced that we know is not going to be consumed.

MR. JAMES BROWN: I am convinced they could not possibly carry out their assignment unless there was an estimate of demand either available to them or made by them.

MR. DUNNIGAN: Let those who are without sin cast the first stone. I merely suggest it looks as though this might be involved, Mr. Chairman. Why don't you exercise your prerogative, adjourn the meeting and let's come back after lunch.

CHAIRMAN MARSHALL: I think it would be wise, Mr. Dunnigan, unless the Council has some other view, to dispose of this before we go to lunch -- unless somebody has a very pressing luncheon engagement.

MR. RITCHIE: I think probably the men want the Agenda Committee to censor what we made here. I don't agree with Barney on that. I think the report should be read and then the Council vote, after hearing it, whether or not they wish it to be referred back to the committee.

MR. BAKER: Mr. Chairman, I just passed a note over to the Chairman here just before Barney got up with this question. I know we can safely forecast supplies. Can we go into the demand forecast? It seems to me that it is quite evident that this report goes beyond the subject matter that was approved by the Agenda Committee. I realize what has been said here, that you can't actually determine the sufficiency of transportation unless you know what the demand is. But you can make factfindings on what the transportation is, what the transportation facilities are available, what amount can be moved and the nature of those transportation facilities. You can also forecast the amount of supply that is available, but it is quite obvious that this report goes beyond the authorization of the subject matter covered in the approval.

MR. MAJEWSKI: Mr. Chairman, I believe Mr. Ritchie's suggestion has some merit. As I understand it, he asks that

it be referred back, that this subject be referred back, to the Committee on Liquefied Petroleum Gas to revise the report, bearing in mind that the Council does not indulge in demand forecasts or predictions, and the other portions of this report dealing with that subject can be revised. I would like to second the motion, if I understand it to be thus.

CHAIRMAN MARSHALL: Barney, is that a substitute motion to your motion?

MR. MAJEWSKI: Nobody seconded mine.

CHAIRMAN MARSHALL: No one seconded it, then there is no motion.

MR. MAJEWSKI: I would like to second Andy's motion, then.

MR. BLAUSTEIN: Mr. Chairman, I know what the decision was. It was not to consider demand. By whom was that decision made? I am talking now about general problems. We are faced with a difficulty here and that is this: Frequently these matters come to us in theory and we can never get to real grips with the situation because it stops short of demand. Now, who was it that decided that we cannot consider demand when that was decided? I know it was at a time of organization, but should we send that back again for consideration to the group that originally decided it, that is, that the National Petroleum Council cannot go into demand? Now it isn't only here. You find it in the Import Committee. You find it in nearly every place. We go through a lot of fuss in getting

up a lot of stuff, but when it comes to actually getting to grips with the situation we are concerned with, we stop short of it, and I am not so sure whether under those circumstances the Council is in a position to properly function and do an adequate job.

MR. MAJEWSKI: For some of us, Mr. Chairman, it was Judge Stone that decided that, and adversely (laughter).

CHAIRMAN MARSHALL: I think it is a fair statement to say, Mr. Blaustein, the decision that it was not safe to consider forecasts of demand was just a general legal opinion that has been placed before the Agenda Committee on a good many different occasions. Would you check with that, Mr. Baker?

MR. BAKER: It grows out of the correspondence between the Attorney General and the Secretary.

CHAIRMAN MARSHALL: There is nothing specific in that correspondence relating to the impropriety or the propriety either of forecasting demand. It has been merely a general legal opinion.

MR. BLAUSTEIN: Are we to continue to accept that? I know we had this scare out there, but sometimes when you are faced with the necessity of doing something, you perhaps reconsider it and see what the pros and cons are. I mean, actually, what are these great disadvantages of getting into this question of demand? If it is a case of getting another letter or changed opinion from the Attorney General, maybe the

matter ought to be put up to him. The thing that disturbs me is that we are not able, as I see it, to give answers to the problems that really concern us because of keeping away from this question of demand, and maybe we can get into demand and still keep off of price. I mean, that is what the implication is. We get into price as soon as we get into demand; I don't know that we do necessarily, but we keep on beating around the bush on many of these problems because there is some unwritten law that we shouldn't come to grips with demand.

CHAIRMAN MARSHALL: I think it is the forecast of demand.

MR. GRAVES: Mr. Chairman, I had nothing to do with the preparation of the conclusions of the Chairman, but he states here that 54 out of a total of 161 companies have not replied to the Production Subcommittee's questionnaire by the deadline of this report. Apparently some companies are reluctant to give their production figures and, therefore, this whole conclusion had to be determined by demand. I just want to point out the difficulty of arriving at anything when only 54 out of 161 have submitted figures of production.

CHAIRMAN MARSHALL: Is there further discussion?

The motion before the house at the moment is that this matter be re-referred to the Liquefied Petroleum Gas Committee with the request that it be brought within the terms of reference prescribed by the Agenda Committee.

MR. PECK: Mr. Chairman, since the discussion on the

motion has drifted into a point where we are exceedingly conscientious about sins or violating the anti-trust laws, I would just like to make a little observation.

I notice on the front of the morning paper an announcement in advance by a certain company in the local market throughout the territory while at the same time they announce that at their company-owned and operated retail station there would be no advance. I am reporting this as a matter of convenience because I think that while we are very conscientious, we should analyze the effects that that has under the marketing circumstances.

I know this has nothing to do with this particular order, but I have seldom witnessed the Council in such an extremely conscientious mood. It puts the retailers in those areas in a position where they have to bear the freight of the suppliers.

MR. MAJEWSKI: I have got to rise to that. I hope he is facetious about what he said.

CHAIRMAN MARSHALL: I don't see that the subject in question is germane to the motion before the house.

MR. MAJEWSKI: Excepting that part about being conscientious. I do want to deal with that (laughter), because if a guy don't like the company he keeps, why the hell don't he get out of it. I mean that is all I want to say on that point (laughter); conscience wouldn't bother him ever.

MR. PECK: I would like to answer that simply by saying I like the idea of being conscientious.

MR. STEWART: I think a lot of this discussion probably is beside the point.

MR. MAJEWSKI: Expunge what I said, then.

MR. STEWART: In the requests we make, we try to phrase those within the range of action that the Council can take. We are not always too successful, and some of these requests require that a goal be set, if the committee working on the problem can tell us whether the goal can be reached. So far as this demand portion of this report is concerned, I think it would be entirely in order if the Council was to withdraw that report entirely, and if the Oil and Gas Division is in position to furnish any forecasts that seem necessary, those forecasts will be made by a government agency and will absolve the Council and its committees from the sin that Barney is worrying about.

MR. BAKER: As a matter of fact, the request didn't cover the demand, did it? It wasn't merely the action of the Agenda Committee. It was simply the Agenda Committee approved the request as it came in and it didn't cover the subject of demand.

MR. FENTRISS: Mr. Baker, the purpose is this: As an expert on transportation has mentioned, in order to evaluate transportation, a demand figure is a useful factor. When we were handling the steel question, to determine whether there was

adequate steel to meet the needs of the industry, the Oil and Gas Division came to the assistance of that committee by furnishing them an estimate of a forward demand. Our suggestion here is merely that if we can aid the committee in its efforts to give us information by making such an estimate, again, I think we would be more than happy to do so. I think it is up to the committee as to whether they feel they need that.

MR. JACOBSEN: I am not a lawyer but, as I understand the situation, the danger lies in the cooperation of several companies in furnishing the report with respect to demand. There is nothing to prevent the Gulf Company, for instance, to make an estimate of demand and go and publish it, if they want to, by themselves. The trouble comes in when we get together and cooperate on it, and I think that the suggestion made by Mr. Stewart is just excellent. That absolves the whole question.

MR. MAJEWSKI: Mr. Chairman, Jake and all the other members are veterans of the Agenda Committee who remember that it was pointed out to those that thought and I thought demand should have been in these reports, but they pointed out, and very properly, that those demand figures were available from the Bureau of the Mines and from governmental sources, where a question never would arise, and they sold me on it, because today it is the law of the land, determined by the Supreme Court that we cannot in the oil business indulge collectively in forecasting demand.

MR. JACOBSEN: Individually, you can do it as much as you like.

MR. MAJEWSKI: Yes, if you can get the works (laughter), but even then, Judge Stone said if a number of people act in concert upon that report, you are in a hell of a fix (laughter).

CHAIRMAN MARSHALL: I don't remember the Judge's language, whether it was just that way (laughter).

Well, there is still the motion before us that this be re-referred.

The question on the motion is that this be re-referred to the Liquefied Petroleum Gas Committee. All those in favor will signify by saying "aye".

(Chorus of "ayes")

Contrary?

(No response)

It is so ordered.

(Whereupon, the meeting recessed at 12:30 p. m., to reconvene at 2:30 p. m.)

AFTERNOON SESSION (2:30 p.m.)

CHAIRMAN MARSHALL: As we indicated this morning, the plane of the Secretary of the Interior ran into some of the same difficulties that some of the rest of us ran into last night trying to get into Washington. However, he has come by car from Wilkes-Barre where he was last night, and for the first time before the Council, we have the pleasure today of welcoming the new Secretary of the Interior. It is a particular pleasure to me to be able to present him for this meeting of the Council and to present him to the Council for the first time.

Having known Oscar Chapman since the days when I first worked for the Interior Department, which was along about 1933, he still looks to me both like an old friend and my old boss. I can only add that throughout my second term with the Interior Department, Oscar was always tremendously helpful to everything and in everything concerning which the Petroleum Administration of War was concerned with. There were many, many times, I can assure all of you, when in ways that weren't even explained to the Council at that time, Oscar Chapman provided a tremendous amount of assistance both to the Petroleum Administration for War, to the oil industry and not the least to me personally, when sometimes I would get in a jam with the Department.

I know he has a very busy schedule. I know that he participated from the beginning in the setting up of the National

Petroleum Council in the Oil and Gas Division of the Interior Department. I know from innumerable conversations with him about it, both then and since then, that there has always been something which he has always been particularly and personally interested, and we are indeed glad to have him here with us today. The Secretary of the Interior, Oscar Chapman.

(Standing applause)

ADDRESS BY THE HONORABLE OSCAR L. CHAPMAN,
SECRETARY OF THE INTERIOR.

SECRETARY CHAPMAN: I appreciate this opportunity of having my good friend Howard Marshall introduce me to a group of oil people, but when I tell you the story I just heard from Marshall, he will appreciate our old and long acquaintance we have had. He tells me that the shortest route from Boston to Washington is to go to Harvard and turn left (laughter). I wanted to assure him that I was on his right today, not left.

Now the reason I was not here earlier this morning is, as the Chairman told you, my plane did not get to take off from Wilkes-Barre -- at least it hadn't when I left. I left by car and we got in here just a while ago.

The reason I was in Wilkes-Barre -- this is kind of an irony to come here and tell you people what I was doing down in Wilkes-Barre. I was down there principally meeting with the anthracite coal people, trying to find out how to meet the competition from the oil industry (laughter).

Now this Department being a department that has to deal with many natural resources, particularly those four resources that deal in the energy field, it is an important and a serious problem for us as administrators in the Department, and I try to be as impartial as human beings can be in dealing with these matters, and when I talked last night to the Chamber of Commerce, it was mostly to the Anthracite Institute and its people, and after having a conference with them before the dinner, I laid away my script and started talking a little bit off the cuff. Now that is always dangerous for a man in public office to do.

I started to tell them that I was not going to be critical of the oil industry for taking their market away from them. I was not going to be critical of the gas industry for taking their market. The fact that they had lost a third of their market between 1947 and 1949 was due to one definite reason; They had not met the new scientific competitive basis upon which the fuels and the energies are furnished the people. Now I said there is no woman in this hall tonight that wants to take a bucket of ashes out tomorrow morning when she gets up. She wants to stay in the house and turn a switch to where it will be nice and comfortable and warm. Now, when they can meet that kind of competition, they can produce coal and sell it; if they can't, they wouldn't.

There is no use kidding around about it. They are in a

tough position. They are in a tight position and they know it. I do want to help them, and I believe that help for the coal industry is through the channels of scientific investigations and new scientific approaches to the problem, and, as I say, that is an irony, coming to the oil people today to talk to you over what I was doing last night, but you probably knew it anyhow.

This is the most informed crowd I have ever talked with in my life about everything in the world (laughter). Sometimes even before I sign a letter, I find out it is in the press before I sign the letter about what I am going to do. That is being on the job. Nevertheless, you are on the job. You know more about your oil business than I would ever presume to know to tell you. I would assume to myself only the fact that I think I know something about administration generally -- at least, I think I do, and I think the oil industry is in a position where it has got to begin to look very carefully at its own general situation. You are not in the position of the coal industry, and I hope you never will be. But, nevertheless, you have got to continue to look to the new scientific approaches in order to dispose of your products and to make your products salable on the market.

Now that is, in effect, exactly what I said to the coal people last night. They are a long ways behind. They do need help. We want to help them. But you people have other problems

that are going to be facing you.

I have written you letters in the last few days -- I think you have probably received them by this time -- in which I asked your advice and recommendations upon two important questions which I think the Department needs help on. I wouldn't presume, and I am sure that if Mr. Marshall stood here you wouldn't presume that he and I would know all the answers to the questions facing the oil industry. If we did, we would both be working for you; we wouldn't be down here.

Now there are a lot of questions to be answered and a lot of information that needs to be obtained and to be handled properly in relationship with the Government. We need to know first a better basis as to what can be done and what should be done to meet what some segments of the industry have given to us as a serious problem on these imports. We need to know that and we need to know a great deal about synthetic fuels. Those are the two things. I wrote you also in regard to gas products. I think you have decided you did not wish to go into that. That is all right. But if you will give me some attention and some help on the other two questions, I will be most grateful, and I feel that I can be made useful to you.

Your advice and your study of this question is only for the benefit in making administrative decisions that I may use it wisely and in relationship to your industry and in a wise way. That I want to do. I don't like to make decisions

affecting an industry totally blind upon a given subject. I like to know your reactions. Whether I always agree with you or not, I like to be sure that I have got all the facts before me, and I don't find we are very often in disagreement when we have the full facts before us in discussion and when we understand them. And I will assure you people today that I will do everything in my power to try to make your load as easy as possible and try to make our relationship dovetail itself in the sense of coordination as smoothly as possible.

You are in the business not for your health. You are in it because you make a profit. There isn't any reason why you shouldn't make a profit. It is no sin yet, there is no violation of any law to make a profit. That is why you are in the business. And I want to be in the position as a government agent to help you in every legitimate way to keep that objective in mind, but you have another objective, which is parallel to your right and to your obligation to your family to make money, a profit, and that is to the general welfare, and it is in that field that I want us to begin to do some thinking as an oil industry now and thinking of the general welfare and how we can work together these various energies that we are talking about.

Now some of you have seen the bills that have been introduced in Congress, one known as the Myers' Resolution, Senator Myers. I think Senator O'Mahoney has another one in.

They differ somewhat. I would probably prefer the O'Mahoney one, but I think you ought to study the Myers' one. It is a good resolution. It would be of some help to us, and I am not making up my mind about whether I would recommend one or the other. I think Senator Myers and Senator O'Mahoney can get together and work it out between themselves as to what they want to come up with and we will get a bill to make a study of the subject matters that we are interested in here today. I am telling you exactly what I said to the anthracite coal people about these two bills, and I will say it to you, too: You need it. It would not be to your disadvantage, I don't think, as an industry to have a proper study made, a purely objective study. I don't mean some wild, fly-by-night headline hunting. It is very easy to get a headline if you want it. It just depends upon how long you hope to stay in public life or hope to stay in business.

Now we are looking for advice and information and not headlines, and I think one of these investigations, one of the two of them, would serve the purpose of giving us a great help in interrelation of information upon these four major energies that are competing in the field. I have written you these letters asking for your help on these matters. I hope that you will see fit to devote some time by appointing a committee to do some special studies on them, Mr. Marshall. We need it. I think you will need it. I think it will be of some

help to you.

I know you don't all agree on every phase of this thing. As a matter of fact, I hate to see all of this group have to appear before a Senate committee tomorrow morning at one time and each one of you get up and testify about oil imports. I think those Senators would get up and leave before the day is over, because they wouldn't know what anybody was for, because I am sure you don't agree among yourselves as to exactly what we ought to ask for, exactly what you ought to do. Well, that is no reflection on your abilities. It is simply a sign of the complication of the problem that you are facing. You are facing a modern day problem never before faced in this country. Now, when I say never before, sure, you have had imports before, but you never had imports before faced with a similar situation that you have today in your domestic industry itself.

Now you do need a study of this and I hope you will bring your study up to date that you started on imports, and I would be more than pleased if you would give me the benefit of your advice about it and help me with it.

Now, some people would like to get the Secretary of the Interior to come out and make a long, broad statement on this, another statement on that. I have found out, as a matter of fact, the less statements the Secretary of the Interior makes, the better off the business is. First, let's find out what you people yourselves, who are running the business -- you have

got your own money in it, not mine -- let's find out what you are thinking; let's find out what we are coordinating together as a Federal agency to help each other, and I will assure you that I will try to represent your point of view wherever I deal in the Federal Government to the best of my ability, if I can get down your point of view in writing and know what you want and what you are thinking. I am not saying that I would necessarily agree with what you are thinking, but if I do, I would do my best to represent it honestly for you.

You people have a unique position in American life today. I don't need to tell you this or to give you a lecture. You know it yourselves. You have a very unique position. You are dealing with one of the four fundamental energy problems of America -- coal, oil, gas and power. Those four energies are competing energies for the markets of this country, and it is very important for you to know all that you can find out, get all the information you can, regarding all four of them, and this country is growing tremendously fast.

I realize what your production and your market consumption was last year. We have those figures. And I know that you have sold and consumed more oil at your peak since the war than you did at the peak during the war. But that is not an answer. That is only a symbol of the problem ahead of you. That is only characteristic of some of the things that face you after a great world war. This country is growing. It is

growing in its demand for more natural resources. Now let us learn how to use all of these natural resources to the best of our ability and coordinate them in their proper use and in their proper place.

You people have one of the most unique and most important positions in American life today. You know it and I think you realize the responsibilities that go with it, and I believe that if you will give me the studies that I have asked for in this, I think they will be of some benefit to you and I know it will be of benefit to me.

Now, when I ask you to excuse me to let me go to another room, I am sure that some of you will say just like I heard not so very long ago. A coal man was talking to me, not knowing that I was the same fellow that previously appeared. He said -- I was down there not long ago, and he said, "We don't get any help out of the Secretary of the Interior." He says, "Hell, I was down there to see the Secretary of the Interior not long ago. He met with our group for 15 minutes and he left and," he says, "I didn't see him anymore at all." Well, that was me. I came back in 15 minutes and he didn't know it was the same fellow, and I said, "Well, what would you expect the Secretary to tell you?" Well, he said, "We want to sit down and talk it over with him." I know you do and I would like to do it. But there are an awful lot of people in the oil business and there is only one secretary, but we do have

an awful lot of good assistants here in Hugh Stewart and his staff, and I hope to keep them in that position, and we have assistants here to help us. There is Swensrud. Now get your information and get your thoughts across to these people, and then I hope you will excuse me in a little different spirit from my coal friend who, when I told him last night I was the one he was talking to because I had appeared there, he was a little embarrassed, but took it very graciously and nicely. He said, "Well, I must realize you have other business besides the anthracite coal business to look into." I assured him I did and assured him the oil people felt so particularly this week, and with that, I will make my apologies to go to another meeting at the end of the hall, which I have to go to. Hugh, I will turn this back to you and Howard Marshall.

(Standing applause)

CHAIRMAN MARSHALL: Thank you.

(Standing applause)

CHAIRMAN MARSHALL: The next matter on our agenda is a report from Bruce Brown who, as we all know, is Chairman of the Military Petroleum Advisory Board.

REPORT ON THE MILITARY PETROLEUM ADVISORY BOARD

MR. BRUCE BROWN: Mr. Chairman and gentlemen, there are a number of new members to the National Petroleum Council here, and if the other members will bear with me, I would like to say what the Military Petroleum Advisory Board is, and having

done that, I will say that we, too, have a book of words, and a couple years ago, we circulated copies of our book of words to the Council members so they would know more about our efforts. We are getting out a new volume of book of words and we will circulate that pretty soon.

The Military Petroleum Advisory Board was set up shortly after this peacetime National Petroleum Council was set up because a good many of the questions that the Government had in mind in asking oil men were military confidential and could not very well be handled within the framework of the book of words that Mr. Jacobsen and Mr. Baker were talking about this morning, as you well appreciate, having listened to that conversation. So the Secretary of the Interior appointed a group that was first called the Military Petroleum Advisory Committee, later changed to board, consisting of about 20 oil men. About 10 of them happened to be members of the National Petroleum Council. The only reason I happened to be a member of the National Petroleum Council is that I represent that Military Board here. I am a trade association man, really, but it is a military trade association.

We are appointed by the Secretary of the Interior to give advice and counsel on petroleum matters affecting national defense and national security to him and to the Department of National Defense. On the national defense side, we have had several bosses. Although their titles have changed, they have

been about the same people right through. First we had the Army and Navy Petroleum Board. Then we had the Armed Services Petroleum Board. Now we have the Munitions Board Petroleum Committee. While that may seem like a vast change, actually all through this post-war period, we have been reporting to the same people, because that board -- whatever you want to call it -- has consisted right along ever since the Defense Act of '47 of two top Air Force men, two top Navy men and two top Army men. Those men are the head man on logistics and the head man on procurement, whatever generals or admirals happen to be filling those jobs at the moment. That Munitions Board Petroleum Committee, of which Admiral Biggs is the executive secretary -- he has as deputies the Air Force man and an Army man. From time to time, they probably change. We may expect to see an Air Force man or an Army man at the head of that group, in which case, why, a Navy man would be one of the deputies.

We have tried very hard to work only on topics that could not be handled by the National Petroleum Council. That doesn't mean we have tried very hard to duck work and take up only those things which were so confidential that they couldn't be handled in a public meeting. One example of our ducking was in the manpower survey. The National Security Resources Board wanted information on the manpower requirements of the petroleum industry in the event of war. We were first asked to

do that. We advised as follows, that the only way one could determine the manpower requirements in the event of war was to get the manpower requirements as they are now and then, studying those figures, decide what changes would be made or would be necessary in the event of war. So we said the first thing to do was to find out what the petroleum industry uses now, and that obviously isn't a military confidential matter. So we were able to chuck that over to the National Petroleum Council, and they gave it to my friend Mr. Vanderveer, who did a very masterful job of it.

Now, having those figures, the planners could make any conclusions they wish about the extent to which the manpower requirements would change in the event of war. That is not an illustration of our work but an illustration of the limitations of our work. We strive constantly only to work on things that that can't very well be aired.

We did not meet at the time of the last National Petroleum Council meeting, although we ordinarily had met the same week in Washington as the National Petroleum Council. We have sometimes met in New York, other places at other times. We take up tomorrow morning, and those members of the Board who are here, I will remind them that the meeting is at 10 o'clock in Room 6071 of the Interior Building -- tomorrow morning we will have a meeting of our 20-odd Board members, with some associate members that we have, some staff assistants

and also the chairman of the district committees that we have set up to make production forecasts and refining forecasts and requirements forecasts. Tomorrow afternoon, after having a general organization meeting of the problems that we have, we will split up functionally by panels and committees and try to bring up to date our estimates as to the available crude oil in the United States and the Western Hemisphere and the Eastern Hemisphere as of 1951, '52, '55 or what have you, making similar estimates of the refining capacity available and our requirements committees and panels are composed, for the most part, of the committees of the oil companies who make another forward estimate of the civilian requirements that would have to be met in the event of another war. We will then take from Admiral Biggs the latest estimates of the military requirements for another war and attempt to compose a balance to see where we come out on an over-all problem of supply. However, we don't spend all our time in washing elephants such as that because there is not enough to know what the supply is.

You have got an infinite variety of detail. You have got to find out where it is, where it might be and whether it is the right product, etc. We work on problems such as that. We work on transportation problems. We have specific problems that the services might meet. We work on specific problems relative to how we would get the aviation fuel, the jet fuel

that would be needed in the event of a war. Tomorrow afternoon, our committees will work on that. Friday morning at 9:30, the Board will meet here, and I urge the members to be here at 9:30, because the relatively new Chairman of the Munitions Board, Mr. Howard, will be here. Also, about half of the six members of the Munitions Board Petroleum Committee will be here. General Larkin will be here. General Farthing will be here. Admiral Lowe will be here and possibly some others of our bosses.

I would like to discuss also from the standpoint of our Board and of national security the problem that was discussed and disposed of this morning, and that is this natural gas availability study which the Council decided we would not go into. I want to make it perfectly clear that I concur in that decision. I voted for the Agenda Committee Report not to go into the question of the Council, but I would like to talk about it just a minute just for your general information about our work and about the needs of national defense planning.

As Mr. Majewski said yesterday and again today -- what they finally came up with is a program somewhat different from what he had originally recommended. Let's get back to the original recommendation. In forecasting the available supplies of fuel in the event of another war, our requirements experts have to consider population trends, changes in machinery, dispersements of the population in the suburbs, the increased use

of oil for home heating, increased use of oil for railroad transportation and a variety of other factors. When they estimate the amount of total oil that would be required to sustain the civilian population in the event we have a war at some future year, they have to take into account not only how much civilian home heating and industrial power is being provided now by natural gas, but they have to make a guess of some kind as to how much more of the total heating and power load will have been taken over by natural gas in the year in which this hypothetical war might break out, because if we were to estimate the petroleum requirements on the basis of the present relative demand for house heating as between gas and heating oil, for example, we might reach the erroneous conclusion that we were short of total hydro carbons or short of liquid petroleum to fight a war. But it would be very silly to assume that in 1952 or 1955 the natural gas fuel would not have absorbed some percent of the heating load that is now carried by either liquid oil or coal, because we can all read the papers and we all know, regardless of how any individual may feel about it, that natural gas is coming to the east and natural gas is taking over liquid fuel markets, and if we go to war later, we will not have to supply relatively as high a degree of liquid fuel or a high percentage of liquid fuel as if we went to war right now. So, while I concur in the conclusion the Council reached about the particular study under the terms

in which it was put up, we still have to try to figure out how much natural gas is going to be used to heat homes and operate power plants in the east in 1954, if we intend to have any informed opinion about whether we have got enough oil to fight a war. Thank you, gentlemen. (Applause)

CHAIRMAN MARSHALL: We have one remaining piece of formal business and that is the report from the Director of the Oil and Gas Division, Hugh Stewart.

REPORT FROM DIRECTOR, OIL AND GAS DIVISION

MR. STEWART: Gentlemen, I have sat through this session today with a great deal of interest and some gratification. I am gratified to see such a large percentage of the membership present. I am very glad to see that we have three of the new members recently appointed present. I am not so happy to realize that you haven't produced a formula for control of imports, but since you haven't, why, maybe we will in the course of time. That is supposed to be facetious. (Laughter)

I notice in connection with the LBG report that 54 out of 161 producing companies had not yet reported, and in that group who have not reported were some 12 to 14 of the large producers. Bruce Brown has very fully set out to you some of the factors that have been bothering us and which are the real basis for these requests that we have made. Bruce emphasized repeatedly this necessity for making forecasts of demand which the Council isn't in any too good a position to make, and yet

one of our prime functions is to maintain a line of information upon which the nation can base an adequate program in the event of a serious emergency.

The same comment applies to the Secretary's request for the natural gas-oil impact study. I am entirely sympathetic with the action of the Agenda Committee in rejecting the request as set up to the Council, and yet I still believe that there is one phase of it that the Council can well afford to take up and take it up along the line of what Bruce Brown has mentioned. Now I am not asking that that be touched on today. I am going to try to figure out some way in which we can rephrase our request and do it so that the Council perhaps will be able to give us the help and information we need.

I was very glad this morning to be able to present Bob Eakens to you. He has been one of the wheel horses in the State Department working on this British problem, the sterling-dollar oil. He had been in the discussions from the beginning and he is one of the men that we have worked with almost day by day in trying to work out a position for the United States to take. I think he gave you as good an explanation of the problem in the present situation as could be shown in a short paper. I can advise that the discussions on the sterling-dollar problem are under way in London, and it may still be wishful thinking, but I have great hopes that perhaps even this week we can get some reaction of the British to the

American position. . That paper was well prepared. It was entirely considerate of the British situation and, we thought, realistic in its consideration of the problem of the United States companies dealing in the international market.

I mentioned three months ago that it seemed to me that the solution of the international marketing problem would have a material bearing upon the imports problem. The more I have learned about the situation, the more convinced I am that my impression then was correct and that if we can get some clarity of this marketing situation, if we can get the British off of the American companies so that they will be able to see their way clear or see some opportunity to move more of this oil in the foreign markets, there will be less need, less pressure for them to import into this country. Consequently, I have a feeling that when you combine the growing demand here at home, when you consider all of the factors that bear on our domestic industry, and consider along with that the change in the international situation, that a lot of the troubles that have been the most worrisome may clear more or less of their own accord, and do it without having to have too drastic action taken in any direction. At least I am hopeful of that. Beyond that, Howard, I think there is very little I can say or add to this discussion. However, if there are any questions that anybody wishes to ask that I can possibly answer, I will be very glad to do so.

CHAIRMAN MARSHALL: The Secretary got away before we had a chance to ask him any questions, but Hugh is here, and I gather that you will take a sling at anything any member of the Council wants to ask.

Is everything so clear?

I want to thank both Hugh and Bruce on behalf of the Council for their reports.

That clears the formal items on the agenda. There is the usual item at the bottom of the page entitled New Business. Has anyone any new business they wish to bring before the Council?

MR. PYLES: Mr. Chairman, I would like to bring to the attention of the Council a matter that has been in print recently with respect to Canadian oil. In speaking on this subject, I fully realize that there are many members in this Council that are interested in Canadian oil. I speak as President of the San Joaquin Valley Oil Producers Association in the San Joaquin Valley.

The statement has been made that Canadian oil should receive special consideration because of a good neighbor policy to the north, solely on the basis of national defense. Now we take this position: Insofar as our association is concerned, I don't know that there is anyone in America that will go any further than we will go from the standpoint of national defense. However, we do question that national defense is a

smokescreen for the purpose of bringing in a flood of Canadian oil and is something that we cannot wholeheartedly endorse.

Now I have no solution to this problem, but I could make a suggestion, that if we are talking about national defense in the North American Continent, that it may be through the medium of this Council that a conference could be called, and solely and strictly on the basis of national defense that the problem of Canadian oil be solved. I do want to bring that matter before this Council because we feel very much concerned on account of the statements that have been made in the last week or so with respect to Canadian oil. Thank you.

CHAIRMAN MARSHALL: Have any of the members of the Council any comment on this subject?

Is there any other business to come before the Council?

MR. JACOBSEN: I move we adjourn.

CHAIRMAN MARSHALL: There is a motion for adjournment.

All those in favor signify by saying "aye".

(Chorus of "ayes")

The meeting is adjourned.

(Whereupon, at 3:15 o'clock p.m., the meeting was adjourned.)