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Before The

NATIONAL PETROLEUM COUNCIL

DOCKET No. _____

Conference

In the matter of _____

Washington, D.C.

Place _____

5 December 1950

Date _____

1 Page 131

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Statement or Speech at meeting of (Date) _____

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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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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C O N F I D E N T I A L

NATIONAL PETROLEUM COUNCIL

Room 5160

South Interior Building

Washington, D. C.

5 December 1950

The Council was called to order at 10:00 a.m., by
Mr. Walter S. Hallanan, Chairman (presiding).

- - - - -

P R O C E E D I N G S

CHAIRMAN HALLANAN: Gentlemen, the Council will please come to order.

May I call attention to the fact, before the Secretary begins the calling of the roll, that there are 94 members of this Council; and while we are happy to have distinguished visitors, we must insist that the members of the Council shall have some priority with respect to seats in the meeting hall.

Will the Secretary call the roll?

MR. BROWN: It is the suggestion of the Chairman that as I call the roll, if there is some individual present as a proxy or on behalf of some member of the Council who is not present, will he please stand and give his name for the record.

Mr. Adams?

MR. JOPLIN: I am R. C. Joplin of the Phillips Petroleum Company, representing Mr. Adams.

MR. BROWN: Mr. Anderson?

(No response.)

Mr. Ashton?

(No response.)

Mr. Baker?

MR. BAKER: Here.

MR. BROWN: Mr. Max Ball?

MR. BALL: Here.

MR. BROWN: Mr. Munger T. Ball?

(No response.)

Mr. T. H. Barton?

(No response.)

Mr. Jacob Blaustein?

(No response.)

Mr. Blazer?

(No response.)

Mr. Blodget?

(No response.)

Mr. Boyd?

(No response.)

Mr. Brazell?

(No response.)

Mr. Bridwell?

MR. BRIDWELL: Here.

MR. BROWN: Mr. Bruce Brown?

MR. BRUCE BROWN: I guess I had better offer my resignation, Mr. Chairman.

MR. BROWN: Mr. Russell Brown?

MR. RUSSELL BROWN: Present.

MR. BROWN: Mr. Burns?

MR. BURNS: Here.

MR. BROWN: Mr. Cowden?

MR. GRANT: I am Mr. F. R. Grant, representing Mr.

Cowden.

MR. BROWN: Mr. Crocker?

MR. CROCKER: Here.

MR. BROWN: Cummins?

MR. CUMMINS: Here.

MR. BROWN: Mr. Davenport?

MR. WELLS: Joseph B. Wells, representing Mr. Davenport.

MR. BROWN: Thank you, Mr. Wells. Mr. Davies?

(No response.)

Mr. DeGolyer?

MR. DeGOLYER: Here.

MR. BROWN: Mr. Donnell?

MR. DONNELL: Here.

MR. BROWN: Mr. Dow?

(No response.)

Mr. Downing?

MR. DOWNING: Here.

MR. BROWN: Mr. Drake?

MR. DRAKE: Here.

MR. BROWN: Mr. Dressler?

(No response.)

Mr. Duke?

MR. PARKER: Morris Parker from Indiana.

MR. BROWN: Mr. Dunnigan?

MR. DUNNIGAN: Here.

MR. BROWN: Mr. Falck?

MR. FAICK: Here.

MR. BROWN: Mr. Follis?

MR. FOLLIS: Here.

MR. BROWN: Mr. Foree?

MR. FOREE: Here.

MR. BROWN: Mr. B. C. Graves?

MR. B. C. GRAVES: Here.

MR. BROWN: Mr. B. I. Graves?

MR. B. I. GRAVES: Here.

MR. BROWN: Mr. Hallanan?

CHAIRMAN HALLANAN: Here.

MR. BROWN: Mr. Hamon?

(No response.)

Mr. Hardey?

MR. HARDEY: Here.

MR. BROWN: Mr. Hargrove?

(No response.)

Mr. Harper?

MR. HARPER: Here.

CHAIRMAN HALLANAN: Mr. Harper; Gentlemen, I desire to present to the Council Mr. John Harper, a new member, Chairman of the National Oil Jobbers' Council, President of the Harper Oil Company, Inc., Long Island City, New York. We welcome you to the Council, Mr. Harper.

(Applause)

MR. BROWN: Mr. Hartman?

(No response.)

Mr. Hilts?

MR. HILTS: Here.

MR. BROWN: Mr. Holman?

MR. HOLMAN: Here.

MR. BROWN: Mr. Hulcy?

MR. HULCY: Here.

MR. BROWN: Mr. Jacobsen?

MR. JACOBSEN: Here.

MR. BROWN: Mr. Jennings?

MR. KELLY: Tom Kelly.

MR. BROWN: Mr. Johnson?

MR. JOHNSON: Here.

MR. BROWN: Mr. Charles Jones?

MR. CHARLES JONES: Here.

MR. BROWN: Mr. J. P. Jones?

MR. J. P. JONES: Here.

MR. BROWN: Mr. W. Alton Jones?

MR. W. ALTON JONES: Here.

MR. BROWN: Mr. Keck?

MR. KECK: Here.

MR. BROWN: Mr. Lerch?

MR. LERCH: Here.

MR. BROWN: Mr. Leyendecker?

MR. HOBSDAY: J. C. Hobsday.

MR. BROWN: Mr. Lovejoy?

MR. LOVEJOY: Here.

MR. BROWN: Mr. Maguire?

(No response.)

Mr. Majewski?

MR. MAJEWSKI: Present.

MR. BROWN: Mr. Markham?

MR. MARKHAM: Here.

MR. BROWN: Mr. Marshall?

MR. MARSHALL: Here.

MR. BROWN: Mr. Mattei?

(No response.)

Mr. McCollum?

MR. CASPER: J. J. Casper.

MR. BROWN: Mr. McGowen?

MR. MCGOWEN: Here.

MR. BROWN: Mr. Meece?

MR. MEECE: Here.

MR. BROWN: Mr. Mosher?

(No response.)

Mr. Nielson?

MR. NIELSON: Here.

MR. BROWN: Mr. Ninness?

MR. WINESS: Here.

MR. BROWN: Mr. Nolan?

MR. NOLAN: Here.

CHAIRMAN HALLANAN: Mr. Nolan, will you please stand?

You have been away from us for some time. I know you have been ill, and I want to take this opportunity to welcome you back here and say we are glad to have you back with us today.
Mr. Joe Nolan.

MR. NOLAN: Thank you.

MR. BROWN: Mr. Parten?

MR. PARTEN: Here.

MR. BROWN: Mr. Peck?

MR. PECK: Here.

MR. BROWN: Mr. Pogue?

MR. POGUE: Here.

MR. BROWN: Mr. Porter?

MR. PORTER: Here.

MR. BROWN: Mr. Pyles?

(No response.)

Mr. Reitz?

(No response.)

Mr. Richardson?

MR. RICHARDSON: Here.

MR. BROWN: Mr. Ritchie?

(No response.)

Mr. Robineau?

MR. ROBINEAU: Here.

MR. BROWN: Mr. Rodgers?

MR. FOLEY: Jim Foley and Mr. Pipkin.

MR. BROWN: Mr. Rodman?

(No response.)

Mr. Rowan?

(No response.)

Mr. Shannon?

(No response.)

Mr. Skelly?

(No response.)

Mr. Cecil W. Smith?

(No response.)

Mr. Spencer?

MR. SPENCER: Here.

MR. BROWN: Mr. Streeter?

(No response.)

Mr. Sutter?

MR. SUTTER: Here.

MR. BROWN: Mr. Taylor?

MR. TAYLOR: Here.

MR. BROWN: Mr. Thompson?

MR. THOMPSON: Here.

MR. BROWN: Mr. Vandever?

MR. VANDEVEER: Here.

MR. BROWN: Mr. Vockel?

MR. VOCKEL: Here.

MR. BROWN: Mr. J. Ed Warren?

MR. J. ED WARREN: Here.

MR. BROWN: Mr. W. K. Warren?

MR. W. K. WARREN: Here.

MR. BROWN: Mr. Wescoat?

MR. WESCOAT: Here.

MR. BROWN: Mr. Williams?

(No response.)

Mr. Wilson?

MR. WILSON: Here.

MR. BROWN: Mr. Zehrung?

(No response.)

Mr. Zoller?

MR. ZOLLER: Here.

MR. BROWN: I saw Mr. Hamon come in.

CHAIRMAN HALLANAN: Gentlemen, we are glad to welcome back here one of our old members, a great fellow, one of the great independent oil men of the country, Jake Hamon. We are glad to have you back here with us, Jake.

(Applause)

MR. JACOBSEN: Mr. Chairman, I would like to move that a petition be presented to the Department of the Interior for

the approval of the Director of the Budget to get us a couple of more coat racks outside so that I don't have to throw my only overcoat on the floor.

CHAIRMAN HALLANAN: Gentlemen, since the last meeting of the Council I have the very profoundly sad duty to inform you of the passing of one of our distinguished and beloved members, and I know every member of this Council shares my own feeling of a sense of deep personal loss in the passing of Mr. W. T. Holliday.

I move that we rise at this time for a moment of silence to our departed member.

(The members of the Council rose and observed a moment's silence.)

CHAIRMAN HALLANAN: The Chair recognizes Mr. Vandever to present a memorial to the passing of Mr. Holliday.

MR. VANDEVEER: Mr. Chairman, the National Petroleum Council records with genuine sadness the death on November 7, 1950, of Wallace Trevor Holliday, a member of the Council and its Committee on Military and Government Petroleum Requirements.

The Council recognizes that it has lost one of its original and most courageous members. Trevor Holliday contributed generously to the oil industry of his energy, time and intellect. In doing so he was of great benefit to the industry and to the nation in both peace and war.

Entering the oil business initially as a brilliant young attorney, he quickly gained the reputation of discerning the heart of the problem he faced. It was his incisive insight cutting away the non-essentials that led him to so much of his constructive activity in his chosen field of legal and business endeavors in the life of the nation, in the name of peaceful humanity everywhere.

Trevor Holliday experienced a friendliness and warmth that could come only from a deeply religious soul. He became an outstanding leader in the oil industry as president and, at the time of his death, Chairman of the Standard Oil Company of Ohio. He was a member of the board of the Petroleum Code Authority during 1933 to 1935; member of the Petroleum Industry War Council during 1941 to 1945. He was also an active sponsor of other petroleum trade associations.

The number of projects which he led are legend. It would be redundant to say that Trevor Holliday will be remembered for years to come by the thousands who followed his persistent effort to lead the way to a durable world peace. The threat of a third world war in his lifetime was his greatest disappointment.

Therefore, be it resolved that on December 5, 1950, the National Petroleum Council, meeting at Washington, expresses its real appreciation for his work, acknowledges

its loss upon his death, and extends its sympathy to his family and associates.

Be it further resolved that this resolution be spread upon the minutes of the Council and a suitable copy thereof presented to his family.

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

CHAIRMAN HALLANAN: You have heard the resolution, gentlemen, and a motion for its adoption. Is there a second?

A VOICE: I second it.

CHAIRMAN HALLANAN: All in favor indicate your approval by saying "aye."

(General response: Aye.)

Contrary, no.

(There were none.)

The resolution is unanimously adopted.

I now recognize Mr. Joseph Wells to present a memorial to the late Joseph White, who was a member of this Council and who passed away just prior to our last meeting in September. Mr. Wells.

MR. WELLS: There are many among you, I am sure, who will remember Joe White. Many of you may not be familiar with this individual or this personality who figured so largely and so prominently in the pioneering of the distribution of fuel oil to New England.

He was among the very early pioneers in the establish-

ment of a sound modus operandi for operating our bulk terminals in that area, and also was very aggressive in the development of the automatic oil heat industry for which now New England is so justly famous and proud.

Joe White during the last war developed a viewpoint, I believe, among those who knew him of being a man who placed other interests before his own. His work during the last war was outstanding, particularly as it regarded his cooperation with the Government officials and with the industry council responsible for the free flow of product and the even distribution of such domestic supplies as were available.

During the past few years Mr. White was inactive in the petroleum business, partly due to health and partly due to the preponderance of other interests which he had to take care of.

His passing has left a very distinct hole, particularly in the sentimental side, of the history and the traditions of petroleum products in New England.

The Committee -- and I represent Mr. Davenport as an alternate; Mr. Davenport, who is President of the Independent Oilmen's Association of New England, I being the Executive Secretary -- has adopted a resolution. I shall read this.

"In memoriam to Joseph F. White, Sr. With deepest sympathy for his family and with sincerest expression of the

loss which it feels at the passing of Joseph F. White, Sr., of Boston, Massachusetts, the National Petroleum Council desires to record through this memorial resolution its recognition and appreciation of the constructive contributions and devoted service which Mr. White rendered to the petroleum industry during the many years in which he was actively engaged in the marketing of petroleum products in New England."

Gentlemen, I move for the adoption of this memorial and ask for a second.

A VOICE: I second it.

CHAIRMAN HALLANAN: It is so moved and seconded that the resolution of the memorial be adopted. All in favor indicate by saying "aye."

(General response: Aye.)

Contrary, no.

(There were none.)

It is so ordered.

Gentlemen, you received the minutes of September 28, 1950. What is your pleasure?

A VOICE: I move their adoption.

A VOICE: I second it.

CHAIRMAN HALLANAN: It has been moved and seconded that the minutes of the previous meeting of September 28 be approved. All in favor indicate by saying "aye."

(General response: Aye.)

Contrary, no.

(There were none.)

So ordered.

The report of the Secretary-Treasurer.

MR. BROWN: During the period beginning January 1, and ending November 30, the total receipts of the Council were \$82,548. The total disbursements, \$72,934, included in which was the transfer of \$13,000 to a reserve fund.

This left net receipts over disbursements in our general fund of \$9,613. With a balance at the beginning of the year, it leaves us in the general fund, \$10,993. Our reserve fund stands at \$50,000.

CHAIRMAN HALLANAN: You have heard the report of the Secretary-Treasurer. If there are no comments or objections, the report will be received and filed.

Gentlemen, we have many distinguished visitors with us this morning. I want to take the opportunity at this time, because of the fact that he may be compelled to leave, to introduce to the Council a man who is known as the spark plug of the National Production Authority, Mr. Manley Fleischmann, General Counsel of the NPA, who is sitting in with us this morning.

Come up, Mr. Fleischmann. We will be glad to have you say anything to us, Mr. Fleischmann, that you care to at this

moment.

MR. FLEISCHMANN: I am very happy to be here. I have a chair back here, and I don't have any up there, so I will stay back here and listen, and if I can be of any use later in the discussion I will be glad to help.

CHAIRMAN HALLANAN: Thank you very much.

(Applause)

CHAIRMAN HALLANAN: I also desire to introduce at this time Mr. James R. Lewis, Chairman of the Federal Petroleum Board. Mr. Lewis, we are glad to have you here.

(Applause)

CHAIRMAN HALLANAN: Gentlemen, you will recall that at our meeting in September, following the remarks of the Secretary of the Interior, this industry was asked to furnish adequate and competent men to staff the new Petroleum Administration for Defense.

It seemed appropriate at that time to appoint a committee of the Council known as the Committee on Government Personnel for the National Petroleum Defense Act; and at the adjournment of the Council that Committee went into action. It has been on the job, and I want to ask Mr. Pete Jones at this time to make a report on behalf of the Special Committee on Government Personnel.

MR. J. P. JONES: Mr. Chairman, it is a pleasure to report that the Committee on Personnel has had a relatively

easy time. That is, through a conspiracy between Mr. Majewski and Mr. Stuart and Howard Marshall and J. R. Parten, the Committee was able to help secure the services of a Deputy Administrator.

After some seven or eight weeks, and hard work on the part of J. R. Parten, we got the matter cleared with the White House, so we defined his status; and Mr. Bruce Brown was duly indoctrinated and brought into the official family.

He has been here before and knows his way around; and because of his familiarity with the abilities of the men in industry, he has been able to pick, with a little help here and there, a staff. As far as I know his immediate requirements have been met. The industry has been most cooperative up to date.

A man has been lined up for the Materials and Supplies job. The Manufactured Gas job was already filled at the time Bruce took over. We have been able to get some help from the California Company and one of their associate executives, and a materials man from Humble.

So the report at this time, Mr. Chairman, is that to the best of my knowledge all immediate needs for Government personnel have been filled. And what I am more pleased to report is that the response of industry has been splendid.

It should be, of course, for I have no knowledge of any other industry that has had the same opportunity to handle

its own affairs as has the oil business, and I hope we will continue to have the same kind of response from this industry that we have had, and we should get that. Otherwise, I understand these positions can easily be filled by Civil Service men who are, of course, quite familiar with the complex problems of this business, and perhaps can do it better than most of us. But still I would like to see the industry try, and I hope that we will continue to have your support.

I think with Bruce Brown's direction, we will have a maximum of effort in securing men. First we will not try to make requests that are unreasonable; but once they are made, I am sure the "Arm-Twisting Committee" will do its worst.

CHAIRMAN HALLANAN: Thank you very much, Mr. Jones. Are there any questions, gentlemen, in connection with Mr. Jones' informal report?

MR. JACOBSEN: I would suggest, if it is not out of order, that this Council express its pleasure and appreciation of our having been fortunate enough to get Bruce Brown for this job. I think it is one of the best things that could have happened to us.

CHAIRMAN HALLANAN: Mr. Jacobsen, if you will defer that until later in the proceedings.

MR. JACOBSEN: As long as we get it; that is all.

CHAIRMAN HALLANAN: Gentlemen, following the enactment of the National Defense Production Act, a good many persons raised the question as to what effect, if any, that enactment might have on the status of the National Petroleum Council.

This Council, of course, was created as a peacetime organization, and was appointed under the authority of the Executive Order issued by the President. The Council was named in pursuance thereof by Secretary Krug.

It seemed to me that this question was of such serious importance to our status at this time that we should have the benefit of some extensive legal research to determine just where we stood and what our status as a council actually was as of the moment following the passage of the National Defense Production Act.

In pursuance of a resolution adopted at the meeting in July authorizing the Chairman to appoint a special committee, I named a Committee on National Petroleum Organization Structure under the National Defense Production Act. That Committee consists of Mr. Hines H. Baker as Chairman; Russell B. Brown of the Independent Petroleum Association; Mr. J. J. Cosgrove of the Continental Oil Company; Mr. C. L. Harding of the Socony-Vacuum Oil Company; George Koegler of the Standard Oil Company of New Jersey; J. Howard Marshall of the Ashland Oil and Refining Company; and Major J. R. Parten of the Woodley Petroleum Company.

I think the personnel of the Committee speaks for itself, and I am glad to present at this time -- and I think, Mr. Secretary, that you would be very much interested in this report -- Mr. Hines Baker, Chairman of the Special Committee.

MR. BAKER: Mr. Chairman.

CHAIRMAN HALLANAN: Mr. Baker.

MR. BAKER: Your Committee on National Petroleum Council Organization Structure Under the Defense Production Act met in the office of the National Petroleum Council December 4, 1950, for consideration of the problem presented in the attached letter, dated November 22, 1950, addressed to members of the Committee and signed by Walter S. Hallanan, Chairman of the National Petroleum Council.

Mr. Hallanan has already stated the substance of that letter.

All members of the Committee were present except C. L. Harding, who was represented by John Scott as alternate.

The Committee reviewed the provisions of Public Law 774, 81st Congress, known as the "Defense Production Act of 1950," and the various Government orders relating to the petroleum industry and issued pursuant to the Act, for the purpose of determining the relationship of the Act and such orders to the problem presented to the Committee.

The Committee also reviewed the authority and the organization of the National Petroleum Council with particular

reference to the Articles of Organization of the Council and the composition of the Council.

In the opinion of the Committee, the Council as now constituted can perform the functions now being carried on and in addition thereto could perform the industry advisory committee duties contemplated by Section 701 of the Defense Production Act. With possible exception of representatives of manufactured gas, the Council consists of a fair representation for independent, small, medium, and for large business enterprises, for different geographical areas, for trade association members and non-members, and for different segments of the oil and gas industry.

That is lifted from Section 701 of the National Defense Act upon the composition of industry advisory committees under that Act.

Comparison of the functions of the Council under its Articles of Organization, and as these functions have developed in practice, with the functions of an industry advisory committee of the type contemplated by Section 701 of the Defense Production Act of 1950 shows that the Council's actions go beyond those of adviser as to rules, regulations, or orders, or amendments thereto issued under the authority of the Defense Production Act.

Should the Secretary of the Interior desire to formalize his announced intention by also designating the

National Petroleum Council as an industry advisory committee pursuant to Section 701 of the Defense Production Act of 1950, there would appear to be no objection to the Council accepting such designation and performing such functions in addition to those which it performs at present.

The Council's activities are limited by its Articles of Organization to advising the Secretary of Interior and the Director of the Oil and Gas Division. It is clear that if the Council were designated as an industry advisory committee under Section 701 of the Defense Production Act of 1950, the Articles of Organization of the Council would need to be amended by adding at the end of numbered Paragraph 1 of the present Articles of Organization, a new paragraph reading in substance as follows:

"During the existence of the Petroleum Administration for Defense the National Petroleum Council shall have as an additional purpose to advise or inform the Administrator or Deputy Administrator of the Petroleum Administration for Defense with respect to any matters relating to petroleum or the petroleum industry submitted to it by or approved by the Petroleum Administrator for Defense or Deputy Petroleum Administrator" -- that tracks the language of numbered Paragraph 1 of the Articles of Organization up to that point-- "including but not limited to the

purposes provided in Section 701 of the Defense Production Act of 1950."

CHAIRMAN HALLANAN: Mr. Baker, do you desire to comment informally on the report?

MR. BAKER: It will be understood that Section 701 of the National Defense Act provides for the appointment under the Act of industry advisory committees for the purpose of consultation in the formulation of rules, regulations, or orders, or amendments thereto, issued under the authority of this Act.

And then provides, "And in their formation shall be fair representation for independent, small, medium, and for large business enterprises, for different geographical areas, for trade association members and non-members, and for different segments of the oil and gas industry."

Now ^{it} was the feeling that the Council as constituted for peacetime work to carry out the purpose under numbered Paragraph 1 should be continued; and that if the Secretary wished to designate this Council to perform the functions of an industry advisory committee under ~~this~~ Section 701, ^{of the Defense Act} those functions could simply be added to the functions of the Council as it is now set up; and that it can ~~for~~ forward performing both functions as it is now constituted with the membership ^{representation} it has, unless there need to be added some representatives of the Manufactured Gas Industry, in view

of the fact that the Manufactured Gas Industry has been included in the area of the Petroleum Administration for Defense; and that if the Council is to serve in that relationship, it probably should be expanded to have representatives from that industry. Otherwise, ~~it~~ as presently constituted, ~~it~~ is in position to represent all the interests that are involved in the letter from the Secretary.

CHAIRMAN HALLANAN: Thank you, Mr. Baker. Mr. Jacobsen?

MR. JACOBSEN: I would like to ask Mr. Baker a question. This Council as designated under the National Production Act, does that mean that when that National Production Act comes to an end our Council will cease to exist also?

MR. BAKER: No. This report here contemplates, Mr. Jacobsen, that the portion relating to its designation as the industry advisory committee under this Act would pass out with the winding up of the Petroleum Administration for Defense; and that the civilian or peacetime functions of the National Petroleum Council would be undisturbed by the passing of the Administration. The Council would simply pick up where it is today and go forward with the performance of its usual functions and under the organization set-up as now prescribed.

MR. JACOBSEN: Would it be advisable to make that clear? Would it be advisable somewhere in the record to make that clear?

MR. MAJEWSKI: It is contained in the last paragraph of the report.

MR. BAKER: It is contained in the last paragraph of the report. It is in the proposed amendment to the Articles of Organization, and this amendment to the Articles of Organization under its expressed terms would expire upon the expiration of the Petroleum Administration for Defense, so that the Articles of Organization then would revert upon the happening of that event to its present status.

MR. MAJEWSKI: Mr. Chairman?

CHAIRMAN HALLANAN: Mr. Majewski, just a minute. The question that presents itself, gentlemen of the Council, on this report and its adoption is whether or not you desire to recommend to the membership of the next Council the adoption of the amendment proposed in Mr. Baker's report as he has read, which is an amendment to the Articles of Organization originally adopted by the National Petroleum Council.

Or, in other words, the adoption of this report would automatically set in motion the submission of this proposed amendment for ratification by the Council.

MR. MAJEWSKI: Mr. Chairman, I want to cover that. You are kind of steamrollering, and I would like to suggest orderly procedure here because we don't want to give the impression that this is a steamroller.

I think that this is a very sound procedure that you suggest, but since the Secretary is here and we are debating the question before him, if he should indicate his desire to formalize the announced intention to designate the National Petroleum Council as an industry advisory committee, I would then make a motion to amend the present Articles of Organization with a suggestion contained on Page 3; and then you would have everything in order.

But I think you are a little precipitant until he indicates he is going to formalize.

MR. BAKER: May I make this point, Mr. Majewski: This Committee didn't contemplate the adoption of this ^{report} today, because under the Articles of Organization, amendments of the Articles can take place only after thirty days' notice. And it is not suggested by the Committee today that the Articles of Organization be amended.

In fact, that would be premature, until the Secretary suggested formally to the Council that it was his desire that the Council assume these new responsibilities.

All this Committee is saying here, in the event the Secretary should take that course, then it feels that the Council is in position to assume these new responsibilities; and that if it feels that way, it would then amend its Articles of Organization in the manner here suggested for the accomplishment of that purpose.

CHAIRMAN HALLANAN: Mr. Majewski, I think the Secretary indicated that pretty clearly at the last meeting of the Council, that that was what he desired to do. I think this report is predicated upon the statement made by the Secretary at the September meeting, so we are not ahead of the guns in any respect.

We are at least trying to formalize the attitude of the Council as to whether or not it desires to accept these additional responsibilities in connection with the new agency.

MR. ^{W. a} J. P. JONES: I move the adoption of the report.

MR. MAJEWSKI: I second Mr. Jones' motion that we accept the report and be guided by it when the necessary time comes to amend our Articles of Incorporation.

CHAIRMAN HALLANAN: You have heard the motion and the second. Is there any further discussion? Mr. Lovejoy?

MR. LOVEJOY: I would like to ask a question. The functions of the Agenda Committee, if this amendment is adopted, would that limit the operation of the Agenda Committee to merely the sifting of requests of members as the matter is being considered?

As I read this, any matter that the Secretary might request be considered by this Council would, according to this resolution, not be screened by the Agenda Committee at all, but would come direct to the floor of the Council.

MR. BAKER: No, Mr. Lovejoy. If the amendment here

proposed is adopted, it would not affect the organization structure of the Council in any other respect; and the Agenda Committee would continue to function as now provided. However, I may say that in discussions of the Committee it was fairly well recognized that if this procedure were adopted and this amendment were placed in effect, the Agenda Committee, under its dual capacity of determining legal matters and policy matters for suggestion to the Council, would be perhaps somewhat more liberal in its construction of what could properly come before it, given the legal protections that the Act might extend to the Council.

Now it is also recognized that if we got into an all-out war it might be necessary later to make some further structural changes in the Articles of Organization. But it was the judgment of the Committee that at this time there need be nothing further done than what is here recommended.

MR. PECK: Mr. Chairman?

CHAIRMAN HALLANAN: Mr. Peck.

MR. PECK: I take it that the report should contemplate broadening of the Council to include a better representation of retailers in the event that this report is adopted and put into effect, particularly on these committees that affect the retailers.

I believe that a great many of the regulations will indirectly affect the retailers. I don't believe the National

Council of Petroleum Retailers is represented anywhere in proportion to the great numbers of other people. I hope that the Committee takes that under consideration.

MR. BAKER: Mr. Peck, I believe that examination of the membership might reveal that the Council is already pretty well representative on that. I might say, however, that the question of the composition of the Council and the persons named to it is really in the hands of the Secretary; and that if he felt it desirable or necessary to modify the present composition of the Council, that would be a matter in his discretion. In other words, we are all appointees of the Secretary.

MR. MAJEWSKI: To clear the record, I think that all of us do represent no individual group or company. We represent the industry as a whole, as advisers to the Secretary of the Interior, who is handling the oil matters in connection with the Defense Production Act.

When we get to having additional representation, it seems to me that it becomes a functional matter. And when you get into an all-out war, you will do probably like you did before, and dealers had adequate representation in the functional groups.

But the day they start enlarging the Council, I would be glad to yield my place to another dealer, because I think maybe some of us have served too long. But it seems to me

to raise the question today as to representation of specific groups is a little beside the point, because we are representing no company or no group. We are sitting here as a group of advisers.

MR. WESCOAT: Mr. Chairman, may I ask one question? Mr. Baker, I was told that the Committee feels this proceeding in this way follows the provisions of the National Production Act from any standpoint.

MR. WILSON: What about the reported requirement for a Government chairman?

MR. BAKER: There is nothing in the National Production Act in regard to that, Dr. Wilson. We have felt that the chairmanship of the Council as it is now constituted has been approved by the Attorney General; and while we are conscious of the recent opinion by the Deputy Attorney General with regard to the composition of these committees, the industry committees, we do not feel that there is any provision of the Antitrust Laws or of the National Production Act that would require such a situation.

We assume that that matter may be discussed between the Secretary and the Department of Justice, and we are hopeful and confident that that might be fully cleared up and that the Council as now constituted, which has done nothing but make fact findings and studies and make reports on them, would have no occasion for chairmanship other than that which

is now provided.

We have recommended this on the assumption that the organization structure of the Council would remain as it is today.

CHAIRMAN HALLANAN: The question, gentlemen, is upon the adoption of the report of the Committee. All in favor indicate by saying "aye."

(General response: Aye.)

Contrary, no.

MR. PECK: No.

CHAIRMAN HALLANAN: Do you desire to be recorded?

MR. PECK: I desire to be recorded no, and I wish my protests entered on the record. Thank you.

CHAIRMAN HALLANAN: It is so ordered. I do want to comment on what Mr. Majewski just said a few moments ago, that under the Articles of Organization of this Council we sit here as representatives of the industry. We are not sitting here as representatives of any particular company or group. We are appointed as representatives of the petroleum industry.

Gentlemen, it was just about nine years ago that many of the men who are in this room this morning sat here following the attack on Pearl Harbor, and we were meeting as a petroleum industry group. We sit here this morning in an ominous hour. We know not what the next few hours or the

new few days may bring, but we are made conscious of the fact that a tremendous responsibility, even in the preparedness for defense or in the mobilization for war, lies ahead.

We are here under the leadership of the Secretary of the Interior as Petroleum Administrator for Defense. I feel that this meeting has come at a very critical time; but nevertheless at a very appropriate time, following the organization of the Petroleum Administration for Defense. And we are here to give indication that we are ready for total mobilization for whatever emergency may lie ahead.

Mr. Secretary, I know that your moments are valuable, and I do not want to take additional time. But nevertheless I want you to understand that we are conscious of our responsibilities as you face the tremendous burden that lies ahead of you.

I present the Secretary of the Interior, the Honorable Oscar Chapman.

(Applause)

SECRETARY CHAPMAN: When I was in Los Angeles recently with probably most of you gentlemen, after I had concluded my talk there on the back of the stage, Amon Carter told me never again to risk myself before that group without being well protected. So I brought one of his flashlight guns to this group.

Incidentally, speaking of that meeting, if there are

any members here who did not attend that meeting in Los Angeles, I would advise you to get the minutes of that meeting and read the speech given by Barney Majewski. I think it is worth your while to read it.

(Applause)

It had in it such positive warning and signals to us for the dangers that are ahead that have, even since that date, shown up more concretely to us all, than some may have been at that time.

(Remarks off-the-record)

I may say orally to you this morning that I did mention to you before that the section he referred to here that I would formalize my request to this Council establishing this as an industry-wide council, I intend to do by formal communication with the Chairman or the proper members of this Council -- it would be the Chairman -- to state that as a formal matter of record. I would like to do that.

Second, you know, of course, we do retain a permanent status for the Oil and Gas Division, naturally somewhat changed because the circumstances have changed. We are shifting many of its men over to functional operations with the defense activities, but we are retaining ^{the} that Oil and Gas Division. We are going to retain it intact. So that when these ^(defense) functions cease we will immediately expand back into that area to take care of the residue of the work that

you left off that can be carried on, that properly should be carried on by that organization.

I only mention those things to you this morning. You probably already know, because I am sure that J. H. Parten and Howard Marshall have talked with you about them and have advised with you about many of these things.

This morning I have to leave here to go over to another council meeting, of which I happen to be a member myself, an advisory council sitting in your capacity to the President on management. I found out in my absence yesterday afternoon they were working on a couple of my defense organizations. I am going to get over there before they close in a few minutes and see if we cannot change some of their thoughts about that program. So I have to move over to this other meeting.

Before I go I want to express again to this Council my deep appreciation for your making available to me a Deputy Administrator for Petroleum. You have made available to me a man whom I really wanted. I really wanted Bruce Brown for Deputy Administrator, and I am looking around for Ralph Davies -- he is in town. Where is he? Ralph ought to be here. I will give him a ringer anyway; he should have been. I think he is in town.

As I said to you people in Los Angeles, if I could accomplish, or if I could make as much of a success

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at handling this job that we have before us now as Ralph Davies and Harold Ickes did in the last World War, I am sure that Bruce Brown and myself would be very happy and very pleased.

Fortunately we have a man in Bruce Brown in whom I have the utmost confidence, and evidently you have because he came as a recommendation from you people. That is a very fortunate situation for us, certainly for the Government and I think for the industry.

Now he has several things he wants to say to you today, and he has some of his own men he wants probably to introduce to you. I will have to leave immediately, but I want Bruce Brown to stand up. Then I want to turn him over to your tender mercies from now on.

(Applause)

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CHAIRMAN HALLANAN: Gentlemen, just a few moments ago Mr. Jacobsen sort of jumped the gun. He does not do that very much. But the Council wanted to express appreciation for the appointment of Mr. Bruce Brown as Deputy Petroleum Administrator. I wanted Bruce Brown out in the open when we did that. I wanted him to have the advantage of the expression of the complete confidence that this Council feels in him and in his leadership.

He was here during World War II. His upstanding service as director under PAW is well known to the whole petroleum industry. I know that we can enlist with Bruce Brown in the enormous responsibility that he faces with the greatest enthusiasm and devotion.

Bruce, we are at your command. Take over. (Applause.)

MR. BRUCE BROWN: Mr. Chairman and gentlemen, I am going to confine my remarks this morning to just one subject, and that is the organization of the Petroleum Administration for Defense, and I am going to run over it as rapidly as I can.

Mr. Hugh Stewart is still director of the Oil and Gas Division, and as you heard the secretary say, the Oil and Gas Division still exists. However, Mr. Hugh Stewart is also Assistant Deputy Administrator of the Petroleum Administration for Defense.

He and I have an understanding that, for the nonce,

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at least, he will do two main things: First, he will supervise the staff, leaving me free to recruit staff and try to get some space and some other little things like that. The other thing that he will do, in addition to being my adjutant, or deputy, if a deputy can have a deputy, is that in running the staff, he will continue his activities in the general field of production. He will be our representative with the Interstate Oil Compact, our contact with the State regulatory bodies, and generally will handle all production matters for me.

Carroll Fentress, who has occupied and filled ably a number of jobs in OGD since war days when he was a member of PAW, will be special assistant to me. And while Carroll will be running to meetings practically all over the country until we get more staff, the particular thing I have asked Carroll to do is to work in the development of committees and proper personnel for committees, and worry about committees, because we not only have the National Petroleum Council, which is not exactly a committee, but we have all kinds of other committees. We have all the committees of the Military Petroleum Advisory Board. We have under consideration the establishing of an advisory committee to PAD. We have committees that we are interested in in government, of which our agency would be one representative, and perhaps the leading one,

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and there are many other activities in government which require our representation. So Carroll is going to specialize, for the ^{message} nonce, in that.

I will not mention by name the other able technical members of the OGD staff that have been transferred to PAD. We have foreign and domestic production experts and transportation experts, and they are working for us. As far as the recent additions to the staff are concerned, I think that since the last Council meeting, the special group came down here to spark-plug the aviation gasoline program.

Al Frame, in addition to many of his other duties for Cities Service and as a committeeman for the NPC and the Military Petroleum Advisory Board, of which he is vice-chairman, has been spending about half his time down here providing the leadership for the aviation gasoline program, and counselling generally on refining matters.

Thomas Apjohn, of Socony, has been here all the time with a staff of technical experts on aviation gasoline.

Those, incidentally, are all without compensation, but they are all regular employees for the Petroleum Administration for Defense.

Recently we added George Gibson, whom many of you will

remember as Assistant Director of Materials at one time and as Assistant Director of Construction during World War II. George came back as a volunteer, left Bechtol Corporation because he thought he was needed here. He is back here working now.

I acquired a young man named Henry Foss who arrived only yesterday morning, who is going to help George Gibson. He is a lawyer by background, but is also an oilman, and he left the California Company in New Orleans to come up here.

MR. WILSON: Did you mention Mr. Gibson's job, Mr. Brown?

MR. BRUCE BROWN: I cannot, because when there are just Stewart, Fentress, Gibson and myself, I guess, outside of these specialists, we all do everything.

George ^{is} running around to meetings relative to materials, certificates of amortization, loans and so forth, and then he is working in the general field of facilities, whether you are talking about material for facilities or certificates or anything else. He is well qualified. He has been through all this before, and we are just using him as a triple-threat man until we can acquire some more staff.

Secretary Chapman approved my recommendations for the acquisition of two important individuals from the industry

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to serve without compensation, as I am. They will be the first divisional directors that we have added to the PAD staff. One man is in charge of the Program Division, which was the job that Stewart Coleman had, and later Howard Page, during the last war, and another man in charge of the Materials Division. Both of these men will have to build their own staffs. They are going to be after you gentlemen for staffing their staffs. One of these men is here this morning, Mr. Cecil Burrill, formerly of the Standard Oil Company of New Jersey and the Creole Petroleum Company.

Cecil, will you stand up, please?

Here is our new director of programming. He arrived yesterday morning. He is trying to find some place besides the Shoreham to stay, because it is too far from here.

I am awfully sorry not to be able to introduce in person here a man whom many of you know and of whom all of you know favorably, who did such an outstanding job on materials in the last war, Frank Watts. Frank has consented to leave his chosen field -- he is general sales manager of Humble -- and come back here and try to work on materials and try to build up a materials organization. He will be here any day now, and I think he deserves applause for it even though he is not here. (Applause.)

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We do not have a general counsel in PAD, but we have the finest group of volunteer counsel that we could have, in two Washington lawyers. I would not say they grew up in PAW because they were adults when they were here, but at least they did a lot of work in PAW, and they are in here pitching as much as they can.

Elmer Batzell is in the room. Would you mind standing, Elmer? He is entitled to great credit from you gentlemen. (Applause.)

I do not think Justin Wolf is here. I wish he were.

In staffing PAD, I am going to do my best to get a cross-section of the industry, not only financially but also as to size. I may have missed a company, but we have now here drafted for this work representatives of the Bechtol Corporation, Cities Service, Humble, Phillips, Standard of Indiana, which owns my company, Pan-Am Southern; Standard of New Jersey, Socony, and Sun. I am working hard on independents, but all the independents are so wealthy that they cannot leave their investments. I am sorry I cannot announce an independent this morning.

MR. HAMON: Mr. Brown, correction. They are so poor that they cannot work for \$1 a year.

MR. BRUCE BROWN: We have asked for a man to head the consumer cooperation branch. We have not formally indoctrinated him. He is a man who did very valuable ser-

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vice for us here as a major and perhaps a lieutenant colonel, and he is here this morning.

Frank Grandwidge, would you mind standing up? / Perhaps I am high-pressuring you. (Appluse.)

Now, I have not referred to the Secretary's staff. The Secretary also has a staff: Brother Marshall, Brother Parten and Brother Justin Wolf.

Now, if you like what you have in PAD, you ought to be grateful to them.

at this point Mr. Brown indicated a need for a
I found I have already made my first mistake; I mean, *General* the first one I recognize, and it was a very serious one. *Commissioner*
There is a condition I should have put on my employment *and stated* here other than a regulation issued that would keep me *he would be* from going to jail if I came. That is the only thing *applied to* I would ask. But there is one more thing that I should *help in obtaining* ask, because an administrator without a counsel in Wash- *one.* ington is like a guy with one arm, and I would appreciate the help of everybody in getting me out of the position of having only one arm.

The policy of staffing PAD is of interest to everybody. It is not just of interest to you industry men. It is of vital interest to the government people here in Washington, for a variety of reasons. Some of them are either professionally or personally critical of a lot of oilmen coming down here and running their own business. Some of them

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are suspicious, and some of them just plain would like to be considered for jobs.

Now, we are trying not to bring ^{men} them in here without compensation unless it is absolutely necessary, and when it is necessary, we are going to bring them in. That is our policy about bringing them in from industry. So far as we can, we are going to get the people from industry to work for government salaries.

Now, the policy that I have about all industry men I would like to announce publicly. And please accept my sincerity. I am not going to ask for anybody to come here -- not anybody -- either on a government salary or on a WOC basis, until I can look that man in the eye and tell him that in my opinion -- and I have been over the subject -- what I am going to ask him to do is important and a fulltime job. And if I am a little slow in filling some positions, just remember that I am not asking anybody to do anything unless I am personally convinced that he ought to do it.

I am not trying just to get a lot of people down here. I am trying to have the fulltime work ready and laid out before I ask a man to leave his occupation, whether it is coming down here for a better salary or a lesser salary or with company support.

One of the problems about personnel is the problem

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of housing. We have about 9,000 square feet of space. We have about 60 employees. We are a little overstaffed on the administrative and clerical side, because we have to grow on the professional and technical side. So part of that space is taken up with administrative and clerical people that would be adequate to serve a larger technical staff than we now have.

But we made an estimate of what we need right away for just a moderate-sized program division, a moderate-sized materials division, and just a few staff people, or skeleton organizations in operating fields. We need 11,000 more square feet of space, and I do not know where it is going to come from. Everybody goes along the hall and eyes the Board of Geographical Names. Well, I, too, think they could probably be in Kansas City or someplace else. The reason we think of them is simply because we pass them every day.

Something has to give somewhere, or we have to go into a temporary, because we are already crowded two to each small office, except for the two large offices the Deputy has.

Later today, if appropriate at the time, I might try to tell you some of the things that we are trying to do. But right now, Mr. Chairman, I think I have covered personnel, and I had better just stop.

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CHAIRMAN HALLANAN: You go ahead and do whatever you think is necessary.

MR. BRUCE BROWN: We are so near the start of everything that I am afraid it might come as an anticlimax. There are one or two things I could say.

CHAIRMAN HALLANAN: Why don't you go ahead?

MR. BRUCE BROWN: Very well.

Yesterday afternoon Secretary Chapman signed some letters which will have the result of PAD sponsoring, with the Department of Commerce and with the Navy, a meeting of the tanker operators, which I hope we can call this week, to sit down with the government people and the Navy and discuss the development of some scheme whereby tankers can be supplied to the Navy over and above the tankers they now have in operation. They have an immediate need for clean tankers, generally toward Europe, and dirty tankers, generally in the Orient.

It is not a matter of rate. They have not been confining their efforts to getting tankers at the Maritime rate or any fixed percentage over the Maritime rate. They just cannot get tankers, except for the fact that several of the companies, knowing the desperation of the situation and knowing that we were trying to do something about it, have made tankers available for the first week in December.

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I do not know just what will come out of that meeting, but something good. It might be the first voluntary agreement provided in the Defense Production Act, or it might be something else.

But we are trying to do something about the tanker question. That is the first and most definite action that we have taken.

Of course, you know this aviation gasoline work goes on and on and on, and demands go up and up and up. But I do not believe there is anything that I can say that would be useful, about that. I did say to the Transportation Committee last week -- and I am sorry I was somewhat misquoted afterwards to the news letters -- that I wished they would get their information about what PAD is doing from PAD, because there is quite a lot of imagination in some of the reports that are issued. Out ^{in h.a.} of the A.C.I., as you all know, there were at least several different publications talking about an octane restriction order that was just about to issue, and I was not quoted, but one of the letters indicated to me that I had said, after I was sworn in here, that we were going to restrict service station construction.

Now, I not only did not say it; I had not even thought about it. It was not a quotation, but whatever it was, it compelled several people to call me up long distance and

ask me about it.

I ended my remarks to the Transportation Committee by saying, "You must not worry too much about us, because we do not even have a lawyer to draft orders."

Hugh Stewart got up and said, "Well, that is the trouble. If we get a lawyer, now they are going to think we are going to issue a lot of orders."

We have no secret plans for the dwarfing of the industry, or doing anything. We are working along here in the organization state and listening to you people. You will hear about us if we have a proposition, because we are going to be bringing it to you as Secretary Chapman said this morning.

I think that is really all I can say, Mr. Hallanan.

(Applause.)

CHAIRMAN HALLANAN: Admiral Biggs, we would be very delighted to have you comment on the aviation gasoline situation in the light of your discussion in September.

REAR ADMIRAL BIGGS: I just told somebody when I came in the door that my gasoline situation and my health were much better. I have not any immediate weeps, fortunately. If I had, you gentlemen would have to hear of them at great length.

But we got by, gentlemen. And you gentlemen were the people that did it. That is the main point.

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At the present time, the stocks in the more critical areas begin to look as if I can get some sleep. That is a great improvement. The product is moving. It is being made available in good old navy fashion, the ancient and honorable story which the boatswain made passing up and down the ship, "There will be liberty, but there ain't no boat."

We are not quite that bad off, but we will need some tankers. But we have a situation that is under control.

CHAIRMAN HALLANAN: What about the other products?

REAR ADMIRAL BIGGS: On the other products, we have a shortage in the coverage of Diesel oil. At the moment, our stocks are sufficient to keep us out of the rain, I believe, and with the necessary pressure on the Diesel and the Navy's special situation and I think with the direction of Bruce and some of the boys, we can meet the demand in time, provided things do not happen too fast. The possibilities are that we can meet those needs, but it does not mean that PAD will not be around in their usual position of being arm-twister No. 1.

That is all, Mr. Chairman.

CHAIRMAN HALLANAN: Mr. Jacobsen, are you prepared at this time to present the report of the Agenda Committee?

MR. JACOBSEN: Yes. It is very short.

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Under date of December 1, 1950, Mr. H. A. Stewart, Director of the Oil and Gas Division of the Department of the Interior, addressed a letter, copy of which is hereto attached, to Mr. Walter S. Hallanan, Chairman of the National Petroleum Council, requesting that the Council make a comprehensive study of present and probable future productive capacity and availability to the United States, including gas, as well as liquid petroleum, foreign as well as domestic sources, and that the Council submit the results of this study with such recommendations as it deems appropriate at the earliest possible date.

As provided in the Articles of Organization of the National Petroleum Council this letter was considered at a meeting of the Agenda Committee, held on December 4th in Washington, D. C., at which it was unanimously agreed to recommend to the Council that the study be made as requested by Mr. Stewart.

Also, under date of December 1, 1950, Mr. Stewart addressed a letter, copy of which is hereto attached, to Mr. Hallanan, requesting that the Council appoint a committee or committees to make a thorough study of the minimum essential materials and chemicals requirements of the oil and gas industries and to make appropriate recommendations with respect thereto as outlined in Mr. Stewart's letter.

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As provided in the Articles of Organization of the National Petroleum Council this letter was considered at a meeting on December 4th, in Washington, D. C., at which meeting it was unanimously agreed to recommend to the Council that the study be made as directed by Mr. Stewart.

Respectfully submitted.

MR. MAJEWSKI: Second.

CHAIRMAN HALLANAN: Do you want to read the letters?

MR. JACOBSEN: Very well.

The first letter reads:

"Dear Mr. Hallanan:

"In his letter to you of June 14, 1949, the Secretary of the Interior requested the National Petroleum Council to consider the problem of providing a substantial domestic reserve productive capacity to be available in the event of an emergency. The Council appointed a committee which prepared a valuable report, dated January 26, 1950, entitled 'U. S. Crude Petroleum Productive Capacity.'

"In view of the present situation and because of the significance of oil and gas to national security and defense, it is a matter of public importance that a new and even more comprehensive study of oil and gas productive capacity and availability be prepared.

"Therefore, I request that the Council make a new

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and comprehensive study of present and probable future petroleum productive capacity and availability to the United States, including gas as well as liquid petroleum, foreign as well as domestic sources, and that the Council submit the results of this study with such recommendations as it deems appropriate at the earliest possible date.

"Sincerely yours,

"H. A. Stewart."

The second letter, the same date:

"Dear Mr. Hallanan:

"By letter of July 21, 1950, the Secretary of the Interior requested the National Petroleum Council to make a study of the essential steel requirements of the oil and gas industry. The report of the Petroleum Industry Steel Requirements Committee which was accepted by the Council at its meeting on September 26, 1950, has been especially useful to the Department of the Interior in the preparation of a presentation of petroleum industry steel requirements for submission to the National Production Authority.

"In addition to steel, there are numerous other materials and chemicals, such as copper, aluminum, zinc, cobalt, nickel, and sulfur, already in short supply or which may be in short supply in the near

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future. Since oil and gas are essential to national security and defense and to the maintenance of the industrial and civilian economy, it is necessary that the Federal Government be advised on the minimum essential requirements of the oil and gas industries for materials and chemicals.

"Therefore, I request the National Petroleum Council to appoint a committee or committees to make a thorough study of the minimum essential materials and chemicals requirements of the oil and gas industries and to provide complete information and such recommendations as it deems appropriate with respect to materials and chemicals required by the oil and gas industries to maintain an adequate supply of oil and gas to meet the Nation's essential needs in any emergency.

"Sincerely yours,

"H. A. Stewart."

I move the approval of the report.

MR. MAJEWSKI: Second.

CHAIRMAN HALLANAN: You have heard the report. Are there any remarks?

MR. WILSON: Is that to be supplementary to steel, or will that include steel?

MR. JACOBSEN: It is in addition to steel, of course.

MR. WILSON: It talks about the materials needed. I

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think it might well say, "In addition to steel."

CHAIRMAN HALLANAN: It contemplates a separate and new committee.

MR. WILSON: Yes. But the recommendation setting up the committee recommends the setting up of a committee to take care of materials. Now, if you are going to let the steel committee stand, it seems to me it ought to say "other than steel."

CHAIRMAN HALLANAN: Yes.

MR. JACOBSEN: It was done that way because the Agenda Committee decided that it should be left to the Chairman of the Council to decide how we want to handle it, whether he wanted to let the steel committee take it over or appoint special committees.

MR. WILSON: I see.

CHAIRMAN HALLANAN: Are you ready for the question?

A VOICE: Question.

CHAIRMAN HALLANAN: All in favor of the adoption of the report of the Agenda Committee will indicate by saying aye; contrary no; it is so ordered.

The Chair now recognizes Mr. Max Ball.

MR. BALL: Gentlemen, I should apologize to you for taking your time on a matter that is not a Council matter, strictly speaking, but it is presented to you because this is the best place I know to talk to the greatest number of

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oil men where it will do the most good. Secondly, it is taking your time at this moment when we are all thinking so seriously about the problems immediately ahead of us, the problem of national defense and security, to talk to you about something that is not of immediate moment but looks down the road five years, ten years, 15 years or 20 years ahead.

A good many of you know about it, and I should apologize for talking about it to those of you who already know about it. But we are finding that too many of you do not, and therefore we need a little wider information in the oil industry about the thing.

The thing I want to talk to you about is the so-called API-Yale Project. When the Rostov book was published, the American Petroleum Institute created a committee to see what could be done about a more favorable attitude and understanding by economists, particularly professional economists, and most particularly university economists, with respect to the oil industry.

That committee very quickly and very sensibly decided that nothing was to be gained by trying to prepare a refutation of Mr. Rostov's book and that a more positive approach was needed; and as the committee proceeded with its considerations, they came to the conclusion that the great difficulty under which the oil industry labors in its

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understanding by professional economists is that the professional economist who wants to take an interest in the industry and who wants to consider it has nothing whatever in the way of sound literature on petroleum economics.

If you were a professor of economics at one of the great universities and a student came to you and said, "I would like to make a study of the petroleum industry, its economics. To what can you refer me?" what would you have on your library shelf? Kennitzer's "Rebirth of Monopoly;" Rostov; Dr. Stocking's book, which is 20-odd years old; and then various and sundry pamphlets ranging all the way from Paul Hadlick up and down. And that is all.

The result of the Committee's considerations was to decide on trying to get written by professional economists not connected with the industry, so that there would be no question of bias and no question that the studies were anything but objective, a series of monographs, and finally the thing was pitched on three monographs, one on production and conservation, one on pricing and price mechanisms and one on integration.

An arrangement was made with the Yale University Press, and the Yale University Press was given a grant of \$85,000 to have these three monographs prepared. That grant was

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made with no strings whatever as to the men who would write the monographs or as to what the authors of the monographs might conclude and might write. Those men have an absolutely free hand.

The work is under the general supervision of an editorial board named by the Yale University Press, which is composed of Professor Westerfield, the head of the Economics Department at Yale; Professor Sharpman, the head of the department at Michigan; Professor Jacoby, the head of the department at Southern California; and Dr. Kaplan of the Brookings Institute, plus two industry representatives, namely and to wit, J. Howard Marshall and Max W. Ball.

I happen to have the pleasure of serving as the industry's liaison man with that editorial board, charged particularly with the duty of seeing that the authors meet the industry and meet the people in the industry who can give them the most information.

The three authors finally selected were: for production and conservation, Dr. Zimmerman, head of the Economics at the University of Texas; for pricing and pricing mechanisms, Dr. Ralph J. Cassidy, Professor of Marketing and head of the Bureau of Economic Research at the University of California at Los Angeles; and Dr. Melvin DeShazo, head of the Economics Department at Cornell.

Those men are dependent entirely on the industry for the information that they get and consider.

Now, Dr. DeShazo and Dr. Cassidy have both made trips around the country, and have met a great many of the men of the oil industry. We have done our best to send them to representative men and men who would give them all shades of opinion. We have tried to send them to men who did not represent one point of view. They have met Watson Snyder of the Department of Justice as well as meeting men from the biggest oil companies, and particularly they are meeting men in the independent group of the industry.

They are going to want to meet a lot more men. We are finding that as they go around to meet these men, there is too little knowledge in the industry about the project, and therefore they come to a cold reception. Not that they have not received the finest cooperation. They have. But there are too many men in the industry who do not know what is going on, and therefore treat these men with a certain reserve initially, and it takes a little time to break that reserve down.

The reason for my talking to you this morning is that when you go back home, pass the information on about this thing, on down to your vice-presidents, your marketing men, your sales managers, and the rest of the men in

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your organizations, so that when Dr. Cassidy or Dr. De-Shazo or Dr. Zimmerman comes in to meet one of those men, they know what it is all about, and know that it is a worth-while project.

There is another angle to that thing that has disturbed me a little bit of late. These men, as I say, are men who must be given complete information if they are going to do a job. You take a large measure of risk when you get in an outsider who does not know anything about the industry, to write a book about it. You take the risk that a man may decide and write a book, for which we pay, saying that prices are fixed by collusion and conspiracy instead of by competition.

That is a risk which frankly does not worry me at all, providing we give these men all the facts. It would worry me a whole lot if any of these men ever had any occasion to think that we were holding out the facts on them.

I have seen a couple of letters recently to one of these men to whom information had been promised saying, "We will send you this as soon as it has been screened by our lawyers."

Now, you can imagine the chill that that froze into the blood of a man who is trying to write an objective treatise and who wants the full facts. These are good men;

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these are high-class men, and these are trustworthy men. And we have to give them the works. We have to give them everything we have, and it should not be screened through the legal department before it reaches them. If it is, it is worthless to them. They cannot write objective reports and arrive at sound conclusions unless they are given complete access to everything the industry has, and that was the assurance that was given to them in advance.

So I ask you, gentlemen, when these men come to you, try to have your men informed as to what it is all about, and then see that they are given complete information without restriction and without screening.

Thank you very much.

(Applause.)

MR. JACOBSEN: Those men will presumably approach the heads of the companies first, will they not, so that they can be told where to go? In other words, they will not stop at a filling station or go on a lease and talk to a foreman?

MR. BALL: No. In nearly all cases, either the man goes first to the head of the company or we get in touch with the head of the company. I am trying to arrange these interviews. I have arranged most of them in advance. Where I am not doing it personally, John Boatwright is doing it in part of the country and Bob Friedman is doing

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it out on the Pacific Coast. And we try to see that the head of the company is informed.

Now, in most cases, he does not want to take the time to provide all the information, and he lets us know in advance who his man is or oftentimes we know who the man is in the company, and he is high enough up in the company so that we know he is in touch with policy matters.

MR. JACOBSEN: Right.

MR. PIPKIN: I just want to say this. Maybe some of the companies have been conducting studies on their own behalf. The Texas Company has just been having one done by six economists. The reason for my rising here this morning is to impress upon you that there is no substitute for these men who are really smart and know what they are doing coming into your organizations and seeing what is going on.

We had six of them, and they did a pretty good job. But they did not get down to the roots of what their problem was until the doors were thrown open and they could go into our installations and our offices and some of our meetings throughout the country.

I just want to underscore what Mr. Ball said. If you want a job done, you have to let them know what the facts are.

CHAIRMAN HALLANAN: That is right.

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MR. BALL: I appreciate that, Mr. Pipkin. That study that you have had made on integration is a very valuable contribution, and I hope you go right on through with it, because I do not think we can have too much of this kind of thing.

I passed that right along to Dr. DeShazo, by the way.

MR. WELLS: Paul, I wonder if you could acquaint me with this study that was made by Yale, and whether you have had any similar contact with a study that is being made by Harvard under a monograph that I am told is to be released next summer, called the "Effect of Economic Concentration upon Industry."

The Harvard plan is dividing industry into two or three groups, of which there are large concentrated units. I was rather surprised. I was called into a meeting at the Business School of Harvard, and according to the plans that they told to me, they are planning almost the identical coverage of the industry.

I thought perhaps if you knew that, it would avoid some confusion in the minds of all those that are here, and you might care to discuss that operation on the part of Harvard.

MR. BALL: That is a study made by Harvard. It was started after our Yale project was started. Under the

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direction of Professor Harry Hansen, they are going to make a very thorough-going study and publish a monograph on it, on the subject of concentration, which, of course, includes the subject of integration. That is to cover all industries. But they are taking as their first case study the petroleum industry.

I think we are very fortunate on that in that the two men assigned to the petroleum industry phase of it are Dr. McNair and Dr. Lerner, whose records are pretty well known, I think, to a good many of you. We know that we are in the hands of absolutely fair and objective men in that study.

We have not thought that we should suspend our studies because of that, because, as I say, there cannot be too much of this kind of thing. Dr. DeShazo, who is our integration man, you see, on the Yale Project, at the last word I had from him, was going to get in touch with Professor Hansen and see how much joint information they could get without either one influencing the other, so as to reduce the burden on the industry of talking to too many economists.

CHAIRMAN HALLANAN: Mr. Marshall.

MR. MARSHALL: Max, I want to emphasize just one thing that you said. I think it is very important that it be emphasized.

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There are absolutely no strings, as you have said, upon the people who are preparing these monographs. Neither Max Ball nor Howard Marshall has any power of censorship of any kind, type or description over the monographs or the material that will be produced. This industry will have to stand both on its record, whatever it is, and whatever information you people provide this group that is doing this work.

One of the most sacred traditions of the type of people that are putting this material together is that of academic freedom, and I suppose that was the thing, Max, that we had to satisfy this group on more than anything else when we tried to get people to undertake this task, that there would be no strings.

It will not make the slightest bit of difference whether Max Ball and I agree or disagree with anything they say; it will be published anyway. And it will go forward on the record that you have made and the help and assistance in the way of factual material that this industry can provide.

(Applause.)

CHAIRMAN HALLANAN: Max, I think that this is in all reality a defense act as far as the petroleum industry is concerned, and I am very pleased that you took this occasion to bring it to the attention of the Council.

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MR. BALL: Thank you.

CHAIRMAN HALLANAN: Gentlemen, certainly there has been no abatement or lessening in the interest of the critical subject of steel since our last meeting, and fortunately we have had the continued activity of the committee on petroleum industry steel requirements, and I should like at this time to call upon Mr. Russell Brown to bring us up to date on the developments in that area.

MR. RUSSELL BROWN: Mr. Chairman, we as a committee have not been called on to have a formal meeting since the last session, but I do think it might be helpful to bring up to date some of the activities in which the committee, or parts of it, have been engaged.

On September 26, 1950, the Council's Committee on Petroleum Industry Steel Requirements submitted its detailed report covering the industry's estimated steel needs for 1950 and 1951. This report was unanimously accepted by the Council at the September 28th meeting, and the committee was continued in service.

At that time, I assured the director of the Oil and Gas Division that the committee would hold itself in readiness to furnish any additional or supporting information that might be required. No formal action by the committee has been necessary since the September meeting of the Council.

At the request of the Interior Department, however, informal conferences have been held with representatives of the Interior Department for the purpose of supplying further details regarding the basis for compiling the requirements. These informal meetings have covered the steel requirements for the following phases of the industry's operation:

1. The domestic oil and gas production.
2. Domestic natural gas and pressure maintenance plants.
3. Oil transportation; that is, the pipelines, the tankers, the barges, the tank cars, and the tank trucks.
4. The domestic refining.
5. Natural gas transmission.

In addition to the above, the Interior Department has contacted the committee by telephone with regard to estimated steel requirements for foreign operations. No further information has been requested as yet from the committee as to steel requirements for the following phases of the industry's operation:

1. Marketing and plant facilities.
2. Containers.
3. Consumer storage.
4. L.P.G. plant facilities and consumer storage.

It is understood that the Interior Department in its

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capacity as claimant agency for the petroleum industry's steel requirements, has made a formal presentation to the Department of Commerce covering the steel required for the production branch of the industry, including natural gasoline and pressure maintenance plants. As far as the committee has been informed, no other presentations have been made to the Commerce Department and no formal claims for allocation of steel for petroleum uses have been made by the Interior Department.

The committee, of course, stands ready at any time to furnish whatever additional data may be required. The way we have of doing that, Mr. Chairman, is that the people who worked up the detail of these various segments of our requirements have been kept intact with all of their information, and as the Department wants to look further into that, they have been brought in here and made responsive to their requirements.

We have had every possible cooperation with the Interior Department. The only thing that has been slowing us up is a lack of definite top authority with their men, which I assume now will be clearing up pretty fast.

In the meantime, the industry has been doing a lot of well drilling. If it would be of interest to the council, and not out of order, I could give you the results of a study that we made as an association, as to where that

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steel comes from that keeps enabling us to get as many wells drilled as we are. We have made a survey of that, and I shall be glad to present that if you would like me to do that.

CHAIRMAN HALLANAN: I think it would be a good idea, Mr. Brown.

MR. RUSSELL BROWN: We sent out a questionnaire explaining that, realizing the trouble that everybody had getting steel, we noticed they were still drilling wells. And that question was brought up. So we made a spot check, from which we got 250 answers from producers in various capacities. We made a compilation of the results of that. You remember we made a similar study in 1948. I have the chart that we made and presented to you at that time. In 1948, I presented this chart to you which showed the operations of 249 operators and where they got their steel. You will notice in 1941, they were getting 92 percent of it from the regular supply sources and 8 percent from second-hand pipe.

That changed in 1948, until we only got 61 percent from regular sources, 12 percent from gray market, 11 percent from second hand pipe, and 7 percent through tie-in sales.

The survey we have just completed was for 250 companies. You will notice in the fourth quarter of 1950, we got 74

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percent from regular sources, 7 percent from gray market, 9 percent from second hand pipe, 6 percent from conversion, 2 percent from tie-in sales, and then a new source of 2 percent from foreign steel. I have broken that down, and I found that 121 of these companies got less than 200 tons a year. I find they get 42 percent from regular sources, 10 percent from conversion, 24 percent from gray market, 5 percent from tie-in sales, 19 percent through second-hand pipe.

Then the little larger group are the companies that get from 200 to 1,000 tons a year. They get 59 percent of theirs from regular sources; 1 percent from conversion; 17 percent from gray market; 5 percent from tie-in sales; 12 percent through second hand pipe; and 6 percent through foreign.

The smaller ones do not reflect any foreign pipe, but after they get to the 200-tons a year class, they do get some foreign.

Then in the class from 1,000 to 5,000 tons a year, they get 59 percent of theirs from regular sources, 5 percent from conversion, 7 percent from gray market, 3 percent from tie-in sales, and 19 percent from second hand pipe, and 7 percent from foreign sources.

The next class was the nine companies that get over 5,000 tons a year. That is the top group of those that we

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get Frank Watts back here to head up the Materials Division. With Frank to head it and to keep pushing with the assistance that he can get from what staff he will have plus anything that any of the rest of us can do, I think our material problems are going to go forward with a great deal more assurance than we have been able to show up to now.

Thank you.

CHAIRMAN HALLANAN: Thank you very much, Mr. Stewart.

(Applause.)

CHAIRMAN HALLANAN: Mr. Warren.

MR. ED. WARREN: I was just going to ask Mr. Stewart, in this round table that you are going to have, are you going to consider distribution problems, too?

MR. STEWART: Yes; we will have to consider everything.

CHAIRMAN HALLANAN: Someone else asked recognition.

A VOICE: I have the same question of Mr. Stewart.

As I understand it, nothing has been said to Mr. Brown or nothing could be said to Mr. Brown about distribution representatives on that committee that you are talking about, this round table. But you have been supplied at your request by the AGA a complete list of distribution requirements. Will they be invited to attend, so that they can at that time be covered?

MR. STEWART: Yes. It is our intention to have a

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representative from every segment here if we can possibly get one for the steel requirements.

A VOICE: That will not come through Mr. Brown, because he knows nothing about the Distribution Committee's work.

MR. STEWART: I made the request initially informally to AGA, and I can certainly make it again. Under PAD, Mr. Brown is in a position to request, because under the set-up, all gas is under the Petroleum Administration for Defense. So we are going to have to make sure that we cover all of the requirements on all gas distribution.

A VOICE: Then we can look to you for that protection and an invitation to that meeting?

MR. STEWART: To the very best of our ability.

CHAIRMAN HALLANAN: Mr. Peck.

MR. PECK: Mr. Chairman, I take it that this steel committee during this study at the appropriate time will provide for the maintenance of these service stations an equitable distribution of the supply available. I would also like to take this opportunity to state that my dissenting vote on Mr. Baker's presentation was not against the National Petroleum Council's acting as an official advisor to the government as such. Nothing could be farther from the truth, because it would be foolish to waive aside this group of men who are so familiar with the industry.

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It was merely the degree of representation and the proper balance of representation that the dealers should have. I wish for the record to make that absolutely clear.

MR. RUSSELL BROWN: Mr. Chairman, in answer to Mr. Peck, the steel requirements for your station work and this distribution are in there. The equitable distribution of the steel is not a part of this Committee's function. So we made no effort, and have no authority to make any effort, on the distribution question. That is another question.

Mr. Peck: Who has that authority?

MR. RUSSELL BROWN: We are just a fact-finding committee, and we have no authority.

MR. BRUCE BROWN: Could I answer that question?

CHAIRMAN HALLANAN: Yes.

MR. BRUCE BROWN: Since there is no priority system, everybody is still able to buy steel if he can find somebody who is willing to sell it. But if there were a priority system, that question would arise, Mr. Peck. But there is not one. You know, we do not create a priority system. We only try to live under it in PAD. I have no doubt but that we will come to one, but we have not come to it yet.

CHAIRMAN HALLANAN: Mr. Frame, at this time are you prepared to present the report of the Committee on Synthetic

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Fuels Production Costs?

MR. FRAME: Yes.

Mr. Chairman, this is an interim report of the subcommittee on synthetic fuel.

In his letter of April 21, 1950, to Mr. Hallanan, Chairman of the National Petroleum Council, Secretary of the Interior Oscar L. Chapman requested the creation of a National Petroleum Council committee to (1) review the estimates made by the Bureau of Mines for the cost of producing synthetic liquid fuel; (2) prepare independent cost estimates; and (3) make recommendations as to ways and means, if any, for an improvement of future cost estimates by the Bureau of Mines.

The National Petroleum Council appointed a subcommittee on synthetic liquid fuels production costs, with Mr. W. S. S. Rodgers as chairman. It was decided by this committee to form a subcommittee composed of men who would do the necessary work leading to the preparation of a report for submission to the Council.

Mr. Rodgers appointed me as chairman of the subcommittee. To carry out the intent of the assignment of the subcommittee, it was decided by the subcommittee to limit its work, as far as possible, to processes upon which the Bureau of Mines cost data have been or will be prepared. It was not believed to be the function of the subcommittee

to compare such results with those based on alternative processes that may have been developed by industry.

The subcommittee held its initial meeting on July 18th. It subdivided the responsibility among four working committees: raw materials; process engineering; mechanical engineering; and economics.

The first three of these committees have further subdivided the assignments among three groups: coal hydrogenation; coal gassification; and shale oil, these being the three synthetic fuel processes being developed by the Bureau.

To convey some idea of the scope of the investigation, at the present time some 50 people representing 16 companies are actively at work on some phase of the investigation. An estimated 10,000 man-hours of work have already been put in, and a great deal of work is yet to be done. There have been some 20 committee meetings already held during the past three months and numerous extended visits made by various groups to the Bureau installations at Rifle, Colorado, Louisiana, Missouri, Bruceton, Pennsylvania, and Morgantown, West Virginia.

In order for the subcommittee to review the estimates made by the Bureau of Mines for the cost of producing synthetic liquid fuels, it has been necessary for the various subcommittees to review in detail the experimental

W 41 data of the Bureau on which its cost estimates have been or will be prepared.

Furthermore, rather than a subcommittee preparing independent cost estimates, it was felt that it would be possible, by working closely with the Bureau of Mines personnel, to develop estimates costs of producing synthetic liquid fuels upon which there would be agreement between the Bureau and the industry, at least as far as the basic technical data were concerned.

It has been the intention of the subcommittee to be helpful and constructive rather than critical. In technical projects, based upon anything less than large-scale commercial experience, there are certain to be some controversial areas, but a successful attempt is being made to reduce these areas to a minimum. Without the cordial collaboration of the Bureau of Mines, this analysis could not be made.

This cooperative approach has been partly responsible for a delay in the completion date of the study, which was originally estimated as January, 1951. It now appears that it will be July, 1951, before a final report can be submitted.

A second important factor in this delay is the fact that the Bureau has not yet actually prepared finished estimates for all three methods of producing synthetic

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liquid fuel. Only in the case of the coal hydrogenation process did they have a complete estimate, and this is the only estimate of which publication has been made. The coal gassification and shale oil estimates are still in the process of being prepared.

Our several subcommittees are collaborating with the Bureau personnel on the preparation of these latter studies to assure, as discussed earlier, that all technical differences are resolved if possible before publication.

To ensure that a truly authoritative answer is forthcoming from these studies, the subcommittee has directed the working committees to prepare several alternate cases. The first will be the cost of synthetic fuels if plants were to be built today. The second alternate will be a forecast as to the future cost of such fuels assuming that known known technological improvement possibilities materialize as a result of research and development work. In addition, an estimate will be made of the cost of synthetic fuels from the first few plants which may be exceptionally favorably located as to raw materials, water, markets, et cetera, and which may be able to realize certain chemical by-product credits.

A more nearly average cost estimate will be prepared for a synthetic fuel industry of approximately 250,000 barrels a day.

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The subcommittee regrets that it will not be able to make a final report before the middle of 1951, but is unanimous in its opinion that a completion of the report now contemplated will provide both government and industry with an authoritative evaluation of the cost of producing synthetic fuels from coal and shale by the Bureau of Mines processes based on present developments and what may reasonably be expected within the next five or ten years. It is further hoped that this report and its findings will be accepted by the industry personnel and by the Bureau of Mines people.

If this hope materializes, the report should be of definite value, both to government and to industry, as indicating the probable future of synthetic liquid fuels in the field of the energy market.

Thank you.

CHAIRMAN HALLANAN: Thank you very much. (Applause.)

Gentlemen, we accept Mr. Frame's report as a progress report, and the final report of this committee will come at a later time.

In the meantime, may I express our gratitude to you, Mr. Frame, and to your committee for your exhaustive research on this subject.

MR. FRAME: Thank you.

CHAIRMAN HALLANAN: Gentlemen, sometime ago this

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Council was asked to submit a report on petroleum storage capacity, and that assignment was given to Mr. Lee Westcoat, as chairman of the Petroleum Storage Capacity Committee. The report was made available in time to be sent to all the members of the Council in advance, and you have had full opportunity to go over it.

I now ask Mr. Westcoat to present the report of the committee for such action as you may desire to take.

MR. WESCOAT: In response to the request of July 21st last by Secretary of the Interior Chapman, that the report made by the Council's Committee on Petroleum Storage Capacity during 1948 be brought up to date, Chairman Hallanan reconstituted that Committee shortly after the July Council meeting. The Committee reappointed the same Subcommittee which assisted it in making the 1948 survey, and the work was begun almost immediately.

In planning the new survey the Committee had before it the communication of Secretary Chapman dated July 21, which contained the following: "The Council submitted a report (on petroleum storage capacity and unavailable inventories) on October 15, 1948. I now request that the report be made current and that in bringing the report up to date, information and data be provided on present and proposed crude oil, clean product and black oil (product) storage capacities, including primary and secondary storage

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but excluding the small jobber, consumer and service station storage, with a breakdown by location of storage with relation to its principal transportation, that is, by deep water, inland waterway, pipe line, rail and tank truck, each given by PAW districts and principal areas within PAW districts. It would be most helpful if the data showed the storage capacities not available, such as tank bottoms and pipe line fills."

In contemplating the scope of the work assigned, your Committee also had before it the recommendation of your Agenda Committee, dated July 24th last, namely, that "The Council's Committee on Petroleum Storage Capacity be reactivated. Such Committee should bring its report of October 15, 1948, up to date in the detail requested in the Secretary's letter dated July 21, 1950 ("proposed storage" being interpreted to mean storage expected to be completed during 1950) and submit such report to the Council. Such Committee should not attempt to study or suggest minimum working level stocks or recommend any industry plans, programs, or allocations."

In contemplating its assignment your Committee gave considerable time and study to that portion of the request that the 1948 Report be made current, with certain additions, which asked for "a breakdown by location of storage with relation to its principal transportation, that is, by

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deep water, inland waterway, pipe line, rail and tank truck, each given by PAW districts and principal areas within PAW districts," and realized immediately that the addition of such extremely detailed information with respect to location of storage would tremendously delay reporting on the primary problems involved, namely, storage capacity and unavailable inventories. It therefore decided to proceed as in the case of the 1948 Survey but to obtain, in addition, figures indicating the amount of tankage under construction as of June 30th of this year, and which would be completed by or before December 31st next.

It again became the Committee's opinion that in order to gain maximum usefulness and understanding of the figures to be developed it would be necessary for each company to analyze its unavailable inventories as a part of some previously reported inventory situation. It was therefore decided to request such analysis in relation to the inventories reported to the Bureau of Mines as of June 30th last. Those inventories represented not only the most up-to-date available when the questionnaires were sent out but also gave an opportunity for analysis of unavailables and tankage at the very mid-point of a summer refining season when the trend of certain product stocks, namely, kerosene, distillate fuel oils and residual fuel oils should normally be moving upward while motor fuel would be following its

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normal seasonal trend downward.

Your Committee greatly appreciates the response by the industry to its request for the information necessary to compile this report. The figures include 99.5 percent of all the crude oil reported to the Bureau of Mines as of June 30th last, which is the base date of the report. The clean products section represents 95.6 percent of those reported to the Bureau, and the residual fuel group 100 percent of reported stocks.

Since the report has been placed in the hands of the Council members, I will refer only to a few of the highlights.

The report shows 432,000,000 barrels of crude oil capacity in the country. It should be remembered that a considerable portion of this storage is in areas where it is not currently available for use and that in many instances, its condition reduces its full usefulness. Crude oil stocks reported and actually in tankage totalled 185,000,000 barrels. This represents 43 percent of the total tankage capacity. Including crude in transit and in pipe lines, total stocks were reported to be 225,000,000 barrels. Almost two-thirds is unavailable -- 35,000,000 barrels, or 16 percent, is required for pipe line fill -- 64,000,000 barrels, or 28 percent, is needed to insure continuous operation of crude oil pipe lines -- and 38,000,000 barrels, or 17 percent, is needed to permit uninterrupted

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operation of refineries.

There were 348,000,000 barrels of clean storage reported. 171,000,000 barrels of clean products were stored by the reporting companies in tankage. This is a little less than 50 percent of capacity. Total stocks, including pipe line fill and in transit, were 181,000,000 barrels. Unavailable stocks were 74,000,000 barrels, or 41 percent of total stocks.

Total residual fuel oil tankage reported was 106,000,000 barrels, including 20,000,000 barrels of reservoir storage in California. Total stocks actually in tankage of reporting companies totalled 39,000,000 barrels, or 37 percent of tankage capacity. Total fuel oil stocks, including in transit, were 41,000,000 barrels, of which 16,000,000 barrels, or 40 percent, were unavailable.

Reporting companies indicated that 24,000,000 barrels of new tankage would be completed between June 30 and December 31, 1950. I do not know whether that figure startles you as much as it does me. But it is a very substantial addition. Of this, 10,000,000 barrels is in crude storage; 12,000,000 barrels in clean storage; and 2,000,000 barrels for residual fuel oil. Almost 60 percent of the increased tankage is located in the East Coast and Indiana-Illinois-Kentucky areas.

The findings shown in the tankage survey report dated

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March 31, 1948, are fully supported and corroborated in the present report.

Secretary Chapman's request for a breakdown by location of storage with its relation to its principal transportation, that is, by deep water, inland waterway, pipeline, rail and tank truck, each given by PAW districts and principal areas within such districts, is not included in this report. The work necessary to assemble this very great amount of detail would have tremendously delayed reporting on the primary problems involved. Should an analysis of the report indicate that it is not complete to the degree required, further steps can be taken to secure this data. It is believed that the report as now drawn may answer the required purpose, with perhaps some specific inquiries directed to certain points in the coastal areas.

As is usually the case in a report of this kind, somebody else does most of the work, and I would like to commend Fred Van Covern of the Petroleum Institute and his subcommittee who did the job. The committee merely wrote the report.

Thank you.

CHAIRMAN HALLAMAN: Thank you very much.

MR. WILSON: Mr. Wescoat, there are a couple of points that I would not say I was entirely clear on. May I raise

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this question?

On Page 2, the last sentence of the full paragraph on that page, you say:

"It therefore decided to proceed as in the case of the 1948 Survey but to obtain, in addition, figures indicating the amount of tankage under construction as of June 30th of this year, and which would be completed by or before December 31st next."

Suppose it was not under construction on June 30th, but was started August 1st, and yet will be finished. Wouldn't you include that? In other words, it did not have to be under construction on June 30th to be counted, if they knew they were going to build it?

MR. WESCOAT: Can you answer that, Fred?

MR. VAN COVERN: That is included. Any specific thing that was done after June 30th but was to be completed before December 31st of this year is in there.

MR. WILSON: I was not clear on that.

Secondly, I would like to be clear on this. You speak on Page 4, Paragraph 2, of "63.3 percent, or about two-thirds of the total crude oil in storage as of June 30th last, represented unavailable stocks."

Then down below, you say, "17 percent of the total crude inventory, or 40,000,000 barrels, is in transit."

Now, that is in addition to the amount that is in

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storage, is it?

MR. VAN COVERN: No. That is included in there.

MR. WILSON: If it is in transit and it is not in storage --

MR. VAN COVERN: That is represented as unavailable, however.

MR. WILSON: I know it is unavailable. But you count that as part of your in storage?

MR. VAN COVERN: Yes. Crude oil in storage is the total reported crude oil in storage.

MR. WILSON: If it is in transit, it is not in storage?

MR. VAN COVERN: That is right.

MR. WILSON: In other words, it is the total inventory rather than total storage?

MR. VAN COVERN: That is right.

Now, to speak to the point there, we use the expression "crude oil in tankage," as differentiated from crude oil as reported in inventories. Now, the total reported crude is that which is in tankers, pipe lines, and other places.

MR. WESCOAT: Is that clear, Bob?

MR. WILSON: Yes.

CHAIRMAN HALLAMAN: You have heard the report of the Committee on Petroleum Storage Capacity. Are there any

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remarks?

MR. BRUCE BROWN: Mr. Chairman, I would like to say now that I am sure that the program committee of PAD and the military can make valuable use of the breakdown, as, for instance, between Los Angeles Harbor, Bakersfield and San Francisco, California, which is a big place. I will use that as an illustration. I do not think we are interested in what was in the tanks on June 30th. But we certainly can use, for defense purposes, the date as to where storage will be. We would like to have it.

MR. WESCOAT: Yes.

CHAIRMAN HALLANAN: Mr. Wescoat moves the adoption of the report?

MR. WESCOAT: I so move, Mr. Chairman.

CHAIRMAN HALLANAN: Is there a second?

MR. MARSHALL: Second.

CHAIRMAN HALLANAN: All those in favor indicate by saying aye; contrary no; it is so ordered.

You have the thanks of the Council, Mr. Wescoat.

Gentlemen, I have attempted to clear the decks of committee reports up to the next matter of the presentation of the report of the Committee on Petroleum Transportation. I regard this as one of the most important and far-reaching jobs that has ever been undertaken by the Council.

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I want to take this opportunity to express appreciation to Mr. Spencer as chairman of the committee, who has organized this tremendous undertaking and who has brought such a comprehensive report on all phases of petroleum transportation. Mr. Spencer has organized and directed this job through various subcommittees representing the best minds and best authorities on this subject. It is a report that reflects great credit upon the committee, and I know that it is one that will be a very great and important contribution to the government.

Mr. Spencer, as chairman of the Petroleum Transportation Committee, will you present your report in such form as you will desire, and call on any chairmen of your subcommittees that you may wish?

MR. SPENCER: Mr. Chairman, thanks for the kind words. I think the proof of the pudding is going to be in the eating, and I hope it turns out that way.

Unfortunately, this was a rather large assignment, and the committee was not able to send out copies of its report in advance of this meeting. As a matter of fact, it was only last night that the last of the reports came off the press. So watch out. Some of the printing may be a little green yet.

I would like, before I start, to make sure that every one has a copy, because before I start, I would like to

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explain the report generally.

Can we pause for just a moment while they are distributed?

Let me say in advance that it is not my intention to read all of this report.

CHAIRMAN HALLANAN: I think now, Mr. Spencer, we are pretty well covered.

MR. SPENCER: As has been indicated here, this is a rather imposing document, but I assure you it has taken a considerable length of time to boil it down to this reasonably compact package.

This report consists of an over-all, or covering, report, in the first part, or the first 11 pages. That down to Page 6 is really the over-all report, and from Page 6 to Page 11 are summaries of the subcommittee reports which follow. The exhibits are separated by colored insert sheets, as you will note.

Exhibit 1 is the roster of the main committee on Petroleum Transportation, and following that is a roster of the subcommittee membership. The real credit goes there, Mr. Chairman, for any perfection that you may find in this report.

In the roster of the principal committee, there is one "grave" omission, and I say "grave" advisedly, because it omits to say that Mr. Bert Graves is the vice-chairman

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of our committee. We are very proud to have Bert as vice-chairman of our committee, and I am somewhat embarrassed because it does not so state.

Bert, will you accept that?

Following Exhibit I is Exhibit II, which is the correspondence that was had between the Chairman of the Council and the chairman of the committee and the Secretary of the Interior, which I shall come to later. Following that is Exhibit No. 3, which contains, as you will find, in condensed form, the reports of the several subcommittees.

I expect, if there is no objection, to read the first part of the over-all report and then when we come to the summary of the subcommittee reports, I would like to read the summary as we have it, and then call on the chairman of that particular subcommittee to stand and answer whatever questions members of the Council may have in mind.

Mr. Chairman, I will proceed with the report.

CHAIRMAN HALLANAN: Proceed.

MR. SPENCER: When the Committee on Petroleum Transportation was appointed August 2, 1950, it was given three assignments by the Council for the purpose of carrying out a request of the Secretary of the Interior:

1. To ascertain and bring up to date the facts re-

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garding all transportation facilities, including tankers (ocean and lake), barges, tank cars, transport tank trucks and pipe lines;

2. To report on the adequacy of such facilities to meet the Nation 's needs; and

3. To make such recommendations (not involving industry plans, programs or allocations) as may appear appropriate in assuring the future adequacy of such facilities.

The Committee organized for its work by appointing six subcommittees representative of the main divisions of oil and gas transportation. The subcommittee membership is composed of industry specialists and outstanding transportation experts in the several fields. The subcommittees and subcommittee chairmen are set out below and attached as Exhibit I is a roster of membership of the main Committee and all the subcommittees:

Barge and Lake Tankers, Harry A. Gilbert;

Rail (Tank Cars), Fayette B. Dow;

Tankers, James P. Patterson;

Trucks, Lee R. Cowles;

Natural Gas Pipe Lines, J. French Robinson;

Petroleum Pipe Lines, W. R. Finney.

To expedite the fact-finding work and avoid duplications, the subcommittees have endeavored wherever practicable and permissible to use pertinent factual data

heretofore assembled by industry specialists for Governmental agencies.

I would like to say right there, Mr. Chairman, on behalf of our committee, that we appreciate the cooperation, the help, the counsel and the guidance and advice we have received from several representatives of the government in the preparation of this report. I have in mind Admiral Biggs, Chief of the Petroleum Division of the Munitions Board, who has attended, I think, all of our sessions; Major Latta, of the Munitions Board; Hugh Stewart, Director of the Oil and Gas Division, and now assistant deputy administrator of PAD; the assistant director of the Oil and Gas Division; Carroll D. Fentress, the assistant director of the Oil and Gas Division.

We have also had with us John E. Boyce, the transportation specialist for the Oil and Gas Division, and Charles B. Reynard attended one, the petroleum advisor to NSRB, attended some of our sessions. They have all been helpful.

Last, but not least, I would like to say on behalf of the committee, Mr. Chairman, that there have been times when the committee needed direction, needed guidance and instruction. I recall one occasion, when you were not with me, calling on Howard Marshall and the Secretary and others to get directions. And at every point in this rather

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large undertaking where we did need the cooperation and the help of the Secretary of the Interior, it has been forthcoming promptly.

CHAIRMAN HALLANAN: Thank you.

MR. SPENCER: As the Council was advised at its last session, the Committee was not furnished with specifications or a yardstick for the purpose of determining the "Nation's needs," particularly those of an emergency character, and it became necessary to obtain a clarification of the Committee's assignments in this respect. This clarification was accomplished through an interchange of letters between the Chairman of the Committee and the Secretary of the Interior, copies of which are attached hereto as Exhibit II. In accordance with the suggestions outlined in Secretary Chapman's letter of September 12, 1950, the Committee through its subcommittees proceeded to develop detailed reports limited at this time to data "on the existing petroleum transportation facilities and known and projected increases in transportation facilities," with such comments on obvious bottlenecks affecting the future adequacy of such facilities as the subcommittees deemed appropriate. Attached as Exhibit III are the separate reports of the several subcommittees setting forth the results of the studies to date. Since the several subcommittee reports contain the factual data and specific

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comment relating to the respective types of facilities, this report is confined to a coordination of the separate findings and to comment on the current overall situation in petroleum transportation.

There let me inject that we saw fit here to say that wherever the words "petroleum transportation" are used in this report or any of our records, they are intended to include natural gas transportation to the extent applicable.

As to the scope of the report, for the reasons explained above, the Committee has attempted to do no more in this report than to set out an inventory of existing and presently planned facilities and to measure them broadly against present known requirements. The Committee is not now undertaking to relate such facilities to the Nation's needs beyond near-term known requirements nor to measure their adequacy for any emergency. In so restricting the present scope and content of the study and report, the Committee is performing within the limits of its immediate assignment as suggested by the Secretary of the Interior.

Subject to the foregoing, and in general terms, the several subcommittee reports reflect that existing and planned facilities are sufficient to do the job they are presently called on to do. In making such statement as

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to adequacy, however, the importance of completing the construction of certain planned facilities, as shown in the subcommittee reports, must be particularly emphasized. The completion of such facilities is conditioned upon the availability of steel and other materials in short supply, in proper cases favorable Government action permitting accelerated amortization of privately financed projects, and many other contingent factors.

The Nation is fortunate at this time to have as a result of competition and other economic factors transportation facilities of the various types required for oil and gas movements which have been developed and integrated into a highly efficient system.

The Committee has reviewed and particularly approves that portion of the report of the National Petroleum Council's Committee on National Petroleum Emergency dated January 13, 1949, relating to transportation, one pertinent paragraph of which reads as follows:

"Because transportation is such an important and integral part of the task of supplying petroleum products to points of need; because petroleum transportation facilities are so highly specialized and, with the exception of tank cars, of a character little used for the movement of other commodities; and because it cannot be separated from the other functions

of the Industry and the agency having primary responsibility for petroleum supply, it is imperative that the Petroleum Administration for War should have final determination of the use of all forms of petroleum transportation."

In peace or in war, petroleum transportation can be no more effective than the skill and competence of the heads and hands which direct it. Transportation facilities cannot remain adequate for the Nation's needs, wherever they may be, if the facilities are not administered by experienced industry specialists with the necessary "know-how."

The character of petroleum transportation facilities is unique. They are mostly one-directional in their use and generally unadaptable to the carriage of other commodities. The secret of successful petroleum transportation is in its "flow." The bulk handling of oil from the well to the consumer is on a scale without parallel. Refineries rely on producing wells for supplies of crude oil. Distributors rely on refineries for supplies of products. Properly coordinated flow of enormous volumes of crude to refineries and of products through distributors to consumers is indispensable if petroleum is to do its part in supplying the energy needs of the United States.

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It is vital therefore to preserve the closely integrated relationship between transportation and other functions of the petroleum and natural gas industries, if the Committee's evaluation of the adequacy of the transportation facilities for current and expected near-future needs is to continue to hold true.

It is urged that the Council or the Committee be notified as promptly as possible through appropriate channels concerning any emergency requirements in order that the Committee, if the Council so desires, may re-examine and re-appraise existing and planned transportation facilities in the light of such emergency demands, and make such recommendations as may be deemed proper. In this connection, an obvious fact should be noted, namely, the construction of most transportation facilities under the most favorable circumstances requires substantial periods of time. This is especially true of tankers as well as long transmission lines for oil and gas. Consequently, needs of tomorrow, of next week, of next month, or of the next year in some cases, cannot be supplied with a facility now on the planning board.

The Committee is aware that emergency conditions may require the installation of transportation facilities which might be considered uneconomic in the normal peacetime operations of the petroleum and natural gas industries.

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Notwithstanding the uneconomic character of such facilities, whether Government owned or privately owned, it is assumed that the Governmental authorities will wish to have the advantage of the "know-how" of the industry in their design, construction and operation. Under such circumstances, the appropriate Governmental authorities should undertake, of course, to insure the availability of financing, materials, priorities and such other elements as are required to implement such projects.

While the subcommittee reports speak for themselves in respect of the several methods of transportation, the following brief summaries may be of interest:

In drafting these summaries, in each case we have had the advice and counsel of the subcommittee chairman. In some cases, they have been drafted entirely by the subcommittee chairman. I shall read each summary and then call upon the subcommittee chairman.

First, the summary as to barges and lake tankers, there are certificated, as of October 1, 1950, a total of 2,452 tank vessels (self-propelled and non-propelled) suitable for petroleum and products transportation, having a combined capacity of 20,000,000-odd barrels, and in general having adequate suitable related power for transporting each unit. It now is impossible to determine accurately how much of this equipment might be made avail-

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able for any particular emergency service, without establishing facilities for compiling the necessary statistics covering current scheduling. The Subcommittee, therefore, recommends the following:

1. That immediate steps be taken to effect the re-delegation from DTA to PAD of authority (outlined in Executive Order 10161) over all petroleum barge and lake tanker transportation facilities and related power particularly with respect to:

(a) Control of movements.

(b) Claims for materials covering construction, conversion and repair.

(c) Allocation of equipment, (Existing converted and newly constructed.)

(d) Endorsement for accelerated amortization when justified.

2. That PAD authorize in the event of declared emergency (by Directive if necessary) the establishment of a Barge and Lake Tanker Industry Subcommittee Office, financed by industry, with adequate authority:

(a) To obtain required vessel movements reports from all operators of inland waterways petroleum equipment.

(b) To determine those non-essential and cross-haul movements which should be eliminated during

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full industrial mobilization; and

(c) To submit this information tabulated to PAD for use in formulating policy. It should be understood that all records of such office should remain under the exclusive jurisdiction of the petroleum industry.

The present equipment and new units and power now building is in balance substantially with inland water transportation requirements on a scheduling basis as contrasted to occasional shortages on a spot basis.

As you know, the full report of the Barge and Lake Tanker Subcommittee appears as Exhibit III(a).

Now, Harry A. Gilbert, who is an old timer and expert at this business, is chairman of this subcommittee.

Harry, will you stand and submit yourself to such questions as members of the Council may want to ask?

CHAIRMAN HALLANAN: I think it might be well, Mr. Spencer, to complete the full text of your report, and then call on the subcommittee chairmen.

MR. SPENCER: Very well.

The next report has to do with rail tank cars. Mr. Fayette B. Dow is chairman of this subcommittee. It appears as Exhibit III (b).

Two thousand general use tank cars, Class 103W, of an average capacity of 10,000 gallons, are needed to meet

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peak shipments due to various causes unrelated to supply and demand, such as railroad performance, adverse weather conditions, and so forth; 2,000 more tank cars of the same type and capacity are needed to take care of increased consumptive demand in 1951; 3,000 additional tank cars of the same type and capacity are needed to replace cars that will be normally dismantled. For movement of liquefied petroleum gas 1,750 Class 105-A-300 cars should be built this year and in 1951 to take care of normally increased consumption. Car builders reported on September 14, 1950, that 1,093 Class 103W (general use) tank cars and 1,521 Class 105-A-300W (LPG) were on firm order for petroleum service. These cars should be constructed as soon as steel is available.

The next report relates to tankers. This is a very brief report for the very extensive tanker report that you will find as Exhibit III(c). I think there has not been a more comprehensive document issued, to my knowledge, than you will find here supplemented by the data that this committee has.

In spite of the stringency in tanker supply in recent months, it appears that the freeing up of tankers by the completion of Middle East pipe lines and the launching of tankers now under construction or planned for construction will provide a sufficient supply of tankers to meet the

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near-term known requirements. Attention is invited to the fact that of the large number of tankers under construction or planned for construction nearly all will be built in shipyards outside the United States.

The transport tank truck report appears as Exhibit III(d).

The estimated over-the-road tank truck fleet of the Nation is nearly three times what it was on January 1, 1944. This is shown by the table below, as you can see by glancing at it. I shall not take the time to read it.

The increase in capacity in gallons is greater than the increase in number of units, indicating the use of units of larger individual capacity. The figures show how much more the use of tank truck transports has increased in the last three years, than it did during the first three years following the war.

The Subcommittee believes that if wartime measures were adopted, such as 24 hours per day operation, seven days per week, reciprocity as to various state laws and regulations, and freer use or interchange of operating rights, the existing capacity could be increased by 35 percent to 40 percent.

The natural gas pipe lines report appears as Exhibit III(e).

The conclusions of the Subcommittee are as follows:

Area I (New England States) will be adequately supplied with natural gas in the near future.

Area II (Ohio, Kentucky, West Virginia, Virginia, Pennsylvania, New York, Maryland, New Jersey, Delaware and District of Columbia), Area IV (Wisconsin, Michigan, Illinois, Indiana and Missouri), Area V (North Dakota, South Dakota, Minnesota, Iowa, Nebraska and Kansas) and Area VII (Montana, Idaho, Wyoming, Utah and Colorado) have an adequate supply of natural gas and will continue to have an adequate supply in the future.

Area III (Tennessee, North Carolina, South Carolina, Florida, Alabama, Georgia and Mississippi) has an adequate supply of natural gas at the present time and will continue to have an adequate supply until the end of 1952. During 1953 and 1954 a shortage in pipe line capacity will develop amounting to 337 MMCF daily in 1954.

Area VI (Texas, Oklahoma, Arkansas and Louisiana) has a small deficiency in pipe line capacity in 1950 but will have an adequate supply of natural gas thereafter.

Area VIII (Washington, Oregon, California, Nevada, Arizona and New Mexico) has an adequate supply of natural gas at the present time but by November of 1952 a deficiency in pipe line capacity of 267 MMCF per day will develop and by November of 1953 an additional deficiency of 100 MMCF daily will occur unless Federal Power Commission

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authorization is received for the construction of additional facilities.

The supply of natural gas on an annual basis is adequate except in Areas III and VIII where daily pipe line deficiencies will develop. In Area III the daily deficiency will increase from 288 MMCF in 1953 to 337 MMCF by 1954. In Area VIII a daily deficiency of 267 MMCF will occur by November of 1952, increasing to 367 MMCF per day by November of 1953.

In cold weather, however, due to the increased number of house heating consumers throughout the Nation (an average of 6,844,000 residential natural gas heating consumers in 1949, or 60 percent saturation) it will be necessary to curtail severely industrial loads, in order to protect the domestic consumer.

The chairman of the Natural Gas Pipe Line Committee is J. French Robinson. He is here today, and he has on his committee a membership composed entirely of men whom we consider to be outstanding experts in natural gas transmission, particularly.

Petroleum Pipe Lines appears as Exhibit III(f).

The chairman of this committee is Wallace R. Finney, who is also an old-timer and expert in this field. Mr. Finney is not with us today, but the secretary of the committee, Jake Peper, is here, and will answer any questions, I am

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sure. to your satisfaction, that you may have.

The existing systems of crude and products pipe lines, together with projects now under consideration, and definitely planned projects which have the recommendation of the Subcommittee, will meet the present known foreseeable needs.

The projects involve pipe and stations for replacements or to eliminate bottlenecks or extend present systems, and intermediate or booster stations to obtain maximum pumping capacities of existing facilities. Material such as line pipe and fittings, pumping equipment, tankage, and so forth, as well as the manpower to operate same, included in the projects recommended by the Subcommittee must be made available promptly if the improvements and enlargements are to be completed at the earliest possible date.

That completes the over-all.

CHAIRMAN HALLANAN: Now, Mr. Spencer, I would suggest, in order to facilitate the consideration of this report, that you may ask for any questions on any subject dealing with the report of any subcommittee, and you in turn may desire to call upon the chairman of the respective subcommittee.

MR. SPENCER: Very well.

Gentlemen, are there any questions in connection with this report?

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CHAIRMAN HALLANAN: I think it is an outstanding contribution to the work of this Council.

MR. WILSON: In your statement regarding adequacy of natural gas supplies, it obviously assumes that steel will continue to be available on schedule.

MR. SPENCER: It assumes many other things. It assumes that they will get authority to construct the lines, also, which in many cases is yet to be decided upon.

MR. WILSON: It seemed to me that it read a little more optimistically, and that it really would have been well to have some sort of caveat in here, and that assumes a lot of things to be done and a lot of money to be spent.

MR. SPENCER: We have covered that.

MR. WILSON: Probably in the subcommittee report.

MR. SPENCER: If you will read the subcommittee report, the contingencies are spelled out in some detail, and they cannot be overemphasized.

MR. MEECE: It is very important that the barges be taken from the DTA to the PAD.

MR. SPENCER: Are there any other questions?

MR. JONES: I move the acceptance of the report.

MR. MAJEWSKI: I second it.

CHAIRMAN HALLANAN: It has been moved and seconded that the report of the Transportation Committee be accepted, and that we express our gratitude to the chairman and the

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members and the chairmen of the various subcommittees.
All those in favor, say aye; contrary, no; it is adopted.

MR. SPENCER: Thank you, Mr. Chairman.

If I may be permitted to stand on my feet a couple of minutes longer ---

CHAIRMAN HALLANAN: Yes.

MR. SPENCER: There are two other matters concerning which we would like direction from the Council. First, there is the question of the distribution or circulation of this report. You will note that it is marked confidential.

The Secretary of the Council has had some consultations with the Government representatives about that. It was the idea of the Committee, at least, that the over-all, or covering report, being the first 11 pages, might be released, but the balance of it restricted.

CHAIRMAN HALLANAN: Yes. I want to call the attention of the members of the Council to the fact that this report is marked confidential. There are some parts of this report which come within the category of military information, and for that reason, the release that will be given out on it will be a restricted release. I urge that you keep the report as confidential for your own purposes and uses.

MR. WILSON: If we are going to release the first with-

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out the last, I think you do need a little editing there to show some of the "if's" in that adequacy of natural gas transportation, for example.

MR. SPENCER: We can cover that, too. May I suggest, when you have time to glance at some of these more detailed reports, you will see the necessity for restriction, particularly with respect to the tanker report and the pipeline report.

Now, I want to talk about the continuance of the subcommittees just a moment. But before I do that, I would like to take this opportunity to introduce the subcommittee chairman who did this work, if I may, those who are here.

CHAIRMAN HALLAWAN: We would be happy if you did.

MR. SPENCER: Harry A. Gilbert, who is chairman of the Subcommittee on Barges and Lake Tankers. (Applause.)

Fayette B. Dow certainly needs no introduction here. He is chairman of the Rail Tank Car Section. (Applause.)

James Patterson, who is equally expert, and has senior rights in the tanker field. (Applause.)

Lee Cowles, Chairman of the subcommittee on Tank Trucks. (Applause.)

And J. French Robinson, chairman of the Subcommittee on Natural Gas Pipe Lines. (Applause.)

As I indicated, Mr. Finney is not here. Is Mr. Kinsolving here? He is vice-chairman of the committee.

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Then I would like to introduce Jake Peper. (Applause.)

Now, going back to the "grave" omission here, I would like to introduce especially Bert Graves, vice-chairman of the main committee. (Applause.)

Now, Mr. Chairman, as this report starts out, we were given three assignments, briefly to make this inventory of existing plant facilities; secondly to report on their adequacy to meet any emergency; and thirdly to make recommendations on how to continue that adequacy. We have been stopped at No. 1 for the time being. Therefore, the committee has itself suggested to its subcommittees and membership that they would not be discharged, but would stand ready and alert to proceed with other phases of the committee's original assignment when other information regarding these is available.

I would like to know if there is any objection to that.

CHAIRMAN HALLANAN: Unless there is objection, the Committee on Petroleum Transportation, with Mr. Spencer as chairman and with the organization of the subcommittees, will continue on a standby basis for any future service that we may need them for.

Is there any objection? If not we will so continue.

MR. SPENCER: Thank you very much for your kindness.

CHAIRMAN HALLANAN: Mr. Graves.

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MR. GRAVES: Mr. Spencer, I note you overlooked introducing the Secretary of the Committee, who has done a great deal of work.

MR. SPENCER: Will you do that for me? I was a little embarrassed to introduce him.

MR. GRAVES: I would like to introduce Mr. J. E. Dyer, of the Sinclair Oil Corporation, who is secretary of the Committee on Petroleum Transportation. (Applause.)

CHAIRMAN HALLANAN: I want to present at this time Mr. Hugh Stewart, director of the Oil and Gas Division and assistant deputy administrator, for any comments on the reports that have been received or any general ideas that he has to present to us at this time.

MR. STEWART: This transportation report comes as near to being a complete inventory of our present transportation facilities as we could hope to get in any reasonable length of time, and I think the committee and the subcommittees deserve all the commendation possible for the type of work which they have done.

As an integral part of the work of PAD, our transportation division will have to use this report as its bible and work out from it any modifications, any additions, or what is now so important, work out those projects for which steel or Federal Power Commission approval must be obtained promptly.

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With respect to the classification of that document as confidential, I think it well now to comment on the fact that from time to time under the emergency, the council will be asked to make reports which in their nature will contain confidential information that we do not want published. Consequently, the distribution of that material will be decidedly restricted. And I want to re-emphasize the comments heretofore made, that these copies are for your own use. So please do not publish them.

We are glad to get this storage report. But we are going to have ask that the committee and the subcommittees continue their work to a certain degree necessary to give us a much better understanding of the quantity of storage available by areas and by methods of transportation. That information is going to be of extreme importance in any war planning that we have to do.

While I know why they shied away from the detail necessary to get that report, I think we are going to have to get it, at least in vital areas. That would be seaboard areas. I think Bruce mentioned that the West Coast was one. Well, the East Coast is another, and so is the Gulf Coast.

While I am on my feet, I want to make just a few more comments, because it is pretty nearly time for people to eat.

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As a director of the Oil and Gas Division, I watched this build-up of the Petroleum Administration for Defense. You heard me and others comment on an individual doubling in brass. I want to assure that this tiny organization known as OGD has functioned as some eight or nine German bands -- each individual. And as a result, we have had some sour notes. But every fellow has been tooting to the best of his capacity.

I am tickled to death, personally, to see Bruce Brown come in as deputy and to see that we are getting additional divisional heads who are going to be so important in getting us properly scheduled.

We have one man, Burrill, who is head of the Program Division, who is going to have a tremendous amount of work to do, whether he realizes it yet or not, in planning our programs, in figuring out what we are going to attack and where we are going to attack it.

Now, every other division is going to be staffed to the extent necessary. That will mean the employment of some new division heads, but particularly the employment of the No. 2 man and the No. 3 man. Now, it is going to be highly important that those No. 2 and No. 3 men be on full government pay, and the responsibility is going to rest with you men in the industry to see to it that when and where we need those men, we will get them, or we will

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have to do some arm-twisting, I am sure.

Bruce Brown made the comment that we are not going to bring in a single individual unless we need him, or until we need him. We have not, I can assure you. But we are going to need more, and I am afraid still more.

I would like to leave this thought with you in that connection, though. I think, from what I have seen in this organization's work in the last year, that there is not a better training school in the United States for young, up and coming executives in the oil business than to spend a year or a year and a half in PAD here. You will send your men in, and they will be experts in one given line. Believe me, by the time they get through here, they will have a comprehension of the oil industry that is second to none. And the time they spend on oil will be well worth while, not only from their own part, but well worth while to the company when the company gets them back.

I think that is all, except, gentlemen, I want to thank each and every one of you for the help you have been to me in this trying period of the past three or four months.

Thank you. (Applause.)

Gentlemen of the Council, this morning Secretary Chapman referred to the fine contribution that had been made to him personally and officially in this transition

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of this organization by two members of this Council who have acted as consultants and advisors, Major Parten and Howard Marshall.

I want to take this occasion to express to them on behalf of the Council our everlasting debt of gratitude for the fact that they have come here and given of their time for the purpose of seeing that this organization was properly started. They have been tremendously valuable as liaisons between the industry and the government, and I want to call on them briefly at this time.

Major Parten. (Applause.)

MR. PARTEN: Thank you very much, Mr. Chairman.

It is the noon hour, and I know that all of you are more interested in having a bite to eat than to hear me talk. I can only say that I have done very little here. What I have done has been a pleasure. It is a great source of gratification to me that we finally got Bruce seated. You know, it was rather difficult. And at last, we have gotten going.

I feel that PAD is going to do a good job as a defense organization. It is my belief that if the emergency should prove more grave as time goes on and we should get into a real, major war, we will have here an organization that can be stepped up very promptly to meet that emergency.

Thank you very much. (Applause.)

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CHAIRMAN HALLANAN: I now want to call on our old stand-by, J. Howard Marshall. (Applause.)

MR. MARSHALL: Most of you fellows have heard me talk too much. There is only thing that I want to add to what J.R. has said, and that is that in connection with the Petroleum Administration for Defense, it will succeed or it will not succeed depending upon the kind of help that the industry gives it. And I do have the feeling that in the type of world in which we live, under no circumstances can any of us who are part of this industry afford to have PAD fail in any major particular. I do not think we have to fall on our face but once to have the mistake irretrievable. But personally, I am confident that the thing will go forward and that the industry will maintain the tradition that has been that of the petroleum industry ever since I have known it, namely, that when the chips are down, in some way or somehow, it does muster around and get the job done in ways that sometimes I cannot even understand myself, and almost always surprise me. (Applause.)

CHAIRMAN HALLANAN: Mr. Deputy Administrator, you indicated this morning that perhaps you would have some other things to say before we reached the point of adjournment. We are coming down to that point, and I would hope now that you might give us that little further word that you have.

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MR. BRUCE BROWN: Being in the pattern, too, I should refer to lunch. So perhaps I should mention it now, but it will be about 10 minutes, I guess, before lunch.

I am going to try very quickly to run over some of our problems and some of the things we are thinking about.

I may save some of you hours of time if you will listen to me. You may not have to call me up.

When the thinkers and the planners laid out the PAD organization structure, they included a new office, the office of finance counsel. That is one of the jobs that we are going to have to fill in PAD. I think the fundamental reason for it was a change in the times.

When we entered World War II, RFC was the financial agency of the government, and nearly everything that involved government money or tax money ended up either in RFC or the Treasury Department.

Now the Defense Production Act of 1950 is set up differently. The national responsibility and defense authority is widely diffused among agencies, as you will see if you read the Act. I suppose as we go on, there is the probability of some changes being made. But I think the fact that the authority to buy, the authority to sell and the authority to lend money was so widely diffused was the thing that convinced my associates that we needed a financial counsellor.

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I will tell you what we want to do about it. I impressed two men of the oil industry, who should know more about that than anything else, into service on a ~~compulsory~~^{consulting} basis. I got the man who last time bought the supplies, George Hill, now of Cities Service, and formerly of the Defense Supplies Corporation. And I got the man in PAW, George Parker, now of Standard of California. And they are working informally to study the functions that might be involved in an office of finance counsellor, as a staff advisor to the operating divisions.

I would like to run over them quickly. First, there is the certificate of accelerated tax amortization, which turned up in the revenue law, under which the builders of facilities may under certain circumstances depreciate them over a period of five years instead of the normal period of depreciation.

Now, we do not grant those things here. The President vested that granting authority in the National Security Resources Board, and the National Security Resources Board, after some consultation with agencies in town -- I regret that we were not staffed enough to do all the scrapping we might otherwise have done -- has set up certain standards for certificates of accelerated amortization.

In our small staff, Mr. Fentress and Mr. Gibson are

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probably the best informed on that subject immediately. Those standards may be modified in time.

As we build our staff and build our program here, we, too, will establish standards, because the way the thing is set up, the National Security Resources Board will not grant a certificate of accelerated tax amortization to a petroleum project without the recommendation of the petroleum agency. That is one of the things that is being studied from the operational standpoint by these consultants.

Another thing that is being studied is the financial, economic and contractual aspects of stockpiling. I do not mean great reserve stocks, but I mean special set-aside stocks of important things, such as toluene, tetraethyl lead, and so forth. They are reviewing mechanisms by which we might increase the availability on the ground in the tanks of certain needed products for military use, who ought to buy, who ought to store them, and how they ought to be kept, and so forth, trying to work out practical plans which, if we are satisfied with them, we can take to the military, the general services administration, or anyplace else, and say, "Here is something that you ought to try to get done," and try to get that particular thing moving.

They are also studying the mechanisms and philosophy

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of extraordinary expenses incurred by the industry at the request of PAD. They are studying the problems of contracting for the purchase of products, not that PAD intends to buy anything, but so that we can give proper advice to the military and to the other purchasing agencies.

That work is going on, and at the same time, we are trying to staff the office of the financial counsellor.

That is one thing that is going on.

Now, turning over to the question of certificates of accelerated tax amortization, insofar as the Petroleum Administration for Defense is concerned, we do not have any policy in writing. But since you gentlemen meet with us here only on infrequent occasions, I am going to go off the record and tell you the best I can what we are thinking at the minute, as to when we will recommend certificates of accelerated tax amortization. I think that when we get a staff here to handle the papers and establish our lines with NSRB, we will certainly recommend certificates in the case of special equipment installed now or in the future, especially to provide av gas or jet fuel or some other military product. That I think is certain.

We are considering the very interesting question of storage for the government. Certain private industry

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is desirous of building storage for the government which the government apparently wants, some branch of the government. I should think that we ought to look with favor at certificates of tax amortization on that. It may be that when we reviewed Mr. Wescoat's committee's report and the other studies, we may find that the nation is too short of storage generally. That might direct us generally into the idea that perhaps we ought to recommend certificates for storage generally.

It may be that when we get way down the line and our program division has operated long enough and we know where we are going, that we might decide, and we might be supported in the idea, that refining capacity generally was needed for national defense. Now, we are not there yet. But if we get there and can justify it, we might recommend certificates just for refining capacity. The same with transportation projects.

Now, there is a gimmick about these certificates of accelerated tax amortization. If all the industry wanted from us was that, we might be able to move more rapidly. But a certificate by us that something is entitled to accelerated tax amortization is just exactly the same as saying that it is needed for national security. And if the material situation worsens to the point that there is a priority system, we would look kind of silly

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recommending a certificate for something that we were not willing to recommend for priorities. And that is one reason why we are trying to take this a little slow. And through our program division, which started work yesterday morning, we are going to try to build an over-all program of what is needed for the civilians, for the military and for the allies, for defense. We are going to try to measure these facilities against that program.

Turning to another topic, we are continuing to talk among ourselves as people in industry are continuing to talk about gasoline quality, and whether there is any justification for doing anything about it. In that connection, there are two possibilities. One is that an adjustment of octane numbers might contribute to aviation gasoline and it might not. I am not going to get into that debate.

The other thing is that tetraethyl lead needs looking into from the standpoint of national defense.

There is no order in preparation, and there is absolutely nothing on the drawing board that is going to come out at any time that I know or even suspect on the subject of octane quality.

Now, considering the general field of production of oil and gas and transportation of oil and gas and the distribution of oil and gas, we are starting out with the

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philosophy that if we can keep a supply of materials flowing to the industry, it will not be necessary to regulate it. If the supply of materials fails and we do not have enough tubular goods or something else, so that we have in effect a rationing, I know no alternative except to recreate the type of thing we had in World War II. That would mean a big production with a lot of people in it; it would mean district offices. I shudder to think of it.

I am not suggesting it is coming. I am merely pointing out that our policy at the minute is to try to avoid regulation by stimulating flow of materials, because when you look back and look into what happened in World War II, the main need for regulation was to distribute materials fairly.

Something else we have to do very quickly is set up a foreign division, and we are going to have to establish a foreign operating committee similar to the one that prevailed in World War II. There are at least two good reasons for that.

One of them is that they need materials; and the other is that we need supply data. We have the Military Petroleum Advisory Board Committee on Air Fuels at work. I talked to them in Los Angeles. They are trying to review technology as it exists in 1950, to revise PAD as to the route by which we could get to the indicated maximum re-

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requirements of av gas for an all-out war and the maximum requirements of jet fuel for an all-out war without impairing the supply of other products, either to the military or to the civilian.

Now, there are three points to that. One of them is included in the subject of crude availability. They are not looking into that. They are looking only into the technology. They are assuming that crude is available, because they are a group of refining technologists. So far as they are concerned, crude comes from the same things that children think babies come from -- the stork brings the crude, in other words.

That is one thing: Is there crude?

Another thing is, Is there refining capacity?

But they have approached the question of refining capacity backwards, by first determining what particular refining equipment would have to be installed to meet the military need and then work backward and see whether that is going to take away too much of the refining equipment generally so that it would rob the military or civilians of other requirements.

I am very hopeful that they will be of assistance to us in connection with the aviation fuel problem, similar to the aviation gasoline advisory committee of World War II.

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CHAIRMAN HALLANAN: Mr. Majewski.

MR. MAJEWSKI: I think I would be remiss if I did not say something about what capable hands we are in. This is not a mutual admiration society. What I said in Los Angeles was not intended to have the Secretary of the Interior come on my band-wagon.

I took full advantage of the opportunity to ask him to join, and I think he has demonstrated by what he has said that he will play the game according to Hoyle in the interest of enlisting with all of the oilmen in the industry. That takes in even Rankin Peck, my friend over there, who wants to make a buck out of this.

I got to the point where I think we are at the cross-roads. This is not the time to think of making a buck; this is the time for living and continuing to exist. And I do not think we have yet fully realized what that means.

These people are out to devour us, and it will take all the might of this industry. I am glad for the enlistment of people like Bruce Brown, of M. R. Parten and Howard Marshall, and the Apjohns and the Frames, and the people that have not been mentioned, and the people that make this thing function. But they have enlisted and dedicated themselves to fight in the Crusade against godless ideology. And that is what we are fighting. It is a phantom that

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we are fighting, that you can beat only with munitions, with spirit and with patriotism. That is the way you lick it.

I am happy that we got the Secretary of the Interior and that his name is Oscar Chapman. I think the fellow has it. I think when he grasped onto the words I used in Los Angeles, the "guy" was not faking, because I can tell a faker in a minute. I have been tricked by them, you see. (Laughter.)

I am one of the guys that actually thinks that the stork brings the crude oil, I have had such a hell of a time finding it. I really think the stork brings it for some buys. And I am working on that thesis, but I hope to persevere and succeed.

I was looking at Sid Richardson over there. And taking a good look at Sid, I think I can be successful.

I do want to say this, that in securing Bruce Brown, we have secured a leader that we can back with all our might and main. I was going to say "heart and soul," but I think it takes even more than that, and I will tell you the kind of guy he is. It took me a long time to find out about him. I did not like him in the beginning.

The people I got the greatest confidence in, I meet the hard way. I went to night school in the City of Chicago, in Lakeview High School. I am a member of the

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school board now. I am the only person that ever went to the public schools of the City of Chicago that happens to be a trustee, or ever was a trustee of the Board of Education of the City of Chicago. Outsiders come and run our school system. And they have been trying like hell to get me off for 15 years. Most of them come from Cliffy Graves' elite Evanston, Illinois. They don't even pay taxes to support the schools, but they criticize them. But the people who helped me get my high school diploma were two persons named Brown. One of them was Frank Brown, the principal of the Lakeview High School, who taught me mathematics. And the lady Brown taught me civics and economics. God bless her -- she recently died. And I say reverently, "God bless her soul," because she had a great influence on me.

I want to say to you that since I have gotten so much out of the mother and father of Bruce Brown -- mind you, I didn't know him then; he didn't know that his mother and father taught me at night. But I say that the kind of people that took the time out at night -- and look at what they got for educating me and helping people like me. The father got \$2.02 an hour for working double time. And some of us were double-time problems. I say it seriously, because we started to work at six o'clock in the morning and we finished at six. We worked a twelve-hour

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day. And I was working on a fake work certificate. You couldn't work in the city of Chicago unless you were 14. I was twelve and a half, and I had a legal certificate to work, because I was big and tall and husky and hungry. So I got a work certificate because my father was a precinct committeeman. I got mine legally.

But the mother that taught me got \$1.61 for working overtime after getting a full eight-hour day in the public school system, getting \$162.50 a month, and I say that the product of parents like that is the kind of guy I like to see heading us as Deputy Petroleum Administrator for War.

And Jake, I was afraid you were going to beat me to this, because I wanted to give him a tribute early. And I wanted this reserved for me.

MR. JACOBSEN: I could not have done it that well, Barney.

MR. MAJEWSKI: I think you have demonstrated what you turned out here in the way of a transportation report. A guy like me couldn't get that for tens of thousands of dollars. I got it for nothing. And a lot of fellows in this industry get a lot of things for nothing, working together. And I, too, want to dedicate this group as the National Petroleum Council to enlist in the Crusade against a godless ideology, and back wholeheartedly Bruce Brown and

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his crew.

Thank you. (Applause.)

MR. JONES: I want to thank you for this meeting of the Council, and I want to congratulate you on the program. I want to rise to move for adjournment, but before I do it, I want to say that I have been impressed by these fitting tributes for Mr. Brown, and I heartily endorse him. But he is just beginning his work, and he is going to call on a good many of the fellows around this table for help. And I don't want a single man in the lot to say no when Bruce says he wants a man.

Keep that in mind, because all of this horse-feathers about what a nice guy Bruce is comes to nothing except as we support him wholeheartedly in the fashion that Barney has supported him.

I move we adjourn.

MR. PECK: Mr. Chairman, I would like to say just one thing. I would like to commend the nice speech that Barney just made. And I believe he had excellent teachers in math. But I don't believe he was a very adept scholar in math when he figures that the retailers have been getting the buck.

MR. MAJEWSKI: Mine make a lot of money. And I represent them. I know.

CHAIRMAN HALLANAN: Gentlemen of the Council, I saw a

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while ago the opportunity that we might conclude our session before recessing for lunch, and it seemed to me, and I hope I have your approval, that it was desirable to stay here a little longer so that we might not find it necessary to come back this afternoon.

I appreciate your indulgence and your patience and your kindness, but I think our time has been well spent.

Unless there is some new business which some member of the Council desires to bring up at this time, I now present the motion of Mr. Jones to adjourn. And this is the final meeting, so far as we know at this time, of this presently constituted council of the year 1950.

The motion is to adjourn. Is there a second?

A VOICE: I second it.

CHAIRMAN HALLANAN: All in favor indicate by saying aye; the motion is carried.

(Thereupon at 1:35 p.m., the meeting adjourned.)