

January 11, 1947

Mr. Walter S. Hallanan, Temporary Chairman
National Petroleum Council
Washington, D. C.

SPECIAL COMMITTEE ON MATERIALS
NATIONAL PETROLEUM COUNCIL

Dear Sir:

The enclosed report of the Special Committee on Materials is a revision of the original report of November 11, 1946, showing changes in the materials situation as of January 11, 1947. Conditions or shortages which have been eliminated or considerably remedied during the intervening two months are shown by a line struck through those portions of the original report applying thereto. New additions to the report are underlined.

Serious shortages have disappeared in some items due to the suspension of Government price controls (OPA), and some have eased due to the partial lifting of Government priorities and directives, but the main causes of shortages in many important items continue to be strikes, stoppages and slowdowns. The outlook is uncertain, due to continuing demands already declared by labor in the coal, steel, electrical and automobile industries in connection with forthcoming renewals of contracts.

With regard to the two items about which the Council received some correspondence which was referred to the Committee: Dynamite - began easing after price controls were suspended and operators advise that they are now managing to get along with the supply; Containers should improve, due to the recent amendment to Order M-81, whereby the container market was reopened to competitive buying, which includes petroleum. Dynamite has been taken off the Committee's list of shortages but the supply of mill products is still far short of demand.

With action initiated by the Oil and Gas Division of the Interior Department, and supported by the Petroleum Division of the State Department and by the Army and Navy Petroleum Board, the excessive export controls mentioned in the report have just been eliminated by CPA and OIT on all important items for petroleum operations, with the exception of tin plate. Facts have been presented relative to tin plate and some action is expected soon.

Shortages of certain chemicals for vital refinery operations show no signs of improvement and thereby continue to be very serious.

Yours very truly,

/S/ Claude P. Parsons

Claude P. Parsons,
Chairman

Encl.

SHORTAGES OF MATERIALS WHICH AFFECT
PETROLEUM OPERATIONS VITAL TO THE PUBLIC WELFARE

A report to the National Petroleum Council from the special Committee appointed by the Council to study the current shortages of materials needed for essential operations of the petroleum industry.

* * * *

The Chairman, upon receiving notice from the National Petroleum Council of the formation of the committee and his appointment thereon, visited the different operating areas of the petroleum industry to meet with local members of the committee and with enough other men familiar with the materials situation in all branches of the industry to get a representative picture of the shortages. Discussions were held in Tulsa, Denver, Houston, Dallas, Los Angeles, Oklahoma City, Chicago and New York. In each discussion, after the Chairman explained the purpose of the Council and of the Materials Committee, an explanation made necessary by the newness of both, there were three points of discussion: (1) What materials were short to the extent of seriously hampering petroleum operations necessary to the Public Welfare; (2) Causes of the shortages; (3) Recommendations for eliminating the shortages.

Having completed the trip around the industry and with all members of the committee familiar with the purposes of the Committee, and with the materials problems in all branches of the industry in their respective areas, the Chairman called a meeting of the Committee, held in the University Club, Chicago, on November 11, 1946. At this meeting the Committee approved the following report and respectfully submits it to the Council:

More than a year after the war the market supply of materials is in such a state of confusion that many materials are more difficult to obtain than during the worst stages of the war.

All types of petroleum operations necessary to the Public welfare are affected. For instances, the shortage of dynamite is curtailing the operations of geophysical crews which explore for needed new underground sources of petroleum; many essential drilling operations are delayed or curtailed by shortages of casing; needed pipe lines are delayed or prevented by shortages of line pipe; refineries are affected by shortages of such items as seamless high pressure line pipe and chemicals; the quality of gasoline is affected by the shortage of lead; petroleum operators cannot build houses needed for employees in oil field camps because of the shortage of building materials; many petroleum products used by the public are affected by shortages of paper and metal containers.

The following list shows the specific items which are seriously short and the causes of the shortages.

SHORTAGES OF MATERIALS WHICH AFFECT
PETROLEUM OPERATIONS VITAL TO THE PUBLIC WELFARE

Revised Report of Special Committee on
Materials Requirements by the Oil and Gas Industry
January 11, 1947

Materials Short to Extent of Affecting
Petroleum Operations Necessary to the
Public Welfare

Causes of Shortages

STEEL:

OIL WELL CASING, Seamless, Regular
OIL WELL CASING, Seamless, Alloy
OIL WELL TUBING, Seamless

Strikes in the coal and steel industries; shut-downs-of-pipe mills-in-the-Pittsburgh-area due-to-strikes-in-the-electric power-utilities. *

LINE PIPE, Regular, Butt Weld,
Lap Weld,

Same as above, plus the following:

1/8" to 4" incl.

OPA-Ceilings: CPA & NHA Priorities diverting materials in this country and Treasury Department-directives-diverting-materials-to-foreign countries; Public Works; UNRRA.

4" to 12"

OPA Ceilings; UNRRA; Government Priorities, and-Directives; Public Works.

Over 12"

UNRRA; Government-Directives; Shortage of plate for Thin Wall Pipe (See Plate).

CAST IRON PIPE AND FITTINGS
MALLEABLE IRON CONNECTIONS

OPA-Ceilings; Government Priorities and-Directives; Public Works; UNRRA; Labor Shortages in foundries.

STRUCTURALS

OPA-Ceilings-on-plain-"un-fabricated" structurals; OPA-Ceilings-on-serap.

CASTINGS

Labor shortages; serap shortages-due-to-OPA

CLUTCHES, Friction

Strikes; Shortage of Castings

CHAIN BELTS

Strikes.

REINFORCING-RODS

OPA-Ceilings-on-regular-type rods-Government-Priorities and-Directives; UNRRA; Public-Works.

NOTE: * The serious shortages in oil country tubular goods caused by recent strikes in the coal and steel industries would disappear in several months if the seamless pipe mills could continue production at present near-capacity and if there are no further strikes in the coal and steel industries.

Materials Short to Extent of Affecting
Petroleum Operations Necessary to the
Public Welfare

Causes of Shortages

STEEL (cont'd)

PLATE

OPA-Ceilings; Labor bonus incentives, being on a tonnage basis, encourages production of thick plates, thereby causing shortage of thin plates, needed for petroleum operations; UNRRA

SHEETS, Black and Hot Rolled

Government Priorities and Directives; UNRRA; OPA-Ceilings

TIN MILL PRODUCTS, Containers, etc.

Increased demand-due-to-Government-feed-packing-program-and UNRRA; Continuation of Government regulation M-21 and M-81 after-packing-season-is-over; inequitable allocations.

COPPER:

ELECTRICAL EQUIPMENT, all kinds, but especially motors, generators, wires and transformers

Marginal-copper-mines-not-producing-due-to-OPA-Ceilings; Shortage of copper due to strikes; strikes in electrical equipment manufacturing industry; OPA-Ceilings; Government Priorities and-Directives.

TUBES,--fer-heat-exchangers--

Strikes; OPA; Government-Priorities.

TUBING

Strikes; OPA; Government Priorities

LEAD:

BATTERIES: TETRA ETHYL for gasoline; LITHARGE

OPA-Ceilings; Scrap-withheld due-OPA; Marginal lead mines not operating; Strikes; Government monopoly on importation of lead. Shortage of labor in mines.

CONSTRUCTION:

LUMBER,--PLYWOOD,--WALLBOARD, PLUMBING FIXTURES, CAST IRON SOIL PIPE, NAILS, GLASS AND BRICK

OPA-Ceilings; Government Priorities; Labor shortage.

Materials Short to Extent of Affecting
Petroleum Operations Necessary to the
Public Welfare

Causes of Shortages

CEMENT:

Public Works; Strikes; Short-
age of freight cars.

CHEMICALS:

DYNAMITE

Shortage-of-glycerin;-caused
by-shortage-of-fats, caused
by-shortage-of-meat, caused-by
-OPA-Ceilings- *

TALLOW

Shortage-of-fats, caused-by
shortage-of-meat; caused-by
OPA-Ceilings- **

CAUSTIC, SODA ASH, PHOSPHATES, CHLORINE,
CHLORINE, SULPHURIC-ACID-

Government war plants shut
down; delays in construction
of new plants due to general
shortage of materials; strikes.

FATS-AND-OILS

OPA-Ceilings; Government
regulations-restricting
importation.

MISCELLANEOUS:

CHEESE-CLOTH-AND-CANVAS-for
wrapping-pipes-and-vessels-in
refineries;-FILTER-CLOTH-for
wax-presses;-MUSLIN-TUBING-for
greases;-BURLAP;-for-wax-cakes.

OPA-Ceilings

PIPE-LINE-FELT

Labor-shortages;-strikes;
priorities-

GLASS-SAMPLE-BOTTLES

OPA-Ceilings

PAPER PRODUCTS (containers,etc.)

OPA Ceilings; pulp shortage
due to lumber situation.

NOTES: * The-shortage-of-dynamite-is-due-to-the-shortage-of-glycerin,
which-is-due-to-the-shortage-of-fats-which-is-due-to-recent-shortage-of
meat-caused-by-OPA-Ceilings. While-the-materials-situation-was-being
studied-by-the-Committee, the-OPA-Ceilings-on-meat-were-lifted.
Immediately-following-this-the-supply-of-meats-and-fats-increased-
sharply-and-the-shortage-of-glycerin-and-dynamite-should-disappear-in
due-time.

** OPA-Ceilings-on-tallow-were-lifted-during-the-study-by-the-Committee
and-the-scarcity-immediately-began-to-disappear.

Summarizing the causes of the shortages in the above materials, they are:

1. Government labor laws and political practices encouraging strikes and stoppages, discouraging productivity and causing increased costs and scarcities.
2. Federal-price-controls-(OPA)-trying-to-hold-prices-down-when-costs-go-up;-thereby-further-discouraging-production-and-creating-further-scarcities.
3. Government priorities (OPA, NHA, WAA) channeling scarce materials to uses other than petroleum.
4. Government-Directives (Treasury-Department) diverting-scarce materials-to-foreign-countries.
5. Government-purchases-and-export-(UNRRA)-of-industrial materials-for-shipment-to-foreign-countries-as-relief.
6. -Scrap-metals-not-getting-to-the-mills-due-to-OPA-Ceilings.
7. Public works programs increasing the demand.
8. Labor bonuses when on a tonnage basis discourages production of lightweight items.

Since the end of the war, the cycle of avoidable scarcities has been: strikes and work stoppages directly causing scarcities and increased costs; OPA, by-trying-to-hold-prices-down-when-costs-go-up;-discourages-production-and-causes-further-scarcities; the cost of living goes up; more strikes, more scarcities, more costs, etc., etc. The other causes listed have further aggravated the situation.

In-addition-to-the-above;-foreign-operations-of-the-petroleum-industry have-been-further-hampered-by-inadequate-allocations-of-materials-by OPA-to-the-Office-of-International-Trade-of-the-Department-of-Commerce, making-it-impossible-for-petroleum-operators-to-obtain-adequate-export-licenses. Licenses-are-not-issued-by-one-government-bureau-until an-operator-has-an-allocation-from-another-bureau.--Allocations-are made-from-some-theoretical-list-but-there-have-been-many-instances-of operators-being-able-to-obtain-materials-in-the-open-market-but-were unable-to-obtain-allocations-and;-therefore;-had-to-hold-the-materials in-storage-until-the-theoretical-list-showed-that-the-materials-were available.

Due-to-existing-regulations;-the-American-petroleum-industry-is-finding-it-more-difficult-to-obtain-permission-from-the-Government-to-export-materials-for-its-petroleum-operations-abroad-than-it-did-during the-worst-stages-of-war. *

NOTE:- *See-supplemental-report-from-Subcommittee-on-Materials-for Foreign-Operations-of-the-petroleum-industry.

RECOMMENDATIONS

The Committee believes that there are adequate production facilities in this country to produce the materials listed in sufficient quantities to fill the needs of the petroleum industry and of the other important industries vital to the public welfare.

It believes that both the cause and the solution of the scarcities listed lie within the Federal Government and that the shortages would quickly disappear when the Government takes the following action which the Committee recommends be done as quickly as possible, in view of the outlook of further shortages ahead:

1. Discontinues price controls (OPA).
2. Discontinues priorities (CPA, NHA AND WAA).
3. Discontinues purchasing by UNRRA of industrial equipment for distribution as relief to foreign countries.
5. Discontinues regulations (Department of Commerce and OPA) which seriously interfere with the petroleum industry shipping adequate materials to carry on its operations abroad. The petroleum industry should be permitted to use the general license procedure and regulations for exporting the materials needed in its foreign operations in countries classified by the Government as "K" countries. (See Chairman's attached letter of January 11, 1947, re current status of export controls).
6. Defers construction of public works until the present shortages of materials are relieved.
7. Provides effective legislation which will give labor the protection and rights to which it is entitled, consistent with the rights of others, and at the same time encourages productivity instead of strikes, stoppages and slow-downs resulting from existing legislation which create scarcities which cause increased costs and prices which cause more strikes. Production is the only answer to lower living costs and adequate materials.

The Committee is in unanimous agreement in this report and has attempted to fulfill its assignment of gathering the facts and presenting its recommendations in the interest of the petroleum industry and of the American Public which the industry serves.

/S/ Claude P. Parsons,
Chairman
Materials Requirements
Committee

SPECIAL COMMITTEE ON MATERIALS
NATIONAL PETROLEUM COUNCIL

January 18, 1947

Mr. Walter S. Hallanan, Chairman
National Petroleum Council
Washington, D. C.

Supplemental Letter re Tinsplate for Petroleum Operations Abroad

Dear Sir:

In my letter of January 11th accompanying the revised report of the Materials Committee, I mentioned that excessive export controls had been relieved on all important items for petroleum operations abroad except tinsplate; also that some further action was expected on tinsplate. This letter is to advise that the action on tinsplate was expected from a Government meeting held on January 13th but nothing favorable came therefrom.

Due to the importance of tinsplate to petroleum operations abroad, the Subcommittee for Materials for Foreign Operations of the Petroleum Industry held a meeting in New York on January 14th to consider the tinsplate matter and to review its report of November 11, 1946. Mr. George W. Young, Chairman, reports that tinsplate is of vital importance to foreign operations and relief should be granted immediately.

The reasons for the need of immediate relief on tinsplate for the manufacture of containers used by American oil companies who refine or distribute petroleum products abroad are: tinsplate is vital to the successful distribution of petroleum products abroad; American tinsplate has been withheld by our Government from American oil companies; the British government has shipped tinsplate to British oil companies for the manufacture of containers for the distribution of their petroleum products in the foreign markets, while our Government has allocated American tinsplate to the British for the packaging of food for the U. K.

This situation has placed the American companies in a very unfavorable post-war competitive position in foreign markets which they had built up over many years, and should be corrected immediately.

Respectfully yours,

/S/ Claude P. Parsons

Claude P. Parsons,
Chairman

P. S. The Subcommittee also reviewed and reaffirmed its report of November 11th, copy attached.

REPORT OF SUBCOMMITTEE
TO THE
COMMITTEE ON MATERIALS REQUIREMENTS BY THE OIL AND GAS INDUSTRY
OF THE
NATIONAL PETROLEUM COUNCIL

The foreign operations of the petroleum industry are having and will continue to have serious difficulties under the impossible conditions imposed by the Office of International Trade in the Department of Commerce and by the Civilian Production Administration.

These difficulties are in addition to the difficulties caused by the shortages in critical materials listed in the main report.

The prescribed mechanism by the Department of Commerce, Office of International Trade, for presenting detailed estimates of materials requirements for the foreign operations of the petroleum industry, makes it impossible for the Department of Commerce to present such firm requirements to the Civilian Production Administration.

No appreciation of the seriousness of the problems involved are apparent by either the Civilian Production Administration or the Department of Commerce.

It is the unanimous opinion of this Subcommittee that the only cure for the difficulties experienced since the cessation of war hostilities is the elimination of all functions of the Office of International Trade in the Department of Commerce and of the Civilian Production Administration, insofar as quotas, allocations, priorities and special export regulations are concerned, and the immediate return of the petroleum industry to the established general export license procedures and regulations for all "K" countries. By this recommendation we do not mean merely transferring the above referred functions to some other Government body.

/S/ George W. Young,
Chairman
Subcommittee on Foreign Operations
of the Petroleum Industry

Chicago, Illinois
November 11, 1946