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Almost $40,000,000,000 defense funds authorized and proposed

Authorized and proposed Government expenditures for defense total $39,177,800,000, according to a compilation issued March 26 by the Office of Production Management. This includes the $7,000,000,000 to be spent under H. R. 1776 for aid to Great Britain and other democracies. If British orders of $3,511,000,000 placed in this country for war equipment and supplies are added, direct defense expenditures for United States and British account, authorized and proposed, amount to $42,688,800,000.

Expenditures against these sums made by the United States Treasury from June 1, 1940, through March 17, 1941, totaled $3,452,000,000. This includes expenditures of the Navy, payments from the President’s defense fund, the cost of administering the Selective Service law, and military expenditures of the War Department, but does not include expenditures upon the Panama Canal or river and harbor work.

Authorized and proposed

Of the 40 billion dollars in the United States Government defense program, $29,912,600,000 has been covered by appropriations and contract authorizations already made, and $9,265,200,000 proposed in the 1942 budget and bills now before Congress.

A break-down of these figures is given in the table, page 3, prepared by the Bureau of Research and Statistics, Office of Production Management.

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LABOR...

Procedure for new mediation board outlined to press by Mr. Dykstra

On March 25, Mr. C. A. Dykstra held his first press conference after being named chairman of the newly created National Defense Mediation Board. Excerpts follow:

Q. Mr. Dykstra, would you be good enough to give us some sort of summary as to what transpired at your meeting?
A. I would be very happy to.

We read our Executive order trying to find out the inside of it. It was pointed out very carefully to us that there are no side or back doors in this Order—that nothing can come to this Board except as certified from the Department of Labor—that will protect this Board against those who wish to get to it by some circuitous route.

Q. You have no intention then of attempting any primary action?
A. We cannot under the Executive order.

Q. Doctor, that brings up a question which I think is in all our minds. How long does a case remain in the Department of Labor before it reaches this Board?
A. I think until they are quite assured that conciliation has to be bulwarked by something else.

Q. Having bulwarked, then what is your enforcement power, if any?

No enforcement authority

A. As I understand the Act, we can report on the facts and make it public and assess blame and speak our minds. We have no enforcement authority under this order. Someone told me this morning that there is a bill in Congress which suggests that this order should be implemented by putting in some punitive provisions or sanctions, but there are none here at the moment.

Q. Do you favor such authority?
A. I just haven't given that any thought at all. Sufficient at the moment is the responsibility already shouldered.

Q. How did they happen to furnish that list to you?
A. Just as a matter of information. The list indicates how many have been settled without real difficulty, how many have been mediated, and how many are open, that is about some 400-odd, as I recall, had some attention from the OPM mediators.

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Central Administrative Services: Sidney Hillman, Director.
Consumer Division of the Advisory Commission: Harriet Eliott, Commissioner.
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Defense Communications Board: James Lawrence Fly, Chairman.
Defense Housing Division: C. F. Palmer, Coordinator.
Information Division: Robert W. Horton, Director.
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Price Stabilization Division of Advisory Commission: Leon Henderson, Commissioner.
State and Local Cooperation: Frank Bane, Director.
Transportation Division of the Advisory Commission: Ralph Budd, Commissioner.

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of materials essential to national defense to exert every possible effort to settle all their disputes without any interruption in production or transportation. In the interests of national defense the parties should give to the Conciliation Service of the Department of Labor and to the Office of Production Management (a) notice in writing of any desired change in existing agreements, wages, or working conditions; (b) full information as to all developments in labor disputes; and (c) such sufficient advance notice of any threatened interruptions...*

Q. That does establish a waiting period, then, if they have got to give you notice and time for you to explore avenues? A. Quite right, and under the practice of OPM that has been cataloged as ample time. "They use the term "ample time." There isn't a provision of so many days or weeks or months.

** New Mediation Board personnel

Chairman Clarence A. Dykstra of the National Defense Mediation Board announced on March 25 that the Board had named William H. Davis as vice chairman and E. P. Marsh as temporary executive secretary.

Mr. Davis, a New York City patent attorney and chairman of the New York State Mediation Board, is a member of the National Defense Mediation Board, representing the public.

Mr. Marsh, liaison officer between the United States Conciliation Service and the Labor Division of OPM, is being loaned to the Board by the Secretary of Labor.

Members of the Mediation Board are:

- Representing labor—Philip Murray and Thomas Kennedy for the CIO; George Meany and George M. Harrison for the AFL.

### Treasury payments

During recent weeks there has been a rapid increase in Treasury payments in the national defense program. The daily statement of the Treasury shows that payments for the current month, through March 17, amounted to $493,000,000, compared with $392,000,000 for all of February and $272,000,000 for January. Payments beginning with June 1940, have been as follows:

<table>
<thead>
<tr>
<th>Month and year</th>
<th>Amount in millions of dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>June 1940</td>
<td>312</td>
</tr>
<tr>
<td>July, August, September, October, November, December 1940</td>
<td>312, 312, 312, 312, 312, 312</td>
</tr>
<tr>
<td>Total (9½ months)</td>
<td>2,412</td>
</tr>
</tbody>
</table>
PRODUCTION...

Summary of petroleum situation shows reserves highest in history—
refineries have expansion capacity; transportation facilities inadequate

An analysis of the petroleum situation under defense requirements and the probable effects upon the industry of an emergency were summarized before the Congressional Cole Committee, March 27, by Robert E. Wilson, consultant on petroleum, Production Division, OPM. His statement, in part, follows:

We estimate that even under peacetime conditions the total domestic demand for petroleum products during 1941 will be 8 or 9 percent greater than the total domestic demand during 1940, which was in itself a new high record.

It should be noted that increased training activities involve the use of a substantial part of the planes, tanks, motor equipment, and naval vessels now available to us, and hence the further increase in demand due to actual participation in war would not be nearly as large as would be calculated by figuring what all our military equipment would consume.

All-out effort would increase demand only 5 to 10 percent

The percentage increase in demand for various products naturally differs considerably, but by and large it may be said that if we should become involved in an all-out war effort by the end of this year the further increase in demand for the major petroleum products would be somewhere between 5 and 10 percent. This figure may seem small in view of the obviously large demands of mechanized war and the difficulties this country experienced in meeting the great increase in demand during the last war.

It must be remembered, however, that the petroleum industry's production of gasoline has increased about twelffefold since 1916, and that our shut-down refining capacity today is much larger and more efficient than was the entire refining capacity of the country even in 1918. Also, there was then no large available reserve of shut-in crude production such as exists today. This lack of shut-in production was the fundamental cause of the sharply increased prices and gasolineless Sundays found necessary during the last war.

European petroleum consumption

Incidentally, it might be pointed out that the entire military activities of Germany and Italy, plus the industrial and other activities of these countries and of the occupied areas of western Europe, are being carried on with an amount of petroleum plus synthetic products which is only about 5 percent of our present domestic production.

Conservation has built great reserves

Thanks to proration, and other conservation activities, the production branch of the petroleum industry is today able to meet any increase in demand which may conceivably be made upon it. Total proven reserves are the highest in the history of the industry. We have detailed estimates by States which indicate that it would easily be possible to make a 30-percent increase in our present high rate of crude production and continue this for a 2-year period without any major new discoveries or any unusual amount of drilling.

Existing proration laws have not only resulted in the conservation of much oil and gas and the reduction of over-all costs of production, but also in the building up of a tremendous underground reserve, particularly in Texas and Louisiana, which is available merely by the opening of valves. A moderate amount of new pipe-line construction would, of course, be needed to take care of the expanded output of various fields and to get this crude to the refineries which could use it.

No branch of the industry is in better shape to meet emergency demands than is the producing end, but to remain in this healthy condition obviously requires the continuation of exploration, wildcasing, and reasonable drilling activities.

Refineries have expansion capacity

In refining, the degree of expansion which could be made on short notice is not quite as large as in the case of production, but even here, the refining capacity of the country could be increased fully 25 percent merely by starting up capacity which is now shut down. To go this far would mean some reconditioning of older plants, and part of the equipment which would have to be used is relatively inefficient, because naturally the industry has in general shut down its obsolete and less efficient equipment so far as possible.

On the other hand, as I have said, this shut-down capacity is greater and more efficient than the entire capacity of the industry at the close of the last war. Again, to remain in this favorable position the refining industry must continue to build to keep pace with the growth of peacetime demand, and keep the reserve of 20 percent to 25 percent of shut-down capacity available for emergency demands.

Transportation expansion

In the field of transportation the ability to expand is again present, except for one special situation. A 20-percent expansion in the total amount of crude and products transported by pipe lines could be handled on short notice and with very little additional construction, and the same is true of transportation by tank car in the interior of the country.

Tanker fleet inadequate

The only possible bottleneck which gives us concern is in tanker transportation to the east coast. About 85 percent of the petroleum products consumed by the east coast States is delivered there by tanker, either in the form of crude or refined products, and mainly from the Gulf coast. The movement from the Gulf coast alone amounts to about 1,200,- 000 barrels per day, and requires the services of a fleet of 260 domestic tankers.

This large tanker fleet normally has some excess capacity, but a combination of circumstances has resulted in a rather tight situation at present. Those circumstances are, first, the fact that a
large percentage of our tanker fleet was built during and shortly after the last war, and hence is nearing the end of its useful life; second, during the past 2 years a considerable number of ships has been transferred into foreign service to replace ships which have been sunk and to make up for the longer hauls and less efficient use of tankers brought about by war conditions. In addition to this, eight large, high-speed tankers have already been requisitioned by the Navy and several more are likely to be so requisitioned, especially in the event of war. As a result, there has been some shortage in tankers during each of the last two winters when the peak demand for heating oils tends to create a shortage.

East coast would encounter difficulty in emergency

In the event of a naval war in the Atlantic, which might result in the loss of some tankers and necessitate the use of a convoy system, there would undoubtedly be serious difficulty in supplying civilian requirements on the east coast, and for this reason we have been urging the industry to relieve this situation by all possible means.

Additional transportation and storage urged

Such means include the building of more storage on the Atlantic seaboard, so that reserve stocks can be built up and tankers can be used effectively during the slack season; the building of more tankers, 25 of which are expected to be delivered during this calendar year, and the building of any pipe line or large transportation facilities which can be undertaken by private capital to help to supply the east coast without involving the tanker haul around Florida. Unfortunately, to get deliveries of additional tankers ordered now would require at least 2 years, on account of the large amount of naval and other ship construction which is ahead of any new orders.

The petroleum unit has recommended that the Navy build up substantial reserve stocks of heavy fuel oil, particularly on the east coast, where there is much less fuel oil available for emergency needs than there is on the Pacific coast. We have recommended that most of these reserve stocks of both Navy fuel oil and aviation gasoline be stored underground and have suggested detailed designs for such storage facilities.

Government aid unnecessary

The petroleum industry has been, and in my opinion will continue to be, able to supply every foreseeable demand for petroleum and its products without requiring any Government funds or advance Government contracts. Of course, this statement does not necessarily apply to new construction required to help meet shortages in other industries, such as the production of synthetic toluene and synthetic rubber from petroleum.

Not only can all military demands for petroleum products be met without difficulty, but there seems to be no probable necessity for any civilian curtailment, barring the possible shortage in transportation to the east coast which I have already mentioned. Substantial civilian curtailment in this country would not only be far more disruptive than it has been in Europe, but would deprive Federal, State, and local governments of much needed revenue at a critical time.

Industry cooperative

The industry has shown a very cooperative attitude in all its contacts with the petroleum unit, and has repeatedly indicated its willingness to do anything within reason to prepare to meet all defense needs as soon as they are informed with regard thereto.

Georgia legislature blind to serious situation

With regard to the matter of the proposed pipe lines in southeastern United States, I feel that, for reasons already indicated, the construction of such lines is definitely desirable from a defense standpoint and that to permit one interstate carrier to block the right-of-way of another interstate carrier, especially under the emergency conditions we are facing, is indefensible.

Pipe lines also have the advantage of being less vulnerable to hostile attack and more easily repaired than are most other methods of transportation. While the railroads and tank trucks could undoubtedly handle the amount of oil which would be carried by any one or two pipe lines, the cost of such transportation would be two or three times as great, and to be properly prepared for an emergency in the Atlantic we need to augment all methods of transportation to the east coast, because the combined efforts of all of them would probably be inadequate.

It seems fortunate that it is possible to have such facilities constructed by private capital if the legal obstacles can be eliminated. It is difficult to understand the unwillingness of the Georgia Legislature to pass the necessary enabling legislation in view of the recent united recommendations of the President and the Secretaries of War, Navy, and the Interior, but it would seem that it must be based on a lack of appreciation of the seriousness of the situation.

Conservation of nickel urged by National Academy of Sciences

A preliminary report on the current nickel situation has been submitted to the materials branch, Division of Production, Office of Production Management, by the Advisory Committee on Metals and Minerals of the National Academy of Sciences. The study was made and submitted at the request of the materials branch.

A summary of the report, dated March 18, follows:

Nickel is being currently supplied to the United States market at a rate more than double that of any year prior to 1939—at a monthly rate of about 14,500,-
600 pounds as compared to 6,900,000 pounds in 1937.

Nevertheless, in consequence of mounting United States and British defense requirements as well as of sharply increased industrial requirements during recent weeks, even this enhanced supply is temporarily, at least, inadequate to meet the current even larger demands of nickel users.

United States and British defense requirements, as currently estimated, do not adequately account for this current accumulated demand, which is almost triple that of 1937—the largest "nickel year" prior to 1939. Building up of finished goods and process inventories (the amount of nickel in various stages of fabrication) undoubtedly is an active factor in the situation. Unless the volume of defense requirements should later definitely be established to be greater than the figure now known or estimated, it is too early to regard the present extraordinary demand as other than temporary. In so far as it is due to inflation of inventories and building up of process inventories, it should within a few months largely subside.

Unessential deliveries should be deferred

In the meantime, certain steps are being taken and others are proposed, (Continued on page 6)
STATE AND LOCAL COOPERATION . . .

State and local fire defense—first civilian program launched

To prevent sabotage of national defense production by fires in munitions plants, oil refineries, and defense industries, the first of a series of civilian defense programs was launched April 1 by Frank Bane, Director of the Division of State and Local Cooperation, OEM.

Major recommendations of the Advisory Committee on Fire Defense are being released for the information of areas throughout the United States, Mr. Bane said. These recommendations outline steps for immediate consideration and action rather than a complete program of fire defense, he added.

"Every State should appoint a State fire coordinator, and localities will find it advantageous to have a defense fire chief," the committee stated. Since these officials would serve as experts on defense fire prevention and protection, the committee strongly urges that leaders of the active fire-fighting forces be selected for these important duties. It is recommended that these officers be appointed to their respective State or local defense councils.

Pointing out that in 1940 fire losses in the United States had risen to approximately $300,000,000, Mr. Bane asserted that it is obvious that this trend must be stopped. "If fire losses approach such a figure in normal times, what might they be as the defense effort is speeded up?"

The recommendations of the Committee stress the advisory and coordinating functions of the Division of State and Local Cooperation with respect to fire defense, and outline the respective interests of the War and Navy Departments, the Federal Bureau of Investigation, the Departments of Agriculture and the Interior, and the United States Office of Education.

The Advisory Committee has outlined for localities throughout the country a Survey of Fire Defenses, as follows: (a) fire-fighting facilities; (b) fire-alarm communications; (c) water supply; (d) reserve manpower and mechanical equipment; (e) building construction; (f) protection of industrial production of gas, electricity, steam, and petroleum products; (g) fire protection of commercial transportation facilities.

In addition, the Committee has made recommendations regarding mutual aid by different governmental units, by public and private agencies, and by civil and military authorities; general fire-prevention and protection activities; and the organization and training of auxiliary fire-fighting forces.

Bulletin on fire defense

"The Committee's recommendations are presented in a bulletin which will be sent immediately to State and local officials," Mr. Bane stated. "These suggestions are being circulated now for two reasons," he continued. "First, because existing facilities for fire prevention and protection must be supplemented as necessary for immediate protection of the Nation-wide defense effort from interruption by fire, and, second, because fire-defense preparations require special organization and personnel, they must be launched in advance of other parts of a comprehensive civilian defense program."

This report, which is entitled, 'Suggestions for State and Local Fire Defense,' is the result of several months' work by the Advisory Committee on Fire Defense, appointed as a result of a conference called by the Division of State and Local Cooperation last November.

Full membership of the Committee and its consultants follow:


Six district managers appointed for defense contract service

Appointment of six district managers to supervise field offices of the Defense Contract Service at Cleveland, Atlanta, Philadelphia, Detroit, Dallas, and Kansas City was announced March 25 by the Office of Production Management.

The six, each of whom will have headquarters at the Federal Reserve bank or branch bank in the city indicated, are:

Herman H. Lind at Cleveland, Ohio; W. C. Cram, Jr., at Atlanta, Ga.; Frederick W. Hanks at Philadelphia, Pa.; Warren H. Clarke at Detroit, Mich.; A. J. Langford at Dallas, Tex.; R. W. Webb at Kansas City, Mo.

Regional offices of the Defense Contract Service are located at each of the 12 Federal Reserve banks and 24 branch banks. Although technical staffs have not yet been completed for all of these offices, Federal Reserve bank officers are available at all of them to advise present and prospective defense contractors on contracting and financing problems.

Nickel (Continued from page 5)

looking to the intelligent conservation of nickel supply for essential uses. The most important step is certainly that of seeking, through the cooperation of primary nickel products-suppliers and of the Government purchasing agencies, to defer deliveries of such nickel products as are not urgently needed.

The trade and professional associations representing the various branches of the steel and metal industries can be most helpful in planning and putting into effect the ensemble of diverse and special conservation and substitution measures which can best conserve nickel supply and at the same time assist users of nickel products in finding, each for his own particular situation, those substitutes which are most appropriate.

Copies of the complete report are available for interested persons at the Division of Information, Office for Emergency Management.)

★ ★ ★
PRIORITIES . . .

Britain will get American magnesium—under same priority treatment as United States

Action designed to make 200 tons of American magnesium available at once to Great Britain was announced March 26 by E. R. Stettinius, Jr., director of priorities, Office of Production Management. Mr. Stettinius said that the Dow Chemical Co. had been ordered to deliver that amount of the metal to the Government of Great Britain during the month of March.

At the same time, Mr. Stettinius announced that a general preference order has been issued to expand and strengthen the priority control which was imposed on magnesium by a letter of March 3. In the order issued today it is stipulated that defense orders for Great Britain are to receive the same priority treatment as United States defense orders.

Magnesium under strict priorities control

The general preference order governing the distribution of magnesium declares that deliveries of the metal by producers shall be made only in accordance with preference ratings and specific directions.

As in the case of aluminum, which was brought under increased control on March 22, all defense orders for magnesium will automatically receive a preference rating of A-10, but ratings higher than this may be assigned by the Priorities Division or the Army and Navy Munitions Board.

The primary effect of the automatic A-10 rating is to put all defense needs ahead of any civilian needs. However, the director of priorities may from time to time assign preference ratings to orders for magnesium for nondefense and civilian purposes, and these ratings may be either high or low, depending upon the circumstances involved.

Control of machine tools strengthened

Two steps designed to strengthen the controls imposed on the production and distribution of machine tools were announced March 28 by E. R. Stettinius, Jr., Director of Priorities, Office of Production Management.

These steps are:

1. A number of machine-tool builders were assigned a limited blanket preference rating of A-1-1 for the acquisition of equipment needed for expansion of plant and production facilities. This rating the tool builders may apply to their suppliers by means of photostat copies.

2. In strengthening the control over distribution of machine tools, after they are produced, the Priorities Division has ordered the producers to fill all Army, Navy, and British defense orders first, to assign such orders a preference rating of A-10 except when superior ratings may be issued, and has instructed the tool builders not to make any nondefense deliveries except in accordance with specific releases which may be provided from time to time by the Priorities Division.

These two actions are separate and distinct. The first aids tool builders to acquire material they need. The second directs the distribution of the completed tools to purchasers.

Tungsten producers placed under priority control

All producers of ferrotungsten, tungsten metal powder, and tungsten compounds on March 27 were placed under a general priorities system similar to that previously imposed upon aluminum and magnesium.

E. R. Stettinius, Jr., Director of Priorities, Office of Production Management, said the action was taken after submission of a finding by Ernest M. Hopkins, chairman of the minerals and metals group, stating that a shortage of these types of tungsten exists.

In accordance with the terms of the order, producers of ferrotungsten, tungsten metal powder, and tungsten compounds are required to give all defense orders, including British defense orders, a rating of A-10, unless superior ratings are specifically assigned.

The A-10 rating has the effect of putting all defense needs ahead of civilian needs, except as the Priorities Division may otherwise provide.

Schedule of ratings

A supplementary order, which accompanies the general preference order, sets forth a schedule of preference ratings.

It is stipulated that preference ratings from A-1 to A-10, inclusive, shall be given to defense orders and to any other orders for which class A ratings may be assigned by the Director of Priorities.

A preference rating of B-1 is assigned to “customers” orders whose products currently are used in connection with the manufacture of defense orders, directly or indirectly, in substantial quantity although not bearing a specific preference rating. (Editors may secure copies of the covering letter to the tungsten producers, the general preference order, and the supplementary order by communicating with the Division of Information, Office for Emergency Management, Washington, D. C.)
PURCHASES...

Defense procurement expedited by creation of six major branches in Purchases Division

Organization of the Division of Purchases, OPM, into six major branches in order to expedite the defense procurement program was announced March 28, by Donald M. Nelson, Director of Purchases.

Close cooperation between the Purchasing Division and the Military Services was also strengthened by the appointment to the Division of Purchases of two high-ranking officers as liaison men between the War and Navy Departments and Mr. Nelson's office.

These officers are Rear Admiral Charles Conard, former Paymaster General and head of the Navy's Bureau of Supplies and Accounts, and Brig. Gen. R. H. Jordan, former Assistant Quartermaster General of the Army.

Called back to service

Thoroughly familiar with the Services' buying procedures and problems, these retired officers were recalled to active duty by Secretaries Knox and Stimson after Mr. Nelson had requested the assignment to his division of the most experienced Service experts available.

Personnel

Working with Mr. Nelson and the Deputy Director of the Purchasing Division, Douglas C. MacKeachie, as consultants, are A. D. Whiteside, president of Dun & Bradstreet, and Professors Charles I. Gragg and Howard T. Lewis, both of Harvard University's School of Business Administration.

Executive Officer of the Division is A. C. C. Hill, Jr., former deputy director of the Division of Priorities, OPM.

Major branches

The six principal branches of the Division of Purchases, each staffed by a corps of experts, are as follows:

Industrial and strategic materials.—This branch assists in the procurement of strategic or essential items in which purchasing problems are involved—including, for example, fuel and medical supplies. Chief of the branch is John Sanger of Chicago, on leave of absence from the vice presidency of the United States Gypsum Co.

Subsistence.—In this branch are grouped experts from all fields of the food trade, to help the Army Quartermaster Corps in the procurement of foodstuffs. Chief of the branch is Howard Cunningham, on leave from his position as director of purchases for the National Biscuit Co.

Equipment and supplies.—All problems relating to the procurement of such important items as lumber and building materials, electrical supplies, paint, laundry equipment, and miscellaneous materials come to this branch. Chief of the branch is Donald B. Clark, who has taken leave from his post as director of purchases for the Gulf Oil Corporation, Pittsburgh.

Clothing and equipage.—This group works with the Army Quartermaster Corps on the procurement of shoes, uniforms, blankets, tents, and items of personal equipment for the soldier. It is being headed by Walter P. Becker, on leave as buyer for the J. C. Penney Co.

Packing and cost estimating.—In this branch prices will be studied with especial reference to the cost of production of articles in demand under the defense programs. Chief of the branch is Eric Camman, part-timer in the New York firm of Pest, Marwick, Mitchell & Co., accountants and auditors.

New appointments

Appointments to the Division of Purchases which have not previously been announced include the following:


In the industrial and strategic materials branch: C. E. Bertrand, assistant purchasing agent, Pan American Airways, New York, special adviser on oil and gas.

In the equipment and supplies branch: J. B. Davis, vice president and general coordinator of purchasing, Inter-Chemical Corporation, New York, special adviser on paint; Lewis A. Jones, of the Benche Printing Co., Schenectady, N. Y., special adviser on electrical supplies.

In the clothing and equipage branch: Harold Florshelm, first vice president and secretary, Florshelm Shoe Co., Chicago, special adviser on shoes and leather.

For consultation and assistance on special problems there has been set up the following Advisory Committee: Albert J. Browning, former deputy director of the Division of Purchases, and president of United Wall Paper Factories, Chicago; Frank M. Folsom, executive vice president of Goldblatt Bros. Department Store, Chicago; Eimeo Roper, marketing consultant of New York; R. T. Stevens, specialist on textiles; A. W. Zolnay, of the International Statistical Bureau, N. Y.; Professor Gragg serves as secretary of this committee, and the various sections of the National Defense Advisory Commission are represented on it as follows: Transportation, Karl Fischer; Warehousing, H. D. Crooks; Labor, I. S. Lohin; Price Stabilization, J. P. Davis; Agriculture, S. H. Sabin; Consumers, H. B. Howe.

Paints, varnishes, and lacquers advisory committee established

A broad campaign to insure the defense program against delays due to shortages of essential paints, varnishes, or lacquers was launched Saturday morning, March 29, when representatives of all sections of the industry met with defense officials at the Office of Production Management, Donald M. Nelson, Director of Purchases, OPM, announced.

Under the general supervision of Donald G. Clark, chief of the equipment and supplies branch of the Division of Purchases, and J. B. Davis, his special adviser on protective coatings, an advisory committee was set up through which the industry and the Government can work together both to solve defense problems in respect to protective finishes and to fill defense needs with a minimum of disturbance to the civilian trade.

Thirty offices for purchase of fresh fruits and vegetables

The location of 30 offices for centralized purchasing of fresh fruits and vegetables was announced March 27 by the War Department. Details of the plan were announced March 10, 1941. The set-up will be coordinated through a central office located in Chicago. Civilian produce marketing specialists have been selected for 15 of the offices, while names
for the other offices will be announced in the near future.

The location of the market centers, including the posts, camps, and stations which will be served by each center are:

**FIRST CORPS AREA**
2. New York, N. Y.—Fort Monmouth, N. J.; harbor defenses of Sandy Hook; N. T.; harbor defenses of southern New York; Mitchel Field, N. Y.; Camp Upton, N. Y.

**SECOND CORPS AREA**

**FOURTH CORPS AREA**
6. Fayetteville, N. C.—Fort Bragg, N. C.
7. Wilmington, N. C.—Camp Davis, N. C.
9. Chattanooga, Tenn.—Camp Forrest, Tenn.; Camp Claiborne, La.; Camp Beauregard, La.
10. Atlanta, Ga.—Fort McPherson, Ala.; Camp Wheeler, Ga.
12. Columbus, Ga.—Fort Benning, Ga.
15. Shreveport, La.—Camp Beauregard, La.
16. Natchez, Miss.—Camp Shelby, Miss.

**FIFTH CORPS AREA**
17. Louisville, Ky.—Fort Knox, Ky.; Bowman Field, Ky.

**SIXTH CORPS AREA**
18. Chicago, Ill.—Fort Custer, Mich.; Camp Grant, Ill.; Fort Sheridan, Ill.; Chanute Field, Ill.

**SEVENTH CORPS AREA**
19. St. Louis, Mo.—Fort Leonard Wood, Mo.; Camp Roche, Mo.
20. Topeka, Kan.—Fort Riley, Kan.

**EIGHTH CORPS AREA**
23. Eagle Pass, Tex.—Fort Bliss, Tex.

**NINTH CORPS AREA**

**SHIP CONSTRUCTION**

**MARITIME COMMISSION**

- Bethlehem-Fairfield Shipyard, Inc., Baltimore, Md.; 50 ships at a total estimated base construction cost of $46,500,000.
- Oregon Shipbuilding Co., Portland, Oreg.; 31 ships at an estimated base construction cost of $46,500,000.
- California Shipbuilding Co., Los Angeles, Calif.; 31 ships at an estimated base construction cost of $46,500,000.
- Houston Shipbuilding Co., Houston, Tex.; 25 ships at an estimated base construction cost of $37,500,000.

**NAVY**

- Fairbanks Morse & Co., Beloit, Wis.; construction of propel ling machinery for 11 submarine chasers of the PC542-571 class; $4,565,000.
- Consolidated Shipbuilding Co., Morris Heights, N. Y.; 2 steel subchasers; $1,260,000.
- Defoe Boat & Motor Works, Bay City, Mich.; 8 steel subchasers; $1,960,000.
- Dravo Corp., Wilmingtongon, Pa.; 3 steel subchasers; $1,142,000.
- Leatham Smith Co., & S. B. Co., Sturgeon Bay, Wis.; 2 steel subchasers; $1,209,000.
- Luders Marine Construction Co., Stamford, Conn.; 3 steel subchasers; $1,096,000.
- Platzter Boat Works, Huntsville, Tex.; 4 steel subchasers; $2,542,500.

**EQUIPMENT AND SUPPLIES**

- Sullivan Dry Dock & Repair Co., Brooklyn, N. Y.; 4 steel subchasers; $2,500,000.
- Albatross Dredging & Marine Works, Inc., Portland, Oreg.; 4 steel subchasers; $2,500,000.
- Commercial Iron Works, Portland, Oreg.; 7 steel mine sweepers; $4,779,500.
- Government Corporation, Neiv Island, Pa.; 5 steel mine sweepers; $3,469,500.
- Jakobson Shipyard, Inc., Oyster Bay, N. Y.; 2 steel mine sweepers; $1,249,000.
- Nashville Bridge Co., Nashville, Tenn.; 2 steel mine sweepers; $1,249,000.
- Penn-Jersey Corporation, Camden, N. J.; 2 steel mine sweepers; $1,250,000.

**FIRST CORPS AREA**

- New York, N. Y.—Fort Monmouth, N. J.; harbor defenses of Sandy Hook, N. J.; harbor defenses of southern New York; Mitchel Field, N. Y.; Camp Upton, N. Y.
Decentralization of plant sites recommended by NDAC

A statement of policy on the location of new defense industries was adopted March 26 by the National Defense Advisory Commission.

Following its adoption, this policy was transmitted to the Office of Production Management for reference to the recently established Plant Site Committee.

The statement of policy follows:

The National Defense Advisory Commission regards the selection of locations for the new industrial facilities required by the defense program as a task of outstanding importance. On the sites which are selected depends not only the strategic security of our defense industries and much of their efficiency for defense production, but also important and permanent consequences for the economic life of different parts of the Nation.

Experience gained during the past 10 months would indicate that the immediate ends of national defense are largely consistent with the longer run objective of a better balanced industrial economy. To reach these objectives it has become apparent that some of the following principles must govern the location of the new industrial facilities:

1. That sites be avoided in cities or regions where defense orders are absorbing or are likely to absorb the available labor supply, or to congest housing, transportation, etc.

2. That every possible preference be given to locations where large reserves of unemployed or poorly employed people are available and where industrialization during the defense period will contribute to a better long-run balance between industry and agriculture. These conditions are particularly acute in many areas of the South and West.

3. That where facilities must be located in the present industrial areas, special attention be given to regions which have suffered a decline in their peacetime industries or to cities which have not been heavily engaged in defense production.

4. That the proper location of new defense facilities was adopted March 26 by the National Defense Advisory Commission.

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HOUSING . . .

Record week brings contracts to total of 43,357 housing units

Construction contracts for 2,400 new dwelling units, the largest number to be awarded in a single week under the coordinated housing program, were announced by the Coordinator for the week ended March 22. Contracts have now been let for a total of 43,357 units—25,377 for civilian industrial workers and 17,980 for married enlisted personnel. These units include 39 different States and territories, comprising 154 projects in 92 localities.

Vallejo, Calif., received the largest award with contracts calling for 950 additional units. Expansion of the Mare Island Navy Yards and the increase in shipbuilding had created an acute housing shortage. Other contracts included Dallas, Tex., 300 units; Radford, Va., 100 units; Charleston, S. C., 600 units; New London, Conn., 300 units; and Joliet, Ill., 150 units. These contracts are all under the supervision of the Federal Works Agency, except for Joliet, Ill., where the Defense Homes Corporation will finance the 150 units for civilian industrial workers.

STATUS OF PUBLIC DEFENSE HOUSING CONSTRUCTION MARCH 22, 1941

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<th>Funds allocated</th>
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Additional housing needed

There is now foreseeable an additional need for housing facilities for families of approximately 44,900 industrial workers, and dormitory type accommodations for 1,400 single persons in 65 localities where there has been, or will be in the near future, material expansion in defense industries according to testimony of Defense Housing Coordinator C. F. Palmer before the Senate Building and Grounds Committee on a $150,000,000 construction authorization.

Mr. Palmer told the committee that these needs are over and above requirements for which private financing has already been scheduled or which can be supplied either by existing private mortgage insurance under Title VI of the National Housing Act.

The Coordinator said that in determining the defense housing program, consideration was given to prospective employment increases, resident labor supply, and commuting distances between housing sites and defense industries. Studies in this connection are supplemented by those of the Homes Registration Offices established under the supervision of the Defense Housing Coordinator’s Office.

25,000 new homes may result from revised legislation

The President’s signature to amendments to the National Housing Act creating Title VI sets up a special $100,000,000 Federal Housing Administration mortgage insurance authorization, enabling private industry to extend additional help in meeting housing demands created by national defense activities.

The legislation was initiated by C. F. Palmer, Defense Housing Coordinator and actively supported before the banking and currency committees of both branches of Congress by Jesse Jones, Secretary of Commerce and Federal Loan Administrator, Stewart McDonald, Deputy Federal Loan Administrator and former Federal Housing Administrator, and Abner H. Ferguson, Federal Housing Administrator. It includes a defense housing insurance fund of not more than $10,000,000 which will be made available to the Federal Housing Administration by the Reconstruction Finance Corporation.

Mortgages insured under the new title will be distinct from those insured under Section 203 of the act and will have no claim upon the assets of existing insurance reserves.

Broad objectives

The broad objectives of Title VI are (1) national participation by private capital under FHA mortgage insurance and the construction of added housing facilities required for defense industry workers in areas where there is reasonable assurance that there is a permanent need for the new dwellings whether in defense industry areas, and (2) safeguarding the established FHA insured mortgage program against excessive risks or losses in connection with the insurance of home loans in defense industry areas.

Mortgage insurance under Title VI will be restricted to areas "in which the President shall find that an acute shortage of housing exists or impends which would impede national defense activities" and will be limited to commitments to insurance entered into on or before July 1, 1942, unless the President should declare the emergency terminated prior to that date.

It is expected by the Division of Defense Housing Coordination that the $100,000,000 insurance authorization will provide for approximately 25,000 new homes.
CONSUMER DIVISION . . .

Shoe manufacturers confer with Consumer Division in Washington

A reassuring picture of price and supply conditions in civilian shoe markets was outlined at a conference of shoe manufacturers called in Washington on March 27 by Miss Harriet Elliott, consumer commissioner of the National Defense Advisory Commission.

The consensus expressed by the shoe manufacturers attending the conference was that:

1. Prices will not advance beyond increases in costs, and the present outlook is for not more than moderate increases.

2. The basic supply situation is favorable, and sufficient supplies are available for both military and civilian requirements.

3. Military requirements will have very little disturbing effect on consumer markets, in view of the small size of military demand relative to the available productive capacity of the industry and the careful timing of military orders. In this connection, the effect of the Quartermaster Corps' current invitation to bid on the forthcoming Army shoe order, was also discussed.

4. Recent advances in shoe prices have resulted in large part from what Miss Elliott reported. "We have been assured that enough tonnage will be available to move in from off-shore producing areas sufficient quantities to safeguard normal sugar consumption in this country."

Miss Elliott cited the recent action of the Secretary of Agriculture in increasing sugar quotas as illustrative of the measures which may be taken to increase sugar supplies for American consumers.

Sugar price increases not due to shipping shortage

Recent advances in refined- and raw-sugar prices, attributed to an anticipated shipping shortage, are not justified in view of the basic supply situation, Miss Harriet Elliott, Consumer Commissioner of the National Defense Advisory Commission, emphasized this week.

"The Consumer Division has discussed the shipping situation with the Emergency Shipping Committee of the United States Maritime Commission," Miss Elliott reported. "We have been assured that enough tonnage will be available to move in from off-shore producing areas sufficient quantities to safeguard normal sugar consumption in this country."

Sugar stocks

Miss Elliott said the basic factors underlying the sugar situation have not changed adversely since last month when she declared that predictions of sugar shortage, sugar rationing, and price increases were not warranted by the facts. Stocks of sugar readily available to consumers in the United States remain larger than usual. Cuba has large surplus stocks of sugar currently at hand, and there are more than sufficient supplies available from off-shore areas to supplement domestic production. Miss Elliott pointed out that the importation of sugar into the United States is regulated by a quota system, and that the Secretary of Agriculture has power under existing legislation to make larger supplies available to consumers by increasing the quota. These supplies may be further increased by the President under his powers to suspend the quota system.

Miss Elliott stressed the adequacy of the powers available to the Government to prevent the sugar situation from getting out of hand, and indicated the Consumer Division is proceeding actively to bring these powers into operation to assure full supplies of sugar at reasonable prices to consumers.

Consumer market news broadcast in Denver

A market news broadcast service for consumers is being inaugurated this week in Denver, Colo. The program will be broadcast 5 days a week, Monday through Friday, over station KVOD, from 12:15 to 12:20. News of local market food supplies and price trends will be furnished by the Denver market news representative of the United States Department of Agriculture's Agricultural Marketing Service. The program goes on the air April 1.

Super sewing machine stitches for Army

With the cooperation of the sewing machine industry, a new machine has been designed for use on celluloid, imitation leather, and canvas for use as tarpaulins and for curtains of motor vehicles in the rapidly expanding Army. Some of the tests which the machine had to pass before it could be accepted, included sewing property four plies of ribbed net strapping, two plies of imitation leather plus a layer of canvas, and two leather straps, each 1/4 inch thick, plus a ply of canvas. The machine is entirely self-contained and may be moved about with ease.
PRICE STABILIZATION ...

Government must step into plant expansion if industry is unwilling to take risks

Vast expansion in defense plant capacity is necessary if the United States is to become an effective arsenal of democracy, and much of this capacity must be built and owned by the Government, David Ginsburg, legal adviser to the Price Stabilization Division of the National Defense Advisory Commission, warned in a speech on March 25.

Addressing the Practicing Law Institute of New York, Mr. Ginsburg said that amortization provisions of the present tax laws are not likely to be adequate to stimulate the investment of private capital in the defense program in the needed speed and volume.

Last summer, he pointed out, defense production was postponed until Government and industry could agree on means to bring capital into the defense program. With a further large expansion in plant capacity necessary, he added, there is not time for another period of bargaining.

Private investors disinterested

Through the Defense Plant Corporation, he remarked, the Government now is paying for the building of certain plants. In addition, it is striving to increase the investment of private capital through the Emergency Plant Facilities contract. Such a "virtually riskless" investment, however, paying a very low rate of interest, he said, "can attract only bank and other institutional funds, not investors' capital."

"The owner of private capital, seeking to protect his investment is interested in a tax saving but only incidentally," Mr. Ginsburg said. "He is far more interested in safeguarding his invested capital. Should it turn out, upon termination of the emergency, that the expanded facilities cannot be used in normal peacetime production, a good part of the capital invested in defense plants will have been lost.

Citing the President's recent address in which he urged greater production, Mr. Ginsburg said, "To fulfill this undertaking we shall need more factories and more expansion and then more again. I doubt whether business will be able to add measurably to its capacity to produce upon the mere assurance of tax amortization. I doubt whether it could afford to do so."

"Perhaps the mood of industry today is different than it was a half year ago; perhaps industry now is in the mood for risk-taking, or foresees a future use for industrial capacity far in excess of our past needs: perhaps it will expand, therefore, if asked to expand. I fervently hope this is so.

No time for lengthy negotiations

"But if negotiations are required to determine the amount of some further subsidy to business in excess of amortization, I dread the delay. Precious irretrievable months were lost in the summer of 1940 while we jointly formulated an amortization policy; how much longer would it take when the stakes are so much higher?"

"The issue is clear. If industry is unwilling to take the risk inherent in financing plant expansion for defense purposes, and there can be no quarrel with industry for being unwilling to do so, the Government should undertake to do the financing. It should build and own defense plants and lease them to industry for operation. It should do so now."

"I know there are problems. But the point I'm making is that we can no longer afford the luxury of protracted argument. Time grows short."

Price of quicksilver too high, Mr. Henderson warns trade

The present price of quicksilver is too high and a lower level can and should be reached, according to a warning issued March 28 by Leon Henderson, Commissioner of Price Stabilization, National Defense Advisory Commission.

Quicksilver today is selling on the New York market at $180 per flask of 76 pounds. This, Mr. Henderson pointed out, is higher than the average price for any year, is 40 percent above the peak figure agreed upon during the critical period of 1917-18—when the general price level was much higher than it is now—and represents a "skyrocketing rise" from the August 1939 price of $84 per flask.

"The Government is determined to avoid the vicious spiral of price inflation which would lower the standard of living of wage earners and those dependent on fixed incomes," Mr. Henderson said. "Price rises of over 100 percent in individual commodities, even in a relatively minor commodity like mercury, threaten to have an stabilizing effect on the general price and wage level and on the cost of living."

Mr. Henderson reviewed statistics which, he said, make it "difficult to believe that the current price is justified."

Production exceeds consumption

These statistics, he continued, show a production from domestic mines and imported ore at the yearly rate of 40,000 flasks. This, he pointed out, exceeds the indicated total consumption, including requirements for national defense.

"The Navy, which is the chief user of this metal in the national defense program," Mr. Henderson said, "does not expect to be in the market for any substantial quantity before October 1, with a probability of requirements then which will be less than those called for during the early part of the year.

Trend toward substitutes

"Speculation or inventory hoarding, based upon the expectation of increased defense requirements, is clearly unwarranted. Present prices are already resulting in a trend to substitution of other materials for mercury, and although the spot market presents an artificial appearance of tightness, large users are receiving offers to supply their substantial requirements over a protracted period at materially below the spot price."

"Not only consumers, but some producers also, are concerned about the present price and its possible future course. It can be said without question that there is no warrant for any further advance and that on the contrary lower prices are logical and desirable.

"It is believed that when the mercury trade examines the true demand supply situation and realizes the present and potential emergency powers of the Government, producers, dealers, and consumers will all realize that stocks in the hands of consumers plus the indicated production refute any talk of a bottleneck in this industry, and that the artificial portion of the price structure should be removed."
TRANSPORTATION...

Carloadings expected to increase; railroad purchases higher in 1940

Freight-car loadings in the second quarter of 1941 are expected to be about 14.9 percent above actual loadings in the same quarter of 1940, according to estimates just compiled by the 13 shippers' advisory boards and made public by the Association of American Railroads. On the basis of present estimates, freight-car loadings of the 29 principal commodities will be 6,346,818 cars in the second quarter of 1941, compared with 5,519,565 actual carloadings for the same quarter in 1940. According to estimates made by the same advisory boards and made public by the Railway Age indicates that freight-train cars, passenger-train cars, and other equipment, and $157,241,000 for roadway and structures. Capital expenditures in 1940 for equipment were $138,518,000 above those in 1939. In 1937, gross capital expenditures totaled $599,789,000. Of total capital expenditures made in 1940, $271,906,000 were for locomotives, freight-train cars, passenger-train cars, and other equipment, and $157,241,000 for roadway and structures. Capital expenditures in 1940 for equipment were $138,518,000 above those in 1939. For roadway and structures, expenditures in 1940 showed an increase of $28,600,000 compared with the preceding year.

Estimated commodity increases

An increase is expected in the second quarter of 1941, compared with the same period 1 year ago, in the loadings of 26 of the 29 principal commodities. Among those showing the greatest increases are:

- Iron and steel, 38.9 percent; ore and concentrates, 33.5 percent; machinery and boilers, 27.3 percent; brick and clay products, 27.2 percent; automobiles, trucks, and parts, 26.7 percent; agricultural implements and vehicles other than automobiles, 25.8 percent; gravel, sand, and stone, 20.8 percent; citrus fruits, 16.3 percent; lumber and forest products, 14.2 percent; grain, 11.6 percent; chemicals and explosives, 10.9 percent; lime and plaster, 10.7 percent; coal and coke, 10.6 percent; cement, 10.3 percent; all canned goods, 9.2 percent; and cotton, 8.1 percent.

Three commodities for which decreases are estimated and the percentages are:

- Hay, straw, and alfalfa, six-tenths of 1 percent; fresh vegetables except potatoes, 1.2 percent; and livestock, seventeenths of 1 percent.

Railroad purchases

Capital expenditures for equipment and other improvements to railway property made by class I railroads in 1940 totaled $429,147,000, the greatest amount spent in any year since 1937. This was an increase of $167,118,000 above such expenditures in 1939. In 1937, gross capital expenditures totaled $599,789,000. Of total capital expenditures made in 1940, $271,906,000 were for locomotives, freight-train cars, passenger-train cars, and other equipment, and $157,241,000 for roadway and structures. Capital expenditures in 1940 for equipment were $138,518,000 above those in 1939. For roadway and structures, expenditures in 1940 showed an increase of $28,600,000 compared with the preceding year.

Expenditures for freight-train cars in 1940 totaled $189,629,000, compared with $66,779,000 in 1939. For locomotives, class I railroads expended $54,351,000 in 1940, compared with $42,807,000 in 1939. Expenditures for passenger-train cars amounted to $18,417,000 in 1940, compared with $19,723,000 in the preceding year. For other equipment, the railroads in 1940 expended $8,509,000, which was slightly more than twice the amount spent for that purpose in 1939.

A special study of railroad buying made by the Railway Age indicates that in 1940 purchases of all railroads and private car lines totaled $1,160,266,000. This total includes $855,973,000 of materials, supplies, and fuel, exclusive of equipment, purchased by class I railroads; $33,805,000 of materials and fuel, exclusive of equipment, purchased by short lines, switching, and terminal companies; and in excess of $19,000,000 of materials, exclusive of equipment, purchased by the Pullman Co. and 22 private companies for rail-line operations. It also includes $251,127,000 representing new locomotives and cars ordered from equipment builders, this including orders by industries as well as by railroads.

Total purchases of class I railroads alone in 1940 were $1,107,100,000, which figure has been exceeded only once since 1930, that being in the year 1937 when total purchases were $1,153,002,000.

**Strikes**

(Continued from page 1)

International Harvester Company—
Meeting 10 a.m., March 31. Panel: C. A. Dykstra, Board chairman—representing the public; Philip Murray—representing labor; George M. Harrison—representing labor; Walter C. Tegse and Eugene Meyer—representing employers.

Vanadium Corporation

The agreement to resume operations in the case of the Vanadium Corporation was reached following a short meeting Saturday and a 12-hour session ending at 10 p.m. Sunday night. Under this agreement, the Board will hold hearings concerning the issues involved in the dispute, under section 2, paragraph d of the President's Executive order.

Condenser Corporation

The agreement to resume operations at the Condenser Corporation plant was reached after a 7-hour conference in Washington Saturday afternoon and night. Under this agreement, the company and the union will negotiate their differences while at work, and, in case these negotiations fail, the matter will be submitted to the Mediation Board.

International Harvester Co.

The agreement to resume operations in the four plants of the International Harvester Co., under terms of a proposal suggested by the Board, was reached before representatives of the union and the company left Chicago for the scheduled meeting with the Board in Washington on Monday.

S. S. Washington will serve

The War Department announced it has chartered the Washington, a liner of 24,000 gross tons, and plans to put the vessel into operation as an auxiliary transport in the U. S. Army Transport Service.