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ADDRESS - MR. M. L. REQUA, California. - before A.D.C.

Feb. 12, 1926

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On the 12th of January, 1918, the Committee representing the Petroleum Industry came to Washington for consultation with Dr. Garfield who was in charge of the Fuel Administration. The old committee of the industry that had been in existence was dissolved on the 24th of December, 1917, with instructions that they might go on in any way they pleased until the industry got together and formed some associations to represent the industry. They came over here (Washington) January 12th, at the request of Dr. Garfield, for a conference.

I had been, previous to that time, in the Food Administration with Mr. Hoover, having charge of all the new problems that came in there and finding an expert to take charge of and solve them. That organization work was pretty well done and Dr. Garfield asked me to come over and take charge of the petroleum matter and, after discussion, it was agreed that I should go.

The old committee, that had been in existence, came to Dr. Garfield and asked him what their official status was and what responsibility, if any, they had - or just really what they were supposed to do. He told them the responsibility rested with the Government and whatever was done would be done with the authority of the Government - the various individuals had no responsibility.

Since then it seems to me, as I thought over it, it was a great tragic situation because in nine months since the declaration of war and four months after the passage of the Lever Bill that put the petroleum industry definitely under the control of the Fuel Administration the petroleum industry had to come to Washington to ask the Government what their business was and what responsibility, if any, they anticipated.

We started in on the 12th of January without any organization of any description - to try and do something. No one knew exactly what they wanted to do; there was no precedence to go by; the Government had no program laid out, such as I understand you gentlemen are working on now; and the only thought I had in my mind, to begin with, was that I should not do anything to throw any monkey wrenches in the gear box.

I had an idea that the Standard Oil Company knew more about petroleum than I, so Mr. A.C. Bedford, the then Chairman of the Board of the Standard Oil Company of New Jersey, was the spokesman for this group of men. I said to him, "I am going to make you chairman of the Committee. You go out and organize this industry and get it together". Mr. Bedford was always fearful of any reaction that might be had by Congressional Washington, and I told him to forget that part; that everything had to be measured by whether it would help win the war.

We called in the heads of the big petroleum companies and some of the representatives of the independent ones - some thirty or forty in number. One of the first things that struck me was that

there were a good many of these gentlemen that had never met each other before until they met around the table at that conference board in New York City. I had a notion that they would have to know each other better if they were to get team work out of it, so I told them to talk about this thing and that it was up to them to make their own program - I would merely sit in and listen; if I didn't like what they were doing, I would say so; they were to forget there was anybody in the oil business except the United States. We progressed as rapidly as progress could be made.

The first thing we did, about the end of January, was to issue an order of priority on fuel oil. We found that many of these oil companies had contracts with private concerns for the delivery of fuel oil and any attempt on their part to switch on these contracts, or not fulfill them, made them liable for suits for damages. However, we put into effect this priority order, listing the Army and Navy in the first class, going on down through hospitals, cantonments, and things of that kind - twelve classes all told. That immediately removed any liability for damages on the part of those companies because they simply could not deliver the oil.

We then created what was known as the Atlantic Distributing Committee, consisting of the heads of some of the organizations of all the key oil companies in New York, and I guess they did a very good job. I guess so because I never heard much about it. We met about twice. Regarding the work of that committee, it was one of the most important done during the war. There are a dozen men in the city of New York who never knew that such a thing as the Atlantic

Distributing Committee existed. They met every day, took all the oil and exchanged it among themselves. I have no idea as to how it was done except that these sales managers of the various oil companies, acting under the cloak of the Government, did the job and was relieved, thru their corporations, by the Government for any blame for failure to fulfill on any contract. Whenever they agreed anything had to be done, the Government did it. There was none of us who knew what we were going to do or how we were going to do it.

As I look back on those days I can see it was well along into the summer before we got that piece of machinery working satisfactorily. The whole theory was to allow industry to govern itself by giving it whatever cloak of protection of government that was necessary. In order to permit them to do the things they had to do, we made a plan. It had to do with the stabilization of prices. We found that unless something was done, the price of crude oil would go out of sight. We pleaded with them and themarket was held down for a while but we began to believe it was getting away from us.

I called in Mr. Donnelly, a very splendid citizen, and said to him, "You sit in with this body of men" and in all these years I have gotten no unpleasant reaction from that thing.

This plan, a copy of which should be in your records here, first fixed the price of crude oil and determined what bonus should be paid above its base price. The plan worked. Of course over that

plan the question immediately came up as to just what they were going to do for crude oil; the smaller companies could not get it, could not pay the bonus; and I said some of the larger companies had to allocate some oil to these men, giving it at base price. They saw very shortly that the thing was logical. I think we allocated something like ten or fifteen thousand barrels a day during the last fifteen months of the war. That allocation would have been much more, of course, had the war continued.

The organization of this industry for war purposes was just about completed when the Armistice was declared. In other words, there you had one of the vital industries for war disorganized during the latter part of 1917 so far as any unified action was concerned. They had come to a point where they absolutely had to have some protection or authority of government to do things they had to do. I am sure that I could take the petroleum industry today and re-assemble it for war purposes and have it just as efficient as the day the Armistice was declared and do it in forty-eight hours - by taking that old organization, setting up again just exactly as it existed and telling everybody to go to work.

You have the experiences of that period before you. You will find it set out in the final report of the Fuel Administration. In the last part of that book is the report of the Oil Division in which I set up the story of organization, some of the results that followed, and set forth a price study of petroleum production that was made under the supervision of the Price Control Section of the War Industries Board.

We held regular Friday morning meetings in New York for the purpose of determining the requirements, prices, etc., of crude oil. I remember we had a very serious argument one morning regarding the specifications for gasoline. General Pershing had cabled over to the United States wanting the French specifications for gasoline which had a Baume point of 257 (British was 315), and our technical men in the Bureau of Mines and Standards advised me that 315 was, for our purposes, as good as 257. We set up an Inter-Allied Committee and they milled around here for a while, but the Frenchmen stood absolutely firm. We then set up a committee to go over to France and study the matter on the ground. It was done and the Armistice stopped that also. I was told, afterwards, that the facts - so far as they had been carried - proved that there was no necessity for the 257 demand. The only reason was that the French had some refineries that they wanted to keep running. The technical men all advised me that ours was good enough. That meant a very serious situation here (the changing to 257 from 315); it meant a building of new concerns to be started, and after refining to that point only 6/10 of a barrel was left. The refiners said they just could not do it. We had to close a great many of the smaller refineries and redistribute the crude to more efficient plants, and to a very considerable degree revolutionize the whole refining industry. They did not visualize this thing in terms of industrial revolution when making the request.

In connection with that investigation, we found that a lot of the refineries in existence were so badly constructed and so in-

efficient that they were losing a considerable quantity of the factors in the refining that were the things we wanted to save to go into the high quality of gasoline.

I developed some very definite ideas regarding the use to be made of the information we collected and I wrote a memorandum at the time and filed it with Mr. Baruch of the War Industries Board, making the suggestion that a study be made along these theories, war time departments, etc., and, as a result of that, a bill be drafted that would cover everything in which not only the lines of industry but drafting of men in time of war and perhaps conscription of industry to prevent any possibility of war profits would be included. There is another way of getting this - through excess taxes - and it may be found to be the most efficient way, but some means of that kind should be drafted that would be comprehensive and cover the whole question of industry for war purposes. I think that bill should be passed through Congress now, and I have no illusions about what I am talking of. That legislation should be passed by Congress and it should lie dormant and be of no effect until the declaration of war by the President, and immediately with declaration of war that legislation should become effective.

The excuse for that is the experiences I had here during the war with a lot of this temporary war legislation and the so-called Lever Bill providing for the control of foods and fuel. I know that in the Food Administration, where I served from May until December, we went along like a band of pirates--no authority of law;

no one with a very definite idea of what the law ought to be. Things went along from day to day for four months before that Food Control Bill was passed. Then it went along from there until the 12th of January, 1918, before the Government took definite control over petroleum, one of the most vital industries in the war. That is the reason I think there should be a measure of that kind provided for.

I believe that the control of petroleum, perhaps, could be no better cared for than by setting up the old organization because you know that organization would work and, as it was in the end, it was a result of the works of the months of 1918 from January on until November with some polishing on it after that time. Beyond that, it might be possible, with experience and by investigation, to devise some other control or modification of that method that would make it still more effective, but there are three things, three fundamentals, that I want to call to your attention in connection with that. First, that there was no vital war necessity that I ever heard of that failed to get supplies of petroleum products; Second, that the price of those products were no higher than from 1915 to 1917; and Third, that total control by the Oil Division, of the Food Administration, cost something less than one hundred thousand dollars. We made the industry do the work; it had the National Petroleum Service Committee in New York that had sub-committees dealing with all the various departments of production, transportation, refining, marketing, etc., and they, in turn, had various petroleum committees in the districts. We set up on the Pacific Coast a Service committee which functioned under an appointed representative. Their problem

was entirely a different one because there was no way to get the petroleum over there, and there was no use to impose upon them orders and regulations that we applied here in the East. That brings up another question. I have come to believe that you cannot issue a general binding order that is applicable over the United States equally. I know we had a case of that kind when I was in the Food Administration, and it proved all wrong.

Another thing - priority cannot be applied without a lot of study and care. Industry is in no sense individual - one from the other. It is interdependent, however, and the moment you dislocate some apparently minute part of that industrial circle you may set up a chain of reaction that might possible paralyze some of the most vital factors. Industry has to be assembled and each part of it perform its own function if the Army and Navy are to get the war commodities which they must have.

That brings up another thought in my mind; the chaos that existed here in Washington. It was the fault of the system that these conditions existed. As I understand it, you gentlemen are planning to obviate the faults in that system. You will find a great deal of material available. I am sure you will have the most enthusiastic cooperation of the men concerned in the matter of inefficiency that was operating over this town in 1917 and 1918, and I see no reason why, under your task if you are given time to do it and do it as it should be done, you should not be able to prepare a plan for the mobilization of industry in time of war that can be so arranged that industry can be mobilized here in three or four days. I guarantee

to mobilize the petroleum industry in forty-eight hours as efficiently as it was the day Armistice was declared.

By doing the work you are doing, getting that thing properly prepared, you are up against Congress. Frankly, I do not believe Congress will ever pass a measure of that kind; they maintain it is something designed to promote war. I do not agree with that - it is designed to promote National Defense. I have often wondered what would have been the result if Europe had been thoroughly prepared when she went to war with the United States. I think I know.