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773 013

401.1 Critical Materials
(Japanese)

NO.	DATE	SUBJECT
1.	9 Apr 49	Letter of Transmittal (Study of Inventory of Critical Materials Program)

773 013

KYOTO MILITARY GOVERNMENT TEAM
APO 301 (Kyoto, Japan)

HCS/vms

9 April 1949

SUBJECT: Letter of Transmittal

TO: Commanding Officer
Kinki Mil Govt Regn
APO 301

In compliance with letter your Headquarters, Subject: Standardi-
zation of Studies of Military Government Programs, dtd 11 March 1949
the inclosed "Study of the Inventory of Critical Materials Program
is forwarded.

FOR THE COMMANDING OFFICER:

1 Inclosure
As indicated

HAROLD C. SHEFFIELD
Major QMC
Executive

KYOTO MILITARY GOVERNMENT TEAM
APO 301 (Kyoto, Japan)

6 April 1949

SUBJECT: Study of Inventory of Critical Materials Program

TO: Commanding Officer
Kinki MI Govt Region
APO 25

Study of: Inventory of Critical Materials

Conducted by: Capt. E. L. Commons

REFERENCES:

Occupation Forces

1. SCAPIN 1863 for 1948.
2. Operational Directives No. 27 Hq. Eighth Army for 1948.

Japanese Government

1. ESB Instruction No. 6, 10 February 1948.
2. Cabinet Ordinance No. 65, 27 March 1948.
3. Cabinet Ordinance No. 133, 18 June 1948.
4. Joint Min Ord #2, 23 March 1948.
5. Law No. 36, 1 May 1948.

PURPOSE:

1. This program was designed to discover the amount of surplus critical materials available in Japan in order that they could be re-allocated to those industries whose production was curtailed by shortages of material. It was also to be used in order to determine amounts and types of raw materials required for import purposes.

DISCUSSIONS:

1. For the purpose of this discussion the term "Competent Authorities" will be used in reference to the ministries or other government agencies having jurisdiction over each type of critical materials.

Subject: Study of Inventory of Critical Materials Program

6 April 1949

2. The Inventory of Critical Materials program was started with the issuance of Joint Ministries Ordinance No. 2, on 23 March 1948, followed by Cabinet Ordinance No. 65, on 27 March 1948. This program called for a simultaneous inventory throughout Japan by all businesses, industries, individuals and government distribution agencies holding certain materials listed as critical by the Japanese Government. The inventories were to be prepared by the owners or holders of the designated materials and forwarded to the local town, village or city offices by 15 April 1948. The local town, village or city offices were then to forward the inventories to the Competent Authorities for checking, publication of lists of available materials, and other re-allocation procedures. The checking of these inventories constituted a tremendous problem for the Competent Authorities. The largest share of this work fell upon the local offices of the Commerce and Industry Ministry under whose jurisdiction the majority of critical materials came. The Competent Authorities made up teams which spot checked factories and inventories for accuracy. However, in view of the tremendous number of inventories received, and the fact that no additional personnel were assigned to aid in this program, it was in fact impossible to conduct more than a superficial check. After the spot checking was completed the surplus materials so reported were supposed to be available for re-allocation by the Competent Authorities or for direct sale by the holders of the materials to the holders of legal allocation certificates.

3. In conducting surveillance of this program, Military Government organized two teams whose original duties were to check inventories and factories for accuracy of reports. Here again, the tremendous number of inventories made anything more than a spot check impossible in the short time (60) days these inventories were to be held. The Commerce and Industry alone received approximately 2500 separate inventories. In conjunction with the spot checking these teams checked the Commerce and Industry section to see that lists of surplus materials were available for study by those people desiring to purchase such materials. Meetings were held with the Competent Authorities to see that adequate publicity in newspapers and radios was given on the availability of reported surplus stocks. In addition to this, reports from the Competent Authorities were required monthly showing those materials re-allocated and the factories from which and to which re-allocations were made. The Military Government teams also received and spent considerable time checking on informer reports of hidden or hoarded goods.

4. Surveillance of this program by the Kyoto Military Government Team indicates that the program was too hurried to fully realize the required results. The order calling for the inventory as of 31 March was not issued until 27 March. The inventory sheets which were printed by the government, and contained the actual instructions for the inventory on the reverse side, were not distributed until 10 April. These

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inventories were supposed to be returned to the local town or village offices by the 15th of April. A small amount of publicity, including brief inventory instructions, was published in local newspapers. However, in view of the complexity of the inventory, the five days between the receipt of inventory sheets and the deadline for submitting them were not enough. The spot checks conducted by both Japanese Government agencies and this Military Government Team showed that from 20 to 30% of the inventories were erroneously prepared. Couple this with the fact that not more than 15% of the inventories were spot checked, and it is apparent that a true picture of surplus critical materials was not obtained.

5. Holders of critical materials were badly confused over the maximum retention limits as well as the minimum amounts which were to be inventoried. Also there was no clear definition of what constituted materials being processed (which were not required to be inventoried), and what constituted used materials. To further complicate this situation, the local offices of the Competent Authorities were almost as uncertain of the answers to these problems as were the people preparing the inventories and were therefore unable to advise and help.

6. As a result of the confusion mentioned above, Cabinet Ordinance No. 133, 18 June 1948 which allowed inventories to be legally submitted up to 31 July 1948. However, by the time this Ordinance was issued, the majority of the inventories, correct and incorrect, had already been submitted and only those few holders who had not previously submitted reported were in a position to take advantage of this extension.

7. The difficulties encountered by the Competent Authorities in obtaining accurate inventories and in informing holders of critical materials, mainly the larger factories, of what amounts and types should be reported were further complicated by the question of jurisdiction. The most important factories are under the direct jurisdiction of the Ministries in Tokyo. Factories of secondary importance come under the jurisdiction of the Osaka District Offices. Only the medium and smaller sized factories are under the Prefectural Offices of the Ministries. Whenever decisions had to be made that did not coincide with the desires of the factories they immediately fell back upon the argument that the local offices, which were conducting the inventories, had no jurisdiction over the factory. This caused considerable delay while the question was being sent to the Osaka Office for decision.

8. As can be seen from a study of column b annex (1) the actual amount of materials re-allocated, by order of Competent Authorities or by direct sale from holders of goods to the holders of allocation certificates, was very small. This was due to several factors, principle among which are:

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- a. Again the question of jurisdiction slowed up the program. The authority to re-allocate goods held by factories under the jurisdiction of the Tokyo Ministries or the Osaka Regional Offices was not vested in the prefectural branch offices. Only those materials held by the medium and small enterprises could be re-allocated at a prefectural level.
- b. The amounts of surplus materials at any one place were very small. This made it necessary for holders of allocation certificates to contact many places in order to get the total amount of the allocation. This process took considerable time and effort which the purchasers did not care to expend.
- c. Coupled with the fact mentioned above was the fact that, when a prospective purchaser located surplus materials from the lists maintained in the Prefectural Commerce and Industry section, they often found upon contacting the holders that the materials had been used by the holder. The laws governing this program did not specifically prevent the utilization of goods reported as surplus by the holders before they could be re-allocated. Therefore, within a very short time after submission, the inventories themselves were obsolete. While it was required that holders report all sales to holders of allocation tickets, it was not required that reports be submitted on those goods utilized by the holder.
- d. The law further allowed the holder of materials to decide which were surplus and which were his legal retention. As results of this, in most instances materials were segregated by the holders so that those of good quality were included in his retention amounts and those of inferior quality, which nobody would want to purchase, were classified as surplus.
9. As has been pointed out above the original inventories soon became obsolete and of no further value from a re-allocation of materials standpoint. The lists did not prevent the holders from utilizing the materials before they were allocated nor did they provide for purchase and storage of the materials by government agencies pending re-allocation.
10. On 1 Sept 1948 the Joint Ministries called for a re-inventory which froze all reported surplus stocks, and compulsory purchase by the Sangyo Fukko Kagan of all materials not reallocated within sixty days. By this time the holders of designated materials were more familiar with inventory procedures and much more complete and accurate listings of surplus materials were obtained. The S.F.K. was responsible for preparing a master list of surplus materials which was made available to the public

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at the Prefectural Commerce and Industry Office. Materials included on this list were to be retained by the owner until re-allocated by Competent Authorities or until purchased by the S.P.K. if not re-allocated within 60 days.

11. One bad feature of the new inventory program was that goods valued at over 1000 ¥ were to be paid for in bonds maturing in 10 years. This placed an additional financial burden particularly upon the small and medium sized enterprises which were already suffering from financial difficulties. In most instances these surplus materials had been legally purchased for cash and set aside to meet later production needs. Now new allocations must be obtained and paid for in cash while the bonds had no immediate monetary value.

12. As can be seen from a study of columns d and h of annex 1, the actual re-allocation benefits arising from this new inventory were not much better than those from the original inventory. Again the allocation jurisdiction prevented immediate re-allocation by local offices. There was apparently no clear effort at coordinating this re-allocation program by the Tokyo, Regional and Prefectural Offices. Col. H of annex 1 shows that in too many instances, one year after the start of this program, surplus materials reported on the original inventory are still on hand unallocated.

CONCLUSIONS:

1. In spite of the effort expended by both the Japanese Government and the Occupation Forces the, actual results of the program were far below expectations. The surplus stocks reported were in many cases of inferior quality or far below the amounts anticipated. Is it not clear whether this is due to the fact that actual stocks are lower than were estimated or whether large amounts were not reported.

2. From a check of the inventories however, it is apparent that most legal enterprises reported their surplus stocks however inaccurately. It is the opinion of this team and of prefectural officials that materials held by large black market operators were not reported. Those engaged in black market operations would rather take a chance of having their goods confiscated, or receive legal price payment in bonds, than lose the chance for large profits available by black market sales.

3. In view of the fact that all surplus materials reported on the 2nd inventory are frozen, and have been, or will be in the near future, purchased by the S.P.K., it is felt that the Inventory of Critical Materials Program as it was originally conceived is to all practical purposes completed. Military Government surveillance from here on will

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merely be to see that allocations are made as quickly and as fairly as possible and to see that large stocks are not held by the S.F.K. for considerable lengths of time.

RECOMMENDATIONS:

1. It is recommended that the inventory critical materials surveillance called for by the CD 27 be dropped from the list of Military Government activities and the necessary surveillance of allocation producers be included in normal activities.

2. It is further recommended that no new program on a scale as large and extensive as this one be instituted. It is felt that the same results as were derived from this program could be obtained by instituting a system whereby stocks of critical materials on hand would be reported in the same form on which requests for allocations are made. This would give a running check of stocks on hand of all types of critical materials which could be spot checked periodically by the local offices of the Competent Authorities.

3. It is also recommended that, in the event future purchases of surplus stocks are made by S.F.K. or other government agencies, payment be made in cash except in the case of goods held illegally.

PREFECTURAL DATA:

- a. 4621 square Kilometers.
- b. 1,784,753--population of Kyoto Prefecture.
- c. This prefecture is approximately 50% Agricultural and 50% Industrial.
- d. Kyoto Prefecture is an importer of foods.
- e. Majority of population is concentrated in three cities:
 1. Kyoto City--1,040,127
 2. Fukuchiana--38,131
 3. Maizura--87,955

1 Inclosure:
Annex 1

Master List of the Disposition of
Surplus Materials in Kyoto Prefecture

(As of March 31, 1949)

Legend:

Vertical Columns

- A. Total Amount of Inventoried Surplus Materials as of March 31, 1948
- B. Amount Reallocated between Apr 1, 1948 and Aug 21, 1948
- C. Total Amount of Surplus Materials as of Sept 1, 1948
- D. Amount Reallocated between Sept 1, 1948 and Mar 31, 1949
- E. The Amount of Surplus Materials on which permission was granted for increase of the maximum limit to be retained by the holders
- F. Amount of Materials Released from Orders (Inventoried in error)
- G. Amount Purchased by KODANE
- H. Standing Surplus as of Mar 31, 1949

Annex 1⁽⁴⁾

KMGT Study of Critical Materials

<u>Item No.</u>	<u>Materials</u>	<u>Unit</u>	<u>A</u>	<u>B</u>	<u>C</u>	<u>D</u>	<u>E</u>	<u>F</u>	<u>G</u>	<u>H</u>
1	Coal	Ton	5,461.8	-	2,056.85	-	5,219	-	-	-
2	Lignite	Ton	5,853.51	-	3,314.57	-	1,572.75	1,741.82	-	0
3	Cokes	Ton	1,100.788	-	430.228	8	171.5	-	-	250.728
4	Crude Oil	Kilo Litre	30.	-	-	-	-	-	-	-
5	Semi-Solid Oil and Asphalt	"	34.754	-	24,383	1	14,081.6	-	16,517.5	0
6	Paraffin	Kilo Gram	3,616.26	-	352.25	-	-	16.	336.25	0
7	Other Petroleum Products	Litre	313,230	-	880,674.9 (14 gallons)	-	128,083.5	-	21,624.2	730,967.2
8	Silicon Steel Plate	Kilo Gram	3,616	-	3,512	883	-	-	-	2,639
9	Nails	Kilo Gram	24,997.48	180.	19,281.328	1,080	7,967	-	-	10,234.328
10	Wires (Tin Plated)	Kilo Gram	19,006.5	200	6,541.96	-	2,765.5	-	-	3,776.46
11	Steel Wire (Non-plated)	"	29,773.5	-	8,330.	7.	6,707.	-	-	1,616
12	Galvanized Sheet	"	3,071	60.	2,722.7	80.	2,596	-	-	46.7
13	Nickel (Ingots)	"	2,400.	-	2,400.	-	-	-	-	2,400
14	Plate Glass	Case	23.	-	1.5	-	-	-	1.5	0
15	Asbestos	kilo Gram	10,813	-	8,668	-	-	-	-	8,688.

<u>Item No.</u>	<u>Materials</u>	<u>Unit</u>	<u>A</u>	<u>B</u>	<u>C</u>	<u>D</u>	<u>E</u>	<u>F</u>	<u>G</u>	<u>H</u>
16	Crude Rubber	Kilo Gram	586.	-	132	-	-	132	-	0
17	Reclaimed Rubber	Ton	-	-	-	-	-	-	-	-
18	Rubber Scrap	Ton	5.554	-	-	-	-	-	-	-
19	Glue and Gelatin	Kilo Gram	1,255.266	-	312	-	280	32	-	0
20	Paper	LB	310,688.905 (108 Rolls 1,138 Bundles)	125	107,120.47	-	81,615	11,348	3,814.8	10,342.67
21	Mica	Kilo Gram	3,139	-	377.605	-	-	-	-	337.605
22	Heat Insulator	Ton	-	-	-	-	-	-	-	-
23	Pig Iron	Ton	462.987	6.8	179.491	-	1.1	-	26.491	151.9
24	Cast Iron Pipe	Ton	185.428	-	102.42	-	-	-	-	102.42
25	Ordinary Steel	Ton	3,219,6449	3,160.7	1,825.89808	17.0903	2,327.207	-	-	1,806.4806
26	Hard Steel Wire	Kilo Gram	21,682.1	-	19,672	-	2,572.	-	-	17,100
27	Wire Rope	Ton	33.019	-	19.133	-	7.071	-	-	12.062
28	Iron Scrap	Ton	496.015	-	20.	-	10.	-	-	10
29	Steel Scrap	Ton	2,247.069	-	2,740.886	244	35	-	-	2,461.886
30	Copper (Ingots)	Ton	25.0372	4.841	21.883	4.536	3.887	566	3.854	9.04
31	Lead (Ingots)	Ton	91.156	10.	63.0692	-	0.6	5.7075	24.3225	32.4392
32	Used Lead	Ton	47.921	-	20.365	10.100	-	-	4.901	5.364

			<u>A</u>	<u>B</u>	<u>C</u>	<u>D</u>	<u>E</u>	<u>F</u>	<u>G</u>	<u>H</u>
33	Tin	Kilo Gram	31,383.2	250	19,425.5	320	-	15,630.35	3,061.65	413.5
34	Antimony	"	4,442.5	-	1,071	-	-	90.9	0	0
35	Aluminum (Ingots)	Ton	11.367	-	-	-	-	-	-	-
36	Scrap of Aluminum and of Aluminum Alloy	Ton	30.672	8	6.709	-	-	4.409	4.409	2.3
37	Arsenic Acid	Ton	-	-	-	-	-	-	-	-
38	Electric Wire	Ton	245,090.9	-	95.933	-	155.45	-	-	-
39	Salt	Ton	5.636	-	-	-	-	-	-	-
40	Soda Ash	Ton	25.075	-	19,404	0.56	-	-	18.884	0
41	Caustic Soda	Ton	7.610	-	7.516	-	7.400	-	0.166	0
42	Pure Benzol	Ton	1.098	-	-	-	-	-	-	-
43	Solvent Benzol	Ton	-	-	-	-	-	-	-	-
44	Toluene	Ton	7.2	-	33,655.5	-	-	-	4.351	29,304.5
45	Creosote Oil	Ton	-	-	-	-	-	-	-	-
46	Phenoles	Ton	-	-	3.700	-	3.7	-	-	0
47	Synthetic Dyestuffs	Kilo Gram	84,379.6	-	79,973.923	-	8,261.46	43,104.702	20,871.766	7,736
48	Carbon Black	"	5,066.2	-	10,386.	-	-	1,644	1,718	7,024
49	Methanol	"	-	-	750	-	750.	-	-	0
50	Acetone	"	-	-	-	-	-	-	-	-

		<u>A</u>	<u>B</u>	<u>C</u>	<u>D</u>	<u>E</u>	<u>F</u>	<u>G</u>	<u>H</u>
51	Carbide	Kilo Gram	8,785	-	-	-	-	-	-
52	Potassium Chloride	"	3,700	-	3,700	-	-	-	3,700
53	Potassium Sulphate	"	1,200	-	1,200	-	-	-	1,200
54	Oils and Fats for Industrial Use	"	64,068	-	400	-	400	-	0
55	Hardened Oils	"	50,417	-	-	-	-	-	-
56	Hardened Wax	"	100	-	100	-	100	-	0
57	Fatty Acids	"	27,490	-	170	-	-	-	170
58	Crude Glycerine	"	12,972	-	200	-	-	-	200
59	Refined Glycerine	"	1,848	-	-	-	-	-	-
60	Hide (Raw)	Ton	34,1375	-	-	-	-	-	-
61	Leather	"	0.916	-	-	-	-	-	-
62	Leather Belts	Sq. Metre (1,498.34 Feet)	61.382	-	45,5455	-	45,5455	-	0
63	Tannin	Kg	1,840	-	1,849	-	1,849	-	0
64	Fibres	LB	28,268	718.7	8,868	-	-	-	8,868
65	Waste Fibres	"	218,396.82 (6291 Kan)	4,133	272,689.84	168,065	5,248	48,761.28 32,976.	17,639.56
66	Yarns (for industrial use only, inclusive of sewing yarns)	"	484,662.46 (2551 Kan)	92.4	45,578.8	-	830	1,149.5 33,126.1	10,473.2
67	Textile Febrics (Materials for industrial use only)	Sq. Yds. (2,038 Kan) (12,212 Pieces)	2,438,127.02	3,376.6	164,174.76	13,812.94	3,341.3	73,323.25 16,219.4	57,477.87

			<u>A</u>	<u>B</u>	<u>C</u>	<u>D</u>	<u>E</u>	<u>F</u>	<u>G</u>	<u>H</u>
68	Other Textile Products	LB	85,156.11 (4,915.5 Dozens)	-	38,181.56	1,350	182	2,435.36	15,588.6	18,635.6
69	Pulp	Ton	-	-	-	-	-	-	-	-
70	Lumber for the manufacture Of pulp	Koku*	-	-	-	-	-	-	-	-
71	Clothing and Textile Goods for Domestic Use	Pieces	622,165	-	267,708.8	2,798.8	45,952	213,987.	-	4,971
72	Bedding and its Accessories	Pieces	3,400 (4,885 pieces)	-	4,214	-	84	-	-	4,130
73	Reps and Nets	LB	904,624.	-	2,890	-	-	-	2,890.	0
74	Shoes and JIKATABI	Pairs	83,174	-	45.	-	45.	-	-	0
75	Tire	Pieces	16,901.	-	-	-	-	-	-	-
76	Inner Tube	Pieces	17,251.	-	-	-	-	-	-	-

* Koku= 1 shaku X 1 shaku X 10 shaku = 10 Cub. shaku