

Declassified E.O. 12356 Section 3.3/NND No.

785017

ACC

10000/109/957

INDUSTRIAL ADVIS  
APR. 1945 - JAN. 1946



Declassified E.O. 12356 Section 3.3/NND No. \_\_\_\_\_

785017

10000/104/957

INDUSTRIAL ADVISORY & PRODUCTION BOARDS POLICY  
APR. 1945 - JAN. 1946



Declassified E.O. 12356 Section 3.3/NND No.

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64

C80 - For info, please see folio 63

End 19/9

12/15

SPH  
9/1/46

12/15  
C80. Please see 5 66-68



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37

Ch

for info from 36

CSO

5/17 Si 3079

CSO

CS

Please note for 43 with CC's note attached;  
this in reference to for 44. Reply is at for 44.

5/19

46.

Executive Commission

At for 44 is answer reply to  
CC's note on for 43. Letter in acknowledgment  
of 43 is ~~not~~ submitted for signature if approved.

CSO

4/9.

CS

CSO

For info from 57

CSO

2572

5/15



785017

CSO Please note folio 43 with CC's note attached;  
this in reference to folio 42. Reply is at folio 44.

CSO 1/9

Executive Commission  
46.

At folio 44 is written reply to  
CC's note on folio 43. Letter in acknowledgment  
of 43 is ~~also~~ submitted for signature if approved.

4/9.

CSO.

58

CSO

For info folio 57

CSO 1/9

1/15

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CSO - For info. See folio 60, clearing out issue raised in folio 42  
& C.C.'s letter of folio 47

Emuel

2572



Declassified E.O. 12356 Section 3.3/NND No. 785017

5018. 68  
HEADQUARTERS ALLIED COMMISSION  
APO 394  
ECONOMIC SECTION

Tel: 550

4 January 1946

Ref: RS/18.09

JAN 9 1946

SUBJECT: Northern Italy Industrial Council and Northern  
Price Board

TO : Chief Commissioner  
Thru: Executive Commissioner

Attached for your information is copy of the decree (with yet published) which will have the effect of keeping the Northern Italy Industrial Council and the Northern Price Board in business until 1 March 1946, or until the new Supreme Industrial Council is set up.

*Harlan Cleveland*  
HARLAN CLEVELAND  
Acting Vice President

Incl: 1  
m/a

See M. 69

25 PA  
10/1  
Q  
E

(MASH) 9/1/46



67  
DRAFT OF LEGISLATIVE DECREE CONCERNING TEMPORARY FUNCTIONING OF INDUSTRIAL  
COUNCIL, INDUSTRIAL COMMITTEES AND PRICE COMMITTEE OF NORTH ITALY

Umberto di Savoia  
Prince of Piemonte  
Lt. General of Realm

In virtue of the authority committed to us:

In consideration of the plan dated 9th July 1945 prepared by Economic  
Section, AC, relative to the control of the manufacture and sale of industrial  
products in north Italy;

In consideration of D.L. Lt. dated 20 July 1944, N. 162 concerning  
judicial status of territories returned to the Italian administration;

In consideration of D.L. Lt. 25 June 1944, N. 151;

In consideration of D.L.Lt. 1 February 1945; N. 58;

~~Referred to the~~

In consideration of the deliberation of the Council of Ministers following  
recommendation of the Minister of Industry and Commerce;

We herewith sanction and promulgate as follows:

ART. 1

Until the Superior Industrial Council will be organized and in any case  
not after 31 March 1946, the Industrial Council and the Industrial Committees  
of Northern Italy will carry out under the supervision and according to  
instructions of the Ministry of Industry and Commerce, respectively: the  
former functions indicated in Art. 3, (a) No. 1, 2 and 9; Art. 3 (b) Nos.  
1 and 3; of 9 July 1945 plan of the Economic Section, A.C. regarding control  
over the manufacture and sale of industrial products of Northern Italy, and  
the latter functions of Art. 3(a) Nos. 5 and 8 of the said plan.

ART. 2

Temporarily and not after 31 March 1946, the North Italy Price Fixing  
Board will continue to carry out the functions conferred to it by Art. 3(c) No. 1  
of the plan indicated in the previous article, following to the directives of  
Interministerial Price Committee and in case of necessity or urgency, of the  
delegated presiding minister.

ART. 3

The provisions of the North Italy Industrial Council and the Price Fixing  
Board will be published in the Industrial Council's bulletin unless they regard  
single persons so that for their efficiency, direct communications to the  
interested parties will be sufficient.

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ART. 4

The North Italy Industrial Council will be presided by the Undersecretary of State for Industry and Commerce charged with industrial problems.

If the changing of members of the above-referred to organs will be necessary, it will be directed by the Minister of Industry and Commerce.

Art. 5

With a following legislative decree to be published at the suggestion of Minister of Industry and Commerce, in agreement with Minister of the Treasury rules will be established for economic-financial management of organs indicated in the previous articles and for the distribution of necessary funds for their functionings.

ART. 6

The present decree is effective on 1 January 1946 in those territories of Northern Italy which will be returned to the Italian Administration on 31 December 1945.

We order etc.

2569



50784  
HEADQUARTERS ALLIED COMMISSION  
APO 384  
Economic Section

17 September 1945

ES/1.00

My dear Signor Tracelloni:

In further reference to your letter of 14 August 1945, No. 01/32, I should like to convey to you the following information in regard to sugar and molasses allocations made by offices of this Headquarters.

The initial decision on the distribution of certain stocks of sugar for jam production was the result of careful consideration by Food officers of this Commission. Distribution of the sugar to a limited list of reputable firms appeared to be in the best interests of Italian consumers, since control over a wide list of firms would be less feasible. Furthermore, transport of the sugar to district factories was unjustifiable in view of general transport shortages.

In order to avoid possible injustice, the sugar distribution program was suspended by the Food office in Milan and the plan reviewed. Under a proposed alternative plan, all firms were offered a proportionate amount of the sugar if they would assure the production of jam of the agreed formula. This formula, 20% sugar and 40% concentrated grape juice, was established to provide the most economical use of available stocks. Of some 135 firms, only 18 firms, including the original firms, were able to give this assurance. As a result, it was agreed with the representatives of the Comitato Industrie Alimentari and others that these 18 firms would receive allocations of sugar instead of the eight formerly included (the three firms having already been raised to eight.) I am informed that this problem is now settled to the satisfaction of the Allied and Italian officials.

The plan adopted for allocation of molasses provides for the greatest possible use of existing stocks for food production and for meeting the important current needs. This plan is adhered to in order to insure that sufficient molasses is available for yeast manufacture for one year. Allocations for molasses for other less important purposes must be made from the molasses that will shortly be produced as a by-product of the sugar beet processing season.

Under the present plan, sufficient molasses is allocated to yeast

Executive Committee

(CASE 1000000) P.A. 6000

W. Lee M/64  
12/25/45



- 2 -

manufacturers in both northern and southern Italy to meet the approximate annual requirements for this product. In view of this year's deteriorating sugar beet crop, the present plan provides for as much molasses as can be spared for the extraction of sugar by barytination. Provision is made for molasses for cattle fodder. To meet the urgent need of the pharmaceutical industry as well as the need for industrial solvents, allocation is made for the production of ethyl ether.

The present plan does not provide for allocation of existing stocks for the manufacture of alcohol as such. To do so would necessitate curtailment of more urgently needed production. To meet the less important requirements, such as molasses for the 1946-47 sugar beet distillation campaign and for coffee substitutes, allocation must be made from the new production of this year. Alcohol should be produced from surpluses in the south of Italy wherever possible. This has been recommended to the Ministry of Industry and Commerce.

Tables showing locations and amounts of existing stocks of molasses, as well as allocations for manufacture of yeast, for barytination and for cattle food are attached.

I trust the above information will be of value to you, and will confirm the Chief Commissioner's assurance to you that it is the desire of the Allied Commission to assist the Italian Government in insuring that the Italian economy is best served with those items that are so greatly needed in this critical period of shortages.

Yours very truly,

(sgd) E. B. McKinley

E. B. MCKINLEY  
Brigadier General, USA  
Acting Vice President

Signor Roberto Tremelloni  
Industrial Council for Northern Italy  
Piazza S. Sepolero, 3  
Milano.

INTERNAL DISTRIBUTION  
Chief Commissioner  
Executive Commissioner  
Food Sub-Commission  
Industry Sub-Commission  
Northern HQ for AC  
Industry S/C  
Food S/C

2507



Declassified E.O. 12356 Section 3.3/NND No. 785017

Translation

COMMISSARIAT FOR  
THE MINISTRY FOR INDUSTRIAL PRODUCTION  
n. a. 292

Milan, 12.9.1945

To Admiral Ellery W. Stone  
Headquarters Allied Commission  
Office of the Chief Commissioner  
APO 394

Rome

Thank you for your letter of September 6th, n. 5018/45/EC.

The matter regarding the plan for sugar has been settled thanks to the intervention of Colonel Toscani of the Food Sub-commission; I also informed Colonel Glendinning about this solution which is satisfying for the Committee concerned,

I thank you for your intervention and kind words, and remain,

Sincerely yours,

S. Roberto Tremelloni

RT/zib

trans. c/c

LEC Dist - 17 Sep 45

INFO - ACTION: EX Comar

INFO: Chief Comar

Econ Sec (2)

(CNS NAME)

10/9

WMT

See 25661





COMMISSARIATO

PER IL

MINISTERO DELLA PRODUZIONE INDUSTRIALE

DIREZIONE GENERALE DELL'INDUSTRIA  
DEL SERVIZIO AMMINISTRATIVO E DEL PERSONALE

Milano, 12.9.1945

nr. 2/292

Ref. nr. 2/292

Admiraglio ELLERY W. STONE

Headquarters Allied Commission  
Office of the Chief Commis-  
sioner = APO 394 =

R O M A  
= . . . = . . . = . . . =

OGGETTO:

La ringrazio della Sua lettera in data 6 settembre.  
n. 5018/45/EC.-

La questione relativa al piano dello zucchero è sta-  
ta sistemata mercè l'intervento del Colonnello Toscani  
del Food Sub-Commission: quindi ho informato anche il Colon-  
nello Glendinning di questa soluzione che è soddisfacente  
per il Comitato interessato.-

La ringrazio vivamente del Suo intervento e della Sua  
cortese parola e la prego di gradire i miei deferenti sa-  
luti.-

MINISTERO INDUSTRIALE  
DIREZIONE GENERALE  
DIREZIONE AMMINISTRATIVA E DEL PERSONALE

(Emellion)

RT/zib

Declassified E.O. 12356 Section 3.3/NND No.

785017



Tel. 468

Ref. AC/5556/IND

4 September 1945

SUBJECT : Letter of Roberto Tremelloni.  
TO : Economic Section.  
FROM : Industry Sub-Commission.

SEP - 1 1945

1. Letter CI/32 dated 14 August 1945 from Industrial Council for Northern Italy, C.I.A.I. signed by Roberto Tremelloni, refers.

2. With respect to the portion of the above letter dealing with the sugar allocation for jam manufacture please be advised that control over the allocation of sugar is vested in Food S/C of this HQ.

3. The following information should serve to clarify the difference of opinion existing concerning the allocation of existing stocks of molasses so as best to provide for the needs of the Italian nation as a whole. In the opinion of this Sub-Commission this interest is so provided for.

4. From latest available information there is at present on hand 43,020 tons of molasses at various sugar plants throughout the north of Italy. A visit was recently made by Lt. Mehr of Industry S/C this HQ to plan and coordinate a programme for the equitable distribution of this molasses. The following distribution has been drawn up and coordinated with the "Commissariato Interregionale dell'Alimentazione per l'Alta Italia", Via Paleocopa 4, Milan and the "Comitato Industriale della Chimica e della Gomma", Foro Buonaparte 35, Milan. The recommended allocation of molasses is as follows:



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|                                                  |        |      |
|--------------------------------------------------|--------|------|
| Approximate Maximum Annual Requirement for Yeast | 24,000 | Tons |
| Barytization (extraction of sugar from molasses) | 12,043 | "    |
| Cattle fodder                                    | 2,200  | "    |
| Foundries                                        | 550    | "    |
| Ethyl Ether                                      | 1,400  | "    |
| Glycerine                                        | 2,237  | "    |
| Total                                            | 43,020 | Tons |

A letter allocating the molasses as above is being forwarded to all interested HQs and offices. On the basis of these urgent needs there is no molasses available for manufacture of alcohol and use as such.

5. It is most strongly recommended that this plan be adhered to especially to ensure that sufficient molasses be available for yeast manufacture for one year and that allocations of molasses for other purposes be made from the molasses that will shortly be produced as a by-product of the sugar beet processing season. No molasses should be diverted from this allocation for purposes of alcohol distillation except in the case of the 1,400 tons to be used for the preparation of ethyl alcohol for ethyl ether manufacture. With regard to present availabilities of alcohol the attached letter to the Ministry of Industry and Commerce gives some indication of the large surplus of alcohol in Southern Italy. It must further be stated that the forthcoming new production of molasses will be comparatively small due to the disastrous effect of the drought on the sugar beet-crop and poor planting in the first place.

6. It is further most strongly recommended that measures be taken by the Italian Government to immediately halt the requisitioning of molasses for the preparation of alcohol and sweets in Emilia Region which was recently returned to Italian Government jurisdiction. This use of molasses is in direct contradiction to the



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blocking order issued some time ago by the Allied Commission to protect this molasses for the manufacture of yeast in Southern Italy. One specific case involves the stock of molasses at the Cesena sugar plant in Forlì Province which is at present the source of molasses for the yeast plants at Rome, Naples and Barletta. "The Camera di Commercio" of Forlì Province has ordered part of this stock to be converted to alcohol and the residue used for cattle food. An allocation of 300 tons of molasses for cattle food had previously been made by this S/C ex stock located at the Mezzano sugar plant in nearby Ravenna Province (see table III).

7. 24,000 tons of molasses has been blocked for yeast production until the new production of molasses is ascertained. Allocations amounting to 25-33% of these 24,000 tons have been made (see table II) to cover the needs of the yeast plants of the entire country until at least the end of October when the quantities of molasses to be shortly produced will be known. Upon ascertaining the total of the raw molasses production in South Italy the allocations for the yeast plants in this area can be revised in terms of transportation conditions. Allocations for these yeast plants at present are from stocks in Emilia Region.

8. The molasses allocated for manufacture of ether and glycerine is the surplus over and above that blocked for yeast manufacture, extraction of sugar by barytization of molasses and the quantities allocated for cattle fodder (see paragraph 4 of this letter).

9. Table I lists the known existing stocks of molasses in North Italy. Table II lists the allocations of molasses for yeast manufacture through October 1945. Table III lists the sugar plants which will provide the necessary molasses from existing stocks for barytization. Table IV lists the allocations made for cattle food. It is recommended that the Consorzio Zuccheri coordinate with the Comitato Industriale della Chimica e della Carta to determine the most feasible sources to draw the molasses from for the production of ethyl ether and glycerine in terms of location of stock,



location of ether and glycerine manufacturing plants and transportation conditions. The same is recommended for the withdrawal of the small quantity of molasses for foundry purposes.

5 Incls:

Copy ltr. AC/5581/IND  
dttd. 27 Aug. 45.  
Tables I, II, III, IV

Copy to:

Office of Chief  
Commissioner AC  
Office of Executive  
Commissioner AC  
(Attn.: Capt. A. B. Arnoldy)  
Northern HQ AC  
(Attn.: Industry S/C)  
Northern HQ AC  
(Attn.: Food S/C)  
Ministry of Ind. & Comm.

LOUIS WEHR, 1st Lt. A.G.

for A. E. GLINDINING  
Colonel,  
Acting Director,  
Industry Sub-Commission.



C O P Y

HEADQUARTERS ALLIED COMMISSION  
APO 394  
INDUSTRY SUB-COMMISSION

Tel. 489081 Ext. 323

JR/SP

Ref. AO/5581/IND

27 August 1945

SUBJECT : Alcohol

TO : Ministry of Industry and Commerce.

1. It would appear opportune that your Ministry give immediate consideration to the problem of alcohol for use in Italian industry.

2. During the first two weeks of June, Major Rosenbaum of Industry Sub-Commission had occasion to consult several times with the head of the Comitato Chimica e Gomma. At that time the requirements for industrial alcohol for the North were discussed in some detail. Major Rosenbaum requested that a detailed programme be prepared by the Comitato Chimica e Gomma in order to meet requirements. The programme was to include such pertinent data as to quantities, plant locations, and end uses. During the last week of July, Major Rosenbaum again raised this subject with the Comitato Chimica e Gomma. However, to date, no programme has been presented by the Comitato Chimica e Gomma to serve as a basis for the production and use of alcohol, and transportation.

3. It is the opinion of this Sub-Commission that sufficient alcohol can be produced in the South of Italy to satisfy for an interim period the industrial requirements of Italy. In support of this opinion figures furnished by the Società Italiana Spiriti reveals that in the region of Puglia alone the following quantities of alcohol can be produced :

|       |        |        |    |                         |                  |
|-------|--------|--------|----|-------------------------|------------------|
| Fruit | 20,000 | liters | of | 95%                     | alcohol/day      |
| Wine  | 15,000 | liters | of | 95%                     | alcohol/day      |
| "     | 20,000 | "      | "  | 90%                     | "                |
| "     | 5,000  | "      | "  | absolute (inefficiente) | alcohol per day. |

It should be borne in mind that the above figures present the output for only four plants.



4. Opposed to this opinion is the attitude taken by the Comitato Chimica e Comma. It is the contention of this Comitato that it would be more desirable to operate the distilleries in the North using molasses as the raw materials. It was pointed out to the Comitato that molasses might better be used in the following order of priority: yeast production, sugar barytisation, cattle feed, and foundry moulds. The Comitato agreed in principle but took refuge in the statement, that "it is a political question". This statement was neither clarified nor elaborated.

5. It is strongly recommended that your Ministry obtain a complete programme from the Comitato Chimica e Comma. This programme should then be screened for essential uses and movement of the alcohol coordinated with the present special cistern train for conveyance of wine Brindisi-Milan. Such action would relieve the shortage of alcohol in the North, save precious molasses for more urgent requirements, and finally relieve a serious problem of wine storage capacity in the south.

JOEL ROSENBAUM, Major

Copy to :

Economica Section.

for A.H. GLENDENING  
Colonel,  
Acting Director,  
Industry Sub-Commission



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TABLE IEXISTING STOCKS OF MOLASSES AT VARIOUS SUGAR PLANTS

|                    |      |        |
|--------------------|------|--------|
| CESGLIA            | Q.11 | 3.081  |
| CLASSE             | "    | 2.937  |
| CODIGORO           | "    | 14.652 |
| COLOGNA            | "    | 4.139  |
| FERRARA (Eridania) | "    | 10.885 |
| FICAROLO           | "    | 6.302  |
| FORLI'             | B    | 260    |
| GRANAROLO          | "    | 4.750  |
| LIANA              | "    | 14.069 |
| MANTOVA            | "    | 3.141  |
| MASSALOMBARDA      | "    | 8.400  |
| MEZZANO            | "    | 37.424 |
| MONTAGNANA         | "    | 4.042  |
| OSTIGLIA           | "    | 3.918  |
| PONTELAGOSCURO     | "    | 2.472  |
| SAMBONIFACIO       | "    | 824    |
| SAN BIAGIO         | "    | 2.000  |
| SARMATO            | "    | 82     |
| BADIA              | "    | 21.802 |
| BAZZANO            | "    | 9.101  |
| BOLOGNA            | "    | 2.500  |
| CESINA             | "    | 8.000  |
| COSTA              | "    | 22.514 |
| LEGNAGO            | "    | 40.959 |
| LINDINARA          | "    | 22.100 |
| ROVIGO             | "    | 48.253 |
| BONDENO            | "    | 25.000 |
| IOLANDA DI SAVOIA  | "    | 20.979 |
| POLISSELLA         | B    | 44.000 |
| MIGLIARINO         | "    | 227    |
| FERRARA (Bonora)   | "    | 18.589 |
| ARQUA POLESINE     | "    | 3.152  |
| BOTTRICHE          | "    | 19.530 |

Q.11 ..... 430.202

Availability : 43,020 Tons

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785017

T A B L E I I

YEARLY PRODUCTION OF YEAST IN NORTHERN ITALY AND REQUIREMENTS OF MOLASSES

| FACTORY                                 | PRESENT YEARLY<br>PRODUCTION IN<br>TONS | MAXIMUM YEARLY<br>PRODUCTION<br>TONS | YEARLY NEEDS<br>OF MOLASSES ON<br>PRESENT<br>PRODUCTION | YEARLY NEEDS OF<br>MOLASSES ON<br>MAXIMUM PRODUCT-<br>ION | NEEDS<br>HERE<br>CONSIDERED | SUPPL<br>AND                             |
|-----------------------------------------|-----------------------------------------|--------------------------------------|---------------------------------------------------------|-----------------------------------------------------------|-----------------------------|------------------------------------------|
| Ceresio - Arquà Polesine                | 720                                     | 1080                                 | 1080                                                    | 1620                                                      | 1500                        | Poles                                    |
| Distillerie - Cervignano                | 370                                     | 1200                                 | 550                                                     | 1800                                                      | 1500                        | Lana                                     |
| Eridania - S. Vito Tagliamento          | 660                                     | 1920                                 | 990                                                     | 2780                                                      | 1500                        | Ceggia                                   |
| Distillerie - Padova                    | 840                                     | 1200                                 | 1260                                                    | 1800                                                      | 1500                        | Poles                                    |
| Eridania - Sampierdarena                | 600                                     | 1980                                 | 1200                                                    | 2970                                                      | 2700                        | ( Sarni<br>Bonde                         |
| Distillerie - Sesto S. Giovanni         | 1440                                    | 4200                                 | 2245                                                    | 6300                                                      | 3500                        | ( Bonde<br>) Colog<br>( S. Bon<br>) Mont |
| S.A.T.P.A. - Moncalieri                 | 240                                     | 1280                                 | 360                                                     | 1860                                                      | 670                         | Ostig                                    |
| Boringhieri Fratelli<br>Torino S. Paolo | 120                                     | 640                                  | 180                                                     | 920                                                       | 330                         | "                                        |
| Sernide - Mantua Prov.                  | None                                    | 2400                                 | -                                                       | 2000                                                      | 2000                        | Bonde                                    |
| Louis - Piacenza                        | None                                    | 3000                                 | -                                                       | 2500                                                      | 2500                        | Miglia                                   |

YEARLY PRODUCTION OF YEAST IN SOUTHERN ITALY AND REQUIREMENTS OF MOLASSES

|                        |      |      |      |      |      |          |
|------------------------|------|------|------|------|------|----------|
| Distillerie - Roma     | 1700 | 1700 | 2750 | 2750 | 2750 | ( Cesena |
| Distillerie - Napoli   | 1440 | 1440 | 2160 | 2160 | 2160 | Monza    |
| Distillerie - Barletta | 720  | 720  | 1080 | 1080 | 1080 | )        |



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T A B L E I I

YEARLY PRODUCTION OF YEAST IN NORTHERN ITALY AND REQUIREMENTS OF MOLASSES

| PRESENT YEARLY PRODUCTION IN TONS | MAXIMUM YEARLY PRODUCTION TONS | YEARLY NEEDS OF MOLASSES ON PRESENT PRODUCTION | YEARLY NEEDS OF MOLASSES ON MAXIMUM PRODUCTION | NEEDS HERE CONSIDERED | SUPPLYING SUGAR FACTORY AND EXISTING STOCKS (Tons)                        | ALLOCATION THROUGH 31 OCTOBER 1945 (Tons) |
|-----------------------------------|--------------------------------|------------------------------------------------|------------------------------------------------|-----------------------|---------------------------------------------------------------------------|-------------------------------------------|
| 720                               | 1080                           | 1080                                           | 1620                                           | 1500                  | Polesella 4400                                                            | 500                                       |
| 370                               | 1200                           | 550                                            | 1800                                           | 1500                  | Lana 1407                                                                 | 500                                       |
| 660                               | 1920                           | 990                                            | 2780                                           | 1500                  | Ceggia 308                                                                | 308                                       |
| 840                               | 1200                           | 1260                                           | 1800                                           | 1500                  | Polesella 4400                                                            | 500                                       |
| 600                               | 1980                           | 1200                                           | 2970                                           | 2700                  | ( Sarmato 82<br>Bondeno 2500                                              | 82<br>700                                 |
| 1440                              | 4200                           | 2145                                           | 6300                                           | 3500                  | ( Bondeno 2500<br>Cologna Veneta 410<br>S. Bonifacio 80<br>Montagnana 400 | 700<br>410<br>80<br>400                   |
| 240                               | 1280                           | 360                                            | 1860                                           | 670                   | Ostiglia(Mantua) 390                                                      | 260                                       |
| 120                               | 640                            | 180                                            | 920                                            | 330                   | " 390                                                                     | 130                                       |
| None                              | 2400                           | -                                              | 2000                                           | 2000                  | Bondeno 2500                                                              | 700                                       |
| None                              | 3000                           | -                                              | 2500                                           | 2500                  | Migliavine 4400                                                           | 700                                       |

YEARLY PRODUCTION OF YEAST IN SOUTHERN ITALY AND REQUIREMENTS OF MOLASSES

|      |      |      |      |      |              |      |
|------|------|------|------|------|--------------|------|
| 1700 | 1700 | 2750 | 2750 | 2750 | ( Cosena 800 | 800  |
| 1440 | 1440 | 2160 | 2160 | 2160 | Marzano 3742 | 1200 |
| 720  | 720  | 1080 | 1080 | 1080 |              |      |



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TABLE IIIALLOCATION OF MOLASSES FOR BARYTIZATION.

Barytization of 12,049 tons of molasses to be accomplished at Legnago which is the only sugar plant in Italy equipped for this process of sugar extraction.

| <u>Location of Stock</u> | <u>Quantity allocated for<br/>Barytization (Tons)</u> |
|--------------------------|-------------------------------------------------------|
| Costa                    | 2018                                                  |
| Legnago                  | 3000                                                  |
| Badia                    | 2180                                                  |
| Lendinara                | 2251                                                  |
| Rovigo                   | 2600                                                  |
|                          | <hr/>                                                 |
| Total                    | 12049 Tons                                            |



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TABLE IVMOLASSES ALLOCATION FOR CATTLE FOOD

| <u>Allocation made to</u> | <u>Source</u>                    | <u>Quantity (Tons)</u> |
|---------------------------|----------------------------------|------------------------|
| Prov. Rovigo (Venezia)    | Ital. Zucc.(Rovigo)              | 500                    |
|                           | Eridania (Ficarolo)              | 250                    |
|                           | Bottrighe (Rovigo)               | 250                    |
|                           |                                  | <hr/> 1,000            |
| Prov. Padua (Venezie)     | Ital. Zucc.(Rovigo)              | 400                    |
| Prov. Verona (Venezie)    | Ital. Zucc.(Legnago)             | 300(inverted)          |
| Prov. Ferrara (Emilia)    | Bonora (Ferrara)<br>(di Ravenna) | 200                    |
| Prov. Forlì (Emilia)      | Eridania (Mezzano)               | 300                    |
|                           |                                  | <hr/> 2,200 tons       |

=====



Ref: 5018/45/50.

6 Sept. 45.

My dear Signor Tresselloni,

Thank you for your letter of 14 Aug. 45,  
No: 02/52.

Colonel Clementini is investigating the allocation of sugar with representatives of the Food Sub-Commission in Milan and is going to submit a report on his findings. When this report is received I will again communicate with you.

I can assure you that it is not the desire of the Allied Commission to limit or curtail the activities needlessly, but rather to assist the Italian authorities in every way, putting at their disposal the benefit of past experience in dealing with current problems, with which members of your Committee are possibly being faced for the first time.

Yours very truly,

HILARY W. STONE,  
Rear Admiral, USNR,  
Chief Commissioner.

The President of the Imperial  
Council for Northern Italy,  
C.I.A.I.

SEP 19 1945  
2550



HEADQUARTERS ALLIED COMMISSION  
APO 394  
Economic Section

LDD/sc

Tel: 267

30 August 1945

Ref: 1.00/ES

AUG 31 1945

SUBJECT: Industrial Council for Northern Italy

TO : Chief Commissioner  
(Thru: Executive Commissioner)

1. With reference to attached copy of letter 01/32 dated 14 August 1945 from the Industrial Council for Italy C.I.A.I., together with Chief Commissioner's memorandum of 25 August, this matter was taken up by Brig. Anderson with myself, Col. Walton, Col. Glendinning and Mr. Stauffer. Col. Glendinning is returning to Milan and will handle all matters requiring coordination from the Economic side and with liaison with the Industrial Council to the extent necessary to "iron out" any existing difficulties.

2. The question of interference or rather the allocation of sugar in a manner contrary to the wishes of the Council is being investigated by Col. Glendinning with representatives of the Food Sub-Commission on the ground at Milan.

3. While this matter is still under investigation and a definite report will be forthcoming, it can be said that our interference in this case was based on the decision taken by Col. Toscarini and Food representatives in the North, whose position, we suspect, will be found reasonable when they are given an opportunity to state their side of the case.

4. We agreed that AC should not interfere with the Industrial Council, unless it is found to be absolutely necessary. From the meager facts we have, we are of the opinion that the interference in connection with the sugar allocation was necessary.

5. We will give you a further report.

FOR THE ACTING VICE PRESIDENT:

*L. D. Densmore*  
L. D. DENSMORE  
Colonel, FA  
Chief Staff Officer

1 Incl:  
Letter m/a

SEE FILE 43

45  
JUL 25 1945

Pa.  
(Camp Arnold) (Copy passed to EC Files)



Declassified E.O. 12356 Section 3.3/NND No. \_\_\_\_\_

785017

11/19  
H. Demore,  
I should like  
you personally  
to get into  
this. Why  
should we  
interfere?

24  
8

End  
cc



Ref: 5015/13/50.

Vol: 451.

14 August 1945.

SUBJECT: Industrial Council for Northern Italy C.I.A.I.

TO : Economic Section.

1. The original of a letter CI/32 dated 14 August 45 from the Industrial Council for Northern Italy, C.I.A.I., signed by Roberto Ghirelli, was sent to your Section for action.

2. It would be appreciated if a copy of your reply to this letter be forwarded to the Executive Commissioner for information.

L. E. KENNEDY  
Chief Staff Officer,  
To the Executive Commissioner.

SEE Folio 44

24/8  
25/8  
26/8



Translation

Industrial Council for Northern Italy  
C.I.A.I.

01/32

Milan, 11 August 1945  
Piazza S. Sepolcro, 2

To Admiral Stone

R o m e

AUG 21 1945

I want to draw your kind attention on the conditions in which the activity of the industrial committees depending from the Commissariat directed by me is taking place, this because of some decisions which have troubled the activity of some Italian organisms to which the tasks (for the resumption of the food industries, and for the allotment of the necessary raw materials, are entrusted.

As you know, the Allied Authorities have acknowledged the industrial Committee formed for the various branches of industry and also the specific tasks entrusted to these Committees for the resumption of industrial activities, and for the drafting and carrying out of plans for the allotment of materials and raw materials required by industry.

The acknowledgement granted by the Allied Authorities should have definitively given to the Committees the freedom of action required for the successful carrying out of the tasks entrusted to the above mentioned organisms, action which has of course subordinated to the agreements which were to be made every time between this Commissariat and the Allied Commands.

However, the activity of the Committees is very often limited, not to say suppressed, by the decisions and actions of the officials or chiefs of the services of the Allied Commission or of the Sub-Commissions which depend from it.

Let us take as an example two incidents which took place lately, incidents which proved very clearly that some officials or chiefs of the A.C. did not intend to make use of the ability and collaboration of the Committees for the allotment of some raw materials; this not to say that it showed the intention of putting the Committees in conditions in which they would not be able to intervene in the solving of the important problems which concern Italian industry.

I refer to what happened for the allotting of the last contingent of qis. 25,000 of sugar destined to the preserves industry and for the allotting of molasses for the usual industrial uses.

As you probably know, the Italian sugar refineries still have a stock of about 2,000 qis of sugar, which, according to the agreements made with the Allied Authorities, was to be destined to two preserves industries.

This stock had already been allotted to the concerns of the branch for <sup>is</sup> production of a certain amount of jam destined to the provinces in accordance with the requirements of the said provinces and the allotment had been made by the 'Committee for food industries' in agreement with the Commissariat for Industrial Production and with the Food Commissaria.

The said draft planned an allotment in favour of all the concerns which made jam, chosen according to the requirements for efficiently supplying the provinces with jam. It had been taken to the Allied Command in Milan for appro-



To Admiral Stone

Rome

AUG 21 1943

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The acknowledgement granted by the Allied Authorities should have definitively given to the Committees the freedom of action required for the successful carrying out of the tasks entrusted to the above mentioned organisms, action which was of course subordinated to the agreements which were to be made every time between this Commissariat and the Allied Commands.

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As you probably know, the Italian sugar refineries still have a stock of about 25,000 qts of sugar, which, according to the agreements made with the Allied Authorities, was to be destined to the preserves industries.

This stock had already been allotted to the concerns of the branch for the production of a certain amount of jam destined to the provinces in accordance with the requirements of the said provinces and the allotment had been made by the 'Committee for food industries' in agreement with the Commissariat for industrial production and with the Food Commissariat.

The said draft planned an allotment in favour of all the concerns which made jam, chosen according to the requirements for efficiently supplying the provinces with jam; it had been taken to the Allied Command in Milan for approval, and we expected it to be approved when the Committee for food industries happened to hear that the Allied Commission, employing functionaries or officials that had come to Milan, had decided to allot all the above mentioned stock of sugar to three firms only, while there are about 120 mouths of the Gothic line.

Such a decision taken in complete opposition with the proposals made by the Italian offices had already caused unfavourable comments among the manufacturers

(C. M. A. 100-07)

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EST

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and in the milieu of the committees, when, after the Commissariat I direct had made a proposal for the allotment of molasses destined to various industrial uses, the Allied Commission, represented by the officials who had issued orders about the allotment of the sugar, decided to allot the molasses in a different way, once more in opposition with the proposals formerly made by the Commissariat, and without even discussing the matter with the Committee for Food Industries, entrusted with such a task.

My personal intervention with the Industry Sub-Commission and with the officers and functionaries of the Allied Food Offices did not bring about the result that Italian Industry was hoping for, i.e. to have the Allied Commission re-considering the allotment; the Commissariat and the committees couldn't even see clearly what was for the Allied Commission (or for the officers and functionaries of the Commission that have been transferred north) the field of activity of the Industrial Committees for the carrying out of the tasks entrusted to the said committees not only by their constitution, but also with the approval of the Allied Authorities.

Considering these incidents, I hope you will kindly examine the situation in which the Italian offices find themselves, and let me know your opinion concerning the activity of the Industrial Committees or rather on the limits of the field of competency and activity of the said committees.

Believe me,

Yours sincerely,

S. for the President  
(Roberto FRAMILLONI)

S.....

trans. e/o

EC Dist - 24 Aug 45

Action: Econ Sec (2)

INFO: CHIEF Council

Ex Cond  
2344



5018  
Tel. 40

HEADQUARTERS ALLIED COMMISSION  
APO 394  
ECONOMIC SECTION

LRN  
40

Ref. 1.01/ES  
x19.00  
x20.02

31 July 1945

AUG 1 1945

SUBJECT: Assistance to recovery of Italian industry.

TO : Executive Commissioner  
(Attn: Chief Staff Officer)

1. References are your 5018/EC of 7 July and  
5018/35/EC of 25 July.

2. Copies of paraphrase for cable WX-24419  
from AGWAR are attached for files of Chief Commissioner  
and Executive Commissioner.

34  
Copy passed for  
c.c. files

*L. D. Densmore*

L. D. DENSMORE  
Colonel, USA  
Chief Staff Officer  
Economic Section

Enclosures (2)  
Per para 2.

*(Chief Administrator)*

La 25/13  
*Abm*



PARAPHRASE OF TAI 614 DATED 29 JUNE 1945

FILES: 292046Z  
ROUTINE

~~SECRET~~

AFSC N 163/30  
CR

FROM : AGWAR FROM CCS  
TO : ACTION ALEXANDER INFO AMSSO FOR CCS  
REF NUMBER THIS MESSAGE: WX-2/419

29 June 1945

For FHGEM.

Cite CCAC

TAI 614

1. Subject is: Assistance to the Recovery of Italian Industry.

It is recognized as necessary under present conditions that the Italians establish effective economic controls including the control of the distribution of raw materials within Italy. No objection is raised to the suggestion that the Italian Government make plans in accordance with MAT 737 policy: No proposals to be presented that might appear as mere dictation, but rather clear as being a decision of Italian Government. An approach should be made to them by you therefore, warning them of the extent of control and guidance to be necessary in view of difficulties (shortages, etc.) as cited in MAT 737. They should be asked what plans they have in mind and then proposals in MAT 737 may be suggested as tentative alternative in the event they have no other plan.

2. Advisory boards would function with respect to all Italian territory, it is assumed, and also that their decisions would apply in AMG areas subject only to being overridden by considerations of military necessity in such areas.
3. Reference FAN 487's general policy, no Allied personnel, either as non-voters or as staff assistants should participate in actual operations or meetings of the boards. If, in the opinion of AC, attendance at board meetings of Allied personnel as observers is deemed necessary at the outset, such observers may attend to assure proper liaison. However, as soon as conditions permit, these observers should be withdrawn. It is to be emphasized that they are not to participate in deliberations of the boards but only to observe so that AC may be kept informed.
4. FAN 487 describes role of AC primarily one of furnishing to the Italian Government advice at a high level. AC will also comment upon and make recommendations on import requirements for Italy as submitted by the Italian Government.



Declassified E.O. 12356 Section 3.3/NND No. 785017

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AFSC H 163/30

Ref. No. WX-24419

Cont'd

- 2 -

NAT 737 IS REF PX 27782 MC OUT 1453 5/6/45 G-5  
PAN 487 IS REF WX 29633 MC IN 23763 31/1/45 G-5

ACTION: G-5

INFORMATION: SACS  
G-4  
US POLAD  
RESMTH  
CAO  
Q(MAINT)  
G-4(D)  
C/S MTO  
USN  
CINC MED  
MAAF  
NSA  
MST  
RECORDS  
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36

EXTRACT FROM THE MINUTES OF THE SUPREME ALLIED  
COMMANDER'S CONFERENCE (POLITICAL) 16th MEETING  
held at A.F.H.Q. on 19th July 1945.

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MINUTE No.2.

2. ITALIAN PRODUCTION ADVISORY BOARDS.

(Previous Reference SAC (P) (45) 15th Meeting, Minute 2).

LIEUTENANT GENERAL ROBERTSON reported that a signal had been received from the Combined Chiefs of Staff approving in principle the establishment of Italian Production Advisory Boards, and stating that the matter is properly for the decision of the Italian Government and that no proposals should be presented which might appear dictatorial.

THE DEPUTY SUPREME ALLIED COMMANDER:

Took note of the above report.

Ex.Com's Distribution:

Ex.Com - File 5018/EC.  
Econ Sec (2) - INFO.

SH PA see M.37  
30/7 2540



Declassified E.O. 12356 Section 3.3/NND No. 785017

Ext 451

ABA/el

Ref: 5018/35/EO

25 July 1945

MEMORANDUM:

TO : Economic Section

1. Reference is made to our memorandum 5018/EO of 7 July requesting a paraphrase of cable WX-24419 from AGWAR.

2. To date this has not been received and we would appreciate a copy as soon as possible.

A. B. ARNOLDY.

Chief Staff Officer  
To Executive Commissioner

2539

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File 451

ABA/et

Ref: 5018/AC

7 July 1945

MEMORANDUM:

TO : Economic Section

1. The attached cable, WZ-24419, from AGWAR, has been seen by both the Chief Commissioner and the Executive Commissioner.
2. It would be appreciated if a paraphrase of this be made and copies sent for the Chief Commissioner's and the Executive Commissioner's files.

A. B. ARMOUR.

Chief Staff Officer  
To Executive Commissioner

1 Incl:  
as above

B/a (10)  
-16/10/45

See 40  
see 35

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506/EC.

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EXTRACT.

EXTRACT.

Extract from the Minutes of SACMED's  
15th Meeting (Political) held at AFHQ  
on 18th June 1945.

MINUTE No. 2.

(Previous Reference SAC(P) (A5) 14th Meeting, Minute 2).

LIEUTENANT GENERAL ROBERTSON reported that no reply had been  
received to the signal informing the Combined Chiefs of Staff of  
the proposal to establish Italian Production Advisory Boards.

THE SUPREME ALLIED COMMANDER:

Took note of the above report.

2537

PA 23/6



EXTRACT FROM the Minutes of SACRED's Meeting  
14th (Political) held on 7th June, 1945.

MINUTE No. 2.

2. ITALIAN PRODUCTION ADVISORY BOARD.

(Previous reference SAC (P) (45) 13th Meeting, Minute 6).

LIEUTENANT GENERAL ROBERTSON reported that in accordance with instructions given him at the last meeting, he had redrafted the telegram informing the Combined Chiefs of Staff of the proposals to establish Italian Production Advisory Boards. After the necessary concurrences had been obtained the telegram had been despatched.\*

THE DEPUTY SUPREME ALLIED COMMANDER:

Took note of the above report.

\* LIAI 737 of 7 June 1945.

7th June 1945.

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G 7/6



5018  
~~SECRET~~

Ex. Comm (31)

FX 87782  
JUNE 050945

HEADQUARTERS

6-JUN-1945

N/3732  
JUNE 051645B  
PRIORITY

From: AFHQ SIGNED ALEXANDER CITE FINEG

To: INFO ALCON RPT AND INFO ALCON ROME-AFLRS ROME.

~~SECRET~~

This is MAT 737.

Assistance to recovery of Italian industry.

1. Telegram advising you of our views was in preparation when your TAM 585 (WX 89573 of 29 May) was received.

2. Summary of present industrial situation in ITALY. Industries in north ITALY have not sustained appreciable war damage and are capable of immediate reactivation at about 80% of normal production, subject to provision of coal and raw materials. Coordinated machinery for reactivation does not exist. Many plants are idle for lack of necessary supplies, owners are being compelled to pay their workers and are rapidly becoming bankrupt. Serious labour troubles already in evidence. AC experts calculate that unless matters are taken in hand unemployment to extent of 4 million or more is inevitable. Industries in south ITALY suffered heavy war damage but considerable success has been achieved in restarting these industries for military purposes under Allied Military Control. There is, however, still room for appreciable further rehabilitation. Allied Military Control must inevitably be withdrawn, because the personnel involved will disappear on redeployment, quite apart from desirability of such withdrawal in accordance with terms of FAN 487. Both in north and south ITALY there are numerous examples of the evils of lack of coordination. Manufacturers producing luxury articles for sake of profit instead of meeting essential needs of community.

(Capt Arnold)

~~SECRET~~

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[Signature]



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Tendency to produce articles in types intended or export although same class of article is urgently needed in ITALY and in some cases is included in Allied rehabilitation programme. Certain classes of goods can only be produced by coordination resources of various manufacturers who will not cooperate without some pressure to persuade them to do so.

3. Having in mind situation outlined in second above it is considered that there is urgent need for some action with the following objectives:

A. To prevent widespread unemployment which would inevitably lead to disease and unrest and political instability.

B. To ensure effective and proper utilisation of rehabilitation supplies on import programme.

C. To stimulate production of essential consumer goods of a character and quantity to help to arrest inflation which already well advanced.

D. To ensure that Italian industry is exploited to such extent as may be necessary for military requirements in this Theatre or in other theatres.

E. To apply the productive capacity of Italian industry to the extent desirable and practicable to alleviate conditions in other liberated countries.

F. To ensure that when Allied supervision is withdrawn, the industries of south ITALY do not revert to chaos.

4. Following are considered to be the principles which should govern action to be taken:

A. The underlying principle of PAN 487 must be observed, namely that ITALY must be encouraged to stand on her own feet.

B. ITALY must determine her own economic system and the Allied must not make themselves responsible for imposing any particular system upon her except for insistence upon observance of Allied policy

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toward Fascism.

C. The Allies must provide some stimulus to action because it is unlikely that the Italian Government will take sufficiently prompt and effective action otherwise.

D. The Allies must necessarily be involved in any effective scheme for reactivating Italian industry because they control the essentials for reactivation, namely supplies of coal and raw materials and means of transport by land and sea.

E. Allied military interests must be protected by subpara F. Legitimate Allied commercial interests must be safeguarded.

5. The type of organization which we favour is the establishment of a central Italian production advisory board with subsidiary boards for individual industries. All boards would be predominantly Italian in composition. Allied members would be non voting and advisory only. Boards could be nation wide in scope, action on their recommendations being taken by Italian Government in Italian Government territory and by ~~AMG~~ in AMG territory. Charter for these boards would be for definition by Italian Government but we should advise that they should follow generally the charter of parallel organizations such as WFB, without necessarily possessing the same degree of executive power. Accordingly the primary functions of the boards would be the establishment of priorities for production, allocation of raw materials and transportation. Since boards are intended to be advisory rather than possessing legal authority it does not seem that it will be necessary for Italian Government to pass special decrees in order to establish them. They will exercise sufficient influence through the control which they will possess over allocation of raw materials and means of transport to render establishment of special sanctions unnecessary. Some delay is ~~in~~ <sup>25</sup> ~~in~~ <sup>in</sup> the establishment of central board. It is therefore proposed that boards for individual industries should be set up at once for the following vital industries: textiles, chemicals and fertilizers, steel,

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(28)

cement, lime and brick, and food processing. Meanwhile pending establishment of a central board the ALLIED COMMISSION will make every effort as a provisional matter to work out allocations in line with the objectives of para 3.

6. It will be for the Italian Government to accept, reject or amend the ~~scheme~~ proposed to them. Unfortunately time does not admit of delay. If Italian Government does not take some action on general lines of our proposal there would be no intention to force it but we should indicate that they would thereby be forfeiting Allied sympathy for their difficulties.

7. Early advice of your reaction to these proposals is requested.

DIST

INFO-ACTION - ECON SEC 2  
INFO - CHIEF COMMISSIONER  
EX COMMISSIONER  
INDUSTRY S/C 2  
COMMERCE S/C  
FINANCE S/C  
FILE  
AFLRS

~~SECRET~~

2582



Declassified E.O. 12356 Section 3.3/NND No. 785017

~~CONFIDENTIAL~~

27

Ref: 5018/27/EC.

7 June 1945.

SUBJECT: Italian Production Advisory Board.

TO : Economic Section (2).

1. Herewith for your information extract from the Minutes of SACMED's 13th Meeting (Political) held on 31st May 1945 at which the above subject was discussed.

2. Copy No. 37 of Paper No. SAQ (P) (45) 27 of 29th May 1945 referred to therein was forwarded you by this office on 31 May 1945.

(Sgd) E. TANBOT, ~~MAJ~~

Lieut. Colonel,  
Chief Staff Officer.

/JG.

2531



EXTRACT from the Minutes of SACRED's 13th Meeting (Political) held on 31 May 1945.

MINUTE No. 6.

6. ITALIAN PRODUCTION ADVISORY BOARD.

(Paper No. SAC (P) (45) 27)

THE CONFERENCE had before them a paper recommending the eventual establishment, under Italian Government auspices, of a Production Advisory Board with Allied advisory representatives and recommending in the meanwhile the establishment of a temporary Industry Boards in AMG and Italian Government territory, and attaching a draft cable to the Combined Chiefs of Staff outlining the above proposals and requesting their comments.

THE DEPUTY SUPREME ALLIED COMMANDER invited attention to telegram No. TAV 585 which had been received since the circulation of the paper before the Conference and which directed that, before recommendations were made to the Italian Government, details of the proposed program should be submitted to the Combined Chiefs of Staff for their approval. The proposed cable would require modification in the light of this directive, as it did not contain sufficient information to enable the Combined Chiefs of Staff to arrive at a decision. In addition, General McNarney asked for an explanation as to why it was considered necessary for the Allies to intervene in regard to Italian industry which appeared to be a matter for the Italian Government.

REAR ADMIRAL STONE, in reply, said that the main problem was that of large scale unemployment in Northern ITALY. The factories there were at present working, but their stocks of coal were very limited, and if proper control was not exercised, there was a likelihood of up to four or five million Italian workers becoming unemployed. While substantial Allied forces remained in ITALY awaiting redeployment, it would not be possible to ignore the political unrest resulting from large scale unemployment. This might involve the maintenance of Allied forces in ITALY for a longer period than would otherwise be necessary. He felt the problem could not be tackled piecemeal, and that an overall plan, coordinated with the import program, was required. The control should also be directed so as to faze the two economies of the North and South. The proposals for a Production Advisory Board had been considerably modified since they were first raised and he felt satisfied that, in their present form, they were in accordance with the intentions of the Combined Chiefs of Staff.

of the directives

LIEUTENANT GENERAL ROBERTSON agreed with the Chief Commissioner, Allied Commission and added that it was not entirely possible for the Italians to organize their industry on a sound basis without help from the Allied military authorities, as the latter controlled the supplies of coal and certain other essential raw materials. Under the organization now proposed the military authorities would be in an advisory position only and could step out without difficulty as soon as the Italians were in a position to carry on unaided. He felt sure that without some such organization, industries would lie fallow and severe unemployment would result. He had discussed the matter on a recent visit to LONDON where, although the initial War Office reaction had been that the Allies should not become involved in what appeared to be a matter for the Italian Government, the proposals had finally been viewed with sympathy.

REAR ADMIRAL PAXTER observed that the shipbuilding industry was not



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REAR ADMIRAL STONE, in reply, said that the main problem was that of large scale unemployment in Northern ITALY. The factories there were at present working, but their stocks of coal were very limited, and if proper control was not exercised, there was a likelihood of up to four or five million Italian workers becoming unemployed. While substantial Allied forces remained in ITALY awaiting redeployment, it would not be possible to ignore the political unrest resulting from large scale unemployment. This might involve the maintenance of Allied forces in ITALY for a longer period than would otherwise be necessary. He felt the problem could not be tackled piecemeal, and that an overall plan, coordinated with the import program, was required. The control should also be directed so as to fuse the two economies of the North and South. The proposals for a Production Advisory Board had been considerably modified since they were first raised and he felt satisfied that, in their present form, they were in accordance with the intentions of the Combined Chiefs of Staff.

of the directives

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REAR ADMIRAL PACKER observed that the shipbuilding industry was not covered by the proposed Industrial Boards. Any attempt by the Italian Govt. to expand this industry might have an adverse effect on Italian labour at present being employed in shipyards under Allied control. He asked how, in the event of the Italians proposing to take such action, it would be possible to stop them.

REAR ADMIRAL STONE, in reply, said that the Allies would retain the control of imported raw materials. In addition, in the event of the Italian Government failing to secure effective and equitable utilization of local resources in ITALY,

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the Supreme Allied Commander retained the power to use the necessary controls or take other appropriate measures. He did not, however, consider that the Allies could dictate the suggested composition of the Production Advisory Board to the Italian Government. It could only be put forward as a suggestion. In reply to a question by the Deputy Chief of Staff, he stated that the Italian Government had not been approached in regard to the present proposals, though it had previously indicated that it did not look with favour on the earlier proposal for a board under Allied control.

MR. KIRK agreed with the Chief Commissioner, Allied Commission regarding the need for some overall control of Italian industry and in regard to the likelihood, in the absence of such control, of extensive unemployment in the North. The requirement was to stimulate the Italian Government to provide the proper control, but it must be their responsibility. The proposals amounted to suggesting to the Italian Government that control machinery similar to that in existence in BRITAIN and the UNITED STATES should be adopted in ITALY. If the Italian Government did not consider such machinery desirable, the Allied authorities would need to await the results produced by whatever alternative the Italians might propose. If these were not satisfactory, it would then be necessary for the Supreme Allied Commander to apply pressure in accordance with his existing rights. In regard to the proposed interim industrial boards, Mr. Kirk thought it desirable that those set up in AMG territory and Italian Government territory should not be entirely separate but that close coordination between the two areas should be achieved.

THE DEPUTY SUPREME ALLIED COMMANDER said that he accepted the need for some type of control by the Italian Government over Italian industry. The question as to how far the British and American authorities should go in enforcing any particular type of control was however a matter which must be referred to the Combined Chiefs of Staff.

THE DEPUTY SUPREME ALLIED COMMANDER:

a. Instructed the Chief Administrative Officer, in conjunction with the Chief Commissioner, Allied Commission, to redraft for his approval the telegram to the Combined Chiefs of Staff circulated under Paper No. SAC (P) (45) 27 so as:

- (1) to set out fuller details of the functions of the proposed boards;
- (2) to make it clear that the proposed machinery would merely be suggested to the Italian Government and not imposed on that Government against its will.

b. Directed that, pending the approval of the Combined Chiefs of Staff, no further approaches should be made to the Italian Government in regard to this matter.



~~CONFIDENTIAL~~

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ALLIED FORCE HEADQUARTERS  
Supreme Allied Commander's Secretariat.

SAC (P) (45) 27  
29 May 1945.

~~CONFIDENTIAL~~  
COPY No. 36.

SUPREME ALLIED COMMANDER'S CONFERENCE  
(POLITICAL)

ITALIAN PRODUCTION ADVISORY BOARD

23

Note by Secretary.

21

1. In accordance with the directions at SAC (P) (45) 12th Meeting, Minute 8, the Assistant Chief of Staff, G-5, has submitted the detailed paper at Annexure "A". This paper shows that the proposals set out by the Chief Commissioner, Allied Commission, in his letter at Annexure "B" were accepted by the Supreme Allied Commander's Economic Sub-Committee.

2. Attention is invited to the following points:-

- a. Now that Northern ITALY has been liberated the need for centralised control over Italian industry is considered to be urgent.
- b. An Allied controlled industrial board cannot be set up as it would be contrary to the current direction of the Combined Chiefs of Staff. An Italian government board, with allied representatives participating in an advisory capacity only, is therefore proposed.
- c. As considerable time may elapse before the Italian government establishes such a board, it is proposed as an interim measure to set up separate boards for each important industry in AMG territory and to request the Italian government to create similar boards in its territory.

3. The Supreme Allied Commander is accordingly requested:-

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- a. To approve the policy for Italian Production Advisory Boards as set out in Annexures "A" and "B" and summarised at paragraph 2 above.
- b. To approve the dispatch of the cable at Annexure "C" informing the Combined Chiefs of Staff of the proposals and requesting their comments.

23

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(Sgd) J. G. SWEETMAN,  
LIEUTENANT COLONEL, 328  
SECRETARY.

Executive Commissioner's

Distribution.

Copy No. 35 - Chief Commissioner  
" No. 36 - Executive Commissioner  
" No. 37 - Economic Section.  
" - - - File 5018/EC.

See Folio 26.

785017



ITALIAN PRODUCTION ADVISORY BOARD

Note by Secretary.

1. In accordance with the directions at SAC (P) (45) 12th Meeting, Minute 8, the Assistant Chief of Staff, G-5, has submitted the detailed paper at Annexure "A". This paper shows that the proposals set out by the Chief Commissioner, Allied Commission, in his letter at Annexure "B" were accepted by the Supreme Allied Commander's Economic Sub-Committee. 21

2. Attention is invited to the following points:-

a. Now that Northern Italy has been liberated the need for centralised control over Italian industry is considered to be urgent.

b. An Allied controlled industrial board cannot be set up as it would be contrary to the current direction of the Combined Chiefs of Staff. An Italian government board, with allied representatives participating in an advisory capacity only, is therefore proposed.

c. As considerable time may elapse before the Italian government establishes such a board, it is proposed as an interim measure to set up separate boards for each important industry in AMG territory and to request the Italian government to create similar boards in its territory.

3. The Supreme Allied Commander is accordingly requested:-

a. To approve the policy for Italian Production Advisory Boards as set out in Annexures "A" and "B" and summarised at paragraph 2 above. 20

b. To approve the dispatch of the cable at Annexure "C" informing the Combined Chiefs of Staff of the proposals and requesting their comments.

(sgd) J. G. SWEETMAN,  
LIEUTENANT COLONEL, 528  
SECRETARY

Executive Commissioner's

Distribution.

Copy No. 35 - Chief Commissioner  
" No. 36 - Executive Commissioner  
" No. 37 - Economic Section.  
" - - - File 5018/EC.

See Folio 26.



28 May 1945

ESTABLISHMENT OF ITALIAN PRODUCTION  
ADVISORY BOARD.Note by Assistant Chief of Staff, G-5

1. At its seventh meeting, on 22 May 1945, the Supreme Allied Commander's Economic Sub-Committee considered proposals made by the Allied Commission, respecting the establishment of some form of centralized industrial control organization, to ensure that Italian industry is rehabilitated as promptly as possible and is employed on those forms of production best suited to the continuing war effort and to the reconstruction of Italy and other parts of Europe. The Economic Sub-Committee accepted the proposals as summarized in the Chief Commissioner's letter of 21 May (CC4045), attached as Annexure "B", and agreed that the matter should be raised at the next meeting of the Supreme Allied Commander's Conference (Political).

2. At the Political Conference on 24 May, the Supreme Allied Commander directed that a paper be submitted at the next meeting of the Conference dealing with the organization and functions of the proposed Italian Production Advisory Board, together with a draft cable to the Combined Chiefs of Staff requesting their approval of the project.

3. It has been realized for some time that relinquishment of control of Italian industrial facilities by the Allied military establishment should be carefully integrated with resumption of Italian control of industrial dislocation and unemployment are to be avoided. In addition, now that the major industrial area of Northern Italy is liberated, it has become essential and urgent that there be created some form of centralized control over Italian industry. This control is needed, from the viewpoint of Allied interests:

a. To assure the effective use of imported equipment and materials to reduce the need for critical imports as rapidly as possible; and

b. To determine suitable priorities in the reconstruction of Italian industries with a view to assuring maximum contribution to the further Allied war effort, the prompt rehabilitation of Italy, and maximum aid to other parts of Europe.

4. Were an Allied-controlled Industrial Board to be set up, it would be in contradiction to the intention of the Combined Chiefs of Staff as expressed in PAN 487 (see Annexure "E"). The Allied Commission therefore proposes to refer immediately to the Italian Government the formation of an Italian Production Advisory Board, to be set up by the Government, and Allied representatives participating only in an advisory capacity. This board would be given such powers as the Italian Government determined necessary to carry Italian industry through reconversion from military control and to accomplish the necessary rehabilitation. The Allied members would represent the Allied policy with respect to production for civilian use within the limits of the Allied interests as set forth in paragraph three above. While the Allied members would have advisory functions only, they should be in a position to exercise influence sufficient to protect Allied interests through their control of imported rehabilitation supplies, raw materials and transportation. In cases where production for military purposes or other direct military interest was involved, the Allied members could also rely on the power reserved to the Supreme Allied Commander in PAN 487 to impose any necessary controls or take any other appropriate measures such as requisitioning facilities for



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4. Were an Allied-controlled Industrial Board to be set up, it would be in contradiction to the intention of the Combined Chiefs of Staff as expressed in FAW 487 (see Annexure "B"). The Allied Commission therefore proposes to refer immediately to the Italian Government the formation of an Italian Production Advisory Board, to be set up by the Government, and Allied representatives participating only in an advisory capacity. This board would be given such powers as the Italian Government determined necessary to carry Italian industry through reconversion from military control and to accomplish the necessary rehabilitation. The Allied members would represent the Allied policy with respect to production for civilian use within the limits of the Allied interests as set forth in paragraph three above. While the Allied members would have advisory functions only, they should be in a position to exercise influence sufficient to protect Allied interests through their control of imported rehabilitation supplies, raw materials and transportation. In cases where production for military purposes or other direct military interest was involved, the Allied members could also rely on the power reserved to the Supreme Allied Commander in FAW 487 to impose any necessary controls or take other appropriate measures such as requisitioning facilities for military purposes.

5. It is anticipated by the Allied Commission that considerable time may elapse before the Italian Government establishes the Production Advisory Board. In the meantime urgent matters must be handled relating to the allocation of raw materials and equipment and to the most effective utilization of Italian industrial facilities, as well as to the derequisitioning of



industrial facilities by the Allied Forces. It is therefore proposed, as a temporary and interim measure, to set up industry boards in AMG territory, and to request the Italian Government to create similar boards in Italian Government territory. These Boards would be established in the following industries (see Annexure "B"); textiles; chemical and fertilizer; steel and coke oven; cement, lime and brick; food processing. They would be Italian in composition, and the Allied members would be in the minority and would act as non-voting advisors. In case of need, the sanctions at the disposition of the Allied advisors would be those mentioned in para 4 above. These single-industry Boards would be designed primarily to allocate raw materials and equipment, and to determine priorities for industrial rehabilitation.

6. It is considered that the proposals outlined above conform to the policy of the U.N. and U.S. Governments as laid down by the Combined Chiefs of Staff in FAN 487. There is attached as Annexure "C" a draft cable to the Combined Chiefs of Staff outlining the situation and the proposals and requesting comments.

7. It is recommended that the cable attached as Annexure "C" be approved.

(Intd).

C.M.S.

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Declassified E.O. 12356 Section 3.3/NND No. \_\_\_\_\_

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ANNEXURE "B".

Chief Commissioner's letter CC 4045 of 21 May 45  
addressed to Chief Administrative Officer, AMHQ.

Copy in this file at FOLIO 15  
" " " " " FOLIO 14

2524



~~CONFIDENTIAL~~

K 136  
ANNEXURE "C".

20

~~CONFIDENTIAL~~  
PRIORITY.

DRAFT.

TO : AGTAR FOR COMBINED CHIEFS OF STAFF  
AISSC FOR BRITISH CHIEFS OF STAFF

INFO : SHAER FORWARD  
HQ ALCOM

SIGNED : ALEXANDER

This is MAP

Subject is organization and revival of Italian industrial production.

1. Under direction of Allied Forces some industrial capacity in Southern Italy was repaired and reintegrated for military purposes in course of military operations in Italy. Steel industry an example. Other industries unimportant for direct military use have been repaired only to extent made possible by limited amounts of imports and such local facilities as were surplus to war effort. Cessation of hostilities and the freeing of major Italian industries in North has made urgent the establishment of some form of Italian organisation capable of assisting and directing the reactivation of industry on national basis with following objectives:

- a. To assure most effective use of imported equipment and materials to reduce need for further critical imports;
  - b. To determine suitable priorities in reconstruction Italian industries in order to assure maximum contribution to Allied war effort, to rehabilitate Italian economy, to contribute to fullest employment, and to render aid as practicable to other parts of Europe.
2. I am discussing with the Italian Government the creation of an Italian Production Advisory Board to allocate imported raw materials and guide rehabilitation of Italian industry. Consistent with conditions and intentions of PAN 487 the Allied representatives participating in this Board would be advisory.



SIGNED : ALEXANDER

This is MAP \_\_\_\_\_

Subject is organization and revival of Italian industrial production.

1. Under direction of Allied Forces some industrial capacity in Southern Italy was repaired and reintegrated for military purposes in course of military operations in Italy. Steel industry an example. Other industries unimportant for direct military use have been repaired only to extent made possible by limited amounts of imports and such local facilities as were surplus to war effort. Cessation of hostilities and the freeing of major Italian industries in North has made urgent the establishment of some form of Italian organization capable of assisting and directing the reactivation of industry on national basis with following objectives:

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b. To determine suitable priorities in reconstruction Italian industries in order to assure maximum contribution to Allied war effort, to rehabilitate Italian economy, to contribute to fullest employment, and to render aid as practicable to other parts of Europe.

2. I am discussing with the Italian Government the creation of an Italian Production Advisory Board to allocate imported raw materials and guide rehabilitation of Italian industry. Consistent with conditions and intentions of TAN 487 the Allied representatives participating in this Board would be advisory.

3. As considerable time may elapse before above Board begins operating, it is planned immediately to establish boards (reporting to Italian Production Advisory Board upon its activation) for following vital industries: textiles; chemicals and fertilizer; steel including coke

785017



-2-

even; cement, lime, and brick; food processing. These boards will be set up by Italian Government in its territory and by AMG in North with Allied members in non-voting minority as advisors.

4. Allied members of boards would be in position to use control of imports and transportation if required to achieve objectives set forth in paragraph 1 above. Allied Military also have power to enter into industrial contracts and SAC retains full powers under paragraph 4 of EAM 487 as may be necessary to insure fulfillment of military commitment.

5. Your comments on above plans will be of assistance as discussions with Italian Government proceed.

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T.G.P. Wt. 33567 10/43 (Labtest)

5009  
**SECRET**

F 84576  
MAY 30 14 59 B

4/2276  
MAY 30 1945  
PRIORITY

From: AMHO SIGNED SACRED CITY PRISON  
To: ACTION TO ALCON BOMB

MAY 31 1945

Message GCS referring to proposed industrial advisory board directs that before making recommendations to Italian Govt details of proposed program together with explanation and justification of purposes be submitted. Communication to GCS covering matter will be submitted for approval next meeting political committee. Meanwhile any discussions with Italian Govt should be suspended.

Dist

Action - Econ Sec 3  
Info - Chief Commissioner  
S. O. to Chief Commissioner  
Exec Comm  
File 2  
Plant

HEADQUARTERS  
30 MAY 1945  
A. C.

**SECRET**

(CAPT. ARNOLDY)



5018

~~TOP SECRET~~

(17)

EXTRACT

ALLIED FORCE HEADQUARTERS  
Supreme Allied Commander's Secretariat

K 132

SAC (P) (45) 12th Meeting  
24th May 1945

~~TOP SECRET~~

SUPREME ALLIED COMMANDER'S CONFERENCE  
(POLITICAL)

8. ITALIAN PRODUCTION ADVISORY BOARD

REAR ADMIRAL STONE, replying to a question by the British Resident Minister, stated that no information had been forwarded to the Combined Chiefs of Staff regarding the formation of the Italian Production Advisory Board, which he had recommended. The formation of this board had been discussed at the last meeting of the Economic Sub-Committee. The scheme now proposed differed considerably from that which had at first been suggested.

GENERAL MCRAWNEY considered that a paper dealing with the whole matter should be put before the Conference at the next meeting. The Combined Chiefs of Staff should then be informed of the proposals.

THE SUPREME ALLIED COMMANDER:

Instructed the Chief Administrative Officer to submit for his approval at the next meeting of his Political Conference, a paper dealing with the organization and functions of the proposed Italian Production Advisory Board, together with a draft cable to the Combined Chiefs of Staff requesting their approval of the project.

2 copies to Econ Sec on 6 June.

2520

~~TOP SECRET~~



EXTRACT

from

MINUTES OF A MEETING OF THE SAC'S ECONOMIC SUB-COMMITTEE

dated

22 MAY 1945

5. FORMATION OF INDUSTRIAL ADVISORY AND PRODUCTION BOARD.

GENERAL ROBERTSON informed the sub-committee of action previously taken to form industrial advisory boards in Italy :

(a) It was apparent prior to the liberation of the North that a centralized group was necessary to ensure that Italian industry was fully employed; part of Southern Italian industry utilized by the military was being fully exploited but the remaining Southern facilities were not. This was primarily because the factors necessary to initiate production were under military control, and until they could be deployed and allocated for civil production, reactivation of industry be deployed and allocated for civil production, reactivation of industry could not take place. It was for this reason that the establishment of industrial advisory boards was recommended. Now that the North is uncovered it is even more necessary that industrial activity be centralized, if Italian economy is not to be allowed to lapse into inactivity with consequent unemployment and greater rather than less dependence on imported supplies by the Allies.

(b) The proposed board was to consist of three vice chairmen; one representing A.C., one the Italian Government, and one Italian industry. Initially the A.C. representative was to be chairman.

ADMIRAL STONE summarized the problem as follows :

(a) The proposed board is comparable to the War Production Board in the U.S. Great Britain has found need for a similar organization. It is to be noted that these agencies are a temporary war-time expediency.

(b) It is difficult to constitute a board of this nature under the provisions of PAN 487, and the A.C. has consequently recommended the establishment of a Board acceptable to the Italian Government and not in conflict with Allied policy. He explained that he has sought political advice on this matter.

(c) Admiral Stone then read a paper, explaining the A.C. position, which is attached as Annex A.

GENERAL ROBERTSON enquired how the military requirements of AFHQ/AG would be enforced were the board nominally controlled by the Italian Government. ADMIRAL STONE replied that control will be exercised primarily through the power to allocate imports and transportation and by means of industrial contracts. GENERAL SPOFFORD noted that, under the terms of PAN 487, SACMED is authorized to utilize local resources for military production and that SACMED still retains the power of requisitioning.

GENERAL ROBERTSON observed that the terms of reference of the board should make reservations to the effect that the military needs of the Allied Forces will receive priority in Italian industry. He asked Admiral Stone to request one of his staff, to advise what provision for Allied personnel will be necessary in view of the new composition of the board.

BRIGADIER ANDERSON, at the request of Admiral Stone, stated that an increase in staff of approximately 150 officers will be necessary for the purpose of making industrial surveys and of forming the necessary board.



Industrial advisory boards in Italy :

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BRIGADIER ANDERSON, at the request of Admiral Stone, stated that an increase in staff of approximately 150 officers will be necessary for the purpose of making industrial surveys and of forming the necessary board secretariats. He further pointed out that during the last year of German occupation in Northern Italy 3,000 German officers were used to control industry.

GENERAL ROBERTSON expressed the opinion that considerable difficulty would be encountered in obtaining the requested number of Allied officer personnel, and recommended that Admiral Stone raise this matter at the next SACMED political meeting.

/over.....



(cont'd)

MR OFFIE recommended that the establishment of these boards be brought to the attention of the Combined Chiefs of Staff.

GENERAL ROBERTSON confirmed that the Combined Chiefs of Staff would be notified by G-5 of action taken.

ADMIRAL STONE suggested that one of the Allied members of the Industrial Board should be drawn from AFIRS. It was agreed that this would be logical.

GENERAL ROBERTSON asked if the sub-committee were in agreement with the proposals set forth in the memorandum read by the Chief Commissioner, Allied Commission.

The Sub-Committee confirmed agreement with the proposals of the Chief Commissioner, Allied Commission, attached as Annex A. "





15  
APPENDIX A

HEADQUARTERS ALLIED COMMISSION  
Office of the Chief Commissioner  
APO 394

CC 4045

21 May 1945

SUBJECT : Formation of Industrial Advisory and Production Boards.

TO : Chief Administrative Officer, A.F.H.Q.

1. The survey which has been made in Northern Italy by members of the Economic Section of Allied Commission clearly indicates that the setting up of Industrial Boards as envisaged in the correspondence between us has now become a matter of considerable urgency. Nevertheless, there are still many difficulties in the way.

2. The main difficulties are :

(a) Agreement of the Italian Government is essential

(1) as to the composition of the Boards, and

(2) as to their powers and methods of working.

This will probably take some time to obtain on account of the political situation. The Boards will have to be largely Italian in complexion.

(b) The composition and powers of the Boards must be such that the scheme for their initiation will receive the support of the Allied Governments.

(c) If the Boards are largely Italian in complexion, they would probably be acceptable to the United States and British Governments as being in accord with FAN 487. At the same time, if the Boards are Italian in nature, the U.S. and British Governments may fear that they may become instruments for the nationalization of Industry, with possible injury to U.S. and British investments in Italy.

(d) Time is not now available for prolonged discussions with either the Italian Government or the Allied Governments.

We are therefore forced to compromise between the evils of the courses open to us.

3. The Allied Commission therefore proposes that the formation of an Italian Production Advisory Board be referred immediately to the Italian Government. Since some time will elapse before its creation, it is recommended that Italian Boards be set up by the Italian Government and A.M.G. for the following vital industries:

Textile industry;  
Chemical industry, including fertilizers;  
Steel industry, including coke oven industry;  
Cement, lime and brick industries; and  
Food processing industry.

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4. It is proposed that the composition of these Boards be Italian, with Allied minority non-voting members participating only as advisors.

5. Until the Italian Government has set up the Italian Production Advisory Board (vide paragraph 3), the Allied Commission, acting on behalf of the Italian Government, will control the



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5. Until the Italian Government has set up the Italian Production Advisory Board (vide paragraph 3), the Allied Commission, acting on behalf of the Italian Government, will control the allocation of imported raw materials in common use by all industries, such as coal, etc. The Allied Commission representatives participating in the Production Advisory Board would be designated advisory members. Being so termed, the scheme would conform with the conditions and intentions of PAN 487. The Allied members would, of course, exercise very considerable power as the import of raw materials would depend very largely on their advice and they would also control, through AC/AFHQ, the facilities of movement of raw and manufactured materials between industries.

= Word 'imported' verbally inserted  
by Admiral Stone.

ELLERY W. STONE  
Rear Admiral, USNR  
Chief Commissioner.



5009  
HEADQUARTERS ALLIED COMMISSION  
APO 394  
OFFICE OF THE CHIEF COMMISSIONER

CC 4045

31 May 1945

MAY 29 1945

SUBJECT: Formation of Industrial Advisory and Production Boards.

TO : Chief Administrative Officer, A.F.R.A.

1. The survey which has been made in Northern Italy by members of the Economic Section of Allied Commission clearly indicates that the setting up of Industrial Boards as envisaged in the correspondence between us has now become a matter of considerable urgency. Nevertheless, there are still many difficulties in the way.

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(c) If the Boards are largely Italian in complexion, they would probably be acceptable to the United States and British Governments as being in accord with EAM 487. At the same time, if the Boards are Italian in nature, the U.S. and British Governments may fear that they may become instruments for the nationalization of industry, with possible injury to U.S. and British investments in Italy.

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We are therefore forced to compromise between the evils of the courses open to us.

Folio 12 refers

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(CAPT ARBOLDY)



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Textile Industry;  
Chemical Industry, including fertilizers;  
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Cement, lime and brick industries; and  
Food Processing Industry.

4. It is proposed that the composition of these Boards be Italian, with Allied minority non-voting members participating only as advisors.

5. Until the Italian Government has set up the Italian Production Advisory Board (vide paragraph 3), the Allied Commission, acting on behalf of the Italian Government, will control the allocation of raw materials in common use by all industries, such as coal, etc. The Allied Commission representatives participating in the Production Advisory Board would be designated advisory members. Being so termed, the scheme would conform with the conditions and intentions of FAN 467. The Allied members would, of course, exercise very considerable power as the import of raw materials would depend very largely on their advice and they would also control, through AC/APRA, the facilities of movement of raw and manufactured materials between industries.

ELLERY W. STONE  
Rear Admiral, USNR  
Chief Commissioner

DISTRIBUTION:  
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British Ambassador  
A/President  
Exec. Commr. ✓  
Econ. Sec.  
Pol. Advisors  
CC File

*This document is class 4  
Ref: 1 9 404 4108*

2516



Ref: 5009/EC.

5th May 1945.

AIDE MEMOIR FOR LIEUTENANT GENERAL ROBERTSON.

INDUSTRIAL PLANNING ADVISORY BOARD.

1. While realising the necessity for rapid implementation of the plans for the constitution of this Board, two points must be remembered:

- (a) that the Italian Government will find it extremely difficult to reach agreement in present circumstances. They will undoubtedly wish to delay decision on this matter until the reconstitution of the Government, including representation from the North;
- (b) the economic situation in the North would appear to be so stable and the plans of the CLN with their Economic Committees so well advanced, that military control even with the full cooperation of the Italian Government, might be bitterly resented and might not be so effective as indigenous control.

2. Although the North is under Allied Military Government, the rapid transition to Italian Government control is foreseen and the full implementation of PAN 487 must be safeguarded. It would appear in any case that the proposal to institute the Board should be referred to the CCS.

3. An economic survey will be conducted by Mr. Antolini and some of his staff who are proceeding on a comprehensive tour from 6th to 19th May. This should coincide with any political changes that may take place and no decision from the Government can be expected before 19th May. This would also give the CCS time to consider and reply.

DISTRIBUTION: Lt.Gen. Robertson, CAG, AFHQ.  
Chief Commissioner  
Economic Section (2)  
File.

see F 53 14  
60 21/5 NOTED.  
25/5



HEADQUARTERS ALLIED COMMISSION  
APO 704  
ECONOMIC SECTION

DLA:lrw

Ref. PS/1203

27 April 1945

SUBJECT: Rehabilitation of Italian Industries

TO : Chief Administrative Officer, AFHQ

I refer to your letter of 4 April 1945 and to our meeting on the 7th.

1. It is agreed that there is a need in industry for an over-all plan and for some competent body with the authority necessary to carry it out. It is also agreed that there should be a central authority for each industry or group of industries to secure a pooling of resources of both men and materials for the purpose of furthering the war effort and making the maximum contribution to Italian economic reconstruction.

2. In considering this plan, it seems that the following factors are involved:

- a. The Italian Government will hold a minor part of industrial Italy when the proposed central authorities are formed.
- b. Military authority must actively participate in any governing body created so long as the military
  - (1) Controls import shipping,
  - (2) Dominates internal movement, and
  - (3) Holds territory under M.G. authority.

(This is particularly important in view of the instruction which has been issued as to the division of Italian economy into two parts, North and South.)
- c. Effective operations within an industry must be nation-wide and not sectional.
- d. At the outset, the military will have the predominant interest and responsibility, but the governing mechanism must be so constituted as to permit adjustment so that in course of time civilian control can eventually completely relieve the military of their responsibility in the matter.

e. The steel, cement, timber and brick industries are important and should be brought under the proposed coordinated control. However, the



TO : Chief Administrative Officer, AFHQ

I refer to your letter of 4 April 1945 and to our meeting on the 7th.

1. It is agreed that there is a need in industry for an over-all plan and for some competent body with the authority necessary to carry it out. It is also agreed that there should be a central authority for each industry or group of industries to secure a pooling of resources of both men and materials for the purpose of furthering the war effort and making the maximum contribution to Italian economic reconstruction.

2. In considering this plan, it seems that the following factors are involved:

- a. The Italian Government will hold a minor part of industrial Italy when the proposed central authorities are formed.
- b. Military authority must actively participate in any governing body created so long as the military

(1) Controls import and export,

(2) Dominates internal movement, and

(3) Holds territory under U.S.C. authority.

(This is particularly important in view of the instruction which has been issued as to the division of Italian economy into two parts, North and South.)

c. Effective operations within an industry must be nation-wide and not sectional.

d. At the outset, the military will have the predominant interest and responsibility, but the governing mechanism must be so constituted as to permit adjustment so that in course of time civilian control can eventually completely relieve the military of their responsibility in the matter.

e. The steel, cement, timber and brick industries are important and should be brought under the proposed coordinated control. However, the textile, food processing and other consumers' goods industries are equally important to the Italian economy and are likewise in need of coordinated centralized control. The maximum development of output in the consumers' goods industries is necessary to reduce the relief burden of the United Nations.



- 2 -

3. Attached as Appendix "A" is a proposed redraft of the plan for central authorities. If you are in agreement with the redraft, discussions on the subject matter with the Italian Government will commence forthwith.

For the Chief Commissioner:

(Sgd) A. G. Antolini

A. G. ANTOLINI  
Acting Vice President  
Economic Section

Encl.  
Appendix "A"

2513



HEADQUARTERS ALLIED COMMISSION

APR 704

ECONOMIC SECTION

FORMATION OF INDUSTRIAL PRODUCTION AND ADVISORY BOARDS

*Advancing agreement between*

1. It is proposed that there be created by the Allied an Industrial Production Board in which the Italian Government is invited to participate. Italian Government participation is, in fact, essential so that:

a. The Board can exercise within the territory turned back to the Italian Government under the policy enunciated in FAW 497, the same powers as can be exercised in AMG territory under the authority of the Supreme Allied Commander.

b. The Board can continue operations for the whole of Italy when the military authority is finally withdrawn.

2. The scope of the Board's activities should not be limited to any one industry or group of industries. It should embrace all basic industries in which coordination and control are essential if maximum production for the military effort or for the rehabilitation of Italy and its economy are to be obtained. The Board will, however, confine itself to coordinations and control at the highest level. Individual industries or groups of closely related industries will be coordinated and organized by the Industrial Advisory Board to carry out its policies and directives within the industries or groups of industries specified in their respective terms of reference.

3. The composition of the Industrial Production Advisory Board would be:

Ex. — Chairman - appointed by Allied Commission;  
Executive Vice-Chairman - appointed by

Italian industry;

Executive Vice-Chairman - appointed by

Italian Government;

2 members - nominated by Italian industry; and

3 military members - 2 from the Allied Commission

and 1 from Allied Force Local Resources

(Italian) Board. *The first election will be the Royal Dutch*

4. The Advisory Boards created by the Production

Board would each have an organization and membership

similar to that of the central authority. The industrial

representation would be drawn from the industry with which

the Advisory Board was connected.

5. The responsibilities of the Production Board would be:

To determine which basic industry or indus-



*Advisory*  
*agreement between*  
1. It is proposed that there be created by SACRED A an Industrial Production Board in which the Italian Govern- ment is invited to participate. Italian Government parti- cipation is, in fact, essential so that:

- a. The Board can exercise within the territory turned back to the Italian Government under the policy enunciated in FAW 487, the same powers as can be exercised in AMG territory under the authority of the Supreme Allied Commander.
- b. The Board can continue operations for the whole of Italy when the military authority is finally withdrawn.

2. The scope of the Board's activities should not be limited to any one industry or group of industries. It should embrace all basic industries in which coordina- tion and control are essential if maximum production for the military effort or for the rehabilitation of Italy and its economy are to be obtained. The Board will, however, confine itself to coordination and control at the highest level. Individual industries or groups of closely related industries will be coordinated and controlled by subordinate advisory boards activated and organized by the Industrial Production Board to carry out its policies and directives within the industries or groups of industries specified in their respective terms of reference.

3. The composition of the Industrial Production Advisory Board would be:

- E x. — Chairman - appointed by Allied Commission; Executive Vice-Chairman - appointed by Italian industry; Executive Vice-Chairman - appointed by Italian Government; 2 members - nominated by Italian industry; and 2 military members - 2 from the Allied Commission and 1 from Allied Force Local Resources (Italian) Board.

*One of the E.N.C. will be Chairman. The first chairman will be the King of Italy*

4. The Advisory Boards created by the Production Board would each have an organization and membership similar to that of the central authority. The industrial representation would be drawn from the industry with which the Advisory Board was connected.

5. The responsibilities of the Production Board would be:

- a. To determine which basic industry or indus- tries appropriately should be coordinated and con- trolled for fulfillment of the purposes stated in paragraph 2;
- b. To organize, supervise and coordinate the

operations. . . . .



operation of the Advisory Board created for the objectives set forth under 2:

2. To establish the broad policies governing the operations of the Advisory Board;

3. To ~~render the decision on all matters referred to it by the Advisory Board;~~

4. To continuously review Italy's plans for economic rehabilitation and coordinate its activities therewith.

5. The responsibilities of each Advisory Board would be:

a. To ~~organize its work within its terms of reference received from the Board;~~

b. To survey the existing productive units remaining within its industry and formulate a plan for the maximum utilization of surviving plant capacity;

c. To specify and control on behalf of DICED and the Italian Government the nature of the products to be produced and the level of production to be enforced by the several plants within the industry;

d. To direct the closing of unproductive and uneconomical plants or parts of plants; and where necessary, transfer equipment between plants to effect maximum economic production within the industry;

e. To provide, by importation or from local resources, the raw materials, equipment, tools and operating supplies necessary to carry out the scheduled production;

f. To control the flow of raw materials and semi-fabricated materials to and between plants within the industry;

g. To specify, if desired, the disposition to be made of the finished products of the industry;

h. To formulate plans for the reconstruction of the industry. 2311

7. Matters of finance would be handled as follows:

a. Production units would be operated, as far as possible, under private ownership. Government authority, exercised through the Board and its sub-boards should stem in only where private ownership is inadequate to carry out the overall plan of production. An example of appropriate exercising of such government authority would be the allocation

*Copy*



d. To render the ~~classification~~ on all matters referred to it by the ~~advisory Board~~

e. To continuously review Italy's plans for economic reconstruction and coordinate its activities therewith.

f. The responsibilities of each advisory Board would be:

1. To organize its ~~work~~ within its terms of reference received ~~from~~ the Board;

2. To convey the existing production units remaining within its industry and formulate a plan for the optimum utilization of surplus capacity at capacity;

3. To specify and control on behalf of SICRED and the Italian Government the nature of the products to be produced and the level of production to be enforced by the covered units within the industry;

4. To direct the closing of unproductive and uneconomical units or parts of units; and where necessary, transfer equipment between plants to effect optimum economic production within the industry;

5. To provide, by contract with a local resource, the raw material, equipment, tools and operating supplies necessary to carry out the scheduled production;

6. To control the flow of raw material and semi-fabricated materials to and between plants within the industry;

7. To specify, if desired, the disposition to be made of the finished products of the industry;

8. To formulate plans for the reconstruction of the industry.

9. Matters of finance would be handled as follows:

a. Production units would be operated, as far as possible, under private ownership. Government authority, exercised through the Board and its sub-boards, should stay in only where private ownership is inadequate to carry out the overall plan of production. An example of corporate exercise of such government authority would be the equalization of prices in the case of materials flowing from one plant to another plant within an industry across the artificial economic boundary now established between the North and South of Italy.

b. ~~SC/SC~~ . . . . .

*Copy 2*

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b. AC/ANG would finance the provision of offices and staffs for the Boards as a normal part of their expenditure. The Chairman and Vice-Chairmen and all members of the Boards would be paid whilst so serving and would be considered as servants of AC/ANG. Their salaries would be at a rate sufficiently high to ensure dignity and honesty of action. Supplies and equipment ordered to be transferred from one production unit to another under the provisions of C d. would, wherever possible, be paid for by owners of the unit receiving them.

DLA:lrw  
25/4/45

APPROVED:

HAROLD A. MACMILLAN  
Acting President  
Allied Commission

APPROVED:

ELLERY W. STONE  
Rear Admiral, USNR  
Chief Commissioner  
Allied Commission

*c/c to Mr Macmillan*

*By Mr J. J. Smith  
agreed above  
J. J. Smith*

2310



ALLIED FORCE HEADQUARTERS

Office of the Chief Administrative Officer

4 April 45

SUBJECT: Rehabilitation of Italian Industries

TO : The Acting Vice-President,  
Allied Commission.

1. I promised when I spoke to you on the telephone on the first of this month to let you have a summary of my proposals regarding Italian industry. They are set out below.

2. It would appear that two of the principal factors retarding against the recovery of Italian industry are lack of an overall plan and lack of competent authorities vested with the powers necessary to prepare it and carry it out. It is therefore suggested that some central body should be created in each industry or group of industries and that there should be a pooling of resources both of men and material.

3. There are the following additional reasons for making this proposal

(a) It has been found that almost every unit of every industry with which the Army has been connected is deficient of some element, either human or material, required to put it into operation. Most of these deficient elements have been found in other plants of the same industry which had an excess of them or which could not be put into operation on account of severity of destruction, lack of power, or some other chronic ailment.

(b) The degree to which each works in any industry should be rehabilitated and the priority which should be accorded to the various units of each industry can only be determined when the overall picture of the resources in Italy is seen. Similarly, the degree of assistance required from the Allies cannot be assessed until the sum of Italian resources is known.

(c) Years will elapse before the essential industries of Italy produce her needs if the national ability to recover is dissipated on a widespread system of individual patching without relation to any overall plan and with similar industries competing for the materials of reconstruction which are all in short supply.

(d) The available raw materials, indigenous and imported, should be employed in works which can make the most out of them in the shortest period of time and it is on the rehabilitation of these works that the national and Allied resources and ability should be concentrated.

4. The design of these central bodies is one of some difficulty. They may vary in form in different industries but they must, I believe, be

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1. I promised when I spoke to you on the telephone on the 1st of May to let you have a summary of my proposals regarding Italian industry. They are set out below.

2. It would appear that two of the principal factors vitiating against the recovery of Italian industry are lack of an overall plan and lack of competent authorities vested with the powers necessary to prepare it and carry it out. It is therefore suggested that some central body should be created in each industry or group of industries and that there should be a pooling of resources both of men and materials.

3. There are the following additional reasons for making this proposal

(a) It has been found that almost every unit of every industry with which the war has been connected is deficient of some elements, either human or material, required to put it into operation. Most of these deficient elements have been found in other plants of the same industry which had an excess of them or which could not be put into operation on account of severity of destruction, lack of power, or some other chronic ailment.

(b) The degree to which each sector in any industry should be rehabilitated and the priority which should be accorded to the various units of each industry can only be determined when the overall picture of the resources in Italy is seen. Similarly, the degree of assistance required from the Allies cannot be assessed until the sum of Italian resources is known.

(c) Years will elapse before the essential industries of Italy produce her needs if the national ability to recover is designated on a widespread system of individual patching without relation to any overall plan and with similar industries competing for the materials of reconstruction which are all in short supply.

(d) The available raw materials, indigenous and imported, should be employed in works which can make the most out of them in the shortest period of time and it is on the rehabilitation of these works that the national and Allied resources and ability should be concentrated.

4. The design of these central bodies is one of some difficulty. They may vary in form in different industries but they must, in my opinion, be formed under the aegis of the Allied Commission and the Italian Government on whom they will have to rely for considerable support for some time to come. They must also contain men who have adequate commercial and technical knowledge of the industry with which they are concerned. There can only well have been in competition and rivalry with each other but they must be willing to serve together in the national interest during the period of

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the industry's machine. The Italian membership of these central bodies should be continuously developed and strengthened so that the degree of the Allied assistance and intervention may be progressively decreased. Whether the Government participation in these industries should continue longer than may be necessary is a matter of politics but unless the Government assists her industries in the early stages of their re-development nothing but chaos can result. It is preferable, therefore, if not essential, that policies be put in the background during the early stages of rehabilitation and that those best qualified technically in these matters be given control.

5. If the principles expressed in the foregoing paragraphs are accepted the methods of applying them now fall to be considered.
6. There is at the present in occupied ITALY a shortage of experienced and competent men capable of dealing with the reorganization of all Italian industries simultaneously. This shortage, together with shortages of material, transport and shipping, dictates the need to deal with industries individually, in the order of their importance to national economy and, until the war ends, in the order of their importance to the war effort.
7. No steps have already been taken by the Army to regiment certain basic industries in support of the war effort and as the products of these industries are also essential to the rehabilitation of other industries it would appear expedient that a start should first be made in attempting to expand their output.
8. The industries concerned are the steel, cement, timber and brick industries and there are the following advantages in dealing with them first:
  - (a) We have fairly complete knowledge of their resources in occupied ITALY.
  - (b) We have already achieved a certain amount of success in imposing central control of them so that the advantages of which can be demonstrated to the Italians.
  - (c) Collapse or partial collapse of these industries will cause such military control is withdrawn - which may be at no distant date - if there is not some central civilian organization to take its place. We have already had an illustration of this.
  - (d) The industries in question provide the basic materials for the re-arming of the people and for the rebuilding of the factories etc. of other industries.
9. Total control of an industry cannot be consistent with efficiency so that the problem is to create an efficient civilian authority to which the Army can hand over these industries without fear as to its essential supplies. It is for the Allied Commission to form these authorities but time is getting short and I therefore propose to accelerate their formation by transferring to the Commission a number of the officers who have been responsible for provisioning the armies from local resources.

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 matters be given control.

5. If the principles expressed in the foregoing paragraphs are accepted the methods of applying them now fall to be considered.
6. There is at the present in occupied ITALY a shortage of experienced and competent men capable of dealing with the reorganization of all Italian industries simultaneously. This shortage, together with shortages of material, transport and shipping, denotes the need to deal with industries individually, in the order of their importance to national economy and, until the war ends, in the order of their importance to the war effort.
7. As steps have already been taken by the Army to reorganize certain basic industries in support of the war effort and as the products of these industries are also essential to the rehabilitation of other industries it would appear expedient that a start should first be made in attempting to expand their output.
8. The industries concerned are the steel, cement, timber and brick industries and there are the following advantages in dealing with them first:
  - (a) We have fairly complete knowledge of their resources in occupied ITALY.
  - (b) We have already achieved a certain amount of success in increasing central control on them so that the advantages of this can be demonstrated to the Italians.
  - (c) Collapse or partial collapse of these industries will cause which military control is withdrawn - which may be at no distant date - if there is not some central civilian organization to take its place. We have already had an illustration of this.
  - (d) The industries in question provide the basic materials for the re-arming of the people and for the rebuilding of the factories etc of other industries.
9. Full control of an industry cannot be consistent with efficiency so that the problem is to create an efficient civilian authority to which the Army can hand over these industries without fear as to its essential supplies. It is for the Allied Commission to form these authorities but time is getting short and I therefore propose to accelerate their formation by transferring to the Commission a number of the officers who have been responsible for provisioning the armies from local resources. These officers would still continue to be responsible for provisioning the armies and initially they would have the same assistance from the Army as heretofore. They would however be members of the Allied Commission staff and would have the additional responsibility of assisting the Commission in setting up the central control bodies which I propose above.

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40. I would propose that the steel industry be tackled first and that the Italian Government be asked to set up an Italian Steel Control Board on the lines of the attached draft constitution at Appendix "A". The industry would initially have the same military assistance and support as at present but gradually as the Steel Control Board found its feet its responsibilities would be increased and the military support withdrawn.

41. If this method showed initial signs of success other industries would be similarly dealt with. The matter is urgent however and the experiment of central civil control should be commenced at an early date so that all the advantages and experiences of central military control can accrue to it before those responsible for the latter have left the country.

B.H. MONTAGNA,  
Lieut. General,  
Chief Administrative Officer.

2507



1st April 1945

3

Rehabilitation of Italian Industry

Formation of Central Control Boards

1. Taking the steel industry as an example the proposals for its control which are set out below might, if the Allied Commission agrees, form the basis for a discussion on the subject with the Italian Government.

2. Constitution of Steel Control Board

- (a) It is proposed that the Board be set up by statute and that the matter of which it is to be given control be specified in a Schedule of the Act incorporating the Board. The responsible minister would then be capable of adding to or subtracting from the Schedule as circumstances dictated. It is assumed that Italian law is as capable of this as English law is.
- (b) The Board would consist of a Chairman and Managing Director, both appointed by the Italian Government, and seven other members, these being:
  - two members nominated by the Allied Commission,
  - two members nominated by the owners of the works specified in the Schedule,
  - one member representing the professional engineering employees of the works concerned,
  - and two members representing the remainder of the employees, mainly artisan and unskilled.
- (c) The question of whether the members nominated by the Allied Commission should be voting members or not is worthy of consideration. It might be better that they should simply attend all meetings of the Board and represent the views of the Allies (who will be supplying much of the raw materials) rather than cast a vote on any of the many matters which will arise concerning Italian matters of a purely domestic internal political nature. There may be considerable disagreement on such matters between employers' and employees' representatives. The proposed Board has been designed so that the Government nominees can hold the balance without Allied intervention. The Allied representatives would be there to advise them and it is thought that it would be better that way as well as being more in consonance with the recent declarations on the Allied attitude to Italy. It might be added, in parenthesis, that the Allied members would also be able to watch any steps taken which might be taking towards re-armament.
- (d) The opinion is advanced that the only paid members of the Board should be the Chairman and Managing Director.

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2. Constitution of Steel Control Board

- (a) It is proposed that the Board be set up by statute and that the terms of which it is to be given control be specified in a schedule of the Act incorporating the Board. The responsible minister would then be capable of adding to or subtracting from the schedule as circumstances dictated. It is assumed that Italian law is as capable of this as English law is.
- (b) The Board would consist of a Chairman ~~not~~ <sup>being</sup> Managing Director, both appointed by the Italian Government, and seven other members, these being
- two members nominated by the Allied Commission,
  - two members nominated by the owners of the works specified in the schedule,
  - one member representing the professional engineering employees of the works concerned,
  - and two members representing the remainder of the employees, mainly artisans and unskilled.
- (c) The question of whether the members nominated by the Allied Commission should be voting members or not is worthy of consideration. It might be better that they should simply attend all meetings of the Board and represent the views of the Allies (who will be supplying much of the raw materials) rather than cast a vote on any of the many matters which will arise concerning Italian matters of a purely domestic/internal political nature. There may be considerable disagreement on such matters between employers' and employees' representatives. The proposed Board has been designed so that the Government nominees can hold the balance without Allied intervention. The Allied representatives would be there to advise them and it is thought that it would be better that way as well as being more in consonance with the recent declarations on the Allied attitude to Italy. It might be added, in parenthesis, that the Allied members would also be able to watch any steps ~~which~~ <sup>that</sup> might be taking towards re-armament.
- (d) The opinion is advanced that the only paid members of the Board should be the Chairman and Managing Director. They would of course have an adequate paid staff reinforced, in the early days at least, with some Allied officers who would have direct access to the Allied Commission members of the Board.



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- (e) Generally speaking it is thought that the present share in the steel industry should be allowed to retain their identity and that the period of central control should not extend longer than necessary. This view has governed the limited responsibilities and powers which it is suggested the Board should have. If the setting up of a permanent body were considered preferable the proposed Act would, of course, simply have vested in the Board powers to acquire the assets of the firms listed in the Schedule and prohibited anyone else from making their products. This course is considered unnecessary, highly controversial and consequently undesirable.
- The following is therefore a general expression of what it is suggested the responsibilities and powers of the Board should be.

### 3. Responsibilities of the Board

The responsibilities of the Board would be -

to Advise -

- (a) the control on behalf of the Italian Government of all steel making plants and rolling mills in ITALY for a period of \_\_\_\_ years,
- (b) the provision of the raw materials, equipment, tools etc. necessary for the operation of these plants during the period of control, and
- (c) the continuous review of ITALY's civil needs in steel and steel products and the planning of the reconstruction of such steelworks as are necessary for their production.

### 4. Powers of the Board

In order to carry out its responsibilities the Board would be given powers to -

- (a) fix the prices of steel and steel products,
- (b) issue orders from time to time as to the quantities and types of steel and steel products each works would produce,
- (c) prohibit the carrying out of any works of reconstruction without its prior consent and determine the order in which these works would be carried out, and
- (d) close down unproductive and uneconomical plants or parts of plants and, if expedient, transfer them to and incorporate them in more productive and more economical units.

### 5. Finance of the Board

The finance of the Board is one of some complexity and

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in the Board powers to regulate the assets of the firms listed in the schedule and prohibited anyone else from making their products. This course is considered unnecessary, highly controversial and consequently undesirable.

The following is therefore a general expression of what it is suggested the responsibilities and powers of the Board should be.

### 3. Responsibilities of the Board

The responsibilities of the Board would be -

*B Advice*

- (a) the control on behalf of the Italian Government of all steel making plants and rolling mills in Italy for a period of \_\_\_\_ years,
- (b) the provision of the raw materials, equipment, tools etc necessary for the operation of these plants during the period of control, and
- (c) the continuous review of ITALY's civil needs in steel and steel products and the planning of the reconstruction of such steelworks as are necessary for their production.

### 4. Powers of the Board

In order to carry out its responsibilities the Board would be given powers to -

- (a) fix the prices of steel and steel products,
- (b) issue orders from time to time as to the quantities and types of steel and steel products each works shall produce,
- (c) prohibit the carrying out of any works of reconstruction without its prior consent and determine the order in which these works would be carried out, and
- (d) close down unproductive and uneconomical plants or parts of plants and, if expedient, transfer them to and incorporate them in more productive and more economical units.

### 5. Finance of the Board

The finance of the Board is one of some complexity and must obviously depend on the policy governing the finance of the country as a whole. Decision must be taken for example as to whether the cost of the Board is to be recovered from the industry in whole or only in part. However, the Board's powers must not be restricted unduly by finance or it will fail. It is therefore suggested that the Italian Government makes funds available for

- (a) provide for the Board's officers, staff, etc.,



- (b) finance the procurement of the raw materials etc, mentioned in 3(b) above. (This item should obviously be recovered from the industry),
- (c) reconstruct damaged plants if the projects are approved by the Board, and
- (d) purchase such parts of unproductive and uneconomical units as the Board might close down, or wish to transfer, in its action under para 4(d) above.
6. All possible steps must be taken to ensure that these central control boards are respected. The probity of their members and staffs is of high importance. All are servants of the Government and those who are paid by the Government should be well paid so that they can maintain honesty of action and hold their heads as high as those in similar positions whose incomes come from other sources. Observance of this point is considered essential if the boards are to succeed.







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Declassified E.O. 12356 Section 3.3/NND No.

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INDUSTRIAL ADVISORY  
APR. 1945 - JAN. 1946



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Declassified E.O. 12356 Section 3.3/NND No.

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10000/109/957

INDUSTRIAL ADVISORY & PRODUCTION BOARDS POLICY  
APR. 1945 - JAN. 1946



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Declassified E.O. 12356 Section 3.3/NND No.

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68

C80 - For info, please see folio 63

Emad 19/9

20/9

Albany

CSB. Please see 566-68

SKH  
7/1/46

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37

Ch

for info from 36

SA 1/7  
Si 3077

~~Ch~~ Ch

Ch

Plus note from 43 with Ch's note attached;  
this in reference to from 42. Reply is re from 44.

SA 1/9

46.

Executive Commission

At this 44 is interim reply to  
CC's note on 43. Letter in acknowledgment  
of 43 is ~~not~~ submitted for signature if approved.

SA  
CSO.

4/9.

SA

Ch

For info from 57

SA 1/9

2572



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60  
Please note folio 43 with CC's note attached;  
this in reference to folio 44. Reply is as per 44.

8/1/9

46.  
Executive Commission

At folio 44 is interim reply to  
CC's note on folio 43. Letter in acknowledgment  
of 43 is ~~also~~ submitted for signature if approved.

4/9.

W.C.S.O.

58

60

For info folio 57

8/1/9

61

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CSO - For info. See folio 60, clearing out issue raised in folio 42  
+ C.C.'s letter of folio 47  
Emel



1484

Declassified E.O. 12356 Section 3.3/NND No.

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HEADQUARTERS ALLIED COMMISSION  
APO 394  
ECONOMIC SECTION

Tel: 550

4 January 1946

Ref: ES/18.09

JAN 9 1946

SUBJECT: Northern Italy Industrial Council and Northern  
Price Board

TO : Chief Commissioner  
Thru: Executive Commissioner

Attached for your information is copy of the decree (not yet published) which will have the effect of keeping the Northern Italy Industrial Council and the Northern Price Board in business until 1 March 1946, or until the new Supreme Industrial Council is set up.

*Harley Cleveland*  
HARLEY CLEVELAND  
Acting Vice President

Incl: 1  
m/a

See M. 69

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(MAS: H)

5/1/46



67  
DRAFT OF LEGISLATIVE DECREE CONCERNING TEMPORARY FUNCTIONING OF INDUSTRIAL COUNCIL, INDUSTRIAL COMMITTEES AND PRICE COMMITTEE OF NORTH ITALY

Umberto di Savoia  
Prince of Piemonte  
Lt. General of Realm

In virtue of the authority committed to us:

In consideration of the plan dated 9th July 1945 prepared by Economic Section, AC, relative to the control of the manufacture and sale of industrial products in north Italy;

In consideration of D.L. Lt. dated 20 July 1944, N. 162 concerning judicial status of territories returned to the Italian administration;

In consideration of D.L. Lt. 25 June 1944, N. 151;

In consideration of D.L. Lt. 1 February 1945; N. 58;

~~Sanza Preced.~~

In consideration of the deliberation of the Council of Ministers following recommendation of the Minister of Industry and Commerce;

We herewith sanction and promulgate as follows:

ART. 1

Until the Superior Industrial Council will be organized and in any case not after 31 March 1946, the Industrial Council and the Industrial Committees of Northern Italy will carry out under the supervision and according to instructions of the Ministry of Industry and Commerce, respectively: the former functions indicated in Art. 3, (a) No. 1, 2 and 9; Art. 3 (b) Nos. 1 and 3; of 9 July 1945 plan of the Economic Section, A.C. regarding control over the manufacture and sale of industrial products of Northern Italy, and the latter functions of Art. 3(a) Nos. 3 and 8 of the said plan.

ART. 2

Temporarily and not after 31 March 1946, the North Italy Price Fixing Board will continue to carry out the functions conferred to it by Art. 3(c) No. 1 of the plan indicated in the previous article, following to the directives of Interministerial Price Committee and in case of necessity or urgency, of the delegated presiding minister.

ART. 3

The provisions of the North Italy Industrial Council and the Price Fixing Board will be published in the Industrial Council's bulletin unless they regard single persons so that for their efficiency, direct communications to the interested parties will be sufficient.

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- 2 -

ART. 4

The North Italy Industrial Council will be presided by the Undersecretary of State for Industry and Commerce charged with industrial problems.

If the changing of members of the above-referred to organs will be necessary, it will be directed by the Minister of Industry and Commerce.

Art. 5

With a following legislative decree to be published at the suggestion of Minister of Industry and Commerce, in agreement with Minister of the Treasury rules will be established for economic-financial management of organs indicated in the previous articles and for the distribution of necessary funds for their functionings.

ART. 6

The present decree is effective on 1 January 1946 in those territories of Northern Italy which will be returned to the Italian Administration on 31 December 1945.

We order etc.

2508



50789  
HEADQUARTERS ALLIED COMMISSION  
AID 394  
Economic Section

17 September 1945

ES/100

My dear Signor Tracelloni:

In further reference to your letter of 14 August 1945, No. 01/32, I should like to convey to you the following information in regard to sugar and molasses allocations made by offices of this Headquarters.

The initial decision on the distribution of certain stocks of sugar for jam production was the result of careful consideration by Food officers of this Commission. Distribution of the sugar to a limited list of reputable firms appeared to be in the best interests of Italian consumers, since control over a wide list of firms would be less feasible. Furthermore, transport of the sugar to district factories was unjustifiable in view of general transport shortages.

In order to avoid possible injustice, the sugar distribution program was suspended by the Food office in Milan and the plan reviewed. Under a proposed alternative plan, all firms were offered a proportionate amount of the sugar if they would assure the production of jam of the agreed formula. This formula, 20% sugar and 40% concentrated grape juice, was established to provide the most economical use of available stocks. Of some 135 firms, only 18 firms, including the original firms, were able to give this assurance. As a result, it was agreed with the representatives of the Comitato Industrie Alimentari and others that these 18 firms would receive allocations of sugar instead of the eight formerly included (the three firms having already been raised to eight.) I am informed that this problem is now settled to the satisfaction of the Allied and Italian officials.

The plan adopted for allocation of molasses provides for the greatest possible use of existing stocks for food production and for meeting the important current needs. This plan is adhered to in order to insure that sufficient molasses is available for yeast manufacture for one year. Allocations for molasses for other less important purposes must be made from the molasses that will shortly be produced as a by-product of the sugar beet processing season.

Under the present plan, sufficient molasses is allocated to yeast

(CAPT. ARNOLD) P.A.  
G.M.D.

W Sec M 64  
P.W. 2508



Declassified E.O. 12356 Section 3.3/NND No.

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- 2 -

manufacturers in both northern and southern Italy to meet the approximate annual requirements for this product. In view of this year's deteriorating sugar beet crop, the present plan provides for as much molasses as can be spared for the extraction of sugar by harytization. Provision is made for molasses for cattle fodder. To meet the urgent need of the pharmaceutical industry as well as the need for industrial solvents, allocation is made for the production of ethyl ether.

The present plan does not provide for allocation of existing stocks for the manufacture of alcohol as such. To do so would necessitate curtailment of more urgently needed production. To meet the less important requirements, such as molasses for the 1946-47 sugar beet distillation campaign and for coffee substitutes, allocation must be made from the new production of this year. Alcohol should be produced from surpluses in the south of Italy wherever possible. This has been recommended to the Ministry of Industry and Commerce.

Tables showing locations and amounts of existing stocks of molasses, as well as allocations for manufacture of yeast, for harytization and for cattle food are attached.

I trust the above information will be of value to you, and will confirm the Chief Commissioner's assurance to you that it is the desire of the Allied Commission to assist the Italian Government in insuring that the Italian economy is best served with those items that are so greatly needed in this critical period of shortages.

Yours very truly,

(sgd) E. B. McKinley

E. B. MCKINLEY  
Brigadier General, USA  
Acting Vice President

Signor Roberto Tremelloni  
Industrial Council for Northern Italy  
Piazza S. Sepolero, 2  
Milano.

INTERNAL DISTRIBUTION  
Chief Commissioner  
Executive Commissioner  
Food Sub-Commission  
Industry Sub-Commission  
Northern HQ for AG  
Industry S/C  
Food S/C

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Translation

5018

regu. 157

60

E. C.

COMMISSARIAT FOR  
THE MINISTRY FOR INDUSTRIAL PRODUCTION  
n. s. 292

Milan, 12.9.1945

To Admiral Ellery W. Stone  
Headquarters Allied Commission  
Office of the Chief Commissioner  
APO 394

Rome

47

Thank you for your letter of September 6th, n. 5018/15/EC.

The matter regarding the plan for sugar has been settled thanks to the intervention of Colonel Toscani of the Food Sub-Commission; I also informed Colonel Glendinning about this solution which is satisfying for the Committee concerned,

I thank you for your intervention and kind words, and remain,

Sincerely yours,

S. Roberto Tremelloni

RT/zib

original  
sent 11/59

trans. e/c

EC Dist - 17 Sep 45

INFO - Action: Ex Comm

INFO : Chief Comm

ECON SEC (2)

See 35661

(CAPT WHITE) 10/19



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COMMISSARIATO  
PER IL

MINISTERO DELLA PRODUZIONE INDUSTRIALE

DIREZIONE GENERALE DELLE ATTIVITÀ ECONOMICHE  
DIREZIONE AMMINISTRATIVA E PERSONALE

Milano, 4 12.9.1945

n. 21/egg

Ref. 1000/21.

all'Ammiraglio ELLERY W. STONE

Headquarters Allied Commission  
Office of the Chief Commis-  
sioner - APO 364 -

R O M A  
= . . . = . . . = . . . =

OGGETTO:

La ringrazio della Sua lettera in data 6 settembre,  
n. 5018/45/EC.-

La questione relativa al piano dello zucchero è sta-  
ta sistemata mercè l'intervento del Colonnello Toscani  
del Food Sub-Commission; quindi ho informato anche il Colon-  
nello Glendinning di questa soluzione che è soddisfacente  
per il Comitato interessato.-

La ringrazio vivamente del Suo intervento e della Sua  
cortese parola e la prego di gradire i miei deferenti sa-  
luti.-

MINISTERO DELLA PRODUZIONE INDUSTRIALE  
DIREZIONE AMMINISTRATIVA E PERSONALE

*[Signature]*  
AmelionD

Set 25 1945

RT/zib



Tel. 468

Ref. AC/5556/IND

4 September 1945

SUBJECT : Letter of Roberto Tremelloni.

TO : Economic Section.

FROM : Industry Sub-Commission.

1. Letter 01/32 dated 14 August 1945 from Industrial Council for Northern Italy, C.I.A.I. signed by Roberto Tremelloni, refers.

2. With respect to the portion of the above letter dealing with the sugar allocation for jam manufacture please be advised that control over the allocation of sugar is vested in Food S/C of this HQ.

3. The following information should serve to clarify the difference of opinion existing concerning the allocation of existing stocks of molasses so as best to provide for the needs of the Italian nation as a whole. In the opinion of this Sub-Commission this interest is so provided for.

4. From latest available information there is at present on hand 43,020 tons of molasses at various sugar plants throughout the north of Italy. A visit was recently made by Lt. Mehr of Industry S/C this HQ to plan and coordinate a programme for the equitable distribution of this molasses. The following distribution has been drawn up and coordinated with the "Commissariato Interregionale dell'Alimentazione per l'Alta Italia", Via Paleocopa 4, Milan and the "Comitato Industriale della Chimica e della Gomma", Foro Buonaparte 35, Milan. The recommended allocation of molasses is as follows:



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|                                                  |        |      |
|--------------------------------------------------|--------|------|
| Approximate Maximum Annual Requirement for Yeast | 24,000 | Tons |
| Barytization (extraction of sugar from molasses) | 12,043 | "    |
| Cattle fodder                                    | 2,200  | "    |
| Foundries                                        | 550    | "    |
| Ethyl ether                                      | 1,400  | "    |
| Glycerine                                        | 2,237  | "    |
| Total                                            | 43,020 | Tons |

A letter allocating the molasses as above is being forwarded to all interested HQs and offices. On the basis of these urgent needs there is no molasses available for manufacture of alcohol and use as such.

5. It is most strongly recommended that this plan be adhered to especially to ensure that sufficient molasses be available for yeast manufacture for one year and that allocations of molasses for other purposes be made from the molasses that will shortly be produced as a by-product of the sugar beet processing season. No molasses should be diverted from this allocation for purposes of alcohol distillation except in the case of the 1,400 tons to be used for the preparation of ethyl alcohol for ethyl ether manufacture. With regard to present availabilities of alcohol the attached letter to the Ministry of Industry and Commerce gives some indication of the large surplus of alcohol in Southern Italy. It must further be stated that the forthcoming new production of molasses will be comparatively small due to the disastrous effect of the drought on the sugar beet-crop and poor planting in the first place.

6. It is further most strongly recommended that measures be taken by the Italian Government to immediately halt the requisitioning of molasses for the preparation of alcohol and sweets in Emilia Region which was recently returned to Italian Government jurisdiction. This use of molasses is in direct contradiction to the



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blocking order issued some time ago by the Allied Commission to protect this molasses for the manufacture of yeast in Southern Italy. One specific case involves the stock of molasses at the Cesena sugar plant in Forlì Province which is at present the source of molasses for the yeast plants at Rome, Naples and Barletta. "The Camera di Commercio" of Forlì Province has ordered part of this stock to be converted to alcohol and the residue used for cattle food. An allocation of 300 tons of molasses for cattle food had previously been made by this C/C ex stock located at the Mezzano sugar plant in nearby Ravenna Province (see table III).

7. 24,000 tons of molasses has been blocked for yeast production until the new production of molasses is ascertained. Allocations amounting to 25-33% of these 24,000 tons have been made (see table II) to cover the needs of the yeast plants of the entire country until at least the end of October when the quantities of molasses to be shortly produced will be known. Upon ascertaining the total of the raw molasses production in South Italy the allocations for the yeast plants in this area can be revised in terms of transportation conditions. Allocations for these yeast plants at present are from stocks in Emilia Region.

8. The molasses allocated for manufacture of other and glycerine is the surplus over and above that blocked for yeast manufacture, extraction of sugar by barytization of molasses and the quantities allocated for cattle fodder (see paragraph 4 of this letter).

9. Table I lists the known existing stocks of molasses in North Italy. Table II lists the allocations of molasses for yeast manufacture through October 1945. Table III lists the sugar plants which will provide the necessary molasses from existing stocks for barytization. Table IV lists the allocations made for cattle food. It is recommended that the 'Consorzio Zuccheri' coordinate with the 'Comitato Industriale della Chimica e della Gomma' to determine the most feasible sources to draw the molasses from for the production of ethyl ether and glycerine in terms of location of stock.



Declassified E.O. 12356 Section 3.3/NND No.

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location of ether and glycerine manufacturing plants and transportation conditions. The same is recommended for the withdrawal of the small quantity of molasses for foundry purposes.

5 Incls:

Copy ltr. AG/5581/IND

dtg. 27 Aug. 45.

Tables I, II, III, IV

Copy to:

~~Office of Chief~~

Commissioner AG

Office of Executive

Commissioner AG

(Attn.: Capt. A.B. Arnoldy)

~~Northern HQ AG~~

(Attn.: Industry S/C)

~~Northern HQ AG~~

(Attn.: Food S/C)

Ministry of Ind. & Comm.

LOUIS MEHR, 1st Lt. A.C.

for A.H. GLENDINNING  
Colonel,  
Acting Director,  
Industry Sub-Commission.

2560



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Declassified E.O. 12356 Section 3.3/NND No.

C O P Y

HEADQUARTERS ALLIED COMMISSION  
APO 394  
INDUSTRY SUB-COMMISSION

Tel. 489081 Ext. 323

JR/ED

Ref. AG/5581/IND

27 August 1945

SUBJECT : Alcohol

TO : Ministry of Industry and Commerce.

1. It would appear opportune that your Ministry give immediate consideration to the problem of alcohol for use in Italian industry.
2. During the first two weeks of June, Major Rosenbaum of Industry Sub-Commission had occasion to consult several times with the head of the Comitato Chimica e Gomma. At that time the requirements for industrial alcohol for the North were discussed in some detail. Major Rosenbaum requested that a detailed programme be prepared by the Comitato Chimica e Gomma in order to meet requirements. The programme was to include such pertinent data as to quantities, plant locations, and end uses. During the last week of July, Major Rosenbaum again raised this subject with the Comitato Chimica e Gomma. However, to date, no programme has been presented by the Comitato Chimica e Gomma to serve as a basis for the production and use of alcohol, and transportation.
3. It is the opinion of this Sub-Commission that sufficient alcohol can be produced in the South of Italy to satisfy for an interim period the industrial requirements of Italy. In support of this opinion figures furnished by the Società Italiana Spiriti reveals that in the region of Puglia alone the following quantities of alcohol can be produced :

|       |        |                                              |
|-------|--------|----------------------------------------------|
| Fruit | 20,000 | liters of 95% alcohol/day                    |
| Wine  | 15,000 | liters of 95% alcohol/day                    |
| "     | 20,000 | " " 90% " "                                  |
| "     | 5,000  | " " absolute (inefficiente) alcohol per day. |

It should be borne in mind that the above figures present the output for only four plants.



4. Opposed to this opinion is the attitude taken by the Comitato Chimica e Comma. It is the contention of this Comitato that it would be more desirable to operate the distilleries in the North using molasses as the raw materials. It was pointed out to the Comitato that molasses might better be used in the following order of priority: yeast production, sugar barytisation, cattle feed, and foundry moulds. The Comitato agreed in principle but took refuge in the statement, that "It is a political question". This statement was neither clarified nor elaborated.

5. It is strongly recommended that your Ministry obtain a complete programme from the Comitato Chimica e Comma. This programme should then be screened for essential uses and movement of the alcohol coordinated with the present special eastern train for conveyance of wine Brindisi-Milan. Such action would relieve the shortage of alcohol in the North, save precious molasses for more urgent requirements, and finally relieve a serious problem of wine storage capacity in the south.

JOEL ROSENBAUM, Major

Copy to :

Economica Section.

for A.H. GLENDINNING  
Colonel,  
Acting Director,  
Industry Sub-Commission



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Declassified E.O. 12356 Section 3.3/NND No.

TABLE I

EXISTING STOCKS OF MOLASSES AT VARIOUS SUGAR PLANTS

|                    |      |                |
|--------------------|------|----------------|
| CIEGLIA            | Q.li | 3.081          |
| CLASSE             | "    | 2.937          |
| COLIGORO           | "    | 14.652         |
| COLOGNA            | "    | 4.139          |
| FERRARA (Eridania) | "    | 10.885         |
| FIGAROLO           | "    | 6.302          |
| FORLI'             | "    | 200            |
| GRANAROLO          | "    | 4.750          |
| LIAMA              | "    | 14.069         |
| MANTOVA            | "    | 3.141          |
| MASSALOMBARDA      | "    | 8.400          |
| MEZZANO            | "    | 37.424         |
| MONTAGNANA         | "    | 4.043          |
| OSTIGLIA           | "    | 3.918          |
| PONTELAGOSCURO     | "    | 2.472          |
| SAMBONIFACIO       | "    | 824            |
| SAN BIAGIO         | "    | 2.000          |
| SARMATO            | "    | 82             |
| BADIA              | "    | 21.802         |
| BAZZANO            | "    | 9.101          |
| BOLOGNA            | "    | 2.500          |
| CESTNA             | "    | 8.000          |
| COSTA              | "    | 22.514         |
| LEGNAGO            | "    | 40.959         |
| LINDINARA          | "    | 22.100         |
| ROVIGO             | "    | 48.253         |
| BONDENO            | "    | 25.000         |
| IOLANDA DI SAVOIA  | "    | 20.979         |
| POLISSELLA         | "    | 44.000         |
| MIGLIANINO         | "    | 237            |
| FERRARA (Bonora)   | "    | 18.589         |
| ARQUA POLESINE     | "    | 3.159          |
| BOTTRICHE          | "    | 19.530         |
| Q.li               |      | <u>430.202</u> |

Availability : 43,020 Tons

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Declassified E.O. 12356 Section 3.3/NND No.

T A B L E I I

YEARLY PRODUCTION OF YEAST IN NORTHERN ITALY AND REQUIREMENTS OF MOLASSES

| FACTORY                                 | PRESENT YEARLY PRODUCTION IN TONS | MAXIMUM YEARLY PRODUCTION TONS | YEARLY NEEDS OF MOLASSES ON PRESENT PRODUCTION | YEARLY NEEDS OF MOLASSES ON MAXIMUM PRODUCTION | NEEDS HERE CONSIDERED | SUP AND                        |
|-----------------------------------------|-----------------------------------|--------------------------------|------------------------------------------------|------------------------------------------------|-----------------------|--------------------------------|
| Ceresio - Arquà Polesine                | 720                               | 1080                           | 1080                                           | 1620                                           | 1500                  | Pole                           |
| Distillerie - Cervignano                | 370                               | 1200                           | 550                                            | 1800                                           | 1500                  | Lana                           |
| Eridania - S. Vito Tagliamento          | 660                               | 1920                           | 990                                            | 2780                                           | 1500                  | Cogg                           |
| Distillerie - Padova                    | 840                               | 1200                           | 1260                                           | 1800                                           | 1500                  | Pole                           |
| Eridania - Sempredarena                 | 600                               | 1980                           | 1200                                           | 2970                                           | 2700                  | ( Sarn<br>Bond                 |
| Distillerie - Sesto S. Giovanni         | 1440                              | 4200                           | 2145                                           | 6300                                           | 3500                  | ( Bond<br>Cala<br>S. B<br>Mont |
| S.A.T.P.A. - Moncalieri                 | 240                               | 1280                           | 360                                            | 1860                                           | 670                   | Osti                           |
| Beringhieri Fratelli<br>Torino S. Paolo | 120                               | 640                            | 180                                            | 920                                            | 330                   |                                |
| Sernide - Mantua Prov.                  | None                              | 2400                           | -                                              | 2000                                           | 2000                  | Bond                           |
| Lavis - Piacenza                        | None                              | 3000                           | -                                              | 2500                                           | 2500                  | Mig                            |

YEARLY PRODUCTION OF YEAST IN SOUTHERN ITALY AND REQUIREMENTS OF MOLASSES

|                        |      |      |      |      |      |        |
|------------------------|------|------|------|------|------|--------|
| Distillerie - Roma     | 1700 | 1700 | 2750 | 2750 | 2750 | ( Cass |
| Distillerie - Napoli   | 1440 | 1440 | 2160 | 2160 | 2160 | Hour   |
| Distillerie - Barletta | 720  | 720  | 1080 | 1080 | 1080 |        |



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T A B L E I I

YEARLY PRODUCTION OF YEAST IN NORTHERN ITALY AND REQUIREMENTS OF MOLASSES

| PRESENT YEARLY<br>PRODUCTION IN<br>TONS | MAXIMUM YEARLY<br>PRODUCTION<br>TONS | YEARLY NEEDS<br>OF MOLASSES ON<br>PRESENT<br>PRODUCTION | YEARLY NEEDS OF<br>MOLASSES ON<br>MAXIMUM PRODUCT-<br>ION | NEEDS<br>HERE<br>CONSIDERED | SUPPLYING SUGAR<br>FACTORY<br>AND EXISTING STOCKS<br>(Tons)     | ALLOCATION THROUGH<br>31 OCTOBER 1945<br>(Tons) |                         |
|-----------------------------------------|--------------------------------------|---------------------------------------------------------|-----------------------------------------------------------|-----------------------------|-----------------------------------------------------------------|-------------------------------------------------|-------------------------|
| 720                                     | 1080                                 | 1080                                                    | 1620                                                      | 1500                        | Polesella                                                       | 1400                                            | 500                     |
| 370                                     | 1200                                 | 550                                                     | 1800                                                      | 1500                        | Lana                                                            | 1407                                            | 500                     |
| 660                                     | 1920                                 | 990                                                     | 2780                                                      | 1500                        | Ceggia                                                          | 308                                             | 308                     |
| 840                                     | 1200                                 | 1260                                                    | 1800                                                      | 1500                        | Polesella                                                       | 1400                                            | 500                     |
| 600                                     | 1980                                 | 1200                                                    | 2970                                                      | 2700                        | ( Sarnato<br>Bordeno                                            | 82<br>2500                                      | 82<br>700               |
| 1440                                    | 4200                                 | 2145                                                    | 6300                                                      | 3900                        | ( Bordeno<br>) Cologna Veneta<br>( S. Donifacio<br>) Montagnana | 2500<br>410<br>80<br>400                        | 700<br>410<br>80<br>400 |
| 240                                     | 1280                                 | 360                                                     | 1860                                                      | 670                         | Ostiglia(Mantua)                                                | 390                                             | 260                     |
| 120                                     | 640                                  | 180                                                     | 920                                                       | 330                         | "                                                               | 390                                             | 130                     |
| None                                    | 2400                                 | -                                                       | 2000                                                      | 2000                        | Bordeno                                                         | 2500                                            | 700                     |
| None                                    | 3000                                 | -                                                       | 2500                                                      | 2500                        | Migliarino                                                      | 1400                                            | 700                     |

YEARLY PRODUCTION OF YEAST IN SOUTHERN ITALY AND REQUIREMENTS OF MOLASSES

|      |      |      |      |      |           |      |      |
|------|------|------|------|------|-----------|------|------|
| 1700 | 1700 | 2750 | 2750 | 2750 | ( Cossena | 800  | 800  |
| 1440 | 1440 | 2160 | 2160 | 2160 | ( Nozzano | 3742 | 1200 |
| 720  | 720  | 1080 | 1080 | 1080 | )         |      |      |



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TABLE III

ALLOCATION OF MOLASSES FOR BARYTIZATION.

Barytization of 12,049 tons of molasses to be accomplished at Legnago which is the only sugar plant in Italy equipped for this process of sugar extraction.

| <u>Location of Stock</u> | <u>Quantity allocated for<br/>Barytization (Tons)</u> |
|--------------------------|-------------------------------------------------------|
| Costa                    | 2018                                                  |
| Legnago                  | 3000                                                  |
| Badia                    | 2180                                                  |
| Londinara                | 2251                                                  |
| Rovigo                   | 2600                                                  |
|                          | <hr/>                                                 |
| Total                    | 12049 Tons                                            |

2552



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TABLE IV

MOLASSES ALLOCATION FOR CATTLE FOOD

| <u>Allocation made to</u> | <u>Source</u>                    | <u>Quantity (Tons)</u> |
|---------------------------|----------------------------------|------------------------|
| Prov. Rovigo (Venezia)    | Ital. Zucc.(Rovigo)              | 500                    |
|                           | Eridania (Ficarolo)              | 250                    |
|                           | Bottrighe (Rovigo)               | 250                    |
|                           |                                  | <u>1,000</u>           |
| Prov. Padua (Venezie)     | Ital. Zucc.(Rovigo)              | 400                    |
| Prov. Verona (Venezie)    | Ital. Zucc.(Legnago)             | 300(inverted)          |
| Prov. Ferrara (Emilia)    | Bonora (Ferrara)<br>(di Ravenna) | 200                    |
| Prov. Forlì (Emilia)      | Eridania (Mezzano)               | <u>300</u>             |
|                           |                                  | <u>2,200 tons</u>      |
|                           |                                  | =====                  |



1503

Declassified E.O. 12356 Section 3.3/NND No.

785017

(47)

Ref: 5018/45/50.

6 Sept. 45.

My dear Signor Tremelloni,

(47)

Thank you for your letter of 24 Aug. 45,  
No: 03/32.

Colonel Glendinning is investigating the allocation of sugar with representatives of the Food Sub-Commission in Milan and is going to submit a report on his findings. When this report is received I will again communicate with you.

I can assure you that it is not the desire of the Allied Commission to limit or curtail the activities needlessly; but rather to assist the Italian authorities in every way, putting at their disposal the benefit of past experience in dealing with current problems, with which members of your Committee are possibly being faced for the first time.

Yours very truly,

MILTON W. STONE,  
Rear Admiral, USNR,  
Chief Commissioner.

The President of the Imperial  
Council for Northern Italy,  
C.I.A.I.

SPF Nov. 60  
2550



HEADQUARTERS ALLIED COMMISSION  
APO 394  
Economic Section

LDD/sc

Tel: 267

30 August 1945

Ref: 1.00/ES

AUG 31 1945

SUBJECT: Industrial Council for Northern Italy

TO : Chief Commissioner  
(Thru: Executive Commissioner)

1. With reference to attached copy of letter 01/32 dated 14 August 1945 from the Industrial Council for Italy C.I.A.I., together with Chief Commissioner's memorandum of 25 August, this matter was taken up by Brig. Anderson with myself, Col. Walton, Col. Glendinning and Mr. Stauffer. Col. Glendinning is returning to Milan and will handle all matters requiring coordination from the Economic side and with liaison with the Industrial Council to the extent necessary to "iron out" any existing difficulties.

2. The question of interference or rather the allocation of sugar in a manner contrary to the wishes of the Council is being investigated by Col. Glendinning with representatives of the Food Sub-Commission on the ground at Milan.

3. While this matter is still under investigation and a definite report will be forthcoming, it can be said that our interference in this case was based on the decision taken by Col. Toscani and Food representatives in the North, whose position, we suspect, will be found reasonable when they are given an opportunity to state their side of the case.

4. We agreed that AC should not interfere with the Industrial Council, unless it is found to be absolutely necessary. From the meager facts we have, we are of the opinion that the interference in connection with the sugar allocation was necessary.

5. We will give you a further report.

FOR THE ACTING VICE PRESIDENT:

*L. D. Densmore*  
L. D. DENSMORE  
Colonel, FA  
Chief Staff Officer

1 Incl:  
Letter m/a

SEE FOLIO 43

45  
JUL 25 1945

Pa.  
(CARR ANNOUNCER) (COPY PASSED TO EC FILES)



1505

Declassified E.O. 12356 Section 3.3/NND No.

785017

11/11  
H. Denmore  
I should like  
you personally  
to get into  
this. Why  
should we  
interfere?

28  
8

End  
cc



1506

785017

Declassified E.O. 12356 Section 3.3/NND No.

43

Encl. 451.

24 August 1945.

Ref: 5018/13/20.

SUBJECT: Industrial Council for Northern Italy C.I.A.I.

TO : Economic Section.

42

1. The original of a letter CI/32 dated 14 August 45 from the Industrial Council for Northern Italy, C.I.A.I., signed by Roberto Cavalloni, was sent to your Section for action.

2. It would be appreciated if a copy of your reply to this letter be forwarded to the Executive Commissioner for information.

L. D. BENDIS  
Chief Staff Officer,  
to the Executive Commissioner.

SEE FOLIO 114

25-17  
8



150

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Declassified E.O. 12356 Section 3.3/NND No.

regu. 90

5078

Translation

Industrial Council for Northern Italy  
C.I.A.I.

01/32

Milan, 14 August 1945  
Piazza S. Sepolcro, 2

AUG 21 1945

To Admiral Stone

Rome

I want to draw your kind attention on the conditions in which the activity of the industrial committees depending from the Commissariat directed by me is taking place, this because of some decisions which have troubled the activity of some Italian organisms to which the tasks of the Commissariat for the resumption of the food industries, and for the allotment of the necessary raw materials, are entrusted.

As you know, the Allied Authorities have acknowledged the industrial committees formed for the various branches of industry and also the specific tasks entrusted to these committees for the resumption of industrial activities, and for the drafting and carrying out of plans for the allotment of materials and raw materials required by industry.

The acknowledgement granted by the Allied Authorities should have definitively given to the committees the freedom of action required for the successful carrying out of the tasks entrusted to the above mentioned organisms, action which was of course subordinated to the agreements which were made every time between this Commissariat and the Allied Commands.

However, the activity of the committees is very often limited, not to say suppressed, by the decisions and actions of the officials or chiefs of the services of the Allied Commission or of the Sub-Commissions which depend from it.

Let us take as an example two incidents which took place lately, incidents which proved very clearly that some officials or chiefs of the A.C. did not intend to make use of the ability and collaboration of the committees for the allotment of some raw materials; this not to say that it showed the intention of putting the committees in conditions in which they would not be able to intervene in the solving of the important problems which concern Italian industry.

I refer to what happened for the allotting of the last contingent of qis. 25.000 of sugar destined to the preserves industry and for the allotting of molasses for the usual industrial uses.

As you probably know, the Italian sugar refineries still have a stock of about 25.000 qis of sugar, which, according to the agreements made with the Allied Authorities, was to be destined to the preserves industries.

This stock had already been allotted to the concerns of the branch for the production of a certain amount of jam destined to the provinces in accordance with the requirements of the said provinces and the allotment had been made by the 'Committee for food industries' in agreement with the Commissariat for industrial production and with the Food Commissariat.

The said draft planned an allotment in favour of all the concerns which made jam, chosen according to the requirements for efficiently supplying the provinces with jam; it had been taken to the Allied Command in Milan for approval.



To Admiral Stone

Rome

AUG 2 1945

I want to draw your kind attention on the conditions in which the activity of the Industrial Committees depending from the Commissariat directed by me is taking place, this because of some decisions which have troubled the activity of some Italian organisms to which the tasks of the resumption of the food industries, and for the allotment of the necessary raw materials, are entrusted.

As you know, the Allied authorities have acknowledged the industrial committee formed for the various branches of industry and also the specific tasks entrusted to these committees for the resumption of industrial activities, and for the drafting and carrying out of plans for the allotment of materials and raw materials required by industry.

The acknowledgement granted by the Allied authorities should have definitively given to the committees the freedom of action required for the successful carrying out of the tasks entrusted to the above mentioned organisms, action which was of course subordinated to the agreements which were made every time between this Commissariat and the Allied commands.

However, the activity of the committees is very often limited, not to say suppressed, by the decisions and actions of the officials or chiefs of the services of the Allied Commission or of the Sub-Commissions which depend from it.

Let us take as an example two incidents which took place lately, incidents which proved very clearly that some officials or chiefs of the A.C. did not intend to make use of the ability and collaboration of the committees for the allotment of some raw materials; this not to say that it showed the intention of putting the committees in conditions in which they would not be able to intervene in the solving of the important problems which concern Italian industry.

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The said draft planned an allotment in favour of all the concerns which made jam, chosen according to the requirements for efficiently supplying the provinces with jam; it had been taken to the Allied Command in Milan for approval, and we expected it to be approved when the committee for food industries happened to hear that the Allied Commission, employing functionaries or officials that had come to Milan, had decided to allot all the above mentioned stock of sugar to three firms only, while there are about 120 north of the Gothic line.

Such a decision taken in complete opposition with the proposals made by the Italian offices had already caused unfavourable comments among the manufacturers.

(Copy Received)

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See 151

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and in the milieu of the committees, when, after the Commissariat I direct had made a proposal for the allotment of molasses destined to various industrial uses, the Allied Commission, represented by the officials who had issued orders about the allotment of the sugar, decided to allot the molasses in a different way, once more in opposition with the proposals formerly made by the Commissariat, and without even discussing the matter with the Committee for Food Industries, entrusted with such a task.

My personal intervention with the Industry Sub-Commission and with the officers and functionaries of the Allied Food Offices did not bring about the result that Italian Industry was hoping for, i.e. to have the Allied Commission re-consider the allotment; the Commissariat and the committees couldn't even see clearly what was for the Allied Commission (or for the officers and functionaries of the Commission that have been transferred North) the field of activity of the Industrial Committees for the carrying out of the tasks entrusted to the said committees not only by their constitution, but also with the approval of the Allied authorities.

Considering these incidents, I hope you will kindly examine the situation in which the Italian offices find themselves, and let me know your opinion concerning the activity of the Industrial Committees or rather on the limits of the field of competency and activity of the said committees.

Believe me,

Yours sincerely,

S. for the President  
(Roberto FRAMILLONI)

S.....

trans. e/c

EC Dir - 24 Aug 45

Action: Econ Sec (2)

INFO: CHIEF Control

EX Control  
2544



Declassified E.O. 12356 Section 3.3/NND No. 785017

Tel. 40

5018  
HEADQUARTERS ALLIED COMMISSION  
APO 394  
ECONOMIC SECTION

LRW

Ref. 1.01/ES  
x19.00  
x20.02

31 July 1945

AUG 1 1945

SUBJECT: Assistance to recovery of Italian industry.

TO : Executive Commissioner  
(Attn: Chief Staff Officer)

1. References are your 5018/EC of 7 July and 5018/35/EC of 25 July.
2. Copies of paraphrase for cable WX-24419 from AGWAR are attached for files of Chief Commissioner and Executive Commissioner.

39  
Copy prepared for  
c.c. files

L. D. Densmore  
Colonel, USA  
Chief Staff Officer  
Economic Section

Enclosures (2)  
Per para 2.

(Chris Almonor)

La 25/13  
Almonor



PARAPHRASE OF TAM 614 DATED 29 JUNE 1945

FILES: 2920/8Z  
ROUTINE

~~SECRET~~

AFSC N 163/30  
CR

FROM : AGWAR FROM CCS

TO : ACTION ALEXANDER INFO AMSSO FOR DCS

REF NUMBER THIS MESSAGE: WX-21419

29 June 1945

For FNGEE.

Cite CCAC

TAM 614

1. Subject is: Assistance to the Recovery of Italian Industry.

It is recognized as necessary under present conditions that the Italians establish effective economic controls including the control of the distribution of raw materials within Italy. No objection is raised to the suggestion that the Italian Government make plans in accordance with MAT 737 policy: No proposals to be presented that might appear as mere dictation, but rather clear as being a decision of Italian Government. An approach should be made to them by you therefore, warning them of the extent of control and guidance to be necessary in view of difficulties (shortages, etc.) as cited in MAT 737. They should be asked what plans they have in mind and then proposals in MAT 737 may be suggested as tentative alternative in the event they have no other plan.

2. Advisory boards would function with respect to all Italian territory, it is assumed, and also that their decisions would apply in AMG areas subject only to being overridden by considerations of military necessity in such areas.
3. Reference FAM 487's general policy, no Allied personnel, either as non-voters or as staff assistants should participate in actual operations or meetings of the boards. If, in the opinion of AC, attendance at board meetings of Allied personnel as observers is deemed necessary at the outset, such observers may attend to assure proper liaison. However, as soon as conditions permit, these observers should be withdrawn. It is to be emphasized that they are not to participate in deliberations of the boards but only to observe so that AC may be kept informed.
4. FAM 487 describes role of AC primarily one of furnishing to the Italian Government advice at a high level. AC will also comment upon and make recommendations on import requirements for Italy as submitted by the Italian Government.



Declassified E.O. 12356 Section 3.3/NND No. 785017

AFSC N 163/30

Ref. No. PX-24419

Cont'd

- 2 -

MAT 737 IS REF PX 87762 KC OUT 1153 5/6/45 G-5  
PAN 487 IS REF PX 29633 KC IN 23763 31/1/45 G-5

ACTION: G-5

INFORMATION: SACS  
G-4  
US POLAD  
RESMIL  
CAO  
C(MAJINT)  
G-4(D)  
C/S WTC  
USN  
CINC MED  
MAAF  
NSA  
MWT  
RECORDS  
\*\*

25-1



1513

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EXTRACT FROM THE MINUTES OF THE SUPREME ALLIED  
COMMANDER'S CONFERENCE (POLITICAL) 16th MEETING  
held at A.F.H.Q. on 19th July 1945.

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MINUTE No.2.

2. ITALIAN PRODUCTION ADVISORY BOARDS.

(Previous Reference SAC (P) (45) 15th Meeting, Minute 2).

LIEUTENANT GENERAL ROBERTSON reported that a signal had been received from the Combined Chiefs of Staff approving in principle the establishment of Italian Production Advisory Boards, and stating that the matter is properly for the decision of the Italian Government and that no proposals should be presented which might appear dictatorial.

THE DEPUTY SUPREME ALLIED COMMANDER:

Took note of the above report.

Ex.Com's Distribution:

Ex.Com - File 5018/EC  
Econ Sec (2) - INFO.

Sh MA see M.37  
30/7 2540



Declassified E.O. 12356 Section 3.3/NND No. 785017

Ext 451

ABA/el

Ref: 5018/35/EO

25 July 1945

MEMORANDUM:

TO : Economic Section

1. Reference is made to our memorandum 5018/EO of 7 July requesting a paraphrase of cable WX-24419 from AGWAR.
2. To date this has not been received and we would appreciate a copy as soon as possible.

A. B. ARNOLDY.

✓ Chief Staff Officer  
To Executive Commissioner

*See 40*

*B/V*  
*30/7*  
*note*

*2539*  
*PA*  
*27*

*X/*



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Declassified E.O. 12356 Section 3.3/NND No.

785017

151

ABA/el

*ce*

Ref: 5018/ce

7 July 1945

MEMORANDUM:

TO : Economic Section

1. The attached cable, WZ-24439, from AQMAR, has been seen by both the Chief Commissioner and the Executive Commissioner.

2. It would be appreciated if a paraphrase of this be made and copies sent for the Chief Commissioner's and the Executive Commissioner's files.

A. B. ARNOLDY

Chief Staff Officer  
To Executive Commissioner

1 Incl:  
as above

B/u *10/7/45*

*See 40*  
*See 35*

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*8*



Declassified E.O. 12356 Section 3.3/NND No. 785017

506/EC.

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EXTRACT.

EXTRACT.

Extract from the Minutes of SACED's  
15th Meeting (Political) held at AFHQ  
on 18th June 1945.

MINUTE No. 2.

(Previous Reference SAC(P) (45) 14th Meeting, Minute 2).

LIEUTENANT GENERAL ROBERTSON reported that no reply had been  
received to the signal informing the Combined Chiefs of Staff of  
the proposal to establish Italian Production Advisory Boards.

THE SUPREME ALLIED COMMANDER:

Took note of the above report.

2537

PA 22/6



EXTRACT FROM the Minutes of SACRED's Meeting  
14th (Political) held on 7th June, 1945.

MINUTE No. 2.

2. ITALIAN PRODUCTION ADVISORY BOARD.

(Previous reference SAC (P) (45) 13th Meeting, Minute 6).

LIEUTENANT GENERAL ROBERTSON reported that in accordance with instructions given him at the last meeting, he had redrafted the telegram informing the Combined Chiefs of Staff of the proposals to establish Italian Production Advisory Boards. After the necessary concurrences had been obtained the telegram had been despatched.\*

THE DEPUTY SUPREME ALLIED COMMANDER:

Took note of the above report.

\* MAT 737 of 7 June 1945.

7th June 1945.

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5018  
~~SECRET~~

Exp. Comm (31)

FX 87782  
JUNE 050945

HEADQUARTERS  
6 JUN 1945  
A. C.

X/3732  
JUNE 051645B  
PRIORITY

From: AFHQ SIGNED ALEXANDER CITE PHOEG  
To: INFO ALCOM RPT AND INFO ALCOM ROME-AFLRS ROME.

~~SECRET~~

This is MAT 737.

Assistance to recovery of Italian industry.

1. Telegram advising you of our views was in preparation when your TAM 585 (WX 89573 of 29 May) was received.
2. Summary of present industrial situation in ITALY. Industries in north ITALY have not sustained appreciable war damage and are capable of immediate reactivation at about 80% of normal production, subject to provision of coal and raw materials. Coordinated machinery for reactivation does not exist. Many plants are idle for lack of necessary supplies, owners are being compelled to pay their workers and are rapidly becoming bankrupt. Serious labour troubles already in evidence. AG experts calculate that unless matters are taken in hand unemployment to extent of 4 millions or more is inevitable. Industries in south ITALY suffered heavy war damage but considerable success has been achieved in restarting these industries for military purposes under Allied Military Control. There is, however, still room for appreciable further rehabilitation. Allied Military Control must inevitably be withdrawn, because the personnel involved will disappear on redeployment, quite apart from desirability of such withdrawal in accordance with terms of FAW 487. Both in north and south ITALY there are numerous examples of the evils of lack of coordination. Manufacturers producing luxury articles for sake of profit instead of meeting essential needs of community.

(Capt Arnold)

~~SECRET~~

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~~SECRET~~ Page 2

(30)

Tendency to produce articles in types intended or export although same class of article is urgently needed in ITALY and in some cases is included in Allied rehabilitation programmes. Certain classes of goods can only be produced by coordination resources of various manufacturers who will not cooperate without some pressure to persuade them to do so.

3. Having in mind situation outlined in second above it is considered that there is urgent need for some action with the following objectives:

A. To prevent widespread unemployment which would inevitably lead to disease and unrest and political instability.

B. To ensure effective and proper utilisation of rehabilitation supplies on import programme.

C. To stimulate production of essential consumer goods of a character and quantity to help to arrest inflation which already well advanced.

D. To ensure that Italian industry is exploited to such extent as may be necessary for military requirements in this Theatre or in other theatres.

E. To apply the productive capacity of Italian industry to the extent desirable and practicable to alleviate conditions in other liberated countries.

F. To ensure that when Allied supervision is withdrawn, the industries of south ITALY do not revert to chaos.

4. Following are considered to be the principles which should govern action to be taken:

A. The underlying principle of PAN 487 must be observed, namely that ITALY must be encouraged to stand on her own feet.

B. ITALY must determine her own economic system and the Allied must not make themselves responsible for imposing any particular system upon her except for insistence upon observance of Allied policy

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Declassified E.O. 12356 Section 3.3/NND No.

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toward Fascism.

C. The Allies must provide some stimulus to action because it is unlikely that the Italian Government will take sufficiently prompt and effective action otherwise.

D. The Allies must necessarily be involved in any effective scheme for reactivating Italian industry because they control the essentials for reactivation, namely supplies of coal and raw materials and means of transport by land and sea.

E. Allied military interests must be protected by subpara F. Legitimate Allied commercial interests must be safeguarded.

5. The type of organization which we favour is the establishment of a central Italian production advisory board with subsidiary boards for individual industries. All boards would be predominantly Italian in composition. Allied members would be non voting and advisory only. Boards could be nation wide in scope, action on their recommendations being taken by Italian Government in Italian Government territory and by ~~AMG~~ in AMG territory. Charter for these boards would be for definition by Italian Government but we should advise that they should follow generally the charter of parallel organizations such as WPB, without necessarily possessing the same degree of executive power. Accordingly the primary functions of the boards would be the establishment of priorities for production, allocation of raw materials and transportation. Since boards are intended to be advisory rather than possessing legal authority it does not seem that it will be necessary for Italian Government to pass special decrees in order to establish them. They will exercise sufficient influence through the control which they will possess over allocation of raw materials and means of transport to render establishment of special sanctions unnecessary. Some delay is ~~foreseen~~ in the establishment of central board. It is therefore proposed that boards for individual industries should be set up at once for the following vital industries: textiles, chemicals and fertilizers, steel,

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cement, lime and brick, and food processing. Meanwhile pending establishment of a central board the ALLIED COMMISSION will make every effort as a provisional matter to work out allocations in line with the objectives of para 3.

6. It will be for the Italian Government to accept, reject or amend the ~~scheme~~ proposed to them. Unfortunately time does not admit of delay. If Italian Government does not take some action on general lines of our proposal there would be no intention to force it but we should indicate that they would thereby be forfeiting Allied sympathy for their difficulties.

7. Early advice of your reaction to these proposals is requested.

DIST

INFO-ACTION - ECON SEC 2  
INFO - CHIEF COMMISSIONER  
EX COMMISSIONER  
INDUSTRY S/C 2  
COMMERCE S/C  
FINANCE S/C  
FILE  
AFLRS

~~SECRET~~

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Declassified E.O. 12356 Section 3.3/NND No.

785017

~~CONFIDENTIAL~~

27

Ref: 5018/27/20.

7 June 1945.

SUBJECT: Italian Production Advisory Board.

TO : Economic Section (2).

26

1. Herewith for your information extract from the Minutes of SACMED's 13th Meeting (Political) held on 31st May 1945 at which the above subject was discussed.

2. Copy No. 37 of Paper No. SAC (P) (45) 27 of 29th May 1945 referred to therein was forwarded you by this office on 31 May 1945.

24

(Sgd) E. TALBOT, ~~MAJ~~

Lieut. Colonel,  
Chief Staff Officer.

/JG.

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EXTRACT from the Minutes of SACRED's 13th Meeting (Political) held on 31 May 1945.

MINUTE No. 6.

6. ITALIAN PRODUCTION ADVISORY BOARD.

(Paper No. SAC (P) (45) 27)

THE CONFERENCE had before them a paper recommending the eventual establishment, under Italian Government auspices, of a Production Advisory Board with Allied advisory representatives and recommending in the meanwhile the establishment of a temporary Industry Boards in AMG and Italian Government territory, and attaching a draft cable to the Combined Chiefs of Staff outlining the above proposals and requesting their comments.

THE DEPUTY SUPREME ALLIED COMMANDER invited attention to telegram No. TAM 585 which had been received since the circulation of the paper before the Conference and which directed that, before recommendations were made to the Italian Government, details of the proposed program should be submitted to the Combined Chiefs of Staff for their approval. The proposed cable would require modification in the light of this directive, as it did not contain sufficient information to enable the Combined Chiefs of Staff to arrive at a decision. In addition, General McMerney asked for an explanation as to why it was considered necessary for the Allies to intervene in regard to Italian Industry which appeared to be a matter for the Italian Government.

REAR ADMIRAL STONE, in reply, said that the main problem was that of large scale unemployment in Northern ITALY. The factories there were at present working, but their stocks of coal were very limited, and if proper control was not exercised, there was a likelihood of up to four or five million Italian workers becoming unemployed. While substantial Allied forces remained in ITALY awaiting redeployment, it would not be possible to ignore the political unrest resulting from large scale unemployment. This might involve the maintenance of Allied forces in ITALY for a longer period than would otherwise be necessary. He felt the problem could not be tackled piecemeal, and that an overall plan, coordinated with the import program, was required. The control should also be directed so as to fuse the two economies of the North and South. The proposals for a Production Advisory Board had been considerably modified since they were first raised and he felt satisfied that, in their present form, they were in accordance with the intentions of the Combined Chiefs of Staff.

LIEUTENANT GENERAL ROBERTSON agreed with the Chief Commissioner, Allied Commission and added that it was not entirely possible for the Italians to organize their industry on a sound basis without help from the Allied military authorities, as the latter controlled the supplies of coal and certain other essential raw materials. Under the organization now proposed the military authorities would be in an advisory position only and could step out without difficulty as soon as the Italians were in a position to carry on unaided. He felt sure that without some such organization, industries would lie fallow and severe unemployment would result. He had discussed the matter on a recent visit to LONDON where, although the initial War Office reaction had been that the Allies should not become involved in what appeared to be a matter for the Italian Government, the proposals had finally been viewed with sympathy.

REAR ADMIRAL PACKER observed that the shipbuilding industry was not



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REAR ADMIRAL BAKER observed that the shipbuilding industry was not covered by the proposed Industrial Boards. Any attempt by the Italian Govt. to expand this industry might have an adverse effect on Italian labour at present being employed in shipyards under Allied control. He asked how, in the event of the Italians proposing to take such action, it would be possible to stop them.

REAR ADMIRAL STONE, in reply, said that the Allies would retain the control of imported raw materials. In addition, in the event of the Italian Government failing to secure effective and equitable utilization of local resources in ITALY,

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the Supreme Allied Commander retained the power to use the necessary controls or take other appropriate measures. He did not, however, consider that the Allies could dictate the suggested composition of the Production Advisory Board to the Italian Government. It could only be put forward as a suggestion. In reply to a question by the Deputy Chief of Staff, he stated that the Italian Government had not been approached in regard to the present proposals, though it had previously indicated that it did not look with favour on the earlier proposal for a board under Allied control.

MR. KIRK agreed with the Chief Commissioner, Allied Commission regarding the need for some overall control of Italian industry and in regard to the likelihood, in the absence of such control, of extensive unemployment in the North. The requirement was to stimulate the Italian Government to provide the proper control, but it must be their responsibility. The proposals amounted to suggesting to the Italian Government that control machinery similar to that in existence in BRITAIN and the UNITED STATES should be adopted in ITALY. If the Italian Government did not consider such machinery desirable, the Allied authorities would need to await the results produced by whatever alternative the Italians might propose. If these were not satisfactory, it would then be necessary for the Supreme Allied Commander to apply pressure in accordance with his existing rights. In regard to the proposed interim industrial boards, Mr. Kirk thought it desirable that those set up in AMG territory and Italian Government territory should not be entirely separate but that close coordination between the two areas should be achieved.

THE DEPUTY SUPREME ALLIED COMMANDER said that he accepted the need for some type of control by the Italian Government over Italian industry. The question as to how far the British and American authorities should go in enforcing any particular type of control was however a matter which must be referred to the Combined Chiefs of Staff.

THE DEPUTY SUPREME ALLIED COMMANDER:

a. Instructed the Chief Administrative Officer, in conjunction with the Chief Commissioner, Allied Commission, to redraft for his approval the telegram to the Combined Chiefs of Staff circulated under Paper No. SAC (P) (45) 27 so as:

- (1) to set out fuller details of the functions of the proposed boards;
- (2) to make it clear that the proposed machinery would merely be suggested to the Italian Government and not imposed on that Government against its will.

b. Directed that, pending the approval of the Combined Chiefs of Staff, no further approaches should be made to the Italian Government in regard to this matter.



CONFIDENTIAL

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

K 186

ALLIED FORCE HEADQUARTERS  
Supreme Allied Commander's Secretariat.

SAC (P) (45) 27  
29 May 1945.

CONFIDENTIAL  
COPY No. 56.

SUPREME ALLIED COMMANDER'S CONFERENCE  
(POLITICAL)

ITALIAN PRODUCTION ADVISORY BOARD

Note by Secretary.

1. In accordance with the directions at SAC (P) (45) 12th Meeting, Minute 8, the Assistant Chief of Staff, G-5, has submitted the detailed paper at Annexure "A". This paper shows that the proposals set out by the Chief Commissioner, Allied Commission, in his letter at Annexure "B" were accepted by the Supreme Allied Commander's Economic Sub-Committee. 21

2. Attention is invited to the following points:-

a. Now that Northern ITALY has been liberated the need for centralised control over Italian industry is considered to be urgent.

b. An Allied controlled industrial board cannot be set up as it would be contrary to the current direction of the Combined Chiefs of Staff. An Italian government board, with allied representatives participating in an advisory capacity only, is therefore proposed.

c. As considerable time may elapse before the Italian government establishes such a board, it is proposed as an interim measure to set up separate boards for each important industry in AMG territory and to request the Italian government to create similar boards in its territory.

3. The Supreme Allied Commander is accordingly requested:-

a. To approve the policy for Italian Production Advisory Boards as set out in Annexures "A" and "B" and summarised at paragraph 2 above. 20

b. To approve the dispatch of the cable at Annexure "C" informing the Combined Chiefs of Staff of the proposals and requesting their comments. 20

Executive Commissioner's

Distribution.

Copy No. 35 - Chief Commissioner  
" No. 36 - Executive Commissioner  
" No. 37 - Economic Section.  
" - - File 5018/EC.

(Sgd) J. G. SWEETMAN,  
LIEUTENANT COLONEL, 9328  
SECRETARY.

See Folio 26.



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Declassified E.O. 12356 Section 3.3/NND No.

ITALIAN PRODUCTION ADVISORY BOARD

(POLITICAL)

23

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20

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(Sgd) J. G. SWEETMAN,  
LIEUTENANT COLONEL, 9528  
SECRETARY

Executive Commissioner's  
Distribution.

- Copy No. 35 - Chief Commissioner
- " No. 36 - Executive Commissioner
- " No. 37 - Economic Section.
- " - - - File 5018/EC.

See Folio 26.



28 May 1945

ESTABLISHMENT OF ITALIAN PRODUCTION  
ADVISORY BOARD.

Note by Assistant Chief of Staff, G-5

1. At its seventh meeting, on 22 May 1945, the Supreme Allied Commander's Economic Sub-Committee considered proposals made by the Allied Commission, respecting the establishment of some form of centralized industrial control organization, to ensure that Italian industry is rehabilitated as promptly as possible and is employed on those forms of production best suited to the continuing war effort and to the reconstruction of Italy and other parts of Europe. The Economic Sub-Committee accepted the proposals as summarized in the Chief Commissioner's letter of 21 May (CC4645), attached as Annexure "B", and agreed that the matter should be raised at the next meeting of the Supreme Allied Commander's Conference (Political).

2. At the Political Conference on 24 May, the Supreme Allied Commander directed that a paper be submitted at the next meeting of the Conference dealing with the organization and functions of the proposed Italian Production Advisory Board, together with a draft cable to the Combined Chiefs of Staff requesting their approval of the project.

3. It has been realised for some time that relinquishment of control of Italian industrial facilities by the Allied military establishment should be carefully integrated with resumption of Italian control of industrial dislocation and unemployment are to be avoided. In addition, now that the major industrial area of Northern Italy is liberated, it has become essential and urgent that there be created some form of centralized control over Italian industry. This control is needed, from the viewpoint of Allied interest:

a. To assure the effective use of imported equipment and materials to reduce the need for critical imports as rapidly as possible; and

b. To determine suitable priorities in the reconstruction of Italian industries with a view to assuring maximum contribution to the further Allied war effort, the prompt rehabilitation of Italy, and maximum aid to other parts of Europe.

4. Were an Allied-controlled Industrial Board to be set up, it would be in contradiction to the intention of the Combined Chiefs of Staff as expressed in PAN 487 (see Annexure "B"). The Allied Commission therefore proposes to refer immediately to the Italian Government the formation of an Italian Production Advisory Board, to be set up by the Government, and to have Allied representatives participating only in an advisory capacity. This board would be given such powers as the Italian Government determined necessary to carry Italian industry through reconversion from military control and to accomplish the necessary rehabilitation. The Allied members would represent the Allied policy with respect to production for civilian use within the limits of the Allied interests as set forth in paragraph three above. While the Allied members would have advisory functions only, they should be in a position to exercise influence sufficient to protect Allied interests through their control of imported rehabilitation supplies, raw materials and transportation. In cases where production for military purposes or other direct military interest was involved, the Allied members could also rely on the power reserved to the Supreme Allied Commander in PAN 487 to impose any necessary controls or take other appropriate measures such as requisitioning facilities for



Commander's Economic Sub-Committee considered proposals made by the Allied Commission, respecting the establishment of some form of centralized industrial control organization, to ensure that Italian industry is rehabilitated as promptly as possible and is employed on those forms of production best suited to the continuing war effort and to the reconstruction of Italy and other parts of Europe. The Economic Sub-Committee accepted the proposals as summarized in the Chief Commissioner's letter of 24 May (CC4045), attached as Annexure "3", and agreed that the matter should be raised at the next meeting of the Supreme Allied Commander's Conference (Political).

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b. To determine suitable priorities in the reconstruction of Italian industries with a view to assuring maximum contribution to the further Allied war effort, the prompt rehabilitation of Italy, and maximum aid to other parts of Europe.

4. Were an Allied-controlled Industrial Board to be set up, it would be in contradiction to the intention of the Combined Chiefs of Staff as expressed in PAN 437 (see Annexure "5"). The Allied Commission therefore proposes to refer immediately to the Italian Government the formation of an Italian Production Advisory Board, to be set up by the Government, and Allied representatives participating only in an advisory capacity. This board would be given such powers as the Italian Government determined necessary to carry Italian industry through reconversion from military control and to accomplish the necessary rehabilitation. The Allied members would represent the Allied policy with respect to production for civilian use within the limits of the Allied interests as set forth in paragraph three above. While the Allied members would have advisory functions only, they should be in a position to exercise influence sufficient to protect Allied interests through their control of imported rehabilitation supplies, raw materials and transportation. In cases where production for military purposes or other direct military interest was involved, the Allied members could also rely on the power reserved to the Supreme Allied Commander in PAN 437 to impose any necessary controls or take other appropriate measures such as requisitioning facilities for military purposes.

5. It is anticipated by the Allied Commission that considerable time may elapse before the Italian Government establishes the Production Advisory Board. In the meantime urgent matters must be handled relating to the allocation of raw materials and equipment and to the most effective utilization of Italian industrial facilities, as well as to the derequisitioning of



industrial facilities by the Allied Forces. It is therefore proposed, as a temporary and interim measure, to set up industry boards in AMG territory, and to request the Italian Government to create similar boards in Italian Government territory. These Boards would be established in the following industries (see Annexure "B"); textiles; chemical and fertilizer; steel and coke oven; cement, lime and brick; food processing. They would be Italian in composition, and the Allied members would be in the minority and would act as non-voting advisors. In case of need, the sanctions at the disposition of the Allied advisors would be those mentioned in para 4 above. These single-industry Boards would be designed primarily to allocate raw materials and equipment, and to determine priorities for industrial rehabilitation.

6. It is considered that the proposals outlined above conform to the policy of the U.K. and U.S. Governments as laid down by the Combined Chiefs of Staff in PAN 487. There is attached as Annexure "C" a draft cable to the Combined Chiefs of Staff outlining the situation and the proposals and requesting comments.

7. It is recommended that the cable attached as Annexure "C" be approved.

(Intd).

C.M.S.

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Declassified E.O. 12356 Section 3.3/NND No.

785017

ANNEXURE "B".

Chief Commissioner's letter CC 4045 of 21 May 45  
addressed to Chief Administrative Officer, AFHQ.

Copy in this file at FOLIO 15  
" " " " " FOLIO 14

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~~CONFIDENTIAL~~

K 186  
EXEMPT "C".

(20)

D R A F T.

TO : AGWAR FOR COMBINED CHIEFS OF STAFF  
AMSSO FOR BRITISH CHIEFS OF STAFF

INFO : STAFF FORWARDED  
HQ ALCOM

SIGNED : ALEXANDER

This is PAF \_\_\_\_\_

Subject is organization and revival of Italian industrial

production.

1. Under direction of Allied Forces some industrial capacity in Southern Italy was repaired and reintegrated for military purposes in course of military operations in Italy. Steel industry an example. Other industries unimportant for direct military use have been repaired only to extent made possible by limited amounts of imports and such local facilities as were surplus to war effort. Cessation of hostilities and the freeing of major Italian industries in North has made urgent the establishment of some form of Italian organization capable of assisting and directing the reactivation of industry on national basis with following objectives:

- a. To assure most effective use of imported equipment and materials to reduce need for further critical imports;
- b. To determine suitable priorities in reconstruction Italian industries in order to assure maximum contribution to Allied war effort, 2,523 to rehabilitate Italian economy, to contribute to fullest employment, and to render aid as practicable to other parts of Europe.
2. I am discussing with the Italian Government the creation of an Italian Production Advisory Board to allocate imported raw materials and guide rehabilitation of Italian industry. Consistent with conditions and intentions of PAF 487 the Allied representatives participating in this Board would be advisory.

Declassified E.O. 12356 Section 3.3/NND No. \_\_\_\_\_

785017



SIGNED : ALEXANDER

This is NAF \_\_\_\_\_

Subject is organization and revival of Italian industrial production.

1. Under direction of Allied Forces some industrial capacity in Southern Italy was repaired and reintegrated for military purposes in course of military operations in Italy. Steel industry an example. Other industries unimportant for direct military use have been repaired only to extent made possible by limited amounts of imports and such local facilities as were surplus to war effort. Cessation of hostilities and the freeing of major Italian industries in North has made urgent the establishment of some form of Italian organization capable of assisting and directing the reactivation of industry on national basis with following objectives:

a. To assure most effective use of imported equipment and materials to reduce need for further critical imports;

b. To determine suitable priorities in reconstruction Italian industries in order to assure maximum contribution to Allied war effort, to rehabilitate Italian economy, to contribute to fullest employment, and to render aid as practicable to other parts of Europe.

2. I am discussing with the Italian Government the creation of an Italian Production Advisory Board to allocate imported raw materials and guide rehabilitation of Italian industry. Consistent with conditions and intentions of FAN 487 the Allied representatives participating in this Board would be advisory.

3. As considerable time may elapse before above Board begins operating, it is planned immediately to establish boards (reporting to Italian Production Advisory Board upon its activation) for following vital industries: textiles; chemicals and fertilizer; steel including coke



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785017

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(19)

oven; cement, lime, and brick; food processing. These boards will be set up by Italian Government in its territory and by AMG in North with Allied members in non-voting minority as advisors.

4. Allied members of boards would be in position to use control of imports and transportation if required to achieve objectives set forth in paragraph 1 above. Allied Military also have power to enter into industrial contracts and SAC retains full powers under paragraph 4 of FAW 487 as may be necessary to insure fulfillment of military commitment.

5. Your comments on above plans will be of assistance as discussions with Italian Government proceed.

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Declassified E.O. 12356 Section 3.3/NND No.

SECRET

T.G.P. Wc 33567 10/43 (Latest)

F 84576  
MAY 30 1945

F 84576  
MAY 30 1945  
PRIORITY

From: AFHQ SICHER GARDEN CIVIL PRISON  
To: ACTION TO ALGERIA

MAY 31 1945

Message GCS referring to proposed industrial advisory board directs that before making recommendations to Italian Govt details of proposed program together with explanation and justification of purposes be submitted. Communication to GCS covering matter will be submitted for approval next meeting political committee. Meanwhile any discussions with Italian Govt should be suspended.

Dist

- Action - Leon Sec 3
- Info - Chief Commissioner
- S. O. to Chief Commissioner
- Exec Comm
- File 2
- Plant

HEADQUARTERS  
30 MAY 1945  
A. I. C.

SECRET

(CARL ARNOLD)

1/6



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Declassified E.O. 12356 Section 3.3/NND No.

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~~SECRET~~

(17)

EXTRACT

ALLIED FORCE HEADQUARTERS  
Supreme Allied Commander's Secretariat

K 182

SAC (P) (45) 12th Meeting  
24th May 1945

~~TOP SECRET~~

SUPREME ALLIED COMMANDER'S CONFERENCE  
(POLITICAL)

8. ITALIAN PRODUCTION ADVISORY BOARD

(16)

REAR ADMIRAL STONE, replying to a question by the British Resident Minister, stated that no information had been forwarded to the Combined Chiefs of Staff regarding the formation of the Italian Production Advisory Board, which he had recommended. The formation of this board had been discussed at the last meeting of the Economic Sub-Committee. The scheme now proposed differed considerably from that which had at first been suggested.

GENERAL MCRAWNEY considered that a paper dealing with the whole matter should be put before the Conference at the next meeting. The Combined Chiefs of Staff should then be informed of the proposals.

THE SUPREME ALLIED COMMANDER:

Instructed the Chief Administrative Officer to submit for his approval at the next meeting of his Political Conference, a paper dealing with the organization and functions of the proposed Italian Production Advisory Board, together with a draft cable to the Combined Chiefs of Staff requesting their approval of the project.

2 copies to Gen Sec on 6 June.

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~~SECRET~~



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16  
EXTRACT

from

MINUTES OF A MEETING OF THE SAC'S ECONOMIC SUB-COMMITTEE

dated

22 MAY 1945

5. FORMATION OF INDUSTRIAL ADVISORY AND PRODUCTION BOARD.

GENERAL ROBERTSON informed the sub-committee of action previously taken to form industrial advisory boards in Italy :

(a) It was apparent prior to the liberation of the North that a centralized group was necessary to ensure that Italian industry was fully employed; part of Southern Italian industry utilized by the military was being fully exploited but the remaining Southern facilities were not. This was primarily because the factors necessary to initiate production were under military control, and until they could be deployed and allocated for civil production, reactivation of industry be deployed and allocated for civil production, reactivation of industry could not take place. It was for this reason that the establishment of industrial advisory boards was recommended. Now that the North is uncovered it is even more necessary that industrial activity be centralized, if Italian economy is not to be allowed to lapse into inactivity with consequent unemployment and greater rather than less dependence on imported supplies by the Allies.

(b) The proposed board was to consist of three vice chairmen; one representing A.C., one the Italian Government, and one Italian industry. Initially the A.C. representative was to be chairman.

ADMIRAL STONE summarized the problem as follows :

(a) The proposed board is comparable to the War Production Board in the U.S. Great Britain has found need for a similar organization. It is to be noted that these agencies are a temporary war-time expediency.

(b) It is difficult to constitute a board of this nature under the provisions of PAN 487, and the A.C. has consequently recommended the establishment of a Board acceptable to the Italian Government and not in conflict with Allied policy. He explained that he has sought political advice on this matter.

(c) Admiral Stone then read a paper, explaining the A.C. position, which is attached as Annex A.

GENERAL ROBERTSON enquired how the military requirements of AFHQ/AC would be enforced were the board nominally controlled by the Italian Government. ADMIRAL STONE replied that control will be exercised primarily through the power to allocate imports and transportation and by means of industrial contracts. GENERAL SPOFFORD noted that, under the terms of PAN 487, SACMED is authorized to utilize local resources for military production and that SACMED still retains the power of requisitioning.

GENERAL ROBERTSON observed that the terms of reference of the board should make reservations to the effect that the military needs of the Allied Forces will receive priority in Italian industry. He asked Admiral Stone to request one of his staff, to advise what provision for Allied personnel will be necessary in view of the new composition of the board.

BRIGADIER ANDERSON, at the request of Admiral Stone, stated that an increase in staff of approximately 150 officers will be necessary for the purpose of running industrial surveys and of forming the necessary board



to form industrial advisory boards in Italy :

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BRIGADIER ANDERSON, at the request of Admiral Stone, stated that an increase in staff of approximately 150 officers will be necessary for the purpose of making industrial surveys and of forming the necessary board secretariats. He further pointed out that during the last year of German occupation in Northern Italy 3,000 German officers were used to control industry.

GENERAL ROBERTSON expressed the opinion that considerable difficulty would be encountered in obtaining the requested number of Allied officer personnel, and recommended that Admiral Stone raise this matter at the next SACMED political meeting.

/over.....



(cont'd)

MR OFFIE recommended that the establishment of these boards be brought to the attention of the Combined Chiefs of Staff.

GENERAL ROBERTSON confirmed that the Combined Chiefs of Staff would be notified by G-5 of action taken.

ADMIRAL STONE suggested that one of the Allied members of the Industrial Board should be drawn from AFMRS. It was agreed that this would be logical.

GENERAL ROBERTSON asked if the sub-committee were in agreement with the proposals set forth in the memorandum read by the Chief Commissioner, Allied Commission.

The Sub-Committee confirmed agreement with the proposals of the Chief Commissioner, Allied Commission, attached as Annex A. "

Declassified E.O. 12356 Section 3.3/NND No. \_\_\_\_\_

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15  
APPENDIX A

HEADQUARTERS ALLIED COMMISSION  
Office of the Chief Commissioner  
APO 394

CC 4045

21 May 1945

SUBJECT : Formation of Industrial Advisory and Production Boards.

TO : Chief Administrative Officer, A.F.H.Q.

1. The survey which has been made in Northern Italy by members of the Economic Section of Allied Commission clearly indicates that the setting up of Industrial Boards as envisaged in the correspondence between us has now become a matter of considerable urgency. Nevertheless, there are still many difficulties in the way.

2. The main difficulties are :

(a) Agreement of the Italian Government is essential

(1) as to the composition of the Boards, and

(2) as to their powers and methods of working.

This will probably take some time to obtain on account of the political situation. The Boards will have to be largely Italian in complexion.

(b) The composition and powers of the Boards must be such that the scheme for their initiation will receive the support of the Allied Governments.

(c) If the Boards are largely Italian in complexion, they would probably be acceptable to the United States and British Governments as being in accord with FAW 487. At the same time, if the Boards are Italian in nature, the U.S. and British Governments may fear that they may become instruments for the nationalization of Industry, with possible injury to U.S. and British investments in Italy.

(d) Time is not now available for prolonged discussions with either the Italian Government or the Allied Governments.

We are therefore forced to compromise between the evils of the courses open to us.

3. The Allied Commission therefore proposes that the formation of an Italian Production Advisory Board be referred immediately to the Italian Government. Since some time will elapse before its creation, it is recommended that Italian Boards be set up by the Italian Government and A.M.G. for the following vital industries:

2318  
Textile industry;  
Chemical industry, including fertilizers;  
Steel industry, including coke oven industry;  
Cement, lime and brick industries; and  
Food processing industry.

4. It is proposed that the composition of these Boards be Italian, with Allied minority non-voting members participating only as advisors.

5. Until the Italian Government has set up the Italian Production Advisory Board (vide paragraph 3), the Allied Commission, acting on behalf of



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Food processing industry.

4. It is proposed that the composition of these Boards be Italian, with Allied minority non-voting members participating only as advisors.

5. Until the Italian Government has set up the Italian Production Advisory Board (vide paragraph 3), the Allied Commission, acting on behalf of the Italian Government, will control the allocation of imported raw materials in common use by all industries, such as coal, etc. The Allied Commission representatives participating in the Production Advisory Board would be designated advisory members. Being so termed, the scheme would conform with the conditions and intentions of FAN 487. The Allied members would, of course, exercise very considerable power as the import of raw materials would depend very largely on their advice and they would also control, through AC/AFHQ, the facilities of movement of raw and manufactured materials between industries.

= Word 'imported' verbally inserted  
by Admiral Stone.

ELLERY W. STONE  
Rear Admiral, USNR  
Chief Commissioner.



Declassified E.O. 12356 Section 3.3/NND No.

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YHEADQUARTERS ALLIED COMMISSION  
APO 394  
OFFICE OF THE CHIEF COMMISSIONER

CC 4045

21 May 1945

MAY 24 1945

SUBJECT: Formation of Industrial Advisory and Production Boards.

TO : Chief Administrative Officer, A.F.R.C.

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(1) as to the composition of the Boards, and

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This will probably take some time to obtain on account of the political situation. The Boards will have to be largely Italian in complexion.

(b) The composition and powers of the Boards must be such that the scheme for their initiation will receive the support of the Allied Governments.

(c) If the Boards are largely Italian in complexion, they would probably be acceptable to the United States and British Governments as being in accord with EAM 487. At the same time, if the Boards are Italian in nature, the U.S. and British Governments may fear that they may become instruments for the nationalization of industry, with possible injury to U.S. and British investments in Italy.

(d) Time is not now available for prolonged discussions with either the Italian Government or the Allied Governments.

We are therefore forced to compromise between the evils of the courses open to us.

Folio 12 refers

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(CAPT ARNOLDY)



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Declassified E.O. 12356 Section 3.3/NND No. 785017

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Textile Industry;  
Chemical Industry, including fertilizers;  
Steel Industry, including coke oven industry  
Cement, lime and brick industries; and  
Food Processing Industry.

4. It is proposed that the composition of these Boards be Italian, with Allied minority non-voting members participating only as advisors.

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MILERY W. STONE  
Rear Admiral, USNR  
Chief Commissioner

DISTRIBUTION:  
U.S. Ambassador  
British Ambassador  
A/President  
Exec. Comm. ✓  
Econ. Sec.  
Pol. Advisors  
CC File

*This document is checked  
by 1 7 4108*

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Ref: 5009/EC.

5th May 1945.

AIDE MEMOIR FOR LIEUTENANT GENERAL ROBERTSON.

INDUSTRIAL PLANNING ADVISORY BOARD.

1. While realising the necessity for rapid implementation of the plans for the constitution of this Board, two points must be remembered:

- (a) that the Italian Government will find it extremely difficult to reach agreement in present circumstances. They will undoubtedly wish to delay decision on this matter until the reconstitution of the Government, including representation from the North;
- (b) the economic situation in the North would appear to be so stable and the plans of the CLN with their Economic Committees so well advanced, that military control even with the full cooperation of the Italian Government, might be bitterly resented and might not be so effective as indigenous control.

2. Although the North is under Allied Military Government, the rapid transition to Italian Government control is foreseen and the full implementation of PAN 487 must be safeguarded. It would appear in any case that the proposal to institute the Board should be referred to the CCS.

3. An economic survey will be conducted by Mr. Antolini and some of his staff who are proceeding on a comprehensive tour from 6th to 19th May. This should coincide with any political changes that may take place and no decision from the Government can be expected before 19th May. This would also give the CCS time to consider and reply.

DISTRIBUTION: Lt. Gen. Robertson, CAC, AFHQ.  
Chief Commissioner  
Economic Section (2)  
File.

see FSS 14  
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DEPARTERS ALLIED COMMISSION  
APO 394  
ECONOMIC SECTION

Ref. ES/112.03

27 April 1945

SUBJECT: Rehabilitation of Italian Industries

TO : Chief Administrative Officer, AFHQ

I refer to your letter of 4 April 1945 and to our meeting on the 7th.

1. It is agreed that there is a need in industry for an over-all plan and for some competent body with the authority necessary to carry it out. It is also agreed that there should be a central authority for each industry or group of industries to secure a pooling of resources of both man and materials for the purpose of furthering the war effort and making the maximum contribution to Italian economic reconstruction.

2. In considering this plan, it seems that the following factors are involved:

a. The Italian Government will hold a minor part of industrial Italy when the proposed central authorities are formed.

b. Military authority must actively participate in any governing body created so long as the military

(1) Controls import shipping,

(2) Dominates internal movement, and

(3) Holds territory under U.S. authority.

(This is particularly important in view of the instruction which has been issued as to the division of Italian economy into two parts, North and South.)

c. Effective operations within an industry must be nation-wide and not sectional.

d. At the outset, the military will have the predominant interest and responsibility, but the governing mechanism must be so constituted as to permit adjustment so that in course of time civilian control can eventually completely relieve the military of their responsibility in the matter.

e. The steel, cement, timber and brick industries are important and should be brought under the proposed coordinated control. However, the



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2. In considering this plan, it seems that the following factors are involved:

- a. The Italian Government will hold a minor part of industrial Italy when the proposed central authorities are formed.
- b. Military authority must actively participate in any governing body created so long as the military
  - (1) Controls import and export,
  - (2) Dominates internal movement, and
  - (3) Holds territory under M.G. authority.

(This is particularly important in view of the instruction which has been issued as to the division of Italian economy into two parts, North and South.)

- c. Effective operations within an industry must be nation-wide and not sectional.
- d. At the outset, the military will have the predominant interest and responsibility, but the governing mechanism must be so constituted as to permit adjustment so that in course of time civilian control can eventually completely relieve the military of their responsibility in the matter.
- e. The steel, cement, timber and brick industries are important and should be brought under the proposed coordinated control. However, the textile, food processing and other consumers' goods industries are equally important to the Italian economy and are likewise in need of coordinated centralized control. The maximum development of output in the consumers' goods industries is necessary to reduce the relief burden of the United Nations.



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Declassified E.O. 12356 Section 3.3/NND No.

785017

7. Attached as Appendix "A" is a proposed redraft of the plan for central authorities. If you are in agreement with the redraft, discussions on the subject matter with the Italian Government will commence forthwith.

For the Chief Commissioner:

(Sgd) A. G. Antolini

A. G. ANTOLINI  
Acting Vice President  
Economic Section

Encl.  
Appendix "A"

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APPENDIX "A"

HEADQUARTERS ALLIED COMMISSION  
APO 794  
ECONOMIC SECTION

FORMATION OF INDUSTRIAL PRODUCTION AND ADVISORY BOARDS

*Advisory Agreement between*

1. It is proposed that there be created by SACRED an Industrial Production Board in which the Italian Government is invited to participate. Italian Government participation is, in fact, essential so that:

a. The Board can exercise within the territory turned back to the Italian Government under the policy enunciated in PAN 497, the same powers as can be exercised in AMG territory under the authority of the Supreme Allied Commander.

b. The Board can continue operations for the whole of Italy when the military authority is finally withdrawn.

2. The scope of the Board's activities should not be limited to any one industry or group of industries. It should embrace all basic industries in which coordination and control are essential if maximum production for the military effort or for the rehabilitation of Italy and its economy are to be obtained. The Board will, however, confine itself to coordination and control at the highest level. Individual industries or groups of closely related industries will be coordinated and controlled by subordinate advisory boards activated and organized by the Industrial Production Board to carry out its policies and directives within the industries or groups of industries specified in their respective terms of reference.

3. The composition of the Industrial Production Advisory Board would be:

- Ex. - Chairman - appointed by Allied Commission;
- Executive Vice-Chairman - appointed by Italian industry;
- Executive Vice-Chairman - appointed by Italian Government;
- 2 members - nominated by Italian industry; and
- 3 military members - 2 from the Allied Commission and 1 from Allied Force Local Resources (Italian) Board.

*The 1st E.Vic. will be the first chairman. The first chairman will be the 1st E.Vic.*

4. The Advisory Boards created by the Production Board would each have an organization and membership similar to that of the central authority. The industrial representation would be drawn from the industry with which the Advisory Board was connected.

5. The responsibilities of the Production Board

would be:

1. To coordinate and control basic industry or industries...



agreement between 8

1. It is proposed that there be created by SACRED an Industrial Production Board in which the Italian Government is invited to participate. Italian Government participation is, in fact, essential so that:

a. The Board can exercise within the territory turned back to the Italian Government under the policy enunciated in FAW 487, the same powers as can be exercised in AMG territory under the authority of the Supreme Allied Commander.

b. The Board can continue operations for the whole of Italy when the military authority is finally withdrawn.

2. The scope of the Board's activities should not be limited to any one industry or group of industries. It should embrace all basic industries in which coordination and control are essential if maximum production for the military effort or for the rehabilitation of Italy and its economy are to be obtained. The Board will, however, confine itself to coordination and control at the highest level. Individual industries or groups of closely related industries will be coordinated and controlled by subordinate advisory boards activated and organized by the Industrial Production Board to carry out its policies and directives within the industries or groups of industries specified in their respective terms of reference.

3. The composition of the Industrial Production Advisory Board would be:

Ex. — Chairman - appointed by Allied Commission;

Executive Vice-Chairman - appointed by

Italian industry;

Executive Vice-Chairman - appointed by

Italian Government;

3 members - nominated by Italian industry; and

3 military members - 2 from the Allied Commission

and 1 from Allied Force Local Resources

(Italian) Board. *The first chairman will be the King of Italy.*

4. The Advisory Boards created by the Production Board would each have an organization and membership similar to that of the central authority. The industrial representation would be drawn from the industry with which the Advisory Board was connected.

5. The responsibilities of the Production Board would be:

a. To determine which basic industry or industries appropriately should be coordinated and controlled for fulfillment of the purposes stated in paragraph 2;

b. To organize, supervise and coordinate the

operations.



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operations of the Advisory Boards created for the objectives set forth under 2:

2. To establish the broad policies governing the operations of the Advisory Boards;

3. To ~~render final decisions on all matters referred to it by the Advisory Boards;~~

4. To continuously review Italy's plans for economic rehabilitation and coordinate its activities therewith.

5. The responsibilities of each Advisory Board would be:

a. To organize itself within its terms of reference received from the Board;

b. To survey the existing productive units remaining within its industry and formulate a plan for the maximum utilization of surviving plant capacity;

c. To specify and control on behalf of SACRED and the Italian Government the nature of the products to be produced and the level of production to be formed by the several plants within the industry;

d. To direct the closing of unproductive and uneconomic plants or parts of plants and where necessary, transfer equipment between plants to effect maximum economic production within the industry;

e. To provide, by importation or from local resources, the raw materials, equipment, tools and operating supplies necessary to carry out the scheduled production;

f. To control the flow of raw materials and semi-fabricated materials to and between plants within the industry;

g. To specify, if desired, the disposition to be made of the finished products of the industry;

h. To formulate plans for the reconstruction of the industry.

7. Matters of finance would be handled as follows:

a. Production units would be operated, as far as possible, under private ownership. Government authority, exercised through the Board and its sub-boards should stop in only where private ownership is inadequate to carry out the overall plan of reconstruction. In cases of private ownership of such Government authority would be the qualification

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d. To ~~under the~~ ~~decide~~ on all matters referred to it by the ~~Industry Board~~.

e. To continuously review Italy's plans for economic rehabilitation and coordinate its activities therewith.

f. The responsibilities of such Advisory Board would be:

1. To organize ~~itself~~ ~~within~~ its terms of reference received from the Board;

2. To survey the existing productive units remaining within its industry and formulate a plan for the maximum utilization of surviving plant capacity;

3. To specify and control on behalf of EMERED and the Italian Government the nature of the products to be produced and the level of production to be performed by the several plants within the industry;

4. To direct the closing of unproductive and non-economic plants or parts of plants; and where necessary, transfer equipment between plants to affect maximum economic production within the industry;

5. To provide, by importation or from local resources, raw materials, equipment, tools and operating supplies necessary to carry out the scheduled production;

6. To control the flow of raw materials and semi-fabricated materials to and between plants within the industry;

7. To specify, if desired, the disposition to be made of the finished products of the industry;

8. To formulate plans for the reconstruction of the industry.

Matters of finance would be handled as follows:

9. Production units would be operated, as far as possible, under private ownership. Government authority, exercised through the Board and its sub-boards should exist in only where private ownership is inadequate to carry out the overall plan of production. An example of appropriate exercise of such government authority would be the equalization of price in the case of materials flowing from one plant to another plant within an industry across the artificial economic boundary now established between the North and South of Italy.

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b. AC/AMG would finance the provision of offices and staffs for the Boards as a normal part of their expenditure. The Chairmen and Vice-Chairmen and all members of the Boards would be paid whilst so serving and would be considered as servants of AC/AMG. Their salaries would be at a rate sufficiently high to assure dignity and honesty of action. Supplies and equipment ordered to be transferred from one production unit to another under the provisions of 6 d. would, wherever possible, be paid for by owners of the unit receiving them.

DLA:lrw  
25/4/45

APPROVED:

HAROLD A. MACMILLAN  
Acting President  
Allied Commission

APPROVED:

ELERY W. STONE  
Rear Admiral, USNR  
Chief Commissioner  
Allied Commission

*c/c to Mr Macmillan*

*By getting Smith  
apart from the others  
+ 3*

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ALLIED FORUM HEADQUARTERS

Office of the Chief Administrative Officer

4 April 45

SUBJECT: Rehabilitation of Italian Industries

TO : The Acting Vice-President,  
Allied Commission.

1. I promised when I spoke to you on the telephone on the 3rd ultimo to let you have a summary of my proposals regarding Italian industry. They are set out below.

2. It would appear that two of the principal factors vitiating against the recovery of Italian industry are lack of an overall plan and lack of competent authority vested with the powers necessary to prepare it and carry it out. It is therefore suggested that some central body should be created in each industry or group of industries and that there should be a pooling of resources both of men and materials.

3. There are the following additional reasons for making this proposal

(a) It has been found that almost every unit of every industry with which the Army has been concerned is deficient of some elements, either human or material, required to put it into operation. Most of these deficient elements have been drawn in other plants of the same industry which had an excess of them or which could not be put into operation on account of severity of destruction, lack of power, or some other drastic ailment.

(b) The degree to which each works in any industry should be rehabilitated and the priority which should be accorded to the various units of each industry can only be determined when the overall picture of the resources in ITALY is seen. Initially, the degree of assistance required from the Allies cannot be assessed until the sum of Italian resources is known.

(c) Years will elapse before the essential industries of ITALY produce her needs if the national ability to recover is dissipated on a wide-spread system of individual patching without relation to any overall plan and with similar industries competing for the materials of reconstruction which are all in short supply.

(d) The available raw materials, indigenous and imported, should be employed in works which can make the most out of them in the shortest period of time and it is on the rehabilitation of these works that the national and Allied resources and ability should be concentrated.

4. The design of these central bodies is one of some difficulty. It is not possible to have in different industries but their main, I believe, to

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1. I promised when I spoke to you on the telephone on the 31st ultimo to let you have a summary of my proposals regarding Italian industry. They are set out below.

2. It would appear that two of the principal factors vitiating against the recovery of Italian industry are lack of an overall plan and lack of competent authorities vested with the powers necessary to prepare it and carry it out. It is therefore suggested that some central body should be created in each industry or group of industries and that there should be a pooling of resources both of men and materials.

3. There are the following additional reasons for making this proposal

(a) It has been found that almost every unit of every industry with which the war has been connected is deficient of some elements, either human or material, required to put it into operation. Most of these deficient elements have been found in other plants of the same industry which had an excess of them or which could not be put into operation on account of severity of destruction, lack of power, or some other chronic ailment.

(b) The degree to which each sector in any industry should be rehabilitated and the priority which should be accorded to the various units of each industry can only be determined when the overall picture of the resources in Italy is seen. Similarly, the degree of assistance required from the Allies cannot be assessed until the sum of Italian resources is known.

(c) Years will elapse before the essential industries of Italy produce her needs if the national ability to recover is designated on a widespread system of individual patching without relation to any overall plan and with similar industries competing for the materials of reconstruction which are all in short supply.

(d) The available raw materials, indigenous and imported, should be employed in ways which can make the most out of them in the shortest period of time and it is on the rehabilitation of these sectors that the national and Allied resources and ability should be concentrated.

4. The design of these central bodies is one of some difficulty. They may vary in form in different industries but they must, I opine, be formed under the aegis of the Allied Commission and the Italian Government on whom they will have to rely for considerable support for some time to come. They must also contain men who have adequate commercial and technical knowledge of the industry with which they are concerned. These men may well have been in competition and rivalry with each other but they must be willing to serve together in the national interest during the period of

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the industry's malaise. The Italian membership of these central bodies should be continually developed and strengthened so that the degree of the Allied assistance and intervention may be progressively decreased. Whether the Government participation in these industries should continue longer than may be necessary is a matter of politics but unless the Government continues her industries in the early stages of their re-development nothing but chaos can result. It is preferable, therefore, if not essential, that politics be put in the background during the early stages of rehabilitation and that those best qualified technically in these matters be given control.

5. If the principles enunciated in the foregoing paragraphs are accepted the methods of applying them now fall to be considered.
6. There is at the present in occupied ITALY a shortage of experienced and competent men capable of dealing with the reorganization of all Italian industries simultaneously. This shortage, together with shortages of material, transport and shipping, dictates the need to deal with industries individually, in the order of their importance to national economy and, until the war ends, in the order of their importance to the war effort.
7. As steps have already been taken by the Army to reorganize certain basic industries in support of the war effort and as the products of these industries are also essential to the rehabilitation of other industries it would appear expedient that a start should first be made in attempting to expand their output.
8. The industries concerned are the steel, cement, timber and brick industries and there are the following advantages in dealing with them first:
  - (a) We have fairly complete knowledge of their resources in occupied ITALY.
  - (b) We have already achieved a certain amount of success in imposing central control on them so that the advantages of this can be demonstrated to the Italians.
  - (c) Collapse or partial collapse of these industries will occur when military control is withdrawn - which may be at no distant date - if there is not some central civilian organization to take its place. We have already had an illustration of this.
  - (d) The industries in question provide the basic materials for the re-arming of the people and for the rebuilding of the factories etc of other industries.
9. Dual control of an industry cannot be consistent with efficiency so that the problem is to create an efficient civilian authority to which the Army can hand over these industries without fear as to its essential supplies. It is for the Allied Commission to form these authorities but time is getting short and I therefore propose to accelerate their formation by transferring to the Commission a number of the officers who have been responsible for provisioning the armies from local resources.

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of rehabilitation and that those best qualified technically in these matters be given control.

5. If the principles expressed in the foregoing paragraphs are accepted the methods of applying them now fall to be considered.
6. There is at the present in occupied ITALY a shortage of experienced and experienced men capable of dealing with the reorganization of all Italian industries simultaneously. This shortage, together with shortages of material, transport and shipping, dictates the need to deal with industries individually, in the order of their importance to national economy and, until the war ends, in the order of their importance to the war effort.
7. As steps have already been taken by the Army to reorganize certain basic industries in support of the war effort and as the products of these industries are also essential to the rehabilitation of other industries it would appear expedient that a start should first be made in attempting to expand their output.
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  - (a) We have fairly complete knowledge of their resources in occupied ITALY.
  - (b) We have already achieved a certain amount of success in imposing central control on them so that the advantages of this can be demonstrated to the Italians.
  - (c) Collapse or partial collapse of these industries will occur when military control is withdrawn - which may be at no distant date - if there is not some central civilian organization to take its place. We have already had an illustration of this.
  - (d) The industries in question provide the basic materials for the re-arming of the people and for the rebuilding of the factories etc of other industries.
9. Full control of an industry cannot be consistent with efficiency so that the problem is to create an efficient civilian authority to which the Army can hand over these industries without fear as to its essential supplies. It is for the Allied Commission to turn these authorities into time is getting short and I therefore propose to accelerate their formation by transferring to the Commission a number of the officers who have been responsible for provisioning the armies from local resources. These officers would still continue to be responsible for provisioning the armies and initially they would have the same assistance from the Army as heretofore. They would however be members of the Allied Commission staff and would have the additional responsibility of assisting the Commission in setting up the central control bodies which I propose above.

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10. I would propose that the steel industry be tackled first and that the Italian Government be asked to set up an Italian Steel Control Board on the lines of the attached draft constitution at Appendix 2. The industry would initially have the same military assistance and support as at present but gradually as the Steel Control Board found its feet its responsibilities would be increased and the military support withdrawn.

11. If this method showed initial signs of success other industries would be similarly dealt with. The matter is urgent however and the experiment of central civil control should be commenced at an early date so that all the advantages and experiences of central military control can be put to it before those responsible for the latter have left the country.

B.R. HENDERSON,  
Lieut. General,  
Chief Administrative Officer.

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Appendix "A"

1st April 1940

Rehabilitation of Italian Industry

Formation of Central Control Boards

1. Taking the steel industry as an example the proposals for its control which are set out below might, if the Allied Commission agreed, form the basis for a discussion on the subject with the Italian Government.

2. Constitution of Steel Control Board

- (a) It is proposed that the Board be set up by statute and that the terms of which it is to be given control be specified in a Schedule of the Act incorporating the Board. The responsible minister would then be capable of adding to or subtracting from the Schedule as circumstances dictated. It is assumed that Italian law is as capable of this as English law is.
- (b) The Board would consist of a Chairman ~~not~~ Managing Director, both appointed by the Italian Government, and seven other members, these being
  - two members nominated by the Allied Commission,
  - two members nominated by the owners of the works specified in the Schedule,
  - one member representing the professional engineering employees of the works concerned,
  - and two members representing the remainder of the employees, mainly artisans and unskilled.

(c) The question of whether the members nominated by the Allied Commission should be voting members or not is worthy of consideration. It might be better that they should simply attend all meetings of the Board and represent the views of the Allies (who will be supplying much of the raw materials) rather than cast a vote on any of the many matters which will arise concerning Italian matters of a purely domestic/internal political nature. There may be considerable disagreement on such matters between employers' and employees' representatives. The proposed Board has been designed so that the Government nominees can hold the balance without Allied intervention. The Allied representatives would be there to advise them and it is thought that it would be better that way as well as being more in consonance with the recent declarations on the Allied attitude to Italy. It might be added, in parenthesis, that the Allied members would also be able to watch any steps ~~that~~ might be taking towards re-armament.

(d) The opinion is advanced that the only paid members of the Board should be the Chairman and Managing Director.



Taking the steel industry as an example the proposals for its control which are set out below might, if the Allied Commission agreed, form the basis for a discussion on the subject with the Italian Government.

## 2. Constitution of Steel Control Board

- (a) It is proposed that the Board be set up by statute and that the terms of which it is to be given control be specified in a schedule of the Act incorporating the Board. The responsible minister would then be capable of adding to or subtracting from the schedule as circumstances dictated. It is assumed that Italian law is as capable of this as English law is.
- (b) The Board would consist of a Chairman and Managing Director, both appointed by the Italian Government, and seven other members, these being
- two members nominated by the Allied Commission,
  - two members nominated by the owners of the works specified in the schedule,
  - one member representing the professional engineering employees of the works concerned,
  - and two members representing the remainder of the employees, mainly artisan and unskilled.
- (c) The question of whether the members nominated by the Allied Commission should be voting members or not is worthy of consideration. It might be better that they should simply attend all meetings of the Board and represent the views of the Allies (who will be supplying much of the raw materials) rather than cast a vote on any of the many matters which will arise concerning Italian matters of a purely domestic/internal political nature. There may be considerable disagreement on such matters between employers' and employees' representatives. The proposed Board has been designed so that the Government nominees can hold the balance without Allied intervention. The Allied representatives would be there to advise them and it is thought that it would be better that way as well as being more in consonance with the recent declarations on the Allied attitude to Italy. It might be added, in parenthesis, that the Allied members would also be able to watch any steps which might be taken towards re-armament.
- (d) The opinion is advanced that the only paid members of the Board should be the Chairman and Managing Director. They would of course have an adequate paid staff reinforced, in the early days at least, with some Allied officials who would have direct access to the Allied Commission members of the Board.

- (e) Generally speaking it is thought that the present firms in the steel industry should be allowed to retain their identity and that the period of central control should not extend longer than necessary. This view has governed the limited responsibilities and powers which it is suggested the Board should have. If the setting up of a permanent monopoly were considered preferable the proposed act would, of course, simply have vested in the Board powers to acquire the assets of the firms listed in the Schedule and prohibited anyone else from making their products. This course is considered unnecessary, highly controversial and consequently undesirable.
- The following is therefore a general expression of what it is suggested the responsibilities and powers of the Board should be.

### 3. Responsibilities of the Board

The responsibilities of the Board would be -

- to Advise*
- the control on behalf of the Italian Government of all steel making plants and rolling mills in ITALY for a period of \_\_\_ years;
  - the provision of the raw materials, equipment, tools etc necessary for the operation of these plants during the period of control, and
  - the continuous review of ITALY's civil needs in steel and steel products and the planning of the reconstruction of such steelworks as are necessary for their production.

### 4. Powers of the Board

In order to carry out its responsibilities the Board would be given powers to -

- fix the prices of steel and steel products,
- issue orders from time to time as to the quantities and types of steel and steel products each works would produce,
- prohibit the carrying out of any works of reconstruction without its prior consent and determine the order in which these works would be carried out, and
- close down unproductive and uneconomical plants or parts of plants and, if expedient, transfer them to and incorporate them in more productive and more economical units.

### 5. Finance of the Board

The finance of the Board is one of some complexity and



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3. Responsibilities of the Board

The responsibilities of the Board would be -

to Advise

- (a) the control on behalf of the Italian Government of all steel making plants and rolling mills in ITALY for a period of \_\_\_\_ years,
- (b) the provision of the raw materials, equipment, tools etc. necessary for the operation of these plants during the period of control, and
- (c) the continuous review of ITALY's civil needs in steel and steel products and the planning of the reconstruction of such steelworks as are necessary for their production.

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- (a) fix the prices of steel and steel products,
- (b) issue orders from time to time as to the quantities and types of steel and steel products each works would produce,
- (c) prohibit the carrying out of any works of reconstruction without its prior consent and determine the order in which these works would be carried out, and
- (d) close down unproductive and uneconomical plants or parts of plants and, if expedient, transfer them to and incorporate them in more productive and more economical units.

5. Finance of the Board

The finance of the Board is one of some complexity and must obviously depend on the policy governing the finance of the country as a whole. Decision must be taken for example as to whether the cost of the Board is to be recovered from the industry in whole or only in part. However, the Board's powers must not be restricted unduly by finance or it will fail. It is therefore suggested that the Italian Government makes funds available to

- (a) provide for the Board's officers, staff, etc.,

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(b) finance the procurement of the raw materials etc, mentioned in 3(b) above. (This item should obviously be recovered from the industry);

(c) reconstruct damaged plants if the projects are approved by the Board, and

(d) purchase such parts of unproductive and uneconomical units as the Board might close down, or wish to transfer, in its action under para 4(d) above.

6. All possible steps must be taken to ensure that these central control boards are respected. The priority of their members and staffs is of high importance. All are servants of the Government and those who are paid by the Government should be well paid so that they can maintain honesty of action and hold their heads as high as those in similar positions whose incomes come from other sources. Observance of this point is considered essential if the boards are to succeed.

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