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

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(VOL. II)

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ACC, MONTHLY REPORT, JANUARY
JAN., FEB. 1944

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CONFIDENTIAL

HEADQUARTERS
ALLIED CONTROL COMMISSION
APO 394

Ref/63/CA

11 February 1944

SUBJECT: Monthly Report for January 1944 of AMG Administration

TO : Military Government Section, AFHQ
General Officer Commanding-in-Chief, HQ ACMF

(1) This report covers the administration of Military Government in Region I (Sicily) and Region II (Calabria, Lucania and the province of Salerno) for the month of January 1944. On February 11 this territory was turned back to the Italian Government so that no further report of Military Government in this area will be submitted.

ADMINISTRATION

Headquarters

(2) During the greater part of the month this headquarters maintained liaison with the other headquarters in the field of Military Government in an effort to establish uniform policies for all of Italy and Sicily. On January 15 Lieut. General Sir Noel Mason MacFarlane was appointed Deputy President and Chief Commissioner of the Allied Control Commission and C.C.A.O. of territory under Allied Military Government.

(3) On January 25, 1944 all headquarters and units carrying on Military Government or control in Italy, Sicily and Sardinia were placed under the command of Lieut. General Sir Noel Mason MacFarlane. The other headquarters were amalgamated with this headquarters to form HQ, A.C.C. at Naples and Salerno. By the end of the month, therefore, Lieut.General Sir Noel Mason MacFarlane was the Commanding General of a united headquarters under which all Military Government and Civil Affairs were administered in Regions I, II, III, IV, VI, and King's Italy and, on technical matters, by S.C.A.Os 5th and 8th Armies.

(4) By the end of the month it had again become apparent that the turnover of Regions I and II to the Badoglio Government was imminent. Accordingly, on January 23 a directive (Exhibit A hereto) was issued to all field personnel instructing them in general upon their duties under A.C.C. conditions. Subsequently, specific instructions were issued to the field personnel of each Subcommission having a substantial number of officers in the Regions. The transfer of Regions I and II to the Italian Government became effective on February 11, 1944.

(5) By the beginning of February the internal organization of HQ, A.C.C. had been reorganized in accordance with the chart attached hereto as Exhibit B. It will be seen from this chart that a Food Subcommission was

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(5) By the beginning of February the internal organization of HQ, A.C.C. had been reorganized in accordance with the chart attached hereto as Exhibit B. It will be seen from this chart that a Food Subcommission was organized to assume responsibility for the importation, warehousing and rationing and distribution of food, these functions being then removed from the Interior, and Industry and Commerce Subcommissions. When the various Military Government and A.C.C. headquarters came under the command of Lieut. General MacFarlane, the Central Economic Committee was abolished, its functions being taken over by Headquarters, A.C.C.

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(6) During the month approximately 100 experienced American officers left Region I and headquarters for ETOUSA. It was agreed that during February approximately another hundred would be withdrawn from the other Regions and headquarters. In addition, a certain number of experienced British officers will be withdrawn during February. The vacancies resulting from these moves will be filled by officers coming from Tizi Ouzou, many of whom arrived during the month and all of whom were expected to arrive before the end of February.

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(7) On January 27 the bulk of the personnel of the Administrative Section of this headquarters moved to Salerno. This move, which is not altogether convenient, was made necessary by the impossibility of housing this entire headquarters and also the Italian Government in any one place.

Region I

(8) In Region I the program of developing a Regional Italian organization for Sicily to work with the High Commissioner, which it is expected the Italian Government will appoint after the transfer, proceeded satisfactorily. Regional Finance, Supply, and Welfare organizations were created during the month.

(9) On January 4 Lampedusa and Pantelleria were placed under the jurisdiction of the provinces of Agrigento and Trapani respectively, on which they had previously depended. One CAO has been left in each island.

Region II

(10) At the beginning of the month 113 officers and 100 EM/ORs were assigned and 9 officers were attached (7 as civilian censors) to this Region. At the end of the month 97 officers were assigned and 10 attached (including the 7 censors) and 104 EM/ORs were assigned exclusive of personnel assigned to Region V. During the month the bulk of the Region V personnel arrived and a substantial portion of them were attached to Region II to gain experience. At the end of the month 42 officers and 11 EM/ORs were attached to Region II, although owing to the activation of Region V it is probable that some of these will shortly be called to other stations.

(11) As of February 11, the date of the transfer of Regions I and II to the Italian Government, the four lower provinces of Apulia came under the jurisdiction of the Regional Commissioner of Region II

(12) Considerable progress was made in Region II, along the lines previously developed in Region I, in reestablishing the provincial Giuntas or other similar representative bodies for the purpose of developing a sense of local responsibility. No Italian governmental function is handled on a regional basis in Region II as is the case in Region I.

POLITICAL DEVELOPMENTS.

(13) Public morale improved considerably owing to the arrival of adequate food supplies and the appearance for distribution of Red Cross clothing.

(14) The Bari conference went off quietly, perhaps owing in part to the interest in the Allied Beachhead at Anzio which was then current. The trend of sentiment was definitely towards the left, against the King and the Badoglio Government. It is believed that the population on the whole feel that the Allied Military Government has endeavoured to do what it could for them and they are not enthusiastic about seeing it come to an end.

(15) On January 29 a Congress of the most important political parties outside of the Government met at Bari. Thirty representatives from Sicily and a large representation from the mainland were present. The conference accepted unanimously a compromise program calling for:

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(a) The creation of a Government to include representatives of the six parties.
(b) The creation of a constituent assembly as soon as hostilities cease.
(c) The abdication of the King.

(16) The Congress also voted for the establishment of an Executive Committee composed of representatives of each of the six parties for the purpose of securing the foregoing demands. The Congress considered that the King's abdication was an essential condition for the unification of the Italian people. It would appear that the representatives of this conference were only agreed

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on the necessity for the abdication of the King, but were not agreed either on their own future course of activity or on the exact type of Government which Italy should have.

(17) During the month authority was given in Regions I and II for the resumption of political activity and the holding of peaceable meetings for the purpose. Only a moderate amount of political activity followed the issuance of this authority. The Free Sicily Movement is declining in power. There appeared to be antipathy to the King and some lack of confidence in the Badoglio Government. Small communist party meetings have been held. This movement is not, however, very strong. Activity in Palermo province can be cited as an example of public apathy towards political meetings. There are 10 so-called political parties in this province, seven of which have held meetings. The attendance was negligible. Only in the case of the communist and Free Sicily meetings was any interest evinced.

(18) The relations between Regions I and II and the Badoglio Government have improved considerably during the month. There have been few cases of unwarranted interference by officials of the Badoglio Government and in general an agreement has been reached and kept providing that all communications prior to the transfer of territory between Italian officials in King's Italy and Italian officials in territory under Allied Military Government be channeled through the R.C.A.O.

Public Safety and Law Enforcement

(19) The following important Proclamations and Decrees were issued:

(a) General Order No. 17 - authorizing Italian employees freely to organize for the purposes of collective bargaining.
(b) General Order No. 18 - restoring to Italian citizens and foreigners of jewish race their full civil and political rights.
(c) Proclamation No. 15 - authorizing the inclusion of French property & that of its nationals under Article IV of Proclamation No. 6.
(d) General Order No. 19 - implementing Proclamation No. 15.

(20) A simplified procedure was worked out under which the decrees issued by the Italian Government in Apulia, which for the sake of uniformity or for other sound reasons should be made applicable in occupied territory, were made so to apply without the necessity of their formal promulgation as a Proclamation or General Order.

Crimes

(21) Crime returns do not appear to be excessive when compared with recent years and detections are high. No cases of sabotage or subversive activities were reported, but there were several cases of violence. The shooting or stabbing of British soldiers was reported, in each of which cases arrests were made.

(22) The morale and efficiency of the police agencies improved.

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(22) The morale and efficiency of the police agencies improved. The crime figures in Region I continued to be high but there was a noticeable decrease when compared with December 1943. Available records reveal the following figures:

	December 1943	January 1944
Murders	33	25
Robberies	204	92

Most of the murders occurred in the province of Trapani and were attributable to armed robberies. Every effort was made by the various Police Agencies, although the lack of transport and communications were retarding factors, particularly as most of the serious crimes occurred in rural areas to make arrests.

(23) There were 130 cases of forging and altering of Allied Military currency in Region I from the date of invasion to 31 December 1943. In 127 cases

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the denomination had been altered by the addition of "0." The remaining had the figures materially altered. The total original value of the forged notes was £4165 and the forged values was £42,630. The £50 note was used in 67 cases and £1 in 52 cases.

(24) The generally good record of Public Safety and Law Enforcement in Region II was extended during the month of January. Three of the six provinces reported no major civilian crimes during the month. In the other three there were 7 homicides and three armed robberies. Arrests have been made in four of the homicide cases, and, in another, one of the murderers was killed in the execution of the crime. There were, as usual, a large number of cases of petty thefts.

(25) Black market cases were still numerous, but apparently the rate slackened if it did not slightly decrease. This improvement may be due to the effective establishment in both Regions of a large number of road blocks, night patrols, and the greater efficiency of the Italian police. There were only five organized demonstrations in Region II during January. None of these were really serious.

(26) Only one serious disturbance occurred in Region I when 50 persons on January 25 forced their way into the municipio at Caltigirone where they burned a few papers in protest against the low bread ration and the payment of certain taxes.

Allied Courts

(27) The number of prosecutions in Allied Courts in Regions I and II is now definitely showing a downward trend, by reason of the policy of trying all cases in the Italian Courts which do not affect the war effort directly. The following two charts show the prosecutions and acquittals in Sicily and the breakdown by provinces.

PROVINCE	GENERAL COURTS		SUPERIOR COURTS		SUMMARY COURTS		TOTAL CASES Jan 1 Jan 31 1944	TOTAL CASES July 12, '43 to Jan 31, 1944
	G	NG	G	NG	G	NG		
PALERMO	4	0	60	7	665	94	820	5092
CATANIA	4	0	34	9	219	27	293	1971
MESSINA	0	0	33	10	6	0	49	395
TRAPANI	1	1	4	0	61	9	75	828
AGRIGENTO	0	0	15	4	212	37	268	2065
SIRACUSA	0	0	4	0	3	0	7	943

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RAGUSA	0	0	5	0	0	0	5	216
CALTANISSETTA	0	0	6	2	6	0	14	151
ENNA	5	0	35	8	0	0	48	108
TOTALS	14	0	196	40	1162	167	1579	11369

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(32) A special force of Carabinieri consisting of 1300 men plus the necessary officer personnel have been furnished from Sardinia, and 1000 Carabinieri plus 13 officers from King's Italy, for the policing of the city of Rome. This Force is being organized and trained under the supervision of this H.Qs. The special force has also had transferred to it, 30 specially trained Carabinieri squads of 1 N.C.O. and 4 men each from Region II. A force of approximately 500 members of the Guardia di Finanza has been transferred from King's Italy for duty in Rome. One hundred of these men will, however, be sent to Sicily. The program for recruiting additional Carabinieri in Sicily is progressing slowly. By the end of the month it was hoped that 250 would be enrolled. After February 1st their training commences.

Anti-Fascist Activity.

(33) Efforts continued to replace public officials with prominent Fascist records. To-date 700 Scheda Personale were received. Investigations were completed concerning half of them, resulting in the dismissal of 62 officials and the internment of two. Eight communal officials, all of whom were squadristi, were removed from office in Catania Province during the month. Fifty-three public officials were removed in Ragusa. In Trapani a new Sindaco and Giunta were installed in the Communes of Marsala, Castellamare and Gibellina. Replacements will be made shortly at Alcamo and Salemi, which will complete the removal of all Fascist mayors and commissarios in this Province. Six postal officials were replaced.

Miscellaneous.

(34) Several special investigations were made by the Civil Police particularly in connection with the black market. Political meetings were observed. A mobile fire-fighting unit is being formed in Naples for use there and in Rome. The overcrowding of prisons continues to be one of the most acute problems as also does the lack of suitable institutional facilities for the housing and training of juvenile delinquents, although the Children's Home in Palermo has been the subject of considerable attention and now operates educational and sports classes for inmates. A new program for the licensing and registration of motor vehicles and the granting of circulation permits has been completed. Owing to the reported prevalance of rabies among dogs and cats on the mainland, vetinerary services and police agencies are making special efforts to enforce the law in this regard. It was decided to permit the re-establishment of the Italian system of Admonizione and confino by which the Italians have since 1885, long before Fascism, dealt with highly dangerous criminal characters against whom sufficient evidence for conviction did not exist. The problem of the trial for desertion of Italian soldiers who deserted during the period when they were being urged to do so by the Allies is under consideration. The control of aliens, deportation of internees, and the issuance of passes for Italian public officials were also handled by the police.

ECONOMIC RESOURCES AND SUPPLY

Importation of Food.

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ECONOMIC RESOURCES AND SUPPLY

Importation of Food.

(35) During the month the Food Sub-Commission was organized at H.Q. A.C.C. and assumed the responsibility for the importation, warehousing and distribution of food. Requisitions continue to be made through the Industry and Commerce Sub-Commission. A substantial portion of the staff of the Food Sub-Commission came from the Central Economic Committee and the balance from the Industry and Commerce Sub-Commission.

(36) Additional warehouse space is now required in order to provide for the bulk supplies now being imported. For operational reasons supplies are being received in bulk instead of when needed. For instance, 9,000 tons of sugar is expected shortly at Bari and Reggio which will be distributed over a considerable period of time.

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ANALYSIS OF CASES ACCORDING TO CATEGORIES

PROVINCE	Black Market		Thefts, & Poss. of Military Prop.		Curfew Blackout Circulation		Poss. of fire arms		Wire cutting		All others		Totals	
	G	NG	G	NG	G	NG	G	NG	G	NG	G	NG	G	NG
PALERMO	92	16	183	27	171	0	93	6	0	0	180	52	719	101
CATANIA	2	0	129	22	0	0	62	4	3	0	64	10	257	36
MESSINA	3	1	8	2	0	0	22	3	0	0	6	4	39	10
AGRIGENTO	112	16	51	6	5	0	19	2	1	0	40	17	227	41
TRAPANI	6	0	1	0	0	0	15	1	0	0	44	8	66	9
SIRACUSA	0	0	3	0	0	0	0	0	0	0	4	0	7	0
RAGUSA	0	0	2	0	0	0	1	0	0	0	2	0	5	0
CALTANISSETTA	0	0	3	0	0	0	7	1	0	0	2	1	12	2
ENNA	2	2	0	0	0	0	30	2	0	0	8	4	40	8
TOTALS	217	35	380	57	176	0	249	19	4	0	350	96	1372	207

(28) Approximately the same number of cases were tried in this Region in January as December. During January 166 appeals were received as against 192 in December from Region I. All cases, in which a sentence in excess of six months was rendered, will be reviewed at the time of the turnover. All cases in which the sentence exceeds two years or a fine of L. 50,000 must be reviewed at H.Q. A.C.C., other cases may be reviewed by the Chief Legal Officer in the Region.

(29) One hundred and seventy cases were tried by Allied Military Courts in Region II. In one case a General Court passed one sentence of death. Superior Courts have tried several cases of local disorders connected with the distribution of grain. Sentences were meted out ranging from two years imprisonment downwards. In the Province of Matera considerable assistance has been rendered in the Ammassing of grain, by prompt prosecutions of offenders found there. The other large group of cases involved illegal passage across the straits of Messina.

Italian Courts.

(30) Italian Courts and Bar Associations are satisfactorily functioning in all Provinces. At Potenza, the Committee of Investigation and the Committee of Security, previously described, are still in operation. The Court of Appeal at Reggio has been temporarily transferred to Messina and negotiations are in

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Civil Police.

(31) During the month the issue of 244,000 rations to the Italian Military Forces, including the Carabinieri in southern Italy, was authorised. These rations consisted of approximately 200,000 of the British type "B" ration, and the remainder American type ration. Efforts are being made to include the Carabinieri stationed in Sicily and Sardinia in this issue. The uniforms and equipment of the regular members of the Carabinieri are in very poor condition. No replacements are available and no equipment is available for new members who must be recruited. The Officers' uniforms and equipment are in better condition.

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(37) The ~~improvement in the food situation occurring~~ at the end of December continued in Sicily, due to the adequate imports of ~~wheat~~ and flour, until the last week of January. It then became serious in Catania and ~~Siracusa~~ in Region I, due to the diversion of a vessel containing about 5,000 tons of flour, sent to Reggio Calabria instead of to Siracusa as scheduled.

(38) Arrivals in Sicily, in short tons, were :

Port	Flour	Wheat	Pasta	Total
Palermo	5450	7454		12904
Messina		2200		2200
Catania	414		117	531
Siracusa				None
	5864	9654	117	15635

Another vessel with over 6,000 tons of wheat destined for the island arrived at Palermo on 29 January.

(39) During the month the bread ration remained at 150 grams in Region I except in Enna, Agrigento and Caltanissetta, the grain producing provinces, where it was 200 grams. Heavy workers of the Allied Armed Forces received an extra 100 grams. An order was issued in Sicily authorizing a uniform scale for non-producers of 150 grams of bread per day throughout the island and an additional 100 grams of bread for heavy workers and of 250 grams of pasta per person per week after Feb. 14.

(40) In Region II the supply of grain and flour also showed a great improvement. Rail shipments from Foggia to Region II, initiated in December, were completed. Three ships with cargoes of 6174 tons of flour and grain arrived at Reggio and two ships with 5407 tons at Crotone. Unloading proceeded as rapidly as possible, but the extremely limited amount of motor transport and the shortage of railway cards for transhipment are still serious handicaps. It has been possible to give a ration of 150 grams of bread daily in Reggio Province, but shortage of transport has made it impossible to raise the ration above 100 grams in Cosenza and Catanzaro. Due to the priority of military operations in the Naples area, a temporary acute shortage developed in Salerno. There is sufficient flour and grain in Reggio and Crotone to feed the three Calabrian provinces on a 150 gram ration well into March, but 95% of the communes in Cosenza and Catanzaro have only enough for seven days at 100 grams. In an attempt to relieve the road transport situation in Calabria the experiment is being tried of making the issue of permits for trucks under the new regulations dependent upon the person applying for the permit agreeing to place his truck at the disposal of A.C.C. for a certain number of days a month at a fair rate of hire. Animal transport is used wherever possible, but is of real value only where the quantities to be moved are relatively small and the distances short.

(41) Twenty-five hundred tons of rock phosphate arrived in Sicily from North Africa to be used in the production of superphosphates for fertilizer as soon as supplies of nitrate become available. Large quantities of dehydrated foodstuffs also arrived in Sicily. These articles are extremely difficult to distribute and are almost unsaleable to the civilian population. The downward tendency of food prices continued in Region I, bread being reported as low as 18 lire a kilogram in Agrigento.

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(42) Fuel distributed in Sicily by AMG for civilian use during January 1944 was as follows :

P.O.L. (In U.S. Gallons)

	East Sicily	West Sicily
Diesel	51,600	332,923
Gas	51,600	284,400
Kerosene	14,400	39,008
Oil 10	300	2,960
" 30	780	20,640
" 50	660	2,070
Grease 1	750 lbs.	20,800 lbs.
" 3	550 "	13,600 "

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Coal

	East Sicily	West Sicily
Steam coal	1,210 tons	858 tons
Sardinian coal		1,455 "

In accordance with directions received from Headquarters, the distribution and requisitioning of P.O.L. were turned over on 31 January to C.I.C.

(43) In order to prepare the way for the transfer of territory to the Italian Government a regional civilian supply office was created in Sicily and the Prefect of Caltanissetta was appointed as its chief. He will coordinate the various civilian agencies interested in feeding the public.

Exports.

(44) An export program of some volume got under way in Sicily in January. Four ships for the U.K. were loaded at Sicilian ports during the month, two at Palermo, one at Catania and one at Messina, while at the end of the month four more ships were being loaded, or were shortly due, at Palermo, Catania, Messina and Siracusa. The four ships which sailed during January carried over 7,500 tons of lemons, 25,000 pounds of lemon oil, 800 pounds of tangerine oil, 3,700 pounds of bitter orange oil, 7,300 quintals of nuts, 300 tons of citric acid, 100 tons of assorted wines, 82,000 kilos of pumice, 33,000 kilos of sumac, and 45,000 kilos of sulphur.

(45) The four ships which have sailed were destined for the U.K., as are the four which are now loading. One hundred tons of wine have been ordered for the United States. No shipments have been made to the United States apart from a small amount of tartaric acid in October. While the United States is interested in certain Sicilian products, such as citric and tartaric acid, the amounts available have not been large enough to warrant the allocation of a ship. Moreover, these amounts have been taken by the U.K. to which they could readily be sent in the ships allocated to carry the lemons. The only other exports to be recorded during the month are small quantities of sulphur to North Africa and of oranges to Malta.

(46) A considerable amount of effort was devoted to the very difficult problem of getting lumber for making lemon crates into Sicily from Calabria. By the end of January it is believed that in the neighbourhood of 1000 tons had been obtained, either by rail to the East Coast or by ship to Palermo. Eighty tons of nails for the lemon crates, and 20 tons of paper for wrapping the fruit, were procured in Naples. In addition to these materials required in Sicily for packing citrus fruits, preliminary steps were taken to obtain the materials needed in Marsala for making wine casks.

(47) Exports from Sicily over the next few months may be expected to consist of the same products, probably in roughly the same proportions, as were exported in January. The attempt is being made to ship to the U.K. approximately 30,000 tons of lemons in the present export season which will end during the second half of March. Some oranges are now being loaded at Siracusa, but exports in total will probably not exceed 1000-2000 tons as the voyage to the U.K. under present conditions is long for this fruit. Purchases for export are being made of all of the Island's production, of the proper qualities, of essential oils and citric acid. All of the pumice is being exported that is being brought over to Sicily from the Lipari Islands, and all of the sulphur that can be hauled to Palermo and Catania.

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(48) No exports thus far have been made from the mainland of Italy, and the possibilities from the area now under Allied control are small. Silk production is being revived in Calabria from where it is hoped some silk may be available for export in the late spring. Efforts are also being made to revive hemp production in the vicinity of Naples. Some bergamot oil now being manufactured under order in southern Calabria, will be exported through Catania. Supplies of briarwood, and particularly a stock at Reggio, are being investigated as this product is wanted in both the U.S. and U.K. Possibly further investigations will uncover other products which can be exported from the mainland.

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(56) It has been decided that for the present no bauxite will be shipped either to the U.K. or U.S. Plans are being made for increasing production of asphalt from Ragusa. Rehabilitation of the production of lignite depends on the rehabilitation of rail transportation facilities. Existence at Crotone of 750 metric tons of slab zinc has been reported. Zinc stocks in Sardinia total 1796 metric tons of zinc metal and 38,150 tons of zinc concentrate have been reported. A total of 1200 metric tons of Sardinian pig lead will be held there. The balance of approximately 2,600 tons will be exported as soon as prices are negotiated. It has been reported that the Sardinian lead zinc mines are to be reopened. This can not be done until adequate supplies are received. Metallic antimony still remains stockpiled in Sardinia. Apparently it is not needed by U.K. or U.S.

Agriculture, Forests and Fisheries.

(57) Surveys of agricultural problems continued during the month, as did the re-organization of the various Italian Ministries concerned with the subjects indicated under this heading. Accurate estimating plans and procedures were worked out with the Italian Ministry of Agriculture. It was decided that the sugar beet industry of southern Italy should not be rehabilitated owing to the quantity of imported manufacturing supplies needed.

(58) The Italian Forestry Services have been re-activated including the Royal Forestry Corps. As a result of a survey of the timber potentialities in southern Italy it was decided that the Calabrian output could not supply Sardinian mines and that production in Corsica would have to be started. A survey of timber resources and saw mills in Region III was conducted with particular reference to the timber in Avellino Province which will be needed for reconstruction work.

(59) Recommendations to permit night fishing off the mainland have been submitted. A fish marketing plan has been developed similar to those in use in Sicily. One hundred and forty tons of hemp were released to Sicily and sixty tons to the mainland for use in the repair of nets and to meet other fishing requirements. A survey of the fishing fleet in Apulia discloses ninety trawlers in Bari, Brindisi, and Taranto, which were inoperative due to lack of naptha, hemp and cotton. Requisitions have been handled for these items. In Region I there is more fresh fish coming in to Palermo from Trapani. Free fishing prices have been established and this has resulted in a slight but perceptible increase in prices in Palermo. Action has been taken to discourage the practice of fishing with explosives. A survey of the fish marketing in Palermo disclosed that 721 quintals of fish arrived in December 1943 in comparison with 394 quintals in December 1942, and 381 quintals in December 1941.

(60) The amassing of olive oil, which was ordered in all provinces during October and November, has been a complete failure. It has been discontinued in Region I.

(61) Grain planting figures for the next harvest indicate that in Matera and Potenza the wheat acreage has been increased about 25%, but in Cosenza there is indication of a 10% decrease, and in Catanzaro a 25% decrease is expected. Fave have been well planted in all provinces and an extra 1,000 quintali of seed has been allotted to Cosenza and 2,000 to Salerno from stocks in Matera. Seed potatoes arrived at Catania and Siracusa and totalled approximately 4,000 short tons, of which 2,500 were allocated for planting to Catania, 1,000 to Messina and [illegible] to Siracusa. Stocks of seed potatoes are reported to be on their way to

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(62) Opposition to the laws relating to the amassing of grain continued. In one of the Communes in Matera a committee was formed composed of the Sindaco, Pretore, Maresciallo of Carabinieri, a representative of the local Consorzio Agrario, the communal Tecnico and several citizens familiar with agricultural conditions in the Commune, in order to stimulate the amassing which had until then been almost a complete failure. This committee disregarded the declarations previously submitted by the farmers and prepared new declarations as substitutes therefor.

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Survey and Development of Industry.

(49) In continuation of the active program for the collecting and cataloguing indexing of industrial data, extensive investigations of works, and of available commodities and materials were carried out. It was decided not to rehabilitate the sugar beet industry, owing to the fact that the fuel and machinery needed to start it exceeded the tonnage of sugar to be produced. With a view to taking over the Cement Industry from the Military, the cement plants at Ilva (Bagnoli) and Segni (Casilinamare) were inspected and the question of coal supplies for the plants discussed with the coal controller (A.F.H.Q. Adv. Adm. Echelon). The supply of coal also governed the possible restart of the Glass Industry in April. It was decided after investigation to facilitate production in the hemp and silk industry and it was ascertained that there were adequate facilities in liberated Italy for soap production if caustic soda was available: an inventory was taken of the caustic soda stocks at C.I.S.A. Viscorsa and further reports are awaited from Region I on available supplies.

(50) The Industrial Gases Plant of Industriale Meridionale Azotto e Derivati, Naples, was inspected and it was decided to facilitate maximum production. Investigations into the following industries are being carried out and reports in progress: nitrogenous fertilizers, leather, clothing, textiles, shipyards, flour milling. An investigation was made on behalf of R.E.M.E. through the Local Resources Board to locate auxiliary workshops on the Adriatic Seaboard with negative results.

(51) The location and capacity of available dyeworks in occupied Italy has been investigated, and an apportionment was made of the available stocks of paper to meet the requirements of the Armed Forces and the civilian population. One hundred and thirty seven tons of watermarked paper were selected and assigned to this H.Q. for ration card printing.

(52) Some small local tanneries in Region II are operating with locally produced tanning agents. Silk filatures are all being put to work to produce silk for parachutes. Arrangements have been made for the importation of silk worm eggs from Turkey and for their refrigeration until the proper season for incubation. A large cotton mill and a cement plant in Salerno resumed operations during the month.

Survey and Development of Mines.

(53) The final corrected figures show that the December production of coal in Sardinia was 33,077 metric tons. A total of not less than 37,500 metric tons would have been produced had certain supplies requisitioned in October been received. The following figures indicate percentages of total production according to sizes :

Size 10 x 0 = 48% of total production.
Size 30 x 10 = 25% " "
Size 50 x 30 = 17% " "
Size + 50 = 10% " "

The estimated output for January will easily meet the requirements set by A.F.H.Q. for 25,000 tons. A total of 1200 cubic metres of mine timbers was awaiting shipment from Crotone to Sardinia for use as pit props at the end of the month. Efforts were continued to secure mine timbers from Corsica.

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(54) A detailed report has been submitted on the Sicilian sulphur mining industry together with supply requisitions for the immediate and long term requirements. The present program calls for capacity production and complete rehabilitation of the Sicilian sulphur mining industry. The production of sulphur in Sicily is still negligable. About 400 tons were loaded for export at Catania during the month. The difficulties of restarting the industry are many, but none are so great as the lack of desire of the Sicilian to do anything for himself. The miners themselves are reluctant to leave their towns and work outside in the mines, pleading that the rations are insufficient and the pay too low. Carbide and pit props were obtained but there were continued efforts to prove that the new price of 2200 lire per ton of sulphur was too low.

(55) Twenty-five tons of Steatite gray, block talc were shipped by [illegible] from Sardinia to the U.S. This talc is to be treated for possible use for [illegible] spacers. Production in Sardinia of gray block talc of the special specifications required for this purpose continues at the rate of approximately 20 metric tons a month. The price of this talc has been established at 450 lire per quintal.

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The determinations contained in these declarations were reached by considering the type of land, the number of hectares planted, the amount of seed sown, seasonal conditions, previous production, and the efficiency of the producer. Allowance was made for the authorized retentions for the family of the grower, his employees, and for seed. The remainder was the amount which should have been amassed. The farmers were then ordered to bring in the difference between this amount and the amounts actually amassed. It was determined that approximately another 2,000 quintali should have been delivered. To avoid the customary procrastination, late in December an AMG order was issued fixing January 10th as the latest date when grain could be amassed.

(63) The results are extremely interesting:

From July 1st to Nov. 30, 3500 quintali had been amassed,

From Nov. 1st to Dec. 31, 40 odd additional quintali,

From Jan. 1st to Jan. 10, 178 quintali were amassed.

On January 11th, an AMG officer summoned all of the twenty four cases who had failed to complete their amassing, according to the committee's figures, to appear before an AMG Military Court on the 14th. In three days 1132 quintali were brought into the Consorzio. All 24 cases were heard by the Court, however; three were dismissed on their merits, 12 were dismissed because they had amassed the full amount of their assessments prior to the Court hearing. Fines totalling 123,400 lire and various sentences of imprisonment were imposed upon the remaining nine defendants. The fines were immediately paid. The imprisonment was suspended for two weeks to permit further amassing. At the end of that time, more than 700 additional quintali had been amassed, making the total for the month more than 2,000. Only two of the original twenty-four summoned had failed to meet their assessment. One was short eighty quintali and the other twenty-five. Both have been arrested and further proceedings to collect their grain are in progress.

(64) The publicity given to the work of the committees and the Court trials are believed to have had considerable effect in reducing black market activities, but the rather discouraging aspects are the practical helplessness of the Italian officials in the face of the situation which confronted them and the fact that the communal committee really functioned effectively only when an AMG Officer was with them.

(65) There is no doubt that the amassing system is most unpopular. This is partly due to its connection with Fascism and corruption, and partly to the Allied radio and other propaganda urging the people not to turn in their products to the Ammasi, which continued until the armistice. That propaganda was effective in embarrassing the Fascist regime, but it is now reacting to our own disadvantage. The alternative solutions are to conduct an extensive and intensive propaganda campaign, or to find a workable system acceptable to the Italian producers.

PUBLIC WORKS AND UTILITIES.

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PUBLIC WORKS AND UTILITIES.

(66) The highway construction program outlined in the December report has made considerable progress. This work has been handled in cooperation with the appropriate officials of the Italian Government. Under this program the Army fixes priorities, the Italian Engineering officials make a survey of the materials needed and of the local availability of these materials. The Army furnishes those materials that are not locally available. H.Q. A.C.C. supervises the execution of the work, and makes certain that the money is properly spent and that the priorities are maintained. Most of the work is handled directly from H.Q. rather than through the Regions so that one group can deal with the reorganized Italian Engineering authorities. This program includes improvement not only in general maintenance but also an extensive program for the reconstruction of bridges. The first part of the program covers 2500 kilometres of roads including those linking Naples, Salerno, Cosenza, Reggio, Taranto, Brindisi, Bari, Foggia, and other principal towns. The net-work of roads both in the Army areas and in the rear areas are being more and more turned over to this H.Q. for supervision.

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(67) Efforts are being made to repair the damaged railway bridge at Lauria, which would re-open the rail route to the Castellucia group of lignite mines where approximatly 16,000 tons of fuel are awaiting transportation. Repair of the railroad bridge at Santa Lucia in Matera Province is progressing satisfactorily and should be finished during February. The completion of this bridge will permit through operation from Bari to Montalbano. The Matera-Miglionico-Potenza route (National Route No.7) was opened during the month. The Italian Army reports that 48 out of 50 breaks in the main convoy routes in Calabria were repaired or replaced by the end of January, and the remaining two would be finished in February. One bridge on the mainroad between Salerno and Potenza gave way during the month, necessitating a detour of about five miles.

(68) In Palermo a large reservoir has been repaired and restored to service. Studies have been made in connection with the supply and distribution of electricity in the Rome area, and prierities have been worked out. The question of increasing utility rates charged to consumers has been a subject of considerable thought and discussion. The advisability and desirability of rationing electricity to particular classes of consumers has been considered, especially in view of the imminent electric operation of the railway between Naples and Foggia, and the position which may have to be faced when Rome falls. Considerable work has been done in rehabilitating a number of damaged buildings in Palermo and Naples.

(69) Plans were formulated for the supply of power generally. During the month the pylons and lines between Frattamaggiore and Minturno were replaced by Societa Meridionale Elettrica under the supervision of H.Q. A.C.C. These lines are expected to supply Rome with power. The Capuano Steam Station was restored. Assistance was rendered in the placement of proper requisitions for portable generating equipment for Rome. Inspections were made of damage caused by enemy demolition to generating, switching and sub-station equipment. Information was compiled on the basis of which the rationing of power will be undertaken on the mainland.

(70) Power production in Region I during January was better than in previous months, but it diminished during the latter part of the month due to lack of rainfall. The daily production for Western Sicily was from 200,000 to 250,000 kwhrs a day; and for eastern Sicily 300,000 to 400,000 kwhrs a day. It was possible to supply every important load requested by military or AMG authority, although special lines still could not be built to give service to small individual consumers. Rationing of electricity is still required and water storage in the various reservoirs is still below that of last year. Efforts are being made to repair and put into full operation the steam generating plants at Palermo and Porto Empedocle. Considerable difficulty has been encountered owing to the high sulphur content of the Sardinian coal available.

(71) To-date approximately 50 bridges have been completed and over 300 kilometers of roads repaired in Region I. A program for reconstruction in the province of Messina, particularly Messina city, has been prepared. The amount involved is over 100 million lire and an expenditure of 28 million lire for February has been approved. The Genio Civile also repaired a number of light houses. A total of 364,880,771 lire was approved for repairing bridges, roads, sewers, aqueducts, public buildings, hospitals and for demolition and clearing.

LABOR.

(72) General Order No.17 dated 18 January giving employees the right to organize and select representatives of their own choosing for the purpose of collec-

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Studies have been made in connection with the supply and distribution of electricity in the Rome area, and priorities have been worked out. The question of increasing utility rates charged to consumers has been a subject of considerable thought and discussion. The advisability and desirability of rationing electricity to particular classes of consumers has been considered, especially in view of the imminent electric operation of the railway between Naples and Foggia, and the position which may have to be faced when Rome falls. Considerable work has been done in rehabilitating a number of damaged buildings in Palermo and Naples.

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LABOR.

(72) General Order No.17 dated 18 January giving employees the right to organize and select representatives of their own choosing for the purpose of collective bargaining was promulgated in Regions I and II. It is believed that the political parties will not interfere with the infant labor organizations until they are formed, after which they will no doubt of necessity have some connection with politics. A few new labor unions have been formally organized since the authority for employees to organize for the purpose of collective bargaining was received. However, many unions were already organized without that authority and no particular stimulus seems to have resulted from the issuance of the General Order.

(73) During the month a revision of the Italian law was studied which would enable the Allied Armed Forces to retain Italian labor after the turnover where that was necessary. A special study of the wage structure for Agricultural workers was conducted with special reference to Sicily and the problem of the latifundo which exists there. During the month final approval and distribution of the "Uniform conditions of employment and wage scales for civilian employees employed by the Allied Forces" was made. The reorganization of the Employee Exchanges in

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Under this procedure each remitter will be limited to one remittance per quarter, not to exceed 10,000 lire, and each Sicilian household may receive only one remittance per quarter. Communications will be limited to one document each way per month from and to each correspondent bank, each of which will pass through AMFA, Palermo. All dollars and sterling will be held for the Bank of Sicily for account of AMFA in post-liberated blocked accounts, from which payments will be permitted only on the express authorization of AMFA. AMFA will open a dollar account and a sterling account with the Bank of Sicily, and the balances in these accounts will always reflect the total sums in the Bank of Sicily's post-liberation blocked accounts in the U.S. and the U.K. corresponding to sums paid to foreign banks by remitters, after allowance for items in transit. The accounting procedure was so devised as to show as an asset the cumulative total of remittances actually paid in lire.

(95) A system was worked out whereby advances will be made to British and American nationals located in Italy, Sicily and Sardinia so that they will receive some assistance other than that provided by the Italian relief payments. Emergency advances in excess of Italian relief scale were made to all Allied nationals pending approval of some program by higher authority.

(96) During the month a standard procedure was established for the deposit of funds of U.S. Army units in approved banks (Bank of Italy, Bank of Naples, Bank of Sicily), for account of AMFA branches. As the War Department requires that such accounts be held in dollars, each branch was directed to secure and hold yellow seal dollars up to the total amount of its liabilities to such military units. Branches continued to receive yellow seal dollars and BMA pounds in exchange for lire. AMFA began to charge amounts in yellow seal dollars and BMA pounds to occupation costs, when the dollars or pounds are turned over to finance officers of the respective armies in return for receipts expressed in those currencies.

(97) During the month the remainder of the A.M. lire ordered from Washington except 29,680,00 lire was all received. The existing supplies of A.M. lire notes are expected to cover the period up until the 15th of April 1944 for the requirements of territory now under Allied control as well as for some additional territory, including Rome.

(98) A complete copy of the Report of the Finance Subcommission (without exhibits) is attached hereto as Exhibit C.

COMMUNICATIONS

Telecommunications

(99) During the month the national government communication circuit from Catania to Licata and Agrigento was for operational reasons handed back to the military. The circuits from Palermo to Trapani and from Catania to Siracusa were completed on January 30 and that from Marsala to Trapani on January 17. AMG was responsible for the maintenance of 15,000 miles of military telephone and teletype service in Region I during the month.

(100) A circuit has been established from the civilian exchange at Reggio to the military exchange at Messina. Progress has been made in repairing the break in the trunk telephone cables due to the destruction of the Repeater Station at Castrovillari.

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(100) A circuit has been established from the civilian exchange at Reggio to the military exchange at Messina. Progress has been made in repairing the break in the trunk telephone cables due to the destruction of the Repeater Station at Castrovillari. Upon the completion of this work telephone communication will be open between Matera, Calabria and Sicily.

Postal Communications

(101) Due to the temporary suspension of the railways in Region I, all mail had to be dispatched to the provincial capitals by the AMG courier and then routed to its destination from there. All censorship of civilian correspondence with Allied military personnel has been removed in Sicily. A system has been worked out for transmittal of mail through Vatican channels to and from northern Italy. 88 sacks of prisoner of war mail arrived in January and 44 sacks were dispatched. A limited system for registration and insurance of money and important documents was operated for banks and financial institutions with a weight limit of 2 kilograms.

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During the month postal service with all provinces of Region II and King's Italy was in operation.

Shipping

(102) During the month the duties of the Shipping Subcommission were transferred to MEDBO and that organization, headed by Mr. Ian Campbell, has been acting as the Shipping Subcommission. The chief problem in this field is the effective control of Italian coastal schooners. To handle this problem a Schooner Committee was formed to allocate vessels against demands. During the month 400 schooners were classified and registered. Registrations will continue and should be completed shortly. Conferences were held with Comitato Armatoriale Italia to determine the employment and conditions of all Italian ocean-going vessels. It has been necessary to advance 10 million lire to the Comitato to meet the current running expenses of vessels requisitioned by the Italian Government and placed at the disposal of the Allies. This advance will be deducted from monies which accrue when the charter party terms have been finally negotiated.

(103) Efforts have been constant to rehabilitate the services of the Capitaneria di porto. A considerable amount of salvage work has been done in the harbors of Palermo and Trapani where vitally needed cargoes have been rescued for civilian use.

Rail and Motor Transport

(104) In Sicily due to heavy military movements and shortage of coal civilian traffic was drastically curtailed after January 9. All freight was embargoed except for essential food and fuel. All through passenger service was suspended. The coal allotment for the island was 7050 tons per month for all railway operations whereas military operations alone used 8589 tons of coal in January. Furthermore, the removal of the best and largest locomotives to the mainland increased the consumption of coal per mile on the remaining less efficient engines. In January civilian freight traffic averaged 12% of all goods shipped and included 642 of a total of 5025 cars loaded (a total of 96,000 tons).

(105) During the month working of the bidding system resulted in the movement of 31,259 tons of freight traffic on the mainland for civilian use broken down as follows:

Number of Bids			Tonnages Arranged				
Received	Rejected	Accepted	Foodstuffs, inc. Olive Oil & Vegetables	Fuel & Petrol	Clothing	Seeds Fertilizer	Miscellaneous
80	6	74	17,185	7,050	264	6,700	60

Civilian personnel were carried on the railways particularly across the peninsula, including 1300 Carabinieri and 1600 refugees. Freight traffic for coastal shipping resulted in the acceptance of seven out of eight bids with 4889 tons being moved. Large tonnages coming in at the ports were distributed by rail. 5650 tons of emer-

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Civilian personnel were carried on the railways particularly across the peninsula, including 1300 Carabinieri and 1600 refugees. Freight traffic for coastal shipping resulted in the acceptance of seven out of eight bids with 4689 tons being moved. Large tonnages coming in at the ports were distributed by rail. 5850 tons of emergency freight traffic, the bulk of which consisted of food stuffs, were also moved.

(106) A regular civilian train schedule has been put into operation in accordance with the attached schedules which are marked Exhibit D. This transport is obviously very meager and has resulted in little or no capacity being available for civilian freight movements on a commercial basis. Such civilian traffic as there was had to be controlled by issuing a form of authorization which was required to be completed by the consignor before any consignment requiring more than a car was accepted for loading.

(107) Arrangements were made by the Chief Commissioner with the military authorities to turn over 1000 trucks to this headquarters as soon as an organization could be set up to service and handle them, chiefly for use in handling civilian supplies. This organization is now being created. It will be operated by the Italians and generally supervised by ACC. A motor highway transportation commission was set

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(88) It is expected that in Sicily a substantial amount of new money can be raised through the sale of ordinary maturing bonds at 3, 6, 9 and 12 months at rates of interest from 3.75 to 5%. Under the system of expenditure control now in effect the treasury sections of the Banca d'Italia are informed of the ordinary expenditures of state bodies which they may pay. The treasury section then informs AMG of revenue available and request AMG to make up the deficit. Proceeds of the sale of bonds will now be available to meet such expenditures and should reduce the advances required from AMFA still further.

Financial Institutions

(89) With reference to loan operations of banks with Banca d'Italia, effective January 5 the price of all government bonds for valuation as collateral was set at par, or nominal, value, with a maximum margin of 30% of par. The bank was obliged to lend at least 70% of the par value of government obligations pledged. Deposits by banks with Banca d'Italia increased. Loans to banks dropped, as would be expected under present conditions. AMFA's deposit of 150,000,000, reduced to 135,000,000 lire has remained steady at the latter figure.

(90) Istituto di Previdenza Sociale conducted its operations satisfactorily both as to its collections of premiums and as to its payments of the various benefits. Advances from AMG funds to this institution in January were L. 21,329,000. Total advances to date are L. 164,708,000. Istituto d'Assicurazione Control gli Infortuni sul Lavoro continued to function without requesting any advances of AMG funds. January operations showed a deficit of L. 2,254,000, which was more than covered by cash in banks of L. 4,864,000. Benefits as well as contributions were paid in full. The three offices of Ente di Previdenza ed Assistenza per i Dipendenti Statali, now operating in Sicily, located in Palermo, Catania and Messina, were reactivated. All benefits were being paid, but contributions, which were derived from State agencies, were far below normal. Total advances to the three branches to date are L. 1,399,354.

(91) Efforts were continued to standarize the regulation of claims payments by private insurance companies, many of whom have conflicting instructions from their head offices in northern Italy or no instructions at all. Consideration was also given to the social insurance payments to be made by civilian employees and the benefits to be received by them under the very complex Italian social insurance system which failed to operate during the disorganization which followed the military activities. Consideration was also given to an insistant demand for an upward adjustment of pensions which as yet has not been authorized.

AMFA

(92) Credit granted by AMFA Palermo to banks expired December 31, 1943. During January the loans to banks decreased from 566 million to 212 million lire. These loans are due for repayment in 3 installments at the end of January, February and March. AMFA's deposit in Sicily with Banca d'Italia stood during the month at 135,000,000 lire. During the month banks in Sicily began to draw down their deposits with AMFA Palermo, as AMFA ceased to pay interest on deposits as of 1 January 1944. The total on deposit had been reduced from 1,263,500,000 lire on 31 December to 1,059,690,000 lire on 15 January. AMFA has found it unnecessary to make fresh loans or deposit new funds with Italian banks. The commercial banks in Naples report that private transactions in government securities are taking place at somewhat higher prices as a result of the decision to resume payment of accrued interest on Treasury obligations and to repay them upon maturity, as from 1 January 1944.

(93) Complete figures for Sicily [illegible] for the

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(93) Complete figures in Sicily of AMG revenue and expenditure for the months of October, November and December were as follows:

	Revenue	Expenditures	Surplus of Revenue over Expenditures
October	L. 10,909,387	L. 3,026,287	L. 7,683,100
November	14,741,501	4,176,207	10,565,294
December	21,736,267	6,188,121	15,548,146

(94) A procedure has been worked out whereby remittances can be made from the U.S. and U.K. through theBank of Sicily to civilians located in Region I.

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	January	February
Provinces		
Total in Region	9	9
Provinces sending requests	8	5
Amount advanced	L.15,718,000	L.11,268,000
Previously advanced	7,168,000	- -
Total for month to date	L.22,866,000	L.11,268,000
State Bodies		
Other than E.C.A.	L.297,941,600	L.265,414,751
E.C.A. (relief)	104,109,104	112,564,747
Total for month to date	L.402,050,704	L.377,979,498

These advances indicate that the total advanced for the Region is 470,607,349 as against 609,000,000 for December and that the expenditure control being exercised has already had the effect of reducing the demand for funds from AMG.

(84) There has been a definite tendency in Region II to expand the communal budgets for the first quarter of 1944, with very little effort on the part of the Italian officials to keep expenditures down. On the other hand, increased expenditures are the inevitable result of the higher cost of living, relief measures and essential expenditures to repair war damages. Pending approval of the January to March budgets, only the minimum expenditures and pensions and salaries, will be permitted. The hope that budget deficits would to some extent be met by the sale of one-year treasury bonds has failed except in the province of Matera, where sales have exceeded repayments.

(85) During the month authority was given for all public offices in Sicily to increase the indennita di missione, di pernottazione and di trasferta by 70% because of the increased cost of travel. Preoccupation debts of the various State, provincial and communal bodies were still not being paid, except in a very few emergency cases. The servicing of the municipal bond issues and the repayment by provinces and communes of tax anticipation loans were still held in suspense. Most local bodies have large debt arrearages extending back for several years.

(86) Information received from the Polizia Tributaria Investigativa indicated that for the months of December-January, 260 cases of tax evasion were discovered in Region I and a total of L. 777,113 of revenues collected which would have been lost to the State but for the work of this organization. These cases will be prosecuted. The maximum fines involved total L. 5,700,000.

Public Financing

(87) The treasury section of the Banca d'Italia resumed payment of interest on government obligations and the redemption of ordinary treasury bonds, matured and to mature, as of January 1944. In Sicily the following report can be made to date:

Ordinary Treasury Bonds Issued	
By Palermo Branch, up to January 31	L. 170,335,000
By all other Sicilian branches, to Jan. 20	103,436,500
	273,771,500
Ordinary Treasury Bonds Redeemed	
By Palermo Branch, up to January 31	56,403,500
By all other Sicilian branches, to Jan. 20	121,139,500
	177,543,000
Difference, i.e. Excess of ...	

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By Palermo Branch, up to January 31	56,403,500
By all other Sicilian branches, to Jan. 20	121,139,500
	177,543,000
Difference, i.e. Excess of cash inflow over outflow	96,228,500

Figures showing payments by the Treasury Sections on account of interest on the government debt are not available except for the Palermo Branch, which up to December 31 paid out L. 16,034,631. Redemptions of the Nine Year 4% Bonds which matured December 15, 1943, are reported by Banca d'Italia Treasury Sections for Region I as follows:

Palermo Office, up to January 31, 1944	L. 3,880,000
All other Sicilian branches, to Jan. 20	7,656,500
Total	11,536,500

This total compares with an estimated amount of approximately 54,000,000 life of such bonds outstanding in Sicily.

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in Region II necessitated by the wage increases authorised in December is now being left for reconsideration in each individual case to the Intendente di Finanza after discussion with the Esattore concerned. It is practically certain that the 1944 communal tax assessments cannot be made before April 1944.

(80) AMFA advances are at present the only indication of Italian Governmental expenditures. AMFA advances for Oct., Nov., and Dec. were as follows :

	October	November	December
		(Millions of lire)	
To the State	216.0	811.2[1]	889.8[2, 3]
To Provinces	125.1	196.0	49.0
To Communes	86.3	275.1[1]	289.7
	427.4	1,282.3	1,228.6

1. Includes December advances in Messina province.
2. Includes January advances in most of Region I.
3. Includes advance of 450 million lire to Badoglio Government.

(81) The total amounts advanced by AMFA in Sicily up to the end of January to meet budgetary deficits are as follows:

To Italian Armed Forces	L. 10,100,000
To Italian State bodies (including Financial Institutions of the State, e.g. Post Offices, Social Insurance Institutions, etc.)	1,499,057,671
To Provinces	364,558,220
To Communes	704,390,889

(82) Total advances in Region I were approximately 2,400,000,000 after deducting 169,000,000 advances to the postal system which showed an average monthly deficit for the Region of approximately 400,000,000 lire. Analysis indicated decreasing deficits in the communes and provinces but increases in the State bodies, which might be cut down with a more complete operation of the State railways on a commercial basis, the resumption of customs operations, more normal operation of the State monopolies and post offices, including the reopening of the telegraph system and the improvement in the collection of State revenues. Cuts in personnel are also required which the public officials in authority are unwilling to make.

(83 Advances to be made by AMFA for Region I have been approved for January and February as follows:

	January	February
Communes		
Total number in Region	353	353
CRO-7 received	281	297
Approved advances	123	148
Amount advances	L.20,071,597	L.31,007,227
Previously advanced	25,559,048	5,684,627
Total for month to date	L.45,670,645	L.36,691,854

Sicily was undertaken, as the present system of registration has proved to be useless. In Catania reports of a proposed black market in skilled labor were received. An Order mobilizing all labor is being prepared in the event that it is necessary to use it.

(74) Final steps were taken in Sicily for the reorganization of Provincial Labor Offices so that they covered more territory directly under the supervision and administrative control of the Regional Labor Director for Sicily. In Region II the establishment of the Provincial Labor Offices has been completed.

FINANCE.

Price Policy.

(75) Considerable attention has been devoted to the fixing of prices of specific commodities, particularly Sardinian coal, sulphur and medical supplies. At the price conference held in Algiers on January 5 and 6, it was stated that the ACC/AMG price policy submitted with the December report was a matter left to the field for decision as A.F.H.Q., M.G.S. was only interested in general policy. A proposal by the Italian Government for a 100% increase in railroad freight rates was disapproved because of the policy under which price increases in the case of locally produced commodities and services should not be authorized except in extreme emergencies, where a price increase was essential to insure the flow of necessary supplies of the particular commodity or service through legal distribution channels.

(76) Retail prices and the cost of living continued to rise. The cost of living in the areas indicated rose as follows from December 7 to January 7 :

	December 7	January 7
Instep	50-90	80-100
Heel	70-110	100-150
Sardinia	100-110	no data
Toe	100-150	140-180
Sicily	130-170	185
Shin	300	300-350

On pages 13, 14, 15 and 16 of Exhibit "C" hereto appear the results of current surveys regarding retail prices and the cost of living.

Public Revenue and Expenditure.

(77) The collection of revenue continued at a low rate. In Reggio collections for the six months' period ending January 1 were about 30% of those in the corresponding period for the previous year. However, they were 70% for the month of December. On the other hand, the returns for King's Italy, where no military campaigns were fought, showed an increase in all provinces other than Taranto. A detailed list of the tax receipts in millions of lire appears on pages 6, 7, and 8 of Exhibit "C" hereto.

(78) The receipt of State revenue in Sicily for the months of October and December were as follows :

Oct. 1943 Dec. 1943

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Price Policy.

(75) Considerable attention has been devoted to the fixing of prices of specific commodities, particularly Sardinian coal, sulphur and medical supplies. At the price conference held in Algiers on January 5 and 6, it was stated that the ACC/AMG price policy submitted with the December report was a matter left to the field for decision as A.F.H.Q., M.G.S. was only interested in general policy. A proposal by the Italian Government for a 100% increase in railroad freight rates was disapproved because of the policy under which price increases in the case of locally produced commodities and services should not be authorized except in extreme emergencies, where a price increase was essential to insure the flow of necessary supplies of the particular commodity or service through legal distribution channels.

(76) Retail prices and the cost of living continued to rise. The cost of living in the areas indicated rose as follows from December 7 to January 7 :

	December 7	January 7
Instep	50-90	80-100
Heel	70-110	100-150
Sardinia	100-110	no data
Toe	100-150	140-180
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(78) The receipt of State revenue in Sicily for the months of October and December were as follows :

		Oct. 1943	Dec. 1943
		(In thousands of lire)	
I.	Imposte Produzione	2,072	2,831
II.	Dogane	1,664	400
III.	Finance Locali	6	91
IV.	Monopoli	nil	2,829
V.	Lotto	"	783
VI.	Imposte Dirette	36,191	52,626
VII.	Demanio	41	43
VIII.	Imposte sugli affari	13,309	25,405
IX.	Provvedimento	64	193
X.	Tesoro	2,297	1,293
XI.	Giustizia	-	20
XII.	Affari Esteri	-	-

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		Oct. 1943	Dec. 1943
		(In thousands of lire)	
XIII.	Educazione Nazionale	8	3
XIV.	Interno	-	1
XI.	Commission	-	-
XIV.	Aeronautica	-	-
XVII.	Agricoltura e Foreste	14	52
	Totals	L.55,670	L.86,577

(79) In an effort to increase revenue in Sicily, the Lotto has been recommenced in Messina, Trapani, Caltanissetta, and Palermo. To-date it has not produced any net profit. The tax collectors are still demanding an increase in their commission and some adjustment will probably have to be made in order to prevent the collapse of the tax collecting system. Revision of these contracts of "Esattori" in Region II necessitated by the wage increases authorised in December is now being left for reconsideration in each individual case to the Intendente di Finanza after discussion with the Esattore concerned. It is practically certain that the 1944 communal tax assessments cannot be made before April 1944.

(80) AMFA advances are at present the only indication of Italian Governmental expenditures. AMFA advances for Oct., Nov., and Dec. were as follows :

	October	November	December
		(Millions of lire)	
To the State	216.0	811.2[1]	889.8[2, 3]
To Provinces	125.1	196.0	49.0
To Communes	86.3	275.1[1]	289.7
	427.4	1,282.3	1,228.6

1. Includes December advances in Messina province.
2. Includes January advances in most of Region I.
3. Includes advance of 450 million lire to Badoglio Government.

(81) The total amounts advanced by AMFA in Sicily up to the end of January to meet budgetary deficits are as follows:

To Italian Armed Forces	L. 10,100,000
To Italian State bodies (including Financial Institutions of the State, e.g. Post Offices, Social Insurance Institutions, etc.)	1,499,057,671
To Provinces	364,558,220
To Communes	704,390,889

(82) Total advances in Region I were approximately 2,400,000,000 after deducting 169,000,000 advances to the postal system which showed an average monthly deficit for the Region of approximately 400,000,000 lire. Analysis indicated decreasing deficits in the communes and provinces but increases in the State bodies, which might be cut down with a more complete operation of the State railways on a commercial basis, the resumption of customs operations, more normal operation of the State monopolies and post offices, including the reopening of the telegraph system and the improvement in the collection of State revenues. Cuts in personnel are also required which the public officials in authority are unwilling to make.

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(83 Advances to be made by AMFA for Region I have been approved for January and February as follows:

	January	February
Communes		
Total number in Region	353	353
CRO-7 received	281	297
Approved advances	123	148
Amount advances	L.20,071,597	L.31,007,227
Previously advanced	25,559,048	5,684,627
Total for month to date	L.45,670,645	L.36,691,854

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up in each province of Sicily to handle the civilian transportation which had been turned over to INT. Due to the increase in the price of fuel and lubricants, authority has been granted INT to make compensatory increases in the tariff schedules.

PUBLIC HEALTH

(108) There was no unusual prevalance of infectious or contagious diseases during January. A survey of the hospitals in southern Italy revealed a shortage of drugs and medical supplies, which have since been supplied by imports. A survey of Region II indicated that the standard and amount of laboratory work in the area was amazingly poor, and that the services rendered the population were wholly inadequate.

(109) The chief problems which had to be faced during the month were those created by the presence of typhus and V.D. Definite plans for the assumption of the Typhus Control program are being completed in anticipation of the time when the Typhus Commission will be withdrawn. The control of typhus during the month made considerable progress and the number of cases reported sank from as high as 35 to 40 a day to approximately 17 to 25 per day. However, the danger is still present and the epidemic has by no means ceased. There was an increase in the number of cases occurring outside Naples along the main exits from the city. Steps were taken to establish powdering stations along the main road leading out of Naples, and at the steamer terminals. A dusting team has been established at the main Railway Station. A report of the Typhus Commission shows that 123,124 of the population in the city of Naples have been dusted, while 32,464 have been dusted outside the city. A total of 37,206 key persons, including Doctors, Nurses, Red Cross Workers, Dusting Teams, Railway and Municipal workers have been innoculated against the disease. There is still a large population inhabiting the Ricoveri in Naples and until these have been cleared, the epidemic will probably maintain its present height. Alternative accommodation for those persons now living in the Ricoveri are being sought.

(110) Hospitals have been established in Naples and elsewhere for the detection and treatment of affected women as part of the overall program of V.D. control. The incidence of venereal disease among the civilian population in Regions I and II was apparently about the same as before the war. Treatment clinics are located in all important communes of Region II but the system of treatment used by Italian physicians is considered to be below the standards prevailing in many other countries. Requisitions have been placed for larvacides as part of the program for malarial control for the coming season. Fuel oil has already been received and Paris Green requested. It is expected that a Malarial Control Board, similar to the Typhus Control Board, will be established. In Region I active steps have been taken for the reestablishment of the production of biological preparations from Italian sources in order to ease the strain on Allied sources of supply. The laboratories at Naples and Palermo are the only ones south of Rome which exist for the production of these preparations. Steps are being taken to strengthen the laws controlling the slaughter of livestock, and the control of rabies, together with further controls on the milk supply. Surveys were made of the water supply. The situation in Region II had disclosed that the methods of water analysis were far from satisfactory by Anglo-American standards. The supply of the town of Matera again became potable.

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(111) The syten of maintaining centralized control of the importation, warehousing and distribution of all incoming medical supplies has been completed. New price lists for imported supplies have been prepared and will be published shortly. Large consignments of clothing for the Italian civil population began to arrive and a committee known as the Central Clothing Committee was set up to deal with the warehousing, sorting and distribution of these supplies, 300 tons of which are now available.

(112) In Region I a Regional Welfare Department (Italian) was established which will have provincial counterparts. This should be an improvement on the Italian system previously in effect. It is estimated that at least 25% of the funds advanced by AMG in Sicily are for relief, which is believed to be much too high. Efforts have been made and are continuing to reduce this figure.

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(113) The reception, distribution and placement of refugees has proceeded smoothly under the direct supervision of the Prefects of Matera and Potenza with frequent checks by AMG personnel.

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(114) At the end of the month the chief problems were the complete eradication of the typhus epidemic, the distribution of adequate food supplies, and the provision of officer personnel and transport to handle the distribution and warehousing of imported medical supplies.

EDUCATION

(115) Schools began to reopen, wherever school buildings were available, in Matera on January 3, in Potenza and Salerno on January 17, in Reggio and Cosenza on January 25, and in Catanzaro early in February. The Provveditore at Catanzaro has been dismissed. Other school officials are being carefully vetted to determine whether or not they should continue in office. All new appointments are being made only after careful investigation has been completed. In Matera the vetting of all assistant teachers is almost completed and between 20 and 30 out of between 400 and 500 are being dismissed. The Provincial Educational Committees are still functioning in an endeavor to provide a democratic system of education. In Region II revised syllabuses for elementary schools and Schuole Medie Inferiori have been printed and issued on the basis of one per teacher. Appropriate syllabuses for three types of higher schools are being printed and temporary syllabuses for other classes of schools have been supplied.

(116) During the month the first textbook for elementary schools was published in Region I and several others were nearing completion. The university of Messina was opened on January 3. The Anthropological Academy of Palermo on January 30. Work is being done looking to the reorganization of the Ente Autonomo Teatrale of Palermo. The active vetting of all school personnel continued as a result of which three of the incumbents were released for pro-Fascist activities.

PROPERTY CONTROL

(117) Very considerable progress has been made during the month with the taking into custody of the remaining British and American properties, particularly in Messina province. Those now remaining are small and relatively unimportant.

(118) To date only a dozen properties have been found in Region II which require the services of the Property Controller. Three additional properties were reported during the month and are being investigated to determine their status.

(119) The E.N.I.C. continues to operate very satisfactory. Up until the end of December after making general provision for contingent liabilities and appreciation, a net profit of 1,057,825.25 lire was shown, to which might be added the very considerable sum charged to the accounts in respect of abnormal repairs affected during the period.

(120) The general scheme previously in effect regarding abandoned property has continued but the number of applications has decreased considerably although it has been found that considerable difficulties have been encountered owing to false information and the doubtful honesty of certain individuals. It is essential that the most careful enquiries should be made to trace the whereabouts of both owner and tenant before any disposition is made of the property.

(121) From the Controller of Property's records of Dissolved Fascist Institutions, a Foreign Representative of the Libyan [illegible] over

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(121) From the Controller of Property's records of Dissolved Fascist Institutions, a Foreign Representative of the Library of Congress has extracted over 200 books, 800 pamphlets and 160 serial publications which should prove tremendously useful additions to the collections of the Library of Congress.

(122) The mining rights to the asphalt mines in Ragusa have been returned to the British concerns involved. A Special Commissioner has been appointed to operate the mines.

(123) A Proclamation has been signed by General Alexander enabling the C.C. to extend the D.P.C's control of property to that of French Nationals. This will be published in AMG Regions together with the necessary General Orders giving effect to the same. In Regions I and II the extension will be embodied in the decree to be passed by the Italian Government conferring the requisite powers on the D.P.C.

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MONUMENTS, FINE ARTS AND ARCHIVES

(124) A letter from the C.-in-C., General Eisenhower, to all Commanders was issued on 29 December 1943 drawing attention to the importance of monuments and to the responsibility of all Commanders to protect them. AFHQ General Order No. 68, of the same date, prohibited the requisition of any monuments mentioned in the "Zone Handbooks" and placed upon AMG the responsibility for pvoviding further lists of monuments of importance, which however are allowed to be occupied "when deemed necessary." A circular No. 37, dated 20 December 1943, issued by PBS, had to some extent anticipated these general orders so far as the PBS area was affected. An interesting development in this field during the month was the fact that American troops constructing an airfield near Paestum uncovered part of a previously unknown prehistoric necropolis. The American officers stopped any further destructive digging, and turned over to the Italian officials in charge some of the items which had been found.

(125) At Palermo, National Museum, the large courtyard was cleared of debris and the work of rebuilding the wall between the Museum and the church of the Olivella has commenced. The removal of the famous fresco of the Triumph of Death from one of the walls of the Palazzo Scalafani, Palermo, progressed satisfactorily. In the Pala zzo Mazzarino, Palermo, approximately 300 meters of shelving were built, the material having been recovered from the severely damaged National Library Building.

PRESS AND PUBLIC RELATIONS

(126) There were 12 newspapers published in the town of Reggio at the end of January under general permission given on November 18, 1943. This permission included provision for post publication censorship, which really amounted to the right to suspend any newspaper which improperly published information about military operations or was inciting disorder. On the 29th of January, the Provincial Commissioner suspended the "Calabrian Libera" for inflammatory and objectionable comment concerning the Italian Army and the Badoglio Government. It is probable that in the near future many of the newspapers in Calabria will be forced to shut down because of insufficient newsprint.

(127) In Salerno it was discovered that two newspapers, "Il Lavoro" and "Il Soviet" were being published clandestinely. They were extremely abusive and inflammatory, quite uncensored, and were ostensibly published in Bari. Publication was stopped and the responsible parties fined 10,000 and 30,000 lire respectively.

(128) The continued shortage of news print in Sicily precluded any increase in the number of authorized newspapers. A series of broadcasts was arranged and delivered over the Palermo radio, dealing with conditions bef re the occupation and the accomplishments under Allied Military Government since that time. Two newspapers which were published in Salerno under the censorship of the FSS were obliged to suspend when, because of military necessity, the FSS were moved to another station. It is hoped that the Allied Publicity Board or PWB will permit the resumption of publication under the censorship of an Italian speaking ACC officer. Approximately a dozen newspapers are published in Cosenza and a few more in Catanzaro. The PWB in Bari refused permission to start a newspaper in Matera because of the shortage of paper. This province, however, receives copies of the Bari newspaper daily so that the absence of a local newspaper is not seriously felt. The same situation exists in Potenza.

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Exhibit "A"

RESTRICTED

HEADQUARTERS
ALLIED CONTROL COMMISSION
APO 374

23 January 1944.

MEMORANDUM

TO : ALL CONCERNED

1. Effective on a date to be announced, probably in the near future, the Allied Military Government will turn over to the Italian Government certain portions of the territory now occupied by the Allied Forces. At that time Allied Military Government will cease and the Italian administration will assume full responsibility for civil government in such territory.

This will involve the withdrawal of a part of the Allied Military Government personnel from the territory. The balance will continue as representatives of the Allied Control Commission.

This memorandum is to outline certain general principles which will guide A.C.C. personnel in the territories administered by the Italian Government.

Present Status - Co-Belligerency

2. Effective September 3, 1943 the Italian Government concluded an Armistice with the Governments of the United States and Great-Britain acting in the interests of the United Nations. Subsequently the Italian Government signed an instrument of surrender governing the relations between the United Nations and Italy, which instrument contained various provisions designed to protect the interests of the Allies and to promote the war effort, and called for the appointment of a Control Commission to enforce and implement those provisions.

3. Following the declaration of war on Germany, Italy was accorded the status of co-belligerent. According to the tripartite statement of 13 October 1943 announcing this new status,

> "The relationship of co-belligerency between the Government of Italy and the United Nations' Governments cannot of itself affect the terms (of the Instrument of Surrender) recently signed, which retain their full force and can only be adjusted by agreement between the Allied Governments in the light of the assistance which the Italian Government may be able to afford to the United Nations' cause."

The situation of a co-belligerent does not mean that Italy is recognized as one of the United Nations or is admitted as an ally. It means that the Italian Government is fighting the same enemy and in this respect has the support of the United Nations.

General Functions Allied Control Commission

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The situation of a co-belligerent does not mean that Italy is recognized as one of the United Nations or is admitted as an ally. It means that the Italian Government is fighting the same enemy and in this respect has the support of the United Nations.

General Functions Allied Control Commission

4. The general functions of the Allied Control Commission, as laid down in the directive of the Combined Chiefs of Staff, are as follows:

(a) To enforce and execute the instrument of surrender under the orders and general directives of the Allied Commander-in-Chief.
(b) To insure that the conduct of the Italian Government conforms to the requirements of an Allied Base of Operations, especially transportation and communications.
(c) To be the organ through which the policy of the United Nations towards the Italian Government is conducted and the relations between the United Nations and the Italian Government are handled.

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R E S T R I C T E D

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RESTRICTED

Organization of the Allied Control Commission

5. The Allied Commander-in-Chief will be ex officio President of the Commission. The General Officer Commanding-in-Chief, Allied Central Mediterranean Forces, will be acting President. The acting senior officer of the Commission will be Chief Commissioner who will serve as Deputy President of the Commission.

6. The Commission will be divided into five Sections: Economic, Administrative, Military, Political, and Communications. Sections will be in charge of Vice Presidents or Directors and, in each case, will comprise one or more Subcommissions. The tentative organization of the Commission into its various Sections and Subcommissions is set forth in Appendix A hereto.

7. Each Section or Subcommission will maintain a headquarters staff. Some will also have representatives in the field. The existing regional organizations will be continued initially to correspond to such regional authority as may be set up by the Italian Government, or otherwise as administrative convenience may dictate.

8. A.C.C. personnel in the field will be known as Control Commissioners with designation of their particular specialist category where appropriate. For example, Control Commissioner (Legal), Control Commissioner (Public Health). The Chief Control Officer in the Region will be known as the Regional Control Commissioner (RCC).

Functions and General Duties of A.C.C. Officers in the Field

9. Particulars as to the nature of the duties of A.C.C. field officers will be specified by the Subcommissions to which they are assigned. However, the following guides are applicable to all:

(a) The primary function of A.C.C. officers in the field will be to give assistance and guidance to and to supervise the local Italian officials and to convey such instructions to them as may be authorized either in specific instances or generally under this and further directives.

(b) Each A.C.C. officer will also carefully observe the operation of the Italian Government in the area or administrative field of his responsibility in order to determine whether the terms of the surrender are being vigorously and effectively enforced. The results of such observations will be the subject of periodic or special reports to higher headquarters.

(c) A.C.C. field personnel will have no power to command or direct Italian officials in connection with the performance of their duties. In this respect their powers and duties are to be contrasted with those of officers of AMG.

(d) Particularly during the transition stage and until the authority of the Italian Government is fully established and the administrative machine is functioning smoothly, the Italian officials will probably require considerable advice, information and assistance from A.C.C. officers. It is entirely proper in this way to support the authority of the Italian officials. Care should be

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Subcommission is set forth in Appendix A hereto.

7. Each Section or Subcommission will maintain a headquarters staff. Some will also have reprsentatives in the field. The existing regional organizations will be continued initially to correspond to such regional authority as may be set up by the Italian Government, or otherwise as administrative convenience may dictate.

8. A.C.C. personnel in the field will be known as Control Commissioners with designation of their particular specialist category where appropriate. For example, Control Commissioner (Legal), Control Commissioner (Public Health). The Chief Control Officer in the Region will be known as the Regional Control Commissioner (RCC).

Functions and General Duties of A.C.C. Officers in the Field

9. Particulars as to the nature of the duties of A.C.C. field officers will be specified by the Subcommissions to which they are assigned. However, the following guides are applicable to all,

(a) The primary function of A.C.C. officers in the field will be to give assistance and guidance to and to supervise the local Italian officials and to convey such instructions to them as may be authorized either in specific instances or generally under this and further directives.

(b) Each A.C.C. officer will also carefully observe the operation of the Italian Government in the area or administrative field of his responsibility in order to determine whether the terms of the surrender are being vigorously and effectively enforced. The results of such observations will be the subject of periodic or special reports to higher headquarters.

(c) A.C.C. field personnel will have no power to command or direct Italian officials in connection with the performance of their duties. In this respect their powers and duties are to be contrasted with those of officers of AMG.

(d) Particularly during the transition stage and until the authority of the Italian Government is fully established and the administrative machine is functioning smoothly, the Italian officials will probably require considerable advice, information and assistance from A.C.C. officers. It is entirely proper in this way to support the authority of the Italian officials. Care should be taken, however, not to interfere directly or to give the appearance of interfering directly in or with the local administration except in real emergency.

(e) A.C.C. personnel must also take great care to avoid becoming involved in political disputes or conflicts. A.C.C. officers will deal only with the officials selected by the Italian Government. The competency of these officials and the quality of their administration will be the responsibility of the Italian Government. However, when officials behave in a manner likely to prejudice the position of the Allied Forces by violation of the terms of surrender or otherwise, A.C.C. personnel will take any action that may be authorized and promptly submit a report with recommendations to higher headquarters.

RESTRICTED

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(f) Close coordination will be necessary between A.C.C. and tactical and administrative forces in the area. Certain committees have already been established (i.e. Local Resources Boards). Information as to these committees and other inter-service agencies will be communicated to field personnel where necessary. It is essential in order that confusion be avoided that the channels of communication with the Italian authorities remain as few or as simple as possible.

10. The disposition of A.C.C. personnel and their operations will be communicated by Regional Commissioners or by A.C.C. HQ. The following general rules, will, however, apply:

(a) Generally there will be no A.C.C. field officers in the communes or in a position comparable to that of the C.A.O. or C.A.P.O. under AMG. General administration will, therefore, be subject to A.C.C. control at the provincial level. Such local inspection as may be required will be worked out from A.C.C. regional or provincial HQ.

(b) In the transition stage and until the Italian administration is functioning satisfactorily A.C.C. personnel will, subject to sub-paragraph (a) above, be disposed on a basis approaching that of AMG. An effort will be made to reduce numbers as quickly as conditions permit.

Regional Organization

11. It is understood that the Italian Government intends to appoint Italian Regional Commissioners in certain areas to function until the Italian Government can effectively communicate with and maintain control of the provinces. In other areas to be turned over, the Italian Government may communicate directly with the provincial officials. In either case, A.C.C. will initially appoint a Regional Control Commissioner. In regions in which there is an Italian Regional Commissioner the R.C.C. will, under directives of A.C.C. headquarters, establish control at the regional level and work with his Italian counterpart. In regions where there is no Italian commissioner the R.C.C. will serve as channel for communication with A.C.C. personnel in the field and as a regional representative of A.C.C. HQ.

Attitude toward Italian Officials

12. The members of the Commission, whether acting officially or otherwise, should maintain a correct attitude toward members of the Italian Government, neither autocratic on the one hand nor familiar on the other.

It must be emphasized that the Allied Control Commission occupies a position in relation to the Italian Government which is quite different from that of Allied Military Government. The Commission advises and supervises; it does not govern. This fundamental difference must be thoroughly understood by all officers who will adjust accordingly their attitude toward Italian officials and agencies, allowing them to develop their functions without undue interference.

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If basic differences arise between officers of this Commission and the corresponding representatives of the Italian Government, the matter at issue will be submitted to the Chief Commissioner for adjustment with the Head of the Italian Government.

/s/ Charles Spofford Col, GSC for
NOEL MASON MacFARLANE
Lieutenant General
Chief Commissioner
Allied Control Commission

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Plus 225 copies Region I
125 " " II

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APPENDIX "A"

SECTIONS AND SUBCOMMISSIONS OF A.C.C.

(Tentative)

ECONOMIC SECTION

Finance
Industry and Commerce
Labor
Food
Public Works & Mines
Agriculture, Forests, and Fisheries

ADMINISTRATIVE SECTION

Legal
Property Control
Interior
Public Safety
Public Health
Education
Monuments & Fine Arts

COMMUNICATIONS SECTION

Internal Transportation
Shipping
Telecommunications and Postal

MILITARY SECTION

Naval Forces
Land Forces
Air Forces
War Material Disposal

POLITICAL SECTION

Foreign and Internal
Internees and Displaced Persons and Refugees

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Labor
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Exhibit "B"

Appendix "A"
No. 2 dated

HEADQUARTERS, ALLIED CONTROL COMMISSION

ORGANIZATION

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

Appendix "A" to Executive Memorandum
No. 2 dated 7th February 1944.

5/18

HEADQUARTERS, ALLIED CONTROL COMMISSION

ORGANIZATION

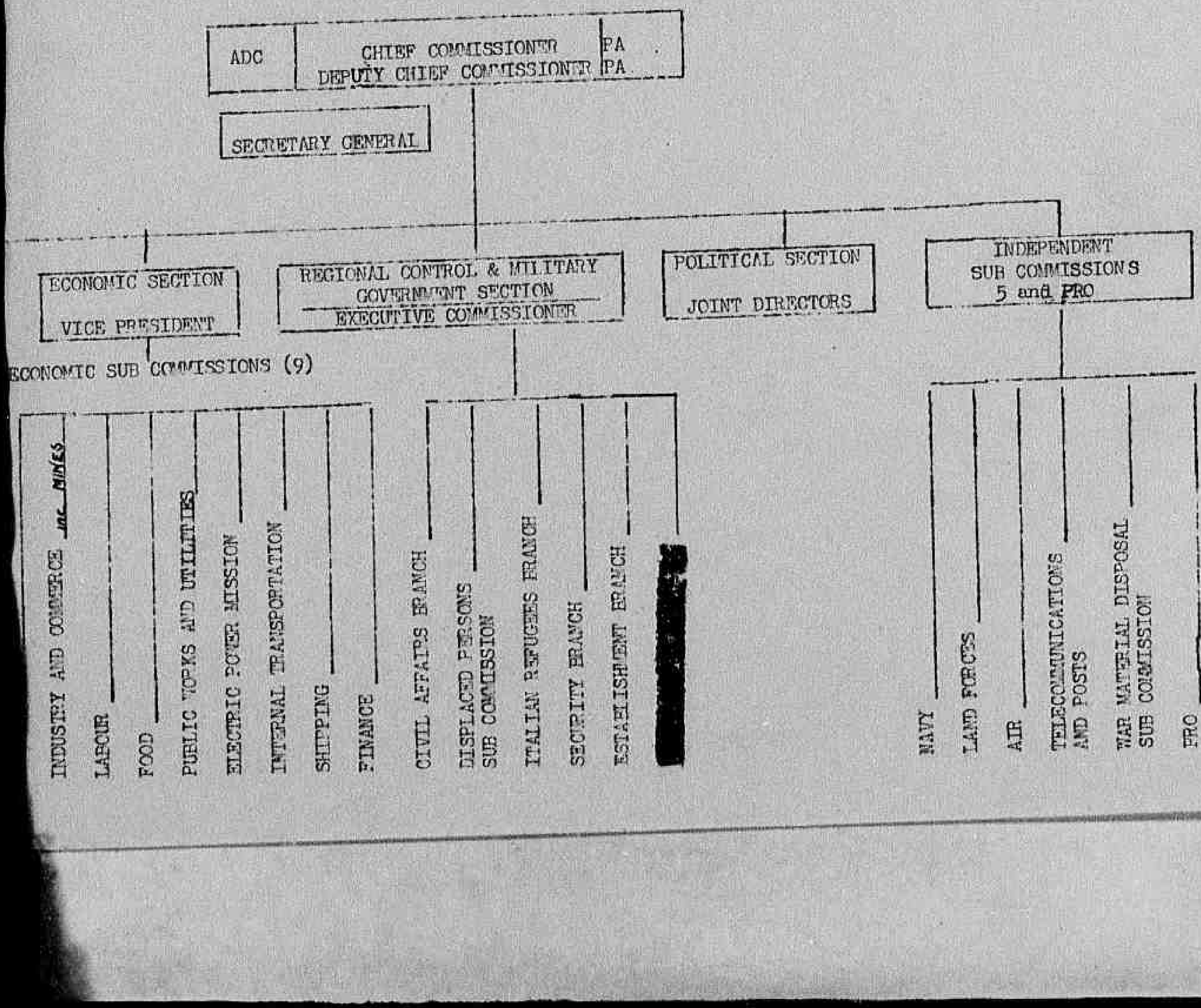


Exhibit "C"

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

SECRET

10 February 1944

REPORT OF THE FINANCE SUB-COMMISSION, HQ AMG/ACC
JANUARY 1944

During January 1944 the Headquarters of the Finance Sub-Commission continued to be located in Naples. The CFO was absent during the entire month and the CFI was Acting CFO. The DCFI was Acting CFI. The Currency and Exchange Adviser was transferred from this theatre at the beginning of the month. The Sub-Commission was represented at the Command Post of ACC, Brindisi, throughout the month. The Report of the operations of the Finance Sub-Commission at Brindisi for January is appended.

I. AMFA

A. Foreign Exchange Transactions

Foreign exchange transactions are to be under the control of AMFA, in so far as custody and out-payment of foreign assets are concerned. During the month discussions and correspondence covered some five principal questions:

1. Remittances from the US and the UK

On 8 January cable advice was received that the Bank of Sicily was prepared to complete personal remittances according to the plan outlined by this HQ. Subsequently the Regional Chief Financial Officer in Sicily provided the Bank's signed acceptance of his proposal, which modified the original only in specifying a fee of 1 per cent per payee, instead of the flat fee of 100 lire per payee specified by Headquarters. The Bank of England will be sole correspondent in the UK. The Bank of Sicily proposed eight banks to serve as US correspondents;

Chase National Bank, New York.
Guaranty Trust Co. " "
Irving Trust Co. " "
National City Bank " "
Bank of America National Trust & Savings Assn. San Francisco.
Whitney National Bank. New Orleans.
Alex Brown & Sons. Baltimore, Md.
First National Bank of Boston. Boston, Mass.

This information was transmitted to AFHQ on 18 January and 20

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First National Bank of Boston. Boston, Mass.

This information was transmitted to MCS on 18 January and 20 January 1944. MCS has advised this HQ that onward transmission to CCS of a list of correspondents was effected on 20 January. The draft proposal, without the signed agreement of the Bank of Sicily or the list of correspondent banks, was forwarded to CCS on 16 January 1944, following receipt of an urgent telegram from CCS citing the personal interest of the President of the United States in the establishment of a remittance procedure.

Under the procedure suggested to CCS, each remitter will be limited to one remittance per quarter, not to exceed 10,000 lire, and each Sicilian household may receive only one remittance per quarter. Communications will be limited to one document each way per month from and to each correspondent bank, each of which will pass through AMFA, Palermo. All dollars and sterling will be held for the Bank of Sicily for account of AMFA in post-liberated blocked accounts, from which payments will be permitted only

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on the express authorization of AMFA. AMFA will open a dollar account and a sterling account with the Bank of Sicily, and the balances in these accounts will always reflect the total sums in the Bank of Sicily's post-liberation blocked accounts in the US and the UK, corresponding to sums paid to foreign banks by remitters, after allowance for items in transit. The accounting procedure was so devised as to show as an asset the cumulative total of remittances actually paid in lire.

Subsequently a cable from CCS dated 9 December which had never been received by MGS was repeated on 18 January, requesting authority for the remittance of 2 million lire to Sicily and 6 million lire to the mainland on behalf of the Apostolic Delegate in Washington, both amounts to be paid through the Bank of Sicily. To this MGS replied, with the approval of the DCFO, then in Algiers, that such remittances could be effected through the Bank of Sicily, suggesting that the US Treasury make appropriate arrangements for specific licenses, as these individual payments may exceed 10,000 lire. This will require an amendment to the agreement with the Bank of Sicily, as the fees at one per cent would be excessive. In view of this precedent, further remittances by organizations, in excess of the maximum figure of 10,000 lire per remittance, are to be expected, with each organizational remittance receiving a special license from the Treasury in the US or the Treasury of the UK.

On 22 January CCS advised this Headquarters, through MGS, that the Italian Embassy in Buenos Aires wished to arrange for personal remittances from Argentine and other Latin American countries to Sicily and the mainland. The Embassy further wished to defray the operating expenses of the Italian Embassy in Buenos Aires. CCS felt that such remittances should be effected only via sterling or dollars, through the mechanism set up above, and that the proceeds should not be earmarked for any specific purpose such as the expenses of the Italian Embassy in Buenos Aires. This HQ was in complete agreement with both suggestions, and so informed CCS, as this procedure would limit the number of AMFA's foreign bank accounts, and concentrate those resulting from remittances into two currencies.

2. Foreign Exchange Resulting from Exports

On 23 January CCS directed that the dollar proceeds of Italian exports would be held in post-liberation blocked accounts with the Bank of Sicily or the Bank of Italy for account of AMFA, in the same fashion as the dollar proceeds of remittances. Employment of such funds would be subject to the "exclusive supervision and control" of AMFA, and would be used, with AMFA and Treasury approval, only for the essential import needs of Italy, for essential diplomatic consular or military expenditure, and for expenditure essential to keep Italian vessels running, and in such other cases as specifically agreed upon between US and British Governments. Foreign exchange credits resulting from exports to or remittances from other Allied countries would also be held in accounts in foreign banks under [illegible] In the case of [illegible] Switzerland and other non-allied

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This cable is now under consideration, as export proceeds received in currencies other than dollars or sterling will present additional problems of supervision for AMFA, and the conversion of neutral currencies into dollars and sterling might be possible only after negotiations with exchange control authorities in these countries. AMFA has as yet taken no steps to open foreign exchange accounts other than the recommendation to the CCS that eight US banks and the Bank of England be authorized to open "Bank of Sicily AF" accounts. To date only the United States Commercial corporation has advised this HQ that it is prepared to pay over to account of AMFA the proceeds of exports from liberated territory, the currency in question being dollars. No advice has as yet been received from the consignees of shipments made to the United Kingdom, French North Africa and Malta.

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3. Advances to British and American Nationals

During the month this HQ consulted Mr. E. C. Wailes of the office of the Representative of the United States (Mr. Murphy), Mr. Nestor, former Consul General in Palermo, and Mr. Samuel Reber of the Political Section of ACC, in an effort to clarify instructions as to the evidence of American nationality which would be accepted. MGS had directed that American consular officials should pass on the nationality of each applicant claiming American citizenship, but Consul General Nestor, who discussed the matter with this HQ on 20 January, reported that he had no formal instructions from the State Department, and did not as yet possess the requisite staff or office equipment. Furthermore, the State Department had authorized payments of 9,000 lire per month for one adult national, and a maximum of 29,250 lire per month for a household of three adult nationals and three or more minor US nationals. In view of the maximum limit of 10,000 lire per quarter fixed for remittances from the US, it was felt that such large payments would be undesirable. After completion of conferences with interested persons, a review of previous instructions and correspondence was prepared by this HQ and despatched with a draft proposal to the Political Section of ACC. Subsequently the Political Section requested authority to give effect to this draft procedure in the whole of liberated Italian territory.

The proposed measure for advances follows the line of the emergency advances which the Sassari branch of AMFA was authorized to grant, by instructions from this HQ, on 29 December, although the maximum permissible amount per household was raised from 8,000 to 12,000 lire per month. This emergency procedure has been extended to Sicily in January, by directive from the Regional Chief Finance Officer, with informal reference of American applications to Mr. Nestor in case of doubt.

Briefly, this HQ proposed that, instead of reserving this function exclusively to the Prisoners of War Sub-Commission, which is not represented in all parts of liberated Italy, all AMG/ACC field officers be permitted to authorize advances of 4,000 lire per month per individual or 12,000 lire per month per household, where nationality could be proved by possession of passports or related documents which were valid before the withdrawal of consulates from Italy. Applicants not possessing such documents would forward applications and supporting evidence through AMG/ACC finance officers to the Finance Sub-Commission, which would route them to the appropriate authorities for a decision on nationality. It was also suggested that dollars or sterling need not be deposited in AMFA's accounts with foreign banks at the time of the advance, but merely that monthly advices be given to the respective Treasuries, which would charge the appropriations of the State Department and the Foreign Office, setting up suspense accounts as is done in the case of War Department and War Office expenditures. When and if an advance is repaid in dollars or sterling, the foreign exchange requested would be paid to the State Department or the Foreign Office to extinguish the advance, and in the case of a

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4. Advances to Other Allied Nationals

HQ adopted the policy of making no advances to other allied nationals pending the establishment by the respective Allied governments of a procedure similar to the British or American system of governmental loans. (A representative of the Polish mission was so informed on 20 January 1944.) Emergency advances in excess of Italian relief scales are however being made pending approval of this decision by higher authority.

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5. Exportation and Importation of Currency

After review of a request for the importation of metropolitan lire from Tripolitania, MGS requested advice as to how repatriated Italian nationals concerned had imported large amounts of lire from Italy in the first place, as cited, in view of Article III of Proclamation No. 3, which prohibits exportation from or importation into liberated Italian territory of currency, without specific permission of A.C. MGS took the occasion to suggest that no movement of currency between former Italian colonies and liberated territory be authorized, with the exception of small amounts necessary for immediate maintenance needs on arrival in Tripoli. By implication, it was suggested that no exportation from or importation into liberated territory of any currency be permitted, pending further instructions from COS. No permission has as yet been received from COS to exchange into lire the liners brought in by refugees from Yugoslavia.

B. Financial Transactions with the Allied Armed Forces

Financial transactions with the Allied Armed Forces continued, with minor modifications in procedure, during the month of January. AFN was authorized to advance funds to the military personnel of the various Allied missions in liberated Italy, charging these amounts to the cost of occupation, like the pay of British and American troops. During the month a standard procedure was established for the deposit of funds of US army units in approved banks, (Bank of Italy, Bank of Naples, Bank of Sicily), for account of AFN branches, and a directive on the subject was issued to branches on 24 January. As the War Department requires that such accounts be held in dollars, each branch was directed to secure and hold yellow seal dollars up to the total amount of its liabilities to such military units. Branches continued to receive yellow seal dollars and BMA pounds in exchange for lire, and COS authorized AFN to charge amounts in yellow seal dollars and BMA pounds to occupation costs, when the dollars or pounds are turned over to finance officers of the respective armies in return for receipts expressed in these currencies. Confirmation of this procedure with respect to the delivery of BMA notes to British Army Paymasters has been requested of War Office London who had instructed that such deliveries were to be treated as lire.

C. Modification of Accounting Procedure

Modification in Accounting Procedure, having as its objective the seperation of AFN accounts from those of [illegible] as proposed by CC, was discussed by the Chief of AFN and the Chief Accountant in Algiers during the middle of January. In a memorandum, prepared by the Chief Accountant, certain suggestions were made with respect to the detailed

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

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Chief Accountant made provision for an account to record currency received from the Italian Treasury for the purpose of paying Allied troops, which is contemplated in the future.

As of 27 January, instructions were issued by this HQ that a set of accounts would be opened for the prospective branch of AMFA in Region IV to which will be transferred the accounts previously held for this Region by the Bari branch of AMFA.

D. Relations with Banks

During the month banks in Sicily began to draw down their deposits with AMF. Palermo, as AMFA ceased to pay interest on deposits as of 1 January 1944. The total on deposit had been reduced from 1,263,500,000 lire on 31 December to 1,059,690,000 lire on 15 January. AMFA has found it unnecessary to make fresh loans or deposit new funds with Italian banks. The commercial banks in Naples report that private transactions in government securities are taking place at somewhat higher prices as a result of the decision to resume payment of accrued interest on Treasury obligations and to repay them upon maturity, as from 1 January 1944.

E. Currency

During the month the remainder of the AM lire ordered from Washington, except 29,680,000 lire, was received. Certain small overages and shortages were summarized in a special report which was transmitted to MGS, for onward transmission to Washington. At the request of the branches, this HQ issued a directive covering the redemption of mutilated currency (BMA pounds, yellow seal dollars and AM lire), providing that a note would be redeemable at face value if five-eighths of its surface, bearing one serial number which could be deciphered, were presented to AMFA. Through MGS, CCS were informed of this decision, and MGS in addition sought authority for the redemption of raised notes at the original face value. Confirmation has not as yet been received by this HQ.

In view of the visit of the DCFO to Washington to negotiate the printing of new Italian currency by private American companies in the amount of 100 billion lire, requested by the Under Secretary of Finance, an estimate was made of future needs for AM lire. On the basis of this estimate, this HQ assured the DCFO that the existing supplies of AM lire notes would cover until 15 April 1944 the requirements of the territory now under Allied control as well as some additional territory including Rome. However, it was strongly recommended that priority in printing and shipment be given to notes of the largest denominations. Printing of notes in denominations of 10 lire or less could safely be deferred for a long period, as there is already an ample supply on hand.

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C. Relations with Banks

During the month banks in Sicily began to draw down their deposits with AMF Palermo, as AMF ceased to pay interest on deposits as of 1 January 1944. The total on deposit had been reduced from 1,263,500,000 lire on 31 December to 1,099,690,000 lire on 15 January. AMF has found it unnecessary to make fresh loans or deposit new funds with Italian banks. The commercial banks in Naples report that private transactions in government securities are taking place at somewhat higher prices as a result of the decision to resume payment of accrued interest on Treasury obligations and to repay them upon maturity, as from 1 January 1944.

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II. [6] CUSTOMS SECTION

A. Duties on Allied imports for Italian use

On 30 December a memorandum was submitted recommending full collection of all Italian duties and related charges on merchandise imported by the Allied Governments and turned over to the Italian Government or to Italian private or quasi-private concerns. A plan for the collection of such duties was included. This recommendation was approved by the Acting CFO and AMFA. On 11 January a second memorandum was submitted discussing the recommendations of this section from the point of view of the price policy outlined in the memorandum entitled "Views of ACC/AMG on Price Policies in Italy" of 2 January 1944.

B. Assembly of Italian Customs Information

1. Descriptive memoranda on the duties and functions of the three major Italian organizations concerned with the assessment and collection of customs duties and related charges have been completed. The three organizations are the customs service, the Guardia di Finanza, and the Capitaneria. A large volume of other material awaits translation.

2. A statement of duties and other charges provided in Italian law on the commodities which it is proposed that the Allied Governments will import for Italian use was obtained.

III. REVENUE SECTION

A. Reorganization

1. The Revenue Section, Finance Sub-Commission, ACC now operates through revenue officers in the AMG Regions rather than directly with the provinces. This change has simplified the work of the section, but it has delayed receipt of provincial data.

2. The following report forms were adopted:

CRO 14 - State revenues by provinces;
CRO 15 - State expenses by provinces;
CRO 16 - State expenditures by provinces and ministries;
CRO 17 - Condition of revenue offices, premises, and officials.

B. Revenue and Expenditure Statistics

1. Provincial tax receipts in millions of lire for reporting provinces in 1943 and 1942 are as follows:

	July	August	September	October	November	December	Six Months
Region II							
Matera							
1942	.8	3.0	1.0	5.2	1.0	2.9	13.8
1943	.7	4.0	.5	.7	.8	3.4	10.1
Reggio Calabria							
1942	5.8	12.0	7.1	12.1	6.9	11.3	55.2
1943	.1	1.8	*	4.0	3.8	7.5	17.2

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1943	.7	4.0	.5	.7	.8	3.4	10.1
Reggio Calabria							
1942	5.8	12.0	7.1	12.1	6.9	11.3	55.2
1943	.1	1.8	x	4.0	3.8	7.5	17.2
Region III							
Naples							
1942	80.4	162.5	109.7	172.8	109.2	136.8	773.4
1943	126.3	117.9	43.1	42.1	23.8	79.5	432.7

x = less than 50,000 lire.

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	July	August	September	October	November	December	Six Months
Region VI							
Sassari							
1943				18.6	14.2	20.6	
Cagliari							
1943				14.6	11.3	13.5	
Nuoro							
1943				5.1	2.0	5.1	
Royal Provinces							
Bari							
1942	29.8	65.2	47.7	76.0	54.4	54.4	327.5
1943	41.8	104.1	62.9	69.2	54.2	87.2	419.4
Brindisi							
1942	1.6	6.1	1.7	6.6	1.7	6.2	23.9
1943	2.6	9.3	2.9	7.9	4.4	7.6	34.7
Lecce							
1942	2.5	10.4	3.6	10.4	3.5	10.4	40.8
1943	3.0	13.6	3.6	13.5	5.2	13.2	52.1
Taranto							
1942	3.0	9.0	2.7	9.2	13.5	31.8	69.2
1943	2.5	11.1	3.2	10.7	4.9	11.4	43.8
Region IV							
Foggia							
1942	4.2	17.4	14.3	17.4	6.8	18.2	78.3
1943	1.5	33.6	.8	17.1	.7	12.9	66.6

2. A detailed breakdown for Naples province for December 1942 and December 1943 is as follows (amounts in millions of lire):

	December 1942	December 1943	
		Amount	Age of 1942
Imposte Dirette			
Imposta R.M. ("income tax")	21.0	11.2	53
Imposta ordinaria sul patrimonio (general property tax)	8.7	10.5	121
Imposta straordinaria sui maggiore utile relativi allo stato di guerra (excess profits tax)	1.6	4.5	281
Imposta reddito complessivo (income tax)			

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Naples							
1943				5.1	2.0	5.1	
Royal Provinces							
Bari							
1942	29.8	65.2	47.7	76.0	54.4	54.4	327.5
1943	41.8	104.1	62.9	69.2	54.2	87.2	419.4
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1943	2.6	9.3	2.9	7.9	4.4	7.6	34.7
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1943	3.0	13.6	3.6	13.5	5.2	13.2	52.1
Taranto							
1942	3.0	9.0	2.7	9.2	13.5	31.8	69.2
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Imposta straordinaria sui maggiore utile relativi allo stato di guerra (excess profits tax)	1.6	4.5	281
Imposta reddito complessivo (income sur-tax)	4.8	4.3	90
Imposta straordinaria sulla proprieta immobiliare (special real property tax)	4.5	3.8	84
Imposta sui fabbricati (tax on rent of urban buildings)	4.2	3.7	88
Imposta personale progressiva sui celibi (bachelors' tax)	1.1	1.1	100
Imposta sui dividendi delle azioni emesse dalle societa (tax on dividends)	2.5	.0	0
Other imposte dirette	4.0	4.7	117
Total imposte dirette	52.4	43.8	

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	December 1942	December 1943 Amount	December 1943 %ge of 1942
Imposte Indirette			
Imposta sull entrate (sales tax)	10.3	-	-
Other imposte indirette	13.3	10.6	80
Total imposte indirette	23.6	10.6	45
Imposte di Produzione	5.5	2.1	38
Dogane e delle Imposte Indirette (Customs)	.9	.3	34
Provveditorate Generale	.11	.08	68
Finanza Locali	.08	.02	20
Total tax Revenues	82.6	56.8	68
Other Revenues	56.2	22.7	40
Total Revenue	138.8	79.5	57

2. In the last six months of 1943 tax collections in the Royal Provinces other than Taranto, were substantially above 1942. These are the provinces in which no military campaigns were fought. They therefore escaped the disorganization of war. In Reggio collections for the six months are only about 30% of last year, but have been improving. They were 70% in December. In Naples the situation deteriorated steadily from July through November, but recovered to 55% for the month of December and an average of 55% for the six months. The returns from Foggia show surprisingly little effect from the campaigns in that area, and collections for the six months were over 85% of last year.

3. The detailed returns for Naples in December indicate revenues larger than last year from the excess profits tax, and the general property tax, and equal to last year for the bachelor's tax. The surtax, the general property tax and the tax on urban building rents ranged from 80% to 90% of last December, but others were far lower. The total for all tax revenues was only 68% of last December.

4. AMFA advances are, at this time, the only indication of Italian governmental expenditures. Such advances roughly reflect expenditures of the previous month or, in the case of Regions III and IV, the two preceding months. Under the budgetary control system established in December monthly figures on advances approved by regions will be available, but these data have not yet been received. AMFA advances for October, November, and December are as follows:

	October	November	December

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	5.5	2.1	38
Dogane e delle Imposte Indirette (Customs)	.9	.3	34
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	October	November	December
		(millions of lire)	
to the State	216.0	811.2 [1]	869.8 [2,3]
to Provinces	125.1	196.0	49.0
to Communes	86.3	275.1 [1]	289.7
Total	427.4	1,282.3	1,228.6

1. Includes December advances in Messina Province
2. Includes January advances in most of Region I.
3. Includes advance of 450 million lire to Badoglio Government.

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C. Revenue Stimulation

1. On 30 December a meeting was held with the CFOs of Regions I and II. The unsatisfactory level of tax collections was pointed out. The causes were agreed to be: apathy of tax payees and tax officials, destruction of records and dispersal of staffs, and general disturbances resulting from the war. It was proposed to eliminate tolleranza, put pressure on the Intendente, Esattore, and Guardia di Finanza, enlist public sentiment, request examination of each tax by the F.O. and Intendente, make special efforts to stimulate government monopolies, lotteries, and customs receipts, put pressure on Prefects for stimulation of Imposte di Consumo, and possibly re-establish the Ente Nazionale Gestione Imposte Consumo. It was agreed that officers should be assigned to visit the regions and assist in the establishment of this programme. To date, however, no available officers have been found, and therefore the programme is at present only a list of suggestions for the regions.

D. Other activities

1. This section and the Utilities and Mining Sub-Commission adopted a plan to finance a road-building programme.

2. A memorandum was written recommending that Italian taxes should not be deducted from the wages of Italian civilians employed by ACC. This matter has not yet been closed.

3. A proposal submitted by Region I for a special wine tax to subsidize industrial alcohol production was investigated.

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IV. CURRENCY AND EXCHANGE SECTION

A. Foreign Exchange

1. Efforts were made to determine the extent and nature of black market activity in foreign exchange in the Naples area. By the end of January, blue seal dollars were selling at between 135 and 250 lire and pounds sterling between 700 and 800 lire, with somewhat higher rates for fractional currency. The premium paid for the yellow seal dollar was small, 102.5 lire for one dollar. The volume of trading is apparently not large.

2. Information on the identity of purchasers is incomplete. There is general agreement that during the early days of the Allied occupation, individuals with large lire holdings were ready buyers of the dollars brought in by troops. At present most of the buying is accounted for by individuals who are profiteering in black markets. Small merchants and building janitors are always ready to pay 150 lire or more for a blue seal dollar. Occasionally banks are offered blue seal dollars. The small currency exchange shops in the Naples area are trading in Algiers francs and some other currencies but reported to be unwilling to risk transactions in dollars and sterling.

3. One of the principal sources of foreign exchange supply at the present time appears to be the Allied merchant marine. A fairly regularised group of profiteers is reported to have established contact with merchant marine personnel, in the guise of providing laundry, dry cleaning, and similar services, using the contact to pick up dollars and sterling in the possession of the seamen. Foreign exchange now in possession of troops is small.

4. There is evidence that the more informed segments of the population are becoming concerned over the ultimate value of the lira. The memory of the currency depreciations after the last war is fresh in Italian minds. The radio and rumor mongers have spread reports of large scale printings of Italian currency in German occupied territory. As yet there appears to be no noticeable flight from the currency beyond the willingness of most merchants to buy dollars, and their apparent lack of interest in selling their stocks. Several explanations may be offered. The opportunities for flight are very limited. Transactions in real estate are subject to license and owners are unwilling to sell. The great mass of the population requires all of its currency to purchase every day necessities at steadily rising prices. Those who had large lira holdings have already converted substantial portions of them. The small black market profiteers invest much of their daily profits in jewelry, art works, and similar articles offered them by the fixed income group, which is being hard pressed by the rising cost of living.

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B. Transfer of Property

Consideration was given to the restriction on the transfer of real estate imposed by Article III of Proclamation No. 5. One of the alternatives under consideration would lift the restriction of transfers involving a consideration of not more than 50,000 lire, but would leave transfers in excess of that amount subject to license. The Italian Government has made a strong plea for lifting all restrictions on property transfers in order that it might collect taxes imposed on such transfers. The matter is still under consideration.

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C. Payment for Lead and Zinc

Enquiry was received from Region VI with regard to the pricing of and payment for lead and zinc purchased for export. Region VI was advised that;

1. With regard to lead and zinc already available in stockpiles from production prior to the Allied occupation an effort should be made to arrive at a price acceptable to the vendor and conforming with the policy that "the price paid Italian producers for commodities exported should cover actual cost of production at time of production plus a fair profit."

2. After the agreed price has been approved, funds can be advanced by AFA in the same way that they are currently advanced for Sardinian coal.

3. In the event that it is not possible to arrive at a price both acceptable to the Italian producer and conforming to the price policy referred to above, recourse would be had to requisitioning. Since requisitioning might delay bringing mines into production it should be employed only if necessary.

4. With regard to lead and zinc produced in future, the price paid should cover actual cost of production and a fair profit. Arrangements for the financing of current Italian production are now being formulated in conjunction with the Italian Government.

D. Mechanism for Stockpiling Hemp and its Products

The Sub-Commission was consulted on the procedure to be followed in purchasing and stockpiling rope manufactured under AMG supervision for the ultimate use of the Allied Forces. The entire product of the manufacturing industry is involved; some will eventually be released to civilian users. It was suggested that consideration be given to charging one of the existing Italian agencies (or an agency specifically created for the purpose) with the responsibility of purchasing hemp products from manufacturers at specified prices, stockpiling them in designated warehouses, and releasing to military and civilian purchasers, against Local Resources (Italian) Board allocations. The practicability of the suggestions is now under study by ACC officers concerned with the hemp program.

E. Increase in Salaries of Priests

A ruling was requested on the question whether priests are to be considered public employees for purposes of AMG orders providing for temporary wage adjustments. It appears that under Italian institutions priests are not considered public employees. However, they were also excluded under that section of the wage adjustment orders relating to private employees since that section applies to salaries and wages fixed by private labor contracts. Although it was the intention of the wage orders to cover all salary and wage recipients, it is

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F. Conference on Price Policy for Italy

The Sub-Commission was represented by two officers at the price policy conference held at AFHQ on 5 and 6 January. The Conference was in general agreement with the views of ACC/AMG, as summarized in the memorandum dated 2 January 1944. (See Report for December 1943). Since AFHQ is concerned only with general price policy and with the identity of the

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commodities excepted from that policy, the conference expressed no views on particular prices recommended in the memorandum submitted by ACC/AMG. It left those to the field for decision.

The conference considered the effect of the Allied troops' purchases on the level of Italian prices. This Sub-Commission outlined the various indirect measures which are already being taken to discourage expenditures by the troops; expressed the view that little could be done in the way of directly limiting the amount soldiers are permitted to spend in Italy, suggested consideration of a plan to make goods and services available to the troops at fair prices through NAAFI channels or through a limited number of controlled Italian establishments, suggested the possibility of making a greater drive to inform the troops about the economic consequences of carefree spendings, (since soldiers frequently have the mistaken notion that their spendings help the occupied country), and referred to the desirability of placing those shops which charge exorbitant prices "off limits" and "out of bounds" for military personnel.

The conference decided to continue for three months the present policy of selling Sardinian coal in Sardinia at a price requiring a relatively heavy subsidy. This Sub-Commission opposed the policy of selling Sardinian coal so much below prices charged in Italy for the same coal and at prices so far below the cost of production. Pursuant to the decision of the conference imported coal will be sold in Sardinia at a price 8 times that of domestic coal and Sardinian coal will be sold in Sardinia at one-third of the price other Italian consumers will be required to pay for the same coal.

G. Railway Rate Increase

A proposal by the Italian government for a 100% increase in railway freight rates was considered and disapproved. This Sub-Commission held that (1) In view of the price policy for Italy, approved at AFHQ, price increases in the case of locally produced commodities and services should not be authorised except in extreme emergencies where a price increase is essential to insure the flow of necessary supplies of the particular commodity or service into legal distribution channels. Railway transportation, provided by the Government itself, is clearly not in this category. (2) A 100% increase in freight rates would not have appreciable effect on railway revenues and the size of the railway deficit. (3) To the extent that an increase in freight rates would necessitate an upward revision of commodity prices, the measure would be inflationary. (4) Although railway rates, like all public utility rates, are artificially low in Italy, an increase in rates at this time would raise a number of problems which it is considered desirable to postpone for at least three months, in the expectation that by that time the Italian Government will be more firmly established and better able to deal with them. This referred to such problems as the effect of an increase in freight rates on the rates charged for other modes of transportation and on the wages paid railway employees. Consideration would also be given to the increase in ceiling prices of those commodities in the production of which rail transportation is a relatively important cost factor. (5) When information is available to indicate that a rate increase would improve the financial position of the

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consequences of carefree spendings, (since soldiers frequently have the mistaken notion that their spendings help the occupied country), and referred to the desirability of placing those shops which charge exorbitant prices "off limits" and "out of bounds" for military personnel.

The conference decided to continue for three months the present policy of selling Sardinian coal in Sardinia at a price requiring a relatively heavy subsidy. This Sub-Commission opposed the policy of selling Sardinian coal so much below prices charged in Italy for the same coal and at prices so far below the cost of production. Pursuant to the decision of the conference imported coal will be sold in Sardinia at a price 8 times that of domestic coal and Sardinian coal will be sold in Sardinia at one-third of the price other Italian consumers will be required to pay for the same coal.

G. Railway Rate Increase

A proposal by the Italian government for a 100% increase in railway freight rates was considered and disapproved. This Sub-Commission held that (1) In view of the price policy for Italy, approved at AFHQ, price increases in the case of locally produced commodities and services should not be authorised except in extreme emergencies where a price increase is essential to insure the flow of necessary supplies of the particular commodity or service into legal distribution channels. Railway transportation, provided by the Government itself, is clearly not in this category. (2) A 100% increase in freight rates would not have appreciable effect on railway revenues and the size of the railway deficit. (3) To the extent that an increase in freight rates would necessitate an upward revision of commodity prices, the measure would be inflationary. (4) Although railway rates, like all public utility rates, are artificially low in Italy, an increase in rates at this time would raise a number of problems which it is considered desirable to postpone for at least three months, in the expectation that by that time the Italian Government will be more firmly established and better able to deal with them. This referred to such problems as the effect of an increase in freight rates on the rates charged for other modes of transportation and on the wages paid railway employees. Consideration would also be given to the increase in ceiling prices of those commodities in the production of which rail transportation is a relatively important cost factor. (5) When information is available to indicate that a rate increase would improve the financial position of the Italian railroads sufficiently to outweigh these considerations, the proposal should be reconsidered.

H. Price to be Charged for German Coal

1. Consideration was given to the price which should be authorised for a quantity of high grade German coal sequestered in the Naples area which was being allocated to consumers. The coal had been purchased sometime prior to the occupation. At that time German coal was selling at about 300 lire per metric ton.

2. The Sub-Commission recommended that the present owners be paid substantially the price they paid for the coal, plus a margin to cover expenses incurred in stockpiling, handling, and a reasonable margin of profit. This formula indicated a maximum overall price of 500 lire per metric ton.

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3. It was suggested that in order to avoid windfalls to those purchasing the coal at the price recommended (the current price for comparable coal is 1200 lire per metric ton), the coal should be allocated in so far as possible to railroads, public utilities, hospitals, and similar public institutions. Under such a procedure the appreciation in the value of the coal would accrue to the Italian public rather than private interests. It was suggested further that if it proved necessary to allocate a substantial amount of the coal to private industry, such industry should be charged 1200 lire per metric ton and that the difference between the amount paid by such purchasers and the amount turned over to the present owners be credited to the account of the Italian Government.

It was the view of this Sub-Commission that to permit the present owners to sell the coal for 1200 lire a metric ton - the price recently set for imported coal - would amount to our condoning hoarding of basic commodities by private individuals with a view to speculative profit.

4. Subsequently, the CCG ordered that the present owners be paid 1200 lire per metric ton.

I. Price Paid for Sulphur

This Sub-Commission participated in meetings held at this HQ to fix a price for sulphur which will ensure maximum production and conform to General 409/AMG price policy. It opposed the decision of the meeting to increase the price of sulphur to 2700 lire per metric ton without reference to the costs of individual producers and without specifying production quotas. Its own recommendations were that, to secure maximum production and comply with established price policy;

(a) An Italian agency be designated as agent for purchasing, taking title to, and stockpiling, on behalf of the Italian Government, all sulphur produced before 31 December 1945;

(b) In discussion with the designated sulphur agent, a production quota and an average price be fixed for sulphur, such price to cover, on the average, cost of production plus a fair profit on all sulphur produced and delivered at designated stockpile sites;

(c) The agent be charged with the responsibility for settling with each producer on a price to cover his pro-rata production quota;

(d) The agreed price be paid in two instalments; 80% currently upon delivery to stockpiles and 20% at the end of three month intervals when and if the production quota was fulfilled; and

(e) The producers be given the additional safeguard of a re-examination of prices at three month intervals.

The Sub-Commission further stressed the importance of a proper price and production policy for sulphur in order to safeguard Italy's interest in one of the very few commodities the country has for export and on which it depends to maintain its balance of foreign trade after the war.

J. Prices for Medical Supplies

This Sub-Commission was consulted on the prices to be charged for medical supplies imported from the US. It recommended that:

(a) In conformity with

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Government.

It was the view of this Sub-Commission that to permit the present owners to sell the coal for 1200 lire a metric ton - the price recently set for imported coal - would amount to our condoning hoarding of basic commodities by private individuals with a view to speculative profit.

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J. Prices for Medical Supplies

This Sub-Commission was consulted on the prices to be charged for medical supplies imported from the US. It recommended that;

(a) In conformity with price policy approved at AFHQ, the supplies should be sold to provincial governments at unit costs paid by the QM, War Dpt. plus 20%, to cover landed costs; and

(b) To avoid the diversion of imported supplies to black market channels and to avoid the problem of dealers' margins at various stages of distribution, the medical supplies should be allocated, in so far as possible, to Italian governmental units and by them to public institutions and medical officers.

K. Retail Prices and the Cost of Living

The collection of information on price movements was continued during the month. Sufficient returns on food prices have now been received from the provinces of Southern Italy to provide an indication of current developments in food prices and the cost of living. These returns have been received in response to a request made last November by this Sub-Commission to each regional headquarters asking that they provide, for each of the provincial capitals in their regions, weekly reports on legal and black market prices of 12 commodities and an estimate of the quantities of each that were available

at legal prices.

The data are as yet incomplete and not entirely reliable. For the period 30 November to 15 January 175 reports were due, but only 61 have been received. Furthermore, on the reports received, over 25% of the price data requested is missing and information on quantities available is very sparse. The reliability of the data is open to question because of the usual difficulties of determining representative retail prices, especially under black market conditions, because of numerous definition problems, and because the scarcity of data on quantities available at legal prices makes it difficult to assess the relative importance of the legal and black markets.

Sufficient data on bread and olive oil prices are available for 15 of the 26 provinces, on cheese for 12 provinces, on sugar and meat for 11 provinces, on potatoes and pasta for 10 provinces, and for milk and fish for 9 provinces.

1. Bread

The price of bread is by far the most important factor in the cost of living in this area. It is believed that in Naples expenditure on bread accounts for over 35% of food expenditure, while potatoes and olive oil account for about 20% and 15% respectively.

The price of black market bread in Naples was about 18 lire per kilo in January 1943. It rose to 25 lire in July, and then rose rapidly to 30, 50, 60, 90, 110, and 130 lire in successive months from August 1943 to January 1944.

The difference in bread prices from province to province is very great. In December prices varied from 13 lire per kilo in Matera to 120 in Salerno. In the Italian heel and instep ruling prices were between 13 and 28, and in Sardinia about 20. In Sicily and across the Straits in Reggio the price was from 50 to 60; and in Naples and Salerno 110 and 120 lire, respectively.

In all of the provinces for which comparative data are available, except Salerno, the price of bread rose sharply from December to January. In the heel and instep the rise averaged 60% and was generally the same in each of the provinces of that area. In Trapani and Reggio the rise was 25%, and in Naples and Salerno 18 and minus 10 per cent. In general, provinces in which the price was lowest in December reported the greatest per cent increase from December to January. In January the price in the heel and instep varied from 20 to 43 lire; it was 68 and 75 in Reggio and Trapani, and 130 and 110 in Naples and Salerno.

Legal bread prices also vary widely from province to province, and unlike black market prices, do not reflect differences in the difficulty of transportation. The lowest legal price is 2 lire in Matera, and the highest is 4 lire in its neighbor, Potenza. The most common price is 3.60. This is the price in Naples, in Sicily other than Ragusa, in Reggio and Nuoro. Cosenza has 2 legal prices: 3.60 for bread made from imported wheat and 2.30 for that made from local wheat.

Bread rations are 150 grams per person per day in most of the provinces. In Naples it is 120 grams and in Salerno 100, a circumstance that makes the much higher black market prices in these two cities an even

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Bread rations are 150 grams per person per day in most of the provinces. In Naples it is 120 grams and in Salerno 100, a circumstance that makes the much higher black market price in those two cities an even higher average price for any reasonable budget of bread consumption. (It was announced early in February that the bread ration was being increased to 200 grams throughout liberated Italy.)

2. Potatoes

Under present conditions potatoes are the second most important item of food expenditure in Naples, although they are of much less importance in Sicily and Sardinia. The rise in potato prices has been even greater than that in bread prices. Indeed, the rise has been so great in some provinces during the last few weeks that potatoes are probably no longer considered a satisfactory substitute for bread.

In Naples the black market price of potatoes was about 8 lire per kilo in January 1943. It fell subsequently, as the crop came in, to 5 lire in June and to 3 lire in August. Thereafter it rose to 5, 7, 17, 22, and 36 lire in the months from October 1943 to January 1944. Thus while the

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price of bread rose 160% from August to January, the price of potatoes rose 650%.

The price of potatoes in Salerno is about the same as in Naples. In December the price was 6 lire in Matera and about 10 lire in the other provinces of the heel and instep. In Catanzaro and Reggio in the toe the price was considerably higher. Recent reports, however, indicate a great rise in the provinces of the instep and the heel. By mid-January the price had reached 20 lire in Brindisi, 22 in Cosenza, and 41 in Taranto.

The legal price of potatoes varies even more widely than that for bread. It ranges from 5 to 10 lire in Region II, and from 12 to 18 lire in the Royal Provinces, having recently been increased from approximately 2 lire. Only Potenza and Salerno report any potatoes available at legal prices.

3. Olive Oil

Price developments in olive oil are quite different from those of other foods. In the areas where olive production is very small the price of olive oil has been very high for some time and has risen only moderately. In Naples, for instance, the price was already 50 lire in January 1943. By September it had reached 120, and by January 1944 200. The rise from August to January was thus only 65%, in contrast to 160% for bread and 650% for potatoes. In the other areas of low production, Cosenza, Potenza and Salerno, prices were 70, 90, and 170 lire in December and did not rise in January. However in the areas of high production, the heel and the extreme toe, the price was around 30 lire in December, and in each of the provinces of this area the price rose sharply from December to January. The rise was over 100% in Bari, about 90% in Reggio, and about 55% in Taranto. Trapani, an area of high production, is an exception to these statements. The Trapani price was high in December, 80 lire, and rose 50% in January.

Legal prices of olive oil varied in December from about 15 lire in Sardinia, Cosenza, and Potenza, to 35 lire in Sicily. In the Royal Provinces the price was about 20 lire in December and was raised to about 26 in January. In other provinces for which data are available there has been little change.

A ration of olive oil is distributed in each of the provinces from which reports have been received. In Naples the ration is ½ lita per person per month, but it has not been distributed every month.

4. Pasta

In Naples the black market price of pasta was 20 lire in January 1943 and 30 lire in July. By September it was 90 lire and then 100, 145, 240, and 250 lire in the months from October to January 1944. The increase from September 1943 to January 1944 was 175%.

In the other provinces January prices were from 20 to 35 lire in the instep, from 40 to 50 in the heel, 100 in Trapani, and 115 in Reggio. In Lecce no pasta has been available even in the black market for several weeks. The increase of prices from December to January was over 70% in 4 of the 8 provinces for which data are available.

Legal prices vary from 3 to 5 lire. Some pasta is reported to be available at legal prices in Catania, Cosenza, and 3 of the Royal Provinces.

5. Meat, Fish, and Cheese

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5. Meat, Fish, and Cheese

Naples black market prices of these commodities have increased as follows;

	Jan. 1943	July 1943	Dec. 1943	Jan. 1944
	(in lire, per kg)			
Meat	30	50	220	270
Fish	14	22	140	140
Cheese	30	55	170	200

In Naples at present fish is about half and cheese about 2/3 of the price of meat. In most of the other provinces the price of fish is about

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equal to that of meat, and the price of cheese is about 2 to 2½ times as high. In the instep provinces meat is approximately 80, fish 70, and cheese 150 to 180 lire. In the heel and toe meat ranges from 100 to 120 lire, fish is about 100 lire and cheese from 120 to 275 lire.

With very few exceptions the reported data indicate a sharp increase in meat, fish, and cheese prices in all provinces from December to January, but there does not seem to be any particular pattern between the provinces nor any particular relationship between the increases for the three commodities.

6. Milk

In Naples the black market price of milk is about 24 lire per liter. The same price is reported from Lecce and Taranto, almost twice the December price for these provinces. In Catania the price has been 25 lire throughout December. In the instep provinces the price varies from 10 to 16 lire, representing from 0% to 30% increase over December.

In the Royal Provinces the legal price is 10 lire, but no milk is reported to be available at this price. In Salerno the legal price is 12 and in Naples and the rest of Region II it is 7 or 8 lire with small quantities available.

7. Sugar

In Naples the black market price of sugar was 16 lire in January 1943. In July it was still 16, but thereafter it rose sharply to 40 in September and 240 in January 1944. The rise from September to January was 500%.

On the heel the price of sugar is from 100 to 150 lire, in the instep from 200 to 250 lire and in Salerno 500 lire.

Legal sugar prices are about 9 lire in most of the provinces, but 15 lire in Naples, Reggio, and Catania. In most places no sugar is available at legal prices.

8. The Cost of Living

The prices used in the foregoing discussion have been combined into a composite picture for each province by calculating the cost of purchasing a budget of foods, using legal prices to the extent that rations were available and black market prices for the remainder. The budget used was determined through personal interviews with 26 Naples working class families in January 1944. The budget (for one person for one week) contains 2.00 kilo of bread, 0.15 kilo of pasta, 1.50 kilo of potatoes, 0.25 liter of olive oil, 2.50 kilo of vegetables, 1.50 kilo of fruits, and very small quantities of meat, cheese, fish, and milk.

The results indicate that the cost of living in Naples rose during the year from June 1942 to June 1943 at about 5% per month. Thereafter it rose very rapidly as follows:

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The results indicate that the cost of living in Naples rose during the year from June 1942 to June 1943 at about 5% per month. Thereafter it rose very rapidly as follows:

	(lire per person per week)
July	48
August	65
September	130
October	211
November	243
December	301
January	548

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The results by provinces are approximately as follows:

(lire per person per week)

	December 7	January 7
Instep	50-90	80-100
Heel	70-110	100-150
Sardinia	100-110	no data
Toe	100-150	140-180
Sicily	130-170	185
Shin	300	300-350

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V FINANCIAL LIBERATION POLICY

A. Bank Appointments

1. Bank of Naples

In accordance with negotiations initiated in December, arrangements were completed for the appointment of Mr. Cesare Ricciardi, an industrialist as Commissario Straordinario and of Mr Arturo Rossignoli, up till now Manager of the Bank of Italy, Naples, as General Manager, Naples.

Appropriate decrees were issued by the Italian Government and the two newly designated officers will assume direction of the Bank during February. Their appointment will be given wide publicity throughout liberated Italy.

2. Bank of Italy

Also in accordance with negotiations initiated in December, Mr. Arturo Atti, senior member of the Consiglio Superiore of the Banco d'Italia, has been appointed by the Head of the Italian Government Commissario of the Bank in liberated territory vesting in him the powers of Governor, Board and Deputy Governor.

At the same time Mr. Pettinari, at present Manager of the Bari branch of the Bank of Italy, will be moved to Naples to head the Naples branch, which at the time will be designated temporary Head Office of the Bank of Italy system. This will unify the central bank in the liberated area and will greatly facilitate the Government's and ACC's supervision of the entire banking system as well as the financial operations of the Italian Government.

B. Postal Savings Bonds

1. In connection with the steps being taken to reinstitute the sale of postal savings bonds throughout liberated Italy negotiations were held with the Psychological Warfare Branch looking to the acquisition through it of sufficient stock of paper with which to print the necessary quantity of bonds, all paper stocks having been previously requisitioned by PWB. These negotiations resulted in a meeting at Foggia where all paper stocks were stored, at which our representative and a representative of the Italian Government were allocated sufficient stocks of paper of the appropriate type to produce bonds in the quantity required.

2. Arrangements were also made with PWB to have the press of Richters and Company, Naples, produce the bonds. The company will require two months to produce a specimen bond.

3. Because of the time required arrangements are also being made to use a temporary type of certificate so that this service can be initiated in the relatively near future.

4. Bonds have been sold in Naples since December 3[illegible] under the authority

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3. Because of the time required arrangements are also being made to use a temporary type of certificate so that this service can be initiated in the relatively near future.

4. Bonds have been sold in Naples since December 3[illegible] under the authority of Region III. In the city of Naples 1,618 bonds totalling 7.1 million lire were sold and 4,963 bonds totalling 11.0 million lire were redeemed during the month of January.

5. After some study and meetings with the Communications Sub-Commission looking forward to a coordinated supervision of all postal services the following decisions were made :

(a) That the services relating to Postal Savings Bonds, Postal Savings Accounts, Postal Current Accounts and Money Orders shall be supervised by the Finance Sub-Commission ;

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(b) All other activities of the postal services will be supervised by the Communications Sub-Commission ;

(c) In order to assure coordinated action and to avoid the possibility of confusion all communications and instructions emanating from the Finance Sub-Commission to the postal services will be routed through the Communications Sub-Commission.

C. Payment for Italian Goods and Services used by the Allied Armed Forces

1. Administrative Memorandum No.95 of AFHQ outlining the policy that payments for Italian goods and services used by the armed forces should not be paid for by the latter but by the Italian Government by arrangements to be made through ACC resulted in a great many enquiries and considerable confusion because no plan for such payments had been worked out by ACC with the Government at the time of the issuance of the memorandum.

2. Accordingly the matter was considered at a meeting of the Local Resources (Italian) Board at which a representative of the Finance Sub-Commission was present. The latter pointed out the difficulty of implementing the memorandum because of the lack of a a plan of payments by the Italian Government, with the result that instructions were issued by Brig.-Gen.A.L. Hamblen that until such time as an arrangement has been put into effect by ACC with the Italian Government the Army will make the necessary payments for services and supplies received.

D. Interest on Bank Deposits

At the time the banks in Regions I and II were closed, the clause concerning interest in Proclamation No.5 was interpreted as meaning that interest on debit and credit balances with the banks would continue to accrue up to the due dates of the obligations or in the case of demand obligations continuously. In Region III the opposite course was adopted and this worked unnecessary hardship on the banks concerned. This matter was investigated and then discussed with the Rome Planning Group, which agree for Rome to use the interpretation applied in Regions I and II. Future editions of Proclamation No.5 will be corrected to allow of no misinterpretation.

E. Studies

and

Studies were continued/are still in process on the possible resumption of commercial insurance in liberated Italy and financial aid to industry through Government assistance in liberated Italy.

A study was also begun of a broad coordinated blocking program of bank deposits to be applied uniformly throughout liberated Italy.

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2. Accordingly the matter was considered at a meeting of the Local Resources (Italian) Board at which a representative of the Finance Sub-Commission was present. The latter pointed out the difficulty of implementing the memorandum because of the lack of a a plan of payments by the Italian Government, with the result that instructions were issued by Brig.-Gen. A.L. Hamblen that until such time as an arrangement has been put into effect by ACC with the Italian Government the Army will make the necessary payments for services and supplies received.

D. Interest on Bank Deposits

At the time the banks in Regions I and II were closed, the clause concerning interest in Proclamation No.5 was interpreted as meaning that interest on debit and credit balances with the banks would continue to accrue up to the due dates of the obligations or in the case of demand obligations continuously. In Region III the opposite course was adopted and this worked unnecessary hardship on the banks concerned. This matter was investigated and then discussed with the Rome Planning Group, which agree for Rome to use the interpretation applied in Regions I and II. Future editions of Proclamation No.5 will be corrected to allow of no misinterpretation.

E. Studies

and

Studies were continued/are still in process on the possible resumption of commercial insurance in liberated Italy and financial aid to industry through Government assistance in liberated Italy.

A study was also begun of a broad coordinated blocking program of bank deposits to be applied uniformly throughout liberated Italy.

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VI INSURANCE

A. Regulation of Claim Payments by Private Insurance Companies

1. At the present time Southern Italian agencies of private insurance companies are following many dissimilar and inconsistent practices in paying claims to policy holders. It is the intention of the Insurance Section to propose uniform regulations to cover the entire area. A proposal to this effect is being prepared.

2. The insurance organizations in Southern Italy are agencies of companies located in Northern Italy. Before the war agencies throughout the area operated directly under the head offices in Milan and other northern cities. Immediately prior to the Allied occupation the companies, in anticipation of Allied occupation, issued directives to the southern agencies specifying in most cases that the Naples office would assume the duties of head office for the southern agencies and specifying the general line of policy to be followed. The directives of some of the companies stated that claims should be paid in full, while others stated that claims should be met up to 70% of the amount of the claim.

3. These directives never reached the Sicilian agencies. Because of the lack of authority and because of shortage of funds, Sicilian agencies suspended payments of all claims. Region I Headquarters has approved of this policy.

4. AMG, Region II issued a directive for agencies in its area, effective from ' January, laying down the following policy:

(a) Agencies whose head office is in German territory will operate autonomously;

(b) New business must be presented to AMG for approval;

(c) Claims in excess of 5,000 lire may not be paid other than in exceptional circumstances, in which case AMG approval will be required;

(d) AMG financial assistance will be provided when necessary.

5. Region III has not issued a directive, but has stated in reply to one of the company directives calling for 70% payment that all claims in Region III will be met in full. Region III has made no statement on the agents' authority to obtain new business, nor has any question of AMG financial support arisen.

6. No information is at present available on the situation in the Royal Provinces.

7. The policies laid down for insurance agencies in Southern Italy

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6. No information is at present available on the situation in the Royal Provinces.

7. The policies laid down for insurance agencies in Southern Italy vary widely. Most of the agencies have received conflicting orders from their head offices and from AMG, the orders of the latter sometimes calling for larger claim payments than the companies specified and sometimes smaller. It appears desirable to standardize the practice in all the liberated area, to recognize the headship of the Naples agencies and to permit them to operate with their own facilities and in general accordance with their company directives. It is likely that the Naples agencies have the funds and personnel necessary for such operation and, if given reasonable facilities such as automobiles and curfew exemption, would be able to conduct their business satisfactorily.

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B. Position of Leading Companies in Naples

Contact was made with several of the leading insurance concerns operating in Naples, including the following :

i. Istituto Nazionale delle Assicurazioni
ii. Assicurazioni Generali di Venezia
iii. Riunione Adriatica di Sicurta
iv. "Alleanza" Societa Italiana Assicurazioni Vita.

Generally speaking it would appear that, given reasonable facilities, the companies are well able to conduct their affairs within the instructions received from their head offices prior to occupation by Allied forces.

C. Social Insurance

1. Conferences have been held between Officers of the Insurance Section and the officials of Istituto Nazionale Infortuni, Institute Providenza Sociale, and Cassa Marittima Meridionale on matters relating to the respective Istitutes.

Copies of the Statuto and Regolamento in Sicily dealing with the amalgamation of the four Cassa Mutua under Istituto per l'Assistenza di Malattia ai Lavoratori have been furnished to Regions III and IV.

2. Social insurance cover for civilian labor

Region III submitted a copy of a letter sent by the Director, Labor Division to C.i/c Combined Hq, Royal Navy, relating to social insurance cover for civilian labor employed by contractors, and asked for our comments. We advised that the class of labor in question was entitled to protection and the burden was upon the employer, e.g., in the cases in question, the contractor who is subject to the Italian insurance laws.

The Director of Labor also expressed the opinion that in the case of civilians employed directly by the Armed Forces, a formula should be prepared which would give these employees the normal social insurance coverage, both in the interests of the national insurance program and as an incentive to labor.

The matter of insuring civilian employees of AMG, 7th Army and of the American Red Cross was considered earlier in Sicily when it was decided to pay such civilians at a straight salary rate without deductions for social insurance contributions. It was left to the employee to protect himself. The principal reasons for this decision were;

(a) the complex nature of Italian social insurance;
(b) the question of inclusion of armed personnel under their

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(a) the complex nature of Italian social insurance;
(b) the question of inclusion of insured persons under their proper classification (e.g. persons employed by the authorities mentioned, as porters, messengers, interpreters, chauffeurs etc. were often insured under a different classified trade);
(c) the work devolving upon finance officers was already extensive and they had neither the time nor staff to deal with the matter adequately. In any event it is not considered incumbent upon an army of occupation to make insurance contributions for the civil labor it employs.

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3. Indennita' di Presenza

Two lines of inquiry by Regions I and II required some special investigation. An inquiry by Region II regarding the indennita di presenza, subsequently joined in by Region III, was made the more important when it developed that one variety of treatment was being used as regards wage adjustment, and another as regards social insurance benefits. This Section had not been consulted before the terms of Regional Order N.2 (temporary wage adjustment) were released. The wage increase order included within the scope of the percentage of change, the indennita di presenza (bonus for daily presence on the job). Originally the employer paid 15 lire per day but was reimbursed to the extent of 7 lire by the Istituto di Previdenza Sociale. On the other hand, obeying our original mandate drawn in Sicily, Previdenza has not pay any part of indennita di presenza. It appears from our investigations that this matter did not receive proper consideration at the time the wage order was being studied. As a result, employees have received a larger increase than was perhaps intended. We do not feel, however, that our instructions to Previdenza should be abrogated.

4. Cassa Marittima Meridionale

A letter from Region I raised the question of resuming insurance for sea-faring people by the Cassa Marittima Meridionale. This is an autonomous organization for paying industrial accident and sickness claims to maritime workers. Pensions for old age and invalidity are handled within Previdenza by a special division in which the Meridionale is represented. Investigation developed that in Region III, Meridionale has been ordered to cover injuries sustained by maritime workers while at work in this Region for Allied military forces. Otherwise this organization is not at present functioning. Its director is willing and anxious to resume general operations, and also to take over the pension scheme at present administered by a special division of Previdenza. This proposal requires some further study, not only because of the administrative questions involved, but also because financial assistance may be needed.

5. State pension increases

On 25 January 1944 a proposal for a temporary increase of pensions for retired state employees, similar to the temporary wage adjustment ordered in Region III on 11 December 1943 (Regional Order N.2), was submitted to the Economic and Administrative Directorate by the Labor Sub-Commission. Already, in response to a communication of 28 November 1943 from this Sub-Commission, we had been investigating alternative methods of adjusting such pensions, and with the help of information supplied by the Ministry of Labor for Region I, had prepared preliminary estimates of the cost. A memorandum containing the results of these analyses was submitted to the CFI on 28 January 1944. It recommended acquiescence in an upward adjustment of pensions, but urged study and appropriate action upon such measures as enforcement of contribution collections, paring of pensions rolls, and an increase in contribution rates in order to resist the expected inflationary effect. The section has been asked to investigate further the cost of the proposed

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Previdenza does not pay any part of indennità di presenza. It appears from our investigations that this matter did not receive proper consideration at the time the wage order was being studied. As a result, employees have received a larger increase than was perhaps intended. We do not feel, however, that our instructions to Previdenza should be abrogated.

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D. War Risks Insurance

On 4 November 1943 Proclamation Number 9 was issued by the chief of the general staff of the Italian Army by which the Italian Government assumed from 1 November 1943 the re-insurance of motor ships, sailing ships, and their respective cargoes against the risks of war.

By the proclamation the Italian Government placed itself in the position of Consorzio Italiano Assicurazioni Rischi Speciali Trasporti (CLIRST), Rome, for providing cover for such risks.

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It appeared to us that there could be no objection to the insurance companies resuming the risks mentioned, in conjunction with the Italian Government, and, since the proclamation covered only the territory under control of the Italian Government, it was considered desirable to extend its terms to include territory in Region III, particularly the port of Naples.

We have discussed the matter with Region III. They favor the scheme but, before communicating with the insurance companies, are taking legal advice on the power of an army commander to issue proclamations on behalf of the civil government. If satisfied on this point, they will authorize the companies to regard the terms of proclamation as effective in Region III.

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VI. CHIEF ACCOUNTANT'S SECTION

A. AMFA

1. It was arranged that AMFA Branch Accounts should be submitted to Headquarters only on the 15th and last days of each month instead of four times a month. A minor change in the AMFA Statement of Assets and Liabilities was effected: "New A.M. Lire Notes" and "General" accounts with Headquarters in the books of the Branches were merged into one "Current Account". It was arranged to open new accounts for "Overages" or "Shortages of New A.M. Lire Notes" revealed when boxes were opened. Arrangements were made to purchase and open a set of books for AMFA, Region IV.

2. A consolidated Statement of Assets and Liabilities as at 31 December 1943, supported by a consolidated statement of Revenue and Expenditure, was prepared.

3. The accounting procedure for remittances from U.S. and British nationals was discussed with AMFA.

B. Alterations in System of Accounting proposed by the CCS

Charts of the proposed new system of accounts were received from the CCS, Washington, and a full memorandum on the subject was prepared. This memorandum was discussed with MCS, AFHQ and despatched to the CCS in Washington.

C. 5th and 8th Army Accounting

It was arranged for all Sub-Accountants with the 5th and 8th Armies to report to the Regional Chief Accountant, Region IV. Readjustment of the territories covered by the Regions may, however, necessitate a change in this arrangement next month as far as the 8th Army is concerned.

D. AMG/ACC Accounts

Consolidated monthly accounts for all Regions are being prepared for each month up to 30 November 1943, together with a consolidated statement of the cumulative figures to that date.

E. Supplies Accounting

1. Instructions were issued that a register should be maintained in each Region of all purchases for export, showing the country of destination.

2. Instructions as to "Transactions between the Armed Forces and AMG" were expanded and repeated in all Regions.

3. Various discussions were held with the Food Sub-Commission and the Industry and Commerce Sub-Commission on general questions of stores accounting and warehousing. During these discussions the necessity of making increased

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3. Various discussions were held with the Food Sub-Commission and the Industry and Commerce Sub-Commission on general questions of stores accounting and warehousing. During these discussions the necessity of making increased use of Italian clerks and other personnel was stressed.

4. Inspection visits by two officers were made to Puglia and Region II, and the questions of supplies accounting were discussed with the Supply Officer in Puglia and with the Regional Chief Accountant in Region II. In Puglia the position up to 31 December was satisfactory, but the information received was that the work had got into arrears in January as a result of greatly increased shipments. In Region II a report was expected from Reggio Calabria and until this is received the state of the accounting at that port cannot be ascertained. Information with regard to other provinces in Region II suggested that the accounting leaves much to be desired. It has been arranged to send an officer on temporary duty to Region II to assist with the supplies accounting.

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F. Medical Supplies Accounting

1. General discussions were held on the subject of accounting for medical supplies.

2. Two soldiers were loaned to the Public Health Division to assist in bringing the Naples warehouse figures up to date and in carrying out a physical inventory. The former work is not yet completed.

G. Public Safety

Instructions for accounting for fees for permits to use motor vehicles were revised and sent to the Sub-Commission for consideration.

H. Public Works

Discussions were held with members of the Sub-Commission on the procedure for controlling expenditure of Italian agencies employed on extensive road schemes and for their financing through the Italian government.

I. Displaced Persons Sub-Commission

1. A discussion was held with Lieut-Colonel Hulls on various questions of effecting disbursements of cash and supplies in forward areas.

2. A meeting was attended with the Displaced Persons Sub-Commission at its Headquarters in Bari and the whole question of accounting as applied to the various activities of the Sub-Commission was discussed. A general directive is to be drawn up by the Chief Accountant in place of the previous draft directive prepared by him, which calls for rewriting in view of changed circumstances.

CARL A. MILLER,
Lieut.-Col.
Acting Deputy
Chief Finance Officer.

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EXHIBIT D

BASIC SCHEDULE OF TRAINS FOR AMG/ACC TRAFFIC AND CIVILIAN REQUIREMENTS

Section of Railroad	PASSENGER (each way)	FREIGHT (each way)	MIXED (each way)
ITALIAN STATE, STANDARD GAUGE:			
NAPLES - POTENZA - TARANTO - BRINDISI - BARI	Bi-weekly	One daily	
BARI - BARLETTA			One daily
BARI - BRINDISI			One daily
BRINDISI - LECCE			One daily
BARI - TARANTO (Via Gioia)			One daily
BARI - GIOIA	One daily		
MELFI - POTENZA			Tri-weekly
SICIGNANO - LAGONEGRO			Tri-weekly
AVELLINO - NOCERA			=Bi-weekly
S. EUFEMIA - BATTIPAGLIA			One daily
REGGIO - CATANZARO - METAPONTO - TARANTO		One daily	Tri-weekly
SIBARI - PAOLA			+Tri-weekly
REGGIO - NICOTERA			One daily
CATANZARO - MARINA - S. EUFEMIA			+Tri-weekly
SUD)EST STANDARD GAUGE SYSTEM	Two daily	One daily	
SECONDARY LINES METRE GAUGE:			
BARI - MATERA	One daily	Three daily	
BARI - TORITTO	One daily		
ALTAMURA - GRAVINA			Two daily
POTENZA - AVIGLIANO			Two daily

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BARI - BARLETTA			One daily
BARI - BRINDISI			One daily
BRINDISI - LECCE			One daily
BARI - TARANTO (Via Gioia)			One daily
BARI - GIOIA	One daily		
MELFI - POTENZA			Tri-weekly
SICIGNANO - LAGONEGRO			Tri-weekly
AVELLINO - NOCERA			=Bi-weekly
S. EUFEMIA - BATTIPAGLIA			One daily
REGGIO - CATANZARO - METAPONTO - TARANTO		One daily	Tri-weekly
SIBARI - PAOLA			+Tri-weekly
REGGIO - NICOTERA			One daily
CATANZARO - MARINA - S. EUFEMIA			+Tri-weekly
SUD)EST STANDARD GAUGE SYSTEM	Two daily	One daily	

SECONDARY LINES METRE GAUGE:

BARI - MATERA	One daily	Three daily	
BARI - TORITTO	One daily		
ALTAMURA - GRAVINA			Two daily
POTENZA - AVIGLIANO			Two daily
POTENZA - CAVELLO			Tri-weekly
LAGONEGRO - SPEZZANO			One daily

NOTE: = Service to connect with the NAPLES - TARANTO - BRINDISI - BARI bi-weekly passenger train, both ways.

+ Service to connect with the REGGIO - CATANZARO - METAPONTO - TARANTO tri-weekly mixed train both ways.

"DAILY" Services work only on WEEK DAYS.

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Exhibit "E"

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MONTHLY REPORT

FOR

JANUARY — 1944

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REGION II
ALLIED CONTROL COMMISSION

MONTHLY REPORT
FOR
JANUARY — 1944

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REGION II
ALLIED CONTROL COMMISSION

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REGION II

ADMINISTRATION

B-1. On December 31st, 113 Officers and 100 EM/OR were assigned, and 5 Officers attached (7 as Civilian Censors). Four Officers reported for assignment and 12 were relieved during the month of January. One assigned Officer was absent on temporary duty and several were absent sick. Assuming those absent sick for more than 21 days are no longer to be considered assigned, there were on Feb. 1, 97 assigned officers present for duty, 10 attached (including 7 censors) and 104 EM/OR. These figures are exclusive of personnel assigned to Region V.

B-2. On January 19th, the main body of Region V personnel arrived at Barranto—81 Officers and 114 EM/OR, - without vehicles. On orders from AFHQ, 27 Officers and 63 EM/OR were placed on temporary duty with the Sub-Commission on Displaced Persons. Most of the remaining EM/OR and some of the Officers were held at Barranto to guard the Regional equipment, and to be available to move the vehicles when their ports of arrival became known. The remaining Officers and men were distributed throughout Region II as rapidly as transport could be found. All were in their stations in less than five days. Very shortly thereafter, it was learned that Region V had been activated, and certain officers and men were recalled. At the end of the month there were 42 Officers and 11 EM/OR still on the rolls as attached to Region II. Seven of these Officers and one enlisted man were under orders to proceed to other stations, leaving 35 Officers and 10 EM/OR belonging to Region V and attached to Region II.

B-3. In accordance with instructions from HQ, a TO/E for this Region with its present boundaries was prepared on the basis of a maximum of 100 Officers. Corresponding breakdowns for EM/OR, and a T/E were also prepared and submitted.

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REGION II

POLITICAL DEVELOPMENTS

B-4. The most interesting political event during the month was the Bari Conference. It may well be said that when this affair went off, despite all advance publicity, it made a pop rather than an explosion. The primary reason was that it had to compete with the news of the Allied beach-head at Nettuno. It is safe to say that more people tuned in to BBC for the war news than to Bari for the orations. A second important factor was that the deliberations were negative or destructive in character. Even people of such poor political aptitude as the ordinary Italians sense that however weak an existing government may be, it cannot be replaced by a vacuum.

B-5. Strong as was the hatred of the Grande Consiglio members tried and condemned to death at Verona, the conduct of the trials appears to have disgusted most people. It is considered rather ironical that these men die for doing a sincere political act -- declaring Mussolini unfit to govern -- a declaration which faithfully reflected public opinion.

B-6. AMG is criticized, but almost invariably in good nature. It's failings are never attributed to lack of good will or intentions. They are explained by our ignorance of the complicated mentality of the southern Italian and by our readiness to believe that most people speak the truth, whereas few do.

B-7. The lack of Allied propaganda in the Region is very keenly felt by widely different individuals and groups. It is often suggested some substitute for the defunct O.N.D. might be organized or encouraged. This would at least turn the attention of the ignorant somewhat from political agitators.

B-8. The consensus of opinion is that political activity waned somewhat in the provinces. The trend of sentiment is still toward the Left, against the King and the Badoglio Government. The population as a whole feel that for the first time in at least 20 years they are receiving a "square deal", and they will be reluctant to see the end of Allied Military Government. An indication of this feeling occurred in Catanzaro when a new SCAO published a proclamation urging a political holiday and the cooperation of everybody in the rehabilitation of the province. Press comment was enthusiastic. Without waiting to be asked, the Communists obliterated the signs they had painted on walls and buildings. The Archbishop, the Commanding General of the 31st Italian Army Corps, and the Chief Judge of the Court of Appeals waited upon the SCAO to thank him and offer their assistance.

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B-5. Strong as was the hatred of the Grande Consiglio members tried and condemned to death at Verona, the conduct of the trials appears to have disgusted most people. It is considered rather ironical that these men die for doing a sincere political act -- declaring Mussolini unfit to govern -- a declaration which faithfully reflected public opinion.

B-6. AMG is criticized, but almost invariably in good nature. It's failings are never attributed to lack of good will or intentions. They are explained by our ignorance of the complicated mentality of the southern Italian and by our readiness to believe that most people speak the truth, whereas few do.

B-7. The lack of Allied propaganda in the Region is very keenly felt by widely different individuals and groups. It is often suggested some substitute for the defunct O.N.D. might be organized or encouraged. This would at least turn the attention of the ignorant somewhat from political agitators.

B-8. The consensus of opinion is that political activity waned somewhat in the provinces. The trend of sentiment is still toward the Left, against the King and the Badoglio Government. The population as a whole feel that for the first time in at least 20 years they are receiving a "square deal", and they will be reluctant to see the end of Allied Military Government. An indication of this feeling occurred in Catanzaro when a new SCAO published a proclamation urging a political holiday and the cooperation of everybody in the rehabilitation of the province. Press comment was enthusiastic. Without waiting to be asked, the Communists obliterated the signs they had painted on walls and buildings. The Archbishop, the Commanding General of the 31st Italian Army Corps, and the Chief Judge of the Court of Appeals waited upon the SCAO to thank him and offer their assistance.

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REGION II

PUBLIC SAFETY AND LAW ENFORCEMENT

B-9. The generally good record of Public Safety and Law Enforcement in the Region was extended during the month of January. Three of the six provinces reported no major civilian crimes during the month. In the other three there were 7 homicides and three armed robberies. Arrests have been made in four of the homicide cases, and in another, one of the murderers was killed in the execution of the crime. There were, as usual, a large number of cases of petty thefts.

B-10. Black Market cases are still numerous, but apparently the rate has slackened if not slightly decreased. This improvement may be due to the effective establishment of a large number of road blocks, night patrols, and the greater efficiency of the Italian police. It is a little unfair to single out any particular officers when all are doing excellent work, but the effectiveness of A/Capt. Hobbs and 2d Lt. Muehlbauer in Reggio Province has been outstanding. By their example and knowledge of police work they have inspired all police services in the province and accomplished remarkable results.

B-11. There were only five organized demonstrations in the Region during January. None of these was really serious. One, illustrating the difficulties of Supply and police problems, was caused by delay in the arrival of flour at a mountainous village in Reggio, so situated that the last four or five hours of the journey can be covered only on foot or mule-back.

B-12. Public morale is fairly good. It varies with the adequacy of the food supply. The general improvement in the arrival of food supplies during January has already been reflected in the state of public morale. The distribution of clothing with the assistance of Red Cross personnel during the last few days of the month has also helped.

B-13. The registration and licensing of motor vehicles, except in Salerno Province, where it was ordered directly by higher authority, has made no progress because of failure to receive the final approved orders from Headquarters.

B-14. Realizing in November, 1943, the importance of controlling brothels and prostitutes as a direct check on venereal disease, brothels have been consistently closed to troops and street women have been arrested and examined, and if infected, hospitalized. Taking a realistic view of this problem, however, a prophylactic station was established in Matera while troops were in training in the vicinity and the importance of "before and after" treatment emphasized to the men. More than 2,000 men availed themselves of the prophylaxis in a period of approximately two months; no cases of venereal disease have resulted as yet among them.

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REGION II

LEGAL

B-15. A new Regional Legal Officer, Lt. Col. D.P.S. Cousins (B), reported for duty on January 10th. There are now nine Legal Officers on duty in the Region.

B-16. 170 cases were tried by Military Courts during the month, two death sentences were imposed for wounding Allied Soldiers. Prompt action was taken in the case of local disorders connected with the amassing of grain. The two largest groups of cases were those involving illegal passage across the Straits of Messina and failure to amass grain in Matera.

B-17. The Italian Courts as a whole are functioning satisfactorily and are progressively hearing more cases. Their work is closely supervised by the Provincial Legal Officers. The failure of the Court of Appeals at Naples to appoint a Court of Assize to function in Salerno Province is a continuing handicap. The transfer of the Court of Appeals at Reggio to Messina is a matter of importance to this Region and it is hoped that pending correspondence will result in a satisfactory adjustment of the matter.

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REGION II

FINANCE

B-18. Much of the time of the Finance Officers has been devoted to the review of the quarterly local budgets submitted in January for the first time. There has already been a definite tendency to expand these budgets on the part of the communes, and some Prefects have clearly given them only a superficial examination before approval. They have been sharply warned but as a whole they have exhibited an irritating sense of helplessness rather than the application of sound commonsense. The AMG Officers obviously have not the knowledge of local conditions, nor with their extremely limited number, can they make investigations to determine the reasonableness of budget estimates, let alone exert any control over the actual spending.

B-19. Revenue Collections continue to be sluggish owing to the physical difficulty of collection and the steady decline in the volume of taxable consumers' goods. On the other hand, increased expenditures are the inevitable result of the higher cost of living, relief measures, and essential expenditures to repair war damages. Pending approval of the January to March budgets, only the minimum expenditures and pensions, salaries, and so forth, is being permitted. The hope that budget deficits would to some extent be met by the sale of one year treasury bonds has failed except in the Province of Matera, where alone sales have exceeded repayments.

B-20. It is increasingly obvious that the stimulation of revenue is the most important, and at the same time the most difficult problem of financial administration in the Region.

B-21. Revision of the contracts of "Esattori" necessitated by the wage increases authorised in December is now being left for reconsideration in each individual case to the Intendente di Finanza after discussion with the Esattore concerned. It is practically certain that the 1944 communal tax assessments cannot be made before April 1944.

B-22. Social Insurance organisations report that stocks of insurance stamps are running dangerously low. Resort will probably have to be made to local overprinting of postage stamps.

B-23. Private insurance firms have so far shown little desire to use the facilities available to obtain funds from AMG for the conduct of existing business on a restricted scale.

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REGION II

PROPERTY CONTROL

B-24. So far only a dozen properties have been found in the Region which require the services of the Property Controller. Three additional properties were reported during the month and are being investigated to determine their status.

B-25. The Villa Rondinaio has been reserved for the use of the Allied Control Council.

B-26. The Villa Ruffalo's wine cellar has been inventoried. A shortage of 1600 bottles was found and a police investigation is in progress.

B-27. Slow progress is being made in taking over the property of Fascist organizations such as G.I.L. and Dopolavoro. In Calabria, the process is complicated by the fact that the 31st Italian Army Corps was the custodian and has not as yet furnished inventories.

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PUBLIC HEALTH AND WELFARE

B-28. There has been no unusual prevalence of infectious or contagious diseases during January.

B-29. One suspected case of typhus was found and reported promptly to Headquarters. The diagnosis has not been absolutely confirmed. Rigid control measures have been set up governing the movement of civilians from areas where typhus is epidemic.

B-30. The incidence of venereal disease among the civilian population is apparently about the same as before the war. Treatment clinics are located in all important communes of the Region but the system of treatment used by Italian physicians is considered to be below the standards prevailing in many other countries.

B-31. American Red Cross personnel have been assigned to the Region. Their most important immediate duty is the free distribution of clothing sent from the United States.

B-32. The reception, distribution and placement of refugees has proceeded smoothly under the direct supervision of the Prefects of Matera and Potenza with frequent checks by AMG personnel.

B-33. The Regional Sanitation Officer spent the entire month inspecting public water supplies and organizing anti-malarial activities for the coming season. No water-borne epidemics have been found and the water supply of the Region seems to meet normal standards. The supply of the town of Matera, which had become non-potable as the result of over-drafts by troops in training, has again become potable.

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REGION II

ECONOMICS, RESOURCES AND SUPPLY

B-34. The supply of grain and flour showed a great improvement during the month. Rail shipments from Foggia, initiated in December, were completed. Three ships with cargoes of 6174 tons of flour and grain arrived at Reggio and two ships with 5407 tons at Crotone. Unloading proceeded as rapidly as possible, but the extremely limited amount of motor transport and the shortage of railway cars for trans-shipment are still serious handicaps. It has been possible to give a ration of 150 grams of bread daily in Reggio Province, but shortage of transport has made it impossible to raise the ration above 100 grams in Cosenza and Catanzaro. Due to the priority of military operations in the Naples area, a temporary, acute shortage developed in Salerno.

B-35. An interesting and very suggestive experiment has been carried on in Matera on the amassing of grain which warrants detailed description. During October the amount amassed in the province dwindled. In November and December it practically ceased. The Consorzio Agrario, Carabinieri, Sindacos and other civilian officials were baffled by this failure and apparently lacked the initiative and desire, or the intelligence to cope with it. The conclusion was reached that if any substantial amount of grain was to be amassed, it could only be accomplished by the efforts and stimulation of AMG officials.

B-36. Lt. Alexis Cholis, therefore, went to Stigliano, a good grain producing commune, where the amount amassed was far below normal. He found it impossible to fix the responsibility on the numerous Italian Officials connected with the amassing in one way or another. The records were hopelessly confusing.

B-37. Resort was then had to the appointment of a committee composed of the Sindaco, Pretore, Maresciallo of Carabinieri, a representative of the local Consorzio Agrario, the communal Tecnico and several citizens familiar with the agricultural conditions in the commune. This committee, headed by the Sindaco, and under the direct stimulus of an AMG Officer's presence, worked vigorously. It was found that the denunciations of the individual farmers could not be used as the basis for determining what amount the farm should have amassed because they had been made by the farmers themselves, and the only check was by some low paid soldier or G.I.L. youth. The fact that some of the G.I.L. boys of 15 or 16 years were seen displaying bills of large denominations shortly after they had completed their work is a reasonable indication of what happened. The denunciations were therefore put aside and the committee ordered to determine what each farm should have amassed. This determination was reached by considering the type of land, the number of hectares planted, the amount of seed sown, seasonal conditions, previous production, and the efficiency of the producer. Allowance was made for the authorized retentions for the family of

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B-38. It was obvious that to bring in this amount would require the services of several officials and a well organized plan of operations. To avoid the customary procrastination, late in December an AMG order was issued fixing January 10th as the latest date when grain could be amassed. The Prefect was instructed to issue similar orders to all communes and another officer was

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ECONOMICS, RESOURCES AND SUPPLY, (Cont'd)

assigned to devote all of his time to making the committees function.

B-39. The results are extremely interesting.

From July 1st to Nov. 30, 3500 quintali had been amassed
From Nov. 1st to Dec. 31, 40 odd additional quintali
From Jan. 1st to Jan. 10, 173 quintali were amassed.

On January 11th, an AMG Officer summoned all those who had failed to complete their amassing, according to the committee's figures, to appear before an AMG Military Court on the 14th.

In three days, 1132 quintali were brought into the Consorzio.

All 24 cases were heard by the Court, however; three were dismissed on their merits, 12 were dismissed because they had amassed the full amount of their assessments prior to the Court hearing. Fines totalling 123,400 lire and various sentences of imprisonment were imposed upon the remaining nine defendants. The fines were immediately paid. The imprisonment was suspended for two weeks to permit further amassing. At the end of that time, more than 700 additional quintali had been amassed, making the total for the month more than 2,000. Only two of the original 24 summoned had failed to meet their assessment. One was short 80 quintali and the other 25. Both have been arrested and further proceedings to collect their grain are in progress.

B-40. The work in other communes had not been completed at the end of the month. A large number of cases were awaiting trial at Gensano, and summonses had been issued at Irsina, Pisticci and Montalbano. In Ferrandina, although summonses had not been issued, news of the work of the committee had already brought in approximately 400 quintali, and more was expected. While organizing the committee in Pisticci, Lt. Cholis found one man who had not even completed the amassing of the amount he had himself denounced. This man was immediately served with a summons to appear before an AMG Court six days later, to show cause why he had not completed that amassing prior to January 10th. When the case was called, the defendant showed that he had brought in 282 quintali in the six days, although he had brought in nothing since July 17th, when he had amassed 173 quintali. In view of the fact that he had completed the amassing, he was fined only 3,000 lire. This act indicates the general policy of the AMG Officers, that the amassing of the grain was the principle concern, and the punishment of the offenders, secondary.

B-41. During the month more than 3,000 quintali had been amassed in the Province, and the prospects were bright for a further considerable quantity. The publicity given to the work of the committees and the Court trials are believed to have had considerable effect in reducing Black-Market activities, but the rather discouraging aspects are the practical helplessness of the Italian officials in the face of the situation which confronted them, and the fact that the command committee really functioned effectively only when an

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B-42. Road transport continues to be a most serious problem. ACC military transport is barely sufficient to carry supplies, the official mails, and Officers and men on long journeys. Requisitioned cars are generally very poor

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ECONOMICS, RESOURCES AND SUPPLY (CONT'D)

in quality and the tire and tube situation is bad. Frequently the work of Officers is greatly handicapped by their being immobilized from lack of transport. Italian officials are even more seriously affected and it is quite impossible for many of them to make tours of duty or even occasional visits. This situation, of course, greatly handicaps the collection of information which is continually being called for by higher echelons. A shortage of motor transport cannot be compensated for by using railways because the shortage of rolling stock is equally acute.

B-43. The Supply situation in the Region is not at all satisfactory. The cause is emphatically not lack of ability, zeal or enthusiasm on the part of the Supply Officers, but simply a lack of essentials. The missing essentials are, first, an adequate staff, second, transportation for the existing staff, and third, transportation for supplies.

B-44. The Regional Supply Office has but three Officers, one of whom is obliged to devote most of his time to the supply problems of the ACC personnel. The chief reliance for communication with the provinces is a bi-weekly courier, and lately, a fair service by telegraph. The provincial Supply Officers, particularly those in Calabria, are in worse plight. They have no clerical assistance other than Italians of doubtful value and reliability. They have little or no transport to visit the communes and the Italian officials upon whom they must rely for assistance have less. Reggio is the chief port of entry. One Officer is charged, not only with the supply of the province but with the unloading, warehousing and shipment of all the cargoes which come in. There is never sufficient railway rolling stock or motor transport available to get supplies out quickly to the communes. There is sufficient flour and grain in Reggio and Crotone to feed the three Calabrian provinces on a 150 gram ration until well into March, but 95% of the communes in Cosenza and Catanzaro have only enough for seven days at 100 grams.

B-45. In an attempt to relieve the road transport situation in Calabria the experiment is being tried of making the issue of permits for trucks under the new regulations dependent upon the person applying for the permit agreeing to place his truck at the disposal of ACC for so many days a month at a fair rate of hire. Animal transport is used wherever possible, but it is of real value only where the quantities to be moved are relatively small and the distances short.

B-46. Some small local tanneries are operating with locally produced tanning agents. Silk filatures are all being put to work to produce silk for parachutes. Arrangements have been made for the importation of silk worm eggs from Turkey and for their refrigeration until the proper season for incubation. A large cotton mill and a cement plant in Salerno resumed operations during

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AGRICULTURE

B-47. The amassing of olive oil, which was ordered in all provinces during October and November, has been a complete failure. This is attributable to: a, the much higher price fixed for Sicily, and b, the activity of Black-Market operators and unauthorized purchases for Apulia, Naples and Sicily.

B-48. The price differential between Sicily and Calabria of 1,000 lire per quintal needs no elaboration.

B-49. The following is an illustration of the second factor. In Rossano, Province of Cosenza, there were, in mid-November, more than 4,500 quintali of last year's crop on store, representing over a half-million liters. Today there is not a liter left. All has been sold to Italians or to certain Allied Nationals travelling in Allied Military vehicles. Most of these visitors were in possession of "permits". The oil merchants were only too eager to sell oil bought last year for 14 lire per liter even at the Regional price of 24 lire, where they could not get more. There is little doubt that some purchases were made by Black-Market operators, acting under the authority of permits granted them by Mess and Supply Officers of Allied Military units, and using military transportation. The oil merchants can scarcely be blamed if they honor written orders from Allied Officers presented by men in Allied uniforms. The net effect has been that the growers simply refuse to amass their oil.

B-50. Grain planting figures for the next harvest indicate that in Matera and Potenza the wheat acreage has been increased about 25%, but in Cosenza there is indication of a 10% decrease, and in Catanzaro a 25% decrease is expected. Fave have been well planted in all provinces and an extra 1,000 quintali of seed has been allotted to Cosenza and 2,000 to Salerno from stocks in Matera. Stocks of seed potatoes are reported to be on their way but they had not arrived at the end of the month.

B-51. It was decided by higher authority, after a review of all the conditions, that it was not desirable to attempt to revive the sugar beet industry, either in Salerno or Reggio Provinces.

B-52. The need for fertilizer is acute. There are small stocks of superphosphate and ammonium sulphate lying at the Montecatini works at Crotone and allocated to Calabria, but it is impossible to move them because the supply of railway cars is inadequate even to move the foodstuffs.

B-53. Sulphur and Copper-sulphate are badly needed for the spraying of vines. The stocks on hand are very small. In Salerno there are 600 quintali of sulphur and 300 of copper-sulphate. The estimated needs of that province alone are 20,000 quintali of each.

B-54. The subject of prices for this year's grain crop is still causing much

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B-54. The subject of prices for this year's grain crop is still causing much comment among growers. The present price of 300 lire per quintali is clearly inadequate. All general increases in cost make a price of 600-650 lire per quintali not merely desirable, but essential, if production is to be maintained. An incomplete order from the Central Economic Commission fixing prices for the delivery of grain on a sliding scale during the month of January was received on January 26th, but was not issued, pending clarification and correction. The effect of this order in Region II would have been very bad. It would have applied to an insignificant amount in five provinces. In Matera it would have

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AGRICULTURE (CONT'D)

been a bonus to the owners of the 3,000 quintali of wheat who amassed it only when threatened with or actually subjected to legal prosecution, and would therefore in effect have been a penalty upon the more law-abiding farmers.

B-55. There is no doubt that the amassing system is most unpopular. This is partly due to its connection with Fascism and corruption and partly to the Allied radio and other propaganda urging the people not to turn in their products to the Ammassi, which continued until the armistice. That propaganda was effective in, embarrassing the Fascist regime, but it is now reacting to our own disadvantage. The alternative solutions are to conduct and extensive and intensive propaganda campaign by every means at our disposal, or to find a workable system acceptable to the Italian producers.

B-56. It is proposed to test an alternative system in mid-February. Rice is produced in Calabria by three large growers only. In 1943 they did not amass their crops. It is proposed to enter into contracts with them to supply a certain quantity based on their productive capacity, at a fair price. If more is produced, that will also be bought. If this trial is well received, it may be possible to extend the application of the method to other cereals and food crops. In respect to grain, the method of computing amassing requirements in Matera which has previously been described, might well be applied on a broader scale.

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REGION II

TRANSPORTATION COMMUNICATIONS AND UTILITIES

B-57. Four bids were submitted to the Internal Transportation Sub-Commission for train space to haul civilian freight and passengers in excess of the scheduled capacity for civilian trains. Several conferences were held between the Transportation (Rails) Officer and officials of the Ferrovie Calabro Lucane in connection with the damaged railway bridge at Lauria. An Application and plan for repairing this bridge was submitted to ACC HQ. The restoration of this bridge would reopen the rail route to the Castellucia group of lignite mines where some 16,000 tons of fuel are awaiting transportation. The capacity of these mines is 200,000 tons per year.

B-58. Repair of the railroad bridge at Santa Lucia in Matera Province is progressing satisfactorily and should be finished during February. The completion of this bridge will permit through operation from Bari to Montalbano.

B-59. On January 31st, Major Holladay received orders transferring him to ACC HQ. This leaves only one Rail Transport Officer in the Region and he is stationed at Reggio, the main port of entry.

B-60. On the basis of information received from Army District No. 2, preliminary study has been given to plans for reducing by approximately one-third the amount of electric power now being consumed in the Region in anticipation of necessary reductions when more Italian territory is liberated.

B-61. The Wire Communications Officer supervised the establishment of a circuit from the civilian exchange at Reggio to the military exchange at Messina. He also made suggestions at Bari, Palermo and Naples for circuit changes which have facilitated the completion of calls and improved the quality of the transmission. Arrangements were made and necessary materials and supplies obtained for repair of the break of the trunk telephone cables due to the destruction of the repeater station at Castrovillari. Good progress was made on this work, and upon its completion telephone communication will be open between Region Headquarters, Calabria and Sicily. Considerable time and effort were devoted to improving the quality of service rendered by both civilian and military switchboards with good results, due to the high degree of technical knowledge possessed by the Wire Communications Officer.

B-62. A limited degree of Postal service for civilian and prisoner of war mail in Regions I, II, VI, and Apulia has been in effect during the month. Since there is no Postal Officer in the Region, the only source of information is the

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B-63. The interference by officials of the Badoglio Government in Region II by sending orders directly to civilian officials in the Region which was reported in December was the subject of a conference at Brindisi on January 7th. At this conference Colonel Spofford, Lt. Col. Benfort and Lt. Col. McCaffrey reached an agreement with Signore Innocenti, President of the Council of Ministers, that all communications between the Italian Government and officials in

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TRANSPORTATION, COMMUNICATIONS AND UTILITIES (CONT'D)

AMG territory should pass through Regional Headquarters. This agreement was implemented by a memorandum from Marshal Badoglio to his Ministers, dated January 20th and published January 26th. The volume of such communications has considerably decreased and it is believed that as the agreement becomes known, there will be few violations.

B-64. Much detailed information has been gathered during the month by the Road Transportation Officer on the number and types of vehicles available in the Region for the transportation of civilian supplies.

B-65. The Matera-Miglionico-Potenza route (National Route No. 7) was opened during the month. The Italian Army reports that 48 out of 50 breaks in the main convoy routes in Calabria were repaired or replaced by the end of January, and the remaining two would be finished in February. One bridge on the main road between Salerno and Potenza gave way during the month, necessitating a detour of about five miles.

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LABOR

B-66. The task of establishing provincial Labor offices in each of the six provinces was completed early in January. These offices are now staffed and operating. In addition, the Director of Matera Province was appointed Regional Director. General Order No. 17 has been posted throughout the Region, and the organization of trade unions is beginning. Labor cases are being presented to the provincial officials. It was decided that small cases such as those involving small amounts of back pay may be tried in the civilian courts. It has been found necessary to warn the civilians that the conduct of political agitation and meetings under the guise of Labor organizations will not be permitted. It has also been found necessary to issue instructions that Labor unions restricted to members of any one party are not in accordance with AMG policy. They have been informed that membership in a labor union must be open to any qualified worker.

One or two cases have been found where quick-witted people with criminal records have been endeavoring to exploit workmen and create trouble for their own benefit. In the commune of Venosa, Potenza Province, a Camera del' Lavoro, with a membership of 700 people, organized as a cooperative for the purchase of necessaries, came under the influence of three men with bad records. On January 6th they moved their quarters to an empty medieval castle and signalized the event by a procession, orderly and undemonstrative, carrying the American, British and Red flags. On January 19th the Sindaco received a letter from the President of the Camera, demanding that the sussidi militari be paid to the people by the Camera, instead of through the normal channels. The CAPO of the province temporarily dissolved the Camera after these incidents, but in the light of General Order No. 17 he plans to visit Venosa early in February and permit the Camera to reopen with new officers, and as a Labor union only. The three officials to whom the CAPO objected were respectively an ex political internee who has spent some time in a mental asylum, a doctor who was once sentenced to four year's imprisonment on a charge of fraud, and a watchmaker who is now in jail for a breach of the peace, and whose police record includes convictions for pocket picking and three convictions for robberies in Italy and France. The last two are professed "Communists"

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SECTION II

MONUMENTS, FINE ARTS AND ARCHIVES

B-67. Further progress was made during the month in obtaining information as to the condition of monuments, fine arts and archives within the Region. The Officer in charge made arrangements with his opposite number in Naples to assist in this work for Salerno Province by direct contact with the Italian official for that region whose offices are in Naples.

B-68. The most interesting development in this field during the month was the fact that American troops constructing an air-field near Paestum uncovered part of a previously unknown prehistoric necropolis. The American Officers stopped any further destructive digging, and turned over to the Italian Officials in charge some of the items which had been found. The Italian expert regards this discovery as highly important.

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EDUCATION

B-69. Much progress was made in reopening the public schools in Region II during the month of January. The first reopenings in Matera occurred on January 3rd, in Potenza and Salerno on January 17th and in Reggio and Cosenza on January 25th. It is expected that the reopening in Catenzaro will begin on February 1st. Some schools have not been reopened because of war damage or occupation by troops and in a few cases, refugees.

B-70. It has been found upon investigation that in some cases, although the orders had been received, the schools were not opened until the communes were visited personally by a high school official or an AMG Officer. No good reason was given for not complying with the orders.

B-71. The Provveditore at Catanzaro was finally dismissed when he was found to have made a false statement on his "Scheda". Professor Costanza, a priest, who has been head of the Nicastro Liceo, has been appointed acting Provveditore, and confirmation of the appointment is under discussion in the Badoglio Government, in accordance with the agreement reached at the conference with Signore Innocenti, President of the Council of Ministers, on January 7th. The matter of retaining or dismissing the Provveditori at Salerno and Reggio is still under consideration.

B-72. The review of the schedas of the School Heads, Inspectors, Direttori Didattici is well under way in all provinces. The review of assistant teachers is naturally a long task, and in most provinces is being done piece-meal. In Matera Province, where it is nearing completion, between 20 and 30 out of 400 to 500 are being dismissed.

B-73. The task of eliminating Fascism from the schools, especially without the aid of the Central direction formerly exercised from Rome, necessitates considerable change in administrative procedure. New methods have to be improvised as the problems arise. The general policy is not to interfere more than is absolutely necessary with the existing structure.

B-74. In handling these problems, the Provincial Education committees have been put to good use. Some rather involved and difficult problems such as the eventual status of the "Comitati Nazionale" have been submitted to the committees for recommendation. In this way it is hoped to develop their self-dependence and introduce an element of democratic control. It has not been deemed feasible to set up a Regional Education Committee because of the great distances and the scarcity of transportation. A much earlier attempt to set up an education committee for Calabria alone broke down completely for this reason.

B-75. Revised syllabuses for elementary schools and Scuole Medie Inferiori have been printed and issued on the basis of one per teacher. Appropriate syllabuses for three types of higher schools are being printed. Typed temporary syllabuses for other classes of schools have been supplied. The expurgation of

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B-76. While much remains to be done before a satisfactory education system is in operation, it is believed that the hardest part of the spade work has been accomplished and the remainder, while slow, will not require as intensive effort, or pose as many difficult problems.

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REGION II

PRESS AND PUBLIC RELATIONS

B-77. There were 12 newspapers published in the town of Reggio at the end of January under general permission given on November 18, 1943. This permission included provision for post publication censorship, which really amounted to the right to suspend any newspaper which improperly published information about military operations or was inciting disorder. On the 29th of January, the Provincial Commissioner suspended the "Calabria Libera" for inflammatory and objectionable comment concerning the Italian Army and the Badoglio Government.

B-78. In Salerno it was discovered that two newspapers, "Il Lavoro" and "Il Soviet" were being published clandestinely. They were extremely abusive and inflammatory, quite uncensored, and were ostensibly published in Bari. Publication was stopped and the responsible parties fined 10,000 and 30,000 lire respectively.

B-79. Two newspapers which were published in Salerno under the censorship of the PSS were obliged to suspend when, because of military necessity, the PSS were moved to another station. The A.C. intends to visit Naples early in February and request the Publicity Board or PWB to permit the resumption of publication under the censorship of an Italian speaking ACC Officer.

B-80. Approximately a dozen newspapers are published in Cosenza and a few more in Catanzaro. The PWB in Bari refused permission to start a newspaper in Matera because of the shortage of paper. This province, however, receives copies of the Bari newspaper daily, so that the absence of a local newspaper is not seriously felt. The same situation exists in Potenza.

B-81. It is probable that in the near future many of the publications in Calabria will be obliged to suspend operations for lack of newsprint and with transportation what it is, there is small likelihood that an additional supply can be brought in to them in the near future.

G. H. McCAFFREY,
Lt. Col. Infantry,
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