

INFORMATION REPORT INFORMATION REPORT

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[REDACTED] study on the administration and exploitation of the industrial and petroleum installations seized as "German assets" by the Soviets and operated by them.

The section on the petroleum industry covers the historical background, Nazi exploitation and development, and Soviet dismantlings, while emphasizing Soviet production and distribution techniques, sales and profits.

The section on the other enterprises emphasizes statistical presentation of estimates of Soviet sales, profits, deliveries to the Bloc, as well as organizational methods.

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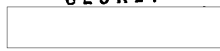
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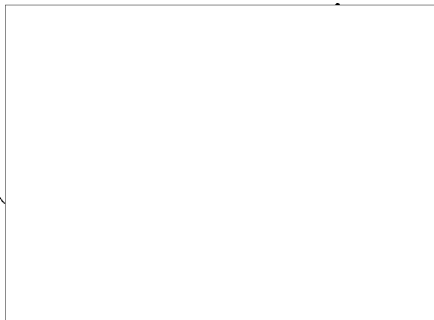
SOVIET OCCUPATION ECONOMY IN AUSTRIA

Final Report



December 1957

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First Section.

THE CONDUCT OF THE OCCUPATION ECONOMY

I. Short Survey of the Origin and Development of Soviet Assets in Austria.

The origin of Soviet assets in Austria goes back to the occupation by Soviet troops at the beginning of April 1945. The first Soviet asset in Austria was therefore based on military law.

The Trofeinoye Upravlenye (Trophy Administration) was set up by the occupation troops under General Borissov with headquarters at that time in Muedling, near Vienna. This was in instrumentality which had plainly been previously planned and which was under the orders of the commander of the occupation army, or in other words, under those of the appropriate division in the Moscow War Ministry. 50X1-HUM

We therefore can speak of a MILITARY PHASE running from the beginning of the occupation to the foundation of USIA in spring 1946. This Military Phase can be subdivided into three parts. The entire Military

Phase is marked by a continual diminishing in importance of the meaning and tasks of the Trophy Administration.

In the first period of this phase, everything that had any value and could be moved was requisitioned or dismantled and, if not needed by the occupation troops, sent to Russia.

In the second period only plants of military importance were dismantled or those which were considered to be German property.

In the third period dismantling was limited to particular arms and explosives plants. (See our paper: "Bericht ueber die Besprechungen mit Herrn Dr. M. am Dienstag, den 13. und am Dienstag, den 20. November 1956 nachmittags.")

As we have already proved in our three reports on the conversations with Dr. Manfred and in the accompanying reports on the conversations with Dr. D., early summer 1946 saw the beginning of the phase which marked the establishment of the Soviet economic organization in Austria.

As we have already shown in detail, this phase was introduced through finding and defining German property. The juridical basis for this was the August 1945 Potsdam Agreement. In accordance with Article VII of this Agreement all German property in Austria became the property of that occupying power in whose zone it lay.

It may be added at this point that the legality of the Potsdam Agreement is doubtful. Our research shows that on a number of occasions this argument was effectively maintained in dealing with the Soviets by pointing out that neither in America nor in England had the Potsdam Agreement been ratified.

This objection was raised in 1945, for example, by Dr. Friedl, who was employed by the Soviets as geological advisor, in talking with Major Kamiński and Colonel Yegorov, Trophy Administration officers for the oil industry. (Dr. Friedl is now Chief Geologist with the Oesterreichische Mineraloelverwaltung).

The Soviets' riposte to this was Army Order No. 17--reproduced in the ^{WIENER} Weiner Zeitung of 6 July 1946 under the heading: "Surrender of German Assets in Eastern Austria to the USSR," in which the assets regulations of the Potsdam Agreement were picked up and declared official for Austria.

It was pointed out that regardless of the legality of the Potsdam Agreement, this army order was in any event valid for Austria and must be obeyed. However forceful this argumentation was, it nevertheless shows that the Soviets had some doubts about the validity of the Potsdam Agreement.

Here we must briefly mention the period in Soviet occupation policy which is marked by attempts to set up mixed Soviet-Austrian companies.

The above-mentioned Dr. Friedl has informed us that towards the end of 1945 he took part in negotiations during which the Soviets proposed that the Austrian oil assets lying in the Soviet zone of occupation should be administered by a Soviet-Austrian company. The Soviets revealed similar intentions with regards to the organization of the Danube shipyards they had taken over. This is explained more

fully in our section dealing with the Danube Shipping Company. Up until now little attention has been paid in research to this period because the Austrians rejected these Soviet proposals to form mixed companies. Nevertheless, this is not without importance since similar Soviet plans were carried out in the Satellites. There, in important sectors, such as aviation, mining and in certain industries, mixed companies were set up in Hungary, Czechoslovakia, Bulgaria, etc., in which the Soviets soon became clearly predominant. This soon became an effective instrument of an integrated Soviet economic policy.

The fact that the Soviets had concrete intentions to form such companies in Austria is also proof that they had as their objective the incorporation of Austria into the family of Satellites. Through use of the mixed companies they wanted to ensure themselves of a "voluntary" and unmistakable collaboration on the part of the Austrians. When this was denied them, they decided on the formation of purely Soviet economic corporations in Austria.

The fundamentals of the establishment and development of these Soviet economic organizations in Austria have already been dealt with in our Manfred reports of 1956. The concept formulated at that time has been appreciably confirmed by further research. In the following chapter these elements will be pulled together again.

Here, it must be shortly noted that also in this phase of the development of the Soviet economic organizations there were three steps.

The first step went up to around 1951 and reveals a period of general prosperity and high profits. It was a time of expansion for all Soviet economic installations. In this period the economic organizations were also being used in increased measure for political aims. The Putsch attempt of 1950 shows us that the Soviets, through use of their economic power and through use of the people who were drawn into their huge economic apparatus were endeavoring directly to attain unadulterated political power.

This period is also early distinguished by attempts to fit the Soviet economic enclave in with the Soviet and satellite economic circuit. (See our report "Bericht ueber die Zwei Unterredungen mit Herrn Dr. D. am 25. und 27. November 1957" of December 1957.)

The second step is distinguished by the appearance of crises in the Soviet economic apparatus--decrease of turnover and profit, liquidation and merging of plants and administrations, attempts at reorganization. During this period there were tergiversations in the field of political aims. (See third section, I. The USIA Industrial Plants.)

The third step started at the beginning of 1955 and is distinguished by the ever clearer intention to liquidate the Soviet economic complex in Austria. It ended with the handing over of the Soviet assets to Austria in May 1955 and is, in a certain sense, being continued through the deliveries of materials in accordance with the terms of the State Treaty.

II. Disposition of Soviet Economic Divisions; Their Relationship to Each Other, to Moscow and to Austria

Our 1956 Manfred Report has shown in detail that USIA was founded in 1946 by emissaries sent from Moscow. These reports were completed by Dr. D. and they have confirmed the time of the incorporation of USIA.

The details can be summarized as follows:

The USIVA (UPRAVLYENIE SOVYETSKIM IMUSHCHESTVOM VOSTOCHNOI AVSTRII), meaning - Administration of Soviet Assets in Eastern Austria - later had its designation changed to USIA which stands for Administration of Soviet Assets in Austria. It was set up by the Moscow organization called UPRAVLYENIE SOVYETSKIM IMUSHCHESTVOM ZAGRANITSEI - Administration of Soviet Assets Abroad - or USIZ for short. An influential person in this Moscow administration was a man named Merkulov, a former member of the NKVD.

With regard to the establishment and incorporation of the Soviet economic organization in Austria there is one fact which is worthy of note and this is the lack of clarity of jurisdiction. However, the Western researcher must take into account the fact that such a lack of clarity is rather the rule in the Soviet system and in many instances is deliberate. The intentional duality of jurisdiction makes control easier and keeps those exercising the jurisdiction in a certain state of uncertainty thereby limiting the possibility of autocratic management.

As we have already said USIA means Administration of Soviet Assets in Austria. It therefore follows that all Soviet assets in Austria should be under the control of this institution. However, our research has revealed that right from the very beginning several technical ministries and command points in Moscow participated in the direction of Soviet assets in Austria. However, our sources are not of one mind with regard to the precise division of jurisdiction and the same applies to the members of our research team. But it is more a question of differences in formula. One thing is certain and that is our researchers have come across 11 central points in Moscow about which we shall speak later.

One thing is absolutely certain and that is the Administration of Soviet Assets in Austria was directed straight from Moscow. It is plainly a matter of the establishment of a Soviet economic enclave in a foreign country.

As already mentioned, and in accordance with our report entitled "Aussuehrung ueber zwei Unterredungen mit Herrn Dr. D. am 23. und 27. November 57" of December 57, the Soviets at first seem to have entertained the naive idea that those Austrian (formerly German) economic corporations which now became Soviet property would automatically become integrated into the Soviet economy. However, it became plain that it was virtually impossible, and certainly very uneconomical to procure every screw or pencil needed by Soviet assets in Austria from the Satellites or from the Soviet Union.

Therefore, very soon after the establishment of the USIA they had to start thinking of entering into at least a partial exchange of commodities with the surrounding Austrian economic system.

For this purpose, the first bigger establishment named DEGOS was set up simultaneously with the foundation of USIA. (See "Aufzeichnung ueber zwei Unterredungen mit Herrn Dr. D. am 23. und 27. November 1947.")

DEGOS undertook the representation of the Administration of Light Industry and had to procure those commodities necessary for USIA production activities. This was done by an exchange against those commodities that USIA could spare and which were not necessary to fulfill orders for the East. A sort of economic modus vivendi was set up and later became so extended that more than 50 percent of production under Russian influence somehow found its way into the Austrian economic circuit. (See Third Section)

However, the Soviets were never able to bring themselves to think of their property on the territory of the Austrian Republic in the Western sense. The Soviets always thought of administering their property as meaning, to a certain degree, incorporation into their economy and its use for their political aims.

Accordingly, they continually prejudiced the sovereignty of the Austrian State in regard to its system of taxation. So, in principle, those plants under Soviet administration did not pay any taxes on turnover, capital or profits. Furthermore, they only recognized

the juridical sovereignty of the Austrian State when they felt like it. It frequently happened that decisions by civil courts against Soviet-controlled plants were disregarded.

As can be seen in our special reports of May to November 1957, the Soviets particularly disregarded the customs regulations of the Austrian State to a very high degree. They also paid no attention to the regulations concerning raw material, management and transport.

Our reports show that the presence of Soviet property in Austria had effects far different than the existence of foreign property in another state normally entails.

The stipulations of the Potsdam Agreement not only resulted in the loss of very important resources to the Austrian economy, but they also led to the setting up in Austria of a foreign economic enclave of colonial character which had very decided effects on the State and its economy.

The political contact of this economic enclave with the Austrian authorities was carried out through the intermediary of the Offices of High Commissioner (Dienststellen des Hochkommissars), specifically through the Kommandanturas (See Manfred Report 1956). Through the latter the Austrian authorities were informed of the requisitioning of German property when this had been previously decided by the interested USIA office or by the Office of the High Commissioner.

We now turn to the establishment and incorporation of Soviet economic organizations in Austria.

As already pointed out there existed the Trophy Administration which occupied itself in a one-sided manner with economic tasks inasmuch as it carried out considerable requisitions, dismantlings and transportation for the East.

USIVA (later changed to USIA) was founded in early summer 1946 in a meeting at the Imperial Hotel between Colonel Borisov of Moscow and Mr. Kogan of the political division of USIZ.

It is noteworthy that the foundation was carried out with the cooperation of the Austrian Communist Party. (See the Manfred Report.)

From the beginning on, however, the administration and the manner in which the branches were set up both followed a plan drafted in Moscow. The administrative methods were Soviet as were its plans and basic outline.

The hub of USIA as well as of all Soviet economic corporations in Austria was the Division for Research into German Property. It was incorporated into USIA and collaborated intensively with the KPOe.

The directorate of USIA was composed of a Chief of USIA, his representatives, the Managing Staff and the Branch Associations Administration.

A USIA Table of Organization will be found in our report entitled "Bericht ueber die Besprechung mit Herrn Dr. M. am Dienstag, den 13. und Dienstag den 20. November 1956, nachmittags." From it will be seen that all industries, farms and real estate and a part of the trade which were administered by the Soviets were under USIA.

According to oral reports by Dr. D., the Chief of USIA had three representatives: one for political, another for personnel and a third for commercial affairs.

The most important divisions were:

The Plans Division. Through it production of all Branch Administrations was planned in accordance with Moscow's wishes and approbation.

The Commercial Division. This was in charge of procurement, sales and of the Secretariat. It was also in charge of imports and exports. This Division was often re-organized and for a time it had under it an important organizational sub-division called the Central Commerce Bureau which was mainly in charge of imports and exports.

The Finance Division. This looked after accounting and banking. It also drafted the financial plans and saw to their implementation.

The Legal Division. This Division was of special importance particularly since it looked after special corporations such as Wien-Film and the Danube Shipping Company. It worked in close collaboration with the above-mentioned Division for Research into German Property.

Special importance was also attached to the Plans Division, the Secret Division and the Trade Union Division, all of which worked closely with the NKVD.

The most important chiefs in USIA were: Boriscov, Tikhomirov, Malyavin, Fedetkov and Krivoshein.

We have not been able to find the names of all their representatives but the most important were: Tichomirov, Negrassov, Kabalevski,

Voronov.

The important names in the Juridical Division were: Fedotyev, Khođkov and Kasantsev.

Also must be mentioned Ossipov and Shenko, leaders of the Central Commercial Bureau and the erstwhile chief of the Division for Research into German Property, Orlov.

Our documents show that the careers of nearly all the USIA chiefs ended in arrest and return to Russia.

It should also be mentioned that at the top of USIA sat liaison men of the KPOe and of the Communist labor unions. The main ones were: Fellingner and Steiner.

See Third Section for the agricultural enterprises which were in USIA. The chiefs in this sector were: Kusakih, Smirnov and Avtayev.

Certain corporations, which according to the organizational plan in the Manfred Report appeared on the directorate level certainly went through a phase of special development. There are different opinions regarding the extent of independence and jurisdiction they had.

It may be surmised that the Soviet economic bodies in Austria could not be built up systematically and that it was the Potsdam Agreement which prescribed which plants were to be considered to be Soviet property. This naturally resulted in an unevenness in the distribution of the branches.

For instance, all of the Austrian oilfields and a great part of the refineries were immediately considered to be Soviet property and had to be organized. The importance of the petroleum plants alone explain the reason for the foundation of the Soviet Petroleum Administration (SMV).

The Second Section of this paper reports on the exploitation and utilization of the Austrian oil installations carried out by the SMV. At this point, however, let it be remembered that apart from its connections with USIA, the SMV was under the command of the Oil Ministry in Moscow which supplied its personnel. The already-mentioned Dr. Friedl has reported that Director-General Ryabinin telephoned daily to the Oil Ministry in Moscow.

The Danube Shipping Company is also dealt with exhaustively in the Fourth Section. It is certain that this enterprise was under the technical orders of the Moscow Shipping Ministry. It is also certain that it used the Juridical Division and the Central Staff of USIA. The chiefs were: Major Kagan, Admiral E. G. Samborsky, G. Sutirin, N. Kriukov and J. Kononov.

The least information of all is available on Wien-Film. However, it is certain that it was under the technical orders of the Film Ministry in Moscow and also of Sov-Export.

In the Fifth Section we discuss Trade and Transport. These sectors are characterized by the fact that they could not be entirely taken care of by Moscow's organizational plans. We present a detailed description of the Soviet trade organized by USIA as well as of the

transport concern Juschweschtrans. We also present an analysis of that sector of trade and transport whose direction and administration was the responsibility of the KPOe, and which thereby enjoyed a certain degree of independence.

The Soviet Military Bank occupies a special place in our research. It developed out of a Field Bank. It is discussed in the Sixth Section.

Its first Director-General was Tsurulik. It is also known that the Soviet Military Bank (SMB) was managed by GOS-Bank in Moscow, which also supplied personnel. It functioned in the same manner as a Soviet bank. It is equally certain that it was the sole financial institution for all Soviet bodies operating in Austria. Authorities and the research team agree that the SMB's finance policy was, for all practical purposes, determined by the leading personalities of the Soviet economic corporations in Austria.

These were, in first place, the chiefs of USIA and SMV, and also those of the Danube Shipping Company and of Wien-Film and, of course, the chiefs of SMB itself. It is noteworthy that when USIA was set up and occupied the not very spacious premises in the Graf Starhemberg Gasse in the IV District, the SMB moved in with it and that when USIA moved to the Trattnerhof in the I District, SMB went along too. In other words, SMB was always united with USIA.

It is also clear that long-term credits were formally outside the SMB's jurisdiction and that it took care of the short-term ones.

Furthermore, it is clear that the SMB in Austria fulfilled the same

standardizing control functions as the banks in the Soviet Union.

This signified control of currency, of stock-keeping and of similar accounting and quantitative economic factors.

The research team is in agreement that the functions of the Soviet bank cannot be compared with those of a western bank since the financing of an industry is determined in the last analysis by the production plan. This is drawn up by those people responsible for production who, like all other participants must bow to the financial sector, namely the Bank.

The subordinate position of the SMB--subordinate to GOS-Bank in Moscow and to the Central Offices of the Soviet economic corporations in Austria--must remain in the dark to a certain degree. Nevertheless, it is certain that the SMB was a factor of unit in a system that had become broken up through the influence of the technical ministries. The reason for this was that the SMB was the sole financial institution in the network of Soviet assets in Austria.

Other unifying factors, as our authorities maintain, were the representatives of the NKVD, on one hand and the Communist Party on the other, who without exception were present in all offices of the Soviet administration in Austria.

All Soviet economic organizations were thus held together by three factors: the SMB financial institution; the leadership of the NKVD (the bureau of Gen. Byelkin in Baden), and through the common Party leadership, which had a Party secretary in every organization.

A further organizational unifying factor was the High Commissioner's Economic Division, under the orders of High Commissioner Kulagin's economic advisor. The chiefs of USIA were, through this Division in constant contact with the Directors-General of SMV, of the Danube Shipping Company, of Wien-Film and of the SMB and also with economic specialists of the Austrian and Soviet Communist parties and with the economic experts of the NKVD. (See our Report "Aufzeichnung ueber zwei Unterredungen mit Herrn Dr. D. an 23 u. 27 Nov 1957" of December 57.)

In summary, the following can be said of the Soviet economic corporations in Austria:

In the early days of the occupation, from the Spring of 1945 on, the economic setup was under military administration. There was the Trofeinoye Upravleniye. Task was: plunder, dismantling and transport of machines, installations and stocks of finished products as well as supplies for the occupation troops. It was justified by military law.

In 1946 claimed Soviet assets in Austria were taken stock of, requisitioned and organized by USIZ in Moscow through the intermediary of special representatives and with the help of the KPOe. This was done on the basis of the Potsdam Agreement. USIVA was founded and later became USIA. The SMV, the Danube Shipping Co., Wien-Film and the SMV were created. Within the framework of USIA special importance was acquired by the Soviet trade chain and by Juschweschtrans. The same applies to Infrac with regards to Communist Party firms.

Eleven Moscow ministries and central offices went to make up the directorate. They were: USIZ, the Petroleum Ministry, Ministry

Ministry of Shipping, Ministry of Films (with which Sov-Export and GOS-Bank were connected), Ministry of Foreign Affairs to whom the High Commissioner was responsible, Ministry of State Security, Ministry of Transport and the Ministry of Foreign Trade with which USIZ worked in matters dealing with trade and transport questions. (See our report on the foundation of Juschneschtrans: "Spezialbericht, Transport-und Speiditionskontor Juschneschtrans, Ivan Popov, Wien IV, Wohllebengasse 8" and the report "Aufzeichnung ueber zwei Unterredungen mit Herrn Dr. D. am 23. und 27 November 1957.") And finally, the land and forestry divisions of USIA were under the Land and Forestry Ministry in Moscow.

It is clear that the activity of 11 Moscow organizations on Austrian territory should give rise to complications and tensions. This situation arose on the one hand because of the method of administration employed by Moscow and on the other because we have to deal here with Soviet assets in Austria which were governed by yet another Moscow organization, the USIZ.

III. Tasks of Soviet Occupation Economy in Austria and Achievements

The tasks which fell to the Soviet economic corporations in Austria have already been briefly mentioned. In a number of reports, particularly in the Preliminary Report, this has been gone into in detail. In summary, it may be said:

First off, let it be noted that the economic tasks cannot be separated from the political ones, but must rather be regarded as a

whole, in accordance with Marxist theory. According to this theory-- which cannot be gone into here--economy is the foundation and politics the super-structure. Each has a varying influence on the other. Basically, according to the Marxist conception, the most important factor is the method of organization of the economy which sets the pace for contingent social conditions.

For the Soviets, the development of their economic positions in Austria was equated with an increase of political power.

Within this endeavor there were doubtless certain phases. The analysis contained in the Third Section concerning the performance of USIA firms up the contention that the Soviets were trying, not only to suck in the Eastern Zone of Austria and the whole of the Austrian economy, but also to subject the Austrian State as far as possible to their influence. The priority goal was without doubt the creation of a satellite status for Austria. In contrast thereto stand the different aims that were pursued in varying order and with varying emphasis.

It was a matter of having the most profitable, planned exploitation possible of the reserves of Austrian raw materials and manpower. It was also a matter of the greatest possible adjustment of the economic potentials of the Soviet economic enclave to the requirements of the Soviet production plans and particularly to the direct or indirect procurement of short supply products.

It was also a matter of utilizing the Soviet economic enclave in Austria and the Austrian economy that was linked to it as a bridge to dealings with the free world to breach the Iron Curtain thereby favoring the Soviets through procurement of short supply commodities, the marketing of surpluses and the acquisition of currency.

It was with these purposes in mind that USIA, SMV, the Danube Shipping Company, Wien-Film, SMB, the USIA trade chain and the Communist Party firms were organized. Through them production and exchange of goods were made to conform to Soviet requirements as far as possible, as has been made plain in many of our reports. Among these let us mention: J. M. Voith-Werke, Maschinen-Fabrik St. Poelten, Passauerstrasse 30, Besprechung vom 10. December 1956, 9,20-17, 10 Uhr, "Bericht ueber das C-Werk von Waagner & Biro," Bericht ueber die Alt-Erlaer Faerberei und Appretur Aktiengesellschaft, Wien XXIII., Alt-Erlaa, Februar 1957." A closer examination of the investment policy shows that investments were only made from the point of view of Soviet economic plans.

Not only was the power of production of all plants taken over in Austria put to work to benefit the Soviet economy, but every thing was also done to get everything possible out of the west Austrian territories as well as to use them as markets for surpluses. But beyond that a hidden junction with the economy of the free world was achieved through the economic enclave and through the surrounding territory. In our special report of May to October 1957 we produced detailed

proof of this. We recall the procurement of non-ferrous metals in Austria and through Austria from the free world, the procurement of highly important strategic commodities such as ball bearings, electrical machinery, etc., the marketing of goods drawn from the eastern bloc countries, such as tobacco, textiles, victuals and luxuries all of which were sold on the Austrian market against schillings, part of which were exchanged on the black market and the remainder exchanged officially in Zurich against foreign currencies:

Just how important the results of all these united efforts were is shown in the following table. Further documentation and explanations are contained in the second and third sections.

Value of USIA plant production

between 1946-1955	Low Estimate	\$ 27,000,000,000
	High	" 36,000,000,000

(See Third Section I.2.A)

Value of SMV Oil Production		\$ 6,150,000,000
(See Fourth Section 4.C)		

Value of Processed Oil and

of Natural Gas		\$ 3,000,000,000
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(Calculated on the basis of indications given on page 25 of "Preliminary Draft")

Therefore the total production

of USIA and SMV plants can be

calculated as being.	Low Estimate	\$ 36,150,000,000
	High	" 45,150,000,000

Profit therefrom can be cal-

culated as USIA Plants S 6,900,000,000

(See Third Section I.2.B)

Oil Production S 4,530,000,000

(See Second Section, Page ___)

Oil Processing and Natural Gas S 1,400,000,000

(Calculated on the basis of page 26
of "Preliminary Draft")

Total profit of USIA and SMV S 12,830,000,000

In addition to this must be

added the tribute, deliveries to

USSR in accordance with State Treaty S 8,600,000,000

In all, on the basis of exact figures,

namely profits of USIA and SMV plus

the tribute deliveries, the mathe-

matically expressable profit the Soviets

derived from the occupation of Austria,

we have S 21,430,000,000

All figures given are calculated on

the basis of the value of the schilling

in 1955.

The word "profit," however, should not be interpreted in the same

way as in the capitalistic economic system. What is meant is those

values which the Soviets extracted from the Austrian economy and which

can be calculated. According to our documentation the Soviet-

administered plants had to give sums of money to their administrations

under the following headings: Administration costs, turnover tax, business tax, capital tax, collection levy, additional profit taxes plus all profits.

From this may be seen that a great part of profits were siphoned off as taxes and unlawfully withheld from the Austrian State. An important factor was "administration costs," and only what remained was considered to be profit.

Additionally, there are a number of factors which cannot be calculated in cold figures. So, for instance, there is no mention here of profits resulting from plunder and dismantlings, since no reliable indications are available. Furthermore, there are those financial and political-economical profits and advantages resulting from the operations of Intrac. All this adds up to sums reaching into the billions of schillings.

Now let us consider the exports made by USIA and SMV and which were shipped to the Eastern Bloc and to the USSR.

According to calculations based on fairly reliable documentation exports from USIA industries to the Soviet Union and to the Eastern Bloc amounted to 38 percent of production, thus:

(from 27,000,000,000, Low Estimate)	S 10,260,000,000
(36,000,000,000, High)	15,680,000,000

In addition to this there are 11 millions tons of exported oil (Value per ton S 346,-) " 3,800,000,000

Thus in all exports to the USSR, and

to the Eastern Bloc were	(Low Estimate)	\$ 14,060,000,000
	(High ")	" 17,480,000,000

If 12,8 milliards came from USIA and SMV profits, it follows that there is a remainder of one to four milliards which was made up from other sources.

Thought must also be given to the profits of the USIA trade chain and also to those made by Intrac firms through their international dealings. (See Fifth Section). We must not forget either the some two billion schillings taken from the Austrian government in cash at the beginning of the occupation. (See "Bericht ueber die Besprechungen vom 27. 28 Juni, 2., 4., 11. and 18 Juli 1957.")

There was a possible surplus in the form of hard foreign currency taken out of Austria.

IV. Effects on Austrian Economy

It is understandable that the withdrawal of a quantity of commodities in the 10 years of occupation (it corresponds approximately to one year's national budget) had a highly deleterious effect on the Austrian economy. These effects cannot be reflected through the sum of some 20 billion schillings. They were of a much more complicated nature.

In the first place the dismantling of plants which in peace time did not serve war production but produced machines, implements and consumer goods, reduced the Austrian economy to a state of shock.

It was a long time before the Austrian economy recovered from this shock.

Very harmful over a lengthy period were the effects of the requisitioning of consumer goods, of half-finished and finished goods. The effects were increased by the operations of Zakupotschnaya Torglovaya Kontora (Purchasing and Trade Center) which simply bought up available supplies. (See Report "Aufzeichnung ueber zwei Unterredungen mit Herrn Dr. D. am 23. und 27 November 1957". of December 1957.)

All these measures produced a long-term dearth which, by producing a higher degree of sickness and a lowering of resistance to disease had an effect not only on the death rate but also on the number of births and therefore affected the country's population figures. Such losses can hardly be translated into figures.

Even in the realm of economy there are loss factors which cannot be reduced to figures. For instance, there were those plants whose production had to be switched over to satisfy Soviet demands. This produced a machine park which when turned back to the Austrians had to be written off for the greater part.

Furthermore, this process did not provide for the normal training of technical and specialist workers. When the Soviet economic enclave was liquidated and incorporated into the Austrian system steps had to be taken to provide for the training of such workers. (See the first Waagner-Biro report.)

Our research has also revealed that the Soviets made investments in a much lesser degree than should have been done and as a result many hundreds of millions of schillings had to be spent by Austria to refurbish the run-down plants.

Of particular importance was the damage done by the activities of the USIA trade chain, particularly the ORT stores, by the practices of Intrac and by the Communist and Soviet trade and transport firms. (See Fifth Section).

We can only indicate here the damage incurred by the Austrian economy through loss of customs tax revenue, through non-payment of taxes and through non-observance of administrative regulations. Furthermore, the Austrian economy suffered through the practices of Letex, Ort and Intrac firms which through legal, half-legal and illegal means sucked up valuable raw materials such as wood, non-ferrous metals and expensive machinery in exchange for which other commodities of less consumer value, such as tobacco and vegetables, were given.

A separate study would be necessary to calculate all this damage in a scientific manner. A rough estimate would approximate 21 billions and this sum would have to be added to the 21 billion schillings which-- at the lowest estimate--the Soviets siphoned off from Austria.

Second Section

SOVIET PETROLEUM ADMINISTRATIONI. Development of the Austrian Petroleum Industry Before the Anschluss1. Oil Industry Up To 1938

A petroleum industry existed already at the time of the Austro-Hungarian monarch in Galicia and in Bukovina and was the world's third largest producer. Regulator legislation was promulgated on 11 May, 1884 and on 9 January, 1907. It laid down that the right of exploitation of oil wells could be separated from the rights of land ownership and was to be published in a public record, known as the Petroleum Book.

A pioneer in the opening up of oil production in the Vienna Basin was Professor G. A. Kock who already in the 1870's had indicated the presence of oil in that area. Natural gas traces were discovered in 1846 near the East Railroad Station in Vienna, 1852 at Bad Hall, 1891 at Wels and in 1906 at St. Marx, Vienna.

A decisive factor in opening up the Vienna Basin was the natural gas explosion at Egbell (Gbelz) in 1911. There, in the upper and lower Sarmat strata at average depths of 150 and 200 meters, petroleum was found. Active herein were the Hungarian geologist Dr. von Boeckh and the Viennese geologist Dr. Vetter. They both expressed the opinion at that time that there must be oil in the neighboring Austria.

Impelled by the lack of oil at the beginning of the first world war drillings were undertaken in Lower Austria and Moravia by Dr. Vetter

and Engineer F. Musil. They lay, however, outside that zone which was to prove really productive later on. The drillings were, however, too shallow to find oil. They were all too early abandoned although the St. Ulrich well was very close to Neusiedler Field which was discovered later. The same applied to Raggendorf which lay close to the Matzner Field.

In the period after World War I drillings at Unter Olberndorf and Wollmannsberg were fruitless.

This period is distinguished by a lack of preliminary drilling on a scientific basis. The main role was played by the divining rod. Ninety percent of claims were worthless. Nevertheless, there were a number of interesting and positive results.

In 1932 drillings were carried out by Eurogasco, an American firm, south of Vienna but with the exception of an important field near Ober-Laa only a mixture of gas and water was found.

The geological premises for a planned exploitation of the Vienna Basin were laid by the Vacuum Oil Company in 1925 and 1926 in collaboration with their geologist Dr. Karl Friedl. Friedl started a systematic search based on geological maps which gave the first picture of petroleum conditions in the Basin. These maps were the foundation for later exploration.

However, the Vacuum Oil Company withdrew from Austria and Central Europe and left the exploitation of the work it had begun to Austrian initiative, which, however, did not prove up to the task. In the 1930's

the mining authorities in Lower Austria distributed the following prospecting licenses:

Korneuburg: 57 licenses to the Oesterreichische Petrolindustrie A.G. (Opiag), later acquired by Elwerath.

Pellendorf-Schleinbach: 57 to Musil, later acquired by Explora. 1027 to Rumpel, Wahliss; Liebel, Hahndel, Count Beroldingen, later acquired by Mannesmann.

Ober Laa-Perchtoldsdorf - Maria Enzersdorf: 47 licenses to Dr. Eysler, later acquired by Elwerath.

Atzgersdorf-Wiener Neudorf: 4 licenses to Opiag, later acquired by Elwerath.

Achau-Laxenburg: 167 licenses and the mining complex Glueckauf, Vienna I and II to the Bohr-und Schuerfgesellschaft, later acquired by Elwerath.

Suedlich und Noerdlich der Donau: (North and South of the Danube), 400 licenses to the Bohr-und Schuerfgesellschaft (Hayek), acquired in 1934 from the Vacuum Oil Company.

Gross Ebersdorf - Eibesbrunn: 5 licenses to Dr. Eysler, later acquired by RAG.

Wolkersdorf, Gross Schweinbarth, Bernharisthal: 142 licenses to Rumpel, Count Beroldingern, Liebel, later sold to RAG, 41 licenses to Gistla Loewenthal, later sold to RAG.

Goesting: Territory of two kilometers round Drill Hole Goesting I to Raky-Danubia, later sold to Vacuum.

Hauskirchen: 28 licenses to Musil, later sold to Van Sickle (1935).

Hausbrunn: seven licenses to Oskar Poeller, later sold to DEA.

Zistersdorf: 15 licenses to Thomas Laszcz, later sold to EPG.

Neusiedl a.d. Zaya: 20 licenses to Musil, later sold to Dr. Schmid -
DEA.

Steinberg: seven licenses to Musil; ceded by him to ITAG.

Muenichstal: 30 licenses to Musil, sold to Explora.

Hauskirchen - Prinzendorf: two licenses to Apollo.

Erdberg - Ginzersdorf-Muehlberg: 107 licenses to Dr. Back, later sold
to DEA.

Risdorf: 56 licenses to the City Electrical Works, sold to DEA.

Walterskirchen: seven licenses to Ranzo Pigi, sold to Mannesmann.

Schrattenberg: Schmid-Mannesmann.

Steuerbezirk Poysdorf: 80 licenses to Erdoel-Bohr - und Verwertungs-Ges.
20 " Gewerkschaft Pionier.

Steuerbezirk Mistelbach: 79 licenses to Erdoel-Bohr-und Verwertungs-Ges.

Steuerbezirk Zistersdorf: 60

Steuerbezirk Laa a.d. Thaya: 57

This shows that all productive areas were covered by prospecting licenses. Nevertheless, there are a number of reasons why drilling was not undertaken to any great degree, among which were:

1. Big foreign capital was not inclined to invest after the withdrawal of the Vacuum Oil Company

2. The small domestic oil capital still held the Galician oil fields and was afraid of investing money in Lower Austria over which the shadow of Hitler already hung.

3. Big Austrian private and bank capital did not see where its duty lay and neither did it see where good business was.

Thus there were only two small foreign firms which were ready to go to work when the Steinberg-Dom near Zistersdorf, recognized as presenting the best prospects, was opened up.

They were the Steinberg-Naphta, founded by Polish oil industrialist Thomas von Laszcz with French capital, in the Goesting area, and Raky-Danubia which belonged to the German Dr. Anton Raky and which set to work in the Windisch-Baumgarten area. Execution of the drilling work was done in accordance with data provided by Geologists Dr. Friedl, Prof. Schnabl and Dr. Sommermayer, Chief Mining Consultant Waagner and drilling experts like Engineer Thon and Raky, etc.

Eighteen shallow hand drillings were made as well as one to a depth of 22 meters. Steinberg-Naphta ran out of money before success could be achieved, but Raky-Danubia held on and went through to become a pioneer with the Windisch-Baumgarten I Ulli well. This had gone down to a depth of more than 792 meters when on 30 August 1930 there was a strong outrush of gas and oil began to come in at the rate of 2,000 kilograms a day. But further drilling was poorly handled and came to nought.

This output proved, however, to be too small to lure out more capital. But then the Vienna banker Albert Brunnbauer raised money in Switzerland to open up the Steinberg-Dom and he founded the Erdoel-Produktions-Gesellschaft m.b.H (EPG). On 10 November 1932 oil came in at the Goesting I well at a depth of 785 meters.

The official production figure was put at 4,800 kilograms per 10 minutes - several tank cars a day. But this well was also technically mismanaged.

On 16 March 1935 Dr. Friedl published a paper in which he indicated three possibly hopeful areas:

1. The South-West end (Paasdom)
2. The Middle part (West flank of the Steinberg Dom)
3. The North-East end (Rheintal area).

The first economically profitable drilling was carried out by the EPG when oil was struck at Goesting II well on 21 August 1933 at a depth of 926 meters. Production was 3,007 tons a day. The pool was in the Sarmat stratum.

This broke the ice and capital began to appear. American, English, French, Swiss and German capital took an interest in Austrian oil possibilities. The result was that by 1937 most of the invested capital was foreign.

Steinberg-Naphta struck oil at their Neusiedl I well in 1936.

In 1937 RAG II well on the Goestinger Dom began to produce. The well was drilled by the Rohoelzgewinnungs-AG (RAG) which had been founded

in 1935 by Vacuum Oil and Shell companies. Drilling made by the Canadian R.K. van Sickle in 1937 at first proved unfruitful.

The following table shows how slow Lower Austrian oil production was up until 1936 and how rapid the increase was from 1937 on:

<u>YEAR</u>	<u>TONS</u>
1930	5
1931	7
1932	73
1933	304
1934	4,124
1935	6,650
1936	7,438
1937	32,850
1938	56,650

2. The Refineries Until 1938

Already in 1866 the Shell Company established a refinery at Floridsdorf which by 1923 had developed a 228-ton weight rate of flow.

This was followed by a refinery at Kagran, built 1896-1898 by Socony-Vacuum with a weight-rate of flow of 215 tons.

In 1907 Ebert built a small refinery at Kiedering with a 7½-ton weight rate of flow.

In the 1930's the refinery in Voessendorf was built. It had a ton-weight rate of flow of 125 tons. It was founded by the Austro Petroleum AG and in 1930 was amalgamated with Oesterreichischen Petro AG.

In 1927 the Korneuburg Refinery was built by the Korneuburger Mineraloelraffinerie AG (Owners Griffel and Dr. Adlersberg) with a t.w.r.f. of 300 tons. In 1939 this was leased to Creditul Minier.

In 1936-37 a refinery was built in Schewacht with a t.w.r.f. of 660 tons.

The crude oil for these refineries came, first of all, from Poland and later in ever increasing quantities from Rumania. In 1932 the purchase price per tank was 720 schillings, exclusive of customs tax.

In connection with the establishment of refineries, which were foreign-owned, there appeared slowly a network of gas stations. The main companies were Shell, Standard, Creditul Minier and Fanto.

II. German Occupation Period, 1938-45

1. Introductory Remarks

The occupation of Austria brought about a new epoch in the history of Austrian petroleum. The main points hereof were:

a single authoritative direction (Professor Banz decided drilling and production);

introduction of 50 plus drilling machines;

German Reich loans.

The result of this was a rapid increase of production, which, however, as a result of war-time bombing and a dearth of man power, rapidly dropped. This is shown plainly in the following table:

<u>YEAR</u>	<u>PRODUCTION</u>
1939	144,560 tons
1940	412,450

<u>YEAR</u>	<u>PRODUCTION</u>
1941	623,815 tons
1942	367,797 "
1943	1,103,783 "
1944	1,213,515 "
1945	153,587 "

2: Influence of German Oil Capital

A. Petroleum

To start off, the German oil concerns went to work, with considerable success, to persuade the prospecting licensees, more or less legitimately, to sell their rights.

For the major part these were the Deutsche Erdoel AG, called DEA, the Elwerath Union, Wintershall AG, the Kohle Union, Koller und Sohn, Itag, (Hermann von Rautenkranz) and IG Farben. These concerns immediately established branches in Austria. In addition to this Itag obtained through the Lucern contract of 21 October 1938 with the English City and General Enterprises Company: the Steinberg-Naphta AG, the Erdoel-Bohr-und Verwertungs-Ges.m.b.H., Terrol and the Pionier Company.

Immediately, the Rohoelgewinnungs AG began intensifying its erst-while slow exploration work. Already by 1938 it was in a position to open up the Geiselberg Field and, in 1940, in collaboration with Eurogasco, to find the presence of natural gas near Aderklaa.

The take-over of German oil capital was slowed down by the fact that the most important part of the Vienna Basin was in the hands of

RAG. A compromise was found in the formation of the so-called REP Syndicate in which RAG, Elwerath and Preussag pooled their resources.

DEA then opened up the richest oil field, St. Ulrich, and Itag went to work on Muehlbergfeld.

In order to protect its oil interests more directly and permanently, IG Farben founded with 1,000,000 RM from Benzin Naphta a company called

Donau G.m.b.H. In 1942 IG Farben took over the Austrogasco concern.

Of its 128 shares, 65 became the property of the Ammoniak Werk Merseburg and 6 remained in the possession of the German-American Petroleum Company. Between 1942-1946 Rumpel AG became the property of Mannesmann Roehrenwerke. The main interest of Rumpel AG was in drilling and in the construction of pipes.

However, all these measures and successes were not sufficient for the German oil interests. As a result Austrian mining laws were declared inoperative, German mining law was introduced and at the same time the Bitumen law was introduced on 31 August 1942. This law declared that Austrian prospecting licenses were null and void. Those licenses which were declared valid brought about the following distribution of oil wells:

E. Z.	30 Grubenfeld	Hedwig Hortensee	(EPG-WINTERSHALL)
	31	Glückauf, Wien I.	(ELWERATH)
	32	Glückauf	(ITAG)
	35	Maria	(EPG-WINTERSHALL)
	37	Regina-Maria- Barbara, Pionier	

E.Z. 90	Grubenfeld	Steinberg	(STEINBERG-NAPHTA)
" " 93	"	Zistersdorf -A	(RAG)
" " 95	"	Zistersdorf -B	(RAG)
" " 96	"	Geiselberg -A	(RAG)
" " 97	"	Ullid	(RAKY-DANUBIA-KOLLER)
" " 98	"	Geiselberg -C	(RAG)
" 100	"	Zistersdorf -C	(RAG)
" 101	"	van Sickle II, III, IV, V, IX, XI, Plattwald	
" 102	"	St. Ulrich A,B,C,D,E	(DEA)
" 103	"	Zistersdorf -E	(RAG)
" 104	"	Aderklaa I	(RAG-AUSTROGASCO)
" 105	"	Hohenruppersdorf	(RAG)

Furthermore, Austria was turned into one oil concession of 24,213 square kilometers. Through the offices of the Reich Economic Ministry and in the name of the German Reich these concessions were mainly given out to German firms.

The owners of prospecting licenses which had lapsed because of lack of success were recompensed for work done.

The following is a list of concessions and their owners:

- | | |
|------------------|----------------|
| 1) Lundenburg | DEA |
| 2) Drasenhofen | KOHLE UNION |
| 3) Schrattenberg | |
| 4) Hauskirchen | ITAG |
| 5) Grosskrut | WINTERSHALL AG |

6) Ameis	PREUSSAG
7) Siebenhirten	ELWERATH
8) Mistelbach	PREUSSAG
9) Paasdorf	EPG
10) Leis	ITAG
11) Korneuburg	RITZ
12) Hollabrunn	ITAG
13) Laa a/Thaya	DONAU-ÖL
14) Porlitz	KOHLE-UNION
15) Ausspitz	KOLLER & SOHN
16) Ober Laa	PREUSSAG
17) Enzersdorf	DEUTAG
18) Leithagebirge	KOHLE-UNION
19) Neusiedlersee	ELWERATH
20) Ödenburger Pforte	KOHLE-UNION
21) Pullendorf	KOHLE-UNION
22) Nordsteiermark	EPG
23) Mittelsteiermark	WINTERSHALL
24) Klosterneuburg	EPG
25) Tulln	DONAU-ÖL
26) St. Corona	RITZ & CO.
27) St. Pölten	RUMPEL AG
28) Kilb	EPG
29) Scheibbs	KOLLER & SOHN

- | | |
|--|------------------|
| 30) Amstetten | WINTERSHALL |
| 31) Bad Hall | KOLLER & SOHN |
| 32) Linz | PREUSSAG |
| 33) Pettenbach | DEUTAG |
| 34) Wels | G.D.S. |
| 35) Innviertel | DEA |
| 36) Hausruck | Elwerath |
| 37) Braunau | ELWERATH |
| 38) Hauskirchen, Maustrenk
Hohenruppersdorf, Aderklaa | NIEDERDONAU |
| 39) Gßsting | EPG |
| 40) St. Ulrich | DEA |
| 41) Hausbrunn | DEA |
| 42) Steinberg | STEINBERG-NAPHTA |

The biggest and most valuable concessions, comprising the central part of the Vienna Basin, were those belonging to Niederdonau Ges.M.b.H. in whose territory the Aderklaaser and Matzner fields were discovered.

Because the German firms could not come to an agreement they were split up in the following manner:

DEA	with 21,375%
Elwerath	21,375%
Preussag	" 21,375%
Wintershall	" 21,375%
Donau-Chemie	" 9,500%
Amoniak-Werk.	" 5,000%

The oil drilling companies also made consortial agreements among themselves with regards to their concessions. In March 1944 they made a ~~periphat~~ ^{DEK FNEPAL} drilling contract in accordance with which the following prices were established:

Drillings up to 1,000 meters

0 - 800 meters	RM	90
800 - 1000 "	RM	110

Supplement for Flysh 150%

Drillings Up to 2,000 meters

0 - 1200 meters	RM	110
1000 - 1200		130
1200 - 1400 "		145
1400 - 1600		160
1600 - 1800 "		180
1800 - 2000 "		200
2000 - 2200 "		225
2200 - 2400 "		260
2400 - 2500		280

Supplement for Flysh 180%

At the beginning the pumping jacks were driven by Diesel motors, but later electricity was used.

The towers and other apparatus were sent in from Germany.

In order to intensify exploitation of the Muehlberg area Itag, Elwerath and Steinberg-Naphta founded the Rheintal-Ges. m.b.H. on

26 November 1942. Capital was 20,000 RM of which Elwerath held 50 percent and the other two companies 25 percent each.

For the improved exploitation of the Hauskirchen field the above three companies founded the Zaya-Gas-Ges m.b.H. with a capital of RM 30,000. Each held one-third. The Reich took only nominal sums for administrative purposes anent the concessions. Development tax was five percent.

The percentages paid out to the original owners had been between 15-30 percent, but through an agreement this was reduced to 14 percent.

In conclusion it may be pointed out that up to the end of the war the above-mentioned Muehlberg field and a small one near Maustrenk were opened up. Preparatory work on them had been done earlier.

Although exploitation was pushed hard, it must be pointed out that not a single drilling was undertaken in what is today the richest part of the area. At that time the area showed no signs of offering any possibilities.

E. Natural Gas

Later, when natural gas was found in all areas, a company called Erdgas G.m.b.H was established by Elwerath (2) percent participation), Wintershall (23 percent), Preussag (25 percent), Donau-Oel (12 percent) Itag (5) percent), Steinberg-Naphta (seven percent), Niederdonau G.m.b.H (two percent) and EPG (two percent).

The objective was to take possession of all the gas produced by these companies in the Danube-Alps provinces and in the Protectorate

of Czechoslovakia for their own use and to market the remainder on a common basis.

On 1 August 1943 the Sueddeutsche Ferngas AG was founded with headquarters in Vienna. Capital was RM 4,000,000.

The founders were:

The German Reich (with participation of)	RM 2,040,000
Communal Administration of Gau Vienna	980,000
Reichsgau Niederdonau	980,000

At a general meeting on 7 November 1944 a capital increase of 2,000,000 RM was decided upon, but never realized, although the Reich paid its share of RM 1,029,000. Through the establishment of Ferngas the supply of gas for Donau and ^{Alpine provinces} ~~the Reich~~ was to be incorporated into the Reich gas network. During this period one-third of the gas was wasted in the air.

Further exploitation of natural gas, namely for automotive purposes, was to be carried out through the BV Methan G.m.b.H which was founded on August 2, 1944. Capital was RM 50,000. Participating companies were Sueddeutsche Ferngas AG in Vienna and the Kohlenwertstoffverbaende Aktiengesellschaft, and Gruppe Benzin-und Benzolverband in Bochum. Each participant undertook to pay the capital a sum of RM 25,000 in cash.

C. Refineries

Steps were also taken in the field of processing to ensure passage of this branch into German hands. DEA acquired the Nova refinery at Schwechat and in the period 1939-1942 considerably increased its size.

This was a cracking plant. Nova's capital in 1924 amounted to 600,000,000 crowns. (Nova, Brennstoff AG). This company was in the hands of the Societe des Petroles de Dabrava. According to the gold-schilling balance of 1927, the capital was established at Sch. 300,000. Shortly before the beginning of the war capital was Sch. 1,200,000. (120,000 shares @ Sch. 10.) Chief shareholders were:

Societe Continentale de Petrole	
Continale Petroleum AG in Vaduz	79,7.2
Societe Francaise Industrielle et Commerciale, Paris	<u>20,248</u>
	100,000

These two companies belonged to the Malopolsky concern, just like the sister concerns of Galiz.-Karpthen and the Galiz.-Naphta. Since Galiz.-Naphta and Galiz.-Karpthen had taken out greater credits in Austria--Oesterr.-Kredit AG and the Wiener Bankverein--the German Gauleiter proposed that the Malopolsky concern's debts should be compensated for by the purchase of the Nova stock. DEA thereupon purchased Nova through the intermediary of the Laenderbank in Berlin. DEA also concluded an agreement for the liquidation of debts with the Societe Francaise against claims. When war broke out DEA possessed 104,674 Nova shares. After the introduction of the Reichsmark as currency, the capital was readjusted to 300,000 RM and then increased to RM 1,600,000 when the first Reichsmark balance sheet was introduced.

The Korneuburg Refinery

The Korneuburg Refinery whose capital was predominantly Swiss and

Rumanian, was acquired by the Deutsche Gasolin AG. The Swiss franc claims of 640,547.38 of the Wigamur Company of Chur, Switzerland and 874,254.15 of Aktiengesellschaft Alma, also of Chur against the Korneuburg Mineraloelraffinerie were transferred to the Creditul Minier S.A.R. of Bucharest and to the Montan-Union AG, Vienna and then transferred by these firms to Deutsche Gasolin, Berlin.

IG Farben held a 50 percent interest in Deutsche Gasolin, while Anglo-Saxon and Standard Oil each held 25 percent. In September 1940 capital was RM 300,000.

Until 1938 the installation of the refinery was of the continual crude oil distillation process (four blowers of 35-ton capacity; daily capacity 180-200 tons); high vacuum installations, benzine rectifiers, lubrication oil refiners as well as auxiliary installations such as boiler house, shops, tanks, rails and divers buildings.

No new installations were built. From 1939-1945 Gasolin AG erected a filling station for light products on the site of the tank installations and at the wharf, on the Danube, the crude oil pumping station.

As far as the quality of the equipment was concerned in 1944 it must be noted that it was antiquated.

Voesendorf Refinery

In 1938 Reichswerke Hermann Goering (later named Benzin-und Benzol-Verband, Bochum) acquired Voesendorf from David Fanto AG (Creditanstalt, Dutch intermediary). Production equipment at Voesendorf consisted of an atmospheric installation, with a maximum daily output of 6,000 tons,

plus a lubrication oil refinery with a maximum monthly production of 500 tons.

It is to be noted that the atmospheric distillation installation was changed to a vacuum system which resulted in a capacity of 2,000 tons monthly of heating oil.

Lobau Refinery

In 1939 the Lobau Refinery was provided with great subterranean tanks by the Ostmaerkische Mineraloelwerken G.m.b.H. Participating in this company were the German sister concerns of Socony Vacuum and Shell, the German-American Petroleum Company and Rhenanie-Ossaga Mineral Oil Works AG, each to the extent of five percent. The refinery is connected with the oil field by a pipeline. In 1944 the Lobau refinery had a crude oil production of 950 tons a day.

The Moosbierbaum Refinery

Up until 1945 the Moosbierbaum refinery belonged to the Donau-Chemie AG, coupled with IG-Ammoniakwerke, Merseburg. In 1941, the Germans brought 50 carloads of refining equipment out of France and used it to set up the so-called "Dora" distillation plant. It was a combined atmospheric-vacuum crude oil distillation plant (Foster Wheeler system). In addition to "Dora" a H.F. installation was built with a H.F. 1 and H.F. 2 oven plant and coupled to H.F. 1 and H.F. 2. The H.F. installation was a catalytic benzine (gasoline) reforming one. Its purpose was to produce aviation gasoline out of normal straight-run benzine (gasoline) through catalytic dehydration processes. Beside the H.F. installation, they also built an SS installation.

This was coupled with the polymerization installation, and with the oil distillation and the refining installations. These produced the finest lubricants (for submarines).

Tank Installations and Sales Companies

The Economic Research Company (Wirtschaftliche Forschungs G.m.b.H.-- WIFO) constructed during the first years of the war a great tank installation at Lobau with pipelines to the Danube port and with lines to the oil fields.

D. Fuel Marketing Organizations

The Germans also showed great activity in the field of fuel. The Hermann Goering Works purchased the filling station organization of Fanto AG, while Deutsche Gasolin acquired the tank installations of Creditul Minier S.A.. The pump station organization was broadened and in the provincial capitals great tank installations were built. Besides these there was also the German Ole. firm which was interested in the filling station business. In the war years the Petroleum Central Bureau was established with administrative centers in Vienna and Salzburg. The entire fuel business was run through the Petroleum Central Bureau. The companies became nothing more than adjuncts of this Bureau.

III. From War's End to Foundation of the SMV

1. End of the War Period

As has already been explained and shown in a table, the development of the oil industry and refineries was destroyed by bombing in the final months of the war, and also through other means. Oil

production dropped by about one-third and the output of the refineries went down by 50 percent: Drilling machines and other apparatus were taken out of Lower Austria oil fields and sent to the west where they would be in less danger (St. Poelten, Amstetten, Upper Austria and Salzburg. This apparatus and the machines were lost forever for the most part. However, on orders of the High Command nothing was to be destroyed but put out of working order by the removal of electric motors, etc. Little damage was done to the oil fields in the fighting.

2. Soviet Intervention

A. Plant Dismantling

As a result of the arrival of the Soviets, grave and long-lasting damage was done to the oil industry. Here, as well as in other industries, one saw the beginning of a period of ruthless dismantling. This was accompanied by the export of anything that could be moved. Everything was carted off without any kind of system or sense towards the East.

In the course of our research we came across an order entitled 21. 50 12. OB/45 from the Supreme Command authorities regarding the quantities and types of commodities carted off. It read:

Order of 8 June 1945

	<u>Quantities</u>
1. Complete drilling equipment	53 pieces
2. Compressors	29
3. Diesel motors &	81
4. Electric motors &	200

	<u>Quantities</u>
5. Pumps	100
6. Metal working lathes	145
7. Cables and electric wires	365
8. Steam boilers	32
9. Drilling equipment	1,000 tons
10. Hoisting blocks	21 pieces
11. Pipes	1,000 tons
12. Pump rods	245
13. Wire cable	200
14. Armatures	433
15. Tools, Supplies	1,500
16. Chains (roller chains)	140

(This was Page one of the order. It was signed:

Kommando of the Red Army: Brought to the Notice of the
High Mines Authority

Ministerial Councillor: Dr. R. Mayer.

Col. Engineer Akishin

Lt. Col. Aktshurin

Engineer Lt. Col. Kamirski

Lt. Col. Gropdov.

&) not part of complete installations.

Order of 3 June 1945. (Continued)

German Property	To USSR	Remain
48 pieces	33% 48 pieces	10 pieces
11	35% 10	19
7	75% 60	21

German Property	To USSR	Remain
192 pieces.	84% 168 pieces	32 pieces
94 "	74% 74 "	26 "
145 "	73% 107 "	38 "
320 tons	68% 207 tons	113 tons
10 pieces	31% 10 pieces	22 pieces
14 "	67% 14 "	7 "
862 tons.	80% 805 tons	19 tons
14,900 "	80% 12,000 "	3,000 "
192 "	70% 160 "	35 "
260 "	30% 210 "	50 "
432 "	62% 350 "	1,2 "
1,410 "	70% 1,060 "	440 "
92 "	65% 35 "	55 "

Noted by Committee of Austrian Oil Companies.

(signed) H.G. Ulrik

Director: Steyrer

Engineer Gerzobek

Dr. Hauswirth

This protocol shows that of the available materiel in the oil fields up to 83% was taken off to the Soviet Union. The table also shows that the Soviets paid particular attention to drilling equipment.

On 8 June 1944, a meeting was held in the offices of the Rohoel Company, Schwarzenberg Platz No. 18, in which participated not only the representatives of the Oil Committee and the highest representatives of the Mines Authority, but above all a delegation of Russian officers.

Our authoritative documents report that this meeting resulted in severe differences of opinion between the Russian officers as there were two groups fighting over the requisitioning of the available production materiel in the oil fields. The argument was about the method of utilization of such materiel. Judging by the results of our research it may be assumed that the two groups represented the one, the Trophy Administration, (and that meant the Moscow Ministry of War) and the other, the representatives of USIZ, that is to say, the Ministry of Petroleum.

The discussion at this meeting hinged on requisitioning and on the quickest possible transportation of materiel to the Soviet Union on one hand and on the other the quickest possible utilization of the oil and natural gas industry with what remained of the equipment. Thus, there were two contradictory themes under discussion. The meeting ended, as already indicated, in loud argument since the Russian officers could not come to an agreement.

However, as has been seen, the installations and materiel of the refineries and the Neusiedl Works (7000 kw) were not taken away.

The 20 July 1945 meeting followed the same course and the following protocol was drawn up:

Protocol of 20 July 1945

Taken into consideration are the amounts of gas necessary for automotive transport for the Community of Vienna and for the Kommando of the Red Army:

1. Natural gas installations at Semmering, Aderklaa and Zistersdorf, will remain intact where they are.
2. In Stammersdorf there will remain a functioning gas pumping station comprising three compressors.

BV Methan undertakes to complete building of the three remaining compressors which are to be taken to Russia.

From the same installation 24 storage tanks are to be taken to the Soviet Union.

3. Natural gas tanks at Bullendorf, Neusiedl, Hohenruppersdorf and Gross Schweinbarth are to be taken complete to Russia.

BV Methan undertakes to complete the three compressors at Gross Schweinbarth, namely to complete the lacking armatures.

Kommando of the Red Army
Engineer Lt. Col. B. Kaminski

--
Committee of Austrian oil firms

Dr. Aberer
Dr. Friedl
Dr. Hauswirth.

--
BV Methan GmbH

Koller.

Suedostdeutsche Ferngas AG

Engineer Guentner.

B. Reasons for the Dismantling Policy

Our sources give the following assumed reasons for the Russian dismantlings:

1. An order, plainly emanating from Moscow, that as much productive machinery as possible should be dismantled and brought to the Soviet Union.
2. The possibility, that was not at first recognized, of exploiting the oil fields in their own interest and to make use of the existing installations.
3. The fact that the true value of the Lower Austria oil and gas region was not yet recognized.

At any event, the general order was given to the Red Army that all important materiel and installations were to be taken away.

C. Switch to Economic Exploitation Policy

Already in June 1945 a beginning was made to the taking of measures to organize the economic exploitation of the oil industry.

According to the already often-mentioned Dr. Friedl who actually experienced these events, the Soviets originally intended to form a mixed Soviet-Austrian oil company, to be named Sov-Naphta. The influence of Major (Edit. Note: above list says he was a Lt. Col.) Kaminsky, who was in charge of dismantling, waned, while Lt. Col. Yegorov from the Oil Ministry and geology Professor Varenzov saw theirs increase. A meeting was held with representative gentlemen from Moscow, attended by the erstwhile Minister of Commerce Heintl and the former representative Raab. The formation of Sov-Naphta did not come about.

The Potsdam Agreement gave the Soviets the guarantee that the installations of the Lower Austria oil fields would "legally" be theirs insofar as they were German property.

They therefore decided to go into production. They undertook it with all energy with the aid of what machinery remained and those specialists they could find to build up again the oil industry in Austria.

Booty that had not yet been taken away from Austria was brought back to the oil fields and to the refineries. Even materiel which had been taken to Russia was brought back. However, most of it was by then hardly useable. A little while later even American drilling equipment was sent from Siberia to Lower Austria.

This was in accordance with the orders given by the Soviet offices which were housed in the bureaus of Rohoel AG in Zistersdorf, Neusiedl and Vienna X.

IV. SMV Organization, Work Methods and Production

1. Foundation of the SMV

In order to achieve the planned development and exploitation of the Austrian oil fields, October 1945 saw the creation of the Sovyetskoye Nephtyonoye Upravleniye. The initials SMV stand for the German rendering of this, namely Sowjetische Mineraloelverwaltung. Offices were at first in Vienna in the Kantgasse. Our documentation stresses that with this step the end came to the epoch of military administration of the (oil) region.

Formation and development of SMV was a result of the work of specialists in the Moscow Petroleum Ministry. The relative positions of SMV and USIA are not known with exactitude, but one thing is certain and that is the connection was a close one. It is also evident that the two were from the very beginning connected through the SMB financial institution.

It is also clear that USIA and SMV gave each other mutual support and exchanged needed supplies between them. Our specialists report that from the very beginning SMV gave support to the USIA industries in that SMV was obliged to purchase materials from USIA at prices which the SMV considered too high. It would therefore appear that economically speaking the SMV was the stronger since it went rapidly into production and was able to translate its wares easily into cash.

In accordance with the Potsdam Agreement's stipulations SMV took over the following German oil concerns and their spheres of influence:

DEA	RUMPEL
ITAG	ZAYA-GAS.
ELWERATH :	RHEINTAL-GAS
PREUSSAG :	ERDGAS
WINTERSHALL	FERNGAS
STEINBERG-NAPHTA	BV-METHAN
DONAUEL	ZENTRAL-TANKLAGER, and all the

assets of WIFO in Lower Austria.

They also took over the following refineries:

SCHWECHAT	MOOSBIERBAUM
KORNEUBURG	KLEDERING
VOESENDORF	OKEROS

Seizure of the Lobau refinery was justified with the following oral statement from the Legal Division:

"The Lobau refinery was established with the aid of important German means and restored after bombing attacks."

In 1946, Soviet administration also took over the fuel distributing companies along with their tank installations in the Soviet Zone. In 1947, the two companies Gasolin and BV (Benzin-Benzol-Verband) were merged and formed Orop. Orop was a formally established company with shares, formed in accordance with Austrian law. However, the shares were in the hands of SMV. In addition, Orop had to pay rent for their seized tanks..

2. Organization

A. Development

According to all our information SMV was under the orders of the Moscow Petroleum Ministry--with exception of the not-too-clear relationship to USIA. The Ministry sent its best specialists to SMV and there were continual visits from the control commissions.

Although the SMV did not enjoy the status of a juridical person in the eyes of Austrian law and was not even entered in the Commercial Register, the Austrian courts, nevertheless, in practice, soon began to regard it as such. However, SMV was the one which decided whether it would allow itself to be a defendant in a lawsuit. SMV never did take part in a property suit. Whether anything was or was not German property was a matter which the Soviets alone decided. In practice, SMV was recognized as having a collective bargaining capability. In everything else, SMV just simply ignored the Administration authorities. It was therefore quite an event when SMV made application for a building permit.

The same seemed to apply to the Supreme Mining Authority, since it appears that Director-General Sidorenko issued Order No. 4 which stated that the Authority was at least to be kept informed of what was going on. Production Director Klapshuk, however, took no notice at all of this order. Production figures were kept secret and divulged to nobody, not even the Supreme Mining Authority. Drilling Director Lovkin was equally cold to Order No. 4.

SMV's General Direction and its Divisions were divided into plants and subsidiary plants. This difference was not strongly stressed in our "Spezialbericht: Organisatorischer Aufbau der Sowjetischen Mineraloelverwaltung SMV, Vienna, June 1957." There, the differences of the divisions were not explained on the basis of available personal documentation. However, it would appear not unimportant that a series of names of important Soviet personalities which appeared in that report should be substantiated in this one.

The highest administrative post in the SMV was the Director-General ship. This was composed of the Director-General (for technical matters) and of a Co-Director (for commercial affairs) and of their representatives. Division chiefs commanded the Divisions. The individual plants in the oil fields and the refineries were under the orders of directors, all of whom were responsible to the Director-General.

During the course of the occupation there were changes in internal organization of the divisions. For instance, for some time there was a Labor Rights Division, but it was later absorbed by the Legal Division. The Labor Rights Division handled collective contracts, working regulations and such. There was also for a time a Labor Division which took care of juridical labor questions insofar as they concerned norms, their over-fulfillment, work plans, etc. This Division was later absorbed by the Plans Division.

Our specialists stress the relative independence of the Accounting Department, which was not bound by the directives of the Director-

General.

The following were some of the Divisions:

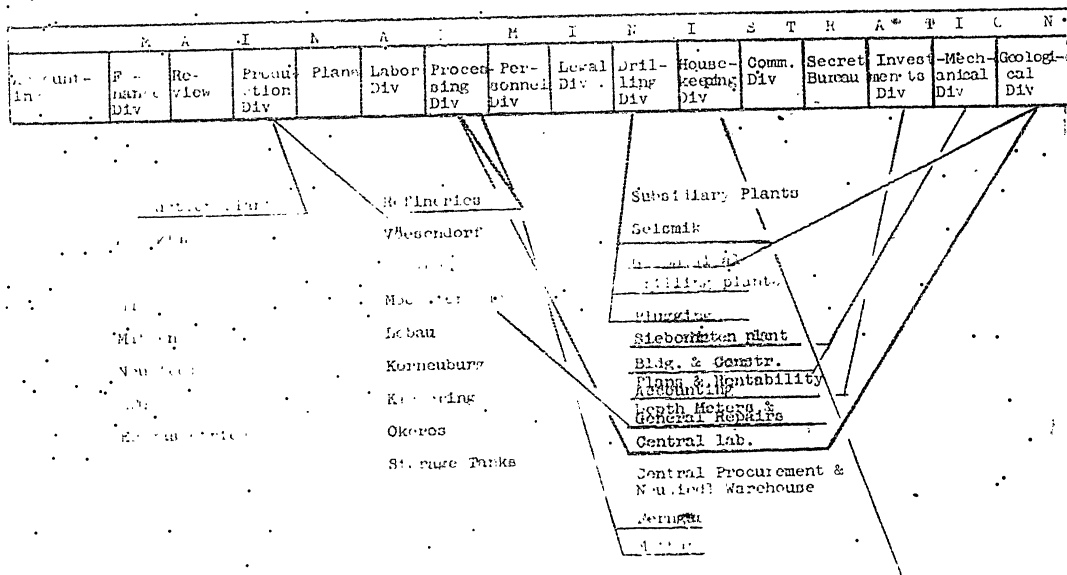
Commercial	Auditing
Main Accounting	Geological
Finance	Drilling
Investments	Production
Legal	Manufacturing
Housekeeping	Mechanical
Personnel	Secret

Plans

The tasks of some of the divisions are self-explanatory by their names. The following table gives a graphical representation thereof.

However, let it be noted that the Secret Division, among other things, took care of documents, instructions and correspondence between the Soviet authorities in Austria and in the Soviet Union. This Division was called Division No. I and occupied offices on the first floor of the Kantgasse. The windows of these rooms were barred and a Russian MP guard stood before the door. Personnel Director Eichniger and in his absence his deputy Koerbler, were the only Austrian employees who could enter them. Even Russians needed a special permit to enter these offices.

With regard to the Plans Division it may be noted that according to our specialists, those plans which affected the entirety of the administration were laid on by Moscow. The following divisions listed below had their own individual plans divisions. The plans they drafted



POOR ORIGINAL

were discussed with the Plans Division of the General-Directorate.

As we have already pointed out, the General-Directorate had under it a number of directorates heading up plants and subordinate plants.

The following plants were directed by directors:

Drilling Installation Prottes.

Production: Muehlberg, Neusiedl, Matzen, Bockfliess-Auersthal, Aderklaa.

Refineries: Schwechat, Korneuburg, Voesendorf, Moosbierbaum, Lobau,

Kledering, Okeros.

Geophysic-Seismics, . . . Research Lab,

Building and Installation, Central Purchasing,

Automotive and Tractors, Housekeeping,

Plans and Calculations, Building Administration.

For some time there was also a separate Division for sampling devices and for general repairs as well as for plugging.

B. Personnel

The following is a list of the staff of leading Russian personalities of SMV 1945 to 1955 as far as our staff was able to remember them:

1. Director-General

Lt. Col. Engineer Ryabinin

Deputy Lt. Col. Engineer Nikolayev

" " " " Yegorov

Engineer Lutkov for transportation*

* is placed against names of men who had more than one function.

Engineer Korneyev for drilling*

2. Director-General Engineer Chernomorsky (refineries)

Deputy: Yeskov (drilling specialists, finance)

3. Director-General Engineer A. S. Sidorenko (drilling specialist)

Deputy: R. U. Agalsharov (Finances)

Deputy: W. D. Pavlov* (refineries)

4. Director-General: S. F. Cheplakov

Deputy: Nazaretov

Deputy: W. D. Pavlov* (Finances)

Main Administration

Accounting.

Chief Accountant - K. D. Mamikonjan

- J. W. Ulibin

" " - M. F. Dyomin*

" " - P. F. Chernov

Accountant - Rudomotkin

- Ustinov

Finances

Kirillov

M. F. Djomin*

A. S. Swirionov

* is placed against names of men who had more than one function.

Review

Sorokin

Plans

Sivkov

Legal Div.

W. I. Usenin

Labor

Gorshkov

Safety Measures

F. M. Gushovsky

W. W. Kusnezov

Personnel

K. I. Udalov

Secret (First Division)

Yermilov

Polit-Chief

Garbotov

Investments

Karbov

Kuranov

Konyayev

Geological

Golyakov

Osipov

A. A. Pelayevski

Commercial Division

W. P. Trafimov

A. H. Shukov

Mechanical Division

Ulyankov

Bushtary

A. W. Pupshev

B. F. Romanov

Electrical

Korinlov

G. I. Babenko

Production

Lutkov*

Perepilitsin*

Oereversev*

Drilling Division

Korneyev*

Anissimov

Novikov

Tschubin

Processing

H. A. Retrov

Silnelikov

W. D. Pavlov*

* is placed against names of men who had more than one function.

Processing PlantsAderklaa

(founded by SMV)

Klapchuk*

W. I. Vorontsov

Auersthal (Bockfliess)

(founded by SMV)

Klapchuk*.

Ossipov*

Gorbatov*

N. S. Lutsov*

A. I. Perewerzev*

Matzen

(founded by SMV)

Klapchuk*

Ossipov*

S. N. Lutsov*

Muehlberg

(founded by SMV)

Capt. Sergeyev

Tarezenko

Otreshenko

Kusnichev

Gladkov

Muehlberg (contd)

Kottov

Perepilitsin*

Kulyev

Ryapozov

Ossinov*

Pogozov

N. S. Demchuk

Neusiedl

(ITAG, Wintershall)

Klapchuk*

A. P. Koslov*

(with DEA Neusiedl)

I. P. Chapurin

Erdgas G.m.b.H.

(Erdgas, Ferngas, Methan)

A. P. Koslov*

N. G. Syomin

EPG

(Mixed firm)

Otreshenko

A. P. Koslos*

N. S. Demchuk*

I. P. Chapurin*

* is placed against names of men who had more than one function.

Bureau for General

Depth-meter repair

(founded by SMV)

Petkevitch

W. I. Vorontsov*

Refineries

Schwechat (Nova)

Selitski

Gerasimenko*

Moosbierbaum

Istomin

Patsiorin

N. A. Petrov*

Okeros

N. A. Petrov*

Voesendorf

Gerasimenko*

Lobau

Vinogradov

Gorlov

Gerasimenko*

P. N. Golovanov

Kledering

Gerasimenko

Lobau Tank Station

(WICF)

I. N. Solovyov

Lesovoi

Auxiliary Plants

Automobile & Tractor Office

(founded by SMV)

A. A. Miose, ev

Geophysical Office

(founded by SMV)

I. A. Meshcheryakov

Building & Construction

(founded by SMV)

Matsakanov

P. M. Frolov

Plans & Rentability

(founded by SMV)

Kuratov

B. W. Kapov

Central Scientific & Research Lab.

(founded by SMV)

Ponomarov

I. A. Pavlov

Beloyevski

* is placed against names of men who had more than one function.

Auxiliary Plants, contd.

Mechanic Shop Siebenhirten

(Organized from Rumpel)

A. W. Pupahev

Drilling Plants (Organized from the Rumpel Co.)

Zistersdorf

Dyetchkov

Subkov (possibly Zubkov)

Sukhov

Prottes

Lovkin

Aderklaa

Goshovskiy

B. B. Shwetsov

Malinin

Novikov

Adala'iyev

Zistersdorf-Prottes

Sukhov

Anissitsov

Zistersdorf-Prottes-Aderklaa

Anissitsov

N. D. Koch

Korniyenko

Aligulyan (Chief Engineer)

Building Administration

A. T. Averin

Procurement (Tech. Div.)

A. S. Tarutin

Plant Guards

A. W. Putrov

W. T. Kherusho

(See also our personnel list in Appendix to 1 Report A. C. of Sept. 56)

The directors and leading officials were almost all Russians. The Soviet officers who took over the oil industry in 1945 were either political officers or men who had a technical profession in civil life. Soon, however, the staff was changed and qualified oil specialists made their appearance--some of them were young graduates and there were even some faculty members. In the later years there were also some Polytechnic graduates, some of whom were trained as technicians and others as book-keepers.

New political officers also made their appearance. They were men who had trained for this service and who spoke German.

It is interesting to note that all Soviet officials in the SMV were obliged to make a continual study of the German language. For this purpose courses were organized and a command of the language was rewarded with a bonus.

There were considerable differences in the qualifications demanded of the Soviet technical personnel. There were those who really knew

their subject, while there were others who had to depend on their Austrian collaborators. However, if a Soviet technician was plainly inept he was immediately recalled home. This also happened to him if he consorted too much with Austrians or if he fell victim to the lures of his capitalistic surroundings.

C. Accounting, Plans and Controls

(a) Accounting

Each one of the above-mentioned plants was a separate accounting entity--shut off from the others. These independent plants accounted for their products between themselves. Their plant accounts were reconciled by the accounting department of the Central Administration which established the balance sheet of the enterprise.

Each individual plant had its separate system of accounting and this led to the creation of plants and plant-groups on the books. Such were:

Drill Plants. These were divided up on the books in accordance with their specialty, such as: Bureau for Structural Drilling, Bureau for Geological Research Drilling, and Bureau for Deep Drillings.

The Bureau for Geological Research Drilling and the Bureau for Deep Drillings ceased to exist on the books as independent organizations in 1951-52.

The cost of productive drilling was laid to the account of the plant which undertook the drilling and which was credited with an annual

percentage. The cost of fruitless drillings was calculated by the Central Administration and pro rated among all production plants:

Production Plants. The production plants were classified for the purposes of accounting in accordance with the locality of the wells, as follows: Aderklaa, Bockfliess, Matzen, Muehlberg, Neusiedl, Erdgasbetrieb.

These wet gas and crude oil production plants had to calculate their total production on the basis of average prime cost (plan prices) at the warehouse. Transport was calculated in the same manner on delivery at central storage. The available amounts of wet gas were charged on the basis of prime cost to Erdgasbetrieb. This was the plant which was in charge of distribution of this wet gas. Erdgasbetrieb was furthermore in charge of all dry gas wells in the whole enterprise, regardless of where the individual wells were.

Refineries. The refineries were also dealt with on a basis of locality with regard to the accountancy. They were: Korneuburg, Lobau, Moosbierbaum, Schwechat, Voessendorf, Kleuering.

Central Tank Station. The same applied to the Central Tank Station. All products of the production plants and also of the refineries were charged to Central Tank Station, and then credited to Central Tank Station on delivery to foreign firms.

Auxiliary Plants. The auxiliary plants mentioned below were also deemed to be independent as far as the accounting system was concerned. These plants performed services as required by production plans for

other SMV plants and charged for them in accordance with plan prices.

These auxiliary plants were: construction plants, Automotive Transport Division, Geophysics Division and mechanic workshops.

As has already been stated all these accounts were reconciled in the Central Accounting department of the Central Administration. A plant balance sheet was then drawn up for each plant.

Accounting was done on the double entry system. However, it was not subdivided into finance and business accounting. In contrast to the Austrian system, the Russians used a "control ledger." On the basis of voucher lists, entries from each source were collected and the totals of the voucher lists entered in the "control ledger." The voucher lists carried the same number each month, thus:

Voucher List	I expenditures
"	II Bank accounts
"	III Credits
"	IV Salaries

There were other voucher lists for social insurance, materiel management, sales, etc.

The debits and credits entered on the voucher list were entered each month in a new "control ledger" (a sort of master ledger) according to the accounts to which they belonged. At the end of the month the totals of the voucher lists had to be reconciled with the sum of the debits and credits on the voucher lists. The register had to be reconciled with the accounts in the "control ledger."

All plants had to use a common accounting system which was established by Central Accounting. No changes could be made except by

Central Accounting.

Each month, every plant had to furnish Central Accounting with a record of sales, entered on a special sheet. At the end of every quarter a complete balance sheet with credit and debit had to be drawn up, plus additional lists showing:

- Increase or decrease of plant assets
- Analysis of production costs
- Number of employees and salaries
- Investments and general repairs
- Movement of products and sales
- Rentability of products
- Statement of creditors and debtors
- Standing of the amortization fund

The plant's balance sheet was established on the basis of these plant balance sheets by Central Accounting. Although plant accounting was done mainly by the plant itself and the enterprise balance sheet hardly more than a statistical compilation, the plants were left in the dark as to their actual financial standing as part of a whole, for only that part of the accounting which was connected immediately with its affairs was carried out in the plant. Certain reserves and arrears were calculated by Central Accounting in which only Soviet citizens were employed. Such figures were therefore secret.

The accounting staff of a plant usually consisted of: Chief bookkeeper, Chief bookkeeper deputy, Financial bookkeeper, Investment bookkeeper, Materiel bookkeeper, Salary bookkeeper, Cashier.

Where necessary, some accounting departments had one or more ledger chiefs or salary calculators.

For disciplinary purposes the bookkeeping staff was under the orders of the plant manager, but as far as their method of work was concerned they were responsible to Central Accounting.

Tables 1 through 3 are appended to this chapter, giving a clear picture of the accounting system.

There are also four supplements which can only be furnished in January or February 1953. They are reproductions of original documents dealing with accounting. They are:

1. "Instructions on establishing the rentability of SMV refinery products." (During the tenure of Sidorenko.)
2. "Instructions concerning the calculation of prime costs." (During the tenure of Agadshyanov.)
3. "Instructions concerning the establishment, in conjunction with No. 3, of next month's terminal report concerning the fulfillment of the production plan. (Check sheet No. 3.)
4. "Instructions concerning the calculation of common costs in SMV plants."

Enclosed is a table showing the calculation of prices (as of 1 January 1953) as between the SMV plants.

(b) Plans

As already stated, the plants invoiced their performance and deliveries among themselves on a continuing basis in accordance with

the (production) plan laid down for the year and covered their running production costs out of earnings.

All liquid profits had to be turned immediately over to SMB. The Financial Department of Central Accounting kept a check on the bank accounts of the plants which were reported daily and siphoned off any unnecessary accumulations of funds.

In the same manner monthly transfers of funds from plant assets were made by the plant to the account of the main accounting office. With these funds and with an investment fund, the size of which is unknown, the Administration covered planned and completed investments, and the cost of general repairs on the basis of supporting claim vouchers.

The main Administration of the SMV received from the Petroleum Ministry in Moscow the plan for the entire enterprise on a quarterly basis or for the current business year. This plan included, among other items:

- Operational plan,
- Estimated expenses on cost-type-group basis,
- Estimated profits and/or performance,
- Expenditures,
- Salaries and wages,
- Investments and general repairs,
- Estimated production,
- Rentability of performance and products,
- Plant costs.

These questionnaires were checked by departmental chiefs of the Plans Division, by the Labor Division, the Investments Division and by the Finance Division.

The balance sheets of the plants would only be accepted by the chief of Central Accounting if they bore the signatures of the chiefs of the Main Administration, thereby attesting to their accuracy.

Further details on planning methods in general and on the setting up of production plans will follow in January or February 1953. They are based on original documents. They are:

1. Reports to the chiefs of the Plans Division in the preparation of production plans.
2. Documents concerning planning methods, statistics and finances.
3. Setting up of the SMV labor and wage plans.

(c) Controls

From time to time review commissions arrived in Vienna from Moscow. Their main task was to see to it that the provisions of the plan were being observed. Particularly severely controlled were any over-expenditures. Praise was given if work cost less than planned. The inverse applied. Equally severely checked were the extent of investments and of general repairs. A detailed check was made particularly of production estimates.

In addition to these plan controls, the review commissions also busied themselves with the fitness of the directors and they laid especial emphasis on the cleanness of the plants.

5. The Role of the KPOe in the SMV

Analysis of our documents has enabled us to gain insight into the aims and means employed in Communist politics in the plants

administered by the Soviets in Austria.

The analysis confirms our findings as they concerned USIA and also provides valuable details and explanations.

The documents concern:

Report on training for personnel chiefs of SMV at Urgersbach 9-16 May 1953 with plan for review, daily schedule and internal critique;

Project for a cadre plan;

Formula for a character-sketch by the Personnel Division;

Formulae and guide-lines for quarterly and annual reports.

All these documents come directly from the chief Communist personnel man, Eichinger. We hope to make copies available early in 1953.

According to our sources, the Personnel Division of the SMV, as well as in other Soviet-administered plants, had tasks other than those usually fulfilled by personnel divisions in the capitalistic economy.

The main stress in the work of the Personnel Division was placed on the formation of strong KPOe plant organizations (BO's), wherein the personnel chief was not appointed leader of the BO, but rather functioned as its advisor. This function resulted from the fact that the Soviets pursued not only economic, but also political aims in the plants they administered. Our sources expressly refer to the fact that the Soviet-administered enterprises were given the task of educating those cadres and functionaries whose task it was to transform Austria into a people's democracy.

The personnel divisions were not only charged with forming the numerically strongest Communist Party groups (BO's), but further than that to place the active Communists in the plants in good and influential positions. The sum of the measures aiming at this was called "cadre policy." Through the workings of this cadre policy Communist and Sovietophile workers and employees were to be trained for higher posts, while non-Communists were to be kept out of these higher posts.

Appendix No. 2, entitled "Cadre Plan" shows how systematically the Communist-led personnel divisions went about this task. The employees and workers were examined division by division in the light of the points given in the Appendix and then classified as "positive," "tolerable," "not wanted," or "intolerable."

Not only conduct in the plant and technical ability were taken into account, but also the person's private life. Particular stress was laid on finding out if the person in question had ever made critical remarks about the Soviets. A particularly positive factor was considered to be collaboration in one of these organizations: Soviet-Austrian Society, Peace Council, Communist sport clubs, Tenants' Protective Association, League of Democratic Women, Friends of Nature, etc.

The "intolerables," known as I-Elements and the "unwanted" known as U-elements were listed by the Central Personnel office. Special commissions were established which usually were under the orders of the personnel chief, of the BO leader, of the chief plant councillor and of the representative of the district KPOe leadership. These

commissions held meetings to discuss every single worker and employee, particularly the leading ones, put them into one of the above-mentioned classifications and thus disposed of the fate of the person in question.

The I and U elements were given a time limit to get out. At the same time it was decided which of the trusted men should continue to hold their jobs and what professional training they should be given.

There were two-week training courses and schools giving courses lasting from five weeks to six months. Workers selected to attend these courses were given time off from their plant and were given paid free time by the SMV. In the case of the six-month courses, the SMV continued to pay only the social security, while the KPOe recompensed him for his salary. However, the KPOe received the money to do this from the SMV.

In the case of firings, the approbation of the Central Personnel office had to be obtained. This did not apply to the I and U elements. As a rule, the opinion of the authoritative KP district leadership was obtained on men being given new positions and the opinion of KP trustees who lived near him was also sought.

As a result of all this, it was not long before the Communist Party became a determining factor in the SMV, and the Soviet director was the only one who had sufficient power to act counter to the KPOe's wishes. This has been reported by our sources and confirmed under 1) in Appendix 3 in the paper entitled "Guide to the elaboration of the yearly report 1/1/52 to 31/12/52."

The local Communist personnel official was asked if all those persons accepted by the Personnel office had been confirmed by the Administration. This indicates that such was not always the case. Our sources report there were different procedures in the case of discharges. These points indicate that there were contradictions in the tasks of the Soviet directors.

But quite apart from how the men felt about Communism, their main task was to increase production and to see to it that the plan was fulfilled. In order to do this they needed good co-workers. Good co-workers, however, were mostly people who had been working with the oil companies before 1941 and who therefore were not Communists. The Soviet directors had the experience that firings, replacements and job-fillings--dictated by cadre policy--made for decreased production and for other difficulties. It was therefore not uncommon that the Soviet directors opposed this cadre policy. In not urgent cases, the KPOe would then withdraw its demands. However, if the KPOe felt that a man was entirely undesirable, or if it was felt a certain job had to be given to a Party member, the case would be discussed by the KPOe Central Committee.

Then, in general KPOe Central Secretary Fuernberg himself or one of his associates, Stueckler or Vajda, would call on the highest level Soviets and they would give the order to the Soviet director to carry out the desired firing.

On the other hand, it must be said--and this is important in judging this entire problem--that the KPOe itself was dedicated to

increased production, although this had its political overtones. This is clearly shown in the Cadre Plan (appendix 2), and particularly in points 5c and 9.

Point 5c particularly stresses that Communists are to be fired if they act counter to work discipline. Point 9 demands that the end result of all Cadre policy measures in the plants shall lead to increased production as well as to political consolidation.

However, our sources report that the purely political motivations of the KPOe's cadre policy, in practice, had precedence and this led to the opposition of the Soviet directors who were responsible for production. Particularly interesting is the remark in Point 9 of the Cadre Plan asking for further proposals to increase production, but only for such proposals "which would not entail considerable investments. This would indicate that at the time this Cadre Plan was established--February 1953--a parsimonious investment policy had been agreed upon between the KPOe and the leadership of the Soviet economic corporations.

4. Crude Oil and Natural Gas Production

A. Drilling Activities

(a) Opening Up of New Oil Fields

At the beginning the Soviet oil administration limited its activities to exploitation and drilling of those areas which had been working during the time of the Germans. As has already been mentioned, these areas had been fully worked out. Soviet drillings in these areas, therefore, were modest and new production was small.

The first successes were achieved in the most northerly part of the Zistersdorf field at Muehlberg. This field had purposely been left untouched by the Germans and by the end of the war was therefore virtually virgin. Soviet drilling activity concentrated on this area and by 1950 production was nearly 500,000 tons. However, in later years, production here fell. (See following table). Earnings from this area created the financial means for further drilling attempts. Through counterflush methods and new drillings the greater part of the Vienna Basin was carefully gone over and prospected according to plan. This was successful.

In 1949-50 the Matzen-Bockfliess field was opened up and Well Matzen III came in at a depth of 1742 meters with a daily flow of 150 tons. Work proceeded rapidly and soon the neighboring fields at Prottes, Schoenkirchen, Bockfliess, Auersthal and Raggendorf were opened up. Hundreds of drillings were undertaken and most of them proved very fruitful. An area 12 km long and 6 km wide proved to have oil there. A whole series of pools were found and, one of them, the Matzner Sand, proved to be the richest ever found in Europe.

The rapid development of this field demanded the employment of a lot of capital. Since the SMV, as our sources have reported, could only finance itself from earnings, this resulted in the greater part of the oil being produced on credit and sold to Czechoslovakia against compensation. This created a certain lack of schilling capital in the SMV.

Then in January 1950, a new, although smaller field was opened up at Aderklaa. It was richly productive and by the next year had been fully drilled.

It is interesting to note that previously the Rohoelgewinnungs AG, in concert with Eurogasco, had already made drillings in this area, but had failed to realize that they had struck an oil-rich area.

Drillings had been taken down to more than 2,000 meters and from this great depth gas had been tapped. Even the German firms which had drilled at Aderklaa had not realized that they had struck oil. It was the Soviets who realized that they had hit oil at a depth of 1700 meters.

In 1951 the Suessenbrunn oil field was discovered.

This great success gave rise to the extension of the administration previously mentioned. Directorships of Drilling, Production and Processing were created under the General Directorship. For a time there was even a second drilling directorship for the Aderklaa area alone. However, this was given up and Aderklaa was incorporated into the other directorship.

(b) Turbo-Drilling

The reason that turbo (or directional) drilling procedures were introduced by the Soviets in Austria was that on 15 March 1952 the Zwerndorf I well had gotten out of control. The rush of gas lasted until 24 February 1954 and it has been estimated that one billion cubic meters of gas were lost.

The Soviets made efforts to regain control of this well and made preparations to do so in 1953. Two Russian engineers arrived, one named Galyuta from Romania and another, name unknown, from Russia. Six drill masters, one named Babayev and another Latshinov, arrived bringing eight "ten" turbines.

Boring was started from three places at Zwerndorf and Boring Zwerndorf / got to the rebel well first and got it under control. The Russian personnel left and took seven of their turbines with them. The other had fallen down a drill hole.

In the spring of 1955 Specialists Babayev and Latshinov came back again, bringing 20 turbines with them. Seven or eight of them were "eights" and the others "tens." Their job was to instruct the Austrians in turbine drilling and to acquaint them with the necessary measurements and to train Austrian personnel.

The first turbine well that came in was Bockfliess 50. Drilling began on 1 April 1955.

Turbine drilling was then used, when worth while, in already opened-up fields, particularly in groups, such as Bockfliess and Prottes, etc. It was also used where directional boring was necessary.

Our sources qualify the Soviet ⁽¹⁾ ten turbines as a successful standard model, the construction of which had been considerably simplified and whose maintenance problems had been licked. They add that Soviet scavenge pumps were added to them with a necessary pressure of 50-100 atmospheres since our pumps were not strong enough.

In the opinion of our sources turbine drilling has the following advantages:

1. More speedy operation, especially in hard rock soil and at great depths. Less cost of operation.

2. Well head and directional drilling more easily controlled.
3. Better utilization of work time.
4. Smaller service and maintenance costs.
5. Elimination of fishing jobs due to broken shafts.

(c) Productiveness, Drilling Costs, Drilling Meters

In 1947 the proportion within SMV of productive to non-productive wells was 60:40. The proportion was as follows:

1950	out of 70 drillings	51 were productive.	Equals 73%
1951	35	77	91
1952	101	90	89
1953	123	119	96
1954	110	92	84
1955	79	75	95

(Up to 13 August 1955)

Average depth of wells during the German period was 1,300 meters.

During the SMV regime it was 1620 meters.

According to our sources the average cost of drillings under the Soviets was approximately Sch. 1,100,000.

Attached is a table which is the copy of an original document that was found. It gives the types of drilling done and the price per meter.

These figures were the norms. There were sometimes 10 such types in one-year plan:

Year 1954

<u>Type</u>	<u>Meter</u>	<u>Meter-Price</u>
1	1,700	Sch 677,62
2	1,730	749,50

<u>Type</u>	<u>Meter</u>	<u>Meter-Price</u>
3	1,400	Sch 721,20
4	2,500	1,599,02
5	2,000	1,290,11
6	1,500	1,089,10

1955

<u>Type</u>	<u>Meter</u>	<u>Meter-Price</u>	<u>Level</u>	<u>Area</u>
(Production Drillings)				
1	1,360	Sch 677, 20	0.9.10 TL*	
2	1,670	" 735,24	10	
3	1, 50	640,45	0.9.	
4	1,750	882,77	10	
5	1,300	852,20	0.9.	
(Exploratory Drillings)				
6a	2,500	Sch 1,409,99		Kagran
6b	2,500	1,444,41		Muehlberg, Elchhorn
7	2,200	" 1,426,76		Rabensburg
8	2,000	" 1,181,88		
9	1,350	" 918,10		Schoenkirchen

The number of drillings may be seen at the beginning of chapter (c).

Number of Depth Meters

With regard to the depth meters an exact table follows for the years 1946-1949, drawn up on the basis of incomplete documentation.

* Geological abbreviation for Tortonian Level

Data for 1950 up to 13 August 1951 is on the basis of complete information. According to these figures the Soviets bored a total of 1,096,861.6 meters.

Here follows an incomplete table of structural boring, counter flush and hand drillings.

According to documentation

(Structural Drillings)

<u>Year</u>	<u>Office I</u>	<u>Office for Geol. Exploratory Drilling (Aderklaa) (Later called Office II) in meters</u>	<u>Raky Co.</u>	<u>Total</u>
1949	?	?	?	7,050,7
1950	-	4,431,-	7,331,1	11,782,1
1951	-	3,798,5	7,620,0	16,419,1
1952	-	19,861,0	-	19,861,0
1953	-	14,447,0	-	14,447,0
1954	5,238,0	-	-	5,238,0

(Counter Flush)

1949	21,577,62
1950	50,742,80
1951	32,062,90
1952	55,034,80
1953	11,219,00

(Hand Boring)

1949	449,75
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(d) Opening Of Natural Gas Deposits

The SMV took over the following five producing natural gas wells:

Muehlberg: 2 wells, already operating in 1944.

Altlichtenwarth: 2 wells, productive up to 1949.

Aderklaa: 1 well, productive to 1951.

In addition a gas pipeline was laid for the circuit Neusiedl-Bockfließ - Aderklaa - Leopoldau.

On 1 July 1946 a separate natural gas plant was established (Erdgasbetrieb).

During the period 1945-1952 the SMV in general only used new wells or those that had been shut down (Translator's Note: Probably writer means shut down as far as oil production was concerned.) This was particularly the case in Muehlberg, Neusiedl, Matzen and Fischamend. But in the year 1952 three wells were bored at Matzen because of a great need for gas. In 1946 and 1948 the same was done in the Hohenruppersdorf field, where two wells were drilled, but only produced small amounts up to 1951.

Three wells were drilled in the big Zwerndorf field. Up till then only Zerndorf 6 had been under consideration for gas production. When the production of four wells was added, the Zerndorf-Matzner gasline was being used to capacity.

It must be mentioned here that the Zwerndorf wells drilled by the Soviets were the biggest natural gas deposits existing in Central Europe. However, our sources are convinced that the SMV was only little interested in the opening up of the natural gas reservoirs since SMV did not consider gas production as a profitable part of the oil industry. High pressure gas was not considered by the Soviets as a generally useful product, but rather more as a technical auxiliary. The Austrian personnel of SMV was of the opinion that the profits from the sale of

natural gas were used by SMV to provide supplementary funds for USIA.

In the period 1945-1955 there was the following change in the number of gas wells in operation:

	<u>1945</u>	<u>1950</u>	<u>1955</u>
Muehlberg	2	14	17
Alt Lichtenwarth	2	2	-
Hohen Ruppertsdorf	-	2	-
Zwerndorf	-	-	-
Aderklaa	1	2	-
Fischamend	-	-	5

(e) Natural Gas Production and its Exploitation

The greatest quantity of natural gas was found in the Muehlberg and Matzen fields, although mixed with oil, and therefore qualified as wet gas and oil gas.

SMV profits on natural gas during the entire occupation period can be seen in the following table:

Dry Gas	1,854,323,799 cu. m.
Wet	2,101,288,614 " "
Total of both	4,005,060,613 " "

Natural Gas Produced by SMV in cu. m.

<u>Year</u>	<u>Dry Gas</u>	<u>Wet Gas</u>	<u>Total</u>
1945	-	-	-
1946	24,500.000*	90.000.000*	124,500.000*
1947	62,616.005	120.000.000*	182,600.000*
1948	83,312.841	150.000.000*	233,300.000*
1949	126,397.746	200.000.000*	326,400.000*
1950	204,077.010	260.000.000*	464,000.000*
1951	261,583.031	215.000.000*	476,600.000*
1952	247,465.110	235.000.000*	482,000.000*
1953	242,152.582	340,061.882	582,216.464
1954	333,892.693	295,311.935	629,204.629
13.8-1955	<u>253,326.729</u>	<u>195,912.796</u>	<u>499,239.525</u>
Total	1,851,323.709	2,101,228.614	4,005,060.618

The gas produced was used by SMV as follows:

1. As high pressure gas oil in the fields as a means of gas lift production. This was to achieve:
 - (a) An increase of petroleum production since deep well production is increased through gas lift process;
 - (b) Decrease the production cost of crude. Production cost of natural gas is small and the cost of installation in the case of gas lift is lower than the special machinery needed for deep well pumps.
2. To supply the Plants with heating and to drive some engines.
3. Sale to the customer through:
 - (a) through Erdgasbetrieb, the Vienna Gas and Electrical works were supplied; also supplied were communities, lime burning works and industries.

* Estimated figures

(b) Gas reservoirs were established by Methan.

B. Gasoline Production

(a) Production Points and Production

The SMV did not indulge in liquifaction of natural gas and stuck to production of gasoline.

The existing installations at Neusiedl and Hauskirchen were put into production in 1946.

The Muehlberg installation was put together out of the parts of the half-finished Hauskirchen plant which had been begun by the Germans for the production of gasoline through the use of huge quantities of steam. It went into production in 1949.

The Aderklaa installation was also new and went into production in 1950. It was assembled from the parts of a Moosbierbaum refinery, destined to eliminate benzine from crack gas. However, capacity was increased. In 1950 the Hauskirchen installation was broken down and set up at Aderklaa as a low pressure installation and went into production the same year.

Maximum gas production was:

Hauskirchen 50,000 cu. m. daily at 0.3 m/second.

Neusiedl 550,000 " " " " " "

With a 6% supplementary load, maximum production was 5,000 kg.

in Muehlberg 550,000 cu. m. daily at 0.3 m/second

With a 12% supplementary load, maximum production was 15,400 kg.

in Aderklaa 225,000 cu. m. daily at 0.3 m/second

(Medium pressure - 1950)

With a 12% supplementary load, maximum production was 7,500 kg.
 in Aderklaa 110,000 cu. m. daily at 0.3 m/second
 (Low pressure - 1953)

With a 12% supplementary load, maximum production was 2,900 kg.

Gasoline Production in Kgs.

	Aderklaa	Muehlberg	Neusiedl	Hauskirchen	Total
1946	-	-	327.700	381.000	1,209.000
1947	-	-	1,212.442	520.418	1,738.860
1948	-	-	1,833.018	950.020	2,783.038
1949	-	-	1,759.936	591.991	2,351.927
1950	157.106	456.093	1,367.823	170.267	2,151.389
1951	855.328	1,598.060	1,159.549	572.184	4,185.121
1952	2,507.706	1,794.510	897.246	441.437	5,640.899
1953	3,150.127	1,511.552	840.925	129.477	5,632.084
1954	3,175.660	1,220.384	603.768	-	4,999.812
1.1 - 1955	1,677.862	748.814	202.190	-	2,628.866
12.1	11,523.789	7,329.416	10,704.597	4,163.194	33,720.996

(b) Gasoline Production Accountancy

The accounting office received daily production figures, containing the following information:

1. Supply on hand on day before
2. Production during past 24 hours
3. Quantity dispatched
4. Amount lost during loading
5. Present supply

These daily reports were used to compile a monthly one which was a basis for the accounting of amounts of gasoline produced and sold. The direct production costs of gasoline--wages, social security, repairs, amortization, material cost, steam, electric current, water, etc.--were calculated separately for each production point. This method made possible the calculation of gross and net production not only for the whole industry but also for each production point.

C. Total Oil Production

We are in a position to give the total figures of the amount of oil produced by the Russians during the occupation. The difficulty was to subtract those amounts of oil produced by non-Soviet installations. The following table gives a detailed picture of Soviet production:

SMV Plant Production from 1945 to 12/8/55
(In tons*)

Year	Muehlberg	Neusiedl**	EPG	Matzen	Auersthal	Aderklaa	Total
1945 after war's end	15,085,7	226,114	56,917	-	-	-	298,116,7
1946	110,510,7	402,679	96,815	-	-	-	610,004,7
1947	204,288,0	381,124	94,182	-	-	-	679,594,0
1948	315,379,0	276,06	101,193	-	-	-	692,640,0
1949	445,644,2	279,702	85,964	74,181	16,466	-	901,957,2
1950	487,470,4	243,834	83,151	454,470	111,396	76,964	1,457,485,4
1951	390,393,7	191,657	62,227	980,297	249,723	183,203	2,057,490,7
1952	329,288,0	144,328	55,079	1,170,274	582,044	292,508	2,573,521,0
1953	292,975,0	120,440	57,012	1,223,506	988,100	367,919	3,054,952,0
1954	270,349,0	100,330	51,766	1,219,421	1,281,836	287,761	3,271,963,0
1955 to 13 August	201,350,0	59,755	27,322	971,246	781,349	142,810	2,163,832,0
	3,062,723,7	2,426,526	771,633	6,158,395	4,011,114	1,331,165	17,761,556,7

* The plants as they stand today

** The production of the Itag-Rannersdorf and Maustrenk (formerly Wintershall) plants as well as the production of the exploratory areas Hohenruppersdorf and Scharfaneck are included in the figures for Neusiedl. They could not be given separately because of lacking information. These plants were incorporated into Neusiedl on 1 August 1951.

It should be noted that there exists in the Chancellor's Office a parliamentary Act, December 1952/142935/GVR 52, which contains a resolution concerning payment for the oil produced by the occupation forces. Furthermore, there is in the Ministry of Commerce notes on a "Red Book" - 12973 Press 46 14856, which are without importance.

According to the table then, the total production from the beginning of the occupation in 1945 to the time SMV was handed over to the Austrian Republic on 13 August 1955 was 17,761,556.7 tons.

If this is calculated on the domestic Austrian price of Sch. 46 (and not the world market price of Sch. 18) this gives to the Soviet oil production a total value of 6,150 billion schillings. This shows that our original estimate in the Preliminary Draft of 5,771 billions was essentially exact.

Also confirmed is our original estimate, based on the expert opinion of Dr. L. Weber, which stated that the prime cost per ton of produced oil was for SMV Sch. 100. The figures contained in Section IV C.a. give the internal figures, based on drilling and other costs for the different areas as follows:

	per ton crude
Aderklaa	Sch. 55
Bockfliess	58
Matzen	62
Muehlberg	116
Neusiedl	307

According to this the average price therefore was two-thirds of the production, namely Sch. 60 approx. while for the remaining one-third it was about Sch. 200. According to point IV of this statement the average prime cost, namely the price of sale to the refineries was Sch. 91 per ton. This is Sch. 9 less than we calculated in our Preliminary Draft.

If we therefore calculate total value at	Sch. 6,150 billion
and production costs at Sch 91 per ton we have	" 1,616 "
giving a profit from the oil business of	" 4,534 "

This is about 400 million schillings more than calculated in the Preliminary Draft.

D. Distribution and Sales

The domestic market was supplied with oil in an amount which was determined each month by the Soviets and made available by them for this purpose. In the early years the amount the Soviets allowed to be earmarked for this domestic market was very small. Later, however, it was increased and approximated the demand. The oil made available for the Austrian market was put at the disposal of Orop. Orop delivered this oil to the so-called pool firms at staggered prices, to Trading Groups I and II and, finally, to the consumers at filling station prices. These prices were published in the Official Journal of Vienna and were based on an agreement between the Soviets and the Ministry of Commerce. (For further details on Orop see our Report on a Conversation of Dr. S. with Mr. Fibinger of Orop, November 1956.)

After subtraction of this domestic quota, SMV had full control over its oil production and derivative products. Small amounts were made available to USIA and the occupation forces were supplied with gasoline and diesel oil.

Everything that remained was destined for export. In the first years specially big amounts of heating oil were sent to the Soviet

Union itself, to Czechoslovakia, Hungary, Poland and East Germany.

According to our sources, at the beginning crude oil was only sent to Czechoslovakia and East Germany, later to Poland and Hungary and, from May 1951, in increasingly great quantities to USSR. Deliveries were made by water in tankers or by rail in tank cars. Surplus amounts of refined oil were also exported to these countries.

E. SMV Installations by Branches

(a) Main Administration:

Personnel as of 1/1/56

Workers 50

Employees 115

Installations:

1 living quarters (Tabor Strasse)

1 plot of land

Fitting up of the rest center at the Palace Hotel at Semmering.

Divers office installations.

Materiel (Semmering rest center)

11/8/55 Sch. 38,000

1/12/56 33,000

(b) Plans and Calculations:

Personnel as of 1/1/56

Workers 7

Employees 39

Installations:

26 drafting tables

2 reproducing machines

1 mimeograph

6 survey instruments

divers bureau fittings

Materiel:

13/8/55 Sch. 8,000

31/12/55 " 10,000

(c) Geophysical Office:

Personnel as of 1/1/56

Workers . . . 122

Employees . . . 50

Installations:

1 industrial building

4 automotive seismological stations

5 . . . Carottage stations (?)

8 . . . perforators

6 transportable drilling machines

. . . tank cars

5 buses

21 trucks

4 automobiles

11 flush joints

3 sound generators

. . . oscillographs

11 scavenger pumps

41 perforators

1 Kernschussapparate (?)

17 inclinometers

5 Cavernometers

18 pulsators

35 potentiometers

11 electrothermometers

0. . . kilometers of drill shafts

7 heavy drill rods

Divers equipment

Materiel:

13/8/55 Sch. 1,588,000

31/12/55 " 1,554,000

(d) Prottes:

Personnel as of 1/1/56

Workers . . . 1388

Employees . . . 14

Installations:

21570 sq.m. land

12 industrial buildings

10 non-industrial buildings

45 drilling cranes

94 scavenger pumps

46 turntables

34 WA-50 adapters

1.1 diesel engines

40 electrical drilling machines

o turbo drillers

o metal drill derricks

27.1 km (Bohrgestaende, rechts)

3.6 km (Bohrgestaende, links)

61 arillometers

75 preventers

o structural drilling installations.

13 counter flush installations

11 cement-making machines

7 concrete mixers

9.2 km drilling pipes

o motorcycles

72 cranes

o divers equipment

Average drill meter performance per month: about 15,000 metersMateriel:

13/8/55 Sch. 27,895,000

31/12/55 " 18,868,000

(e) Production plant installations:

	<u>Aderklaa</u>	<u>Auersthal</u>	<u>Matzen.</u>	<u>Muehlberg</u>	<u>Neusiedl</u>
industrial buildings	14	3	6	22	113
non-industrial buildings	6	4	6	26	60
oil wells	58	142	198	107	244
in-put wells	-	6	1	-	16
gas wells	1	-	-	-	-
pump stations	2	7	10	6	10
gas distributor points	1	1	-	-	-
oil tanks 4800 cu. m.	5040	12000	17129	9062	4800
oil pipelines Km.	19,2	17,5	63	11,6	22
production pipelines	36	113	157,5	-	17,5
gas production pipelines	20,5	16,5	25,8	33	29,4
water production pipelines	11	46,4	59	26	35,4
power lines Km	17	22	86,6	27	12
ascending tubes Km	76	209,5	260,5	125,6	114,6
pump rods Km	44,6	23,4	31,3	92,9	118,1
special trucks	2	2	5	3	5
motorcycles	4	2	7	-	-
trucks	-	1	-	-	-
passenger cars	-	1	1	-	1
tractors	-	-	-	-	2

(f) Petroleum Production Companies:Installations:

- 9 industrial buildings
- 11 non-industrial buildings
- 53 oil wells
- 10 pump stations
- 4800 m³ oil tanks
- 8.9 km oil pipelines
- 5.8 km oil production lines
- 17.3 km water pipes

17.4 km gas and air pipes
 4.1 steam pipes
 15.8 km electrical power circuits
 50.0 km ascending pipes
 42.0 km pump rods
 2 special trucks
 4 trucks
 5 passenger cars
 2 motorcycles
 2 tractors
 divers equipment

Erdgas G.m.b.H.

Personnel as of 1/1/56

Workers 197

Employees 55

Installations:

27 industrial buildings
 5 non-industrial buildings
 52 wells, whereof 1 abandoned
 167 km gas pipes
 5 compressor stations
 2 blowing plants
 1 gasoline installation, medium pressure
 3 gasoline installations, low pressure
 3 boiler stations
 2 water softening stations
 29 steam and centrifugal pumps
 32.1 km ascending pipes
 3 trucks
 2 passenger cars
 3 motorcycles
 divers equipment

Average production per month:

natural gas 38,428,000 cu. m.

gasoline 300 tons

Materiel:

13/8/55 Sch. 1,006,000

31/12/55 " 1,225,000

Suedostdeutsche Ferngas AG.

Personnel as of 1/1/56

Workers 16

Employees 1

Installations:

7,952 square meters of land

2 industrial buildings

2 non-industrial buildings

17,0 km gas pipes

7 steam and centrif. pumps

2 trucks

4 passenger cars

1 motorcycle

Materiel:

13/8/55 Sch 217,000

31/12/55 " 0

B.V. Methan G.m.b.H.

Personnel as of 1/1/56

Workers 77

Employees 1

Installations:

7 industrial buildings

5 gas tank installations (16 compressors)

5 steam and centrif. pumps

14 tank stations

2 trucks

1 passenger car

1 motorcycle

divers equipment

Materiel:

13/8/55 Sch. 163,000
 31/12/55 " 312,000

Bannersdorf Installations

(administered by the Neusiedl Production plant)

Installations:

32 industrial buildings
 17 non-industrial buildings
 70 oil wells
 7 in-put wells
 6 pump stations
 1000 cu. m. oil tanks
 10,9 km. oil pipelines
 14,6 " production pipelines
 4,3 " gas pipelines
 9,1 " water pipes
 2,6 " electric circuits
 38,8 " ascending pipes
 39,6 " pump rods
 2 " narrow gauge locomotives
 divers equipment

(k) Refinery Installations:

	<u>Voesendorf</u>	<u>Korneuburg</u>	<u>Lobau</u>	<u>Moosbb.</u>	<u>Schwechat</u>
Land, in hectares	7	4,57	88	280	26,5
Industrial bldgs.	23	34	38	129	1
Non-indus.	3	2	6	99	37
Atmospheric Distillation Station	1	1	2	1	
Vacuum distillation	1	1	-	1	1
Cracking station	-	-	-	1	1
Refining	1	1	6	1	1
Special installations	1	2	1	1	-
Boiler houses	2	2	1	2	2
Outside pipes km.	9	4,8	-	9	18,5
Railroad lines km	1,7	5	5,5	22	4,9
Locomotives	1	3	1	7	3

(k) Refinery Installations (contd.)

	<u>Voessendorf</u>	<u>Korneuburg</u>	<u>Lobau</u>	<u>Moosbb.</u>	<u>Schwechat</u>
Trucks	3	4	2	5	6
Passenger cars	2	2	2	4	4
Buses	2	-	-	2	-
Tractors	-	-	-	1	1
Filling & unloading sta.	4	6	2	4	7
Steam & centrif. pumps	84	41	71	36	47
Redistillation	-	-	-	-	1
Fire truck	-	-	1	-	-
Diesel generator	-	-	1	-	-
Railroad cars & tank cars	-	-	-	11	2
Asphalt oxydation sta.	-	-	-	-	1
Lubrification oil refinery.	-	-	-	-	1

(1) Lobau Tank Station:

Personnel as of 1/1/50

Workers 570

Employees 155

Installations:

51.5 hectares land

36 industrial buildings

24 non-industrial buildings

185.850 cu. m. containers

153 km long distance pipelines

13 filling and unloading stations

12.6 km rail lines

2,976 tank cars

1 steam locomotives

4 diesel locomotives

1 tow truck

1 bus

3 trucks

7 passenger cars

3 fire trucks

4 motorcycles
 50 pumps
 2 octane meters
 1 Petan counter
 6 production counters
 32 automatic production counters
 4 automatic rail scales
 2 " street
 divers equipment

Materiel:

13/8/55 Sch. 1,637,000
 31/12/55 " 1,912,000

(m) Siebenhirten Repair Workshop

Personnel as of 1/1/56

Workers 100

Employees 43

Installations:

7850 m2 land

2 industrial buildings

5 non-industrial buildings

23 lathes

23 drilling machines

5 milling tools

16 grinding machines

15 various metal working machines

5 forging furnaces

3 various metal cutters

3 hydraulic presses

4 bending machines

3 wood working machines

3 boilers

2 diesel motor testing benches

6 welding installations

1 bus

2 trucks
 2 passenger cars
 divers equipment

Materiel:

13/8/55 Sch. 3,463,000
 31/12/55 " 4,605,000

(n) Construction and Assembling Office

Personnel as of 1/1/56

Workers 501

Employees 59

Installations:

220 hectares land
 14 industrial buildings
 8 non-industrial buildings
 1 bulldozer
 2 steam rollers
 10 concrete mixers
 1 transportable conveyor belt
 1 travelling crane
 8 compressors
 2 erecting tools
 96 windlasses
 65 transportable welding outfits
 17 erector trucks
 2071 km rails
 5 passenger cars
 3 trailers
 4 tractors
 4 motorcycles
 divers equipment

Materiel:

13/6/55 Sch. 5,453,000
 31/12/55 " 8,952,000

(o) Central Research Lab.

Personnel as of 1/1/56

Workers 7

Employees 57

Installations:

1 core examiner

1 crude oil tester

2 crude oil samplers

5 depth meters

1 Poubýelniak apparatus

1 analysis trucks

2 Gadaskin apparatus

11 microscopes

1 fractionating column

1 calorimetric bomb

platinum crucibles

3 scraper flight conveyors

1 viscosity meter

3 isolation testers

3 passenger cars

1 truck

divers m apparatus

Materiel:

13/3/55 Sch. 23,000

31/12/55 25,000

(p) Automobile and Tractor Office

Main office at Vienna-Stadlau

Branches at Neusiedl and Prottes

Personnel as of 1/1/56

Workers 317

Employees 58

Installations:

2.13 hectares land
 40 industrial buildings
 15 non-industrial buildings
 91 passenger cars
 12 trucks up to 1½ tons
 51 " " "
 59 " " "
 23 special trucks
 61 buses
 49 tractors
 62 trailers
 1 motorcycle
 2 traction engines
 divers equipment

Materiel:

1,8/55 sch. 1,175,000
 5,976,000

(g) Benzin-Beizol Association

No personnel

Installations:

1 building, destroyed (Vienna X. Wienerbergstr. 27)
 Ownership not declared
 15 Tank stations, partly not assembled
 All rented to Orop.

5. The SMV Refineries

We have already presented some studies on the SMV refineries.

In particular we draw attention to the fact that the reports on the conversations of 27 September 1956 and of 8 October 1956 with Alfred C. Diese reflect a personal point of view, whereas the later reports by Dr. U, are based on archive documentation.

We here give short indications concerning the rate of flow, production and investments at the refineries of Lobau, Korneuburg, Moosbierbaum, Voessendorf and Schwechat. There is also a short sketch on SMV's Central Laboratory.

A. Lobau Refinery

By the end of the war the Lobau refinery was completely useless as a result of bombings.

After repairs had been made, production started again in 1946 and on 2 August 1947, Lobau became part of the SMV complex.

Up until 1951 Lobau processed crude oil from Zistersdorf and later that of Matzen. Rate of flow was 1,080 day-tons.

In 1952 Lobau was provided with an atmospheric distillation installation of the Heckmann type and which had a rate of flow of 130 tons a day. From 1952 on the total rate of flow was 1,270 tons a day.

In totality, the refinery possesses two atmospheric distillation installations with the necessary auxiliary machinery.

Products are:

Benzin	5.3%	
Petroleum	6.4%	
Gas oil	29.6%	of the rate of flow
Residue	27.8%	
Lost in distillation	0.9%	

B. Korneuburg Refinery

During the course of the war eight reservoirs were completely destroyed; others could be repaired. Of the processing installations,

the vacuum and the refining installations, although badly damaged, were soon back in production. When the Germans left, the production level of the plant was not less than before since the destroyed warehouse had principally been used for the transshipment of products. The undamaged reservoirs were sufficient to handle the plant's requirements.

After the Soviets marched in the refinery was put to work by the Military Administration and on 1 October 1945 it was taken over by SMV as being German property. None of the equipment was dismantled or taken away. Capacity at that time was 130-200 tons a day.

Immediately after SMV took the plant over installation was begun of apparatus necessary for atmospheric pipe distillation. The apparatus for this came from the shadow plants at Tuernitz and Kleinpoechlarn. Production began in 1946. Crude oil processing capacity was originally set at 500 tons daily, but the building of an evaporator and other improvements enabled production finally to be increased to 1,000 tons daily.

Today, the refinery can handle 100-1000 tons daily of Matzen crude.

Originally it handled Zistersdorf crude, but switched to Matzen crude after the Matzen wells were opened up.

It produced: distillate benzine, special benzine, petroleum, gas oil, spindle oil, light machine oil, heating oil and, after modification of some of the old machinery, the asphalt oxydation of various bitumens.

C. Moosbierbaum Refinery

At the beginning of the year 1945 Moosbierbaum comprised one chemical and one oil sector. The oil sector had:

- 1 combined atmospheric-vacuum crude oil distillation installation (Foster-Wheeler system) which had been brought from France in 1942. (The Dora installation)
- 1 Catalytic benzine reforming installation for the production of high octane aviation gasoline, conjointly with stabilization, refining and redistillation installations. (So-called HF₁ installation)
- 1 HF₂ installation under construction
- 1 installation for the production of liquid bottle motor fuel
- 1 Pump station on the Danube with two pipelines to the plant
- 1 tank installation

Also under construction was an installation for the production of high quality lubrication oil. (SS oil installation)

When the Soviets began to approach the Germans did not destroy or take away the existing installations. It had been kept in production by make-shift repairs after bombing attacks.

In June 1945 Moosbierbaum was taken over by troops of the War Booty Administration.

Around this time Moosbierbaum had one of the most modern steam boiler houses in Europe. This installation was not only able to provide Moosbierbaum with steam, but also to provide electric power for certain sectors of Lower Austria. The War Booty Administration dismantled it and took it away.

The same thing happened to the stock of electrical equipment at Moosbierbaum.

The territory of Pischelsdorf also belonged to Moosbierbaum at that time, and there a modern sulphuric acid plant was planned. Most of the buildings had been erected. Some 200 to 300 transformers were stored there in 1943. They were also taken away.

At the Danube port at Pischelsdorf there was also a shipping crane. It was also taken away.

Stored raw material was later broken up for junk and sold by SMV. For the most part this was refinery piping.

At the same time all the covering lead found at the destroyed Moosbierbaum sulphuric acid plant was gathered up and sold.

On the territory of the Moosbierbaum refinery there was also a copper vitriol plant as well as a stock of the necessary copper bars. The SMV converted them into copper vitriol which was sold.

During the years 1945-1948 all material which was not absolutely necessary for the working of the Moosbierbaum refinery was sold by SMV.

The Dora installation was left virtually untouched and in August 1945 was working. Capacity was: atmospheric - 500 tons daily; vacuum - 250 tons. In later years the installation was improved by the use of supplementary heat exchangers and at the beginning of 1955 an atmospheric evaporator was installed. As a result of these improvements, capacity was 1,000 tons daily when the installation returned to the public domain in 1955.

In 1947 the Russians built from existing furnaces and apparatus a thermal cracking installation and in 1948 it had a capacity of 400 day-tons. In 1950, the construction of the refinery and the redistillation plant was ended and it was able to handle the benzine which hitherto had been sent to Schwechat for processing. Refining capacity was 250 day-tons and that of redistillation 200. In 1952 performance was increased through the erection of a 1,000-ton furnace to 1,000 day-tons of heating oil. A selective cracking process was also installed.

The production of steam was increased in 1952 through the erection of an inclined water pipe boiler (Schraegwasserrohrkessel). In 1954 the redistillation installation was transformed into a vacuum installation for the production of bitumen with a heating oil use of 150 day-tons.

In addition to this, in 1954 the two Danube pipelines dating from the time of the Germans had added to them a benzine pipeline. To speed up the emptying of tank cars the old pump station was increased in size and a second heating oil filling station was put into operation. In the period 1945 to 1955 the tank installation's capacity was increased from 15,000 cu. m. to 25,000 cu. m.

There are no sure indications as to the amount of money invested by the Soviets, but the sum of 100,000,000 schillings would not appear to be too high.

D. Voesendorf Refinery

When the Germans retreated all that remained intact at Voesendorf were a lubrication oil refinery and a fat factory. The distillation

apparatus and most of the reservoir tanks were destroyed. Lubrication oil production capacity was only 500 tons. (Translator's Note: Text does not mention time period.)

When the Russians came in 1945 no equipment was taken away.

After bomb damage had been made good in 1946, the refinery's crude oil capacity was again 6,000 tons a month. In 1949 an unused rectification installation was changed into an atmospheric distillation one. This resulted in a crude oil capacity increase to 12,000 tons a month.

Up until March 1949 the Voessendorf refinery only handled Sarmat oil (having no benzine or petroleum) in the vacuum installation. But after the Matzen oil field came in only Matzen oil was handled and, latterly, also Schoenkirchen asphalt crude.

The two distillation installations are of the continuous type, each comprising a pipe furnace and a fractional column, with auxiliary apparatus. The existing rectification installation for special gasoline comprises a blow installation for direct steam heating.

The refining of lubrication oil, the capacity of which was 500-1,000 tons in the period 1945 to 1950, is done through the sulphuric acid process.

Equipment is old.

Voessendorf produced heavy benzine, petroleum and gas oil as well as lubrication oil; bitumen and grease.

The following table shows Soviet investments in Voessendorf:

1945		---
1946	about Sch.	620,000
1947		185,000
1948		183,000
1949		75,000
1950		47,000
1951		364,000
1952		244,000
1953		149,000
1954		190,000

This makes a total of S. 2,057,000

E. Schwechat Refinery

(a) History, Capacity, Investments

The origin of the Schwechat refinery goes back to 1937 when it was built by the French. Most of the apparatus was supplied by the firm of Simmering-Grauer-Pauker.

The capacity of the NOVA refinery in 1944 was:

1. Distillation	200 day-tons
2. Cracking (top side)	600 "
" (cracking side)	200 "
3. Distillation	70 "
4. Fuel refining	70 "
5. Coking	40 "
6. Lubrication oil	60 "

Capacity of the refinery was practically nil due to the 16 March 1945 bombing and also due to the destructive action of the Germans against the main buildings and the boiler house.

The Russians did no dismantling at the Nova refinery. During the year 1945 the plant worked mainly with crude oil found in captured tank

cars and also with Hungarian oil.

Towards the end of 1945 the refinery was supplied with oil by water due to the damaged bridges. At the Lobau port the oil was pumped into tankers and taken to the so-called Lower Danube station where they were emptied.

After the bridges were restored the oil was brought in tank trucks until in 1947 two crude oil pipelines were put into operation between WIFO and Lobau and the refinery.

Because of a lack of documentation it is impossible today to say what types of oil were brought and in what quantities. During the Soviet regime the Nova refinery capacity was increased as follows:

- 1946 2 reservoirs of 5,000 cu. m. each
- 2 " " 2,500 " " "
- 1947 Establishment of an asphalt oxydation installation with a monthly capacity of 500 tons soft asphalt.
- 1949 Increase of the atmospheric distillation cracking installation to about 600 tons daily crude.
- 1951 Modification of the coking installation at one of the distillation units, giving a capacity of 300-450 tons daily crude.
- 1952-53 Modification of the cracking installation and increase of the capacity on the atmospheric side to about 750 tons daily and on the cracking side also to about 750 tons.

The modification work was undertaken by the Soviets and done practically exclusively with looted material and no attention was paid to the alloy of the steel, to proper dimensions or to the right

size of pumps, motors, etc. The result of this is that today the refinery is saddled with high repair costs and its rentability is low.

It is not known how much money the Soviets invested in this refinery but it is estimated at about 70-90 million schillings. Since documentation concerning the early years is lacking, nothing is known about the quantity of oil produced. However, it may be pointed out that the refinery worked practically all the time at capacity and that everything was done to increase capacity.

The type of products changed over the years. During the time of the Soviet military administration, benzine was the only thing of importance. Heating oil was delivered from May 1945 to the City Electrical Works at Simmering. Petroleum and diesel oil was supplied from July 1945 to the agricultural cooperatives to get the harvests in. The production of lubrication oil was begun also in July 1945. Because of a lack of sulphuric acid, etc. this oil was not of good quality.

Little by little the quality of the products was made to conform to the GOST norms and improved from year to year. Nevertheless, quality remained below the usual European standards.

(b) Pipelines and Transport

In 1945 when the SMV took over the Nova refinery it possessed one 150 pipeline to the so-called Danube station. Total length was 2,600 m.

Another pipeline of 300 leading to the so-called Upper Danube station was used for cooling water.

In 1947 and 1952 the SMV put in three pipelines to the Lobau central tank station and a connecting link between the so-called

Lower Danube pump station and the central tank station.

There were thus:

two 150-mm ones for benzine gas oil and alternatively, petroleum.

On an average the capacity of each line was about 900-1,000 tons daily, whereas production was about 300 tons a day benzine or 950 tons diesel oil.

As the pipes of 1947 were made out of looted material--raw material for cannon barrels--we do not know what the cost was. The same applies to the cost of the 1952 pipelines.

At the end of the war Nova possessed 120 tank trucks of its own, but they disappeared in 1944 and 1945.

(c) Storage Facilities

In 1953, the central tank station on Nova territory was endowed with a new tank filling installation: 3 subterranean tanks and 6 above ground. (The latter were made out of old railroad tank cars.)

This tank station was destined to be used to fill road tank trucks and were planned to have a monthly capacity of 1,500 tons. This installation was taken over by Nova in 1956.

When the Russians left they did not take any materiel away; but they did take away or destroy all files, archives and documentation.

F. Central Laboratory

Shortly after the establishment of the SMV in Austria, a plan was drawn up to establish a Central Scientific Research Laboratory. Its

chief was to be Professor K. Krejci-Graf. This institution was to look out for all the work entailed in research and development in much the same manner as is done in the French Petroleum Institute. However, this idea did not take form until 1952.

In the first place there were not many experienced specialists available. The young geologists, physicists, chemists and mathematicians had no experience in the oil industry, but they did bring with them a good theoretical background learned in the Austrian schools.

Since then they had developed into recognized specialists. Central Lab today has a total staff of 43.

After the return of the oil industry to Austria, the relations with abroad which had been broken off were renewed and an intensive exchange of information was undertaken.

C. Central Tank Station

A. Pipelines, Transport and Storage (Crude and Refined)

The SMV took over the 78 km-long Raudnitzer pipeline and the 7 km crude oil line from Neusiedl via Zistersdorf to the Lobau refinery.

The former had been built by WIFO in 1941.

The SMV built the following new lines:

between the Lobau storage and Lobau refinery:

1 crude oil line, 680 meters long

1 benzine line, 717 meters long

1 petroleum line, 717 meters long

1 gas oil line, 717 meters long

1 line that is not in use, 657 meters long

between Storage Lobau and Schwechat refinery:
 2 crude oil lines, 4,500 meters long
 1 benzin line, 4,500 meters long
 1 gas oil-petroleum line, 4,500 meters long

The Lobau to Laa a.d. Thaya line was interrupted at Auersthal and two connecting lines laid; one to the long-distance line and the other to the Auersthal pump station.

SMV projected a long-distance line from Auersthal to Korneuburg and to Moosbierbaum. The line to Korneuburg was contracted for but was not finished until the Austrians again took over.

All railroad tank cars were declared by the Soviets to be booty since they bore the sign DR (Deutsche Reichsbahn - German Railroads) painted on them. Originally, they were administered by the military authorities. The SMV was given the number of cars they needed for their operations. Those cars that were needed to supply the domestic occupation area were rented to Orop. The remainder were used by SMV for its own purposes. The major portion of these cars were in good condition but for part of them the Austrian national railroad authorities only gave permission for their use domestically, because of the touchy question of ownership.

As already mentioned, the cars were requisitioned without regard to the ownership or to nationality so that later, the Austrian car park contained a great number of cars belonging to French and Italian companies and also some that formerly belonged to Austrian, English and American firms.

Of the Austrian firms (and the German ones from 1938-45) only Shell had a small motor tanker. SMV had no tank ships.

Of those storage facilities that were requisitioned as being German property the following were, as far as is known, taken over by SMV:

Crude oil:

The DEA facilities in Neusiedl, and those of the Austrian oil administration at the Zistersdorf main station.

White products:

All storage installations of WIFO at Lobau, the air tanks at Praterspitze, the Nitag warehouse at Praterspitze, the Nova warehouse at Neunkirchen, the storage facilities at the Petzenkirchen sawmill plant, the former SS station at Mauthausen, all street filling stations in Soviet territory which were the property of the BV, Gasolin and Nitag firms.

Heating oil:

the oil pools at Ladendorf and Ziersdorf.

Of these installations those of Mauthausen, Petzenkirchen, Praterspitze and the street filling stations were rented by SMV to Orop.

Of those storage facilities administered by SMV, Lobau had a capacity of 160,000 cubic meters in subterranean tanks. Over and above this SMV had facilities amounting to 4,000 cubic meters in above-ground tanks. The Zistersdorf main station had a capacity of 1,000 cubic meters, but 5,000 were destroyed by fire so that in 1945 only 5,000

remained and were handed over to the Austrians. The Neusiedl storage facilities amount to 12,500 cubic meters.

The Ladendorf oil pool had a capacity of 56,000 cubic meters and that of Ziersdorf, 132,000. They were in use until 1956, but in view of the lack of heating oil, had to be shut down. There was also a loading station at the Haurkirchen railroad station, but it was dismantled.

The SMV opened up an unloading station at Matzen when the Matzen fields were opened up.

During the war there were shauow refineries at Spitz a.d. Donau, Lehen-Ebersdorf, Tuernitz, Petzenkirchen, Statzendorf, Hauskirchen and Ebensee. In 1945 the installations at Spitz, Lehen-Ebersdorf, Tuernitz and Statzendorf were dismantled. Those of Petzenkirchen and Hauskirchen continued to work for a short time, but then were dismantled. The Ebensee installation handled all the oil brought to Linz in tankers in May 1945.

7. The Geophysical Development

According to our sources the geophysical development was based only on reflected-seismic measurements. Other methods, such as the magnetic one, were not used.

The seismic measurements that took place before October 1951 were sporadic and not very scientific in character. The measurements were undertaken by two measuring teams, working with Soviet instruments.

With the arrival of the Soviet Geophysicist S. G. Shushakov in October 1951, developmental operations were begun along seismic lines. The work was carried out mainly in the Vienna Basin, with the exception of Seewinkel in 1954. In 1952 there were three surveying teams and in 1955 their number was increased to four.

Many experiments were methodically carried out. Besides the currently popular reflection method, attempts were made with a system which registers the profiles in order to find the direction and angle of inclination. The method of measuring the sound of explosions was also tried.

In August 1955, geophysical exploration was suddenly abandoned, but recommenced in the spring of 1956 with the aid of two machines. In the fall, work again ceased.

The seismic apparatus came from Russia. There were three machines. They were Type CC-24-48 and Type CC-26-51. Another apparatus was built in Austria in accordance with Russian plans. These apparatus are old and do not suffice to today's requirements.

V. Surrender of SMV to the Austrian Republic

On 1 August 1955 the SMV complex was handed over to the Austrian Republic in accordance with the terms of the State Treaty.

At that time the SMV consisted of:

- 1 drilling plant
- 0 production plants and the Rannersdorf installation.
(Including EFG).
- 1 natural gas plant

- 2 gas companies (Methan and Ferngas AG.)
- 6 refineries
- 1 osocerite plant
- 1 Lobau reservoir station with outbuildings and pipelines
- 7 auxiliary plants (workshops, building plants, laboratory, auto park, etc.)
- 1 tank complex formerly belonging to the Benzin-Benzol Association
- 1 central purchasing and materiel warehouse
- 1 main administrative building

The chiefs of SMV: Director Cheplakov, Director Nararetov, Sales Director Pavlov, Chief accountant Chernov and Legal Advisor Gorshkov drew up for each plant an inventory of assets, which, however, did not include the plant's capital. This capital was included on a second list, but was only quantitatively given and consisted mainly of materials.

In all enterprises and plants these documents were signed between 8 and 12 o'clock. Austria was represented in each case by one of the four representatives appointed by the state.

The signature of the final papers took place in Vienna at 2 o'clock and the entire complex passed into the hands of the Republic.

The Soviets handed over (including EPG, 206 wells, whereof 67 were in production.. (Attached table shows further details.)

The average daily production from 1 January to 17 August 1955 was:

9,654½	tons	oil
1,110,922	cu. m.	dry gas
1,055,000		wet gas

from 18 August to 31 August:

9,927	tons	oil
-------	------	-----

1,009,674 cu. m. dry gas
 937,840 " " wet gas

Forty-five drilling installations were handed over, plus 20 drilling turbines of the 8 and 10' class.

The following materiel was stored in the central warehouse at Neusiedl and valued by the Soviets at 28,000,000 schillings:

Drilling pipes	Sch.	13,000,000
Drilling rods		24,000,000
Turbo drills		2,200,000
Russian drilling machinery		4,000,000
Diesel engines		1,000,000
Ascending pipes		1,000,000
Pipes		1,000,000
Pipes for refineries		2,000,000
Chemicals		1,000,000
Deep well pumps		1,000,000
Steels, sheet metal, section steel, etc.		1,500,000
Various drilling and production equipment		20,000,000

The Soviets made no provisions for this materiel to be examined and selected. Instead, they said that it had to be taken by the Austrians or it would be taken away to Russia.

The Austrian negotiators recognized that for the interim period much of the materiel would be necessary and they finally succeeded in obtaining it for 57,000,000 schillings.

The Transport Division handed over 1,000 tank cars, locomotives, river boats and a well-constructed wharf at Lobau, 160 trucks and 70 buses.

The crude oil pipeline net was 800 kms. long. The Soviets estimated that they handed over 77,000,000 tons of oil and 36,000,000,000 cubic meters of gas.

At six o'clock in the morning of 13 August 1955, the following supplies were in the plants and in the storage tanks:

62,254	tons of crude oil
5,682	" " " " benzine
2,554	" " " " petroleum
6,317	" " " " diesel oil
11,921	" " " " heating oil
1,349	" " " " bitumen
3,807	" " " " aviation gas

This, according to agreement was the property of the Soviet administration and was temporarily taken over in trust by the Austrian administration. The handing over of the aviation oil, bitumen and heating oil was compensated for and was accomplished by 20 September 1955.

Because of the little time available it had not been possible to check the lists submitted by the Soviets. It later became apparent that there were discrepancies in the assets that were listed.

The following table gives a rough idea of these wrongly listed items:

1) Unsuccessful drillings	51,817,000 Sch.
2) Cost of obsolete projects	982,000
3) Stocks to be liquidated	1,506,000
4) Found lacking	306,000
5) Dubious demands	196,000
6) Major repairs	<u>1,957,000</u>
	56,564,000

Files covering the years up to 1 July 1955 were carted away by the Soviets from all plants. Originally, they were to be assembled in the archives under Dr. Motesicky. With the excuse that these files contained indications concerning the Werkschutz, the Legal Division, records of loans and of rents (including Soviet rest homes in Austria) etc. directly interesting the Soviets and their dependents, a Soviet commission consisting of Director General Cheplakov, Sales Director Pavlov, Chief Accountant Chernov and Secret Division Chief Yermilov took all these records to a house located at Taborstrasse 1.

Also dissolved was the Central Bookkeeping office, staffed by Russians and in which the Russian language was used. All files and archives were taken away. The same applied to the Central Control office of the Central Tank Storage Administration--and the records of SMV's foreign crude oil and allied products disappeared. For a time, the interested offices were able to obtain permission to look at these documents.

We do not know whether the archives that were taken to the Taborstrasse were carted off to Moscow or burned at Voeslau.

The records remain of operations as of 1 January 1955.

That the Soviet declarations on the lists did not tally with the facts may be explained thus:

1. Faulty inventory. Because of haste, the inventory was accepted as it stood: in practice, however, it became apparent that items that should have been there, were not available.

2. Relationship of the directors to the Director General. The directors could not admit to the measures they had been forced to adopt through the speed of the handing over. The plan, for instance would show that a crane was called for, whereas what really was needed was a scavenger pump. All this showed up when a check was made. With available funds a pump was bought, but did not show on the inventory. There was therefore a difference between what was supposed to be available and what was actually there.

Tribute deliveries began to flow towards the Soviet Union on 27 August 1955.

There were a number of pressing problems that had to be solved immediately after the handing over of the enterprises. Forty to 50 Soviet specialists had to be replaced by Austrians, the quality of the crude oil had to be improved, drilling and production methods had to be improved and the supply of electric current for Matzen had to be developed, etc. Steps to do this were undertaken immediately.

State of the Wells on Takeover on 1. August 1955

Plant	Total	Unused	In production through							
			Eruptive wells	Gas. lift wells	Pump wells	Dipper wells	Sum	Active on reportin. day	Ready to use	Exploratory wells
Aderkhan	54	11	2	17	20	-	1	1	2	-
Auersthal	143	17	1	13	26	-	123	1	6	-
Matzen	19	6	10	13	25	-	172	6	4	1
Muehlberg	101	9	12	10	62	-	37	2	5	-
Neusiedl	79	105 +28K	-	-	1/2	6	173	2	-	26
Total	84	176	241	53	273	6	503	12	14	27
EPG	2	0	-	1	4	-	5	-	-	-
Total	86	176	241	54	277	6	508	12	14	27

Third Section.

USIA PLANTS

I. The USIA Industrial Plants

1. History and Organization

A. Administration

Along with the USIA Central Administration, the following administrative posts comprised the administration of industrial plants in

Austria:

1. Marten: Mines. Iron production.
2. Podjomnik: Machine construction.
- Autovelo: Automotive industry.
3. Zement: Construction, construction materials, glass industry.
4. Kabel: Electrical cable and cable industries.
5. Kraska: Chemical industries.
6. Lete: Textile and leather industries.
7. Wkus: Food and luxury industries.
8. Less: Agriculture, forestry, paper and wood industries.

In 1954 Kraska was amalgamated with Wkus. It is also possible that in the following year Autovelo was dissolved and taken over by Zement.

B. Internal Development of Industrial Administration

The development of the individual administrations seems not to have varied much. There were the following divisions: General Direction, Technical, or Plans Division; Personnel and Cultural Division; Commercial Division; Economic Division (Acho); Accounting, and, there were, at different times, Legal divisions.

In some administrations, the Commercial divisions developed into purchasing and sales divisions (such as Everkon). In the cases of Wkus and Letex they became retailing chains which later were amalgamated into ORT.

C. Functions of the Industrial Administration

The following may be said of the functions of these administrative branches: Sanctioning of plant plans and supervision of their fulfillment; drafting of consumption and work norms; aid in supplying the plants with raw, auxiliary and other materials; aid in the sale of parts of the production; organization of the cooperation (finishing, exchange of machinery); the according of investment credits; acceptance of the guarantee for credits of the SMB; acceptance of losses and the covering of costs for the conservation of "closed down plants; collection of profits, taxes and payments.

That these functions existed has been absolutely established by examination of the documentation that has been found in the plants.

Certain functions have not been substantiated by documentation but may be accepted as fact because of the form of the USIA complex and based on a study of our papers 'Soviet Plant Organization System and Analysis of the Soviet Balance Plan for Austrian Enterprises. Such functions were: Drafting of over-all plans for production, supplies; the cutting of prime costs; the exploitation of production capacity; financing and profit accumulation; drafting of reports concerning the

fulfillment of these plans for the benefit of the higher offices; the transmission of accumulated profits to the higher offices (probably through the intermediary of the Soviet Military Bank); the acceptance of the advice and plans of the higher offices and their elaboration of plans (particularly the fulfillment of supply and delivery undertakings).

D. Industrial Policy

The industrial policy of USIA presents the following interesting points:

1. Unprofitable concerns were closed down, unless this harmed the articulation of the plants. (Between 1946-55, 10 plants were closed down).
2. Losses were balanced out among the various administrations.
3. Collaboration between the plants and the individual branch administrations was nurtured. (For example, it would be necessary to establish whether the USIA Retail chain had harmed in any way the products of the Food and Luxury industry or those of the chemical and textile industries.)
4. When any supplies were necessary they had to be obtained from USIA concerns when possible.

The above demonstrates that USIA had a trade policy. The available documentation and statistics do not make it possible to determine what role the rentability principle played if thereby is meant the relationship of profit to capital.

Of greater importance for the industrial policy is probably the principle of economy (profit to cost or turnover). This is substantiated by the composition of the formula which makes it possible to

follow the development of cost, turnover and profit. Finally it is noteworthy that after an important decrease in rentability--in the most important branches between 1951-52 and 1954--the USIA complex was dissolved after the 1955 State Treaty.

<u>Administration</u>	<u>Year</u>	<u>Rentability</u>	<u>Year</u>	<u>Rentability</u>
Podyomnik	1952	26%	1954	12%
Autovelo	1951	16%	1954	8%
Kabel I	1952	25%	1954	17%
Kabel II	1952	18%	1954	12%
Lete	1952	29%	1954	15%
Less	1951	27%	1954	9%

The considerable decline of turnover rentability was due, in our opinion, to the consolidation of the economic situation in Austria.

E. Investment Policy

According to our statistics investments in USIA industries were extraordinarily little.

Gross investments were 2.2%, net investments were 1.7% of the turnover. It was therefore hardly more than 610 million schillings. It is not possible to discern the motives behind these investments from the documentation available to us. (See also: Preliminary Report on the Use of the Statistical Lists for the USIA Industries, page 4).

worthy of note is that the biggest investments were made in USIA in the year 1954. Available statistics give no clue as to the reason for this.

Investment by Branches

	Gross Investments Schillings	Percent of Sales	Net Investments Schillings
Marten	97,000,000	1.0	61,000,000
Podyomnik	302,000,000	2.5	229,000,000
Kabel 1	39,000,000	0.9	2,000,000
Kabel 2	41,000,000	1.4	29,000,000
Autovelo	35,000,000	1.5	25,000,000
Zement	72,000,000	2.2	3,000,000
Kraska	40,000,000	0.8	21,000,000
Letex	112,000,000	1.0	30,000,000
Less	59,000,000	0.0	58,000,000
Wkus	<u>27,000,000</u>	<u>0.9</u>	<u>20,000,000</u>
	824,000,000	17.6	612,000,000

2. Performance of USIA IndustryA. The Turnover; Its Structure and Development(a) Total USIA Turnover

According to the definitive estimates that were arrived at through study of statistical questionnaires and through study of the lists of employees available through the Austrian social security offices, we have arrived at the conclusion that the USIA turnover was in the order of 6,000,000,000 schillings. (Calculated on the value of money in 1955.)

This is considerably more than our March 1957 estimate (See Preliminary Draft, page 25) which we lowered by one-third, in consideration of uneconomical status of USIA. It is a fact that the examination of the entire USIA complex does not furnish any reason for assuming a particularly low rate of productivity.

With regard to our new estimate it should be noted that we settled the question of value with aid of the industrial price index. In the

years 1951-55 the industrial price index was very stable, but has little value with regards to the years before that.

Estimation of the value also hits another snag and that is the fact that a part of USIA's domestic turnover was not calculated on the official prices, but rather on those of the black market; which were appreciably higher. This was so for the year 1949. This is also a reason why the price index, which is based on official prices, cannot be put to unlimited use.

Finally, it must be said that our statistical questionnaires were only completely answered by few well-managed concerns and that it was these answers which laid the basis for our new estimate for all concerns.

Taking these elements into consideration, one comes to the conclusion that for the years 1946-1955 the minimal sum was around 27,000,000,000 schillings and the maximal 36,000,000,000.

The turnover of 36,000,000,000 was distributed among the branches of USIA as follows:

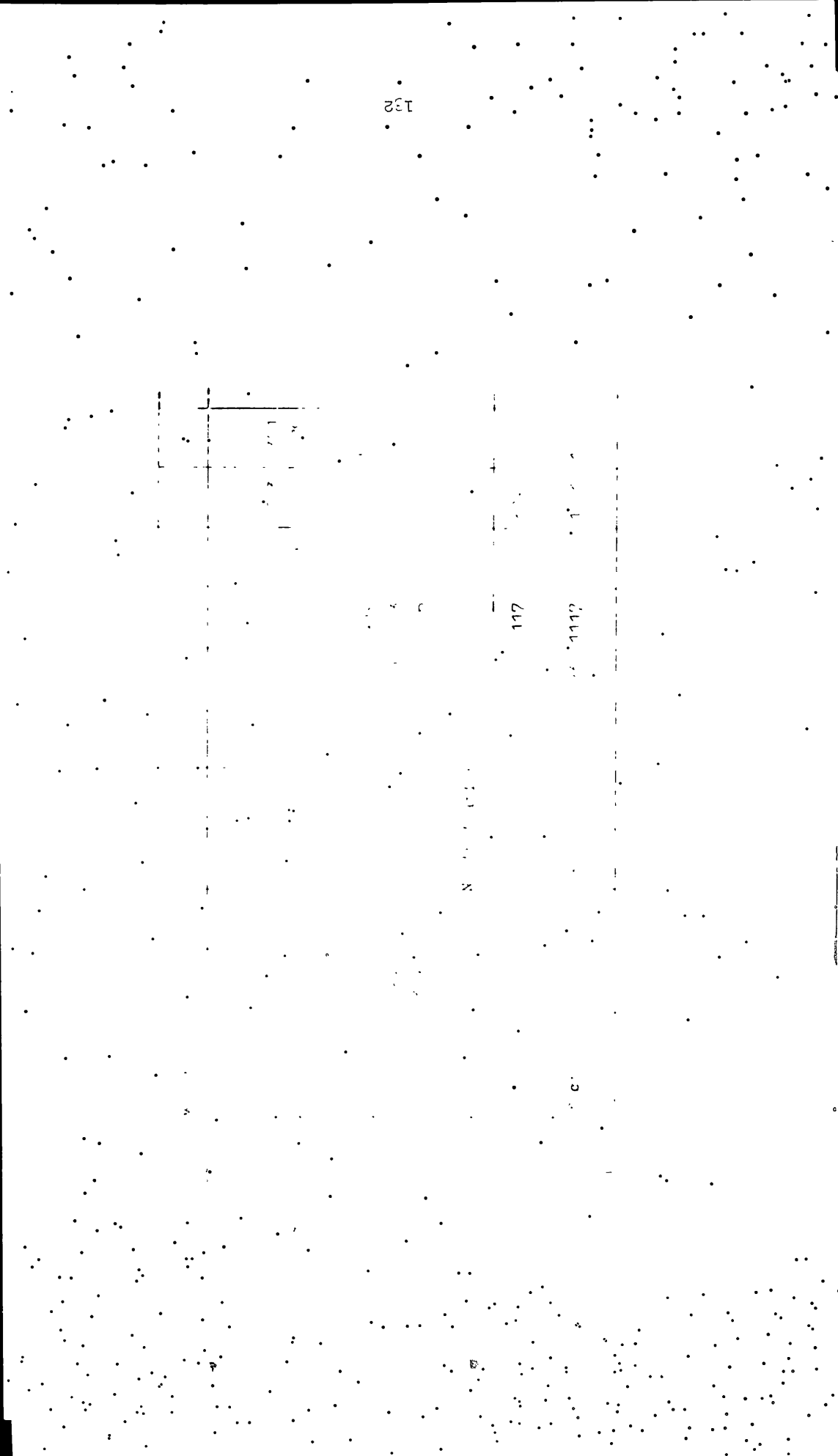
<u>Branches</u>	<u>Employees</u>	<u>Turnover, (1955 basis)</u>
Marten	6,500	1,000,000,000 Schillings
Podyomnik	10,021	2,160,000,000
Kabel	3,746	1,816,000,000
Autovelo	2,146	1,928,000,000
Zement	3,589	2,663,000,000
Letex	5,213	5,325,000,000
Kraska	1,547	2,613,000,000
Less Industries	1,146	1,150,000,000
Wkus	<u>2,221</u>	<u>2,220,000,000</u>
USIA Industries	6,191	6,023,000,000

Machine construction, mining and heavy industry (Marten), textiles and the electro-industry were the most important parts of the USIA complex.

(b) Turnover Development

In our "Provisional Report on Employment of the Statistical Questionnaires," we have shown that the branches attained their greatest output in 1952 or 1954.

The years 1950-51 and 1953 were crisis years for USIA. The best years were 1949 and 1952.



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(c) Turnover Structure

Whereas it was only possible in our "Preliminary Report on the Use of the Statistical Lists for the USIA Industries" to give figures without Wkus and Less and including Wien-Film, important changes come about when these two branches are included.

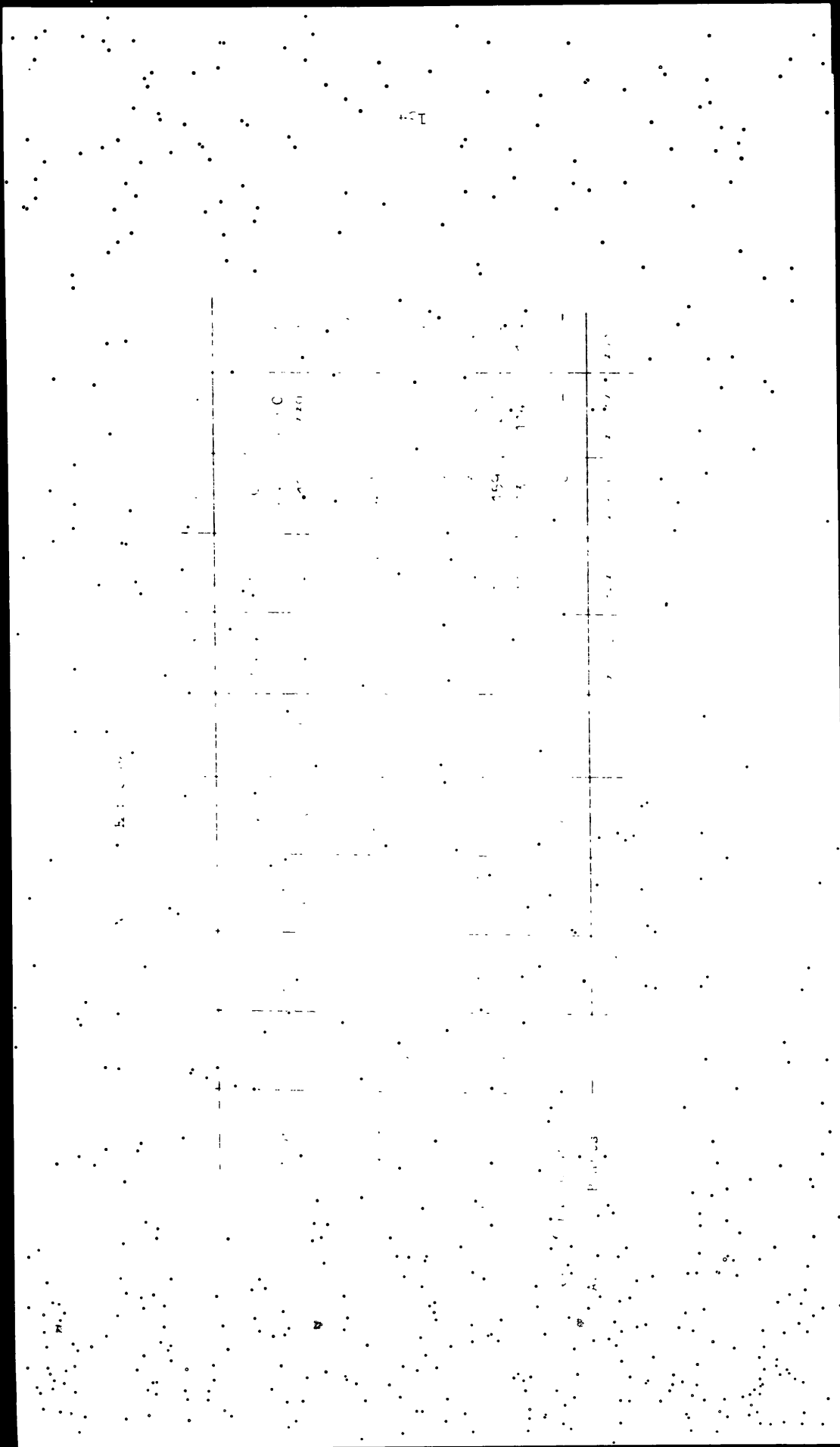
Sales Structure

Branches	Sales (1955 Value)	East Bloc and Administrations	EWR (Soviet Clear- ing House)	Domestic	Exports to the West
Marton	6.093	1.480	956	3,638	18
Podyomnik	9.160	5,381	898	2,180	201
Kabel 1	2.772	1.114	665	976	17
Kabel 2	2.045	704	211	1.108	22
Autovelo	1.928	730	251	868	19
Zement	2.663	-	-	2.663	-
Kraska	2.673	1.357	27	1.309	-
Letex	5.324	2,543	1,261	1,704	16
Less-Industries	1.150	204	575	366	5
Wkus	<u>2.220</u>	<u>-</u>	<u>1.898</u>	<u>322</u>	<u>-</u>
	36.028	13,853	6,742	15,124	298
Average	100%	38%	19,7%	42%	1%

The high degree of dependence on the Austrian market (42%) and the high degree of mutual inter-dependence (expressed by 19% under EWR) is particularly striking. The East Bloc plays a big part with 38%. Exports to the West were not important.

(d) Number of Employees

The figures giving the number of employees is important in judging the development of USIA. The figures began to reduce in 1951. The greatest reduction was in 1953; however, from 1949 on the number of employees was very stable. The transfers among branches are interesting



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B. USIA Profits

According to our statistical figures, turnover rentability was 19 percent.

Total profits of USIA industries were probably in the order of six billion, nine hundred million schillings.

The following table shows the profits by branches:

Turnover Rentability and Profits

Branches	Turnover (Basis 1955)	Rentability % of Turnover	Profits
Marten	6,093,000,000	17.5	1,072,000,000
Podyomnik	3,160,000,000	19.5	1,786,000,000
Kabel 1	2,772,000,000	21.5	596,000,000
Kabel 2	2,045,000,000	18.0	368,000,000
Autovelo.	1,928,000,000	12.5	237,000,000
Zement	2,663,000,000	10.6	282,000,000
Kraska	2,673,000,000	22.0	588,000,000
Letex	2,324,000,000	23.5	1,251,000,000
Less	1,150,000,000	17.6	202,000,000
Wkus	<u>2,220,000,000</u>	<u>23.5</u>	<u>522,000,000</u>
	36,028,000,000	19%	6,904,000,000

C. Production for the Eastern Bloc and the Development of Deliveries Thereto

Deliveries to the Eastern Bloc probably were about 18 percent of the whole. Under "East Bloc" is understood deliveries to the Soviet Union, to the Administrations, Sales Offices and to the KZB. It is noteworthy that between 1952 and 1954 there was a big dip in deliveries to the East Bloc.

Branches	(1951 = 100)		
	1952	1953	1954
Podyomnik	156	157	136
Autovelo	130	51	32
Kraska	214	145	1273
Letex	112	10	45
Less	160	80	-
Kabel	38	85	45

Podyomnik alone is an exception in the development. There, the decline did not occur until 1954. Kraska followed the tendency in 1953; but in 1954 very considerably increased East Bloc deliveries.

We would like to stress particularly that the available material is too scanty on which to base the conclusion that there was a change in trade policy in the period 1952-1954.

D. Performance of the Individual Administrations

The following may be said about the performance of the individual administrations:

(a) Marten

1. The following plants belonged to Marten and were working as of 15 August 1955:

Vienna.

1. Wr. Eisen-u. Metallverwertungs-AG, Vienna X.
2. Hch. Bertrams, Vienna XX
3. Wr. Leichtmetallwerke G.m.b.H., Liesing
4. Oesterr. Metallhuettenwerke AG, Schwechat
5. Rothmueller-Mewa KG, Vienna XX
6. Mannesmann Trautzl AG, Vienna XXI

Lower Austria.

1. "Sirius" Gruenbech² AG, Gruenbach
2. Gebr. Boehler & Co. Boehlerwerke, Waidhofen
3. Trofaiacher Eisen-und Stahlwerke AG, Klosterneuburg
4. Zinkhuetten Neu-Erlaa, Gm.b.H., 1/L. New-Erlaa.
5. Schmidthuetten Krems
6. Stahl-und Temperguss AG, Traisen
7. St. Egyder Eisen-und Stahlindustrie G.m.b.H., St. Aegydy,
Feesthof

Burgenland.

1. Kaerntner Bergwerkgesellschaft, Antimonbergbau,
Schlaining

This was a total of 14 plants and in 1954 they had a payroll of 6560 men.

2. The performance of Marten reveals the following data:

Number of plants which answered..... 7

Those which sent in fully filled-out statistical questionnaires and which were evaluated 3

EvaluationA) Turnover

Estimated total turnover of the Marten administration: 6,093,000,000 schillings.

Turnover structure (calculated on the basis of declared sum of 257,600,000,000 schillings):

<u>Deliveries to</u>	<u>% of turnover</u>	<u>Schillings</u>
East Bloc	24.3	1,480,000,000
BWR	15.7	957,000,000
Various Domestic	59.7	3,638,000,000
Exports to West	0.3	18,000,000
	100.0	6,093,000,000
	137.	

Dynamic comparison of turnover (established on the basis of
257,600,000,000 Schillings announced)

Year of the highest turnover 1952

Year of the biggest turnover increase 1952 Increase of 47% over 1951

Year of the biggest turnover decrease 1953 Decrease of 20% over 1952.

Indices for the increase of turnover (on the basis of announced
257,600,000,000 schillings) in the year 1952:

Deliveries to:	1951	1952	Change
East Bloc Sch.	3,000,000	21,000,000	+ 617%
BWR	6,000,000	5,000,000	- 10%
Divers Domestic	25,000,000	23,000,000	- 9%

Indices of the Decrease in 1953:

Deliveries to:	1951	1952	Change
East Bloc Sch.	21,000,000	14,000,000	- 58%
BWR	5,000,000	8,000,000	+ 67%
Divers Domestic	23,000,000	19,000,000	- 19%

B) Rentability

Estimated total profit 1,072,000,000 Sch.

Bases for evaluation: Turnover rentability (17.6%)

Profit structure: (Calculated on basis of 2,7,600,000 Sch)

Type of Profit	% of sales	Schillings
Profits paid in	4.9	299,000,000
Administration dues	7.8	475,000,000
Sales Tax	4.7	286,000,000
Other taxes	0.2	12,000,000
	17.6	1,072,000,000

Dynamic rentability comparison (on the basis of 257,600,000 sch.)

Year of greatest turnover rentability	1952 with 22.7%
Year of greatest profit	1952 " 22.7%
Year of greatest increase of rentability (increase as against 1950)	1951 " + 25.2%
Lowest rentability	1954 " 14.2%
Greatest rentability drop	1953 - 50.3%

Indices for the increase of rentability in 1951:

	<u>1950</u>	<u>1951</u>	<u>Change</u>
Increase of paid-in profits	1	3	+ 108%
Increase of administration dues	2	3	+ 26%
Increase of sales tax	1	2	+ 50%

Indices for the decrease of rentability in 1953:

	<u>1952</u>	<u>1953</u>	<u>Change</u>
Decrease of paid-in profits	4	1	- 533%
Decrease of administration dues	5	4	- 40%
Decrease of sales tax	3	2	- 14%

C) Investment Policy

Estimated net investments 61,000,000 schillings

Type	% of turnover	Schillings
New investments } General repairs } = gross investment	1.6	97,000,000
Payment to amortization	<u>0.6</u>	<u>36,000,000</u>
Net investment	1.0	61,000,000

Dynamic comparison of investments: Greatest gross investment was in 1954.

3. No plant questionnaires were drawn up.

(b) Podyomnik

1. The following plants were under Podyomnik administration:

1. Hana Bilstein, Fabrik f. Hebezeuge, Atzgersdorf und Wien.
2. Gesellschaft fuer Hydraulik m.b.H., Wien X.
3. Linde Riedinger, Maschinenfabrik, Liesing.
4. Lux Motorenfabrik u. Eisengiesserei AG, Wien X.
5. Niessen-Werke KG, Liesing.
6. Ostmaerkische Eisenbahnsignalwerke G.m.b.H. Wien XX.
7. Schaeffer & Budenberg G.m.b.H., Wien X.
8. Steyr-Daimler Nibelungenwerke, St. Valentin and Wien.
9. Tabak-und Spezialmaschinenfabrik, Hofherr & Schrantz G.m.b.H. Wien XXI.
10. Teudloff-Vamag Vereinigte Armaturen-und Maschinenfabrik AG, Wien XX.
11. Waagner-Biro AG, Wien XXI and Voesendorf.
12. Wr. Werkzeug-und Maschinenfabrik, Wien XX.
13. Maschinenfabrik Pichler & Co. Wien XXI.
14. Eisenbahn Verkehrsmittel AG, Wien I.
15. Wr. Lokomotiv AG, Wien XXI.
16. Wr. Brueckenbau-und Eisenkonstruktion AG, Wien X.

Lower Austria:

1. Bahnbedarf AG, Neu-Erlaa.
2. Elko-Metallverarbeitungs-Ges m.b.H. Wien-Siebenhirten.
3. Enzersfelder Metallwerke AG, Enzersfeld-Sollenau Neurissenhof.
4. Fabrik landwirtschaftlicher Geraete Schorndorf Wilhelm Abt, G.m.b.H. Wopfing.
5. Peter Ginzler OHG, Ybbsitz.
6. Globus Waldgatter Ges. Kliemke & Co., St. Veit a.d. Triesting.
7. Heimpel & Besler Ventilatoren & Maschinenfabrik, Moedling.
8. Josef Heiser, vorm. J. Winter's Sohn, Kienberg-Gaming.
9. Kromag AG fuer Werkzeug-und Maschinenindustrie, Hirtenberg.
10. Leobersdorfer Maschinenfabrik AG, Leobersdorf.
11. Rax -Werke G.m.b.H.
12. Berndorfer Metallwarenfabrik, Werke: Berndorf, Amstetten, Neusiedl.
13. Schnellpressenfabrik Koenig & Bauer AG, Maria Engersdorf.
14. Steinfeld & Co. Standard-Werke Viehoben, St. Poelten.

15. J. M. Voith, St. Poelten.
16. Wr. Neustaedter Maschinenwerke G.m.b.H. Wiener-Neustadt.
17. Haeusermann Fabrik chemischer Gravueren KG, Zitternberg
bei Gars am Kamp.

This makes a total of 33 plants, which in 1954 had a total of 10,023 people on their payrolls.

2. Data contained in our statistical questionnaires give the following concerning the performance of Podyomnik:

Number of plants which returned the questionnaire:	17
Fully completed and evaluated questionnaires	9
Incomplete	8

Exploitation

A) Sales

Estimated total sales in the machine industry: 9,160,000,000 sch.
Sales structure (calculated on the basis of 2,686,000,000 sch)..

Delivered to	% of sales	Schillings
East Bloc (total)	64.2	2,881,000,000
BWR (Soviet clearing house)	9.3	393,000,000
Various Domestic	23.3	2,180,000,000
Exports to West	2.2	201,000,000
	100.0	9,160,000,000

Dynamic sales comparison (based on 2,496,000,000 sch.)

Year of greatest sales	1952	
Year of greatest sales increase	1952	increase against 1951 + 45%
Year of greatest sales decrease	1954	decrease against 1953 - 7%

Indices for the sales increase (based on 2,686,000,000 sch.) in 1952:

Deliveries to		1951	1952	Change
Total of East Bloc	Sch.	204,000,000	317,000,000	+ 55%
BWR		27,000,000	46,000,000	+ 68%
Various Domestic		94,000,000	122,000,000	+ 30%
Exports to West		12,000,000	2,000,000	- 500%

Indices for sales decrease in 1954:

		1953	1952	Change
Total of East Bloc	Sch.	319,000,000	278,000,000	- 15%
Various Domestic		102,000,000	90,000,000	- 12%
BWR		50,000,000	45,000,000	- 9%
Exports to West		1,000,000	21,000,000	+ 164%

B) Rentability

Estimated total profits: Sch. 1,786,000,000

Basis for estimate: Communicated sales rentability (19.5%)

Profit structure (calculated on the basis of 3,496,000,000 sch.)

Type	% of sales	Schillings
Profits paid in	6.3	577,000,000
Administration dues	8.2	751,000,000
Sales tax	4.6	421,000,000
Trade tax	0.4	37,000,000
Capital tax	0.0	
Collection dues	0	
	19.5	1,786,000,000

Dynamic rentability comparison (based on 3,496,000,000 sch.)

Year of the greatest sales rentability 1952 with 26.1%

Year of the greatest profit 1952 " 26.1%

Year of the greatest rentability increase 1949 + 132%

(increase as against 1949)

Lowest rentability 1954 with 12%

Greatest decrease (as against 1952) 1953 -43%

(decrease as against 1953)

Indices for rentability increase in 1949:

	1948	1949	Change
Increase in profits paid in Sch	4,000,000	17,000,000	.286%
Increased administration dues	15,000,000	29,000,000	93%
Increased sales tax	3,000,000	7,000,000	.131%

Indices of rentability decrease in 1954:

	1953	1954	Change
Decrease in profits paid in	29,000,000	17,000,000	-72%
Decreased administration dues	54,000,000	28,000,000	-93%
Decreased sales tax	29,000,000	24,000,000	-23%
Decreased trade tax	3,000,000	2,000,000	-95%

C) Investment Policy

Estimated net investments 229,000,000 sch.

Type	% of sales	Schillings
New investments	2.7	247,000,000
General repairs	<u>0.6</u>	<u>55,000,000</u>
Gross investments	3.3	302,000,000
Amortization payments	<u>0.3</u>	<u>73,000,000</u>
Net Investments	2.5	229,000,000

Dynamic comparison of investments:

Greatest gross investment was in 1954. (7.2% of sales, .42% of the total gross investment.)

D) General References:

In the years 1948 to 1952 one plant had to pay a 'commission' out of profits to the Purchase and Sales Office. (12-13% of sales.)

3. We were able to gain an insight into two of the biggest plants which were part of Podyomnik through a study of plant methods. They

Were Waagner-Biro (A and C plants) in Vienna and J. M. Voith of St. Poelten. (Compare: Report on the Conversation of 5 December 1956," Report on C Plant of Waagner-Biro... November 7 and 14 1956," "Conversations of 10 and 13 December 1956.") (The Roman numerals indicate the sections of these reports so that the remarks made here can be referred directly to the corresponding original reports).

I. According to Waagner-Biro the dismantlings took place in May and June 1945. This was to entail the removal of the greater part of the machines and tools. Voith reported that according to the Russian thesis, all those machines and tools were to be taken whose production capability was more than could be absorbed by the Austrian market. The dismantlings were handled in both these plants by untrained troops, aided by plant personnel. At Voith's the untrained troops were replaced after a certain time by trained dismantling troops. From Waagner-Biro supplies were not taken away in any great quantity while at Voith only arms supplies were taken.

Incorporation into USIA occurred for Waagner-Biro on 1 December 1946 (C Plant on 1 November 1946 and for Voith on 16 April 1946).

II. The Administration dues payments seem to have been the same for both companies. At the beginning it was 10% of sales, then 11.1% of production prime costs. But in 1954 they were different and we assume that the percentages were fixed according to the estimated profits.

III. In both plants the Russian directorial team was composed of a Director General, a chief of Technical services (Chief engineer) and a chief of Administration. (Chief Accountant).

Individual Plans divisions were created in both plants. Along with the bookkeeping division they handled the extensive plans and reporting work. At Waagner-Biro, the plans were passed on to the Russian Plans Bureau for approval. The reports, particularly the balances, with all annexes, were sent by the Soviet General Director to the corresponding Russian services.

IV. The financing of both plants was carried out along the lines contained in report "Analysis of the Soviet Balance Plan.

V. The recipients of Waagner-Biro and Voith products in the East Bloc are known. The exceptions are deliveries to Soviet Russia and deliveries on special order. (Podyomnik etc.) However, even direct deliveries to the East Bloc states had to have Podyomnik's authorization. Business with the Soviet Union was done through Podyomnik, through the USIA Purchasing and Sales Office (Everkon) and through KZB. (Central Commercial Office).

VI. About 10. to 15 percent of Waagner-Biro's needs in supplies were purchased through Everkon, which was a part of KZB. Fifteen to 20 percent of Waagner-Biro's imports came from the East Bloc states. Such imports included roller material, nickel alloys, building and welding rods, hoist motors, foundry raw material whereof raw iron and iron alloys came from the Soviet Union. Requirements in such materials,

which were hard to get in Austria, were ordered on a quarterly basis.

VII. After acceptance of the order by the Soviets, the transport usually was undertaken by Juschwneschtrans. Deliveries to Poland and Romania went through the Express company.

Waagner-Biro said that the following points were used for exports:

For Russia	Munkacevo
" China	Bad Schandau
" Poland	Stalinograd
" CSR	Prerau, Breclav, Levice, Trebusice

VIII. W-B (Waagner-Biro) (A Plant) reports that only replacement investments were made or such as were necessary to complement the automobile park. In C-Plant the most important investments were made in 1953 and particularly in 1954. In 1955 more than 1,000,000 schillings were spent to build a workingmen's clubhouse.

In some cases the machinery that was delivered did not correspond to requirements.

IX. At W-B, the Soviets pushed the production of dredgers, drum winches and corrugated iron hangars. At Voith's, the manufacture of spinning machines was introduced into the production schedule. W-B work norms were increased in 1953 according to reports by a representative of USIA: In general; however, the method of work was not touched. At Voith, great stress was placed on the utmost use of available labor forces. (Lack of specialists).

X. In both cases there was a close cooperation with USIA (exchange of plans and sub-contracts). According to W-B USIA had an organization which occupied itself with cooperation. (Perhaps the

technical division?) Each month, the plants had to inform this co-operation organization ~~of their~~ of their cooperation desires.

Cooperation plans were then formulated.

Cooperation extended to different branches. The advantages were: facilitation of fulfilling delivery dates, favorable prices and the exchange of necessary machinery. There was also one general admonition and that was to see to it that the requirements in supplies, raw materials etc. of other USIA branches were covered. One should also not lose sight of the fact that this cooperation went hand in hand with financial advantages. (Voith)

XI. Personnel Policy

The Soviet personnel was hired by the USIA Administration. Already in 1947, Voith had ^a General Director who was an outstanding specialist.

The infiltration of Communists into the plants was in the hands of three units which were entirely under Communist influence:

1. The Factory Organization. (Betriebsorganization - BO). A committee of pure Communists belonging to the individual works divisions (Communist cells).
2. The Works Council which was composed in accordance with the shop (plant) elections.
3. The Personnel Division which was staffed by non-specialist Communist outsiders.

With regard to the relationship of these divisions to the Soviet chiefs, Voith reports that the Communists were able to push through

some of their wishes against the Soviet leadership with the aid of the central Personnel Office. However, necessary specialists could be kept in a plant by the Soviet plant chiefs against the wishes of the Communists, even when such specialists happened to be former Nazis.

Finally, the Cultural Division (W-B C Plant) or the Cultural Committee (Voith) played an important part in the service of the Communist Party (Organization of demonstrations, visits to the Skala Theater, etc.)

(c) Autovelo

1. According to a source, the administration of Autovelo was dissolved during the USIA time and amalgamated with that of Zement. It has not been possible to check this report. It is certain, however, that it was not very important since already in 1949/50 the Goertz Optical Works had been taken over by the Kabel administration. It is probable that the following were under the Autovelo administration:

Vienna

1. Draeger G.m.b.H. Vienna XX.
2. Kloeckner-Humboldt-Deutz AG, Vienna X.
3. Kuehler-und Metallwarenfabrik Goll & Dr. Strohschneider, Vienna XX.
4. Rudolf Otto Mayer, Schwechat.
5. Motoren und Reparaturenwerk Oelfeld, G.m.b.H. Vienna XXI.
6. Adolf Nickerl, Inzersdorf.
7. "OBEGE" Ofenbau G.m.b.H. Vienna XXI.
8. Steyr-Daimler, Vienna X., II and XX.
9. F.C. Wagner KG, Elektroschweißwerk, Vienna XX.
10. Fallschirmbau Josef Eschner KG, Vienna XXI.

11. Faulhaber & Co., Vienna IV.

12. Curt Pomper, Vienna IV..

Lower Austria

1. Gustloffwerke, Otto Eberhard, Patronenfabrik-.Hirtenberg,
Hirtenberg.

A total of 13 plants, which in 1954 had a payroll of 2,146 workers.

2. The following data is available on their performance:

number of plants who reported	6
fully completed and evaluated questionnaires	4
Incomplete	2

Evaluation

A) Sales

Total Autovelo sales: 1,923,000,000 schillings.

Sales structure (calculated on the basis of 313,500,000 schillings)

Deliveries to	% of sales	Schillings
East Bloc	41	790,000,000
BWR	13	251,000,000
Various Domestic	45	363,000,000
Exports to West	1	19,000,000

Dynamic comparison of sales (on basis of 313,500,000 schillings):

Year of highest sales	1952	
Year of greatest sales development	1952	+ 32.5%
Year of greatest sales drop	1953.	- 20.4%

Indices for the increase of sales (based on 313,500,000 sch.)

in 1952.

Deliveries to:		1951	1952	Change
East Bloc	Sch.	56,835,000	73,991,700	+ 30.2%
BWR		10,406,300	25,359,800	+143.7%
Various Domestic		47,408,900	52,420,000	+ 10.6%
Exports to West		237,100	445,000	+ 87.7%

Indices for the decrease of sales in 1953:

Deliveries to:		1952	1953	Change
Total East Bloc		73,991,700	29,387,100	- 151.8%
BWR		25,359,800	25,013,200	- 1%
Various Domestic		52,420,000	72,042,600	+ 37.4%
Exports to West		445,000	-	-

B). Rentability

Estimated total profit 237,000,000 sch.

Profit structure (based on 313,500,000 schillings)

Type	% of Sales	Schillings
Profits paid in	1.7	33,000,000
Administration dues	6.7	129,000,000
Sales Tax	3.9	75,000,000
Other Taxes	-	-
	12.3	237,000,000

Dynamic comparison of rentability (based on 313,500,000 schillings)

Year of highest sales rentability	1951	16%
Year of greatest profit	1952	13%
Year of greatest rentability increase	1951	+ 1%
Lowest rentability	1954	3%
Greatest drop in rentability	1954	- 75%

Indices for the rentability increase in 1951:

	1950	1951	Change
Increase in paid profits	742,000	2,886,600	+ 289.0%
Increase in administration dues	9,119,300	10,972,300	+ 20.3%
Increase in Sales tax	3,274,400	4,561,600	+ 39.3%
Increase in various taxes	-	129,800	-

Indices for rentability decrease in 1954:

	1953	1954	Change
Decrease in paid profits	3,312,500	2,501,500	- 32.4%
Decrease in administration dues	8,399,700	1,732,400	- 384.9%
Decrease in Sales Tax	5,731,800	5,203,300	- 11.3%
Decrease in various taxes	151,400	195,900	+ 29.4%

C) Investment policy

Type	% of Sales	Schillings
New Investments	1.1	25,000,000
General Repairs	0.5	10,000,000
Gross Investments	1.8	35,000,000
Amortization payments	0.5	10,000,000
Net Investments	1.3	25,000,000

Highest gross investments were in 1954 with total of Sch. 4,121,000.

This is 20.5% of the total gross investment.

No plant questionnaires were filled out.

(d) Kabel

1. The following plants came under Kabel administration:

Vienna:

1. Akumulatorenfabrik G.m.b.H. Liesing
2. Draht-und Kabelwerk Sichter mann G.m.b.H. Inzersdorf

3. "Osram" G.m.b.H. Atzgersdorf
4. Ariline Draht-und Kabelwerk AG, Vienna XXI
5. Oesterr. Brown Boveri-Werke, Vienna XXI
6. Wr. Kabel-und Metallwerke AG
7. AEG-Union Elektrizitaetsgesellschaft Vienna XXII
8. Siemens-Schuckertwerke G.m.b.H. Vienna I, II and XXI
9. Elin, Aktiengesellschaft fuer elektrische Industrie
Vienna-Liesing
10. Optische Anstalt CG. Goertz G.m.b.H. Vienna X.

This made a total of 10 plants which in 1954 had a payroll of 4,146.

2. Through use of our statistical questionnaires we were able to take in the totality of the cable-producing industry. We have therefore separated the evaluation from the rest of the electrical industry..

Kabel-Industry

Number of plants which reported	3
Complete questionnaires	2
Incomplete questionnaires	1

A) Sales

Estimated total sales of Kabel: 2,772,000,000 schillings.

Sales structure (calculated on the basis of 1,500,000,000 sch.)

Deliveries to	% of Sales	Schillings
Consignments against Soviet profit share	25.3	701,000,000
Responsible administration	6.2	172,000,000
KZB (Central Commerce Bureau)	7.6	211,000,000
East Bloc	1.1	30,000,000
	40.2	1,114,000,000

(cont'd. from preceding page)

Deliveries to	% of Sales.	Schillings
	40.2	1,114,000,000
BWR	24.0	665,000,000
Various Domestic	35.2	976,000,000
Exports to West	<u>0.6</u>	<u>17,000,000</u>
	100.0	2,772,000,000

Dynamic comparison of sales (based on 1,500,000,000 sch.)

Year of highest sales	1952
Year of greatest sales development	1951
Year of greatest sales drop (compared with 1952)	195

Indices for the sales increase in 1951 (based on indications given by firms having a totality of 70% of the sales).

Deliveries to:	1950	1951	Change
East Bloc	55,000,000	114,000,000	+ 226%
BWR	32,000,000	65,000,000	+ 101%
Various Domestic	56,000,000	80,000,000	+ 43%

Indices for the drop in sales in 1952 (based on indications given by firms having a totality of 70% of the sales).

Deliveries to:	1952	1953	Change
Totality of East bloc sales	116,000,000	120,000,000	+ 4%
BWR	31,000,000	31,000,000	- 161%
Various Domestic	56,000,000	50,000,000	- 72%
Exports to West	7,000,000	-	-

B) Rentability

Estimated total profit 596,000,000 sch.

Profit structure (based on 1½ billion sch.)

Type of Profit	% of Sales	Schillings
Paid profits	10.0	277,000,000
Administration tax	7.2	199,000,000
Sales tax	4.2	115,000,000
Capital tax	0.1	5,000,000
Collection dues	0.0	-
Other	0.0	-
	21.5	596,000,000

Dynamic comparison of rentability (based on 1½ billion sch).

Year of highest sales rentability	1948 & 50	with 28%
Year of highest absolute profit	1952	25%
Year of greatest rentability increase (as against 1947)	1948	+ 47%
Lowest rentability	1953	with 17%
Greatest drop	1953	- 47%

Indices for rentability increase in 1948 (representative plants)

Increase of paid profits of 1947, 2 million sch. to 10,700,000 sch.	+ 426
Increase of administration dues of 1947 4,600,000 sch. to 3,600,000 sch.	+ 86
Increase of sales tax of 1947 1,100,000 to 5,000,000	+ 193

Indices for rentability decrease in 1953. (Representative plants).

Decrease of paid profits of 1952 37,700,000 to 4,200,000	-300%
Decrease of Admin. tax of 1952 22,100,000 to 21,000,000	- 5%
Decrease of sales tax of 1952 13,100,000 to 10,100,000	- 29%

General remark: trade tax, capital tax, collection dues were introduced in 1948 for the first time.

C) Investment policy

Estimated Net Investment 25,000,000 sch.

Type	% of Sales	Schillings
New investments	1.1	31,000,000
General Repairs	<u>0.3</u>	<u>8,000,000</u>
Gross investment	1.4	39,000,000
Amortization payments	<u>0.5</u>	<u>14,000,000</u>
Net Investment	0.9	25,000,000

Dynamic comparison of investments:

Greatest gross investment was in 1954 (25% of the total of investments)

Lowest investment was in 1949.

D) General remarks

With regards to commercial policy" BWR-sales appear first in 1947, while KZB appears first in 1952/53. There was a strong drop in deliveries to the East Bloc (including USSR) in 1954 (- 77%) and partial re-conquering of the domestic market (+ 69%).

Remaining Electrical Industry

Number of plants that replied to the questionnaires	5
Fully completed questionnaires	5
Incomplete	0

Evaluation:

A) Sales

Estimated total sales of this section of the industry: 2,045,000,000 sch. Sales structure (calculated on basis of 900,000,000 sch).

Deliveries to	% of Sales	Schillings
Deliveries against Soviet part of profits	--	--
Responsible administration	29.5	603,000,000
KZB	3.4	70,000,000
BWR	10.3	211,000,000
East Bloc	1.5	31,000,000
Various domestic	54.2	1,108,000,000
Various countries	<u>1.1</u>	<u>22,000,000</u>
	100.0	2,045,000,000

(East Bloc total = 34.4%)

Dynamic comparison of sales (based on 900,000,000 sch.)

Year of highest sales 1952
 Year of highest sales developmt. 1951 increase against 1950 + 33%
 Year of greatest decrease 1954 decrease against 1953 - 23%

Indices for the sales increase in 1951:

	1950	1951	Change
Deliveries to the East Bloc	48,000,000	58,000,000	+ 20%
BWR	6,000,000	6,000,000	+ 7%
Various Domestic	53,000,000	80,000,000	+ 45%

Indices for the sales drop in 1954:

	1953	1954	Change
Total East Bloc deliveries	49,000,000	26,000,000	- 32%
BWR	19,000,000	29,000,000	+ 53%
Various Domestic	64,000,000	51,000,000	- 26%

B) Rentability:

Estimated total profits 368,000,000 sch.

Profit structure (based on 900,000,000 sch.)

Type	% of Sales	Schillings
Paid profits	5.4	110,000,000
Administration tax	6.5	133,000,000.
Sales tax	3.7	76,000,000
Trade tax	0.1	2,000,000
Capital tax	0.0	---
Collection dues	0.0	---
Divers taxes	<u>2.3</u>	<u>47,000,000</u>
Total profit	18.0	368,000,000

Dynamic rentability comparison:

Year of greatest sales rentability	1949 with	25%
Year of greatest profit (absolute)	1952	18%
Year of greatest rentability increase	cannot be calculated	
Lowest rentability	1954	12%
Greatest decrease	1954	- 42%

Indices of rentability increase:

Cannot be calculated.

Indices for rentability decrease in 1954:

Decrease in paid profits	- 37%
Decrease in admin. dues	-535%
Decrease of sales tax	- 25%

Trade tax (Gewerbesteuer) was already being collected in 1946 (Osram Company).

The same applies to the capital tax and to the collection dues.

C) Investment policy:

Estimated net investments 286,000,000 sch.

Investment structure (900,000,000 sch.)

Type	% of Sales	Schillings
New Investments	1.5%	30,700,000
General repairs	0.5%	10,200,000
Gross investments	2.0%	40,900,000
Amortization payments	0.6%	12,300,000
Net Investments	1.4%	28,600,000

Dynamic investment comparison:

Highest gross investment: 1954.

D) General remarks:

The optical industry has some peculiarities of which the C.P. Goertz company is representative. Originally, the Goertz Co. was under Autovelo administration, but passed under Kabel administration in 1949 or 1950 because it produced some electrical equipment. The Goertz sales development was unusually stable and from 1951 on was between 30-32 millions schillings a year. The net investment quota was around 30% higher than in the electrical industry. Sales to the East Bloc were extraordinarily high, being 69% of total sales. (Approx. 170 million schillings). It may therefore be concluded that the Soviets placed special value on the products of the optical industry.

3. A review was made of the biggest cable works, the Vienna Cable and Metal Works, Vienna. (Aide-memoire, Conversation of 20 September 1956). The first review led to the elaboration of the "USIA plant questionnaire" and for the first time gave evidence of the existence of important original documentation (balance sheets, standard accounting forms, etc).

I. The plant reported that USIA was founded in April 1946 and that the plant was taken over by USIA. Prior to that the occupation authorities had taken a part of the raw materials away and also dismantled a part of the plant.

II. Administration dues fluctuated between 2 and 10.4% and were paid to Kabel's administration.

III. During the USIA regime, the concern had 12 General Directors of whom several appeared several times. At the beginning the chiefs were military men, but they were soon changed for civilians. The technical personnel improved steadily. In the final years, the leadership of the concern was composed of three Soviets: the General Director, the Chief Constructor and the Commercial Director, (Chief Accountant).

IV. Financing was carried out in accordance with the usual formula: credits for production material through SMB, investment credits through the administration. It must be noted that in order to maintain the BWR circuit, the administration had to make credits available to the plants when their own were insufficient. This is an indication of how important BWR was considered.

V. Exports ~~was~~, in part, through KZB. The firms were only in possession of 'trans-contracts' which did not contain the names of the purchaser. Price policy: for exports to USSR the plant could only charge prime cost plus 5%. All other contracts were calculated on western world market prices. Kabel's administration had a say in the formulation of price policy.

(e) Zement

1. The following building and glass industry plants belonged to Zement:

Vienna:

1. Heinrich Kohler, Vienna IV
2. Union Baugesellschaft Vienna-Himberg
3. Union Baumaterialien Co. Vienna III
4. Allgemeine Strassenbau AG, Vienna IV
5. Allgemeine Bauges, A. Porr AG, Vienna X
6. Otto Guthan vorm. Anton Anderer, Vienna XXI
7. Philipp Holzmann AG, Vienna IV
8. Sager & Woerner, Vienna IV
9. Glasfabriken Oberdorf-Voitsberg, Adolf Koerbitz, Vienna IV, XVI
10. Wiener Glashuettenwerke AG, Vienna XXI

Lower Austria:

1. Deutsch-Oesterr. Christbaumschmuckfabrik J. Eggeling, Traismauer
2. Erste oesterr. Maschinenglasindustrie AG, Brunn am Gebirge
3. Glasspinnerei Stockerau G.m.b.H., Stockerau
4. Moosbrunner Glasfabrik AG, Moosbrunn
5. Oesterr. Glasdachfabrik OHG, J. Eberspaecher, Brunn a. Gebirge
6. Aktiengesellschaft fuer Grob und Feinkeramik, Muenchen-Sinzig-Vienna (formerly Wr. Ziegelwerke) Leopoldsdorf
7. Aktiengesellschaft fuer Grob - u. Feinkeramik, Muenchen, Klein Poechlarn

Upper Austria:

1. Granitwerke Gusen, formerly Deutsche Erd - und Steinwerke G.m.B.H., Gusen

Burgenland:

1. "VEDAG" Vereinigte Dachpappenfabriken AG, formerly Amiant AG, Rechnitz.

2. Pinkafelder Ziegelwerke, Oskar Villaret and Alois
Trixpamer, Pinkafeld

This makes a total of 19 (Translator's Note: I make it 20) plants with
a payroll of 3,589 employees in 1954.

2. The following may be said of the performance:

Number of plants which responded:	10
Completed and evaluated questionnaires	4
Incomplete	6

Evaluation

A) Sales

Estimated total sales: 2,663,000,000 schillings.

Sales structure (based on 376,000,000 schillings)

Only domestic sales

Dynamic sales comparison (based on 376,000,000 schillings).

Year of highest sales 1954

Year of greatest sales development 1953 Increase over 1952 + 135%

Year of greatest drop 1949 Decrease over 1948 - 23%

Indices for sales increase (on basis of 376,000,000 sch.).

		1952	1953	Change
Domestic	Sch.	27,000,000	65,000,000	+ 135%

Indices for sales drop in 1949 (based on 376,000,000 sch.).

		1948	1949	Change
Domestic		35,000,000	29,000,000	- 23%

Rentability

Estimated total profit: 282,000,000 schillings

Elements of estimation: transmitted rentability figures (10.6%)

Profit structure (calculated on basis of 376,000,000 sch.)

Type	% of Sales	Schillings
Paid profits	3.0	80,000,000
Administration dues	2.2	59,000,000
Sales tax	5.2	138,000,000
Trade tax	0.2	5,000,000
Capital tax	0.0	
Collection dues	0.0	
Other taxes	---	
Total	10.6	282,000,000

Dynamic rentability comparison (based on 376,000,000 sch.)

Year of highest sales rentability	1949	with	12.2%
Year of highest profit (absolute)	1954		10.6%
Year of greatest rentability increase	1949		20.0%
(as against 1948)			

Lowest rentability	1952 & 53		9.5%
Greatest drop	1950		- 20.0%
(drop against 1948)			

Indices for the changes:

Fluctuations in the profit and administration payments and in sales tax. Payments by the firms are partly only estimates.

C) Investment Policy

Estimated Net Investment 59,000,000 sch.

Type	% of Sales	Schillings
New Investments	2.1	56,000,000
General repairs	0.6	16,000,000
Gross investments	2.7	72,000,000
Amortization payments	0.5	13,000,000
Net Investments	2.2	59,000,000

Dynamic comparison of investment: Year of greatest gross investment:
1954.

The report submitted on the Danube Shipping Company indicates that the Porr Construction Company occupied a central position in the investment system. This company drew up the reconstruction plans for the Korneuburg wharf in 1951. There are no interesting reports concerning the glass companies. The incomplete reports show that in 1954 the exports to the East bloc were 6% of the total of exports and that exports to the Western states was considerably more with 14%. The remainder of sales went to the domestic market. In 1954 the glass industry was still making considerable profits. In that year sales rentability was 27% while in 1955 it was 33%.

3. There were no plant reviews.

(f) Kraska

1. As far as the internal workings of Kraska are concerned, it is known that the General Directors were Strvnovich, Fadeef and Bushmarin. Some 15 Russians are said to have been employed in the Kraska administration. At one time or another Ivanov was chief of the Plans Division and Marosov, chief of the Technical Division.

(See report on the Chemosan-Union AG, page 67.) The following firms were administered by Kraska:

Vienna:

1. Bekacite Kunstharzfabrik, G.m.b.H. Vienna-Kagran.
2. P. Beiersdorf & Co. G.m.b.H. Vienna X
3. Chemische Fabrik Wallenfels, Vienna XXI

4. Chemische Fabrik, Tempelhof, Preuss & Templerwerke,
Vienna II
5. Hofermayer und Rinck, Vienna-Erlaa
6. Hydroxygen G.m.b.H.; Vienna IV (Gumpoldskirchen)
7. Reinhold Fluegger & Coeking, Vienna XXI
8. W. Megerle, Vienna XXI
9. Motsch & Co., Vienna IV
10. Ferdinand Muehlens, Eau de Cologne und Parfuemeriefabrik,
Vienna IV
11. Kaloderma G.m.b.H., Vienna XXI
12. Oesterr. Chem. G.m.b.H., Vienna IV
13. Gebr Schmidt, G.m.b.H., Atzgersdorf
14. Sidolwerke, Siegel & Co., Vienna XX
15. Vergasungs Industrie AG, Vienna IV
16. Guenther Wagner KG, now Guenther Wagner, Verwaltungsges
m.b.H., Vienna X
17. Vinzenz Wagner, Vienna XXI
18. Dr. A. Wandër, G.m.b.H., Vienna XXI

Lower Austria:

1. Aktiengesellschaft fuer chemische Industrie, Rannersdorf,
Uⁿderlanzendorf, Siebenbrunn
2. Carbolineumfabrik, R. Avenarius, Amstetten
3. Chemische Farbenfabrik H.M. Habich, Weitenegg
4. Chemosan Union AG, Klosterneuburg
5. E.T. Gleitsmann, Rabenstein a.d. Pielach
6. Herbig Haarhaus, A.G., Voessendorf
7. Ludwig Marx, Gaaden
8. Spiritus-und chemische Fabrik, Pernhofen Dr. Heinz Berkel,
Pernhofen
9. Spiritusfabrik Loew; Angern

A total of 27 plants which in 1954 had a payroll of 1,547 employees.

2. A study of the statistical questionnaires shows that there were 13 plants which answered the questionnaires. Of the 13, four were complete and nine were incomplete.

Evaluation:A) Sales

Total sales of Kraska 2,673,000,000 sch.

Sales structure (calculated on basis of 248,667,500 schillings).

Deliveries to	% of Sales	Schillings
Total of East Bloc	50	1,337,000,000
BWR	1	27,000,000
Various domestic	48	1,309,000,000
Other countries	-	-
	100	2,673,000,000

Dynamic comparison of sales (based on 248,667,500 sch.)

Year of the highest sales	1954	
Year of the greatest sales development	1954	+ 252.7%
Year of the greatest drop	1953	- 13.1%

Indices for the increase in sales in 1954:

	1953	1954	Change
Total of East Bloc	7,869,600	69,477,000	+ 782.9%
BWR	362,000	1,330,000	+ 267.4%
Various Domestic	15,808,200	14,175,600	- 11.5%
Other countries	30,100	84,400	+ 2.4%

Indices for the drop in sales in 1953:

	1952	1953	Change
Total of East Bloc	11,613,600	7,869,600	- 37.6%
BWR		362,000	
Various Domestic	15,585,200	15,303,200	+ 1.4%
Other countries	87,300	80,100	+ 9.0%

B) Rentability

Estimated total profit 533,000,000 Sch.

Profit structure (based on 248,667,500 Sch.)

Type	% of Sales	Schillings
Paid in profit	8.4	225,000,000
Administrative tax	9.0	240,000,000
Sales tax	4.2	112,000,000
Other taxes	0.4	11,000,000
	22.0	588,000,000

Dynamic rentability comparison:

Year of highest sales rentability	1947	33%
Year of greatest profit.	1954	22%
Year of greatest rentability increase	1954	+ 29%
Lowest rentability	1951	17%
Greatest decrease in rentability	1952	- 21%

Indices for rentability increase in 1954:

	1950	1954	Change
Paid profits	858,300	2,062,900	+ 140.3%
Admin. dues	1,681,000	11,876,800	+ 606.3%
Sales tax	1,189,500	4,284,000	+ 260.2%
Other taxes	377,400	865,400	+ 129.3%

Indices for rentability decline 1952:

	1951	1952	Change
Paid profits	2,833,000	1,630,900	- 73.7%
Admin. dues	1,505,900	2,192,900	+ 45.6%
Sales tax	306,400	1,344,600	+ 60.7%
Other taxes	133,200	528,700	+ 22.0%

C) Investment Policy

Only insufficient data are available on the investment polic.

Only one small plant, the Klosterneuburg plant of Chemosan-Union AG was examined. (Total sales during the USIA regime: 57,000,000 sch.) The result therefore has no over-all significance.

I. There was no dismantling. The plant was placed originally under military administration and taken over by USIA on 1 July 1946.

II. The plant is said not to have made profit payments, but only to have paid administration dues. This is contrast to all other plants under Kraska.

III. The Soviet Directors General of the plant were often also directors general of other plants (usually at two others). Annual production plans had to be examined by the chief of the Plans Division of Kraska. The plan calculation formulas were the same as used in other branches.

IV. Financing was standard.

V. It is interesting to note that distribution was carried out by the central office which was located in the British Zone and therefore not under the USIA administration.

VI. According to the report Kraska obtained raw materials, such as alcohol, at a tremely favorable prices.

VII. Does not apply.

VIII. There were practically no investments. (30,722 schillings).

IX. The Soviets forced production to switch from that of pharmaceuticals to cosmetics.

X. Cooperation was limited to an exchange of machines and to purchasing when possible from USIA plants.

XI. The plant council was under Soviet leadership, although the Socialists were equally strongly represented. The Personnel Division;

the "BO" and the Cultural Division were staffed entirely by Communists. Even when USIA was liquidated the Communists were able to maintain their position in the October plant elections, whereas the Socialists lost one mandate to the Independents.

(g) Letex.

1. A certain amount of information is known about Letex, known in German as Light Industry (Leichtindustrie). In the report on the Alt-Erlaaer Dye Works the following Soviet Directors General were named:

Utkin, Maltsev, Laptev, Chernobiliski, Alexandrov, Morozov. The name Utkin, as chief of Letex is also mentioned by Dr. M. (see Report on the Conversation of 13 and 20 December 1956). The name Alexandrov, alias Bachmann, also appears in the Special Report on the USIA firms, Wkus, Letex, Ort and was there in the year 1951. Chernobiliski is probably identical with the man of the same name mentioned in "Report on two conversations with Dr. Seleskowitsch of Barthel & Co. Shekamasov, Gugoryev and Lebedev were mentioned as chiefs of the technical or plans division. Sokolov and Chirin were mentioned as chiefs of the Personnel Division.

From an organizational point of view the significant development of the trade division is well known. Besides the usual import and export mechanism it developed its own retail trade chain which, in 1954, was taken over by Ort.

The following firms were under Letex administration:

Vienna:

1. Edelgarnspinnerei Amfaldern & Co., Vienna-Atzgersdorf
2. Atzgersdorfer mechanische Weberei, Edmund Sellner, Atzgersdorf
3. Bruno Georg Wunderlich, Vienna XXI
4. Carl Budischofsky & Soehne Oesterr. Lederindustrie, Vienna XXI
5. Lederwerke Gerhardus KG, Vienna XX
6. Stadlauer Lederfabrik Budischofsky-Konrad-Zeller, Vienna XXI
7. Vereinigte Lederfabriken AG, Vienna XX
8. Textildruckerei J. Kessel, Vienna-Liesing

Lower Austria:

1. August Ehrlich, Textilwerke KG, Trumau/Aspangbahn
2. Erste oesterr. Glanzstofffabrik, St. Poelten
3. Goetzendorfer mechanische Weberei M. Plobner, Goetzendorf
4. Hans Janisch, Traismauer
5. Paul Kollbach Kl. Neusiedl
6. Theodor Mueller (ehem. Seidlhuber) Trumau
7. Wollwarenfabrik Erlach G.m.b.H.
8. Vereinigte Textilwerke Barthel & Co., Woellersdorf
9. C.A. und Paul Vorsteher, Rabenstein a.d. Pielach
10. Weissenbacher mech. Leinen- und Baumwollwarenweberei, Oskar Kunze, Weissenbach, Triesting
11. Wr. Neustaedter Strickereifabrik Paul Meyer, Wr. Neustadt
12. Franz Schmitt AG fuer Lederindustrie, Rehberg b. Krems
13. Alt-Erlaaer Faerberei u. Appretur AG, Erlaa
14. Richard Holtkott, Wr. Linoleum- und Wachtuchwerke, Traiskirchen, Brunn am Gebirge
15. Knopf- und Nadlerwaren, Kettner- und Holzwarenfabrik, William Prym, Weissenbach a.d. Triesting
16. Pottschacher mech. Weberei, Pottschach

Altogether 24 plants with a payroll of 5,213 in 1954.

According to our statistical questionnaires, 11 plants turned in reports, 4 were complete and 7 incomplete.

Evaluation:A) Sales

Estimated sales: 5,324,000 schillings.

Sales structure (calculated on a basis of 594,000,000 schillings).

<u>Deliveries to</u>	<u>% of Sales</u>	<u>Schillings</u>
East Bloc	44	2,343,000
BWR	2.7	1,261,000
Various domestic	32	1,704,000
Exports to West	<u>0.3</u>	<u>16,000</u>
	100.	5,324,000

Dynamic comparison of sales (on basis of 363,000,000 sch).

Year of highest sales	1952		
Year of greatest sales development	1948	increase against 1947	+ 193%
	1951	"	1950 + 53%
Year of biggest sales drop	1951	decrease	1952 - 9%

Indices for sales increase in year 1948:

Deliveries to	1947	1948	Change
East Bloc	3,000,000	10,000,000	+ 200%
BWR	300,000	4,000,000	+ 440%

Chief factor for the sales increase is the fact that the Erlaer

Dye Works became part of USIA as of 1 December 1947.

Indices for sales drop in 1953:

Deliveries to	1952	1953	Change
East Bloc	65,000,000	6,000,000	-101%
BWR	19,000,000	16,000,000	- 16%
Various domestic	10,000,000	70,000,000	+ 580%

B) Rentability

Estimated total profit: 1,251,000,000

Basis for estimate: transmitted rentability (23.5%).

Profit structure (calculated on basis of 863 million schillings).

Type	% of Sales	Schillings
Paid profits	3.4	181,000,000
Admin dues	15.7	836,000,000
Sales tax	4.0	213,000,000
Trade tax	0.2	11,000,000
Capital tax	0.1	5,000,000
Collection dues	0.0	
Various profit taxes	0.1	5,000,000
	23.1	1,251,000,000

Dynamic comparison of rentability (based on 863 million sch.)

Year of greatest sales rentability	1950	with 31%
Year of greatest profit	1952	29%
Year of greatest rentability increase (against 1947)	1948	+ 37%
Lowest rentability	1954	with 37%
Year of greatest rentability decrease (decrease against 1953)		

Indices for rentability increase in 1948:

	1947	1948	Change
Increase of paid profit	0,783	1,306	+ 77%
Increase of admin. dues	3,011	13,005	+ 333%
Increase of sales tax	0,416	1,443	+ 252%

(Translator's Note: Original omits to say these figures are millions or thousands. Presumably millions)

Indices for increase of rentability in 1954:

	1953	1954	Change
Increase of paid profit	6,000,000	8,000,000	+ 27%
Decrease in admin. dues	14,000,000	7,000,000	- 104%
Increase in sales tax	6,000,000	6,000,000	+ 0%

C) Investment policy

Estimated net investment 85 million schillings

Investment structure (based on 863 million schilling).

Type	% of Sales	Schillings
New investment	1.7	91,000,000
General repairs	<u>0.4</u>	<u>21,000,000</u>
Gross investment	2.1	112,000,000
Amortization payments	<u>0.5</u>	<u>27,000,000</u>
Net investment	1.6	85,000,000

Year of the highest gross investment: 1954

Examination of plants was carried out at two enterprises: Barthel & Co. and Alt-Erlaaer Faerberei-und Appretus AG.

I. There are no indications of any dismantling. The Faerberei was taken over by USIA on 1 December 1947 and Barthel in June 1946.

II. Barthel report says that in 1947 administration dues were 5 percent and then were reduced. At the Faerberei in 1950 the dues were 11.3 of the prime cost of production. In 1955 both enterprises reported that administration dues were 1.07% of sales.

III. The reports do not indicate whether there were also Soviet administration teams in the textile business. Military personnel was in the Faerberei plant until 1950 and until 1948 in the Barthel plant. Then, with one exception, there followed a series of technical personnel (weavers, chemists, etc.) In part, the directors filled more than one post. The plans, which were presented more or less in completed form in photostat, were drafted under strong influence by Letex.

IV. Financing followed the habitual system. The Alt-Erlaaer report shows that the Soviet Military Bank charged a 2½ percent interest.

for credits for the acquisition of raw materials. This has been otherwise confirmed.

V. Juschweschtrans and the Hartung Express Co. were used for deliveries to East Germany.

VI. Procurement was carried out partly through Letex and partly through KZB.

VII. See V.

VIII. No expansion investments appear to have been made.

IX. The major part of the woven materials appear to have been destined for the Soviet Union (clothes, bed linen). During the Soviet regime the plants work at capacity on three shifts whereas only two shifts were habitual in Austria. There were changes in the norms.

X. Collaboration took three forms:

1. The amalgamation of plants. Faerberei was amalgamated with a textile printing plant in 1950. Weberei took over another plant, Gernert & Co. as a subsidiary plant.
2. Automobile parks were equalized.
3. Close connection between USIA sources of materials, in part through Letex.

XI. In the Alt-Erlaa plant there were the following Communist organizations: Personnel division, the BO's and the plant council. Barthel & Co. reports that the Communists have lost 50% in the plant councils.

(h) Less

1. Here, only the Less industries are discussed while the land and forestry sections are dealt with in a separate place. The following were under Less administration:

Vienna:

1. Austria Holzwarenfabrik AG, Oberpiesting.
2. Beckmánn & Lechner, Marbach/Donau.
3. Carl Caspers, Schwadorfer Saegewerk, Schwadorf bei St. Poelten.
4. Klosterneuburger Holzindustrie G.m.b.H. Klosterneuburg.
5. Stephansdach G.m.b.H. St. Aegid an Neuwald.
6. Graupappenfabrik Josef Greinert, Aspang.
7. Zehnbacher Holzstoff-und Pappenfabrik, Willi Neubert, Zehnbach.

Burgenland:

1. Schilfrohrverwertung Gebr Mueller OHG Neusiedl am See.

Upper Austria:

1. Groellwitz Obermuehl G.m.b.H., Obermuehl b. Rohrbach.

This makes a total of nine plants with a payroll of 1,146 in 1954.

2. Our statistical questionnaires show the following:

Seven plants answered them: four were complete and three incomplete.

Evaluation:A) Sales

Total sales: 1,150,000,000 schillings.

Sales structure:

No analysis was possible since for 80 percent of reported sales there was no organization.

Dynamic rentability comparison (based on 253,661,000 schillings).

Year of highest sales :	1953	
Year of greatest sales development	1948	+ 99.3%
Year of biggest sales drop	1952	- 16.67%

(1952 = 100)

B) Rentability

Estimated total profit: 202 million schillings

Profit structure (based on 253,700,000 schillings).

Type	% of Sales	Schillings
Paid profit	6.7	77,000,000
Admin. tax	0.5	76,000,000
Sales tax	4.2	49,000,000
Trade tax	-	-
Capital tax	-	-
	17.6	202,000,000

Dynamic rentability comparison (based on 253,700,000 schillings).

Year of highest sales rentability	1951	27%
Year of highest profits	1951	
Year of greatest rentability increase	1954	+122%
Lowest rentability	1953	9%
Greatest drop in rentability	1952	- 93%

Indices for the rentability increase in 1954:

	1953	1954	Change
Increase in paid profits	434,000	2,943,000	+ 578%
Admin. tax	1,253,000	3,223,000	+ 157%
Sales tax	2,090,000	1,985,000	- 5%
Other taxes	14,200	14,200	-

Indices for the drop of rentability in 1952:

	1951	1952	Change
Paid profit	5,213,000	141,000	(-3797%)
Admin. tax	3,291,000	3,007,000	- 9.4%
Sales tax	1,582,000	1,690,000	+ 2.3%
Other taxes	22,000	15,400	- 46.1%

C) Investment policy

Estimated net investment: 58 million sch.

Investment structure (based on 253,700,000 schillings).

Type	% of Sales	Schillings
New investments	4.3	50,000,000
General repairs	<u>0.3</u>	<u>9,000,000</u>
Gross investments	5.1	59,000,000
Amortization payments	<u>0.1</u>	<u>1,000,000</u>
Net investments	5.0	58,000,000

Highest gross investment was in 1954 with 4,986,500 sch: namely,

38.9% of the total gross investment.

Along with the two saw mills, the two paper mills were probably of interest.

3. No review of the plants.

(1) Wkus

1. The Wkus industries, in contrast to their retail organizations, had no particular importance. The administration comprised the following plants:

Vienna:

1. Franck u. Kathreiner G.m.b.H., Vienna XXI.
2. "Grittle" Süsswarenfabrik, Vienna XXI.
3. Malzfabrik Dr. Karl Hugendubl, Schwechat.

4. Neisse & Co., Vienna X.
5. Spiritus-und Pflanzhefe-u Likoeerfabrik KG Wolfrum, Stadlau.
6. Siemons Brotfabrik, Liebich & Co., Vienna XXI.
7. Oesterr. Unilever, Vienna XXIII and XXI.

Upper Austria:

1. Friedrich Mann, Kunstmuehle, Gallneukirchen u. Alberndorf.

Lower Austria:

1. Brucker Zuckerfabrik, Clemens Auer KG., Bruck/Leitha.
2. Dr. A. Oetker OHG, Baden.
3. Ing. Walter Schopen, Angern 17.

This made a total of 11 plants with a payroll of 2121 in 1954.

2. As the result of incomplete data it is not possible to give a rounded picture of these plants' activities. However, it is believed they did not deliver anything to Russia or to the East Bloc.

The sales rentability was about 23%. Only in the sugar industry and in the alcohol and brandy production were sales of any importance. (The Wolfrum plant reported sales totaling 259,500,000 schillings during the USIA time. In the alcohol and brandy production, 90% of sales were through EWR, that is to say sales through other USIA organizations.)

3. There were no reviews of plants. As far as the retail organizations of WKUS are concerned, there is a report entitled "Special report on the USIA Trade Firms, Wkus, Letex, Ort.")

II. USIA Land and Forestry Enterprises

No hard and fast results have been obtained in the inquiry into the USIA land and forestry enterprises. The inquiry was begun a short time ago. It must therefore be surmised that the partial results presented here will undergo modifications as the inquiry proceeds.

1. Developmental History and Experiments in Exploitation

At the end of the war action in 1945 the great estates, whose owners had fled before the oncoming Russians, were taken over and administered by commissars who were subordinate to the Soviet kommandatur. Following publication of the so-called Kurasov Order (See Wiener Kurier, 6 July 1946) the land and forestry in the Soviet occupation zone was taken over by three-part divisions which were set up for the purpose. Land and forestry was, at first, haphazardly pulled together under the Estates Direction, the leaders of which were subordinate to a central office in Vienna. This central office which was called "Less" after the Russian initials of its name became a part of USIA administration. Less means: Soviet Administration for the Wood Industry and Agriculture.

The initial 30-40 estates directions were gradually tightened up and finally, 12 estates directions were formed out of them. The chiefs were called Directors General.

Until somewhere around the end of 1946, the commissars on the requisitioned estates did pretty much as they wanted. Product^{100%} went almost exclusively to the occupation troops. With the formation and development of Less the guiding principles of this branch of the planned

economy was made to apply to the occupied zone. Within two years the total ineptitude of the kolkhose methods imported from Russia became plain. Nearly all the estates were heavily in debt. Therefore, in the fall of 1948 the Soviets attempted to lease land to small farmers who were being fed with stories by the KPOe about the "land hunger of the proletariat." But there was little demand for this land and this obliged the Soviets to try another tack. In the fall of 1949 they tried to get big farmers interested who, according to the Soviet idea, were men who could take over parcels of at least 50 hectares or when possible one entire estate.

From this time on the Soviet directors general limited themselves to supervision of the leased lands and to looking after the forest and wine lands which in general were not leased out.

In 1951 the KPOe land organizations, working through the Communist front organization League of Small Farmers, attempted in certain areas to push the distribution of land to small lessees. This led some directors general to try to take land away from the bigger lessees despite their current contracts and to give them thus to Party faithful.

Nevertheless, the Soviet policy of leasing the land in large parcels remained in force up to the end.

2. Internal Organization and Personnel

A. Composition of the Less Main Division

Less, which was located at Vienna IV, Gusshausstrasse 30, was divided into the following divisions:

Administration Chief. His mission was liaison with the corresponding ministries in Moscow: liaison with the Chief of USIA; supervision of the 12 directors general.

Chiefs.

Kusakin (until 1948)

Smirnov (" 1953)

Avtayev (" end of 1954)

Not known (until August 1955)

Accounting. (Finance Dept.) Mission was the countersigning of all plans; central bookkeeping for the directors general; payment of profits through supplementary understandings with the plants; calculation office for the plans department; drafting of all tasks in the individual plants; training of the Austrian bookkeepers.

Chiefs:

Strukov (until 1951)

Soprativnov (until 1954)

Surinov (until August 1955)

Plans Division: Mission was: establishment of the annual plans--wood cutting, seeding--and the subdivision of the annual plan into quarterly ones; profit planning--profits could neither exceed or fall below those called for by the plan; purchase permits and general repairs out of the amortization fund; determination of stands to be cut.

Chiefs:

Puschnov (an outstanding technician)

Others unknown

Commercial Office: It was a subdivision of the KZB (Central

Commercial Bureau). Tasks were: liaison with the Soviet Military Bank; transmission of delivery contracts to the Director General; determination of production costs, profits, delivery time, all factors which had to be transmitted to the Director General; supervision of the internal book-keeping office.

Personnel Division: Its tasks were: collaboration with USIA's

personnel division in the Trattnerhof; control of the specialized personnel on the estates; training Austrian Communists to handle tractors and to become overseers and milkers; establishment of agrarian schools and setting up training courses; Communist propaganda among the workers and employees on the estates; negotiations with the Austrian labor unions; administration of the F.U.B.R. fund out of which social benefits were paid for the employees.

Chiefs:

Galkin (Soviet Russian)

Hauska (Austrian: until 1950)

Springer (Austrian: until 1954)

Hauf (Austrian: until August 1955)

All the Austrians were card-carrying KPOe members.

Legal Division: Tasks were: determination of what was "German property;" conclusion of leasing contracts; attempt to transfer property of requisitioned property to the occupation authorities; the collection of claims by requisitioned properties in other Austrian and German occupied zones; negotiations over frozen bank credits.

Chiefs:

Name of the Russian lawyer is not known. Austrian lawyer was Dr. Siegfried Koehl, now in Linz, KPOe member.

Administration: It was a subdivision of the USIA main administration.

Chiefs:

Not known.

B. Table of Organization of the General Directorate:

The so-called general directorates comprised the agricultural estates directorships. They were:

Allentsteig (Lower Austria) with the installations:

Ludwig Lazzarini

Anton Ulm

Zacharias Frank (Ludwigsthal)

Deutsche Ansiedlungsgesellschaft

Deutsches Reich, Reichsfuehrer SS, (Resettling)

Komplex Deutsches Reich, Reichfiskus Heer

(Truppenuebungsplatz Doellersheim)

Angern - Markgrafneusiedl (Lower Austria), with installations:

Angern	Untersiebenbrunn
Hohenau-Bernhardsthal	Lasse
Droesing-Eichhorn	Mauerbach
Duernkrut	Stopfenreuth
Coburg	Bisamberg
Matzen	Theresienfeld
Pama	Katzelsdorf
Berg	Kottingbrunn
Markgrafneusiedl	Oberwaltersdorf
Raasdorf	Schoenau

Aspang (Lower Austria), with installations:

Aspangerhof und Moenichkirchen
 Ziegersberg
 Wiesmath
 Graupappenfabrik Aspang (Formerly F. Greinert)

Clewing (Rohr im Gebirge) (Lower Austria), with installations:

Clewing (Gut Wegscheidhof)	Ballestrem
Urgersbach	Eisengewerkschaft Bayerbach-Reidernau

Eisenstadt (Burgenland)

This Soviet general directorship comprised the estates of the Hungarian citizen Prince Esterhaszy. The Soviets took the standpoint that the Prince had been dispossessed by the Hungarian People's Republic and that therefore his property in Austria must be considered as being Hungarian state property. Although the Austrian government did not recognize this Soviet point of view, the Soviets requisitioned the Esterhaszy estates with the initial excuse that they were necessary to ensure the supply of food for the Soviet troops in Austria. Later they maintained that the property belonged to the Hungarian state and

that any profits should be paid over to the Hungarians. Our inquiry into this complex is just beginning.

Ernstbrunn (Lower Austria), with installations:

Fuerst Reuss: Domaene Ernstbrunn
 Deutsche Ansiedlungsgesellschaft
 Ladendorf
 Niederleis
 Ruhhof, G.m.b.H.
 Garmanns und Asparn/Zaya (Estate directorship, Ratibor)

Gaming (Lower Austria), with the installations:

Seusenstein-Reithof	Talheim
Salerberg	Meierhoefen
Auhof	Oberhof
Steinwandleiten	Hoegerhof
Tannenmuehle	Scharerhof
Voeltendoerf (drill place)	Ziegelhof
Dingelberg	Hinterholz
Getttenhof	Berging
Berghof	Weissenburg und Plankenstein
Ginselberg	Hofergut
Urmansau	Haigergut
Klein-Poechlarn	Lehenhof
Giselhof	

Grafenegg (Lower Austria), with the installations:

Grafenegg	Oberfurcher
Gneizendorf	Buergerspitalstiftung "Heiliger Geist"
Laengenfeld	Turnerberg

Greinburg (Grein a.d. Donau, Upper Austria), with the installations:

Forstbetrieb ³ Fuerst Coburg	Haidhof
Moospeckhof	Schallerburg

Fronsburg (Lower Austria), with the installations:

Fronsburg

Kattau

Zogelsdorf

Walkenstein (at that time estate of the Geras Stift)

As the above shows the Soviet general directorships were regional conglomerations of estates, forestry enterprises or saw mills.

The general directorship was composed mainly of the director general who was always a Soviet Russian. He was appointed or discharged by the chief of the Less main administration. After the year 1950 the Soviet general directors were usually specialists, like Director General Antonov of Anspang, and undoubtedly came from the Moscow Ministry of Agriculture or like the General Director of Ernstbrunn (name unknown) who was the former chief of a big Sovkhose in the Ukraine. The second most important man was the chief bookkeeper who nearly always was an Austrian. He was frequently the bookkeeper of the biggest estate. Quarter or half yearly he was given five-day courses at the Less main bookkeeping department.

So that the two could understand each other there was usually an interpreter, usually the citizen of a southeastern state.

As has already been said the present state of the inquiry into this branch does not enable us to say a great deal about the Soviet concept of it.

III. Wien Film

No work has yet been done on Wien Film because of the lack of time.

Remarks on the sales, rentability and investment policy of Wien Film may be found on pages 36 to 40 of the report "Preliminary report on the exploitation of the statistical questionnaires for USIA Plants," of November 1957.

Fourth Section.

THE FIRST DANUBE SHIPPING COMPANY (DSC)

I. History

Up until 1938 the shares of the first Danube Shipping Company were split up as follows:

26.173% belonged to the Austrian State
 24.545% Creditanstalt-Bankverein
 0.762% various Austrian ownership
 46.296% private Italian or banking ownership
 0.028% various German ownership

As a result of the events of 1938 the part belonging to the Austrian State was taken over by the German Reich while the parts belonging to the Creditanstalt and to the Italians were bought by AG Hermann Goering-Reichswerke. The result was that by 1939 the Reichswerke was in possession, for all practical purposes, of 99.675% of the shares. The situation remained unchanged until war's end.

After the end of the war the DSC was carried on by a state-appointed director, Bauer, who had been General Director of DSC all along.

In March 1946 the Soviets took over control of the shipping and docks in their zone and until June 1945 ran their business from the building of the DSC, located in the British Zone. As the result of a

difference of opinion between the two occupying powers, the Soviets left the DSC building and built their own in the second district, at Taborstrasse 24a--the Soviet Administration of the First Danube Shipping Company.

The port installations, the wharf at Korneuberg and all available shipping were placed under this administration. For all practical purposes this meant that the DSC was in Soviet hands. The building of the General Directorship and a few employees remained in Western hands as a symbolic remainder.

The most important part of DSC was the wharf at Korneuberg. For the history of this enterprise see "Report on the First Danube Shipping Company, Ships Wharf Korneuberg" of August 1957 and pages 1-2 of the "Complementary Report on the First Danube Shipping Company, Ships Wharf Korneuberg" of October 1957.

II. Organization and Personnel

1. Relationship to the Moscow Directorate

At the end of the war Soviet navy men occupied the Korneuberg wharf and took over its administration. Authorities changed frequently through 1946. Most orders emanated from the Soviet Town Kommandantur at Korneuberg.

At the end of 1946, a few months after the Soviets had formed their own administration for the DSC and were putting it on an entirely new basis, a Soviet admiral took over and most of the new departments were placed under the orders of Soviet naval personnel.

While nothing could be found out about the background of the Admiral, we do know that the main part of the naval officers came from the Marine and River Navigation Ministry in Moscow. It is also known that the Korneuberg shipyard directors several times a week had long telephone conversations with a Moscow Ministry--undoubtedly the Marine and River Navigation Ministry.

With the exception of the major who was in charge of the personnel division and the civilian in charge of the bookkeeping practically all the higher personnel was composed of Soviet naval captains. This leads us to suppose that they were under the orders of the Ministry of Marine.

2. Relationship to USIA and the Soviet Military Bank

No unequivocally clear documentation was available concerning the relationship to USIA, its Main Administration or to the Soviet Military Bank. Some reports and conversations provide a sufficiently exact picture as follows:

The finance and bookkeeping systems were the same as those of USIA. The same forms were used. Unfortunately we do not know to whom in Austria or Moscow these financial forms were sent. Neither do we know to whom the administration dues and the profit payments were paid, neither do we know who kept the taxes that were collected and should have been passed on to the Austrian government.

Those checks and balances prescribed by the Soviet financial system, as well as the quarterly and annual production plans were carried out by officials of a Moscow ministry and in this case it could

only have been a question of the Ministry of Marine. For this reason the supervisors of the Soviet Military Bank and those of the USIA Main Administration were turned away from the DSC and they were not allowed to see the books or to exercise any control functions.

Credits and cash necessary for the running of the DSC went exclusively through corresponding accounts of the Soviet Military Bank. The Soviet Military Bank was therefore the only responsible financial institution through which all credits and monetary operations were carried out.

Even the account plan in the financial system was different from that usually employed in USIA plants which gives rise to the surmise that the financing of DSC was under the orders of the competent (Naval) ministry.

Financial papers concerning all projects had to be made out in six copies and sent to the Marine Ministry in Moscow for review and sanction.

The above makes it appear fairly clear that from a financial point of view there was no subordination to USIA or to the Soviet Military Bank. Neither were there any indications that the personnel was under the General Direction of USIA.

One therefore comes to the conclusion that the High Commissioner's Economic Commission assured the coordination between the leaders of those entities, which were independent of USIA, and the leaders of the Soviet Military Bank and those of USIA.

3. Internal Organization

The following were under DSC administration:

At the time they were separated from the General Direction:

The administration and the shipping department,
The docks,
The Korneuberg shipyard.

Beginning 1947, the following were added:

The Winterhafen, Vienna II, Seitenhafengasse 2. It was a small repair shop formerly belonging to the "Gute Hoffnungshuette. It had been kept as a repair shop for small and medium boats.

The Continentale Motor Ship Company, Vienna II, Donaukanal, Tiefkai. It was formerly a small Dutch enterprise which was taken over during the war by the Hermann Goering Works. It continued in existence as an engine repair shop for Juschweschtrans.

This means that the DSC administration held sway over practically all shipping enterprises in Austria.

Since 1947 there existed the closest connection between DSC and Juschweschtrans. (See Special Report on Juschweschtrans, Ivan Popoff, Vienna IV, Wohllebengasse 3 of May 1957).

The Soviet administration of the DSC was divided into the following parts:

Administration Chief (Technical Divisions).

Tasks: direct liaison with the Moscow Naval Ministry and that of Shipbuilding; conduct the affairs of the General Direction; execution of the production target worked out by the Plans Division; division of work between the plants.

The Directors General were:

Major Kagan (until end of 1946)

Admiral E.G. Zamborsky (until middle of 1949)

: G. Zutirin (until end of 1952)

N. Kryukov (until beginning 1955)

J. Kononov (until 12 August 1955)

Personnel Division

Tasks: Closest collaboration with JSIA's Main Administration; surveillance of Austrian personnel working on Russian ships on the Danube; surveillance of the personnel of all ships in Vienna.

Personalities:

Major Vishinsky (until 1948)

Major (?) Shishkin (until about 1950)

Major (?) Ivashkin (from 1950)

Plans Division

Nothing is known about its work methods or about its leaders since this division basically only dealt with Soviet Russians and translators (mainly from southeastern states).

Main Accounting

Tasks: Actually, the Chief Accountant is the finance expert of the General Direction. Without his countersignature no plan elaborated by the plans or technical divisions could be activated.

Personalities: (Accountants)

Alexandrov (1946)

Matyushin (until 1948)

.T. Smolyakov (until middle 1951)

Shilov (until middle 1954)

Mrs. Sosina (until 12 August 1955)

Commercial Division

Tasks: tariffs and sales.

Personalities:

Josef Gaertner (Austrian) (until June 1949). He was followed by several Russians whose names are unknown.

Economic Division

Tasks: Administration of the non-industrial auxiliary installations; assure collaboration with Juschneschtrans.

Personalities:

None known

Traffic Chief

Tasks: Safety of navigation; collaboration with the traffic chiefs of the satellite shipping companies.

Personalities:

Capt. Kamensky (until about 1950)

Other names unknown

Materiel Administration

Task: Procurement and administration of materiel.

Personalities:

Capt. Eisenberg

Other names unknown

The Soviet directors of the Korneuburg shipyard were:

Gorsky (until August 1945)

Sedich (until July 1947)

Shagonyanov (until October 1949)

Titov (until March 1950)

Kizelyov (until December 1954)

Melnikov (until June 1955)

Ossipov (until August 1955)

Further details may be found on pages 9-11 of "Complementary Report on the First Danube Shipping Company, 'Shipyard, Korneuburg," of October 1957.

III. Tasks of the Danube Shipping Co. Within the Soviet Occupation Economy

1. Attempted Foundation of a Soviet-Austrian DSC

Following the occupation of the Korneuburg shipyard in April 1945 by the Soviets most of the tools, apparatus and materiel was carted off to Russia as war booty. Seventy-one percent of the machine park was dismantled and taken away. But already by the end of 1945 the Soviet wharf directors attempted to make good the machine park, to increase the number of workers and to push repairs on the ships that had been raised from the bed of the Danube.

Already at the beginning of 1946 the Soviets began unofficial conversations with various Austrian officials in order to bring about the transformation of the DSC into a mixed Soviet-Austrian company. In similar fashion the Soviets tried to interest the Austrians in a Soviet-Naphta company for the exploitation and development of Austrian oil.

Since the beginning of 1946 the Soviets carried on talks with the Austrians in order to obtain their agreement to the transformation of the DSC into a Soviet-Austrian DSC. They originally proposed a 51 percent Soviet participation with the Austrians holding the remaining 49 percent. During the course of the talks it later became plain that the Russians would be content with a 50 percent participation if the Austrians would agree to the nomination of a Russian Director General.

The Austrians turned all these proposals down with the objection that the DSC as well as the Austrian oil wells had already been earmarked for nationalization and that therefore they must be regarded as practically nationalized and that for this reason there was no question of them being turned over to other capitalistic interests.

It may therefore be concluded that the formation of this Soviet company had the objective of creating a fictitious, independent partner vis a vis the DSC as soon as the question of participation had been cleared up. This method had resulted in Hungary, Bulgaria, Romania and even in Yugoslavia in the formation of mixed companies. One therefore comes to the conclusion that the formation of a Soviet state company with national divisions and residing on a legal basis with the inclusion of Austria had as ultimate objective the placing of all Danube trade from Vienna under Soviet control.

2. DSC and Juschweschtrans as Soviet Monopoly Enterprises

The Soviet administration of DSC soon entered into close collaboration with Juschweschtrans; although the date is not known. It was

probably in 1947. With the conjunction of this transport firm, the Soviet administration of DSC became a unified Soviet transport enterprise in Austria. In practice it was a monopoly transport enterprise for all the USIA enterprises. Whereas Juschwieschtrans took care of land transport, including connections with the airports, the DSC was charged with the mass transport of goods by water.

Collaboration between the Soviet consignees, Juschwieschtrans and the DSC made three things possible. One was the keeping secret of the movement of merchandise, the other the frictionless transit of merchandise of different Soviet firms and also, in collaboration with the military, the siphoning off of customs dues and allied taxes.

For further details concerning the tasks of Juschwieschtrans in collaboration with DSC, see Chapter II of Section five entitled "Trade and Transport in the Soviet Occupation Economy.

3. The DSC as a Main Soviet Support Point on the Danube

After the failure of the plans to make out of the DSC a mixed Soviet-Austrian company, the Russians, beginning in 1949, increased their efforts to make the DSC more and more responsive to the requirements of Soviet shipping and of Soviet economy in general. These plans are closely connected with the idea of transforming the Korneuburg shipyard into a going concern.

Kiselyov was made Soviet yard director. He was an experienced technician in this field with 30 years of endeavor behind him in Soviet

shipyards. Under him not only were new methods of working and building introduced but he also brought in a reconstruction plan, complete in all details and which would have required the expenditure of about 133,000,000 schillings. (See pages 14 and 15 of the 'Complementary Report on the DSC, Korneuburg Shipyard,' of October 1957.)

As this October report says, the plan pointed to the necessity for the development of the Korneuburg yard in the following words:

'Creation of greater production possibilities in order to cover the increasing need for shipping of the Soviet shipping companies on the Danube.'

Such a statement can only be made by a man sent from Moscow if he is certain that at least in the mind of his Ministry the impression exists that Austria would not be given up by the occupation authorities in the foreseeable future.

Such a long-term plan would only have made sense if a long occupation, or even permanent possession, were intended.

We were not able to discover why the plan came to nought. It has also not been possible to find out unequivocally whether the construction work done in 1953 and 1954 at a cost of 16,000,000 schillings was in fact a first part in the execution of this plan. (See page 21 of 'Report on the DSC, Korneuburg Shipyard,' of August 1957.)

IV. Survey of Services Drawn from the Austrian Economy

Reliable documentation concerning the services rendered during the Soviet occupation were only found at the Korneuburg shipyard. A list

has been reconstructed from a current shipping register. According to it from May 1945 to 12 August 1955 the following were delivered or serviced:

New Ships:

9 goods barges of 1,000 tons each
 18 lighters of 250 tons each. Riveted (SL 411)
 40 lighters of 1,000 tons each, Riveted. (SL 638)
 9 floating pile drivers
 1 motor ship (MS Poltava). This ship was handed back by the Russians after signature of the State Treaty under the name of "Korneuburg."

General Repairs and Remodelings:

5 motor tugs
 4 steam tugs
 7 tankers
 35 goods barges
 4 special ships (floating dock, repair and crane ships)

Medium repairs, average and winter repairs:

20 motor ships
 11 steam tugs
 50 tankers
 12 goods barges
 1 crane ship

We calculated all this work to be worth 500,000,000 schillings at a minimum. A maximum figure would be 100,000,000 schillings. (See "Complementary Report on the DSC, Shipyard Korneuburg," October 1957.)

To this must be added all those damages which cannot be calculated. Such damage would include the loss of the entire fleet of ships of the DSC and through it the loss of a leading role in the Danube trade.

This is a loss that Austria can only make good after a return to normality of trade relations with the satellite states.

But this damage is little when compared with those suffered by the Korneuburg yard whose internal construction methods were changed to produce ocean-going ships for the new market.

Fifth Section.

TRADE AND FREIGHTING IN THE SOVIET OCCUPATION ECONOMY

I. Creation and Development of Trade and Freight Enterprises

The acquisition and development of extensive sources of production in Austria presented the Soviets with the task of creating trade and freighting organizations.

However, in this field it was not possible for them to proceed according to a pattern based on domestic Soviet methods. Although the Soviets were at pains to extend their production, planning and financing methods to Austria, they were constrained, however, in the fields of trade and transport to take into account that their economic ^(EACAPVE) ~~base~~ lay in the area of a free economy.

First off, they had to handle problems which arose at the end of the war among a population which was in a state of deprivation. The most basic tools of production particularly those made of leather or textiles (such as driving belts) were lacking. The amount of food that could be given the population was so small--only 1,000 calories a day in the early months--that regular and productive work could only be demanded of them when the essentials in commodities and clothes had been provided.

The requirements in food and commodities of the Soviet troops in Austria also had to be covered. This made the task more difficult since goods purchased in Austria were used to supply Soviet troops in Russia.

In order to take care of these demands the following economic bodies were formed:

The first, in spring 1945, was the Zakupotshnaya Torgovlaya Kontora (Purchasing and Trade Office) set up to supply the Voyenntorgs (military stores).

In 1946 was set up the Kooperativa Sovetskykh Rabotnikov Avstriy (Consumer Cooperative of Soviet Employees in Austria). It supplied all people working for Soviet official and economic offices.

This was followed by Degos which, however, was headed by two Austrians, Dr. Dubik and Schischka. (See our Special report on Communist Trade Firms Intrac, of May 1957 and "Notes on two conversations with Dr. D on 23 and 27 November 1957.)

Later, Letex and Wkus assumed trade functions which at the end of 1951 were handed over to Ort. Bezimpez worked for a short time in this field in 1953 and 1954.

Particularly noteworthy are Intrac and the other Communist Party enterprises, most of which were founded in 1948 although there were some in existence in 1946.

These Communist firms occupy a special place in the realm of Soviet economic entities inasmuch as they were not directed by Soviet authorities,

but by the Central Committee of the KPOe. As a result, when the Soviet occupation troops left, the firms were not dissolved, but continue to exist although under modified conditions.

With these exceptions, all other above-mentioned Soviet trade organizations were liquidated at the end of the occupation.

The freighting complex presents a similar picture.

Here, we have Juschwieschtrans and transport and freight agent concern dependent on Moscow. This was founded in 1940 as the "Austrian branch" of the Soviet company with the same name. It was liquidated when the Soviet troops left.

The Party firm "Express" and international freight agent company which had its beginning in 194 and was founded in 1947 or March 1948. This firm remained in existence after the departure of the troops. (See our "Special Report on Communist firms and personalities, Polcarbon, Martin Maimann, Turmoel, Express, Kraus & Co., Wagner & Co." of September 1957.)

II. Trade in the Occupation Economy

1. The Soviet State trade organizations and firms

Before the foundation proper of Soviet trade firms, the trading function within the Soviet military apparatus was carried on by Zakupotshnaya Torgovlaya Kontsera (ZTK) which supplied the Voyentorgs. (See our report "Notes on two conversations with Dr. D. on 23 and 27 November 1957.") The Voyentorg was located in a house on the Kaerntnerring and had its offices on the second floor. It sold consumer

goods of all kinds only to Soviet service personnel. Voyerntorg bought, in part, the necessary merchandise with schillings on the Austrian market.

For the greater part, purchases were, however, made through the ZTK which was located in Vienna IV, Paniglgasse. The chief was Captain Rakhlenkov.

When possible, this office bought merchandise on the open Austrian market that was needed by the Soviet troops in Austria. However, since the supply was greater than the demand, it increased its purchasing activities and began to supply troops stationed in Russia, whose needs were made known through liaison officers. Since here was an opportunity to purchase not only consumer goods but also machines, finished products, non-ferrous metals and raw materials, it was not long before all the Moscow ministries were making use of ZTK to purchase items that were in short supply.

Officially, the ZTK was only allowed to make purchases in Austria, but it nevertheless used middlemen to make purchases in the West, particularly stored supplies including abandoned Wehrmacht supplies. Payment was made in schillings which were made available by the Austrian government as occupation costs. According to our sources, not only goods but also hard currency, particularly dollars, were also bought. At the beginning most of the business was on the black market in which money was handed over for goods. Our sources believe that the purchases totaled one billion schillings.

But with the first development and consolidation of the Austrian

economy the supply became smaller and they had to turn their thoughts to the development of economically sound trading firms:

With the development of Soviet production entities there were two problems that had to be solved. They were:

1. How to supply those plants which were united in USIA, SMV and the other corporations with short-supply commodities in leather and textiles as well as with other accessories and means of production.
2. How to supply those employed in these firms with food, clothes and other consumer goods in the face of the dearth then prevailing.

It was natural that the satisfaction of these needs should have been turned over to Letex and Wkus. An attempt was also made to build up an independent distribution mechanism, destined to bring the merchandise directly to the consumer. This mechanism was the Kooperativa Sovyetskykh Rabotnikov Avstriy (Consumer Cooperative of Soviet Employees in Austria). (See our report "Notes on two conversations with Dr. D. on 23 and 27 November 1957.")

These organizations were parts of USIA and were under the orders of the central office in Moscow, particularly USIZ. We were not able to determine what part, if any, the Moscow Trade Ministry, played herein.

Inquiries into this aspect of affairs was rendered particularly difficult--this includes Ort and Bezimpex--because when the occupation troops left they were completely liquidated and left no successor organizations. This was in contrast to USIA which remained in being although the Soviet personnel disappeared.

Letex had the task to procure the necessary textiles and leather goods needed by USIA and SMV. They were to be procured if possible from other USIA concerns and distributed among the USIA administrations. Letex also had the task to procure the equipment and raw material needed in USIA light industry that USIA did not produce itself from other areas of the Austrian economy or from the East Bloc or the USSR on a barter basis.

As we have seen Degos was an element in the Austrian economy until 1948. Degos took care of the distribution of those commodities which USIA light industry could deliver to the Austrian market. This was done partly in collaboration with the Ministry of Trade. It also had the task of procuring those aids to production and raw materials on the Austrian market necessary for the development of USIA production. After Dr. Dubik and Schischka were arrested Letex carried on these activities itself and tried to set up a barter arrangement with the West. From the very beginning Letex itself took care of trade with the East Bloc and the USSR.

Letex attempted to solve the second of its problems through the establishment of stores in the plants and of public stores. This gave rise to the so-called Soviet Consumer Stores which were partly run by the USIA subsidiary "Food Industries," and by Wkus. Wkus also opened up retail stores of its own and also leased stores through Bezimpex.

However, finally all these attempts led to the creation of a unification of the retail stores through Ort, a division of USIA.

The Organization of Soviet Retail Trade in Ort

Ort, a Division of USIA, was founded at the end of 1951. It was located at Vienna IV, Argentinierstrasse 20..

Ort means retail trade and is formed from the initials of the Russian words Otdelye Rotsdestvennono Torgovlaya. At its head stood a Russian director general. (See our "Special report on USIA Trading Firms, Wkus, Letex, Ort according to documents of the years 1950 to 1955" of June 1957.) In this report we gave the addresses of 100 Ort stores.

Thus, out of the modest beginning when the object was to supply Soviet troops with hard-to-get commodities there grew a giant concern. Its stores, like those of the West, had practically everything for sale, food, carpets, radios, perfumes etc.

The good^S no longer came exclusively from USIA plants, but partly from the Soviet Zone, from the East Bloc and from the West.

Prices were about half what they were in Austrian stores. The reason for this was that Ort paid no taxes of any kind, no customs dues and transport was frequently effected by the occupation forces. Furthermore, the stores themselves were often requisitioned and so there was no rent to pay. One must also take into consideration the fact that a great part of the commodities came from the East Bloc and the Soviet Union where merchandise has no price tag on it in our western sense of the word. The main profit for the Soviet economy lay therein that the goods were paid for in Austrian schillings which could, in part, be exchanged for western currency.

According to our estimates, during the time of the occupation the Soviets had a turnover of eight to 10 billion schillings in these stores: this corresponds to a net profit of about 2 billion schillings. However, this is a rough estimate and is not backed up by figures. It was therefore not included in our earlier estimate of the over-all Soviet profit made in Austria.

But in addition to these financial advantages there were others that the Soviets drew from their activities in this field.

1. Merchandise which normally would not have been exported was sold at retail prices against schillings. For these schillings the Soviets and the East Bloc could procure important commodities and even procure currency on the black market which again in turn could be used to purchase hard-to-get commodities.

2. There were also some political and propagandistic advantages:

a) The sale of merchandise cheaply in the stores at a time when things were hard to come by awakened the impression that the Soviet economic system was better than that of the free economy.

b) The USIA stores served directly as propaganda offices for the KPOe. There, signatures for cover Communist organizations (Peace Council, etc.) were obtained and for other purposes such as the protest against use of the atom bomb.

c) Damage was done to bourgeois merchants by the Soviet stores. This signified not only a weakening of the political enemy but also softened them up for Communist propaganda.

d) Through these stores it was also possible to give support to the KPOe by giving members and fellow travelers well-paid jobs in them.

In addition to all these advantages, there was also the damage done the Austrian State which was deprived of taxes, customs dues, etc. It also hurt the State through the creation of an unsupervised sector of the economy and through the resulting atmosphere of uncertainty.

2. Intrac and the Communist Party Firms

In order to deal with the problems of trade under the occupation the Soviets not only made use of the above-described organizations such as Degos, Letex, Wkus and Ort; but they created entirely different ones. In our Special Reports from May to October 1957 we went into detail concerning Intrac and the Communist Party firms. These firms were directly dependent on the KPOe. As far as the law was concerned they were directed by front-men of the Central Committee but in fact they were owned by the KPOe and served the financial, economic and political aims of the Communist Party.

It should be noted here just like the USIA firms, the Communist Party ones were in the last analysis directed from a central location in Moscow and that means the Cominform and its successor organizations.

Our research has shown that the leading personalities in Intrac and the other Communist Party firms not only were in direct contact with the Economic Division of the KPOe, ZK but also with the Cominform.

An analysis of the activities of the Communist Parties of other countries shows they were--like the KPOe--forward positions of Soviet policy, economy and information gathering. They were directed by the Cominform and by its cover organizations, partly with the aid of the Ministry of Foreign Affairs. The central direction was thus through the ZK CPSU.

While the USIA firms were in the last analysis directed by the Moscow ministries, the Party firms were directed by a central post of the CPSU in Moscow.

Although in theory this would not appear to make a great difference, in practice such differences are not to be underestimated. It should be noted in particular that the USIA firms in general were directed by Soviet Russians whereas the chiefs of the KPOe firms were mostly of Austrian origin and spoke German even if they had spent a long time in Moscow or had paraded as Russians in their work abroad for the Cominform.

We have described how the Russians used Degos to make their first contacts with the Austrian economy. Degos was a firm directed by Austrians but who were nevertheless immediately dependent upon the USIA Light Industry Administration.

From 1948 on, the KPOe and the CPSU central bureaus seem to have come to an agreement in accordance with which the greater part of international trade and also a part of the Intrac transport work was reserved for the Communist Party firms and for Express.

Retail trade was entirely in the hands of USIA. A part of the eastern trade and above all the supplying of USIA enterprises with raw

materials and other necessities was in the hands of Letex, which like Wkus, did not have to occupy itself with retail trade. The greater part of the international trade, particularly the barter with the free world, was the work of Intrac and of the Communist Party firms.

From May through October 1957 we presented detailed reports on these firms, giving concrete examples of their business, descriptions of the leading men and of their connections with each other.

Our analysis shows that the East Bloc was supplied by the Communist Party firms with important strategic materials such as wood, non-ferrous metals and ball bearings. It is also clear that the East Bloc used these firms to market those goods which normally would not be exported and which could not be paid for in schillings or in hard currency. These items were such things as Balkan tobacco, Hungarian fowl and fruit, etc.

A further task of these firms was to spin a network of hidden connections with the Free World economy. Although unable to analyze fully those Communist firms which had their seat in Austria we nevertheless had been able to give the names of corresponding firms in western countries. One may suppose that they had the same duties as the Communist firms and used the same methods. There is no doubt that it was a matter of a world-wide net of Communist-oriented firms with various connections with their native Communist Party and with Moscow. They remain to be examined.

Through use of the foreign connections it was also possible to sell a lot of merchandise in the West against currency. Chief among

these activities was the scrap trade which brought in millions of dollars.

That is a brief outline of the economic tasks that Intrac and the Communist Party firms carried out in the interests of the Soviet Union and the East Bloc. The execution of these tasks was greatly facilitated during the occupation by the fact that the frontiers with CSR and Hungary were held by Soviet soldiers. There was thus no such thing as an Austrian customs service between these countries. As our reports show the troops aided these firms and their dark business and no attention was paid to taxes and dues, or to the state monopoly on spirits and tobacco. This went so far that the Communist Party firms sometimes engaged in black market operations in tobacco, textiles and other products and used rooms that were guarded by the Soviets so that the Austrian police could not intervene. (See our "Special Report on the Communist Trading Firms, Intrac, etc. on May 1957.")

The direct financial objective of Intrac and the other Communist firms was to reinforce financially the KPOe. As our reports show the money was handed over to the Party either directly or in the form of donations.

An indirect contribution to the KPOe was also the employment of a number of Cadre men as confidential clerks, sleeping partners and company members, etc., as well as giving employment to Party members and their hangers-on. We have absolute proof that the greater part of the minor employees and workers of these firms were members of the KPOe and took part in Communist and Communist-friendly organizations.

Intrac and the Communist Party firms also had purely political tasks. In some cases we were able to show that the personnel of firms such as Kraus & Co., Wagner & Co., and Express and others were engaged in intelligence gathering activities. Our documentation, which we have not had time to examine thoroughly, indicates the names of leading personalities as being employed full-time in such affairs. However, one must understand that these indications are far less frequent than the actual activities were and one must surmise that all Communist firms were in the intelligence business. This would follow from the fact that these firms were headed up by people who had belonged to the Cominform or to the ZK KPOe.

It is worthwhile to note the number of firms which increased their cover in order to make surveillance by the West more difficult. Also noteworthy is the relatively small number of leading personalities whose names appear in the most disparate posts in these firms again and again.

It is important that we have been able to obtain the names of most of the persons who were connected with the Communist trade firms.

In the background is the Secretary General of the KPOe, Friedl Fuernberg himself. Further there is his sister Ernestine and his brother-in-law Dr. Hans Jellinek. They were all in Moscow during the war and are to be regarded as trusted leading Communist functionaries.

We also see that the above-mentioned party firms and the Soviet economic installations in Austria were protected and supported in Vienna by the selection of the top team. To this circle belonged

Dr. Heinrich Nagler, a top Cominform functionary, Paul Kessler, of the KPOe ZK. Other members are Ing. Eduard Gold, who was also in Moscow during the emigration, Stefan Kaufmann, Ernst Fuerst, Dr. Albert Kraus, Robert Bondi, Peter Meiselmann, Kurt Bettelheim, Ignaz Blum, David Kohr and Martin Maimann.

All these persons were in the "emigration," most of them in England, some in Switzerland, like Dr. Albert Kraus, or in Belgium, like Peter Meiselmann. This is an internationally trained staff of Communist economic experts who with expertness, initiative and discipline serve the KPOe or the Cominform in the solution of economic problems. In some cases they fall victim to temptation or corruption as was true of Ernst Liebling.

In addition, there is a series of younger people who were used for the more dangerous and mostly illegal tasks of Express Co., such as Kurt Fried, Erich Herzl, Hans Joachim Klamper and Carl (Chaim) Haber.

It is to be noted that Fried, Herzl and Klamper served in the English army and while they were in Vienna going about their Communist economic work they were still wearing the British uniform and having contact with the British military.

All these people had their special knowledge and their special tasks and worked usually undisturbed together. We hear little of any personality clashes.

In summary it may be said that Intrac and the Communist firms had the following objectives:

direct and indirect financial aid to the KPOe;

provide a liaison and information service;

to further the economic interests of the Soviet Union and those of the East Bloc through the procurement of important raw materials and goods in short supply. This could be done through the sale of surplus merchandise and the acquisition of foreign currencies.

III. Organization and Tasks of the Transport System

Like the trade mechanism, the transport system was divided into two parts: the Soviet system and that of the KPOe-controlled firms.

Development and activity is exactly the same as described in Chapter II above and will not be repeated here.

In our month of May report we wrote in detailed fashion about the Transport and Freight Agency Juschneschtrans, Ivan Popoff, Vienna IV, Wohllebengasse 8. At the same time our "Special Report on the Communist Firms and Personalities, Polcommerce, Martin Maimann, Turmoel, Express, Kraus & Co. and Wagner & Co. on September 1957," on pages 31-30 gives a detailed account of the Express Company, International Freight Agents G.m.b.H., Vienna I, Wohllebengasse 18.

These companies had the mission to expedite the transport of merchandise within the framework of the Communist economic system.

The system had financial advantages since owning their own companies made it possible to pay profits into the Communist circuit.

In addition, they wanted to set up their own companies so that destinations and consignees remained unknown.

This was achieved by the very careful screening of all personnel from a Communist point of view. In addition, the producing firms did not have to pack the merchandise and put the labels on it and the transport was carried out through Juschweschtrans and Express.

Such freighting companies were of especial importance to the Soviets because the greater part of the goods ordered by the USSR and the East Bloc was sent by rail. The Danube Shipping Co. did not forward much during the early USIA period because of a lack of shipping.

Juschweschtrans worked in conjunction with the military authorities in procuring means of transport. If there were not enough transport available, the military requisitioned it "for military purposes."

As reported in our 'Special Report on transport and freight office Juschweschtrans, Ivan Popoff, etc.' Juschweschtrans and Express possessed a virtual monopoly over all transport by land, whether by road or rail, and also over Soviet and Satellite lines feeding aviation terminals.

Juschweschtrans had its own transport office in each major USIA firm. These offices were everywhere directed by Russians. This also aided the above-mentioned secrecy. This explains why for years the production engineers in USIA plants did not know where their merchandise was going. Even the shipment of spare parts was organized in the same fashion.

This method of transport was one of the main reasons why the extent of trade with the East Bloc and the Soviet Union remained hidden

throughout the years and also the reason why information services were not able to track the dispatch of strategic materials to the Soviet Union.

Juschweschtrans also had its own division within the DSC. (See Fourth Section.) It was easy to keep the destination of merchandise going by water secret because the shipyards could only be entered by Austrians carrying special passes.

It must also be noted that Juschweschtrans and Express were established to by-pass the Austrian customs regulations. Juschweschtrans had the protection of the Soviet occupation authority and was thus able to by-pass the Austrian customs whenever desired.

Juschweschtrans made use of this possibility, not only when it was justified as it was in the case of merchandise needed by the Soviet troops in Austria, but also in the case of shipments serving the interests of USIA and of the Communist Party firms.

There was, for instance, the case of the 1950 shipment of 10,000 kilograms of copper to Hungary. There was also the case of ball bearings and scrap metal in the value of 1,500,000 schillings which were also sent to Hungary through the intermediary of Juschweschtrans and Express, in which the customs authorities were by-passed.

As mentioned above, Austrians had no access to the shipping stations or to the Soviet airport at Voelau-Kottingbrunn. As a result by-passing the Austrian customs authorities became a regular thing and even in April 195 10,000 liters of spirit were smuggled by Express out of Austria into CSR.

This function of the Soviet shipping agents played a great role and was one of the bases for black marketing, for the semi-official and official trade of the Soviet and Communist trading firms during the occupation.

IV. Final Remarks

The result of our analysis shows that the trade and shipping mechanism as well as Intrac and the Communist firms played an important role in the Soviet occupation economy. Turnover was in the billions of schillings. Without them the Soviet economic system in Austria is unthinkable and they also had the task of forming liaison and bridge-head systems between East and West. Of special importance was Intrac in its role of financing the KPOe and in the financing of the intelligence and courier services.

In contrast to the other parts of the Soviet economic system in Austria the organization of the trade sector could not be organized in accordance with strict domestic Soviet regulations. Instead, they had to find solutions which were not patterned on the domestic Soviet system which could be adapted to conditions.

It is known that similar establishments exist in different west European and Asiatic countries. They have the same methods and the same objectives.

The special conditions pertaining in Austria made it necessary to find special solutions. Such were:

The organization of the retail stores through Ort (division of USIA) which united the retail systems of Letex and Wkus and which also included

the Kooperative Sovyetskykh Rabotnikov Avstriy and Bezimpex.

The partial subtracti**o**n of international trade from Letex which apart from its branch administration function was mainly concerned with supplying USIA plants with necessary raw materials originating in the East.

Finally, the foundation and development of Intrac and the Communist Party firms as economic organizations of the KPOe. They had under them the trade with East and West insofar as it was not handled by Intrac.

Sixth Section.

THE SOVIET MILITARY BANK

Note: The following chapter is based on our "Special Report on the Soviet Military Bank, No. 2111," on the "Report on the conversations of 27, 28 June and 2 and 13 July 1957, on the indications given by the former legal councillor of USIA as contained in "The Report on the Conversation of 2 October 1957" and on "Studies of the Soviet credit organization."

I. Historical

1. Foundation of the SMB

According to the "Report on the Conversation of 2 October 1957," page 9, Soviet field bank No. 80 was transformed into S.U. No. 2111. This bank was probably known originally as "USSR Field Bank No. 2111 (OeNB Report, page 15). Probably only in the course of 1940 was the name "Military Bank of the Soviet Union No. 2111" adopted. This remained unchanged throughout the occupation.

The seat of the SMB was originally located at Vienna IV, Graf Starhembergasse 4-6, the same address as the USIA Administration and was moved to Vienna I, Trattnerhof, probably in connection with the move of USIA to that address.

The original capital of the bank was probably about 534,000,000 Reichsmarks. This money was taken as booty from the Reichsbank offices in Vienna and the auxiliary offices in Graz and Leoben. Other monies came from the Commercial Banks in Vienna and Lower Austria. It is possible that allied military schillings were also at the bank's disposal. The capital also probably comprised some of the money that was paid the Soviets as occupation costs. (In December 1945 alone this was 900,000,000 schillings.) (See OeNB Report, pages 12 and 13 ff.)

2. Dissolution in 1955

The dissolution of the SMB in 1955 presented no difficulties after the Austrian Control Bank took over SMB's credits and after clearing up the current accounts.

On hand-over day, 16 July 1955, the SMB's outstanding credits totaled 762,887,874,48 schillings and were paid by the Control Bank in the amount of 508,900,000 schillings in two installments. Details on the liquidation of the SMB are to be found in our SMB report (page 30 ff).

II. Organization

1. Relationship to the Moscow Directorate

According to our study on the Soviet Credit Organization (page 1) and to the SMB Report (page 4) the Soviet field banks were

branches of the Soviet State Bank. It is probable that the Soviet State Bank gave the SMB its capital.

The important reports and balance sheets of the SMB, the accounts of Gosbank and of the satellite state banks as well as the military accounts were all in the hands of Soviet personnel, so that nothing can be said about them.

2. Relationship to the Leadership in Austria

Our sources report that the SMB was not subordinate to the USIA Administration. It is certain, however, that the planning to determine the amount of investment and plant credits of USIA, SMV, DSC and Wien-Film was done within the framework of Moscow's over-all plan. In this manner, the according of credits was within the competence of the Bank while investment credits could only be accorded by the Administrations.

Relationship to other Occupation Institutions

The organization of the bookkeeping of the branch administrations of USIA and of the other organizations in relationship to the administration of the Soviet assets in Austria tends to show a close cooperation between SMB and USIA. Most of these relationships are discussed in Point III.

4. Relationship to Austrian Institutions

Originally the intention was to incorporate the SMB into a banking system under the Austrian banking statutes and also through the acquisition of a banking concession (Brcisbach & Co.) thereby fitting it

into Austrian legal and economic forms. (See "Report on the Conversation of 2 October 1955" with Dr. M. who was the legal councillor of USIA up until 1948, page 9.)

After this plan was changed, the relations of SMB to Austrian institutions was limited to the keeping of schilling accounts in the Austrian National Bank and in some other nationalized banks

5. Internal Organization

The following positions chart shows that all important positions within the bank were filled by Soviets.

	Russian Director General		
Russian Chief of Credit Division	Austrian Chief of Accounting	Russian Chief Accountant	Russian Chief Cashier
Four Russian Experts	Two Austrian Comptrollers	Russian Higher Accountant	Four Austrian Cashiers
	Austrian Account Chief & Comptroller	Austrian Bank Expert	Russian Bookkeeper (female)

6. Personnel

The following have been named as General Directors:

A.M. Tsirulik (from the beginning to 14 September 1950.

Arrested for unknown reasons.)

A. S. Savanin (1950-1953)

I. Savvin (1953-1955)

Credit Division chiefs were:

E.K. Karahanova (probably from the beginning; possibly in this function only from 1948-1951.)

I. Savvin (1951-1953)

S. Karpovich (1953-1955)

Bookkeepers:

probably Plotnitsky (beginning to 1948)

I. Nikolayev (?) (1948-1951)

P. Kornilov (1951-1955)

Deputy Bookkeepers:

T.D. Glotova (beginning to 1948 and 1950-51)

A.W. Poroshin (?) (1949)

N. Kobtsev (1951-55)

Signatures at the Austrian National Bank enabled us to identify the leading personalities in SMB (See page 18 of OeNB Report).

III. Tasks of the SMB

The SMB was the accounting and treasury center of the entire Soviet economic system in Austria. SMB gave the necessary plant credits and watched over the use made by the individual administrations of investment credits. It was also undoubtedly the organism in charge of international bookkeeping, particularly that of the East Bloc.

1. The SMB as Accounting and Payments Institution

The SMB carried accounts exclusively of plants and organizations within the Soviet economic system. Despite many attempts the accounts of the East bloc trade, or those of Austrian or other western firms were not carried. (See annex to SMB Report, page 2; "Notes on Conversation of 13 February 1957.")

According to our sources there was a strict order that all financial transactions were to be carried out through SMB. Credits in Austrian banks could only be touched by USIA with permission of SMB. Such credits had to be transferred to SMB. In this manner all fiduciary transactions were centralized in SMB.

For the purpose of making payments, the plants and administrations had current accounts for day-to-day payments to suppliers, for salaries etc.

There was a special bureau within SMB called Buro Wnutrenykh Rastshotov (BWR), which took care of the reciprocal claims and payments between USIA plants.

We have been able to prove the existence of this bureau back to 1947. According to the economic statistical questionnaires, 12 percent of the payments of USIA industries were made through the BWR. (Some branches even made 24 percent of their payments through it.)

The reason for BWR activity in Austria might have been due to the need for cutting down on the amount of credit, for a quick turnover of supplies and to statistical considerations. We have presented a detailed examination of the BWR organization and in it we described more closely the functions of BWR. (See Study: "BWR: Soviet Input and Output Calculation, its importance and possibilities.") In order to participate in the BWR the SMB had its own BWR accounts and BWR credit accounts.

2. The SMB's Credit Function

SMB exclusively extended credits needed for the acquisition of the means of production. The types of such means of production and the techniques used in their acquisition correspond exactly to those employed in Soviet Russia. (Compare: W.M. Batyryov and M.M. Ussokin. Short-term credit and the organization of currency circulation in USSR, Die Wirtschaft, Berlin, 1954 and also our "Studies on the Soviet Russian Organization of Credit," page 3.)

In Austria, SMB accorded the following credits:

- a) Standard credits against standard stocks of raw materials, production auxiliaries, half-finished and finished products,
- b) Extra-standard credits against such as the above,
- c) Extra-standard credits against uncollected debts,
- d) Over-draft credits on EWR business,
- e) Over-due credits,
- f) Seasonal credits,
- g) Discount credits,
- h) Credit on interest (see details in SMB report, pp 19-22).

A special review division was charged above all with enforcing the rigorous observance of the bank's regulations by those seeking credit.

According to our sources the responsible administration had to assume the guarantee for payment of the credits. (See SMB report, page 24).

Interest rates changed according to the time and type of credit.

For standard credit the rate was 2½ percent, extra-standard credit rate was 8-9 percent and over-due credit was charged 11-12 percent.

3. Control over the Use of Credit Investments

The Bank itself did not accord any kind of investment credit. Investment credits were only opened by the Administration. Nevertheless, the Bank controlled the use made of such credits. In the case of the accordance of investment credits, the Bank debited the Administration and gave the individual plants investment credit against their own financing accounts. The plants could dispose over these credits within the framework of the investment plan against orders. Through its Review Division the Bank watched over installment payments, the observance of cost estimates and the proper use of the credit.

4. Role of the Bank in the International Payment System

The role of SMB in international affairs is not very clear.

East Bloc: According to our source the accounts of the satellite state banks were carried by SMB. At the same time it is reported that the business affairs within the ruble bloc were not part of SMB. Even when one takes into account paragraph 9 of the Agreement No. 02/55 regarding the reciprocal exchange of goods between the Hungarian Bank for Foreign Trade and the KZB, the role played by SMB in East Bloc trade should not be overestimated. According to this paragraph SMB was not included in the business of good^S/exchange.

Western Countries: According to our source, SMB and Gosbank had accounts in Western banks. They were partly under Soviet influence (Banque du Nord, Paris.) It is reported that these accounts were used to pay for the importation of embargo merchandise.

According to our source, all foreign accounts were directed by Soviet Russians. It was not possible to find any documentation on this subject in Austria concerning SMB. For this reason information concerning the role of SMB in the international banking field is sparse.

5. SMB as Instrument of Soviet Fiscal Policy

As we reported in "Annex to the Special Report on Soviet Military Bank No. 2111," the SMB in Austria did not collect any taxes, at least not from the plants, on behalf of the USSR.

Nevertheless, there is the possibility that taxes and other dues were paid into the Soviet State Bank through the intermediary of the SMB. This is indicated by a reference in our "Study on the Soviet Credit Organization" which said that the State Bank had the responsibility for the collections and expenditures of the Soviet Treasury. This included the collection of taxes. As a result of the lack of source material it was not possible to determine in what form and in accordance with what principles the Administrations made payments in favor of the Treasury.

IV. Effects on the Austrian Economy

There is no doubt that the existence of SMB had certain effects on Austrian economy and particularly, because between 5-7 percent of the Austrian money and credit volume was withdrawn from the control of the Austrians. In the same manner, the currency traffic between the East Bloc and the Western states that went through SMB was outside the control of Austrian currency restrictions. Whether this was damaging and to what degree is hard to say.

Seventh Section

USIA ACCOUNTING SYSTEM

I. Principles of Planning and Account Balancing

The far-reaching unity of the accounting system and its intermeshing development make it appear advisable to deal with them in the same chapter.

There are two divisions to the accounting system: planning and accounting (including the entire reporting system) as proof of the fulfillment of the plan. Planning and accounting are exceedingly closely united in their development, because the balance sheet of the past period always serves as the draft for future planning.

We have been able to show that the most important posts of the plant planning and accounting in USIA ~~was~~ ^{WERE} constructed entirely on the Russian pattern. The same applied to the technique and means of planning, to the accounting and also to the organization of planning.

(See our Study: The Soviet System of Plant Planning, particularly Section III. Also Analysis of the Soviet accounting plan for Austrian enterprises, particularly Section V.)

Based on the fact that USIA plant planning and accounting most closely followed the Soviet system, it may be assumed that the planning and accounting in the individual branch administrations of USIA were also run in accordance with the Soviet pattern. The planning and accounting of the individual administrations were handled in a planning and accounting part of the Main Administration. It is probable that

the Plans and Accounting divisions of USIA-Main Administration were part of the Russian national economic setup and in this connection it is possible that they were part of the Main Administration for Soviet Property Abroad with its headquarters in Moscow.

To this assumption we bring the following bits of evidence:

1. Same account plans and same accounting systems for all plants, regardless of whether they were under USIA, SMV or the DSC. These elements presuppose a unification of the balance sheets and control by the state as is done in Russia. (Compare 'Analysis of the Soviet Balance Sheet System for Austrian Enterprises, page 14.)

2. Our SMB Report shows that the branch administrations of USIA also established balances and plans. According to it the administrations established balances 'by cutting up the individual balances of the plants, stuck the line one under the other and added them up. The resulting total was the balance of the administration.' This indication by our source could not be checked. Nevertheless, Soviet literature constantly points to the fact that the national economy plans contain the directives for the plans of the individual industrial administrations, and the plans of the main administrations the directives for the individual plant plans. (See our report "The Soviet System of plant planning.")

In the same manner the plant balances and reports were probably also the source of information concerning the fulfillment of plans. By the branch administration; while the balances and reports of the

branch administrations provided the information concerning the fulfillment of the total USIA plan.

3. It is interesting to note that the separate parts of the Soviet over-all economic balance contain exactly those column headings contained in the standard forms that were used for the plant balances. So, for example, the "Balance of the Ground Capital" (installations, equipment and buildings) of the USSR has the column headings which the standard accounting form No. . has and which are entitled "Report on the Changes in Investments; the simplified form No. 4 entitled "Report on the Fulfillment of the Plan for the production of raw materials and goods probably served as a base for the balance of production sheet known as "the most important in the scheme of national economy.

Through the study of plant planning and the pertinent documents it was possible, to a high degree, to study the system of Soviet planning. In this connection we would like to point to the following material:

II. Plant Planning and Accounting

1. For Planning Organization: "Instructions for the Drafting of plan calculations, proposals for production costs and expense norms within the Plant system for the year 1955." This exists in photostat and came from the Voith Plant from 1955. It contains indications of the influence of the administrations, the establishment of production plans and on the drawing up of norms.

2. Individual Plant Plans

- a) Production Plan: photostat of "Plan on Production...", contained in the Voith Plant, 1955.
- b) Plan for the exploitation of production capacity: photostat of "Production Level 1953-54," from the Voith Plant.
- c) Plans for technical development: Kiseiov, the Reconstruction of the Kbrneuburg Shipyard (presented in film No. 28).
Elabration concerning the reconstruction of the Korneuburg Shipyard.
- d) Plans for the need of materials and fuels etc: No plans could be found, but they must have existed since they were necessary for the calculations of plans, norms etc.
- e) Labor Force Plans: No documents could be found. But we have evidence that they existed. (Standard form 6)
- f) Plan for the Prime Cost of Products: presented in photostat in the "Year Plan 1955" of the Voith Plant.
- g) Finance Plan: The plants established the bases for the finance plan. (See the Soviet System of Plant Planning, page 20.)

3. Plant Reporting System

This was contained in a report on "The Reporting system in a USIA textile firm, Marthel & Co., Woellersdorf," in a number of photostats. There were also a number of copies of Voith Plant balance sheets as well as sheets from other companies.

The balance and reporting systems show the closest connection
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with the Planning system.

III. Accounting Between the Individual Plants and Their Administration

For the accounting between plant and the responsible USIA administration we have the "Protocol concerning the control of internal accounting between Voith, St. Poelten and the Podyomnik Division." This was presented in photostat for the annual report 1954. This document was also presented in our report "Accounting Between Plant and Responsible Administration."

Accounting between Plant and its Administration entailed: administration dues, Profit tax, maintenance of plants, supplementary expenditures for social purposes, amortization, investment overdrafts, accounting for deliveries to the administration and of payments, taxes, etc., which were not paid to the Austrian State.

Further documentation concerns investments and general repairs.

Internal accounting gives an insight into the functioning of the Administrations.

IV. Management Planning and Accounting

As we have already stated it was not possible to present material concerning the planning and accounting systems of the administrations. Nevertheless, it is possible to say that such systems existed. There must have been documentation showing the state of supplies, purchases and sales, not only among themselves but with other organizations.

Furthermore, the existence of an account of each administration at SMB makes it certain that the administrations had an accounting system with their plants and with the superior organizations. The cost of the administration was probably fixed. This would explain standard form No. 2. (Profit and Loss account).

V. Planning and Accounting Within the USIA Directorate General and of the Administration of Soviet Assets Abroad

On the basis of material we have found it is to be assumed that the performance and success of the individual USIA branch administrations were watched by the USIA Main Administration and the Main Administration of the Soviet Assets Abroad. The form of reporting and accounting used in USIA points in this direction. The examples cited lead also to this conclusion.