Part 1 — Transfer of Captured and Surplus Materials

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same time, to make sure that spoilage and wastage of materials under its control did not occur. Thus, an agreement was reached in the summer of 1946 between OMGUS and Headquarters USFET releasing to OMGUS for use in the German economy all ex-German war materials and equipment not needed by the Occupation Forces and displaced persons. Further, it was agreed to release such excess material for use in the German economy on the basis of fair value as a charge against the proceeds of future German exports. These releases were restricted to approved programs affecting disease and unrest in the American Zone of Germany.

In order to accomplish these releases and effect proper control and accountability, it was agreed that a German public corporation would be created for this purpose. Such an organization was set up in the summer 1946 by the US Zone Laander-rat (Council of States) under the guidance of the Regional Government Coordinating Office (RGCO) and OMGUS. This German public corporation was first known as GER (Gesellschaft zur Erlassung von Ruestungsgut m. b. H.) and is now known as STEG.

The organization was incorporated under the laws of Bavaria with headquarters in Munich, and its shareholders were the states of Bavaria, Württemberg-Baden and Greater Hesse (now Hesse). State branch offices of STEG for carrying out the program were created at Munich, Stuttgart and Wiesbaden. In early 1947, branch offices were created in Bremen and the American Sector of Berlin. These branch offices were under the observation, review and advice of MG state offices, while the general office was under the review of the Regional Government Coordinating Office, with OMGUS observing all of STEG’s functions.

Policies and decisions affecting the interests of Military Government and the Occupation Powers were determined by OMGUS, with the maxim responsibility for all...
phases of operations being invested in STEG.

The functions and responsibilities of STEG are briefly, to inventory, segregate, classify, demilitarize, restitute, convert and secure all ex-German war armament and US Army surpluses released to it by Military Government. Further, to dispose of captured enemy material (CEM) into the German economy as directed by the US Zone Laenderrat, and the Landeswirtschaftsaemter (state economic offices) concerned. Upon the creating of the bizonal organization pursuant to the fusion agreement, the determination of the disposal directives for US surplus goods released thereafter became a responsibility of the bizonal VIW (Verwaltung fuer Wirtschaft, or Department for Economics). These sales were effected for Reichsmarks (subsequently replaced by the Deutschemarks) at German legal or appraised prices.

STEG was authorized to deduct its operating expenses from the gross revenue obtained from sale of ex-German war armament materials, and was required to deposit the net proceeds in frozen accounts, pending disposition instructions at a later date by OMGUS. STEG is further required to transfer 90 percent of the gross revenue obtained from sale of US Army surpluses to the Aussenhandelskasse (Foreign Trade Bank), and will be reimbursed, in turn, for its expenses above 10 percent incurred in these operations. STEG does not handle food, fertilizer, seed, petroleum, oil lubricants, etc., but does handle all other types of movable materials and equipment.

As indicated above, after the bizonal fusion, Jan, 1, 1947, all US Army surpluses have been disposed of by STEG on a bizonal basis, following disposition instructions given by the VIW. For this purpose, STEG established branch offices in the northern states, under the observation, review and advice of the regional commerce offices. The STEG office in the US Sector of Berlin was extended to serve the British Sector of Berlin.

In the summer of 1947, OMGUS by agreement with JEA; Bizonal Executive Committee, Minden; and VaW, Minden (Verwaltungsamt fuer Wirtschaft), entered into a contract with the Department of the Army for the shipment to Bremen of 40,000 tons of surplus quartermaster and medical corps goods from the United States. These goods were obtained on a deferred charge basis at fair prices with JEA establishing a trust fund out of category "B" receipts for the payment of all packing, crating, handling and shipping charges from the United States to Bremen. These goods are being distributed by STEG in the Bizonal Area in accordance with the disposition instructions of the VIW in the same manner as other US surplus goods form within the theater.

On Jan. 21, 1948, a contract was entered into between the Office of Foreign Liquidation Commission (OFLC) and the Bizonal Economic Administration for the release into the German economy of all unsold US surplus goods then in possession of OFLC in this theater and to be declared surplus by head-quarters EUCOM to OFLC from that date through Sept. 30, 1948. These goods were taken at 21 percent of their cost value as a deferred charge against the proceeds of future German exports.

At the same time, dependent upon this contract, a second agreement was entered into between headquarters EUCOM and the Bizonal Economic Administration, which specified that all US surplus goods released to the German economy from the beginning of the occupation through Jan. 21, 1948 would be revalued as a deferred charge at 31 percent cost value with the exception of scrap and waste which remained at fair value.

Responsibilities of STEG are enormous, but in general, its objective is to convert the maximum number of swords into ploughshares. The effective carrying out of this program involves many hundred thousands of metric tons of all types of army materials and equipment. When completed the program will constitute a significant contribution.