

Your complete morning newspaper, The Statesman, offers you pertinent comments on war news of the day by Kirkie S. S. S. S. Washington analyst.

Thursday sunset 6:31 p.m.
Friday sunrise 6:29 a. m.
Weather: Tues. max. temp.
46, min. 39. Tues. rain 2.1 in.
Wed. river 3.6 ft. Weather
data restricted by army re-
quest.

Reserve Requests Pondered

Committees Plan New Bills; Tax Program In Draft Stage

By RALPH C. CURTIS

Requests by counties, cities and school districts for authority to create reserve funds for post-war use received a sympathetic hearing in the house assessment and taxation committee of the Oregon legislature Wednesday, but a bill which would have granted such authority was tabled for the reason that it lacked safeguards which committee members thought necessary.

This was HB 189, which would have authorized all three types of local government to build up re-

LEGISLATIVE CALENDAR

Third reading: Thursday:

In House: HB 25, 78, 79, 152, 159, 171, 174, 175, 179, 184, 185, 191, 192, 222, 226, 227, 235, 236, 246, 250, 255, 256, 259, 267, 285, 310.

In Senate: SB 45, 87, 91, 49, 79, HB 24, 27, 33, 47, 52, 57, 64, 117, 230, 233, 104, 105.

services out of normal revenue, without holding elections. It requires that the purpose for which the reserves are to be expended be announced in advance but permits a change of purpose at a later date. Indicating this authority was too broad, the committee invited the League of Oregon Cities, which had sponsored this measure, to prepare another with more safeguards and applying to cities alone.

Separate bills relating to the creation of such reserves by counties and school districts will be considered at an early session of the legislature. The counties want their reserves earmarked for construction of roads and bridges, and purchase of machinery, school districts are chiefly interested in building up funds to purchase supplies not now available.

The legal difficulty involved is that under the budget law any surplus left at the end of the fiscal year in the local government's treasury goes into the general fund and is an offset against the next year's tax levy. Members of the committee, of which Rep. Robert C. Giles, Douglas, is chairman, agreed that a departure from this process sometimes is desirable, as the alternatives to creation of debt, and particularly desirable just now when capital expenditures cannot be made.

Rep. Robert E. Duniway, Multnomah, pointed out however that this plan to create reserves out of normal revenue might be used unwisely as a means of maintaining the tax base in years when inability to make capital expenditures threatened to reduce the base.

The committee voted to report out a "do not pass" recommendation. Rep. Giles French's bill eliminating all tax exemptions. It plans to introduce a substitute bill tightening the definitions of exempt property. The question whether this bill will be admissible if French's bill is definitely postponed is expected to arise on the floor today when the unfavorable report comes out.

Meanwhile the house taxation and revenue committee began its task of drafting a program dealing with the income and corporate excise taxes and amendments of the law distributing surplus income tax revenues to school districts. There is little indication that the program when offered to the legislature will offer any drastic changes from the existing tax structure.

Between them, the two houses passed 36 bills Wednesday and will have an even greater number before them for final disposition today. The house has 28 bills on its calendar, the senate 17.

The senate game committee will report out unfavorably the bill proposing to eliminate the bear from the list of game animals. Sen. Thomas Parkinson, Douglas, will bring in a minority report favoring the bill's passage. He was not satisfied with the joint game committee's offer to recommend to the game commission that open seasons on bear be declared the next two years. Sen. Joe C. Booth, Linn, will join him in the minority report.

(Additional legislative news today on page 7.)

Astoria Builds Ships

ASTORIA, Ore., Feb. 3.—(AP)—Two wooden subchasers, the first ordered by the navy from an Oregon yard, will be constructed by the Astoria Marine Construction company. Steel subchasers are being built by two Portland yards.

'Settled'



WALTER NASH

Leaders Agreed 'Where to Hit'

Pacific War Council Told of Casablanca Conference Plans

WASHINGTON, Feb. 3.—(AP)—An allied leader provided a terse new chapter Wednesday for the story of Casablanca—that "it was pretty well settled" where the united nations will strike Germany.

Walter Nash, New Zealand's minister, made this statement on emerging from a White House meeting of the Pacific war council. The Casablanca conferees discussed "which was the best place to strike first," he said.

This was in line with President Roosevelt's January 7 declaration that "we are going to strike—and strike hard" at European enemies.

Another Pacific war councillor, Chinese Ambassador Wei Tao-Ming, said the report on Casablanca included a plan for the Pacific—and what he heard of this was very encouraging.

Nash reported the president "more optimistic than he has been." He said Mr. Roosevelt and Prime Minister Churchill had discussed whether to strike at the nazis from the Mediterranean, from the whole Atlantic coast between Norway and the Bay of Biscay, or from both.

The Pacific war council also discussed Churchill's Turkish conference—"particularly promising in that the conversation took place in Turkey," Nash asserted. "You can strike another optimistic note in that the Finnish premier seems to be worried," the New Zealander told reporters. "If Finland is worried it is not over what Germany is going to do to her, but what's going to happen to Finland if she is on the wrong side."

General Flays 'Sloppy Yanks'

ALLIED HEADQUARTERS IN NORTH AFRICA, Feb. 3.—(AP)—Lt. Gen. Dwight B. Eisenhower in a memorandum to his staff saying that "we are fighting a tough war and everything we do must be directed toward winning that war," Wednesday warned he would not tolerate irresponsible talk against the allies, excessive drinking, sloppy dress and disorderly barracks.

He said the appearance and carriage of the troops was a problem more for the American army than the British "since it is a matter that I consider more a national than an allied thing."

"In the case of an American officer, he will be subject to the direct punishment I can possibly inflict administratively," the commander-in-chief warned.

County Has \$42,000 Goal For Red Cross War Fund

Marion county has been assigned a quota of \$42,000 for the war fund drive of the American Red Cross beginning March 1. Charles Huggins, general chairman for the drive, announced Wednesday. Quota for the nation is \$125,000,000, the largest budget ever to be established by the Red Cross, made necessary by the responsibilities imposed by wartime needs.

"Although this is the largest single campaign to be undertaken by the local chapter," stated Huggins, "we feel optimistic for two reasons: first in the drives for funds in 1941, the last time the chapter asked the public for support, a total for roll call and war fund amounted to \$32,758.94; and second, the response of those who have been asked to work and the voluntary contributions already re-

Rabaul Raided Again

Bad Weather Dared To Blast Warship; Patrols Kill 88

By MURLIN SPENCER

ALLIED HEADQUARTERS IN AUSTRALIA, Thursday, Feb. 4.—(AP)—Braving unfavorable weather to support the allies in the growing battle of the Solomons, Gen. Douglas MacArthur's bombers raided New Britain Island, one plane attacking a Japanese warship, the high command announced Thursday.

A big allied bomber, after driving off an enemy fighter, loosed bombs on the warship at Wide bay, to the south of Rabaul, but did not observe the results.

Rabaul, a vital Jap base for the battle of the Solomons, was raided for the fifth consecutive night despite heavy clouds which hampered a check on the damage done. Launkai and Kapepe airdromes were the targets.

At Buin, on Bougainville island in the Solomons, fires were started on another airdrome which could be used in aerial thrusts on Guadalcanal to the southeast.

New Britain also took a pasting at other points, Gasmata being twice the target of heavy bombers which started a dense fire on the airdrome. Other heavy bombers struck at Cape Gloucester.

Meanwhile, on the ground, it was announced that patrols have killed 88 Japs at Wau, below Salamaua, New Guinea.

It was in that same battle sector, regarded as the next logical one in New Guinea since allied conquest of the Papuan peninsula, that the Japs lost 250 men in patrol clashes January 30. And (Turn to Page 2-D)

Next Coffee Stamp Good For 6 Weeks

WASHINGTON, Feb. 3.—(AP)—A one-sixth reduction in the next coffee ration was announced Wednesday by the office of price administration.

The action was made necessary, the agency said, by reduced coffee inventories in the hands of wholesaler and retailers.

Instead of one pound a person for five weeks, the next stamp, No. 25 in war ration book No. 1, will be good for one pound for six weeks.

Stamp No. 25 will become valid February 8 and will be good for the purchase of one pound of coffee through midnight, March 21. Stamp 28, valid since January 4, expires at midnight February 7. The announcement said the increase in military requirements for shipping, and the necessity for maintaining imports of strategic war materials, were responsible "in part" for the reduced inventories for the next ration period.

While predicting retail stocks would be adequate to take care of the demand when the new stamp becomes valid, OPA urged consumers who buy for their families to spread their ration stamps throughout the six-week period instead of buying all their coffee at once.

received indicate the people are war minded and appreciate the essential part the Red Cross plays in war affairs.

The \$42,000 quota will be divided between the county and the city of Salem. The county quota will be \$11,000, according to Floyd Miller, co-chairman of the drive and directly in charge of the territory outside of Salem. "This amount will be only \$403 more than the county raised in 1941, at which time for roll call and war relief it contributed \$10,597," Miller pointed out and concluded, "I feel sure the people of the county will come through with flying colors in this drive."

The war fund drive this year replaces the regular roll call and contributors to the fund may become members of the Red Cross.

Message to the Japs -- Steel-Wrapped



Leathernecks man 155-mm. howitzers against Jap positions on Guadalcanal island in the Solomons, where the army has now replaced the marines and is continuing their advance, relying upon their brothers in the army and air forces to fend off enemy reinforcement attempts. The marine strategy was for ground forces to pocket Jap units in jungle areas and for artillery and aircraft to plaster them with high explosives.—Photo from Marine Corps Newsreel.

US and Jap Fleets Spar

Engagements Come In Series; Yanks Advance on Isle

WASHINGTON, Feb. 3.—(AP)

Powerful United States and Japanese sea and air forces are sparring for position in the southwest Pacific, naval officials said Wednesday night, and there are indications that the war's biggest naval struggle may be imminent.

A brief naval communique told of continuing air and surface engagements in the Guadalcanal area in the Solomons but added "the military situation does not permit publication of further details at this time."

Naval spokesmen emphasized that the fighting thus far has been a series of engagements between units and not a joined battle of the two powerful fleets—possibly the largest yet thrown into the war.

One spokesman who asked that his name not be used, described the situation this way: "The whole thing is sparring for position. We have some information we think is accurate on losses on both sides."

"But the policy on it is that until we can make a simultaneous announcement of losses on both sides we will have to hold off."

An unconfirmed Tokyo broadcast said fighting started January 29. Japanese claims that two battleships and three cruisers have been sunk are "grossly exaggerated," navy spokesmen reiterated. On the basis of reports received (Turn to Page 2—Story A)

RAF Slashes Nazis Again

LONDON, Feb. 4.—(AP)—The royal air force sent its heavy bombers to Germany for the second successive night Wednesday night. Objectives were not immediately announced.

LONDON, Feb. 3.—(AP)—RAF bombers dealt a sharp, swift and heavy blow to Cologne Tuesday night to nullify the feverish repair work the Germans had accomplished there among the U-boat equipment plants hit in the first thousand-plane attack eight months ago.

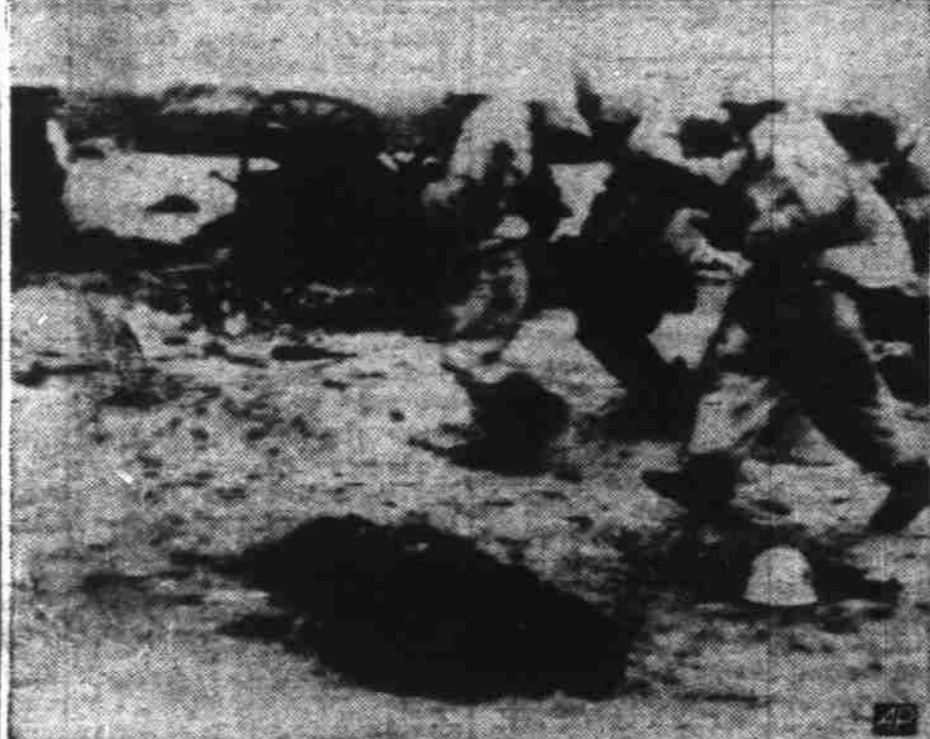
A hundred two-ton blockbusters and thousands of incendiaries were dropped in less than 20 minutes. The RAF acknowledged the loss of five planes out of probably more than a hundred attacking, but the Germans, admitting casualties and destruction, claimed only three British planes were downed.

Ventura bombers, escorted by Spitfire squadrons, some of which were from the American air force, swept over Abbeville and St. Omer, bombing railroads and an airfield. Two bombers and eight fighters were lost, but the fighters destroyed three enemy planes.

Lorient Hit Heavily

LONDON, Thursday, Feb. 4.—(AP)—Lorient, the key German U-boat base on the Bay of Biscay, was blasted by more than 1000 tons of bombs in four RAF night raids last month, the air ministry news service reported in a summary Thursday. The RAF operated every day and night in the European theatre during January, the review pointed out.

Reds Enter Schluesselburg



Russian automatic riflemen race forward to dislodge Germans from the outskirts of Schluesselburg, Russian capture of Schluesselburg broke the siege of Leningrad. This picture was radioed to New York from Moscow.—Associated Press Teletext.

Peace Rumors Reported, Denied for Nazi Lands

Spain Officials Aver No Offer Through Franco

RIO DE JANEIRO, Feb. 3.—(AP)—The Spanish embassy issued an official note Wednesday night denying that Adolf Hitler was planning a peace offer through the Spanish government of Generalissimo Francisco Franco.

"A report that Hitler is preparing a peace offer to be made probably through General Franco having appeared in the press of various American countries, the Spanish embassy in Brazil considers it opportune to deny the existence of any proposition made to the Spanish government to formulate any peace offer, adding that should such a proposal be made in the future, Spain will act according to its own initiative and according to political directives corresponding with the nation's sovereignty."

The Spanish government's denial that it had been approached "to formulate a peace offer in behalf of Hitler came as a surprise, since roundabout reports and rumors that such a move might be made had received no prominence what— (Turn to Page 2—Story E)

UMW Reveals New Demands

WASHINGTON, Feb. 3.—(AP)—The United Mine Workers, heading for an almost certain clash with government wage controls, announced Wednesday a demand for a \$2 a day pay increase in the bituminous coal industry effective April 1.

The demand affects more than 400,000 mine workers. Wage goals for the anthracite industry employees will be drafted later at a tri-district convention. Their contract expires April 30.

President John L. Lewis of the mine workers announced the demands drafted by the union's international policy committee with a repetition of his denunciation of the war labor board's "little steel" formula, as "arbitrary and miserably stupid."

Finns Need Food Or Peace Berlin Informs Turkey

LONDON, Thursday, Feb. 4.—(AP)—A Reuters dispatch from Ankara, Turkey, Thursday quoted a Berlin report that the Finnish minister had told the Germans that unless Finland gets urgently needed food supplies she will be obliged to consider the possibility of making a separate peace with Russia.

Reuters, quoting "a report from Berlin" received in Ankara, said that the Finnish minister was reported to have said in a note handed to the German government that "Finnish rationing even on paper are the lowest in Europe, but the actual rations received by the population are still less."

Several food and manpower problems have beset Finland for some time. Germany made a provisional 1943 barter trade agreement with Finland in December, but final arrangements were to be made in negotiations this month at Helsinki.

There have been reports since the German reverses began in Russia that the Finns wanted to talk peace if they could get any allied guarantees of security. The presence of German troops in the country also is a factor in any Finnish hope of dropping out of the war.

Sharp, Air Hero, Expected Today

Waiting at home Wednesday night, Frank D. Sharp, jr., Salem, momentarily anticipated the arrival of his air hero son, Maj. Frank Douglas Sharp, Maj. Sharp's wife and small daughter and his own wife, but actually expected them to come to Salem sometime this morning.

Mrs. Sharp, jr., joined her daughter-in-law and granddaughter in Portland in their reunion of the war labor board's "little steel" formula, as "arbitrary and miserably stupid."

Soviets on Verge Of Snaring Nazi Caucasus Army

Kupyansk Junction Taken; Troops Near Kursk; Nazis May Try Escape by Sea

By the Associated Press

LONDON, Feb. 3.—Soviet forces have captured an area only 22 miles north of Kursk, German stronghold in southern Russia, and Wednesday night were on the verge of trapping a huge axis army in the Caucasus below Rostov after closing one end of a land escape corridor and they may be moving as well to block a Nazi retreat by sea.

The capture of Kupyansk, important rail junction only 63 miles southeast of Kharkov, Ukraine capital, also was announced in a special Russian communique recorded by the Soviet radio monitor here.

Yankee Tanks Occupy Sened

Eighth Army Presses Near Border; Allies Lack Punch, Tunisia

ALLIED HEADQUARTERS IN NORTH AFRICA, Feb. 3.—(AP)—American tanks crews, who sing "From Makassy to the Sea," were dug in astride the railway one mile east of Sened and 47 miles from the coast in central Tunisia Wednesday where their wedge poised a new threat to the life-line of Marshal Erwin Rommel.

From the east the British Eighth army based on the Nile continued its eight-mile-a-day advance since taking Tripoli and was reported in contact with the Rommel rear guard at Flidia, only 12 miles from the Tunisian frontier, after passing through Zatten.

Although the American column of medium and light tanks and armored half-tracks scored an unexpected success by taking Sened Tuesday and remained to establish a strong spearhead in the position during what had been scheduled as a mere raid, allied headquarters frankly acknowledged a lack of the necessary punch farther north where the Germans still held strong positions in Faid pass.

German units were said to be strongly entrenched there, 70 miles northwest of Sfax and 50 miles north of Sened, and the allied communique said two days of attacks by American forces there had been unsuccessful. Allied spokesmen described the position as a "place of tremendous importance."

"German artillery probably outranged our own," a spokesman said, and the action was reported broken off.

The Germans captured the pass over the weekend in a six-mile thrust through French positions toward Sidi Bouzid, but were stopped when the Americans went to the aid of their allies.

A French communique declared "our forces made progress" in the southwest of the Djebel Serdj region, a range of hills seven miles north of Ousseltia.

Lively activity in the mountains (Turn to Page 2—Story C)

Union Heads Urge Ceilings

WASHINGTON, Feb. 3.—(AP)—The presidents of CIO and AFL Wednesday urged President Roosevelt to apply "universal" price ceilings and rationing to all civilian goods to check what they described as worker dissatisfaction with rising living costs and "stationary" wages.

William Green, president of the American Federation of Labor, and Philip Murray, president of the Congress of Industrial Organizations, also implied after their White House conference that they would like to see a more flexible war labor board policy governing the granting of wage increases.

Green described as "too rigid" the board's "little steel" formula which limits wage increases, designed to offset rising living costs, to 15 per cent of January, 1941, levels. Latest labor department figures show living costs have risen 19.4 per cent between January, 1941, and December 15, 1942.

'41 Tax Rate Proposed for '42 Income

WASHINGTON, Feb. 3.—(AP)—The idea of turning back the calendar and taxing 1942 individual incomes at the much softer rates of 1941 was injected Wednesday into the congressional study of how to put collections on a current basis. But all concerned warned the taxpayer again that regardless of what happens, he must shoulder this year the biggest burden in American history.

The aim of the turn-back-the-calendar plan, it was explained, is to lighten 1942 taxes, so the levies on 1943 income can be placed on a pay-as-you-earn system. Whether these lightened 1942 taxes would all have to be paid up in 1943, or spread over several years, was not yet indicated.

Chairman Doughton (D-NC) of the house ways and means committee laid the new plan before the committee without saying whether he was for or against it. Thereupon, Randolph Paul, treasury general counsel, said the treasury was giving "very serious consideration" to it, but had reached no conclusions.

Adamantly, he contended that 1942 taxes could not be skipped outright as proposed in the pay-as-you-go plan advanced by Beardley Ruml, chairman of the New York federal reserve board.

Reverting to 1941 rates and exemptions would have its biggest effect on the millions of persons whose income in 1942 was less than \$10,000. Many of these persons would find their 1942 tax liability wiped out altogether, while the liability of others would be halved. The obligations of those in the higher brackets would also be reduced, to a lesser extent.

Storm Warnings Up

SEATTLE, Feb. 3.—(AP)—The U.S. weather bureau announced at 7 o'clock Wednesday night the posting of a storm warning for the Washington coast and south to Newport, Ore., with a small craft warning south of Newport to the California border and for inland waters of Washington.