

Russians Encircled In South

SHIFT FROM SMOLENSK

Kiev "Doomed" Claim Germans Reporting Successes On All Battlefronts

By the Associated Press

BERLIN, Tuesday, Aug. 5.—German sources reported early today that Nazi columns were fighting encircled Russian troops south of Kiev in a battle of annihilation "now in full swing" and paralleling destruction of Soviet forces near Smolensk.

They pictured the weight of the German offensive as having shifted from the Smolensk area, where Russian resistance was declared to have been broken, to the Kiev sector, where the high command said Red troops were isolated from railroad supply lines.

In the drive on Leningrad, German pressure on Soviet forces was increasing, a military spokesman said. Portions of two Russian units were said to have surrendered to encircling German troops northwest of Lake Peipus, on the Estonian frontier.

Russian railroad communications have been cut by German and Hungarian troops thrusting deep into the Ukraine toward Kiev, it was officially declared today, and along the central front the bulk of a major Red force defending the Moscow approaches has been destroyed in a trap east of Smolensk.

Surviving units of the Soviet army in the Smolensk theatre, it was added, face dissolution.

Command Announcement These parallel but far-separated victories were announced by the Nazi high command in a communique which pictured the Russians as suffering disaster on two of the three major areas of the front.

As to the center, however, it was conceded that despite the demolition of another major obstacle on the way to Moscow the bitterly resisting Russians might be able to organize still other defenses before the city.

South of Kiev, where German tank units were declared to have broken down the Red defense lines to burst out into the flat, open country, a battle similar to the Smolensk action appeared to be developing.

The primary objective in each instance, it was stated, was the same: to destroy the Russians rather than to push them back.

Thus in the Ukraine German accounts indicated that encirclement

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GERMANS SMASH ALONG NEW FRONT

Red Armies Fight Desperately to Stop German Triangular Wedge

(By The Associated Press)

MOSCOW, Tuesday, Aug. 5.—The Red army, battling bitterly against a double drive into the Ukraine, reported today the Germans have smashed another triangular wedge into the northern flank of the front halfway between the Smolensk salient and Leningrad.

The Moscow war bulletin declared fierce fighting had developed in the vicinity of Kolm, easternmost point of a triangle based on Pskov, 100 miles northwest, and Polotsk, 100 miles southwest.

Kolm, little town in the marshlands of White Russia, is 70 miles deeper into Soviet territory than Novorohov, where fighting in this sector was reported last week.

The Red army said the fighting continued in the Smolensk salient and near Bel Tserkov, southern arm

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WEATHER

FORECAST

North Carolina and South Carolina: Considerable cloudiness with scattered thundershowers Tuesday and probably Wednesday; moderate temperatures.



STEP UP, LADIES, WHILE THEY LAST!—With the government suddenly freezing all raw silk processing and the supply cut off from Japan, silk stockings seem destined to be definitely on their way out in these United States "for the duration". Not one to be caught wearing coarser hose if she can help it is the American woman, millions of whom, from all accounts (Wilmington ladies included) stormed hosiery departments of stores yesterday. The above photo was taken in a large New York department store and gives a pretty good idea of what the store manager meant when he said it was "worse than Christmas buying!"

GEN. CRAWFORD REMAINS AT CAMP

Maj.-Gen. Frederick Smith Assumes Duties As AA Center Commander

Brig.-Gen. James B. Crawford will remain at Camp Davis and will be in direct charge of the training program, Maj. Gen. Frederick H. Smith, his successor as post commander, said yesterday.

"I am very much impressed with Wilmington and the cordiality of its people," General Smith said. "Mrs. Smith and I are looking forward with a great deal of pleasure to a very delightful duty here. This is my first duty in this state and my first trip to Wilmington.

Since I have always planned to live in the peninsular country of Virginia, I'm glad to get back to a place where the atmosphere is so similar," he said.

General Smith arrived here Saturday from Birmingham, Ala., where he formerly commanded the Seventh army corps.

As he takes command of Camp Davis, the post has passed the 18,000-man mark toward its authorized strength of 20,000 troops. Training programs are now under way in the anti-aircraft, sea coast artillery and barrage balloon units.

Commission Authorizes Sale Of School Bonds

A resolution providing for the issuance of \$500,000 in bonds was adopted and an order to sell the bonds to finance new construction and improvements of schools was approved at a meeting yesterday of the New Hanover county board of commissioners.

The bonds were authorized in a special election July 15 to finance improvements and new construction to meet an anticipated increase in school enrollment of 1,000 new students whose families have moved to the locality because of defense and related projects.

The bonds will be sold under the supervision of the Local Government commission at Raleigh under the direction of W. E. East-erling, secretary.

The county commissioners decided that sealed bids would be received until 11 a. m., E. S. T., August 26, by the commission for sale of the bonds.

The bonds will be in \$1,000 denomination dated Sept. 1, 1941, maturing "annually March 1, \$10,000 in 1944, \$10,000 in 1945, \$20,000 in 1946 to 1964, and \$25,000 in 1965 to 1968, all inclusive, without option of prior payment."

The bonds will be of the coupon type and will be registrable as to principal alone. Delivery will be about Sept. 8 at the place of the purchaser's choice. There will be no action.

Bidders are being requested to name the interest rate or rates, not exceeding six per cent per annum, in multiples of 1-4 of one per cent.

Each bid may name one rate or part of the bonds (having the earliest maturities) and another rate for the balance, but no bid may name more than two rates, and each bidder must specify in his bid the amount of bonds of each rate.

The bond will be awarded to

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Ickes Hails Gas Curfew; City Operators Dubious

WASHINGTON, Aug. 4.—(AP)—Secretary of the Interior Ickes declared today that Atlantic coast gasoline dealers had entered into the sales curfew with "enthusiastic" approval and some outside the emergency area had sought to join the program.

After the first night of the gasoline sales blackout in 17 states and the District of Columbia, Ickes admitted there were instances of non-compliance, adding, "these cases will be followed up."

But on the whole, he said in a statement, last night's compliance was "very satisfactory."

In the same statement, however, he again warned motorists that unless they curtailed the use of motor fuel voluntarily, more drastic steps would be taken. He gave no hint of what these steps might be.

Thousands of filling stations closed their gasoline pumps at 7 p. m. yesterday for 12 hours. Oil administration officials here admitted the records of yesterday's sales throughout the affected area probably would show a spurt because many motorists loaded their tanks in preparation for the nightly curfew.

Nevertheless, they expressed the hope that in two or three days, with drivers kept constantly reminded of the threatened shortage, sales would begin to taper off and finally reach the goal of a one-third reduction from normal.

Ickes said the motoring public had not yet realized the necessity of reducing gasoline consumption, and reported "many cases in which drivers did not cooperate with the spirit of this undertaking."

He said the restricted hours apparently had little effect on employment of filling station operators. He added, however, the program would cause savings in electricity and reduce wear and tear of equipment.

Meanwhile, Price Administrator Leon Henderson asked the oil refiners to stabilize prices on Pennsylvania grade neutral lubricants, the highest type of lubricating oil refined from Pennsylvania grade crude.

He requested that prices be based on 33 cents a gallon for the dominant grade and that current price differentials on the other grades of neutrals be maintained.

In recent months refinery prices have soared from about 22 cents a gallon to 45 cents and higher.

Little Local Enthusiasm Insofar as could be ascertained in a checkup yesterday and last night, all New Hanover county and Wilmington gasoline service stations were complying with the

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British Report Axis Tobruk Force Weakened

CAIRO, Egypt, Aug. 4.—(AP)—The war in the Mediterranean, left to take a routine course when the Germans turned from the battle of Crete to an invasion of Russia, showed signs of rousing today.

The British declared the Axis has relaxed its siege lines about Tobruk and reported heavy aerial onslaughts on numerous objectives, while the Egyptians acknowledged many casualties from wide Axis raids on the Suez Canal area and the Delta of the Nile.

The Middle East command said British patrols, which have been making nightly raids deep into the Axis lines about Tobruk, cut off on the land side now for 113 days, recently had been unable to make contact with their enemy. The Axis forces have been withdrawn from their forward posts at night, it was said.

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County's Budget Near Completion

The New Hanover county board of commissioners, with arrangements on the sale of \$500,000 school bonds taking up a major portion of yesterday's session, decided to meet again tomorrow morning at 9 o'clock.

At that time the officials will further consider the county budget for the current fiscal year which began July 1 and will end June 30 next year.

County Auditor J. A. Orrell reported yesterday to the commissioners that the county has \$181,743.48 in cash on deposit and that the sum is secured by \$191,000 in securities held by banks in which the money is on deposit.

In the Wilmington Savings and Trust company is \$82,598.11, the auditor reported. Deposited with the People's Savings Bank and Trust company is \$79,144.57 and in the Morris Plan bank is \$20,000 of the county's money.

School Request Granted The request of H. M. Roland, county school superintendent, for the placing to the credit of the board of education funds for August was granted by commissioners.

For general control \$500 will be used, \$5,000 for plant maintenance and \$500 for the book fund. These expenditures are in the regular budgetary requirements.

Supplemental expenses for the month included \$1,500 for instructional services and \$2,000 for the building fund.

The request of the American Legion is

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HOUSE VOTES RECORD TAX; UNITED STATES TO PROVIDE ECONOMIC AID TO RUSSIANS

RENEW AGREEMENT

Soviet Expected to Buy Heavily On American Marts Following Pact

WASHINGTON, Aug. 4.—(AP)—The United States gave Russia a formal undertaking tonight to supply "all economic assistance practicable" to strengthen Soviet resistance to Nazi Germany.

In an exchange of diplomatic notes, connected with the renewal of the annual Russian-American trade agreement, the United States informed the Soviet Union that it is:

1. Extending "priority assistance" to Soviet orders for urgently needed materials "upon the principles applicable to the orders of countries struggling against aggression."
2. Issuing unlimited licenses permitting the export of "a wide variety of articles and materials needed for the strengthening of the defense" of Russia.
3. Giving "favorable consideration" to Russian requests for the extension of available American shipping facilities to expedite the delivery of goods to Russia.

No Minimum Under the renewed trade agreement, no minimum figure was given for Russian purchases in the United States. In the expiring agreement, Russia undertook to buy at least \$40,000,000 of goods here but actually greatly exceeded this figure despite American export control restrictions.

The United States granted favored-nation treatment to Russian commerce; that is, it agreed to give Russian trade favorable treatment as is accorded to any other country.

Trade between the two countries in the coming year, the new agreement stated, "will be governed largely by the defense needs of the United States and of the Soviet Union and other countries struggling against the forces of armed aggression, rather than by the United States' commercial considerations."

The United States expects to buy strategic defense materials from Russia.

The new trade agreement was overshadowed in importance by

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WALLACE TAKES UP DUTIES HERE

City's First Municipal Manager Asks Cooperation Of All Citizens

The cooperation of all citizens was invited yesterday as James G. Wallace, declaring his intention to discharge his duties as efficiently as possible, arrived from Bangor, Me., and assumed the city managership of Wilmington.

The new official conferred first with Mayor Hargrove Bellamy in the office Mr. Bellamy has used, but which will in the future be occupied by Mr. Wallace.

Promises Best Effort "At this time," he stated, "I cannot make any definite declaration of policy. I shall have to familiarize myself with our personnel and the problems with which we are confronted. All I can say now is that I shall do the best I can to discharge my duties efficiently, and I urgently request the cooperation of all our citizens."

"I have been very favorably impressed by Wilmington and its citizens," Mr. Wallace continued. "It is a beautiful city, and everybody I have met has been very cordial"

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State Department Commander Lauds Patriotic Legion Aims

Wilmington Post No. 10, American Legion, inaugurated a drive to increase its membership to 700 at a meeting held in the Sorosis hall last night, with the principal address being made by Roy L. McMillan of Raleigh, state department commander.

Commander McMillan praised the officers and members of the local post for their accomplishment in increasing membership from 227 to 507. This expansion, representing an enlargement of approximately 213 per cent, was among the best in the country, he said.

Outlining the background and objectives of the Legion, Commander McMillan termed it the "greatest patriotic organization in the history of the world." The background of the American Legion is

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Defense Highway Bill Vetoed By President

WASHINGTON, Aug. 4.—(AP)—President Roosevelt vetoed today a \$220,000,000 defense highway bill, objecting that its provision for distributing \$125,000,000 to correct "critical deficiencies in lines of strategic networks of highways and bridges" on the basis of population, area and other factors "entirely disregards" the interest to national defense.

"The critical deficiencies in highways and bridges that may require prompt correction in the interest of our national defense cannot be reasonably related to the population of states or the other factors which enter into ordinary apportionment," the President said in his veto message.

He said also that there were "other provisions of this bill which raise questions of public policy or depart from established practice."

The bill provided \$150,000,000 for roads giving access to military and naval reservations and defense plants and \$25,000,000 for damage to local highways as the result of military maneuvers.

Senator Thomas (R-Idaho) of the Senate Roads committee said an effort would be made to revamp the measure to meet the President's objection and still take care of the "acute highway financing situation in western public lands states." The 13 public lands states would have been allowed to contribute less than 25 per cent toward the cost to strategic roads while other states would have had to contribute 25 per cent or more.

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Powerful British Navy Units Move Into Orient

SAIGON, French Indo-China, Aug. 4.—(AP)—Unofficial, unconfirmed reports circulated in Saigon tonight that a British naval squadron, including the 30,600-ton battleship Warspite, had been sighted in the Gulf of Siam, coinciding with known British measures to strengthen the land and air defenses of Malaya.

No confirmation of the Warspite's presence in Far Eastern waters was obtainable from any official quarter, but the report, if true, would mean that for the first time in many years the British navy has sent a capital ship east of Suez.

Augments Force Britain has considerably augmented the forces defending Singapore, the Malay peninsula and Burma recently and thousands of tough Australians and Indian troops are reliably reported to have been moved

in recent days to the Malaya borders with Thailand. This is believed to be in preparation against any Japanese thrust into that country from new Japanese bases in southern Indo-China. The RAF also has strengthened its Burmese posts, near Thailand.

A Japanese aircraft carrier and a submarine arrived at Saigon today and more thousands were reported en route. Roads from northern Indo-China were clogged by long lines of trucks carrying Japanese troops, equipment and supplies toward the Thailand frontier.

American business firms prepared to transfer management of their local offices to French states and sending American employees home on the first ships leaving Saigon. About 100 Americans remain in southern Indo-China, but two-thirds of them are expected to leave before the end of the week.

MacArthur Consolidates All Philippine Forces

MANILA, Aug. 4.—(AP)—Swift consolidation of Philippine armed forces under Lieut. Gen. Douglas MacArthur, commanding the United States Army in the Far East, was augmented today by steps designed to strengthen domestic preparation of the islands for any emergency.

Announcement that the Philippine Air corps hereafter would be known as the air force of the Far Eastern command was followed quickly by action of President Manuel Quezon in authorizing promotion of 52 Philippine army officers, including three to be colonels.

The advisability of stationing guards at all oil tanks and other fuel storage facilities to prevent sabotage was considered by the Civilian Emergency administration. Two thousand additional Constabularymen will be moved into Manila, bringing the total in this area to 4,000.

(President Quezon recently warned eight Socialist mayors that stern reprisals would follow any disloyal actions by their followers. Officials are concerned over the possibility that hostilities might precipitate Socialist attempts to gain control in districts of central Luzon where they are strongest.)

Manila's recent blackout, the practice evacuation of a slum district Sunday, the mining of Manila and Subic bays, incorporation of Philippine forces into the U. S. Army and heavy reinforcements of the latter, especially the air arm, have combined to emphasize the seriousness of the situation and to give evidence that the islands will be fully prepared.

JAPS SUSPEND SERVICE TOKYO, Aug. 4.—(AP)—All regular direct Japanese steamship service with the United States has been suspended. It was reliably reported today, and an all-out economic, industrial, political and social mobilization to counter United States and British pressure is likely to come next week.

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3 BILLION MEASURE

Early Senate Approval Is Forecast As Administration Given 369 Votes

WASHINGTON, Aug. 4.—(AP)—The stiffest tax bill in the nation's history, designed to raise about \$3,206,200,000 to help finance the defense program, was passed by the House late today by an overwhelming majority, after being stripped of a provision requiring married persons to file joint income tax returns.

The measure, which now goes to the Senate, would virtually triple the taxes of persons in the lower and middle income brackets and would tap the nation's business firms for an additional \$1,332,900,000 through surtaxes and more drastic excess profits taxes. It went through by the to-heavy roll-call vote of 369 to 30.

Elimination of the joint return provision lopped about \$323,000,000 from the bill's originally estimated yield. (By filing separate returns, married couples sometimes pay lower taxes because of lower rates. This is especially true in the nine "community property" states, where a husband and wife can add up their incomes, split the sum in half and each report half for income tax purposes.)

FDR Asked Modification President Roosevelt had appealed for modification of the joint return provision to exempt earned income from such returns. He also had asked two other last-minute changes, which would have lowered the income tax exemptions and altered the excess profits tax plan, but the House was unable to consider these under the parliamentary procedure it had adopted.

Members of the Ways and Means committee and other legislators warned the House that elimination of the joint return would inevitably mean higher individual income taxes to compensate for the loss.

On the other hand, opponents of the provision contended it was a blow at women's rights, that it was unconstitutional and unfair. Spokesmen for the community property states declared some of those states such as Texas and California had had community property laws ever since they were admitted to the union.

Just before the vote on final passage of the bill, Rep. Crowther (R-N. Y.), offered a motion to recommit the measure to the Ways and Means committee with instructions to amend it so as to recoup the lost revenue, but the motion was defeated on a voice vote.

Graduate Surtaxes As it passed the House, the bill would raise about \$829,000,000 from individuals through a drastic system of graduated surtaxes starting at the first dollar of taxable income. They would range from 5 per cent to 75 per cent, the latter rate applying to income over \$5,000,000. The present normal tax rate of four per cent was unchanged but under the new plan a married man with no dependents and earning \$2,500 would pay a

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VICHY TO DENY FUTURE DEMANDS

Will Not Accede to Axis Occupation of Empire In North Africa

VICHY, Unoccupied France, Aug. 4.—(AP)—Authorized sources indicated tonight that France would refuse to grant the Axis military facilities in North Africa such as Japan got in Indo-China even if Vichy considered the North African territories menaced by attack.

This indication was contained in a statement to correspondents in answer to a statement by United States Acting Secretary of State Sumner Welles Saturday that the United States attitude toward Vichy would be determined by "the effectiveness with which France defends its territories against the Axis powers' aggression."

The Vichy statement reviewed difficulties in sending reinforcements to Indo-China which led Chief of State Marshal Petain to accept

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