

INFORMATION REPORT INFORMATION REPORT

CENTRAL INTELLIGENCE AGENCY

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Funkwerk Zittau.

1. In late 1954, activities at Funkwerk Zittau were handicapped by a serious lack of orders. In late October 1954, the situation became even more acute when the VEB Messgeraetewerk Zwoenitz cancelled its production order for accessories for the MTG 23 (tape) recorder. On account of this action, the plant was short of work orders for the first quarter of 1955 in an amount of 1,400,000 eastmarks. As a result of the cancellation of the work order, 100 laborers were to be released after 1 November 1954 and 150 more by January 1955. Kuehn, commercial manager of Messgeraetewerk Zwoenitz, stated that this action had become unavoidable, because the 1954 production quota of MTG 23 recorders had been fixed at 25,000 units, of which 15,000 were to be completed in 1955. Since the 1955 quota was also fixed at 25,000 units, only 10,000 units had to be produced, in addition to the 15,000 carry-over from 1954, to fulfill the quota.
2. Messgeraetewerk Zwoenitz had refused to increase the production of recorders because of difficulties involved with the center machining required for this type of production. For the planned production of MTG 23 recorders and BG 19 type recorders, a monthly total of 4,000 hours of center machining was required. During 1954, the machining work for Messgeraetewerk Zwoenitz had been done by 20 different plants. An additional 10,000 hours per month required to increase the production, as requested by HV R-F-T for the benefit of Funkwerk Zittau, could not be obtained with the personnel available in East Germany. When HV R-F-T requested all subordinate enterprises to contribute machinists to the Zwoenitz plant, only 11 persons were declared available on a temporary basis. An HV R-F-T commission, composed of Goette (fnu) from the HV, Wagner (fnu) of Stern-Radio Stassfurt, and Bartsch (fnu) of the Arnstadt Central Laboratory of Telecommunications, which checked the overall capabilities of the HV enterprises, could not find any possibility in East Germany of providing the machining required for additional production. The commission stated that, with the available machinery, the precision required for tape recorders could not be achieved. 25X1

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INFORMATION REPORT INFORMATION REPORT

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S-E-C-R-E-T

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-2-

3. On 21 and 22 October 1954, a conference was held between a delegation of Funkwerk Zittau and the HV R-F-T to settle the affair with Messgeraetewerk Zwoenitz. According to the agreement reached at the conference, the 1955 production quota of Messgeraetewerk Zwoenitz of BG 19 type tape recorders was increased from 6,000 to 13,000 sets; the production quota of 25,000 MTG type sets was not changed. Funkwerk Zittau was ordered to produce the accessories. Since Funkwerk Zittau still needed work orders for 1,300,000 - 1,400,000 DME to fill its production capacity, additional conferences were planned for the near future with Rudolf Heinze, chief of the Planning Office of the HV.
4. While the delegation from Funkwerk Zittau was in Berlin, the Plant Labor Unit and the Labor Control Office of the plant informed the personnel by a bulletin that the lack of work in various departments of the plant had obviously been caused by deficiencies of the plant management, which should have foreseen such difficulties. Since the HV R-F-T was apparently not helping to investigate these "unbearable" conditions, the Labor Control Office had called upon Minister Rau directly to rectify the situation.
5. On 22 November 1954, Augustin (fnu) and Prokopf (or Proskopf), of the Control Office of the Ministry for Machine Construction, visited Funkwerk Zittau to investigate conditions. Subsequently, they criticized the Labor Organization, but they did not accuse the plant management of any serious deficiencies and violations, as had been done by the Party Organization, Labor Union and Labor Control Office. In an internal meeting of key personnel, however, Augustin and Prokopf stated that the control of the plant by HV R-F-T was unbelievably bad, and that a general investigation of HV R-F-T was urgently required.
6. On 23 November 1954, in the labor distribution contract (Betriebskollektivvertrag), it was stated that Langer (fnu), department chief of Plant I, Foerster (fnu), department chief of Plant II, and Haut (fnu), chairman of the Plant Labor Union, had become "intolerable" and were, therefore, soon to be replaced. On 30 November 1954, the former director, Schroeder (fnu), and technical manager, Schneider (fnu), of Funkwerk Zittau-Olbersdorf were exonerated of similar charges.
7. In order to utilize its production capacity, Funkwerk Zittau was ordered by the HV R-F-T to solicit work orders from Sachsenwerk Radeberg, Funkwerk Dresden or Stern-Radio Rochlitz. In early November, representatives of Funkwerk Zittau conferred at Stern-Radio Rochlitz with Plant Manager Schenke (fnu) and Technical Manager Zahn. Stern-Radio Rochlitz and its branch plant in Gehringswalde, with a total work force of about 1,200 persons, had actually more work orders than they were able to fill. All experts considered the broadcast receivers produced by Stern-Radio Rochlitz to be the best products of the DDR. Schenke agreed to subcontract orders for component parts to Funkwerk Zittau, provided that that plant would agree to the following conditions:
 - a. The plant was to be enlarged.
 - b. The testing field was to be enlarged.
 - c. The supply of production materials was to be guaranteed.

Zahn approved the cooperation with Funkwerk Zittau only if the HV R-F-T would guarantee these conditions.
8. In early December 1954, however, the conferences between Funkwerk Zittau and Stern-Radio Rochlitz about the production of component parts ended with a complete failure. Rochlitz had to turn over work orders to Stern-Radio Berlin.

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S-E-C-R-E-T

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-3-

Messgeraetewerk Zwoenitz was also unable to give work orders to Funkwerk Zittau. By early December, the production of Funkwerk Zittau during the first half of 1955 was increased to about 40 percent, in compliance with a decree by the HV R-F-T to concentrate the entire 1955 production in the field of electric acoustics, although it was not covered by work orders during the first half of the year. In addition to this emergency measure, HV R-F-T had ordered the production of semiautomatic Morse keys without having received any work orders. The production of gears for ten-record automatic phonographs in 1955 was turned down by Funkwerk Zittau as impossible. The production of some instructive material was slightly increased, although there was no demand. The most serious problems in the material supply were eliminated in December 1954. Even deep drawing sheets, imported from an undetermined country, 1.5 mm, 1 mm and 0,5 mm thick, were delivered unexpectedly.

9. In early January 1955, the plant had work orders for 201 medium frequency direction finders for the USSR. According to rough calculations, each unit would be worth 7,900 eastmarks. An order for the production of a medium-to-high frequency direction finder was received from the Association for Sports and Techniques (OST). By the end of 1954, about 1,500 sets of Lilmut type voice radios had been delivered to the Ministry of Interior for the KVP. For 1955, now work orders for Lilmut sets and Polygone were received from the Ministry of Interior. In September two firms in India, the Federal India Trading Co., Ahmedabad, P.O. Box No. 61, and the National Trading House Gibb Town, Dharwar, Bombay State, India, asked for instruction material and instruments. The letters did not state the quantities wanted, but merely asked for an offer.
10. On 30 December 1954, Funkwerk Zittau was sued in the Court of Arbitration (sic)¹ by the Ministry of Machine Construction for the late delivery of electroacoustic products. Funkwerk Zittau maintained that the cause lay in the delayed delivery of component parts from the subsidiary plant. The judge stated that the plant should have obtained information on the delivery possibilities of the subsidiary plant in time, and fined Zittau for not complying with the terms of the contract.
11. Because of production difficulties, Zittau was under constant observation by SED members in January 1955. A special SSD commission, investigating the entire plant, was primarily interested in the poor utilization of the plant capacity, the reason for the low morale of the personnel, and the flight of Department Chief Langer (fnu), Plant Party Office Secretary Hans Jaeger, and the secretary of the plant manager, Mrs. Schoenfelder, to West Berlin on 25 December 1954. The commission also checked whether the plant was capable of arms production. On 28 and 29 January 1955, Eberstein (fnu) and Kretzschmar (fnu), commissioners of the SSD Office in Zittau, visited the technical manager and other leading persons and asked the same questions which the special commission had asked just a few days before. The result of these investigations were discussed in a final meeting at HV R-F-T in late January 1955. Funkwerk Zittau was exonerated and the unfavorable developments were attributed to the HV R-F-T.
12. In late January 1955, Gasch (fnu), chief of the Production Office of the Model Construction Plant at Dessau, informed Funkwerk Zittau that the orders for aluminum castings could not be filled because the Government had cancelled one-third of the production quota for aluminum and aluminum alloys and the available supply had to be used to fill the most urgent requirements.

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-4-

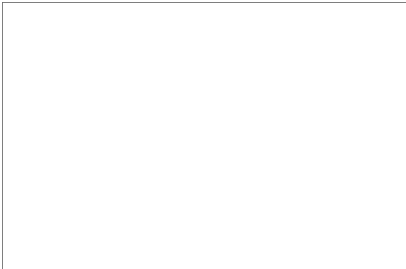
- 13. Plant Manager Wiesner, who was in Warsaw for several weeks for an exhibit of DDR models, stated in a letter, dated early November 1954, that the exhibition was highly appreciated by the Polish authorities, and the interest taken in this exhibition was much greater than expected. The exhibition was, therefore, extended. Wiesner, as a member of the DDR Trade Delegation, attended many conferences with Polish officials. The Poles were very interested in instruction materials and electroacoustic products. On 10 November 1954, an additional conference was to take place for which prospects and offers of Funkwerk Zittau were needed.
- 14. According to a Seefunkordnung (Marine Radio Decree), all East German ships are to be equipped with medium to low frequency direction finders. An order received from the Ministry of Interior, however, the production of requested four-medium-frequency direction finders.² At a conference in Rostock in December, Funkwerk Zittau inquired about this work order and was informed by a representative of the Ministry that the order for medium frequency direction finders was not to be changed, since the regulations of the Seefunkordnung did not affect the Ministry.

Comments:

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- 1. Probably Staatliches Vertragsgericht: Court of Contracts Adjudication.
- 2. As received. It is not known how this unidentified order from the Ministry of the Interior affected the production of the DF units.

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