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LEAD AND ZINC PROBLEMS
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HEARINGS

BEFORE THE

SUBCOMMITTEE ON MINERALS, MATERIALS, AND FUELS

OF THE

COMMITTEE ON INTERIOR AND INSULAR AFFAIRS UNITED STATES SENATE

EIGHTY-SEVENTH CONGRESS

FIRST SESSION

ON

PROBLEMS PERTAINING TO THE LEAD AND ZINC INDUSTRY AND CONSIDERATION OF S. 1747

MAY 4, 5, AND JULY 25, 1961

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LEAD AND ZINC PROBLEMS

THURSDAY, MAY 4, 1961

U.S. SENATE,
SUBCOMMITTEE ON MINERALS, MATERIALS, AND FUELS
OF THE COMMITTEE ON INTERIOR AND INSULAR AFFAIRS,
Washington, D.C.

The subcommittee met at 10 a.m., pursuant to call, in room 3110, New Senate Office Building, Hon. John A. Carroll (chairman of the subcommittee) presiding.

Present: Senators John A. Carroll (Colorado), Alan Bible (Nevada), Frank E. Moss (Utah), J. J. Hickey (Wyoming), Henry Dworshak (Idaho), and Jack Miller (Iowa).

Present also: Senators Clinton P. Anderson (New Mexico), Robert S. Kerr (Oklahoma), Gordon Allott (Colorado), and Representative Ed Edmondson (Oklahoma).

Present also: Richard L. Callaghan, staff director; Jerry T. Verkler, clerk; Stewart French, chief counsel; and Robert P. Dwyer, professional staff member.

Senator CARROLL. The subcommittee will come to order.

As indicated in the announcement of this hearing, our purpose today is to obtain facts and information concerning the lead and zinc industry. We are not here to consider specific legislation.

I see the able Congressman from Oklahoma here. I have read the testimony in the hearings held before the House under his leadership and under the leadership of Congressman Aspinall. I have been reading these hearings since 5:30 this morning, so I know the subject.

It is my desire, as chairman of this subcommittee, to develop through the testimony given today an up-to-date picture of all the conditions, particularly the economic ones, existing in this very important industry. Although I do not want to give the impression of preconceived ideas, it is my belief that if the industry is to have help, it must come from legislation.

It is for this reason that I was pleased to join with the distinguished chairman of this committee and others in introducing last Thursday what I trust will become the lead-zinc act of 1961. Its counterpart in the other body is the bill introduced by the chairman of that very important House committee, Congressman Aspinall.

Although there has been in the past, and there probably will be presently, a difference of opinion in the industry as to the type of action required to assure a stable, healthy industry, it is hoped that these discussions will result in a uniform position.

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It is my information that Assistant Secretary of Interior Kelly is out of town and unable to be with us this morning. I am pleased, however to welcome in his stead a key member of the staff, Mr. Robert McConnell.

If there is anybody else here from the staff of the Secretary of the Interior, we will be glad to hear from him.

I think the record should show that we have here the able Congressman from Oklahoma, Mr. Edmondson.

We will now be glad to hear from Mr. Edmondson, if he desires to appear, but if not, the first witness will be the representative of the Interior Department, Mr. McConnell.

Representative EDMONDSON. Senator, I am here to listen and be informed, and I wish you Godspeed in your mission. That is what I am here for.

Senator CARROLL. Happy to have you with us.

I want to ask while the witnesses are preparing themselves: Would Senator Moss or Senator Hickey like to put anything in the record at this time?

Senator Moss. Senator, I do not care to make a statement at this time, but I would like included in the record a copy of a letter which I have sent to the President of the United States on this subject, a copy of which has also been sent to the Secretary of the Interior, Stewart Udall.

Senator CARROLL. Without objection, it will be entered into the record at this point.

(The letter referred to follows:)

U.S. SENATE,
Washington, D.C., May 3, 1961.

The PRESIDENT,
The White House.

MY DEAR MR. PRESIDENT: It is my understanding that the Secretary of the Interior is now preparing recommendations to send to you on which to base administration lead-zinc policy. The lead-zinc mining industry is a truly sick industry, and has been for some time. One of the principal causes of the illness is the substantial quantities of cheaply mined foreign ores which we are importing.

I recognize that many of our domestic industries are seriously hurting because of foreign imports, and that this is one of the vexing problems faced by your administration. I am also well aware that our international trade problems have been magnified by the stresses and strains of recent weeks.

I hesitate to add to your burdens at this time, but since lead-zinc policy is under consideration, I do feel that I must point out to you that this industry is deserving of special consideration because it has faithfully followed every avenue—every administrative means—of securing relief from foreign imports, and to little avail.

The industry has won three unanimous showings of injury from the U.S. Tariff Commission—in May 1954, April 1958, and March 1960—but none of them has resulted in action decisive enough to insure its survival. It is true that President Eisenhower established quotas on unmanufactured lead and zinc, effective October 1, 1958, but on a much more generous basis to the importer than recommended by the Tariff Commission. Although imports were somewhat reduced, the industry was given no substantial lift.

In addition to the Tariff Commission hearings, the industry has testified and worked for a long succession of measures introduced in the House and the Senate—none of which has been enacted. Few other problems have been so studied and debated and threshed out with so limited results.

What has happened in the last 10 years in my State of Utah in the lead-zinc industry is indicative of the story across the country. In 1950, 20 lead-zinc mines reported production to the Utah State Tax Commission. Last year reports came from only three major mines.

In 1948, about 3,000 men had jobs in Utah lead-zinc mines. By 1952 the number had dropped to 2,000. By 1958 the total was about 1,100, and in 1960 the average employment in both mines and mills was 981.

Now a new approach has been developed by the Emergency Lead-Zinc Committee and introduced in bill form in both the House and the Senate (H.R. 3416 and S. 1747). I am a cosponsor of the Senate bill. It is designed to provide better protection from excessive imports and to stabilize the industry on a long-range basis by a three-pronged program: limited subsidies paid from tariff receipts on imported lead and zinc, an import tax on lead and zinc concentrates, and a compensatory tax on the lead and zinc content of manufactured goods. It is a well-rounded and practical approach.

I am confident you will agree with me, Mr. President, that we have had enough of stopgap, on-again-off-again efforts to help the lead-zinc industry. We need to spell out the ground rules and set a definite course, and now is the time, early in this administration, to do it.

I feel that the program offered in the bills before Congress—a program of limited subsidies and removable tariffs—offers hope that the lead-zinc industry can, at long last, become stabilized. I hope you will be willing to urge the program so it can be given a trial.

Our lead-zinc mines are an irreplaceable natural resource. Now is the time to insure their survival.

Sincerely,

FRANK E. MOSS, *U.S. Senator.*

Senator CARROLL. Senator Dworshak?

STATEMENT OF HON. HENRY DWORSHAK, A U.S. SENATOR FROM THE STATE OF IDAHO

Senator DWORSHAK. Of course, I am very happy that the subcommittee is holding this hearing, as you say, not to consider any specific legislation, but certainly to hear the views of the representatives of the lead-zinc industry.

I can look back 7 or 8 years and recall that on many occasions we have had similar meetings and have made some progress at times, but usually we are unable to agree on a specific legislative approach.

Now, I think that in the light of the fact that the lead-zinc industry is distressed, as is the domestic minerals industry generally, because of what we might say is excessive shipments of ores and minerals from abroad and because of depressed prices, every possible effort should be made, not only by this committee and the Congress but by the executive department, to achieve some solutions.

At this point, Mr. Chairman, I should like permission to insert in the record of the hearing a letter I received under date of April 21, 1961, from Douglas Dillon, Secretary of the Treasury, replying to a letter I had written him on March 31, 1961, in reference to the silver program sponsored by the Federal Government.

Of course, this hearing is not designed to consider any phase of the silver program, but all lead and zinc miners are interested in silver as a byproduct, and I should like to insert at this point this letter from Secretary Dillon.

Senator CARROLL. Without objection, it will be entered in the record.

(The letter from Secretary Dillon referred to follows:)

DEPARTMENT OF THE TREASURY,
Washington, D. C., April 21, 1961.

HON. HENRY DWORSHAK,
U. S. Senate, Washington, D.C.

DEAR SENATOR DWORSHAK: Thank you for your letter of March 31, 1961, in which you refer to the letter you wrote Secretary Anderson on December 1, 1960, concerning Treasury sales of federally owned silver.

The Treasury's policy relative to buying and selling silver for the past several years as been based on the act of July 31, 1946, which authorizes the mint to purchase newly mined domestic silver at $1.29 per ounce less 30 percent seigniorage, leaving a net return of 90½ cents to the depositor. The purchase of silver under this act is mandatory; that is, the mint must purchase all that is tendered to it provided the silver meets the requirements of the act. The same act also provides for the sale of silver. This provision, although not mandatory, was the result of a compromise; that is, in order to increase the price from 71 to 90½ cents, a provision was included covering the sale. Because of this background, the Treasury has felt obligated to sell silver under this act as long as there was silver to sell.

The silver question, as you are well aware, is not one-sided. When the mint sells silver, the producers contend that the price would go higher if the mint were not selling but when the mint buys silver the silver consumers point out that it would go lower if the mint were not buying. The Treasury feels that it has been put in a peculiar position because of this conflict of interest and because its purchases and sales for the past several years have tended to set a floor and a ceiling on the price of silver. Certainly, the Treasury's purchases under this and other acts have tended to increase the overall price of silver.

I think you will agree with me that the Treasury must take into consideration both the producing and consuming interests in determining its silver policy. While there are only 35 million ounces of silver produced in the United States on an annual average, there are consumed annually about 100 million ounces. As you know, silver is no longer used solely in luxury items. Today, it is used in most electrical household items, and in many military items. An increase in the price of silver would fall on the consumers of these 100 million ounces. The domestic producer, however, would receive an increase on only 35 million ounces. The difference of 65 million means that the consumer would be paying the increased price to foreign producers for this amount of silver.

You request that we stop selling silver, thus letting the price increase. As I have stated, it is the act of July 31, 1946, upon which the Treasury has based its buying and selling policy. If the supply-and-demand situation is as the silver producers indicate, it appears that it would be to the advantage of the producers to eliminate the Treasury from the selling picture by repealing the July 31, 1946, act. As you are aware, this act has been up for repeal in the past but the silver producers have opposed its repeal because they did not want to abandon the purchasing provision. In the absence of a repeal of this law, I do not think that the Treasury should ignore the selling provision contained in the act.

Sincerely yours,

DOUGLAS DILLON,
Secretary of the Treasury.

Senator CARROLL. Thank you, Senator Dworshak?

We all know that this type of legislation has been under consideration for years. Always something happened to stop the various proposals for a constructive program for this industry.

And I am reminded that Senator Allott last year and the year before introduced the National Minerals Policy Act. Secretary Seaton came up with what I thought was a workable bill. We can always get committee action, and sometimes congressional action, but something always seems to block this legislation. Senator Allott has been one of the leaders in that fight, and I thought his was a good bill.

Senator Allott, would you care to comment at this time?

STATEMENT OF HON. GORDON ALLOTT, A U.S. SENATOR FROM THE STATE OF COLORADO

Senator ALLOTT. I appreciate the opportunity to make a short statement, because of my long interest in this, even though I am not a member of this subcommittee.

We are not considering special legislation here. And I think it is wise to recall at the beginning of this discussion a brief legislative history of the last 8 years in which we have attempted to take two main approaches to this matter.

The first approach was by way of a so-called import excise tax, and when that failed, the following year a subsidy bill was offered by Secretary Seaton and introduced by Members of the Senate and House, which had a very disappointing result, also.

Now, as I see it, Mr. Chairman, this problem goes much deeper than whether or not we have a subsidy bill. I supported Mr. Edmondson's bill in general last year. I have supported generally the subsidy bills. But to me the problem is a much deeper one than this, and I hope that the witnesses, here, will speak to the basic, fundamental problem which underlies this question.

A subsidy is only like putting a salve on a sore which stems from deep organic troubles. Let me repeat that again: The subsidy approach to this is only like putting a salve on a sore that stems from deep organic troubles.

Not the least of our troubles in attempting to find solutions to our minerals legislation generally, and specifically to lead and zinc, lies in the fact that we have had a great diversity of interest and testimony from the lead and zinc people in this country.

In my opinion, the basic difference, the basic trouble, lies in the great disparity of the cost of production in lead and zinc in this country, and the cost of lead and zinc in other countries.

I did not check the paper this morning, but last week I checked the lead and zinc prices, and the May deliveries, as I recall it, totaled about 22 cents.

Is that not right, Mr. O'Leary?

Mr. O'LEARY. About 22½, I think.

Senator ALLOTT. About 22½ cents, in this country, from imports. Our producers, here, have testified repeatedly that they must have a combined price of at least 31 cents.

Now, as long as we have this basic policy, where you have lead and zinc brought into this country with tariff rate at such a cheap price, our miners are always going to be in a disfavored position.

On the other hand, we have in the lead and zinc industry those here who are primarily processors, or who are not producers and miners, who desire cheap imports of lead and zinc.

I think the Aspinall bill—the Anderson bill introduced by Mr. Anderson, Mr. Carroll, Mr. Bennett, Mr. Metcalf, and Mr. Moss is identical with it—I think offers some relief in the way of a tariff. And it would be my hope that in this discussion today we could get into a field of trying to stop the basic cause of this trouble, so that we can raise the imports into this country above the generally one-third of the use.

I use that in a broad sense. That is not exactly accurate. But generally above the one-third of the use in this country.

I suggest again, Mr. Chairman, if I may, that the National Minerals Policy Act offered by myself 2 years ago and again last year offers the base for a beginning by which we could eventually put enough pressue on, and incentive enough, to foreign countries, foreign importers, for international agreements, production agreements, which would not only stabilize their production and raise their price, but also would stabilize our position in the market and give our miners a greater share of the market.

I want to thank my colleague from Colorado for the opportunity to make this brief statement.

Senator CARROLL. As I indicated before, the Allott bill was a good bill. If I am not mistaken, it was passed almost unanimously by this committee and by the Senate. We are, as I indicated at the outset, not trying to pass on specific legislation here today, but probing to find out what we are going to do to help the industry.

This is a serious problem. The question is: What are we going to do about it? This is why we want to hear from the chairman of our committee. The distinguished Senator from New Mexico, Senator Anderson, is here. I do not know whether he wants to comment at this time or wait until some of the witnesses have had a chance to testify.

Senator ANDERSON. I think, Mr. Chairman, I would like to wait and hear what the witnesses have to say. I will say to them, as I have to you, that I am very happy that you have accepted the chairmanship of this subcommittee. I know you appreciate their problems, as I hope I do.

And we can in the committee, I trust, work out something that will be of use. The Finance Committee of the Seante has some jurisdiction in this matter, of course, and as a member of that committee I will work with them as much as I can.

I would like to offer a telegram from Miles P. Romney, manager of the Utah Mining Association, and one from L. J. Randall, president, and A. J. Teske, secretary, Idaho Mining Association.

Senator CARROLL. Without objection.

(The telegrams referred to follow:)

SALT LAKE CITY, UTAH, *May 3, 1961.*

Hon. CLINTON P. ANDERSON,
Senate Office Building, Washington, D.C.:

Our association greatly appreciates your sponsoring S. 1747 for equitable and effective solution of problems of the domestic lead-zinc mining industry problems of the industry have long been officially recognized and causes officially determined but temporary measures, talk, study, and promises have been the sole results as the industry meanwhile deteriorated. Again thanks and best wishes for successful hearings on the bill scheduled by your committee.

MILES P. ROMNEY,
Manager, Utah Mining Association.

BOISE, IDAHO, *May 3, 1961.*

Senator CLINTON P. ANDERSON,
Chairman, Senate Committee on Interior and Insular Affairs,
Senate Office Building, Washington, D.C.:

The Idaho Mining Association wishes to commend you and co-sponsors for introduction of S. 1747 in the Senate and to enter upon the record of May 4 hearings before Senate Interior and Insular Affairs Committee its whole-

hearted endorsement of this comprehensive program of limited subsidies and variable tariffs as a means of restoring the vigor and stability of the domestic lead-zinc mining industry. Financial distress of producers has been greatly accentuated by 10 percent drop in combined lead-zinc price in late 1960. Quota plan in effect for past 2½ years is manifestly inadequate to sustain a healthy domestic industry. We strongly urge early and favorable consideration of this constructive measure which takes into account the interests of the consumer and importer as well as the domestic producer.

L. J. RANDALL, *President*,
A. J. TESKE, *Secretary*,
Idaho Mining Association.

Senator ANDERSON. I am very glad these people are here in what you have correctly described as an exploratory session. We want to find out what the mining industry wants, what the people generally want, and then we will see what the committee can do toward meeting those desires.

Senator CARROLL. I thank the chairman.

Mr. McConnell, you represent the Department of the Interior, and you know our viewpoint. Now give us your solution.

STATEMENT OF ROBERT C. McCONNELL, SPECIAL ASSISTANT TO THE ASSISTANT SECRETARY OF THE INTERIOR FOR MINERAL RESOURCES, ACCOMPANIED BY JOSEPH McCASKILL AND JOHN O'LEARY, STAFF ASSISTANTS

Mr. MCCONNELL. Mr. Chairman and members of the committee, as most of you know, my name is Bob McConnell. And, Mr. Chairman, I would like to say I was indeed complimented when you called me a key member of Mr. Kelly's staff; because until only approximately 3 weeks ago I had served up here, as most of the members know, for approximately 14 years, in the capacity of administrative assistant to Congressman Antonio Fernandez and Congressman Joe Montoya; so that this is my maiden effort with respect to this endeavor this morning.

I would like to express, on behalf of Mr. Kelly, his regrets that he cannot be with you today at these informal discussions between industry and the members of this fine committee. However, Mr. Kelly is in Los Angeles conducting hearings on the oil import program, and I should mention that these hearings were announced quite a while back, and notice of them was officially published in the Federal Register before he received the invitation. But again I do express his regrets. And he appreciated receiving your letter, Senator Anderson.

I have with me today two gentlemen in whom I personally have great confidence—Mr. Joseph McCaskill and Mr. John O'Leary, both of whom are on Mr. Kelly's immediate staff. Mr. McCaskill gives general leadership to staff studies in our Department with respect to lead and zinc, and Mr. O'Leary is the staff economist, who, incidentally, is a member of the six-man group of statistical experts appointed by the International Lead and Zinc Study Group.

Gentlemen, I do not pretend at this point to be a technician in my present assignment, but I am sure that either Mr. McCaskill or Mr. O'Leary will be able to give you a competent and intelligent appraisal with respect to information on lead and zinc compiled by the Department.

I would like to say to the committee that I personally am in somewhat of an anomalous position, because prior to my acceptance of this appointment, I was with Congressman Montoya, and while with him we put in the hopper both the so-called Edmondson bill and the so-called Aspinall bill.

As Senator Anderson knows, and other members of the committee, for approximately 8 to 10 years I have accompanied them to the Department of the Interior, urging whatever action could be taken by the Department, because, principally, at that time, of our situation in New Mexico. And as Senator Anderson well knows, we do have a very grave situation in Grant County.

Now, without further ado, and wasting the time of the committee, I would prefer, if it is agreeable to the chairman and the members, that the technical questions be directed toward my colleagues, Mr. McCaskill and Mr. O'Leary. And I am grateful to be here and to be back on the Hill.

Senator CARROLL. We are glad to have you. I recall that you were with Congressman Fernandez.

Mr. MCCONNELL. Yes, sir; for 10 years, until he died.

Senator CARROLL. This was prior to your being with Congressman Montoya?

Mr. MCCONNELL. Yes, sir.

Senator CARROLL. He was with what in those days was called the Public Lands Committee of the House?

Mr. MCCONNELL. Yes, sir.

Senator CARROLL. So you are familiar with the legislative history and all the things we have attempted to do for the mining industry all these years.

Mr. MCCONNELL. Yes, sir.

Senator CARROLL. We are glad to have a man with your legislative experience. Did you say you are only going to be there 3 weeks?

Mr. MCCONNELL. No, sir. I have been there approximately 3 weeks.

Senator CARROLL. It is very important to have you there, with your very profound legislative experience and background.

And now we will go to Mr. McCaskill. We know he has been with the Department of the Interior for many years.

We will have the record show that Senator Miller is here, and Senator Bible, as we begin these hearings.

STATEMENT OF JOSEPH C. McCASKILL, STAFF ASSISTANT TO THE ASSISTANT SECRETARY FOR MINERAL RESOURCES, DEPARTMENT OF THE INTERIOR

Mr. MCCASKILL. Mr. Chairman, my name is Joseph C. McCaskill. I am a staff assistance in the Office of the Assistant Secretary for Mineral Resources of the Department.

There are several representatives of the lead and zinc industry prepared to testify today. I think we probably should not take much of their time. I am sure that they will give a full account to the committee of the situation confronting the domestic lead and zinc industry.

Perhaps we can be of most service to the committee if we confine our remarks to aspects of the situation that may not be as fully covered as others, and then be prepared to answer any questions.

I should, therefore, welcome any interruptions for questions or comments in the course of my remarks.

There are three aspects of the problem to which I should like to direct your attention. One is the decline in domestic consumption of the two metals in the United States. Another is a report on international consultations in this field. And finally, a remark or two about the import quotas.

One of the major causes of the difficulties faced by the domestic lead and zinc industry has been the decline in industrial consumption of the two metals in the United States. While Europe, Japan, Australia, and other countries have shown steady increases, consumption in the United States has fallen sharply. Lead consumption in the United States in 1960 was nearly 10 percent below 1957, while the rest of the world showed an increase of more than 11 percent.

For zinc, the contrast is even sharper. In 1960, U.S. zinc consumption was 10 percent below 1957, while in the balance of the free world it was 22 percent greater.

Senator ANDERSON. Could I ask you: Why do you use 1957? Why do you not use 1958, 1959, or 1956? Is that a particularly good year from the standpoint of comparison?

Mr. MCCASKILL. 1955 was the best year—the peak of consumption. I am using 1957 primarily because this is the earliest year on which we have good international figures on consumption.

Senator ANDERSON. If that is true, how are you able to say it is so many figures above somebody else? If you do not have good figures, how can you tell what it was in 1960?

Mr. MCCASKILL. I say 1957 is the earliest year on which we have good international figures. We have good figures for 1958, 1959, and 1960, on a world basis. The contrast would have been a little sharper had we gone back to 1955 or 1956, but we do not have good figures outside of the United States for these years. So that is the reason for taking 1957.

Senator CARROLL. I do not want to interfere with your presentation, but do you intend to tell us why we have had this sharp decline and there has been the increase internationally?

Mr. MCCASKILL. I cannot answer fully except to say that there have been changes in our industrial mix. For instance, plastics have been largely replacing lead for cable, which used to be a large market for lead. The advent of the compact car has been the greatest single influence on lead and zinc, I think, in the last 3 years. I hope you will put that question to some of the industry people who are here, who are familiar with the facts and figures. Some of them have come here directly from Chicago, where there was a meeting of industry people concerned with this very problem—a meeting to promote research in the discovery and development of new uses of these metals.

Senator CARROLL. What would be the Interior Department's opinion of the 22-percent increase in the international field?

Mr. MCCASKILL. There has been a rapid growth of the European economy, and of the Japanese economy. Those are the major reasons for this increase. The automobile developments in Europe, I think, have been a major factor in the increased consumption there.

But industries there are not yet following the pattern of lead and zinc use which has taken place in the United States. For example,

plastics have not invaded the cable covering field in Europe at all; other developments have not competely paralleled those in the United States.

This raises, incidentally, a very serious question of concern to the lead-zinc industry throughout the world: Will the pattern of industrial development in Europe, in Asia, in the emerging countries, follow that of the United States, and will plastics and other competitive materials invade increasingly the lead-zinc markets? That is a question which is of concern to many leaders of the lead-zinc industry in various parts of the world.

This concern is bringing increasing participation by lead and zinc producers in the other countries in the expanded research program, of which I spoke a minute ago.

Mr. O'LEARY. There is one further point on this, Mr. Chairman. The industrial mix as between the various nonferrous metals, in Europe right now, is almost identical to what it was in the United States in 1950. It may well be that Europe is on the verge of a tendency away from the established nonferrous metals, similar to that which has taken place in the United States in the last 3 or 4 years.

Senator CARROLL. Do you not think it is a certainty that it is going to follow that pattern?

Mr. MCCASKILL. I do not think anyone is certain of it. This is a question that is bothering a great many people, as to whether this will take place or not; or whether on the other hand, the situation in the United States, is temporary and we may expect some return to normal consumption.

In 1958, the import quotas, which I mentioned a moment ago, were established. They were based on the average consumption for the previous 5-year period. If we take that period, 1953 through 1957, and take the annual average consumption, and contrast that with the annual average consumption of lead and zinc in 1958, 1959, and 1960, the 3 subsequent years zinc is off by about 85,000 tons, and lead is off about 100,000 tons.

This is one of the reasons why the quotas have not been more effective in giving renewed life to the domestic mining industry.

Senator CARROLL. You may go right ahead.

Mr. MCCASKILL. Projections of demand for lead made as late as 1958, based on population growth, growth in the gross national product, and growth in industrial production, were that lead consumption in the United States for the year 1960 would be a million and a quarter tons. Actual consumption fell short of that estimate by 200,000 tons.

Per capita consumption of lead in the United States over the past decade has declined some 4 pounds, or approximately 25 percent.

Senator CARROLL. I want to interrupt just a moment.

We are pleased to have with us this morning the very able Senator from Oklahoma, Senator Kerr, who has been a leader in this field, who understands it. I do not know whether his purpose is to visit with us this morning, or to give us the benefit of his advice and counsel. We will be happy to have him do either or both.

Does Senator Kerr desire to make a statement at this time?

Senator KERR. If I may just have 2 minutes.

Senator CARROLL. We will be very happy to hear from you.

STATEMENT OF HON. ROBERT S. KERR, A U.S. SENATOR FROM THE STATE OF OKLAHOMA

Senator KERR. I want to thank the distinguished Senator from Colorado for his very kind remarks and the effort of the committee toward obtaining information on this very important and very vexing problem.

I came by for the primary purpose of commending to this committee an Oklahoma citizen who is here, Mr. Tom Kiser, who is a casualty of the principle of being primarily interested in the welfare of foreign producers of lead and zinc. And if the committee sees fit to give him an opportunity, I would be grateful for his having the chance to be heard to present the viewpoint of that hardy tribe of rugged producers who yet survive in the tri-State area of Oklahoma, Kansas, and Missouri.

Senator CARROLL. I want to say to the Senator from Oklahoma that Mr. Kiser is on our list of witnesses. We do want to hear from him. I have read his testimony before the House Committee, on this issue, and I was much impressed by what he had to say. We will be very happy to hear from him, of course, and we are thankful to have the advice and counsel of the able Senator from Oklahoma.

Senator KERR. I thank you. And I have told Mr. Kiser that he could not be more fortunate in the forum before which he is to appear than the membership of this great committee.

Senator CARROLL. I thank the Senator.

You may proceed, Mr. McCaskill.

STATEMENT OF JOSEPH C. McCASKILL—Resumed

Mr. MCCASKILL. I would like to summarize this particular section, and not leave a completely negative notion. There are a good many hopeful signs that lead and zinc may come back into their own markets.

I mentioned the research program going on and the sessions held this week in Chicago in regard to that. And out of that program are coming new products, and they may eventually bring back a renewed growth in the consumption of lead and zinc.

I think it is important that we be very careful in actions we take, both in industry and in Government, to avoid impairing the competitive position of these two metals. Aluminum, which competes principally with zinc, has doubled its consumption in the last decade. Plastics, which compete more especially with lead, have undoubtedly increased even more.

Our own research programs in the Bureau of Mines and the Geological Survey are contributing to lowering costs of exploration, development, mining, milling, and we have the closest relationship with the research program of the industries.

If I may, Mr. Chairman, I should like to turn for a moment to talk about the import quotas, which I think need to be understood and looked at fairly carefully as we think about programs for the development of lead and zinc resources in the United States.

Imports of lead and zinc, as you know, have been restricted by absolute quotas since the 1st of October of 1958. These quotas were

established by executive proclamation pursuant to an escape clause investigation and report by the U.S. Tariff Commission.

A specific quarterly quota has been assigned to each major exporting country. There is a quota for ore concentrates and a separate quota for refined metals.

All of the smaller countries have been grouped in an overall quota assigned to them.

The quotas established by the Presidential proclamation allow each country to export to the United States 80 percent of its average annual competitive exports during the years 1953–57.

Senator CARROLL. On that point: Did the Executive order follow the recommendation of the Tariff Commission?

Mr. MCCASKILL. The Executive order did not follow the recommendation of the Tariff Commission.

Senator CARROLL. What was the recommendation of the Tariff Commission with reference to the percentage?

Mr. MCCASKILL. Three members of the Tariff Commission recommended quotas, and three members of the Tariff Commission did not recommend quotas.

Three members of the Commission recommended quotas, that they hoped would be temporary, of 50 percent of the average annual competitive imports. And those same three Commissioners proposed a maximum increase in the duties, to go along with those quotas.

The other three members of the Commission, as I recall, recommended a return to the statutory rate as the answer.

Senator CARROLL. I know you have been in this field for many years, and I seek information on it. Can the President, by Executive order, modify a ruling of the Tariff Commission?

Mr. MCCASKILL. Mr. Chairman, you are asking questions to which there are not really certain answers. The procedure contemplated is that when there has been a modification of a trade agreement concession, as was the case in the establishment of quotas, that modification would be kept under constant review by the Tariff Commission. And by Executive order, the Tariff Commission is directed to report not later than 2 years after the modification of the concession, and annually thereafter, to report whether or not the competitive conditions faced by the domestic industry have so changed as to warrant less restrictive customs treatment.

In this connection, the Tariff Commission did report the 1st of last October to the effect that conditions had not so changed as to warrant less restrictive treatment.

Senator CARROLL. My question is this: If the Tariff Commission would agree on 50 percent, can the President by Executive order change that to some percentage which he thinks is appropriate?

Mr. MCCASKILL. You mean in the report on the escape clause, if the Commission had said 50 percent, could the President change it as he did? In this instance the Commission recommended quotas of 50 percent; the President changed that to quotas of 80 percent.

Senator CARROLL. I was under the impression there was a Supreme Court decision recently on this, that the President could not do that.

Mr. MCCASKILL. The decision had to do with bicycles, in which the President had proclaimed rates other than those recommended by the Tariff Commission.

The Justice Department maintains that the 1958 Trade Agreements Act makes some difference, and that the decision of the courts with reference to bicycles is not binding with reference to lead and zinc.

Senator CARROLL. I will put it a little more bluntly. I am not criticizing the Executive order, the order under which you are operating. But suppose this happened: Suppose the President would now issue an Executive order along the line recommended by the Tariff Commission. Would that help the situation?

Mr. MCCASKILL. You mean for lead and zinc?

Senator CARROLL. Yes.

Mr. MCCASKELL. Sir, I am not sure whether the President can, without some kind of public hearings, again change the tariff rates on lead and zinc.

Senator ANDERSON. How could this committee be sure? I do not believe you answered what Senator Carroll asked. He asked directly whether the President can change the order. There did not happen to be a unanimous decision. There was three one way and three the other.

Mr. MCCASKILL. Under the law, he may accept the decision of either three as being the finding of the Commission.

Senator ANDERSON. The question, then, as I understood the Senator, was: That being true, where he can accept the recommendation of 50 percent, instead of the recommendation of 80 percent, could he now accept one for 50 percent? And if he had, did he have the right at the time to change from 50 to 80 percent?

Mr. MCCASKILL. You have asked two questions.

Senator ANDERSON. All right. Take them one at a time.

Mr. MCCASKILL. Let me answer the second one first.

Senator ANDERSON. Does the decision of the Supreme Court in the bicycle case change in any way the applicability of what the President did in the lead and zinc case?

Mr. MCCASKILL. The present opinion of the Justice Department is that it does not affect what the President did with regard to lead and zinc.

Senator ANDERSON. Has the Justice Department so found in the published opinion?

Mr. MCCASKILL. We have a letter from them. I am not sure that there has ever been any formal opinion rendered.

Senator ANDERSON. Could the President go back now and put the quota where half the Tariff Commission thought it might be put?

Mr. MCCASKILL. Your second question is whether or not at this time——

Senator ALLOTT. Before we leave this specific question of Executive Authority, which is not answered satisfactorily to me yet, could I ask a question?

Senator CARROLL. I would be very happy to yield; but I would like to follow this through and get it very clear. We do not want to criticize anyone. We are seeking remedial legislation. This is an exploratory hearing.

What I am probing is this: If in the first instance three members of the Commission had a recommendation of 50 percent, now, obviously, the executive branch accepted the concept. But they did not give 50

percent. They gave 80 percent. Having accepted that concept, then the Supreme Court ruling in the bicycle case says they may not change. They can only follow, but they may not change.

Now, perhaps we ought to go back over this plowed ground again and see whether or not—I will not ask you to make a commitment this morning, but think about it—whether or not the President can now go back and do what perhaps ought to have been done in the first place; not 80 percent but 50 percent. And if we can find an answer to this, this may be very helpful.

Senator ANDERSON. That is what I was trying to get to. And in addition to that, he says that this quota is to be reviewed every 2 years. This has run for 2 years.

Mr. MCCASKILL. Every year, now, after the first 2 years.

Senator ANDERSON. I understand that. The 2 years has run, has it not?

Mr. MCCASKILL. It is in its third year.

Senator ANDERSON. Then 2 years must have run.

Mr. MCCASKILL. Yes, sir. And we have had one report.

Senator ANDERSON. That ran out October 1, 1960, did it not?

Mr. MCCASKILL. That is right.

Senator ANDERSON. Now, what, under the law, is expected to happen when the 2-year term expires? Is it not contemplated by the law that if the remedy granted by the President is not sufficient, he shall then make it sufficient? In other words, did not the President throw him a 25-foot rope when it took 40 feet to get to the ship? This quota of 80 percent has not worked. Now, at the end of 2 years, can he look at it again? It is a new President, but it is the office of the President to which I am referring. Can he look at it again and say, "That wasn't enough of a cut. I now make it 50 percent?" Is that not the very purpose of the 2-year review?

Mr. MCCASKILL. It is a little difficult for me to answer that very precisely, but that seems not to have been the concept of Executive Order 10401.

Senator ANDERSON. I am not talking about the order. I am talking about the law. If the law said, "Review it at the end of 2 years, and if it isn't sufficient, you make it sufficient."

Mr. MCCASKILL. The review is under Executive order, and not directed by law, sir, I think. I may say what was done with regard to bicycles is that the President immediately asked the Tariff Commission to hold hearings, to establish a peril point on bicycles, and renegotiate the trade agreement.

Senator ANDERSON. I know, but in our State we are not nearly so interested in bicycles as we are in lead and zinc.

Mr. MCCASKILL. I am suggesting that it would be quite possible for the President to ask the Tariff Commission to hold hearings and establish peril points and renegotiate the trade agreement.

Senator ANDERSON. Have you any idea how long that would take?

Mr. MCCASKILL. In bicycles, it took about 2 months.

Senator CARROLL. The Senator from Colorado asked to make a contribution on this.

Senator ALLOTT. Not until the Senator is through.

Senator ANDERSON. No, I am finished.

Senator ALLOTT. Do I recall the law correctly in this situation: that where you have a split decision—and I am trying to find out what the law is—where you have a split decision, the President can accept the decision of either one of the two groups? Is this correct?

Mr. MCCASKILL. He may say that the finding of either group represents the finding of the Commission. The Court said that he had no authority to deviate from the finding of the Commission. Now, there is a question of whether the 1958 Trade Agreement Act made some modification in that situation.

Senator ALLOTT. All right. Is the law now that in the event we were to have a hearing on lead and zinc—let us not talk about bicycles; I am not any more interested in bicycles than the Senator from New Mexico. If we were to have a hearing on lead and zinc at this time, let us say we had another split decision, and this split decision resulted in another 50 percent. Do I understand the law to be that the President could issue an Executive order of anything above that, but he could not cut below the decision of the Executive order? This is the point that is bothering me.

Senator ANDERSON. He cannot modify at all, can he, under the Supreme Court decision?

Mr. MCCASKILL. If the Court decision is applicable now to concessions modified subsequent to the 1958 Trade Agreements Act, then that would be true. The Justice Department maintains that the 1958 Trade Agreements Act, gave the President authority to make modifications in the findings and recommendations of the Tariff Commission under the escape clause.

Senator ALLOTT. All right. Then may I try to get an answer to this: Is that decision such that the President can accept a modification of that decision, that is, he can issue an Executive order modifying that, but he could not, in this specific instance, if we now had a split decision of 50 percent—he could not go below the 50 percent? He could go above 50 percent, but not below. Is this true, or not? This is a point that I want to get straightened out.

Mr. MCCASKILL. I do not know the answer, Senator, but I believe that the President could, under existing law, make almost any modification in the recommendation of the Tariff Commission that he chose. His only obligation is to inform the Congress.

Senator CARROLL. I think it might be well to have in the record at this time a study of that, with perhaps an opinion from the Solicitor of the Department of Interior. Let us find out about this. Explore if you will, to see if there can be a change in this Executive order. Instead of reasons for not doing it, let us find reasons for doing it, if we can, if this will help this industry.

Mr. MCCASKILL. We believe that it is possible for the Executive to renegotiate the trade agreement and make such modifications in that as seem desirable.

Senator CARROLL. And this is a question of time.

Mr. MCCASKILL. That would require a hearing by the Tariff Commission in order to establish the peril point before a trade agreement could be negotiated.

Senator ANDERSON. That is a very long process, which some of us have been through, and it is very unsatisfactory. But what we would like to have along with that is a statement of whether the President

can now, in view of the Supreme Court decision in the bicycle case, modify the 80-percent finding to a 50-percent finding.

The lead and zinc case was started prior to the Trade Agreements Act of 1958. It was in the works for some many years prior to that. A decision was reached under that prior pleading, of whatever nature it might be.

Mr. McCaskill. No, the quotas were imposed subsequent to the 1958 trade agreements legislation.

Senator Anderson. I understand that, too. I know how the calendar works. The decision was announced and the quotas were established in 1958. The Trade Agreements Act was passed earlier than that in 1958. But the lead and zinc case was started earlier than that. That is all I am trying to establish.

Senator Carroll. There is one other factor. S. Res. 62 was passed last year which ordered the Tariff Commission to look into this situation.

Mr. McCaskill. The Tariff Commission made an extensive investigation pursuant to this resolution, sir. This was a factfinding investigation.

Senator Carroll. And did not the Tariff Commission find some injury to this industry since 1958?

Mr. McCaskill. I think they would find that injury was continuing.

Senator Carroll. My point on this is that as a result of these investigations, these hearings, these Senate resolutions, it seems to me we have already accumulated an awful lot of information on this condition, and the injury has been, as you say, continuing.

Mr. McCaskill. I think that the hearings to which I have been referring would not be primarily for the purpose of finding whether there was injury. I think there has been a series of unanimous findings to that effect. I think that a change in a tariff rate entitles people to be heard, and I think that the procedure would call for some kind of a hearing before any action would be taken by the executive branch to modify the customs treatment.

Senator Carroll. I thank you for your opinion.

Now will you proceed, please?

Senator Allott. Mr. Chairman, at this point of interruption, might I suggest that since I at least am still in a state of confusion about this, I wonder whether it might not be wise, or could I suggest that it might be wise, to call the counsel of the Tariff Commission and get the answers on some of these legal points.

Senator Anderson. I was going to suggest a moment ago that we try to have the counsel for this committee and the counsel for the Department of Interior and the counsel for the Tariff Commission to see if he cannot give us something definitive.

Mr. McCaskill. It would be an excellent idea.

Senator Anderson. I do not know how they get any comfort out of the 1958 act. What the President did, he did under the provisions of the 1958 act. The 1958 act was reported by the Finance Committee. It says that the President can do this, or this, or this. And the President decided, under the 1958 act, to go by quotas.

Now, how the Department of Justice changes it around, or what it says about it, I do not know. But whatever he did, he did under the

very act we are talking about. So I do not know what comfort it brings.

I would like to see the counsel for the Commission. I think it would be helpful if the staff of the committee and any administrative assistants of members of this committee who have legal experience and others can get into it. We might be able to find out, then, where we stand at the present time.

I am just as confused as the Senator from Colorado says he is, if not more so.

Senator CARROLL. I think we might get someone in Interior and someone in the Justice Department and let them sit with our own counsel and see if they cannot come up with something. They can notify me, and I will in turn notify the chairman. And if the committee decides to spend a day, we will do it.

(Subsequently, the following memorandum was submitted by the staff members in response to the requests for further clarification:)

MEMORANDUM

To: Senator John A. Carroll (carbon copy, Senator Clinton P. Anderson).
From: Stewart French, chief counsel; Robert P. Dwyer, professional staff member.
Subject: Authority of President to modify Tariff Commission findings and recommendations.

At our exploratory hearings on domestic lead and zinc production on May 4 and 5, the subcommittee instructed the committee counsels to confer with lawyers of the Tariff Commission and other agencies of the executive branch concerned with administration of the Trade Agreements Act on the authority of the President to modify recommendations with respect to quota and rates of duty (p. — of the May 4 hearing).

That is, must the President either accept or reject the Tariff Commission's findings and recommendations based thereon, or does he have a blank check under the Trade Agreements Act to set rates and quotas as he sees fit?

The provision of the Trade Agreements Act in question is section 7, found with the critical 1958 amendment in 19 U.S.C. 1364. It is recommended that this section, the text of which is attached hereto, be incorporated into the printed record of our hearings.

The 1958 amendment can be considered critical in the light of the *Bicycle* case (*Smith Pritchard and Co.* v. *U.S.*, 167 Fed. Sup. 272), which held that the President was restricted to accepting or rejecting, in toto, the Commission's recommendations. A digest of the case is attached.

Accordingly, Robert Dwyer, Allen Mitchem and I met in the office of Paul Kaplowitz, General Counsel of the Commission, and the following, inter alia: Walter Hollis, Department of State; Jack Shallet, Department of Commerce; Allen Rosenthal, Department of Justice; and Edward Rains, Treasury Department.

Led by Mr. Kaplowitz, all the executive branch lawyers affirmed the conviction that the President does have the discretionary authority in question under the 1958 amendment to section 7. (The customs court had held in the *Bicycle* case that under the law as it was then, prior to 1958, there was no such discretion.)

The language relied upon for the discretionary authority is that of section 7 (19 U.S.C. 1364) which now states in pertinent part:

"(c) (1) Upon receipt of the Tariff Commission's report of its investigation and hearings, the President may make such adjustments in the rates of duty, impose such quotas or make such other modifications *as are found and reported by the Commission* to be necessary to prevent or remedy serious injury to the respective domestic industry. * * * (Emphasis supplied.)

"(2) The action so found and reported by the Commission to be necessary shall take effect—

"(A) if approved by the President, or

"(B) if disapproved by the President *in whole or in part* upon the adoption by both Houses of Congress * * * (Emphasis supplied.)

The provision authorizing disapproval "in whole or in part" was added by the 1958 provision, and is considered by the executive spokesmen as giving the President the blank check powers previously denied by the court.

With respect to this contention, the findings of the customs court in the *Smith Pritchard* (bicycle) case appear apposite. The court said on the self-same issue under the pre-1958 language:

"It is of historic significance and importance that when Congress has intended to endow the Chief Executive with power and authority to exercise independent judgment designed to modify the tariff structure, it has done so in clear and explicit terms. This is illustrated by the following citations:

(Citing statutes and case holdings.) (167 Fed. Sup. 279 et seq.)

Nowhere in either the House or Senate Committee reports, nor in the conference report on H.R. 12591, 85th Congress, the measure that became the 1958 amendments to the Trade Agreements Act, is there any mention or suggestion that the changes under consideration were to endow, or were intended to endow, the Chief Executive "with power and authority to exercise independent judgment designed to modify the tariff structure."

CONCLUSION

It is the conviction of the attorneys for the executive branch that the President does have blank check authority to modify the tariff structure as a result of the 1958 amendments if, as the customs court said, he did not have it before.

It is the conviction of the committee attorneys that a phrase in a subparagraph of a subsection of an amendment to the Trade Agreements Act does not constitute the "clear and explicit terms" which the court found necessary if the President were to be endowed "with power and authority to exercise independent judgment designed to modify the tariff structure."

Therefore, it is recommended either that:

(*a*) the domestic lead and zinc industry find a way to make a test in court of the President's action in disregarding the findings and recommendations of the Tariff Commission and substituting his own judgment to modify the tariff structure; or

(*b*) the Congress enact legislation interpreting subparagraph (B) of paragraph (2) of subsection (c) of section 7 of the Trade Agreements Act.

STEWART FRENCH.

Attachments.

SECTION 1364. OPERATION OF ESCAPE CLAUSE

INVESTIGATIONS; HEARINGS AND RECOMMENDATIONS; PUBLICATION OF FINDINGS AND RECOMMENDATIONS

(a) Upon the request of the President, upon resolution of either House of Congress, upon resolution of either the Committee on Finance of the Senate or the Committee on Ways and Means of the House of Representatives, upon its own motion, or upon application of any interested party (including any organization or group of employees), the United States Tariff Commission shall promptly make an investigation and make a report thereon not later than six months after the application is made to determine whether any product upon which a concession has been granted under a trade agreement is, as a result, in whole or in part, of the duty or other customs treatment reflecting such concession, being imported into the United States in such increased quantities, either actual or relative, as to cause or threaten serious injury to the domestic industry producing like or directly competitive products.

In the course of any such investigation, whenever it finds evidence of serious injury or threat of serious injury or whenever so directed by resolution of either the Committee on Finance of the Senate or the Committee on Ways and Means of the House of Representatives, the Tariff Commission shall hold hearings giving reasonable public notice thereof and shall afford reasonable opportunity for interested parties to be present, to produce evidence, and to be heard at such hearings.

Should the Tariff Commission find, as the result of its investigation and hearings, that a product on which a concession has been granted is, as a result, in whole or in part, of the duty or other customs treatment reflecting such concession, being imported in such increased quantities, either actual or relative,

as to cause or threaten serious injury to the domestic industry producing like or directly competitive products, it shall recommend to the President the withdrawal or modification of the concession, its suspension in whole or in part, or the establishment of import quotas, to the extent and for the time necessary to prevent or remedy such injury. The Tariff Commission shall immediately make public its findings and recommendations to the President, including any dissenting or separate findings and recommendations, and shall cause a summary thereof to be published in the Federal Register.

DETERMINATION BY TARIFF COMMISSION; FACTORS CONSIDERED

(b) In arriving at a determination in the foregoing procedure the Tariff Commission, without excluding other factors, shall take into consideration a downward trend of production, employment, prices, profits, or wages in the domestic industry concerned, or a decline in sales, an increase in imports, either actual or relative to domestic production, a higher or growing inventory, or a decline in the proportion of the domestic market supplied by domestic producers. Increased imports, either actual or relative, shall be considered as the cause or threat of serious injury to the domestic industry producing like or directly competitive products when the Commission finds that such increased imports have contributed substantially toward causing or threatening serious injury to such industry.

ADJUSTMENT BY PRESIDENT; REPORT TO CONGRESS; EFFECTIVE DATE OF ACTION TO PREVENT OR REMEDY INJURY

(c)(1) Upon receipt of the Tariff Commission's report of its investigation and hearings, the President may make such adjustments in the rates of duty, impose such quotas, or make such other modifications as are found and reported by the Commission to be necessary to prevent or remedy serious injury to the respective domestic industry. If the President does not take such action within sixty days he shall immediately submit a report to the Committee on Ways and Means of the House and to the Committee on Finance of the Senate stating why he has not made such adjustments or modifications, or imposed such quotas.

(2) The action so found and reported by the Commission to be necessary shall take effect (as provided in the first sentence of paragraph (1) or in paragraph (3), as the case may be)—

(A) if approved by the President, or

(B) if disapproved by the President in whole or in part, upon the adoption by both Houses of the Congress (within the 60-day period following the date on which the report referred to in the second sentence of paragraph (1) is submitted to such committees), by the yeas and nays by a two-thirds vote of each House, of a concurrent resolution stating in effect that the Senate and House of Representatives approve the action so found and reported by the Commission to be necessary.

For the purposes of subparagraph (B), in the computation of the 60-day period there shall be excluded the days on which either House is not in session because of an adjournment of more than 3 days to a day certain or an adjournment of the Congress sine die.

(3) In any case in which the contingency set forth in paragraph (2)(B) occurs, the President shall (within 15 days after the adoption of such resolution) take such action as may be necessary to make the adjustments, impose the quotas, or make such other modifications as were found and reported by the Commission to be necessary.

PUBLICATION OF TARIFF COMMISSION'S FINDINGS AND CONCLUSIONS

(d) When in the judgment of the Tariff Commission no sufficient reason exists for a recommendation to the President that a concession should be withdrawn or modified or a quota established, it shall make and publish a report stating its findings and conclusions.

DEFINITIONS

(e) As used in sections 1352 (a), (c), 1354, and 1360–1367 of this title, and section 624(b) of Title 7, the terms "domestic industry producing like or directly competitive products" and "domestic industry producing like or directly com-

petitive articles" mean that portion or subdivision of the producing organizations manufacturing, assembling, processing, extracting, growing, or otherwise producing like or directly competitive products or articles in commercial quantities. In applying the preceding sentence, the Commission shall (so far as practicable) distinguish or separate the operations of the producing organizations involving the like or directly competitive products or articles referred to in such sentence from the operations of such organizations involving other products or articles.

IMPOSITION BY PRESIDENT OF DUTIES NOT IN EXCESS OF 50 PER CENTUM AD VALOREM

(f) In carrying out the provisions of this section the President may, notwithstanding section 1351(a)(2) of this title, impose a duty not in excess of 50 per centum ad valorem on any article not otherwise subject to duty. June 16, 1951, c. 141, § 7, 65 Stat. 74; Aug. 7, 1953, c. 348, Title I, § 102, 67 Stat. 472; June 21, 1955, c. 169, §§ 5, 6, 69 Stat. 166; Aug. 20, 1958, Pub. L. 85-686, §§ 5 (a), (b)(1), (c), 6, 72 Stat. 676.

Schmidt Prichard v. *U.S.*

(167 Fed. Sup. 272 (October 1958))

IN U.S. CUSTOMS COURT (CERTIORARI DENIED, SUPREME COURT)

President, in 1955, issued proclamation increasing duty rates on bicycles, which rates differed from the rates found and recommended by the Tariff Commission, pursuant to Section 7(a) of the Trade Agreements Extension Act of 1951 (19 U.S.C.A. 1364(a)). The President increased the rates from 7½ percent ad valorem to 11¼ percent, whereas Commission had recommended not less than 22½ percent nor more than 30 percent.

The Court held (page 279):

"It is of historic significance and importance that when Congress has intended to endow the Chief Executive with power and authority to exercise independent judgment designed to modify the tariff structure it has done so in clear and explicit terms * * *

(Citing examples.)

"It seems clear from the language of section 7(c) of the Extension Act that 'such adjustments in the rates of duty' which the President may make are the such adjustments as were found and reported by the Tariff Commission * * *

"(7) The foregoing considerations based upon references in statutes in pari materia lead inescapably to the conclusion that section 7(c) of the Extension Act, supra, in terms directs the President to make adjustments or modifications found or reported by the Tariff Commission, or reject them.

* * * * * * *

"The point is, as indicated above, that if the President does not accept the findings of the Commission, he should reject them, not compromise them."

(There was a dissent by Judge Ford on the issue of the President's authority to modify, rather than accept or reject, the Commission's findings and recommendations.)

Senator CARROLL. Will you proceed?

Mr. MCCASKILL. I will try to move a little more rapidly.

Mr. Chairman, I was trying to give a little bit of the background on the quotas, which are severely criticized by at least two groups, those who think they are overly restrictive, and those who think they are not restrictive enough.

Many representatives of the domestic industry, of course, characterize them as failures, because domestic mine output is not back to the levels of 1955 and 1956.

I think it is fair to say that had consumption of lead and zinc in the United States, since the establishment of the quotas, remained as high as the average of the previous 5 years, the situation today would be quite different.

I mentioned a moment ago that consumption in the past 3 years, as compared with the previous 5 years, which was the base on which the quotas were established—that for zinc, consumption is 85,000 tons off yearly, and for zinc 100,000 tons off.

The quotas were never intended to be permanent. It was expected that at the end of the 1957–58 recession, we would see sharply mounting requirements for these two metals, and that the quotas could be quickly withdrawn. The anticipated rise in demand never fully materialized.

Surplus stocks of lead now accumulated outside of the United States total approximately 125,000 tons. Much of this would probably have come to the United States in the absence of the quotas. If these stocks outside of the United States are removed, and mine and smelter production reduced below normal industrial demand, it is possible that lead quotas will no longer be required to hold off imports. Presumably the Tariff Commission will consider such developments as it maintains a continuing review over the need for quotas.

The zinc metal quotas have not been filled in any of the past four quarters.

Incidentally, 70 percent of the imports of zinc come in in the form of ores and concentrates, which our own smelters process.

The quotas for zinc ores have been filled regularly. In fact, during 1960, U.S. zinc smelters imported some 90,000 tons of concentrates in excess of the quotas, which they smelted in bond and reexported, principally to Europe.

There are currently no surplus stocks of zinc outside of the United States, and probably no real incentives to foreign producers to export additional quantities to the United States, unless we have a much better price than seems likely now.

Senator ANDERSON. You said something about some quota not being filled, and then some quota being filled?

Mr. MCCASKILL. The zinc metal quota has not been filled for the last four quarters. The zinc ore quota is regularly filled. The lead quotas are generally filled.

Senator CARROLL. I want you to go back into the lead situation and tell us what you have previously testified about lead, if you will, with respect to surplus stocks.

Mr. MCCASKILL. Yes, sir.

There are currently outside of the United States about 125,000 tons of lead in surplus stocks held by producers. We are proposing, Mr. Chairman, to try to pick up those stocks under a barter program.

I shall be glad to talk about that a little bit, because just yesterday the Department of Agriculture made an announcement to this effect. It was our hope that we could use the barter program for surplus agricultural commodities to bring about reductions in mine and smelter output by foreign producers, in return for which we would pick up their stocks under a barter arrangement. This would give opportunity for the domestic industry to liquidate some of its stocks in the United States and give some moderate lift to price and to demonstrate mine production.

Senator ANDERSON. If you put 125,000 tons of new lead in the United States outside the quota, what does that do to the lead miner in the United States?

Mr. McCaskill. Under the barter arrangement, this would come in in addition to the quota, and would go into the supplementary stockpile provided by Public Law 480.

Senator Anderson. Then they will release that later on?

Mr. McCaskill. We hope not, sir.

Senator Bible. Might I ask a question on exactly the same point, Mr. Chairman? Because this has constantly come up before the Congress, and it has constantly come before this committee.

If you take this much lead and zinc off of the world market and put it in the stockpile, even by virtue of this barter program, do you not in effect encourage the producers overseas to mine more lead and zinc? I have never been quite clear on the departmental position on this particular point. It comes up in almost every session.

Mr. McCaskill. Let me recount, Senator, what has actually happened.

Last fall, at the International Lead-Zinc Study Group meeting in Geneva, the United States announced that it was prepared to consider proposals to acquire by barter surplus lead stock of foreign producers if those producers were willing to reduce output and sales, and we could be assured around the world of reduction in mine and smelter output below the levels of anticipated consumption.

This announcement was repeated at Mexico City last March at another meeting of the International Lead-Zinc Study Group.

There have been indications of willingness to undertake such programs. Producers in Australia have indicated their willingness to make substantial cutbacks in mine production, in smelter production, and in commercial sales, in return for the bartering of their existing stocks. Producers in Canada have indicated interests of the same sort. We have had interest manifested by producers in two or three other places.

Senator Bible. Is this a voluntary cutback that you are describing?

Mr. McCaskill. These are voluntary cutbacks; except that we have agreed that there will be no barter unless these cutbacks are made, and unless the cutbacks projected are sufficient to bring the output of lead and zinc below levels of anticipated demand.

Now, as a result in part of the offer of the United States to barter, at the Mexico City conference the governments representing the major producing nations in the world undertook to reduce mine output for 1961 some 70,000 tons under 1960, and smelter production some 85,000 tons under 1960.

This, in relationship to expected growth in consumption in 1961, would give us a deficit, worldwide, of about 80,000 tons. In other words, the projected output in 1961 would be some 80,000 tons less than anticipated consumption, worldwide.

This should give a firmness to the world markets and should give opportunity for some drawing down of stocks in the United States and some moderate increase in price and a moderate upturn in mine production in the United States.

Senator Bible. Have you had a background of experience in bartering of surpluses overseas?

Mr. McCaskill. Our previous experience was that the bartering for lead and zinc tended to perpetuate excess production in the world.

Senator BIBLE. That is what I thought. Your past experience in attempting to barter off surplus grains for world lead and zinc, if anything, just brought more lead and zinc into world production.

Mr. MCCASKILL. And it was for that reason that nearly 2 years ago we asked the Department of Agriculture to remove lead and zinc from the barter list entirely.

Senator BIBLE. Why are you going back to it now? I am not quite clear on this, except that you have an agreement that they are going to voluntarily cut back their world production.

Mr. MCCASKILL. Yes.

Senator BIBLE. Is this an enforceable agreement?

Mr. MCCASKILL. There is no way of enforcing this; no, sir. We have every reason to believe these are responsible concerns that are making these statements. They are making public statements. They are making statements to their governments. And we have no reason to believe that they will not be lived up to.

Senator BIBLE. I am happy to credit good faith, but with such bad experience in the past, I wonder why you think it is going to work out now.

Mr. MCCASKILL. In the past we had no such understanding, and we had no forum in which these things were discussed.

Senator BIBLE. How many tons of each did you say you planned taking off the world market?

Mr. MCCASKILL. I made the statement that there are about 125,000 tons that we know about.

Senator BIBLE. Is this combined lead and zinc?

Mr. MCCASKILL. No; this is just lead. There are no zinc stocks to speak of, outside of the United States. They are mostly in the United States. And we have not added zinc to the barter list, but have only put lead on. And there is to be no contract until the Department of the Interior certifies that this particular lead is eligible for barter on the basis of these reductions.

Senator BIBLE. How far along has this barter program progressed? Are you about ready to effectuate it?

Mr. MCCASKILL. We have certified to Agriculture one barter——

Senator ANDERSON. 90,000 tons?

Mr. MCCASKILL. No; we have certified one lot of 45,000 tons to Agriculture. We are pretty near agreement with another producer for another 45,000 tons.

Senator ANDERSON. The Broken Hill Co. of Australia and the Consolidated Mining Co. of Canada? Are those the two firms?

Mr. MCCASKILL. That is right.

Senator ANDERSON. Is this binding in any way on them that they reduce, or anybody else? You speak of an agreement. It is just a conversation, is it not?

Mr. MCCASKILL. Well, this is an agreement.

Senator ANDERSON. Is it a binding international agreement?

Mr. MCCASKILL. No, sir. I would say not.

Senator ANDERSON. Then is it not just a conversation?

Mr. MCCASKILL. It is a little more than a conversation, in that it is an announcement in an international forum and made by the governments of those countries.

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Senator ANDERSON. But the government does not control those mines, does it?

Mr. MCCASKILL. No, sir. I have said that this is not an enforceable agreement. The only thing we can enforce is that they do not get a chance to barter unless they do agree. And when they agree on certain reductions, we have to depend on good faith.

Senator ANDERSON. We know it is not an international agreement, and you say it is not a binding agreement. Now, it is not about conversation?

Mr. MCCASKILL. Well, we have letters; we have statements recorded in the International Lead-Zinc Study Group with regard to the announcements made by governments.

Senator BIBLE. I appreciatee your question. I only have a couple more on this point. I do not want to unduly prolong this.

Senator CARROLL. I think this is very important. If you will yield for a moment, the thought occurs to me: Who pays these companies? Their own government, or ours?

Mr. MCCASKILL. Who pays them for the lead? The Commodity Credit Corporation of the U.S. Government. This is a part of the barter program pursuant to Public Law 480.

Senator BIBLE. You actually pay them with grains, do you not?

Mr. MCCASKILL. In grain.

Senator BIBLE. At what price do you acquire this 45,000 tons of lead through a Canadian company? Where do you peg the price? World market? Is this how you arrive at it?

Mr. MCCASKILL. I would like to say that we in Interior have tried to stay completely out of any of the details of barter contracts. This is part and parcel of the barter program carried on by the Department of Agriculture. We have had no part in reviewing prices or other conditions. We have simply certified that lead from this particular source would be eligible for barter.

Senator BIBLE. Simply to pursue the question, because I think it is important, and I think it would be important to the U.S. Government to know what price they are paying for lead—I mean I do not know how much you are ultimately paying on this. I understood you to say that you did not have the answer. Maybe you do.

Mr. MCCASKILL. The answer is not yet available, in the sense that there have not been contracts negotiated. We have certified to the Department of Agriculture 45,000 tons from Broken Hill.

Senator BIBLE. At what price?

Mr. MCCASKILL. We have not included any price. We have simply made this lead eligible for barter. And this is subject to the Department of Agriculture's barter rules. There has been no shift in the regulations, criteria, and so on, by which the Department of Agriculture carries on its barter program. We have merely, so far as we are concerned, certified to the Department of Agriculture that these people have complied with the conditions that we announced in the international forum and, therefore, their lead is eligible for barter.

Senator BIBLE. Somebody somewhere along the way must determine what price.

Mr. MCCASKILL. Oh, yes.

Senator BIBLE. Who does this?

Mr. McCaskill. The Department of Agriculture.

Senator Bible. And have they done it in this exchange which you say has been certified for Interior?

Mr. McCaskill. Not as yet. There are negotiations, or they will take place very shortly, between the representatives of the companies and the Department of Agriculture. The announcement just came out yesterday, so that actually no contract negotiations have started. There have been some informal talks.

Senator Bible. There must be somebody in Government who is going to be able to supply the answer to this question. That is all I am trying to find out, at what price you are going to acquire this lead. There must be somebody who gives us this answer.

Mr. McCaskill. I suspect it will be subject to negotiation. This may be a point at which the whole business will bog down. I am not sure.

Senator Anderson. Does not the Department of Agriculture depend upon the Department of the Interior to tell them what price it ought to be under 480?

Mr. McCaskill. No; I think they depend largely on General Services Administration, sir.

Senator Anderson. Who does the General Services Administration depend on?

Mr. McCaskill. You mean for prices, and so on?

Senator Anderson. Yes; it comes right back to the Department of the Interior.

Mr. McCaskill. They do all the buying of minerals and metals for the stockpile, and they are in a better position to determine prices on this than we are.

Senator Carroll. I would like to ask another question along this line.

This 45,000 tons is supplied by a particular company; is it not? If I understood the question put by the Senator from New Mexico, it comes from a particular company. Is that not so?

Mr. McCaskill. This would come from a group of companies, in so far as Australia is concerned.

Senator Carroll. I am not clear about the payment to those companies. The grain is not going to the company. The grain is going to a government; is it not?

Mr. McCaskill. This is all done in private channels under the law. It is done by commission brokers, who take grain and sell it in places where Agriculture says it can be sold, and they buy lead in the areas where this is specified.

Senator Carroll. The purpose of my question is this: There must be some enforcement sanction. If we are going to have any sort of control over these companies who are going to produce—if I understood Senator Bible's question—we should have more than good faith. Could we do this by contract in some way and let the government enforce that contract, if necessary? This is a contract subject to negotiation.

Mr. McCaskill. The Government of the United States?

Senator Carroll. No; the government where the lead comes from. Unless you are not dealing with the government at all; unless you are just dealing with brokers on both sides. Here you have a Cana-

dian company, and you have an Australian company. Is there no enforcement sanction by the Government itself, of either Canada or Australia, upon these people to see whether they are living up to their agreements? Why do we have to depend merely on faith? That is the question I want to put.

Mr. McCaskill. I suspect that the Governments of both Australia and Canada would not want to undertake enforcement of this kind. I doubt that they have authority to require compliance by their producers. I think we, ourselves, would expect to keep some tabs on it, but I think that there is not much that can be done. Once the grain is sold and we take delivery of lead, we really have no way to compel compliance with the agreement on the other end, as I see it.

Senator Carroll. If I may follow this thing through: As I understand, the companies within Australia are supplying the lead, and the Australian Government is taking our grain. This is a barter agreement; is it not?

Mr. McCaskill. I am not sure the grain will go to Australia.

Senator Carroll. I see. Then you are really not dealing with a government. You are dealing with brokers.

Mr. McCaskill. These are private transactions.

Senator Carroll. Then what good are international agreements? You are dealing with brokers, with commissionmen.

Mr. McCaskill. I would not like to characterize these as international agreements. There are no agreements between Governments in regard to this.

Senator Anderson. Is it not a fact that all this is a private sale from private holdings in other countries which will wipe out the surplus stocks in other countries and leave this country with its surplus stock? Reduced to its simplest terms, that is all it is, is it not? We are just going to skim off the world market 90,000 tons of the hundred thousand tons in surplus and leave the Canadians and Australians in good shape and leave the mines in New Mexico closed.

Mr. McCaskill. That is in its worst aspect. That could very well happen.

Senator Anderson. It not only could very well happen. It happened before. And if you read history, if you do not learn by the mistakes that have taken place before, you do not get much good out of it. We know what this does. This effectively cures the problem for Australia and Canada and leaves our mines closed.

Mr. McCaskill. I think we have to distinguish this from what has happened before.

Senator Anderson. In what way?

Mr. McCaskill. In the sense that we do have, first of all, an international forum in which Governments have indicated what producers in their countries are expecting to do.

Senator Anderson. But you have testified that the Government has nothing to do with this, when you get down to it. You realize they have not. We are going to skim off the supplies that a couple of companies have. How does the Government enter into that?

Mr. McCaskill. The governments of these countries have announced that their producers expect to reduce their mine and smelter output.

Senator Anderson. Then I can say the Canadian Government has no authority to cut down the output of the mines, has it?

Mr. McCaskill. I think you are right; yes.

Senator Anderson. I am sure you think I am right. I know I am right. What about Australia? Can you quote me any such law in Australia?

Mr. McCaskill. No.

Senator Anderson. So the Government has nothing to do with it. This is just conversation, is it not?

Mr. McCaskill. Yes; I think it is.

Senator Anderson. I am glad we finally got to that.

Senator Miller. I would like to pursue this one step further. What country is this 45,000 tons that this has been certified to?

Mr. McCaskill. Australia.

Senator Miller. Now, let us suppose that this goes through and that the mining people in Australia do in fact live up to their agreement. That would not necessarily mean, though, that the world surplus would be reduced by 45,000 tons, because would it not be possible for the Canadian mining companies to say, "Well, we are not going to enter into any barter agreement. We are just going to increase our production to make up for the slack in Australia." So does it not boil down to a case where you have almost got to have all interested countries participating in this barter arrangement if you want to achieve the purpose?

Mr. McCaskill. We think actually we have all of the major producing countries participating in it. Most of them do not have surplus stocks but have agreed not to take advantage of this situation; and, in fact, in most instances have expressed indications or have said that they would reduce their own output somewhat.

Senator Miller. When you say they have agreed, what form does that agreement take?

Mr. McCaskill. Let me just review briefly the development of the International Lead-Zinc Study Group, which I think might help us to get at this just a little bit, because there is a little history here. As early as 1959, in these international meetings, there were undertakings to limit the commercial sales of zinc. Every company, so far as we know—and I think the evidence is pretty good—did live up to what they said they were going to do. So I think we have reason to believe, after some 2 years of experience, that producers are really grappling with this problem of excess supply and are anxious to do something about it, and they are serious in what they are saying and not trying to pull a fast one.

Senator Anderson. Yes, but the ultimate result of it is this: That all we do is relieve the Department of Agriculture of some of its surplus stocks, upon which we are paying lots of storage, and bring back into the country some lead and zinc that is easier to store. It does not have anything to do with the domestic mining in the United States, does it? The Department of Agriculture has this awful million and a half dollars a day storage charge.

Mr. McCaskill. This is done as a condition to a reduction by the producers outside of the United States of their mine and smelter output to a point some 75,000 tons under anticipated demand.

Senator Anderson. You were in the Department, were you not, when we started the other barter arrangements?

Mr. McCaskill. Yes, sir.

Senator ANDERSON. Why were they abandoned? Was it not because we found out when we skimmed off all their surplus production, they said, "Now we can really go ahead and produce"? And we found a firm in Africa financed out of the United States that just produced tremendous amounts. To be sure, some firm in Australia might have cut down a few pounds. But elsewhere in the world they really built it up. And our lead and zinc industry got in worse and worse shape. So we stopped bartering. Now we are going to start it again.

Mr. MCCASKILL. This is a one-shot affair. This will not be continued. The termination date for offers under this is May 15.

Senator ANDERSON. It is like the fellow who only had one glass of whisky, but they kept filling it up.

Senator BIBLE. Right on this one point, not on the whisky point, but on the lead and zinc: We are all interested in trying to help the domestic lead and zinc industry. I assume this is the responsibility with which your Department is charged, to help the domestic lead and zinc producers.

Now, in reaching this barter determination, did you call in the domestic lead-zinc producers of the United States and sit them down around the table and say, "Men, miners, producers, do you think this is going to help you?" Did you solicit industry suggestions or support for this program? Because I should think that would be very important. We are interested in helping them. I am sure you are interested in doing the same thing.

Now, I am completely confused as to whether this does help them or does not help them. I think history shows it did not help them before. I have some doubts as to the future. But did you solicit their views in arriving at this determination before you certified this 45,000 tons over to Agriculture, as far as the Australian barter was concerned? How did you arrive at this decision?

Mr. MCCASKILL. In all of the international consultations that we have had on lead and zinc, the industry of the United States in its various segments has had advisers. Representatives of the industry have attended each meeting. These are meetings of Governments, and Governments take responsibilities for decisions, but we ask advice of industry. I would not like to say that all of the industry supported this particular decision of the Government to barter. It was taken after advice by the industry people, some of whom supported it and some of whom did not. Some were skeptical of it; some had hope in it.

No industry man has any responsibility for this decision. This was a Government decision. But I would like to say that we have had able representatives of industry participating fully with us in all of the international consultations that we have had since the first one in the fall of 1958.

Senator CARROLL. Why is this a one-shot affair? What do you mean by one-shot?

Mr. MCCASKILL. We were hoping in this program to achieve a correction of the imbalance which has existed between world supply and world requirements for lead. We have been producing an excessive quantity year after year. Stocks have accumulated, partly as a result of decisions to withhold from the market in an effort to firm up the price—decisions which were taken in the International Lead-Zinc Study Group.

The barter program is to remove the stocks and to get production cut back to where it is in balance with demand. Having done that, we should like to get out of the barter business completely, once and for all, so far as lead and zinc are concerned.

Senator CARROLL. Do you think that these two transactions would give the stability that you want?

Mr. MCCASKILL. We should pick up a little bit more. There are probably 15,000 to 20,000 or 25,000 tons additional that we are hopeful we can pick up also, and lift it completely off the market, so that the only burdensome stocks bearing down on the market would be those in the United States.

Senator CARROLL. Then is it your opinion, if you did this, if you went through this barter program, this would give stability, providing the private producers also kept their word about holding down production? Is this your idea?

Mr. MCCASKILL. This would contribute to that objective. I am not sure that there is any single solution anywhere to the complex problems, but this would contribute to an improvement of the world market for lead. It would get production back again in line with requirements. And I think it will afford an opportunity during the next 12 months for some improvement in the domestic situation in terms of drawdown of stocks, some increase in mine production, and some improvement of price.

Senator CARROLL. Are the productive capacities of both Canada and Australia sufficiently great that they can create an imbalance in the market?

Mr. MCCASKILL. Oh, yes.

Senator CARROLL. With respect to these two countries, then, have Government officials met with you?

Mr. MCCASKILL. Meetings of the Lead-Zinc Study Group are meetings of governments.

Senator BIBLE. May I ask a question at that point, Mr. Chairman?

It seems to me that this barter program that you are developing and testifying to right now is primarily for the benefit of the Australian mining company and the Canadian mining company and the Commodity Credit Corporation within the United States. I am wondering if consideration has been given to writing something in the bartering agreement that would say something straight up to the effect that if the U.S. Commodity Credit Corporation takes 45,000 tons of lead from the Canadian company, or the Australian company, for and in consideration of the U.S. Government doing that, these companies will agree to make certain definite, specified cutbacks in future production.

Mr. MCCASKILL. I think, in effect, that is done. The contract will recite the agreements, the undertakings of the companies that are applying for the contract.

Senator BIBLE. The reason I suggest that, which you undoubtedly have explored, is that each of these mining companies certainly benefit by having 90,000 tons taken off of their hands in surplus stock. Now, in consideration for that, it would seem to me that it should be spelled out that they are definitely, a, b, c, d, going to cut back their production in the future, over 5 months or 6 months or 12 months, or whatever the indicated figure is.

I do not know if this is the way this works or not.

Mr. McCaskill. Let me say that it is not anticipated that this is additional to, over and above, or different from, the ordinary barter program. The Department of Agriculture carries on a barter program of some dimensions, and this is simply making lead eligible for barter. Nothing else has happened, insofar as the barter program is concerned. This is not a substantial increase. This will be lead instead of chrome or diamonds or something else.

Senator Bible. Even so, I am primarily interested, and I am sure this hearing is directed to trying to help the domestic lead and zinc producer. I think you are charged with the responsibility, before you certify everything over in Agriculture, to be sure that you do not certify everything over there that is in effect going to be harmful to domestic producers.

Mr. McCaskill. We would not have undertaken this program, Senator, had we not believed that it could be used for the ultimate benefit of the U.S. industry. We recognize that it may be a windfall in part to these companies.

Senator Anderson. Do you not also recognize that there are bartering provisions started in an attempt to barter surplus grains of our country for strategic materials, for materials we could not produce here at home? That is not what the lead and zinc situation is at all. I think if this is to be done, it ought to be signed with soft music being played, and I would suggest a song called, "The Second Time Around." We have all been through this before, you know.

These mines are going to get 8 or 9 against a world market of 11½ or 12 cents?

Mr. McCaskill. I doubt that, Senator.

Senator Anderson. You put it on the record, and we will check it. Last time everybody doubted it, but they got a little increase in price. I notice a news story which says this is going to result in stiffening the price. It will, because you are going to take the surplus off the market. We found out in the Department of Agriculture that a 5 percent surplus in specific agricultural commodities did not drop agricultural prices 5 percent, but 10 percent. And a 10 percent surplus dropped the price about 25 percent. So that taking the surpluses off the market must be an influence in raising prices. And you are going to take off 90 percent of the surplus, or 85 percent, at the first round. Of course it would stiffen prices abroad. But what does it do for the American miner?

Mr. McCaskill. It will improve price here if it improves price abroad.

Senator Anderson. Suppose they have no market. That is our trouble. The American producer does not have any market. I do not see how this is helping you in the slightest.

Mr. McCaskill. Because of the short supply created abroad, this should cause diversions to European markets of deliveries ordinarily destined for the United States.

Senator Bible. You will find it if you do a little bartering, you could get rid of the American production.

Mr. McCaskill. Would you encourage us on that bit?

Senator Carroll. I think Senator Bible has made a very good point, here. I used the term "enforcement sanction", but it seems quite clear if you just take the surplus of one or two mining companies——

Mr. McCaskill. In return for substantial reductions?

Senator Carroll. That is the point. Substantial reductions. Take the Canadian mining company. I do not know how large it is, or how many people are employed. But substantial reductions means curbing their production, does it not?

Mr. McCaskill. Yes, sir; definitely.

Senator Carroll. What Senator Bible suggests is very good. There ought to be some specific assurance.

Mr. McCaskill. I can say specifically with regard to the Canadians—and this they have announced—that they are cutting their mine production by 33,000 tons under 1960.

Senator Carroll. And what about Australia, now?

Mr. McCaskill. The Australians are reducing theirs on the order of 25,000 tons.

Senator Bible. Right on that point: When they make these announcements, do you take these announcements and put them into this barter agreement that you are going to enter into?

Mr. McCaskill. We have letters from them.

Senator Bible. I think a letter is a little bit different than whatever type of a formal agreement you enter into. I just wonder if there is not some way of tightening this up.

We all like to trust people and have friendly relations, but I think we are charged with responsibility.

Senator Anderson. And if the Canadians are producing 35,000 tons, what is to stop the Mexicans from producing more?

Mr. McCaskill. The Mexicans have announced that they would reduce their own output. And I think there is reason to believe they will.

I do not mean to indicate that this is any sure thing. One of the great uncertainties is what Russia will do. If Russia increases substantially her exports to the West, our calculations will all go haywire. We made every effort to pin the Russians down in the last meeting in Mexico City, without too much success. We do not think that they will substantially increase their exports, which are small at the moment. It is also possible that one or two countries, Spain, for instance, might up its production beyond the current level.

There is, in this international organization, quite a strong public opinion. And incidentally, I should say, after Senator Allott's remark a little earlier, that the International Lead-Zinc Study Group has conceived of these measures as temporary and has named an 11-Government committee to meet in New York at the end of this month to begin work on something more permanent, some type of permanent solution to the problem. We have not used the words "international agreement" to describe the objectives of the committee, but rather the purpose is to explore and to pursue what possible solutions internationally there may be over the long term to the lead-zinc problem.

Senator Miller. On that very point: When you state that Canada or the Canadian companies have agreed to reduce their production so many thousand tons, for what period of time is that supposed to last?

Mr. McCaskill. This is scheduled to run through June 30, 1962.

Senator Carroll. Well, you have been very helpful I do not want to shut off your further testimony. This is the purpose of this meeting.

Mr. McCaskill. I have said everything I thought we ought to say, and I had hoped it would take considerably less time. But I am available for questions, and all three of us will answer as best we can any questions which you have.

Senator Bible. May I ask one question?

Has the Department of Interior developed any specific program that they are ready to refer to Congress that would assist the lead-zinc industry?

Mr. McCaskill. Mr. Chairman, we in the Department have developed a number of proposals, and we have referred to the administration three or four specific measures we would like to see undertaken. I am not in a position to say what those are, or to hazard a prediction as to the outcome of the studies now going on within the administration with reference to these and some other proposals submitted by others.

Senator Bible. Would you be in a position to indicate when we might have some decision from the administration on this matter? How long will it take to review this? Is this a matter of a month away, or 2 months, or 2 weeks?

Mr. McCaskill. I think we have said to the House committee that we would be prepared to meet with them sometime after the 15th of this month.

Senator Bible. So this is a matter of 2 weeks away?

Mr. McCaskill. We would hope by that time we would have something that has proper clearance and that we can present and defend.

Senator Anderson. Actually, it is before the Bureau of the Budget right now, is it not?

Mr. McCaskill. Yes.

Senator Carroll. Senator Moss, do you have any questions of these gentlemen?

Senator Moss. I followed the testimony with great interest. I just have one question that is not cleared up in my mind.

On this barter arrangement, does the grain go actually to the company that produces the lead, or is the Canadian Government or Australian Government involved somewhat?

Mr. McCaskill. My understanding of how these things work, Senator, is that a broker makes a deal with Commodity Credit Corporation to take a certain amount of a surplus agricultural product, grain, cotton, tobacco, whatever it happens to be, and he sells that in countries that the Department of Agriculture specifies as eligible for sales. He sells that, and he in turn procures, in the places specified, the lead which he delivers to the Commodity Credit Corporation.

This is a private transaction. Quite often one broker will make a commitment with another broker, who will place the grain, while he buys the mineral commodity.

Senator Carroll. Along this line, there are some things I would like to have you think about. For example, in the case of Canada, if Canadian brokers would use their cotton to make an exchange contract with Mexico to take Mexican rails, they throw all the workers of the Colorado Fuel & Iron Co. out of work in Colorado, maybe 2,300 or 2,400 men. So this question of barter exchange, you see, has many many ramifications. This is not one that I am theorizing about. It happened. The C.F. & I. plant in Pueblo Colo., used to have to bid

against big steel, Bethlehem and others, but they were able to get a contract with the Mexican Government on rails, and this kept some 2,300 or 2,400 men at the steel plant working. The loss of this contract affected three or four counties in Colorado; because when you shut down the steelmills, then you have to shut down the coal mines.

Mr. McCaskill. I should like to emphasize, Mr. Chairman, that we are not initiating a new program; that this is a program of the Department of Agriculture for the disposal of surplus agricultural products. We are only trying to ride it for a little while for the benefit of the domestic lead and zinc industry.

Senator Carroll. If I understood the observation of the chairman, here, Senator Anderson, I know it is not new; it has been tried before. It is the ramifications, the repercussions, of this. I can understand where you have surplus stock you think you can stabilize this market. It sounds pretty good to me; if you can get into some of these contract control features, this aspect of it sounds good. Of course, you frighten me a little bit when you say they will take grain and they will take cotton. They have taken it. And let us not see us taken all the way down the line, as we go into these programs.

Senator Bible. May I ask one additional question? This may have been developed before I came in this morning. If so, I apologize for repeating.

Have you placed in the record the number of producing lead and zinc mines we have actually in operation in the United States today, either straight-up lead-zinc mines or byproduct mines?

Mr. McCaskill. Senator, I suggested at the opening of our remarks that with the large number of industry representatives here today, we ought to let them——

Senator Bible. You thought they would develop that information?

Mr. McCaskill. We thought they would develop that information, and we would not take the time of the committee. So we confined ourselves to three aspects we did not think would be fully covered by the industry.

Senator Bible. As long as the industry can adequately develop that point.

Mr. McCaskill. We shall be glad to do it if it is not done by its industry witnesses.

(The information requested was subsequently submitted and appears later in this hearing record. See p. 68.)

Senator Carroll. Senator Miller, do you have some further questions?

Senator Miller. Mr. Chairman, with the concurrence of the Chairman, I would like to see the Department produce for the committee for insertion in the record some kind of a tabular display of the wages paid in countries, in their mining industry, which are shipping lead and zinc into the United States. If we get lead and zinc coming in from Mexico, I would like to see the wages paid to those miners and smelter workers in that country; also the quantities being shipped in by those countries, with the wage scales. And also the comparative wage scales being paid by our own producers, say, by States or locality, and the quantities in those States or localities, the quantities of production. I think it might help us to evaluate the picture a little.

I wonder if you will produce those for the record.

Mr. McCaskill. We will be glad to do that to the extent that the information is available. I am sure that the Senator recognizes that it is a little difficult to judge foreign operation by the wages paid to workers. There are so many fringe benefits and so many other types of costs incurred that a comparison of wages is not always a very fruitful pursuit.

Senator Miller. Might I suggest that you may get some pretty reliable figures, including these fringe benefits, from, say, some of the unions, which have made quite a study of this.

Mr. McCaskill. Then we have to add export duties which the countries charge, as additional costs, plus the social security benefits, plus costs of bringing in machinery and other things, if we want to make really good comparisons.

Senator Miller. Well, do the best you can. And you might also add in this the amount of the tariffs being charged.

(The following tabulation was subsequently submitted:)

Foreign wage rates—mining

Country	Rate	U.S. dollar equivalent	Time period covered	Annual import quota (thousand tons recoverable content)		Notes
				Lead	Zinc	
Canada	$2.19 per hour	$2.21 per hour ($1.0103 Canadian=$1 U.S.)	February 1961	58.72	208.64	Metal mining does not include fringe benefits. About same benefits as United States.
Mexico	183.71 pesos per week	$14.70 per week (1 peso=8 cents)	1959 average	73.76	153.60	Mining and metallurgy; does not include fringe benefits. In 1956 benefits were 50 percent of wages.
Peru	38 soles per day	$1.41 per day (1 sole=3.7 cents)	1960	58.08	77.76	Mining, take home. Excludes fringe benefits. Benefits amount to 60 percent of wages.
Australia	124.96 pence per hour	$1.34 per hour (0.93 pence=1 cent)	March 1961	67.52		Mining and quarrying. Does not include fringe benefits.
Yugoslavia	75.4 dinars per hour	$0.126 per hour (600 dinars=$1)	1959 average	31.52		Metal mining. Does not include fringe benefits. Wages have increased about 20 percent since then.
Union of South Africa	60 shillings 2 pence per shift	$8.45 per day	do	29.76		Coal mining. White male. Does not include fringe benefits.
Do	81 shillings per shift	$11.37 per day (1 pence=1.17 cents)	do			Gold mining. White male. Does not include fringe benefits.

NOTE.—The average hourly earnings of U.S. lead and zinc miners in 1959 was $2.26.

Source: Office of Chief Economist, Bureau of Mines. Comparative Wage Rates Branch, Bureau of Labor Statistics.

Senator MILLER. And then one more thing, Mr. Chairman, that might be of help to us would be for the Department to give us information regarding the number of times that the lead and zinc industry has gone to the Tariff Commission requesting relief, what kind of relief they requested, what action was taken by the Tariff Commission pursuant to the requests, and possibly wrap it up with the action taken by the President pursuant to the Tariff Commission's recommendations, so that we have a picture there of the operations over the last, say, 6 or 8 years.

Mr. MCCASKILL. I had assumed that perhaps the Emergency Lead-Zinc Committee would supply that. They have done a considerable amount of development of this information. But we will be happy to do it. We have it available.

(The following information was subsequently submitted:)

The first escape clause application was filed with the Tariff Commission on May 10, 1950. This petition by the Emergency Lead-Zinc Committee was filed under the provisions of the escape clause article of the Mexican Trade Agreement. The petition was denied on the grounds that the forthcoming termination of the trade agreement with Mexico (effective Jan. 1, 1951) would restore the rates of duty on lead and zinc to the levels of 1930.

The second petition by the industry was filed with the Tariff Commission on September 14, 1953. The Commission in its report of May 21, 1954, unanimously found that the domestic lead and zinc industries had been seriously injured and recommended increased import duties on all unmanufactured lead and zinc articles. After a review of the lead-zinc problem, the President decided not to implement the recommendations of the Tariff Commission. Instead, other steps, principally increased purchases by Government stockpiles, were taken to "strengthen and protect our domestic mobilization base for lead and zinc."

A third petition for escape clause action was filed with the Tariff Commission by the Emergency Lead-Zinc Committee on September 27, 1957. In its report to the President in April 1958 at the conclusion of its investigation, the Commission again unanimously found that escape clause relief was warranted with respect to unmanufactured lead and zinc. The Commissioners divided evenly on the remedy that was necessary. Three recommended the application of maximum rates of duties as well as quotas equal to 50 percent of the average rate of competitive imports during the base period 1953–57. The other three Commissioners recommended the restoration of the tariff rates established under the Tariff Act of 1930. The President announced on September 22, 1958, that he had accepted the unanimous finding of the Commission that escape clause relief was warranted and by proclamation effective October 1, 1958, he limited imports of lead and zinc to 80 percent of the average annual commercial imports during the 5-year period 1953–57.

Senator ANDERSON. Also, the past history of what took place in the last barter arrangement. I would be happy to see the comments of the Interior Department. Lead and zinc went first on the list in 1956, I believe, and stayed there for about 3 years. Some 220,000 tons were put in the stockpiles over here. And at the end of that period, the storm was so great all over the country, because the lead and zinc mines were closing down, that it was taken off the list. And I think that history is well worth remembering the second time around.

We at that time had very serious doubts. Everybody had a lead and zinc bill in for a while. The Department was busy trying to report on it. Mr. Seaton came up with some proposals, and the committees would not even act on those. They had emergency plans in. And the emergency plans all got vetoed.

But it ought to have indicated that at the end of 3 years of barter, the lead-zinc industry of the United States was worse off than it was when the barter started. That is why I say I would like to

have this done with soft music and the voice of some singer singing, "The Second Time Around."

Senator CARROLL. Without objection, you will supply that material and we will put it in the record at this point.

(The following information was subsequently submitted:)

During the period June 1956 to December 1958, approximately 216,000 tons of lead were added to the Government supplemental stockpile through barter transactions. Lead was removed from the barter list in December 1958. Barter contracts for zinc from 1956 to the removal of zinc from the eligible list in 1959 totaled approximately 325,000 tons.

Senator CARROLL. In my own State, in every State, you know what has happened to mines. In Colorado, mines have been forced to close, one by one, until there are very few left. And I suspect this is true in almost every State. Is that not so?

We have to develop a positive program here for our own domestic industry.

Before you leave, I want to ask you: Do you think that the low market prices are due to decreased consumption, or do these imports have any bearing on the prices?

Mr. MCCASKILL. Well, this is a bit queer—1960 was a record year worldwide for consumption of lead. And yet at the end of the year the London market was at the lowest point in 10 years.

Basically there is an imbalance between world supply and world demand. In spite of the growth of world consumption the increased production abroad has maintained an excess supply that has depressed prices.

The extent to which it is possible to insulate and isolate the U.S. market against world forces is a little difficult to know. If we had had fewer imports of lead into the United States, we should have had a better price here. If we had had more restrictive quotas, so that considerably less lead came in, we should have had a better price. What would have happened to the rest of the world is a little difficult to know. Certainly there would have been efforts to circumvent the controls of the United States in all sorts of ways.

If the lead price is 8 cents in Europe and is 14 cents in the United States, there are going to be all sorts of ways to try to get lead into the United States.

So unquestionably imports, decreased consumption in the United States, overproduction in the world, all have been factors to depress both world markets and U.S. markets.

Senator CARROLL. You have studied this for many years, have you not? You have been in this field for many years?

Mr. MCCASKILL. I have been with the Interior Department for about 25 years.

Senator CARROLL. Many years ago, 25 years and more, the Congress initiated a program, after great study, that resulted in the Sugar Act. We had this problem with sugar. Of course, I understand that lead and zinc are more difficult, perhaps. But with respect to sugar, it was necessary to come up with a quota solution. Is it feasible to establish quotas for lead and zinc?

Mr. MCCASKILL. As I recall, Mr. Chairman, the Sugar Act involves at least three things. It involves quotas on imports. It also involves

price supports and subsidies in the United States, and rigorous acreage control.

Now, if we are prepared to do all of that with lead and zinc, we still would have a problem which distinguishes the two commodities. With sugar you can predict rather precisely how much is going to be used in the United States in the next year and the year following.

As we have noted with lead, the estimates made in 1958 missed by 200,000 tons the quantity of lead that was going to be consumed in the United States in 1960. This represents a little bit more of a problem than sugar. If you were to apply mine controls, price subsidies, price supports, and import controls, you would still have the problem of guessing how much industry will utilize.

Senator CARROLL. Is it not true, though, that the industry is very sick. At least it is in my State. We are confronted no longer with a theory, but with a condition. What do we do about it?

I can remember the arguments that were waged pro and con a quarter of a century ago when quotas were being considered for sugar. And finally the farmers and the refiners were brought in. Of course, some people have said it was hard on the consumers, but they have not really suffered. We had to deal with many countries in order to work out the establishment of quotas to stabilize the market. And, of course, the Soviet Union, as you indicated a little while ago, has also been disrupting the sugar market price.

But I mean there was a mechanism. It was used, and it has been partially successful. And it would seem to me that although we are not here to talk about specific legislation, there are bills now pending before the Congress that have this concept. And merely because the Government cannot look into the future to tell about the production—I think some stability could be gained to where the Government could get some idea of what the production would be for a given year.

It would seem to me, if Colorado is an example of what is happening, the lead and zinc industry is sick. And therefore if it takes tax processing, if it takes these other things that you have discussed, we should talk about them.

I thank you very much for coming and giving us your time, all you gentlemen. You have been very helpful.

I would like to have one thing more put in the record. I would like to know what price, what negotiated price, is obtained for lead in this barter. I want to know how much of a windfall the sellers are going to get, and also I want to know what sanctions you can write into that barter agreement. By sanctions I mean firm agreements that are enforcible.

I thank you gentlemen very much.

Now we have Mr. Clark Wilson as the next witness.

I had hoped to have Mr. Wilson, Mr. Richard Young, and Mr. Fred Jeffries. We do not want to curb your presentation. You have all been here this morning, and you can see the importance of this.

How long will you take, Mr. Wilson, in your presentation?

Mr. WILSON. I would say 30 minutes would be very ample, Senator.

Senator CARROLL. Mr. Young, how much time?

Mr. YOUNG. Thirty minutes plus questions.

Senator CARROLL. Mr. Kiser?

Mr. KISER. Ten minutes.
Senator CARROLL. Mr. Greene?
Mr. GREENE. Ten minutes.
Senator CARROLL. Mr. Mack.
Mr. MACK. Fifteen minutes.
Senator CARROLL. Well, if that is true, gentlemen, we will start at 2:30, and if there are not too many questions, we ought to be out of here at 5 o'clock.

I am not trying to hurry you. We are trying to make a record, and I think what has been discussed this morning is very helpful.

We stand in recess until 2:30.

(Whereupon, at 12:20 p.m., the subcommittee was recessed, to reconvene at 2:30 p.m., the same day.)

AFTERNOON SESSION

(The subcommittee reconvened at 2:30.)

Senator HICKEY. The subcommittee will be in order, please.

I believe the gentlemen from the Department of the Interior had concluded this morning. The next witness will be Mr. Clark Wilson.

You may proceed, Mr. Wilson.

STATEMENT OF CLARK L. WILSON, CHAIRMAN, EMERGENCY LEAD-ZINC COMMITTEE

Mr. WILSON. Mr. Chairman, my name is Clark Wilson. I am chairman of the Emergency Lead-Zinc Committee. We represent the domestic mining industry in the United States, approximately 90 percent of the domestic lead miners, approximately 90 percent of the domestic zinc miners, and approximately 50 percent of the lead-zinc smelting industry.

We sincerely thank you, your committee, and its membership for many years of genuine interest and service in behalf of the domestic lead-zinc mining industry. We earnestly hope that through your services and that of other Members of Congress this session will approve constructive legislation to rejuvenate and stabilize a sick industry. Let's hope that any future appearances before your committee can be to sponsor measures designed to further expand a healthy growing industry rather than plead for the privilege of staying in business as we have had to do the past years.

Let's very briefly review the past record statistically and also from the standpoint of procedures. I am attaching to this statement a summary of lead-zinc legislative and governmental experience since 1950, including statistics. A quick study of this sheet highlights the problem of the domestic miner.

I might say that this morning Senator Anderson very nicely highlighted the problem that this is the second time around. It is quite apparent after you have a chance to study this problem of procedures. I think you will note that it really should be ring around the rosy, because it is not only the second time or barter, but, as the story shows, we have been through the escape clauses several times, through the committees several times, and we just don't seem to be getting out of the circle.

(The legislative experience referred to follows:)

SUMMARY OF LEAD-ZINC LEGISLATIVE AND GOVERNMENTAL EXPERIENCE SINCE 1950

I. DETAILS OF EXPERIENCE OF LEAD-ZINC INDUSTRY UNDER VARIOUS PROVISIONS AND PROCEDURES OF U.S. TRADE LAWS AND LEGISLATIVE PROPOSALS

1. On May 10, 1950, the lead mining industry petitioned the Tariff Commission for escape clause action. This petition was filed in accordance with article XI of the Trade Agreement with Mexico (1942) and with the provisions of Executive Order 9832 (1947) which first established the Commission's escape clause procedures. On July 18, 1950, the Commission informed the industry that no consideration would be given to this escape clause petition because the Mexican agreement was being canceled by the United States effective December 31, 1950. The industry's petition was formally dismissed by the Commission on January 25, 1951. With the cancellation of the Mexican agreement, the 1930 duty on lead was temporarily restored.

2. In spite of presentations in early 1951 by the lead-zinc industry before the Committee for Reciprocity Information in preparation for the trade agreements negotiations at Torquay, the duty on lead, which had been restored only 5 months before by abrogation of the Mexican agreement, was cut to its prior level on June 6, 1951. In addition, the duty on zinc was also cut at Torquay on the same date.

3. On February 14, 1951, the lead mining industry made application to the Tariff Commission under the provisions of section 336 of the Tariff Act of 1930 for an investigation of the differences in the cost of production of lead in the United States and foreign countries. The Commission, on May 29, 1951, dismissed this petition and advised the industry that trade agreement rates could not be changed by action under the provisions of section 336.

4. On September 14, 1953, the lead-zinc industry petitioned the Tariff Commission for escape clause action under section 7 of the Trade Agreements Extension Act of 1951. Hearings were held during November 1953. On May 21, 1954, the Commission made a unanimous finding that serious injury was resulting from excessive imports and recommended maximum permissible increase in duties.

5. Concurrent with this 1953–1954 escape clause action, by resolution of the House Ways and Means Committee (July 29, 1953) and the Senate Finance Committee (July 27, 1953), the Commission also conducted a general investigation in accordance with the provisions of section 332 of the Tariff Act of 1930. This was transmitted to the Committee on Ways and Means and to the Committee on Finance on April 19, 1954, and is a 356-page volume with a detailed analysis of the economic conditions and pertinent statistics concerning the lead-zinc industry of the United States.

6. On August 20, 1954, President Eisenhower advised the Committee on Ways and Means and the Committee on Finance that he would not implement the unanimous recommendations of the Tariff Commission in their May 21, 1954 report (T.C. No. 27). In lieu of accepting the Commission's recommendations the President instituted increased defense stockpile purchases of these two metals and subsequently initiated barter. The President further stated that he was directing the Secretary of State to seek recognition by foreign countries who were principal importers that they would not take any unfair advantage of his alternative programs. However, the record now shows that imports for consumption did not decline and, in fact, increased since the President's letter.

7. In a series of regulations issued May 28, 1957, the Department of Agriculture essentially stopped all bartering in lead and zinc, which was the major alternate program instituted by the President. In testimony before the Ways and Means Committee August 1, 1957, Mr. Gordon Gray, Director of the Office of Defense Mobilization, announced that the defense stockpile goals for lead and zinc had almost been met and that purchases would cease in the very near future. This statement was again repeated by Mr. Gray in his testimony before the House Appropriations Subcommittee during February 1958. OCDM announced that April 1958 was the last month it would purchase zinc, and lead buying was scheduled to be stopped at the end of June.

8. Testimony was also presented to the Committee on Ways and Means by Mr. Gray on August 1, 1957, and repeated on February 18, 1958, that the lead-zinc industry is not eligible to seek relief under the national security amendment escape clause (sec. 7(b)) of the Trade Agreements Extension Act of 1955. He stated the reason for his decision was the existence of very large stocks of both metals in the hands of the Government which were acquired by the two

alternative programs instituted by the President when he declined to follow the recommendations of the Tariff Commission. It is estimated that there are now in excess of 1,250,000 tons of each of these metals in the defense and the supplemental stockpiles.

9. In his letter to the two congressional committees of August 20, 1954, the President concluded by stating that if the action he was taking, instead of following the Commission's recommendations, did not accomplish the objectives he sought that he "will be prepared early next year to consider even more far-reaching measures, and to make appropriate recommendations to the Congress." On June 19, 1957, Secretary of the Interior Seaton forwarded to the Congress a bill providing for the suspension of present duties and substituting a series of import excise taxes which would be effective only if the price of lead was below 17 cents and the price of zinc below 14½ cents.

10. Hearings were held August 1 and 2, 1957, before the Committee on Ways and Means on H.R. 8257 (and similar bills for an import excise tax on lead and zinc). Hearings were also held on a companion bill, S. 2376, by the Committee on Finance on July 22–24, 1957. The U.S. lead-zinc mining industry concurred in the proposed "peril point" market prices of 17 cents lead and 14½ cents zinc. It also pointed out, however, that the proposed schedule was wholly inadequate to sustain the peril point prices. The proposed schedule for zinc was, on an average, about 40 percent less than the Tariff Commission's 1954 recommendations; for lead, on an average, about 20 percent less. In only one instance was the proposed schedule greater than the Commission's recommendations—that was for lead, and then was only forty-five one-hundredths cent more than the Commission's report. In the President's letter of August 20, 1954, he cited as one of the reasons for not implementing the Commission's findings was that the maximum permissible increase in duty was insufficient to reopen closed mines and would have only a minor effect on U.S. prices.

11. Following the exchange of letters between the late Mr. Cooper, chairman of the Ways and Means Committee (August 16, 1957), and President Eisenhower (August 24, 1957), the Emergency Lead-Zinc Committee again petitioned the Tariff Commission for escape clause action. The petition was filed September 27, 1957, and hearings were held November 19–26, 1957.

12. Commenting on the Commission's May 21, 1954 (T.C. No. 27) recommendation for maximum permissible increase in duties, the President stated in his letter of August 20, 1954, that the increase in duty would probably only have a minor effect on the U.S. price of lead and zinc. He also said it was "questionable whether the tariff action would have any important consequences in reopening closed mines." In the 1957–58 case (T.C. No. 65) the U.S. industry petitioned the Commission not only for increased duties, but also for quotas. A complete quota plan was submitted to the Commission.

13. On April 24, 1958, the Tariff Commission again unanamously found that the domestic lead-zinc industry was suffering serious injury. Three Commissioners recommended reimposition of the 1930 rate of duty and three Commissioners recommended the maximum increase in duty (50 percent above the 1945 rates) and also recommended the imposition of absolute quotas, based on 50 percent of imports during the period 1953–57.

14. At the conclusion of the 60-day period, as provided in the present Trade Agreements Act, the President advised the chairman of the Senate Finance Committee and the chairman of the Ways and Means Committee that he was suspending consideration of the Commission's recommendations. The President further stated that a final decision would be appropriate after the Congress had completed its consideration of the proposed minerals stabilization plan which was submitted by Secretary of the Interior Seaton.

15. The Seaton plan provided stabilization payments on domestic production up to 350,000 tons of lead and 550,000 tons of zinc when the market price was below 15½ cents per pound for lead and 13½ cents per pound for zinc. An additional limited tonnage payment was to be made when the market prices of lead and zinc were below 17 cents and 14½ cents per pound respectively. This legislation passed the Senate, but was defeated by the House in August 1958.

16. Presidential Proclamation No. 3257 of September 22, 1958, established absolute quota restrictions on imports for consumption of unmanufactured lead and zinc, effective October 1, 1958. However, the quota amounts were set at 80 percent of the average annual commercial imports for the base period, much more generous to the importer than recommended by the Tariff Commission. There was no change in basic tariff rates and no provision for quota control of manufactured items.

17. ELZ received an invitation to send one observer-delegate to the London Conference of the United Nations' Interim Coordinating Committee for International Commodity Arrangements, September 1958. The Committee was unable to be represented. Mr. C. E. Schwab, Committee Chairman, attended the second meeting in Geneva, November 1958. Plans were formulated for a long-term lead-zinc study group.

18. Metal prices were not improving in early 1958, and in March the western Senators introduced S. 1566, a lead-zinc quota bill. Allowable imports were still excessive, lead and zinc stocks were increasing, mine production showed no improvement, and employment had not increased.

19. The third session of the U.N. Lead and Zinc Committee, held during May 1959, in New York, found a world excess production of lead and zinc metal over consumption. Voluntary production curtailments were announced by the larger exporting nations. Plans were laid for establishing an International Lead-Zinc Study Group.

20. By mid-1959, the continued troubles of the mining industry prompted further congressional action with introduction of S. 2169 (Murray of Montana and others), the 4-cent import tax bill with peril points of 15½ cents for lead and 13½ cents for zinc. Wayne Aspinall of Colorado introduced H.R. 7721, the flexible quota bill.

21. In May 1959, Wayne Aspinall introduced House Resolution 177 stating "that it is in the national interest to foster and encourage (*a*) the maintenance and development * * * (*b*) orderly discovery * * *, and (*c*) * * * research to promote the wise and efficient use of domestic metal and mineral reserves." Hearings were held June 29 with ELZ representation. This was passed by the Congress, and while not having legislative force, it did call on the executive department to advise the Congress as to relief actions proposed.

22. During July 1959, the U.S. producers of coated and uncoated zinc sheets filed for a section 7 escape clause investigation. Hearins were scheduled for November 3, with ELZ presenting a statement. On January 14, 1960, the Tariff Commission issued a report (Commissioners Talbot and Overton dissenting) that injury from imports did not exist, and therefore, no recommendation for a change in tariff rates.

23. ELZ planned to file another escape clause at the end of one market-year under quotas. Tariff Commission counsel ruled that an industry operating under an escape clause proclamation was precluded from filing again for section 7 relief. In August 1959, mining State Senators introduce Senate Resolution 162, directing the Tariff Commission to review again the condition of the lead-zinc industry with findings of additional import restrictions needed for a sound and stable industry. Hearings were scheduled January 12, 1960, with ELZ presenting several witnesses to cover all phases of the problem. Fluorspar had a similar hearing under Senate Resolution 163 with the report issued February 29, 1960. Three of four Commissioners refused to make specific findings on the grounds that the Commission lacked authority to submit recommendations or findings. In the lead-zinc report, Commissioners Talbot, Overton, Jones, and Dowling maintained this position. Schriber and Sutton recommended increases in tariffs to 3 cents on lead and 2.5 cents on zinc metal, and 70 percent of this on ores and concentrates. In addition, compensatory duties were proposed on manufactured items.

24. Six companies (importing smelters) filed a representation with the Commerce Department (Aug. 28, 1959), and on November 24, 1959, with the Tariff Commission requesting formal investigation under Executive Order 10401 to determine "to what extent the quotas imposed by Presidential Proclamation of September 22, 1958, remain necessary." This was opposed by the ELZ Committee, and Senator Murray as sponsor of Senate Resolution 162. This petition was refused by the Tariff Commission on December 15, 1959, as untimely in view of the Senate Resolution 162 investigation.

25. The International Lead and Zinc Study Group was formally created and its first meeting held in Geneva, January 1960. Voluntary commitments made in New York in May to restrict zinc sales were withdrawn. Regarding lead, Australia, Canada, Mexico, and Peru stated they would withhold offerings to the market. The United Kingdom announced that its Government had available for orderly disposal 54,000 metric tons of slab zinc.

26. Hearings were held by House Interior Committee in March on Small Mine Subsidy bill. This passed the House prior to the political convention recess. It passed the Senate in the post-convention session and was pocket vetoed by the President as being difficult to administer, would establish an uneconomic prece-

dent, production would adversely affect the market, and the present quota plan is still in effect.

27. On April 6, 1960, Congressman Howard Baker, Tennessee, introduced H.R. 11584, sponsored by the "importing smelters" proposing import taxes at the rates recommended by the minority in the March Tariff Commission report. The tariff rates of this legislation would not help the domestic miner.

28. In June 1960, Senator Kerr introduced the "importing smelters" bill as S. 3698, essentially the Baker bill, but including a 1-cent removable tax in the 3 cents and 2.5 cents on lead and zinc, respectively. Senator Bennett introduced the ELZ removable 4-cent tax as S. 3696, identical to H.R. 11786, which was essentially the same as S. 2169 with small changes in compensatory taxes. In Finance Committee action, Senator Kerr was successful in attaching S. 3698 as an amendment to the Virgin Islands bill, H.R. 5547, already passed by the House, and thereby bypassing the normal origination of lead-zinc tariff legislation in the House Ways and Means Committee. Senator Kerr's main interest was the small mine subsidy bill, and the lead-zinc tariff bill never reached the Senate floor. No lead-zinc tariff legislation was passed in the 86th Congress.

29. The bicycle case was active in 1960. Import taxes had been increased as a result of a section 7 hearing prior to 1958. The President imposed only a part of the recommended tax increases. The courts held he did not have this prerogative, casting doubt on the legality of lead-zinc quotas. However, the executive department held that 1958 extension of Trade Agreements Act gave the President authority to accept Commission recommendations in whole or in part, and quotas were imposed subsequent to the 1958 extension. Later peril point hearings reaffirmed bicycle rates, and these were imposed by Presidential proclamation, February 1961.

30. The second session of the International Lead and Zinc Study Group was held in Geneva, September 1960. There was no action on restrictions of zinc offerings. Voluntary restrictions on commercial offerings of lead remained as per the February 1960 meeting. Concern was expressed that the United Kingdom would have sold 25,000 metric tons of slab zinc by September 30 from Government stockpiles.

31. On September 30, the Tariff Commission issued a lead-zinc report reviewing the industry experience after 2 years of quotas under Executive Order 10401. It informed the President that serious injury continued in the domestic industry due to imports, and quota controls should continue. The President accepted this policy.

32. Metal prices dropped in December as metal stocks built up, reaffirming need for legislative import controls. Mr. Wayne Aspinall, chairman of the House Interior Committee, introduced H.R. 3416, providing a base permanent tariff on lear and zinc metal of 2 cents per pound (70 percent on ores and concentrates) and a removable tax of 2 cents (applied below 13½-cent market and removed above 14½-cent market). It also includes compensatory tariffs on manufactured items and a small subsidy to domestic miners financed from tariff collections. This has three advantages of (1) getting the miner to work, (2) stabilizing a reasonable price and supply for the consumer, and (3) still provides a portion of our market to the importer at a good price with reasonable tariff rates. This is assigned to the House Ways and Means Committee for hearing.

33. The small mines subsidy bill, H.R. 84 (Edmondson, Okla.) was reintroduced, and hearings have been held by the House Interior Committee on March 9 and 10, 1960. The administration position was not presented at these hearings. The testimony and committee discussion indicated controversial opinions on effects of this legislation. The limited participation is discriminatory to larger producers, the added production could be detrimental to present markets and prices, and adoption of this type legislation could be detrimental to passage of long-term legislative solutions. Testimony by ELZ noted that domestic stocks of metal and ores and concentrates are at record highs with domestic mines and plants posting substantial voluntary production restrictions as follows:

(*a*) The Anaconda Co. has discontinued all lead-zinc mining at Butte, and curtailed refinery facilities.

(*b*) American Zinc, Lead and Smelting Co. cut metallic zinc production 10 percent and closed three Tennessee mines.

(*c*) St. Joseph Lead Co. curtailed zinc smelter production 15 percent, zinc ore production 15 percent, lead ore production 10 percent, and postponed plans to increase lead smelter capacity.

(*d*) New Jersey Zinc Co. is curtailing production of slab zinc and alloy metal by 15 percent.

(*e*) Matthiessen and Hegeler Zinc Co. has reduced its slab zinc production by 20 percent.

(*f*) American Smelting & Refining Co. curtailed zinc metal production at Corpus Christi, Tex., by 11 percent.

(*g*) Several months ago, the Eagle-Picher Co. substantially cut back zinc metal production at Henryetta, Okla.

Subsidized domestic production may further aggravate this situation. The Interior Committee cannot consider the Aspinall bill, but there were numerous references to H.R. 3416 as being the proper approach to correct long-term legislation.

34. "Importing smelters" tax bill was again introduced in March 1961 by Congressman Baker as H.R. 5193, and by Senator Kerr as S. 1361. The tariff rates are the same as the Kerr-Baker bill of the 86th Congress, with a permanent tariff of 2 cents on lead metal, 1.8 cents on zinc metal, 70 percent of these rates on concentrates, and an additional 1 cent removable tax on each metal controlled by peril points of 13½ cents and 14½ cents on lead and 12½ cents and 13½ cents on zinc. A change in this bill divides the compensatory rates on manufactured goods to a 1 cent base tariff on lead products, 0.8 cent base tariff on zinc products, and 1 cent removable on each controlled by above peril points.

35. The third session of the International Lead and Zinc Study Group was held in Mexico City, March 20, 1961. Nations, other than the United States felt that their zinc stocks were normal and called for no controls. The United States delegate discussed our problems of stocks and reduced production, but no action was taken. Lead stock was acknowledged to be a world problem. The solution presented and accepted was a U.S. offer to barter surplus world stocks in return for reduced mine and metal production.

COMMENTS ON LEAD-ZINC STATISTICS, APRIL 1961

1. From 1951 through 1957, U.S. industrial consumption of lead and zinc was fairly constant at about 1,100,000 tons and 1,300,000 tons per year, respectively. During this period, prior to the imposition of quotas in October 1958, the ratio of dutiable lead imports (eliminating duty-free imports for stockpile) to U.S. mine production increased from 49 percent in 1951 to 210 percent in 1958; in the case of zinc, imports increased from 42 percent to 166 percent.

2. During this same period, imports of lead increased from 192,000 tons a year to 560,000 tons a year (1958); zinc imports from 286,000 tons a year to 687,000 tons a year (882,000 tons in 1957). U.S. mine production has stayed fairly constant during periods of reasonable prices but has been severely curtailed since the excessive imports of 1957.

3. Varying U.S. market prices during these 8 years had very minor, if any, effect on U.S. industrial consumption of lead and zinc.

4. Unneeded imports caused U.S. supply of lead and zinc to greatly exceed industrial requirements. Before barter stopped, in 1957, large amounts of these excess imports were absorbed by governmental acquisitions.

5. Unneeded imports forced the price of lead to decline from 16 cents in early 1957 to 11 cents in July 1958—a drop of 30 percent. Zinc dropped from 13½ cents in April 1957 to 10 cents in August 1957—a decline of 26 percent.

6. A sharp decline in U.S. mine production occurred in the second half of 1957 and early 1958. The annual rate was lower than the depression years of the mid-1930's.

7. Employment in the lead-zinc mining industry by 1958 was cut in half. In the 1954 escape clause action, the Tariff Commission found employment had declined by 9,000 jobs. In its April 1958 decision, the Commission found that since January 1957, 4,500 employees had lost their jobs. The total loss of employment by 1959 within this industry since January 1952 was well over 15,000 jobs.

8. U.S. prices improved in 1955 and 1956 under the alternative programs initiated by the President (in lieu of accepting the Commission's recommendations), but employment did not return to the early 1952 level.

9. During Korea, U.S. prices of lead and zinc were frozen by the Government. Import duties were suspended subject to reinstatement if the U.S. price would fall below 18 cents for each metal, which happened early in 1952.

10. Import quotas were established under Executive Order 10401 on October 1, 1958, permitting imports at 80 percent of the base period 1953–57 (Tariff Commission recommendation was 50 percent and increased tariff). These have proven to be too liberal compared to U.S. needs.

11. Lead mine production has decreased annually since 1956, and in 1960 was 239,000 tons, the lowest output reported since 1900; 1960 zinc mine production of 427,000 tons was slightly higher than 1958 and 1959, but these 3 years were lower than prior years back to the early 1930's.

12. Stocks of lead and zinc were excessively high at the close of 1960 and were continuing to build in early 1961.

13. Import levels were controlled by quotas, but lead imports in 1960 were 354,000 tons, or 148 percent of U.S. mine production; zinc imports were 502,000 tons, or 118 percent of mine production.

14. The result of continued excessive imports since 1958 with an accumulation of excessive stocks was low mine production and poor metal prices. When quotas became effective, these prices were 11.5 cents lead and 10 cents zinc. April 1961 prices—11 cents lead and 11.5 cents zinc—too low to maintain a domestic mining industry.

15. Nineteen hundred and sixty-one zinc production curtailments by domestic producers may help reverse the trend of building excessive stocks. At the same time, the importing nations adopted a policy that zinc is surplus only in the United States and it is our problem to solve alone. They agree the lead surplus is an international problem, but look to the United States for a world solution through barter of approximately 100,000 tons of these foreign stocks.

16. A healthy stable domestic industry should produce an annual minimum of 350,000 tons of lead and 550,000 tons of zinc at a price fair to the producer and consumer.

EMERGENCY LEAD-ZINC COMMITTEE,
Washington, D.C.

Summary of lead-zinc statistics since 1950

LEAD

[In short tons of lead content]

Period	Production			Stocks, end period		Dutiable imports	Industrial consumption	Average price per pound	Employees at lead and zinc mines and mills	Total employees at primary smelters and refineries
	Primary (mine output)	Secondary	Total	Producers'	Consumers'					
								Cents		
1950	430,827	482,275	913,102	137,669	139,884	514,954	1,237,981	13.296	--------	--------
1951	388,164	518,110	906,274	124,080	102,760	191,649	1,184,793	17.500	--------	--------
1952	390,161	471,294	861,455	149,778	122,530	179,600	1,130,795	16.467	24,777	17,928
1953	342,644	486,737	829,381	196,340	113,763	409,004	1,201,604	13.489	20,035	17,554
1954	325,419	480,925	806,344	201,850	124,641	460,197	1,094,871	14.054	16,640	--------
1955	338,025	502,051	840,076	150,822	117,458	424,413	1,212,644	15.138	--------	--------
1956	352,826	506,755	859,581	159,259	123,995	420,005	1,209,717	16.014	16,737	16,969
1957	338,216	489,229	827,445	207,912	129,310	512,289	1,138,115	14.658	15,874	17,323
1958	267,377	401,787	669,164	303,316	122,900	561,263	986,387	12.102	10,768	13,856
1959	255,586	451,387	706,973	230,328	126,132	368,620	1,091,149	12.211	9,769	12,983
1960	243,586	[1] 460,000	--------	305,841	97,246	354,213	1,026,300	11.95	--------	--------

ZINC

[In short tons of zinc content]

1950	623,375	326,030	949,405	8,884	64,206	394,153	1,350,501	13.866	--------	--------
1951	681,189	314,377	995,566	21,901	50,071	285,618	1,326,082	18.000	--------	--------
1952	666,001	310,423	976,424	87,160	92,579	99,074	1,211,648	16.215	--------	--------
1953	547,430	294,678	842,108	180,843	84,863	653,332	1,342,389	10.855	--------	--------
1954	473,471	271,774	745,245	124,277	100,981	630,488	1,180,692	10.681	--------	--------
1955	514,671	304,775	819,446	40,979	123,544	569,639	1,469,080	12.299	--------	--------
1956	542,340	281,355	823,695	68,622	104,094	627,071	1,323,022	13.494	--------	--------
1957	531,735	264,104	795,839	166,660	88,342	881,953	1,231,593	11.399	--------	--------
1958	412,005	230,332	642,337	190,237	93,609	687,189	1,142,165	10.309	--------	--------
1959	425,303	276,254	701,557	154,419	102,195	570,868	1,278,518	11.448	--------	--------
1960	432,442	--------	--------	190,810	66,111	501,597	1,165,825	12.95	--------	--------

[1] Estimated

NOTE.—Import duties suspended Feb. 12, 1952, to June 25, 1952. Imports include an additional 464,617 tons of lead and 599,435 tons of zinc.

Source: Data from U.S. Tariff Commission Report of October 1960.

Mr. WILSON. It is generally acknowledged that the minimum U.S. annual lead mine production should be 350,000 tons to provide a stable domestic industry; 1960 production was approximately 244,000 tons, only 70 percent of the goal. Imports for consumption exceeded this by 110,000 tons, or 44 percent more than we produced.

I might say these goals have been thoroughly discussed in the past by the various committees in both the Senate and the House. Actually, in bill S. 4036 these production goals and prices were approved by this committee and the Senate.

Incidentally, the question was asked this morning regarding the number of mines that have suffered closure through some of these past economic problems. I might say that the Bureau of Mines' statistics indicate that in 1956 there were 696 producing mines, lead-zinc mines, in the United States. In 1959, which are the latest statistics, there were only 250, a very noticeable decrease.

Of course, the biggest mortality is in the small mines, those under 5,000 tons production of lead and zinc in a 12-month period.

Unfortunately, industrial consumption decreased in 1960. This, coupled with excessive imports, resulted in increased stocks of lead metal. The domestic market price dropped and has been at 11 cents since mid-December 1960, equaling the low-price levels experienced only twice previously since the end of World War II.

Reduced employment during the past few years, reflecting closed mines, completes the picture. Domestic lead-zinc mines and mills had 24,777 employees in 1952 and only 9,769 in 1959, a decrease of 61 percent. The smelting industry fared much better with a decrease of only 28 percent. Their business was able to continue on imported ores and concentrates.

The generally accepted minimum for annual zinc mine production is 550,000 tons. From 1958 to 1960 the United States produced at about 77 percent of this rate. Imports for consumption in 1960 exceeded mine production by 70,000 tons, or 16 percent.

Here again the consumption of zinc decreased, but metal stocks at smelters built up in spite of the loss of substantial ore production due to strikes at plants of some of our domestic mines. The zinc price dropped from the 1960 level of 13 cents to the current 11.5 cents. The combined price of 22.5 cents is too low for any profitable mine operation in the United States.

A more detailed examination of the statistics and resultant effects confirms this quick résumé:

1. Many domestic mines have been closed for several years with resulting unemployment, loss in investments, and accompanying hardships for many individuals and communities.

2. Under present market conditions, additional reductions in domestic production have become necessary, and the following curtailments have been announced.

(*a*) The Anaconda Co. discontinued all lead-zinc mining at Butte and curtailed refinery facilities.

(*b*) American Zinc, Lead & Smelting Co. cut metallic zinc production 10 percent, and closed three Tennessee mines.

(*c*) St. Joseph Lead Co. curtailed zinc smelter production 15 percent, zinc ore production 15 percent, lead ore production 10 percent, and postponed plans to increase lead smelter capacity.

(*d*) New Jersey Zinc Co. early this year curtailed production of slab zinc and alloy metal by 15 percent. Last week this company announced a further 15-percent reduction in slab zinc production and has closed a Tennessee mine.

(*e*) Matthiessen & Hegeler Zinc Co. has reduced its slab zinc production by 20 percent.

(*f*) American Smelting & Refining Co. curtailed zinc metal production at Corpus Christi, Tex., by 11 percent.

(*g*) Several months ago, the Eagle-Picher Co. substantially cut back zinc metal production at Henryetta, Okla.

3. Even under the present quota plan, imports of lead and zinc metal and ores and concentrates continue to exceed our domestic requirements. The result is continued excessive stocks, low metal prices, closed mines, and the domestic miner must bear the burden of keeping the foreign producer in business. We don't even get 50 percent of our domestic market needs for ores and concentrates. I think we should rightly expect this as our minimum share.

I might say, Mr. Chairman, that the last page of the summary includes a résumé of lead and zinc statistics for the period 1950–60. Under stocks of lead for producers we showed at the end of 1960, 305,000 tons. That has come up a little further even since the end of the year. It is now about 314,000 tons.

The same thing down below in zinc. We showed 195,000 tons at the end of the year for producer stocks of slab zinc. That is up to 222,000 tons. So we certainly haven't improved any the first few months of this year.

Let's quickly review the recent history of industry efforts to correct excessive import inequities. Our troubles stem from tariff reduction at Torquay in 1961 and stimulation of foreign production occasioned by the Korean emergency.

The domestic lead-zinc mining industry has been examined by the Tariff Commission during November 1953, November 1957, January 1960, and September 1961. In each instance the Commission unanimously found the industry to be suffering injury as a result of excessive imports.

As you know, the Commission has made several suggestions on increased import protection, but the only Executive action as a result of Tariff Commission findings has been imposition of the present quota plan established on a basis more favorable to the importer than to the domestic miner, whom it supposedly was designed to protect.

There have been numerous hearings before committees of both houses of Congress where we have repeated the sad story of our industry and have always been sympathetically received with genuine efforts to help. We've suffered through programs of stockpile purchases and barter, temporary palliatives to avoid facing a permanent solution.

We participated in the legislative efforts of 1957 and 1958 for an adjustable import tax and a stabilization payments plan—both unsuccessful in Congress. We have participated in five United Nations international lead-zinc meetings to try and solve these problems, worldwide, without success. At the last meeting we were told that the surplus in zinc was a problem for the United States to solve internally, but the importing nations were vary happy to have our

State Department propose another barter program to put their surplus stock of lead in the U.S. stockpile at our expense—again a temporary palliative with very questionable possibilities for benefit to the domestic miner.

At this point I would like to comment on a question this morning regarding the position of the industry representatives at the time of this last international meeting regarding the barter proposition.

May I say that we had a meeting a year ago at which we were asked the industry position on barter, and as I recall, we were unanimously against barter. The last meeting we had in February did not have barter, as such, brought up by the Government officials conducting the meeting.

Finally, at the end of the meeting, one of our industry representatives who is with us today, finally asked for the position of Government. Again, I can assure you that with perhaps one exception, and that was a very limited exception, the industry was not for continuation of this barter program as it is apparently progressing.

Through all this effort we have recognized:

1. That the domestic lead-zinc industry must have a market price that will put the miner back in business and provide long-term stability to explore, develop, and produce a fair share of the domestic needs.

2. The consumer of lead and zinc must be assured that there will be an adequate, long-term supply of metal at stable and reasonable prices to permit further planning and design for use in manufactured products.

3. We realize that imports are needed to help supply our domestic market and agree that appropriate quantities should enter at reasonable tariff rates, but this has not been the case; it is the cause of our troubles and is the problem to be considered here today.

Consideration of these three fundamentals complicates the problem, but an equitable and workable solution has been introduced in this Congress as the Anderson bill, S. 1747, and the Aspinall bill, H.R. 3416.

Mr. Chairman, I realize this is not a discussion of particular legislation, but it so happens that the Anderson-Aspinall bills do fill what we think are the needs. I would like to use them as examples of what we are thinking about.

Senator CARROLL (presiding). You may go right ahead.

Mr. WILSON. This proposal recognizes that:

1. A domestic price of 13½ cents to 14½ cents lead and zinc is a good price for the consumer and will provide him an adequate metal supply attractive for long-term design and use.

Those prices have been pretty well hashed out in Tariff Commission hearings and at those levels there are no particular objections from the consumers for, as I say, long-term design and use.

2. These same prices, while satisfactory to the consumer, will not alone maintain a healthy and stable domestic mining industry.

Again, in some of the hearings before this committee, as pointed out this morning, we talked about combined price levels of 30, 31, or 32 cents, so we are talking about something more reasonable now, particularly from the standpoint of trying to take care of the consumer.

The legislation, therefore, proposes that a limited, controlled subsidy be paid to each miner on lead and zinc production up to the

first 2,000 tons of each metal produced in a 12-month period. The subsidy market price is 16 cents per pound for each metal recognizing the similarity of mining problems in lead and zinc mines. The subsidy would be paid from tariff receipts and eliminate problems of appropriation with no burden on the Treasury.

This plan more or less follows the wool plan, where the tariff more or less pays the subsidy. The combination of a moderate market price and a small subsidy will maintain the efficient miner and continue the exploration and development so vital to expand this industry.

Senator CARROLL. You heard the discussion this morning about the sugar?

Mr. WILSON. Yes, sir.

Senator CARROLL. Now you have mentioned wool. Does the bill you are discussing now have the same characteristics as the Sugar Act and the Wool Act?

Mr. WILSON. I am not too familiar with the Sugar Act, Senator, but it is very similar to the Wool Act; yes, sir. It is the same principle where the tariff pays the subsidy. There is a little difference in the way this subsidy would actually be paid from the standpoint of the technicalities of the way the wool subsidies are paid, but the financing principle is the same.

Senator CARROLL. You have in your statement that the subsidy would be paid from tariff receipts, and eliminates problems of appropriation with no burden on the Treasury.

Explain that very briefly, would you, please?

Mr. WILSON. Well, the bill provides that subsidy receipts would go into a lead and zinc stabilization fund. The subsidy would be paid from this fund. The balance of the fund at, say, the end of the year, would go back to the Treasury.

Senator CARROLL. Explain what you mean, for the record, by "tariff receipts."

Mr. WILSON. That would actually be the tariff paid on imported lead and zinc metal and concentrates.

Senator CARROLL. The bill which you referred to involves higher tariffs?

Mr. WILSON. Yes, sir; it does. I believe we discuss those a little further along in the testimony.

Senator CARROLL. Very well.

Senator HICKEY. Right there I might say this to you: You recognize the resistance that the Department of State might give to this proposal. I have been quite interested in the wool bill and I am beginning to recognize currently the resistance on the basis of the argument that for some 30-odd years we have attempted to move in a free-trade area, and that the setting up of specifics, such as wool, sugar, and this, may have some effect upon our international affairs.

You probably are conversant with that argument, are you not?

Mr. WILSON. Yes, sir, I am, Senator.

Senator HICKEY. Your approach to this thing is more on a quota basis than a strict tariff-type operation, is that not true?

Mr. WILSON. No, sir. Actually we are talking about a tariff as compared to a quota. We are really trying to do three things with this, Senator. First, we are trying to get the domestic miner back in business. That is what we are in business for.

Second, as I indicated, we want to protect the consumer so that he has a good supply of metal at a stable price over the long term. Third, we recognize we need imports. We want the importer to have a share of our market at a price that will be good for him, at a tariff that will be reasonable to him.

Senator HICKEY. Isn't that the point where the quota comes into play, the allocation of quota in excess of the domestic production with the tariff on anything that might compete with the domestic production? Is that your theory?

Mr. WILSON. Well, of course, we are trying to do away with the problem of inflexibility of quotas by saying, "Let's put a basic, permanent tariff on all imports on lead and zinc metal and ores and concentrates of a reasonable value."

I think this is explained a little further on, but I would like to give it briefly.

If the foreigner will observe certain import levels he will enjoy a good market price at a lower tariff. If he becomes hungry for more of our market and starts importing us to death, as he has done in the past, we provide for an additional, removable tariff to go on at a certain price and go off at another price.

So, in a sense, it is a warning to the importer that he is taking too big a section of our market. He is ruining our price, he is ruining his price, he will pay additional import taxes as a result. That is the theory behind this particular bill.

Senator HICKEY. I was thinking of it basically from the point of view of meeting the resistance the Department of State might have to this type of act.

Mr. WILSON. Of course, we are in hopes that this approach would do that, Senator.

Senator HICKEY. We were hopeful in the Wool Act to use a similar approach, only we speak of it as a quota basis. You apparently have stepped away from the quota basis and are seeking an overall tariff which is graded as to the effect it has on the domestic market.

Is that my understanding of your theory?

Mr. WILSON. That is right. We feel that this reasonable tariff will allow sufficient imports to augment our own domestic supply, and that domestic supply level we are talking about will be healthy for our industry both tonnagewise and pricewise.

If they try to usurp more than that, they have to pay an additional tariff which will still be a protection to us on our domestic production.

Senator HICKEY. Along that line—I note not in your tariff statement, but from what you said in the record—you indicated that in 1956 there were 696 mines operating, as against 250 mines operating in 1959.

Mr. WILSON. Yes, sir.

Senator HICKEY. In order to stabilize this situation, will you not have to stabilize the industry domestically? By that I mean you could increase the number of mines from this point on and probably take care of the entire domestic requirement or production need, and eliminate all possible foreign imports. Do you propose to regulate the industry as it is and deny its expansion?

Mr. WILSON. No, sir. One reason we use 1956 figures on the number of mines would be that looking at the statistics on the last page

in 1956, the domestic primary mine output of lead was about 353,000 tons, which we, again, think is about the normal production for the domestic industry.

You will notice the price then was about 16 cents. On zinc in 1956, production was 542,000 tons, which is pretty close to the domestic goal that we would like to approach, and the price there was 13.5 cents.

That was the year when we had this higher number of mines working. So we feel that if we can stabilize the market price around these levels, we will be producing domestically that much metal, these mines that were operating will be back operating, the foreigner will still have a very fair, reasonable level of imports to keep him happy, too.

Senator HICKEY. Thank you.

Mr. WILSON. The third point I have is: This price of 13.5 cents to 14.5 cents can only be maintained through a balance of supply and demand of metal and elimination of excessive stocks caused by excessive imports. We have experimented with several substitute methods and now must enact legislation to provide a reasonable, effective tariff schedule.

In proposing effective import controls, we must examine the minimum production price of our competition. The London Metal Exchange (LME) reflects the world price outside the United States, and a tariff schedule must consider metal pricing experience at the LME during the past few years.

We have had excessive, unneeded imports of both metals at less than 8-cent LME prices—zinc in May 1958 and lead in December 1960. Legislation must consider these price levels as a very possible future threat. We know that the importing countries look at a 10-cent to 11-cent LME price as satisfactory for normal operation.

Legislation must look to this as perhaps normal competition considering that something less than a cent must be added to the LME for transportation charges to the United States. The Anderson bill considers these conditions and proposes a permanent tariff on lead and zinc metal of 2 cents per pound—present rates 1.0625 cents per pound on lead and 0.7 cents per pound on zinc—again recognizing that both metals should be treated equally as opposed to the inequalities of present tariff schedules.

This 2-cent tariff will produce a domestic market price of the desired level with normal LME prices and with imports limited to needed quantities of lead and zinc. Past experience tells us that these normal conditions will not prevail and additional controls are, therefore, mandatory during periods of subnormal LME prices.

Senator CARROLL. What do you mean when you say that a 2-cent tariff will produce a domestic market price of the desired level with normal LME prices and with imports limited to the needed quantities of lead and zinc? What do you mean "imports limited?" What is the nature of the limitation?

Mr. WILSON. What we are saying, Mr. Chairman, is that the tariff has to be the limiting factor. What we are telling the importer in effect is this: "You know what our domestic mine goals are; you know what our consumption is; you know what the secondary metal is that keeps floating around the market. The difference is imports we need."

Now, if those imports come in at about those levels, again the importers are going to have a reasonable 2-cent import tax that gives them a good price, gives us a good price; they have a nice share of our market.

The limiting factor is, we say, "If you start flooding our markets again like you have done in the past, the price goes down, and you are going to have another 2-cent tariff to pay, or 4 cents total," and that 4 cents can still equalize their lower LME prices. That tariff is the limitation.

Senator CARROLL. Are you saying, in effect, that the tariff is flexible in the sense that if they do overload the market by their imports into the present market they pay a higher tariff?

Mr. WILSON. That is right. And that is the way I think it should be.

Senator CARROLL. That was in response to Senator Hickey's statement. But sugar works on a quota system with the processing tax. But if we know what the sources of production of lead and zinc are, as I was led to believe this morning, and you heard the discussion this morning, and if we move this 90,000 surplus stock with the thought of the men who testified this morning, that that would give some stabilization to the industry. Now, you are saying that on top of that we ought to have a flexible tariff, flexible in the sense that at certain levels the tax is increased to 2 cents a pound, but if imports still continue to flood the market the tariff could be raised as high as 4 cents.

Mr. WILSON. The statement is even stronger. We say that the present tariff should be increased to a permanent tariff of 2 cents. That is going to be paid all the time. If the price goes below 13.5 cents on our market, there will be an additional 2 cents tariff applied. If our price goes above 14.5 cents, that 2 cents tariff will come off.

In other words, we are giving the importer notice that our domestic price should be at least 13.5 cents. If he observes that and doesn't import us to death, he is going to get a good price.

Senator CARROLL. Would you then say that there should be a fixed price in our market—I am talking about our own economy—for lead and zinc?

Mr. WILSON. No, sir; we are not asking for a fixed price. We are asking for a minimum that we can live by. Those minimums have been reduced in our thinking during the last year or so as compared to 3 or 4 years ago when we were before this committee.

One reason is, again, that we want to protect the consumer. In order to do that, we say we will accept this average price of 13.5 to 14.5 cents. But, in addition, we have to have this small, limited subsidy to augment that and keep some of the smaller and medium-sized mines in the business.

Senator CARROLL. How would you enforce the floor that you put on prices?

Mr. WILSON. This legislation would provide that any time the domestic price on either lead or zinc goes below 13.5 cents there would be an additional 2 cents import tax tariff.

Senator CARROLL. And, therefore, that the revenues would come from the tariff receipts, but go into a separate fund?

Mr. WILSON. That is right. They would go into the lead-zinc stabilization fund. The fund would pay the subsidy. Once a year it could be cleared and go back to the Treasury.

Incidentally, the preliminary figures on present tariff receipts versus increased tariff receipts under this bill would pay for a subsidy based on present market prices, which are very poor, and based on production in 1956, which would be average.

In other words, what I am saying is that under the worst conditions of having to pay the biggest subsidy on the most tonnage, the tariff receipts under this bill would take care of the subsidy, and take care of the equivalent of our present tariff receipts. The Treasury would not suffer. As our market price increased and the subsidy amounts decreased, the Treasury would probably benefit to a certain extent.

Senator CARROLL. Why do you think this would be better than establishing a quota system?

Mr. WILSON. Actually, from the standpoint of a little mineowner, there is no advantage. In other words, if I am a little mineowner in the hills somewhere, all I want is a higher price. I don't care how it is accomplished, what kind of controls, as long as the price goes up.

But as you learn more about the industry and the problems of not only just the little miner, but also the millman and the smelterman, you find, and I am sure you will hear a little longer and better exposition of this later in the session, it has certain problems of inflexibility that make it a little hard to adjust.

I am sure you will also hear the story that these pipeline supplies of foreign concentrates are pretty well upset by setting certain quotas on certain countries. We just don't think it is as flexible and as easy to administer in the long term as a simple tariff plan would be.

Senator CARROLL. You are not familiar with the Sugar Act and the operation of it?

Mr. WILSON. No, sir; I am not.

Senator CARROLL. You may proceed.

Mr. WILSON. The legislation, therefore, further proposes that, should our domestic price for either metal go below 13½ cents, an additional 2 cents tariff be applied, to be removed when the domestic price rises above 14½ cents per pound. This is fair warning to the importer that we can protect the United States price down to the historic LME lows, that the domestic miner should have his fair share of the market, and that the importer can participate with us at a good price and reasonable tariff (2 cents) by limiting his imports to those needed by our industry.

The legislation provides for two other important considerations. Historically, lead concentrate tariff rates have been only 70 percent of the rate on lead metal recognizing the losses in, and the costs of smelting concentrates to produce metal.

In the case of zinc, the concentrate tariff rate has been 86 percent of the metal rate even though losses and costs are greater than in the case of lead. The Anderson bill proposes equal tariff treatment for both metals—1.4 cents per pound on lead and zinc concentrates, providing the importer of zinc concentrates an equal tariff "advantage" as is the present situation with lead.

Regarding the second consideration, as the price differential increases between the LME and the United States, it becomes advantageous for the foreign manufacturer to fabricate goods from cheaper foreign metals and import these manufactured items into the United States at the present low tariff rates on such goods. The Anderson bill proposes an additional compensatory tax of 2 cents per pound on these items to plug this import loophole.

Senator CARROLL. You say that the present rates, are 1.0625 cents per pound on lead and 0.7 cent per pound on zinc—these are present rates?

Mr. WILSON. Yes, sir, on lead and zinc metal.

The CHAIRMAN. What is the present yield in receipts to the Treasury? That is, in dollars and cents?

Mr. WILSON. I say if we were to take import tonnages of metal and concentrates as permitted by the present quota, the tariff receipts would be approximately $13 million per year.

The CHAIRMAN. I am not opposed to this, but I think we ought to develop these things for the record. Are you then saying that if we increased this now to 2 cents, and assuming, with the same assumption you have just given, that amount is $13 million plus to be increased, it would now be taken from the Treasury and put into this fund. Is that money now going to the general fund of the Treasury?

Mr. WILSON. That is my understanding.

Senator CARROLL. So the effect would be this 13, 16, or whatever number of millions it is with the increase would now go into this fund?

Mr. WILSON. Temporarily. At the end of the year, any balance left in the fund after paying the subsidy, would go back into the Treasury again.

The CHAIRMAN. The Treasury is now getting $13 million, isn't it?

Mr. WILSON. Approximately.

The CHAIRMAN. There would be a loss. They wouldn't recoup that.

Mr. WILSON. I am not conversant on how these payments are handled. But it is my assumption that I import metal, I pay a tariff, and it goes into the Treasury. Under this bill I would still do the same thing. It would go into the lead-zinc stabilization fund and at the end of the year the balance would go into the Treasury. So we would hold up some receipts temporarily, but at the end of the year the Treasury would get at least as much as they get now and I think they would get more.

Senator CARROLL. That is the point I wanted to develop for the record.

Senator HICKEY. Along that line, I think you have shown the point that will cause some resistance from the Bureau of the Budget, and that is the fact that even though we talk about quotas or we talk about tariffs or something in that nature, it all affects the overall Treasury of the United States. By that I mean setting this up in a special fund to pay a subsidy, if you please, eliminates from the use of the Treasury generally an amount of money for a period of time, at least, until it can be reconverted. This is the type thing that may effect some resistance on the part of the Bureau of the Budget to the recommendation it may give for the particular legislation you discuss. Do you recognize that factor and do you have some further comments on it?

Mr. WILSON. I would say this, Senator. I am sure that as experience is gained under the provisions of this bill, as to what the income requirements are for the subsidy, that adjustments could be made in that fund so that any balances that we can see we don't need, could go to the Treasury. The only balance maintained would be something that would cover the needs for the subsidy. That would come with a little experience.

Senator HICKEY. As I understand your testimony now, there is approximately $13 million going to the Treasury without being earmarked, going into the Treasury for its use.

Mr. WILSON. That is my understanding.

Senator HICKEY. Under this proposal it would be withheld to satisfy the obligation that you propose in this bill for a period of time until it can be recovered by the Treasury on the increased tariff, is that correct?

Mr. WILSON. Well, let's put it this way: Under the increased tariff, instead of, say, $13 million going into the fund, perhaps $28 million would go into this fund, as it worked out, so we got $15 million more than the Treasury is now receiving. That will pay the subsidy and probably more than pay the subsidy. So my point is that as the administration of this fund gets some experience, they can no doubt say, "Well, we need to hold so much in this fund to pay this subsidy based on our experience. The balance of it we can give the Treasury." If that is going to be a big stumbling block, I think that can certainly be worked out.

Senator CARROLL. I might say for the record and I am not sure that I am right, but it seems to me again, going back to where they had the changeover one time, there was a tariff system on sugar. This goes back maybe 30 years. Twenty-five years ago, 5 years after, they began to think in terms of how could they help the farmer, how could they help stabilize the sugarbeet industry, how could they help the refiner. And, of course, the consumer had to pay a little bit more. Not much, but some. They evolved this system of a quota. Why? Because in this country we were in short supply of sugar. They evolved this concept of a processing tax. We lost money in the beginning from the Treasury, but through the years of experience—as I have said, it is not pertinent, but it is reasonably pertinent—it has adjusted. This is why I am not fixed in my own mind that we shouldn't have a quota system for lead and zinc because this is another commodity in which we are in short supply. This was our concept before, that we could work it along the lines of the sugar bill or the wool bill. Maybe this flexible tariff is the mechanism that will do it.

There would probably be a loss to the Treasury since this revenue wouldn't be going into the general fund, as indicated. But assuming we didn't use all of the import tax revenue for the subsidy fund, whatever is left over at the end of the year goes into the general treasury, as I understand your statement.

Mr. WILSON. That is right.

Senator CARROLL. In other words, this is not a perpetual revolving fund and just the building up of money for subsidy payments under this program.

Mr. WILSON. No, sir, and the subsidy is so limited that under known conditions of production and consumption and producers it can't ever become much of a burden to the taxpayers at all.

One other comment on the sugar plan. I have heard it said that it is supposedly very easy to arrive at a figure of consumption per capita for sugar, multiply by the number of people and set a quota, so you don't have the problems of flexibility that might be the case of lead and zinc where we have problems of domestic production and imports, and consumption and changing of design and uses and things like that, which makes it a little tougher to estimate what you are going to do for a quota plan.

Senator CARROLL. As I understand from this morning, there are changing factors all the time. Competitive factors, such as plastics and aluminum account for the fact that we have had a 10-percent decrease or decline in the consumption of both lead and zinc in this country.

I do not want to hurry you because this is very important testimony and you are a very important witness.

Mr. WILSON. Thank you, sir. I appreciate your kind words.

We had completed the thought that this bill also provided a compensatory tax on manufactured items.

There are other legislative proposals presently introduced in this Congress, designed to protect the interests of the importing smelters, and these don't provide for adjusting the old inequities between tariff treatment for lead and zinc. In contrast, the Anderson bill is truly a lead and zinc minerals policy that has not selfishly put the welfare of the domestic miner above other considerations. It recognizes the interests of the consumer and the importer and the provision for protection adjusts to world prices and domestic needs.

I understand that the Department of the Interior is working on suggestions for a minerals policy and that the administration will be considering these proposals. In view of this, the hearing today is most timely as you and your committee can further advise the administration as to your recommendations for a lead and zinc policy to not only get the domestic miner back in business, but provide a plan to assure an expanding, healthy United States industry. On behalf of the lead-zinc miners in this country, may I again say many thanks for your interest and support.

Senator CARROLL. I have just one or two brief questions.

How will this bill get miners back to work How will it get some of the mines open?

Mr. WILSON. That is a good question. That is what we are working on.

In the first place, this increased tax will go on, that is the basic 2-cent permanent tax that will go on, and if our domestic price does not get above 13.5 cents an additional 2-cent tax goes on. So we have a 4-cent tax leveler between what we need and the price at which the foreigner can invade our markets. The result is that his imports are going to slow down. As the total supply of lead and zinc decreases in this country, our domestic price is going to go up. While it is going up, these little miners of yours in Colorado are going to be getting, immediately, this small subsidy that is going to be just enough help to get them back in business.

Senator CARROLL. Is there enough in it for the miners in Colorado that they can make a go of it with the floor you have set.

Mr. WILSON. Yes, sir.

Senator CARROLL. Can this put them in business?

Mr. WILSON. I would say by and large most of them will be back in business; yes. The efficient miners will be back in business.

Senator CARROLL. What is your floor price?

Mr. WILSON. 13.5 cents, on both lead and zinc. That is 27 cents combined.

Senator CARROLL. And you think these men can go in business on that?

Mr. WILSON. At a 27-cent market plus the subsidy, they can.

Senator CARROLL. Let's talk a little about "plus the subsidy." Explain briefly the nature of the subsidy they would get.

Mr. WILSON. The subsidy price is set at 16 cents on both lead and zinc. At the present time, lead is 11 cents. The domestic miner would be getting paid a percentage of that differential. In other words, there is 5-cent difference between the present market and the subsidy price proposed on lead. Over the past years, when they have had some of these Government-type programs, they generally pay the domestic miner 75 percent of the actual market differential on lead and 55 percent of the actual market differential on zinc, which represents, you might say, the actual return to the miner due to smelting charges and losses in smelting. Without getting too deep into that mechanism, let's say that the miner will receive about 75 percent of this 5 cents per pound on his lead. Zinc is 11½ cents, so he will get about 55 percent of the 4½ cents.

Senator CARROLL. Is there a tonnage limitation?

Mr. WILSON. Yes, sir. He gets paid this only up to 2,000 tons of each metal per year. You see, this could amount to—I think the calculation was about $200,000 to a man who had actually produced enough to get the full subsidy. I am familiar enough with some of the small and medium size fellows out West to know that that much of a financial boost is going to get him back in business.

Senator CARROLL. What would you say the average production of a small miner is? I am trying to get something into the record.

Here is a bill designed with a tonnage limitation. What does it mean to him in the nature of dollars and cents?

Here I have had handed to me production of lead plus zinc in the United States in 1959, grouped on the basis of size production of individual mines. And then there is the number of tons. There is a 2,000-ton limitation in the subsidy.

Mr. WILSON. Yes.

Senator CARROLL. On the number of mines as indicated on this sheet I have, it is zero to 499 being 182 mines, 5 to 900 tons is 10 mines, 1,000 to 1,999 is 15 mines. Just doing it roughly, this is about 83 percent.

Mr. WILSON. Actually, Senator, you could go on up to the 3,999 limit as this represents combined lead and zinc, these tonnage figures. So you could add in a few more. It doesn't change the total very much, but you are on the right track. You would have 84 or 85 percent of the people in that group that would be getting the subsidy.

Senator CARROLL. Let's take the group of zero to 499, 72.8 percent. What does that mean in dollars and cents to that miner? What would this bill do?

Mr. WILSON. I haven't figured that out, but I will be glad to and let you know.

Senator CARROLL. Have you a general idea of what this means?

We can have this for the record, from either the Department of the Interior or yourself later on. That would be more accurate. But can you give a general idea? What does this bill mean to the miner?

Senator ALLOTT. Would that be about $20,000 on 500 tons, Mr. Wilson?

Mr. WILSON. Roughly that. That would be the minimum. It might be a few more thousand than that.

Senator CARROLL. $20,000 subsidy?

Mr. WILSON. Yes, sir.

At leisure I would like to work this out for you, if I may.

Senator CARROLL. I think it would be a good idea to have it in the record. It gives an idea of what we are talking about.

Mr. WILSON. I might say that the same figures you were looking at go back to 1956. The numbers, of course, get appreciably larger, which is what we are trying to do. Instead of that 182 up to 500 tons, we had 557. That shows you the casualties in that particular bracket. Again, it reflects the total reduction from 696 down to 250. The big casualty, of course, was in the under 5,000 ton bracket and they are the guys who are going to need the subsidy.

Senator CARROLL. Do those in the industry who produce more than 2,000 tons get any subsidy under this bill?

Mr. WILSON. Yes, sir. Under this bill, we say any producer, regardless of who he is or what is the color of his hair, he can have the subsidy up to 2,000 tons but he can't have more than one and he can't have more than 2,000 tons.

Senator CARROLL. Another way to put it is that every person engaged in this industry in production would get a minimum of $20,000.

Mr. WILSON. No, sir, it depends on his total tonnage. In other words, you would have a person that would get even less than this $20,000, and you would, of course, have another fellow who would get more. We took the case of a man who was getting paid for 500 tons subsidy. That figure of $20,000, if that is right, would be the case for every man producing that tonnage. If he is producing less than that he would get a smaller subsidy, the man producing more than that, up to 2,000 tons, would get a bigger subsidy.

Senator CARROLL. I suspect this will be a very important bill and we ought to see who is getting what, how much and for whom.

Mr. WILSON. I will be glad to work it out for you.

Senator CARROLL. We will see what a big producer gets, what a small producer gets, and we can make certain assumptions. For example, let's assume a man is up at the 2,000 level. We have dealt with zero to 499, 500 tons, up to 2,000 tons. What would be his take from the subsidy?

Mr. WILSON. Senator, as I recall the preliminary calculations indicated the man who got the 4,000 tons would be getting roughly, I think it was, $225,000 under the present market. So to answer your question on 2,000 tons probably half of the $225,000 at the

present market price. But the point is as we have an increased tax on imports and our market price tends to come up towards the 16-cent subsidy price, the amount of subsidy payment decreases. All we are paying is the differential between the market and the 16 cents. So as the market price comes up, the total amount of subsidy is less. After all, all that little miner is trying to get is a price equivalent to 16 cents. As the market comes up, he gets so much on the market, he gets the balance as a subsidy. So the point is that as the market price improves, the subsidy program costs less to the Government, and I actually think the Treasury will be getting more recipts eventually than they are now.

Senator CARROLL. I think you make a good point. But I think also we have to go into this further. I think Senator Hickey is absolutely right. As this matter begins to be probed by the Bureau of the Budget and other people, we ought to be able to know specifically what people get in the different categories. What does 2,000 tons mean under the average market conditions of today? That is what we must know. In other words, if we have a fund of $15, $16, $17 million in the first year, assuming a 2-cent tax, we want to know what the take is of each group.

Mr. WILSON. I will be glad to work that out.

Senator CARROLL. It is just so that we know what we are talking about. Is this really a bill for the small miners or is it a bill for somebody else? What is their take? How much do they participate in this $13, $15, $16 million withholding? I think we would be in a better position to know this then, or at least we can meet the arguments.

Mr. WILSON. I will do that.

(The following communication was subsequently submitted:)

EMERGENCY LEAD-ZINC COMMITTEE,
Washington, D.C., May 10, 1961.

Hon. JOHN A. CARROLL,
Chairman, Subcommittee on Minerals, Materials, and Fuels,
Old Senate Office Building, Washington, D.C.

DEAR SENATOR CARROLL: During your committee hearing of May 4 investigating the current situation in the lead-zinc mining industry, I presented a statement for the ELZ Committee and the domestic miner reviewing our legislative and governmental experience since 1950 and discussed the remedial features of the Anderson bill, S. 1747, that you have cosponsored and that should be enacted in this session of Congress. You requested information on estimated costs of the subsidy plan, the disbursement of the subsidy by size of operation, and estimated revenue from tariff collections that would pay subsidy costs.

The following calculations are based on 1956 Bureau of Mines statistics, as this year is representative of the ELZ Committee industry mine production goals, and 1956 metal prices were also comparable to our objectives. This, therefore, should represent the maximum production to be subsidized in the foreseeable future. This information is in table I. The Anderson bill provides a subsidy on the first 2,000 tons production of each metal (4,000 tons combined) in a 12-month period with a further limitation that a producer can only receive one subsidy regardless of the number of mines he operates. Under these limitations all production from all mines has been included in the subsidy tonnage up to the combined 3,000-ton figure (table I) as this represents production from individual producers owning individual mines. Above this 3,000-ton figure the subsidy tonnage has been reduced below the actual production as the number of individual producers is less than the number of mines in these categories. In other words, some producers operate more than one of these larger mines. The result is that based on 1956 statistics, the Department of the Interior estimates a maximum of 274,000 tons of lead and zinc would have been subsidized from

the total yearly production of 895,000 tons, or 30 percent of this total. Only 80,000 tons, or 29 percent of the subsidized production, would have come from the larger producers, 5,000 tons and over.

The calculation of the subsidy cost is shown in table II. The subsidy price of the Anderson bill is 16 cents per pound for both lead and zinc, and the calculations for current estimated costs are based on the present market prices of 11 cent lead and 11.5 cent zinc. We don't see how prices could get much worse than this, so again this should represent maximum foreseeable costs. This calculation is based on a weighted average cost per ton of combined lead and zinc using 1956 mine production figures of 353,000 tons of lead and 542,000 tons of zinc as an approximate ratio of 40 percent lead to 60 percent zinc. Further, subsidies or premiums are generally paid not on the full difference between market price and subsidy price, but at a percentage of this representing losses and costs of treatment in producing metal from ores. This is 75 percent in the case of lead and 55 percent for zinc. You will note that these are used in the calculation of table II. We estimate the subsidy cost per ton of combined lead and zinc would be $59.60 per ton, based on present-day market prices. The maximum cost at 1956 production rates is estimated at $16,330,000.

The purpose of the Anderson bill is to limit imports and stabilize domestic metal prices at reasonable rates. The removable 2-cent tariff is applied only below a 13½-cent market price, so it's reasonable to expect a limitation of imports and a domestic market price stabilized in the vicinity of 14 cents per pound on both lead and zinc. Since this is the expected price under this legislation, the cost of the subsidy has been recalculated in table III under these expected conditions. You will note that this total cost would be reduced to $6,905,000.

Table IV presents the subsidy cost by mine size at (1) present prices and (2) at expected market prices under the Anderson bill. You will note that the larger mines above 5,000 tons production receive only 29 percent of the total; and please remember that this category includes some medium-sized mines, particularly in the West, that are still operating but at a loss. Even the big U.S. mines cannot produce profitably at present market prices and are certainly entitled to participate in an incentive plan to keep their mines operating and have funds for exploration and development. If they should show a profit, half the subsidy will return to the Treasury as income tax. I can see no loss to the Government under the coverage of this subsidy and no need to play favorites by limiting participants in this program.

The Anderson bill provides that the subsidy will be paid by tariff receipts from imported lead and zinc, so it's of interest to examine these figures. Table V compares tariff receipts at present rates, with receipts at the Anderson bill rate of 2 cents per pound. This assumes the domestic market stabilized above 13½ cents and the additional removable tariff of 2 cents does not apply. The import figures used are tonnages allowable under the present quota system as this is representative of our needs for imports under normal conditions of domestic price, production, and consumption. Present tariff receipts as per condition (1) approximate $13 million. The receipts under condition (2), assuming the Anderson bill enacted, approximate $29 million. Condition (2) would pay for the subsidy under maximum conditions and still return normal income to the Treasury. As the market prices improved under condition (2), the total amount of subsidy payments would decrease as shown in Table IV and the Treasury would benefit accordingly.

There was some questioning during the hearing as to the subsidy payment to a 500-ton producer. Table II indicates the subsidy per ton of combined lead and zinc at present market prices would be $59.60 per ton—500 tons equals $29,800. This payment would represent a 30 to 40 percent increase in a producer's normal income from ore sales.

Again we thank you and your committee for your interest and constructive effort in behalf of the domestic lead-zinc mining industry. May I again emphasize that the bill you have sponsored will correct the problems of the domestic producer, and it gives full consideration to the interests of the consumer and importer. We do hope that as a result of this hearing you will be able to advise the administration of the correct formula and immediate need for a lead and zinc minerals policy.

Very truly yours,

CLARK L. WILSON, *Chairman.*

TABLE I.—*Production of lead plus zinc in the United States in 1956 grouped on the basis of size of production of individual mines*

Mine size, tons production of combined lead and zinc	Number of mines	Percent of total	Actual production (tons), lead and zinc	Percent of total production	Number of producers	Production under subsidy (Anderson bill)
0 to 500	557	80	27,000	3	557	27,000
500 to 1,000	27	4	19,000	2	27	19,000
1,000 to 2,000	29	4	42,000	5	29	42,000
2,000 to 3,000	24	3	61,000	7	24	61,000
3,000 to 4,000	13	2	47,000	5	7	25,000
4,000 to 5,000	9	1	42,000	5	5	20,000
Above 5,000	37	6	657,000	73	20	80,000
Total	696	100	895,000	100	669	274,000

TABLE II.—*Calculation of subsidy cost at present market prices and 1956 production rates*

[1956 production was 353,000 tons lead, 542,000 tons zinc, an approximate ratio of 40 to 60 percent]

Market on lead, 11 cents per pound; subsidy, 16 cents per pound; difference, 5 cents, at 75 percent equals 3.75 cents per pound.
Market on zinc, 11.5 cents per pound; subsidy, 16 cents per pound; difference, 4.5 cents, at 55 percent equals 2.475 cents per pound.
Weighted average at 40 to 60 percent equals—
2.98 cents per pound.
$59.60 per ton combined lead and zinc.
274,000 tons subsidized at $59.60 equals $16,330,000.

TABLE III.—*Calculation of subsidy cost at market prices estimated under Anderson bill and 1956 production rates*

Market on lead, 14 cents per pound; subsidy, 16 cents per pound; difference, 2 cents, at 75 percent equals 1.5 cents per pound.
Market on zinc, 14 cents per pound; subsidy, 16 cents per pound; difference, 2 cents, at 55 percent equals 1.10 cents per pound.
Weighted average at 40 to 60 percent equals—
1.26 cents per pound.
$25.20 per ton combined lead and zinc.
274,000 tons subsidized at $25.20 equals $6,905,000.

TABLE IV.—*Distribution of subsidy payments by mine size*

Mine size	Tons subsidized	Payments under Anderson bill, S. 1747			Number of producers	Subsidy per producer at present market
		At present market—11 cents, lead; 11.5 cents, zinc	Stabilized prices 14 cents, lead and zinc	Percent of total cost		
0 to 500	27,000	$1,609,000	$680,000	10	557	$2,900
500 to 1,000	19,000	1,132,000	479,000	7	27	41,900
1,000 to 2,000	42,000	2,503,000	1,059,000	16	29	86,500
2,000 to 3,000	61,000	3,636,000	1,537,000	22	24	151,000
3,000 to 4,000	25,000	1,490,000	630,000	9	7	212,500
4,000 to 5,000	20,000	1,192,000	504,000	7	5	238,400
Above 5,000	80,000	4,768,000	2,016,000	29	20	238,400
Total		16,330,000	6,905,000	100	669	

TABLE V.—*Calculation of receipts*

1. Under present tariff rates and at quota maximums:	
Lead:	
Ores, 132,000 tons, at $15 (0.75 cents per pound)	$ 1,980,000
Metal, 222,000 tons, at $21.25 (1.0625 cents per pound)	4,717,500
Total	6,697,500
Zinc:	
Ores, 380,000 tons at $12 (0.6 cents per pound)	4,560,000
Metal, 141,000 tons at $14 (0.7 cents per pound)	1,974,000
Total	6,534,000
Grand total	13,231,500
2. Assume S. 1747 enacted and market stabilized at 14 cents per pound for lead and zinc—use 2-cent tariff rates and imports at quota maximums:	
Lead:	
Ores, 132,000 tons at $28	3,696,000
Metal, 222,000 tons at $40	8,880,000
Total	12,576,000
Zinc:	
Ores, 380,000 tons at $28	10,640,000
Metal, 141,000 tons at $40	5,640,000
Total	16,280,000
Grand total	28,856,000

Senator CARROLL. Thank you very much for your testimony. It has been very impressive.

Mr. WILSON. Thank you.

Senator CARROLL. Senator Moss.

Senator Moss. Mr. Wilson, I understand that we are not able to produce enough lead and zinc in this country for our total consumptive needs, is that correct?

Mr. WILSON. That is correct.

Senator Moss. Approximately what percentage of our consumptive needs could we produce under normal conditions?

Mr. WILSON. Well, we are actually shooting for, say, a minimum of half of the market.

Senator Moss. About half of our needs would be met by domestic production if the price were stabilized in this direction?

Mr. WILSON. That is right, Senator.

Senator Moss. So we are not proposing to cut off foreign imports, but simply to bring them into balance with our domestic production, is that right?

Mr. WILSON. That is right. We are not trying to be selfish about this thing, but we would like to have our fair share.

Senator Moss. Thank you.

Senator CARROLL. Senator Hickey.

Senator HICKEY. I have no questions, Mr. Chairman.

Senator CARROLL. Senator Bible.

Senator BIBLE. No; Mr. Chairman. I am sorry that I am running late. But I wish to assure Mr. Wilson I will take a very careful look at his testimony in the record.

Thank you for your appearance, Mr. Wilson.

Senator CARROLL. Senator Dworshak.

Senator DWORSHAK. I am also attending four different meetings today so I did not hear all of your testimony, but I shall read it, I assure you.

I was impressed when you continually referred to helping small miners. It is my understanding that in Idaho, probably Utah and some of the other mining States of the West in the past few years, under highly competitive conditions and depressed prices, practically all the small miners have gone out of business. Is that true?

Mr. WILSON. There are very few small miners left out West, Senator.

Senator DWORSHAK. How will you get them back in business? Will you go out and recruit them on the strength of this legislation should it pass Congress, or, before you answer that, do you have to recognize that in this highly competitive status of the mining industry, with the low-cost producers abroad and the unrestricted imports to a large extent, that we are facing a realistic situation which is very difficult to cope with? Isn't that true?

Mr. WILSON. It is very true, sir. The imports and resulting low prices puts these little fellows out of business.

Senator DWORSHAK. What are they doing now, the little fellows that have been put of business?

Mr. WILSON. A good many of them have left the camps. They have gone elsewhere to find other jobs.

Senator DWORSHAK. And when you shut down a mining operation it takes a lot of money to reopen and start operations, doesn't it?

Mr. WILSON. In many cases it does; yes, sir.

Senator DWORSHAK. I am not arguing with you, but I am trying to get a realistic picture of this whole thing. I have been watching these developments, as you know, for several years. It might be interesting to note that while we talk about the difficulties of the mineral industry, this noon I picked up a Spokane paper, Mr. Chairman, and opened it to the mining page, just subconsciously, and it said that Lucky Friday stock and another stock had reached an alltime high—this was probably 3 or 4 days ago in the Spokane market—Lucky Friday stock which could have been bought for 10 cents a share a few years ago was selling at $22 last week. Of course, that is the big exception, but there are some of these mines with rich deposits which are able to compete with these difficult competitive conditions abroad.

There is another thing. You haven't given me assurances and I am sure that you would if you felt confident that you could do that, that this will stimulate and expand the production of lead and zinc—I say "this", if this legislation were approved—but actually we wouldn't expect many small miners to reestablish themselves in the industry, do you think?

Mr. WILSON. Senator, that is a hard question to answer, but you know the miner is a pretty rugged individualist, always looking for the rainbow and pot of gold.

Senator DWORSHAK. Looking for another Lucky Friday.

Mr. WILSON. If he can see the incentive, he will do it. We have proved that in a lot of other minerals in the last few years. Uranium is a good example. I would say that we are trying to establish a pro-

cedure that will provide a reasonable market price that the consumer can live with, which will be good to the importer. That is one reason we have talked about the smaller subsidies, because the price is small enough that the smaller operator has to have a little help with it. But if he is going to be in business, he has to have that help now. We realize that a market price stabilized by tariff rates might take a little while to work off some of the surpluses we have built up, and during that time the market price will be slow in rebuilding. Again, the small miner needs the help right now. The subsidy would start the minute this bill is enacted.

Senator DWORSHAK. He needed it 5 years ago, 4 years ago, and 3 years ago.

Mr. WILSON. That is right. To answer your question, there will probably be a lot of them that will not go back.

Senator DWORSHAK. I suppose some of the operations will be opened on the basis of leases to enable the small operator to go in and operate it himself. I don't know whether that can be done legally under the terms of this bill.

Mr. WILSON. We say that the operator of a big mine shouldn't be allowed to sublease indiscriminately and participate in a lot of subsidies. We don't think that is right. But where there is a mine and an operator who is legitimate, he should participate.

Senator DWORSHAK. The individual miners, the lessees, would probably be able to get the benefits instead of one big mine operator who leased the operations to various individuals. But at that point, you mentioned the question of substitutes, for instance the consumption of lead and zinc diminishing constantly due to substitutes. Do you think that is essentially because of the price differential, that substitutes can be purchased at lower prices or rather that these substitutes prove more desirable to the people who use them instead of lead and zinc?

Mr. WILSON. Well, of course, it is always attractive to do something cheaper, but I am sure that the industry is doing a good job of research and working back into these substitutes. Some of this reduction in consumption isn't just substitutes. A lot of it is just the general business condition, as you well know. I feel that the prices we are talking about—again, these prices have been bandied around for a good many years through Tariff Commission hearings and committee hearings—at the levels we are talking about I can see no opposition to buying metal.

Senator DWORSHAK. I agree that those are reasonable levels to set for lead and zinc, both for the producer and consumer. There is no question about that. It is just a matter of adopting the proper mechanism to accomplish those results.

Senator CARROLL. If the Senator will yield, just prior to your coming in I asked the same question as to what does this mean to the little miner. He is going to give us a breakdown. We worked out from zero to 500 tons. I asked what that would mean in the subsidy payment. It was estimated to be about $20,000. He is going to break it down and furnish the information. I do not know whether this would draw an independent miner back in if he is a 500-ton man, whether the $20,000 subsidy with the other that he is making would put him back in business, but I think it is a good question.

The Senator from Colorado.

Senator ALLOTT. If the Senator will indulge me for a few moments, I have not seen the table which counsel handed the chairman, though I know just about what it is, but I would like to suggest that the table be made part of the record.

Senator CARROLL. Without objection it is so ordered.

Senator ALLOTT. Then I would like to suggest that immediately following it, the table which was in the 1958 hearings containing the same material for 1958 follow this one, because you will then have side by side the comparative picture of the production and the numbers of mines and the sizes they are. That is not in the record up to this point, I don't believe.

Senator CARROLL. I think that would be advisable. Without objection it is so ordered.

(The tables referred to follow:)

Production of lead plus zinc in the United States in 1959, grouped on the basis of size of production of individual mines

Group number of tons	Number of mines	Percentage of total number	Production lead and zinc (short tons)	Percentage of total production
0 to 499	182	72.8	8,628	1.3
500 to 900	10	4.0	6,440	1.0
1,000 to 1,999	15	6.0	20,469	3.0
2,000 to 2,999	6	2.4	14,359	2.1
3,000 to 3,999	2	.8	7,151	1.0
4,000 to 4,999	2	.8	8,148	1.2
5,000 and over	33	13.2	615,694	90.4
Total	250	100.0	680,889	100.0

[Excerpt from hearing of 1958]

Mine production of lead plus zinc (tons per annum)	Group No.	Number of mines	Total mine production, lead plus zinc	Percent of total production	Percent of number of mines
0 to 500	1	665	45,000	4.57	77.24
500 to 1,000	2	61	45,000	4.57	7.08
1,000 to 2,000	3	53	82,000	8.32	6.16
2,000 to 3,000	4	22	56,000	5.69	2.56
3,000 to 4,000	5	12	47,000	4.77	1.39
4,000 to 5,000	6	7	31,000	3.15	.81
5,000 and over	7	41	679,000	68.93	4.76
Total		861	985,000	100.00	100.00

Senator CARROLL. We will also receive the information from Mr. Wilson, however, as to the breakdown.

If 500 tons, under the assumptions which you drew, would set up a $20,000 subsidy, what would 2,000 tons be, under the same assumption. Would that be 4 times 20?

Mr. WILSON. Yes, sir.

Senator CARROLL. Under the same assumptions?

Mr. WILSON. Yes, sir.

Senator CARROLL. Under a different assumption, what is the most that could be given under this subsidy to any producer, up to 2,000 tons?

Mr. WILSON. Again you would have 2,000 tons of each, which would be 4,000 tons of combined lead and zinc. As I said, as I recall, a pre-

liminary estimate based on the present market was approximately $225,000.

Senator CARROLL. $225,000?

Mr. WILSON. Yes.

Senator CARROLL. Again, you would like to have the privilege of recalculating all of this.

Therefore, any producer who could qualify under the assumption you have given here could possibly receive $225,000.

Mr. WILSON. Yes, sir. I can say from experience, having been from an independent, middle-size company that has been regularly losing money but trying to hold on for a good many years, that that much money in a year—well, I think it would get us back in business again and keep us exploring and developing and looking for something bigger and better. I think we have had sort of a negative attitude in this lead-zinc business, just to get ourselves out of a hole, look up over the edge of the hole. I think we ought to look for something that will not only keep us out of the hole, but keep us working and stabilized and go on to a bigger and better industry. I think this kind of a formula (S. 1747) has a good chance of doing it.

Senator CARROLL. Are there some producers doing all right today, profitwise, or are they all in trouble?

Mr. WILSON. As I indicated in one of my statements, I doubt very much that there is any mine in the United States making any money off these particular metal prices. There might be exceptions, but there would be very few.

Senator CARROLL. You heard the discussion this morning about the barter business. Have you studied what we mean by cartels?

Mr. WILSON. I have not studied them, but I have heard about them.

Senator CARROLL. Are we setting up any sort of a cartel by this business of trading our grains and our food for lead? We know what the producing countries have for lead and zinc, do we not?

Mr. WILSON. Yes, sir. It is my impression that these other companies in these countries are very careful not to get involved in cartels.

Senator CARROLL. Could we get involved in it by virtue of a barter system as you heard described this morning?

Mr. WILSON. I honestly do not know, Senator.

I might say before you came in I mentioned that the domestic industry was not in favor and is not in favor of this barter arrangement.

Senator BIBLE. What was that statement again, Mr. Wilson?

Mr. WILSON. I say the domestic industry is not in favor of this present barter arrangement.

Senator BIBLE. I thought maybe you had developed that before I came in.

Senator CARROLL. The other question I have in mind concerns the discussion we had about the Executive order and the recommendation of the Tariff Commission. What difference would be made in the tariff, if the President followed the Tariff Commission's recommendation?

Mr. WILSON. In the first place, if the President accepted the 50-percent quota and a stronger tariff, no doubt our situation would be or might be what we would consider normal.

Senator CARROLL. If that were done, would you still need a subsidy? I say you, I mean a collective "you," you understand.

Mr. WILSON. The trouble is I cannot tell you what the market price would be, Senator. I would imagine that we could probably get by without a subsidy under those circumstances.

Senator CARROLL. If that were true, how could you then draw the small miners back into this?

Mr. WILSON. Again, it all depends on what that price level happens to be. If it is something less than this 16 cents we are talking about, the small miner would still be in trouble. If the price got as high as 16 cents, I suppose we would be in trouble from the consumer. So it appears to me we are going to have to look this other way to a price that is reasonable from the standpoint of a majority of producers and the consumers, and experiment with this subsidy and see if that wouldn't be our answer.

Senator CARROLL. If I understand you, the 16-cent price would be hard on the consumer?

Mr. WILSON. That is right.

Senator CARROLL. The subsidy computed by this system of tax receipts would give benefits to the industry and some benefit to the consumer, too?

Mr. WILSON. That is right.

Senator CARROLL. Senator Allott.

Senator ALLOTT. Mr. Chairman, may I suggest, if it has not been done, that as a part of this hearing, another item be considered. I hold in my hands a document of the Bureau of Mines entitled "Minerals and Metals, Commodity Data Summaries, Bureau of Mines, 1961." I would suggest that on page 70, with respect to lead, that all of the items under two and three and seven be placed in the record, and that under zinc on page 148, the items under two and three and seven be placed in the record. These items give the salient figures of the source and consumption of lead and zinc as well as the source from other countries. It seems to me that it might be advantageous to have this as a part of the actual hearing in this matter.

Senator CARROLL. Do we have a representative here from the Department of Interior?

Mr. MCCASKILL. Yes, sir.

Senator CARROLL. Does this report reflect the present thinking of the Department of Interior?

Mr. MCCASKILL. This provides only salient statistics and facts.

Senator CARROLL. Only what?

Mr. MCCASKILL. Only salient facts with regard to the various metals and minerals.

Senator CARROLL. I wanted your opinion. Of course, this will be admitted into the record.

(The tables referred to follow:)

Lead—Commodity data summary sheet

[Quantities in thousand short tons of lead]

* * * * * * *

2. SALIENT STATISTICS, UNITED STATES

	1954	1955	1956	1957	1958	1959	1960 (estimated)
Production:							
Mine	325	338	353	338	267	256	242
Refinery (primary)	500	494	556	553	487	353	384
Secondary	481	502	507	489	402	451	460
Imports:							
Ores, concentrates, and bullion	161	177	196	199	202	[1] 139	132
Pigs and bars	276	264	263	324	368	[1] 263	222
Total	437	441	459	523	570	[1] 402	354
Exports	5	5	8	6	3	4	4
Consumption	1,095	1,213	1,210	1,138	986	1,091	1,045
Price, cents per pound	13.7	14.9	15.7	14.3	11.7	11.5	12.0
Stocks (total refined lead and lead content of antimonial lead, both producers and consumers)	192	128	155	205	302	238	250
Employment: Mine	8,364	8,570	8,600	8,200	6,500	6,100	6,000

3. IMPORT SOURCES (1954–59)

	Percent
Mexico	21
Australia	21
Peru	17
Canada	13
Yugoslavia	7
South Africa	10
Other	11

* * * * * * *

7. WORLD MINE PRODUCTION AND RESERVES

	1960 mine production (estimated)	Reserves	
		Quantity	*Grade, percent lead*
World total	2,550	48,819	[2]
United States	243	2,910	1.7
Canada	168	8,034	3.0
Mexico	207	3,525	3.4
Other Latin America	267	2,650	6.0
Australia	338	12,500	12.5
Other free world	736	13,100	[2]
Soviet bloc	591	6,100	[2]

* * * * * * *

[1] Quota.
[2] Not available.

Zinc—Commodity data summary sheet

[Quantities in thousands of short tons of zinc]

* * * * * * *

2. SALIENT STATISTICS—UNITED STATES

	1954	1955	1956	1957	1958	1959	1960 (estimate)
Production:							
Mine	473	515	542	532	412	425	432
Smelter:							
Primary	802	964	984	986	781	799	820
Redistilled	68	66	72	72	47	58	48
Imports:							
Ore and concentrate	455	478	525	526	462	499	460
Slab zinc	157	196	245	269	195	157	120
Total imports	612	674	770	795	657	656	580
Exports: Slab zinc	25	18	9	11	2	12	70
Consumption: Slab zinc	884	1,120	1,009	936	868	956	880
Price (weighted): Zinc metal, all grades, cents per pound	10.8	12.3	13.7	11.6	10.2	11.5	12.9
Stocks: Producers and consumers	228	163	172	245	278	259	257
Employment: Mine	7,650	7,750	8,400	8,300	6,500	6,200	6,200

3. IMPORT SOURCES (1954-59)

	Percent
Canada	37
Mexico	28
Peru	16
Others	19

* * * * * * *

7. WORLD MINE PRODUCTION AND RESERVES

	1960 mine production (estimated)	Reserves	
		Quantity	Grade percent zinc
World total	3,480	84,501	(1)
United States	432	13,485	3.3
Canada	406	16,691	4.4
Mexico	292	6,650	6.6
Other Latin America	236	6,175	12.0
Australia	318	11,000	11.0
Other free world	1,023	16,500	(1)
Soviet bloc	773	14,000	(1)

[1] Not available.

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Senator CARROLL. Do you have additional evidence to expand this concept or can you give us additional information that ought to go into the record.

Mr. MCCASKILL. I would like to suggest, Mr. Chairman, that we will be glad to supply the information that Senator Allott was referring to in the 1958 hearings. I have in my hand, for example, a breakdown from 1954 through 1959 of mine production by size of mine, of combined lead and zinc, which I think, if we were to supply it to you, would fill in the gaps that you were trying to get at a moment ago.

Senator CARROLL. You are now referring to the present report?

Mr. MCCASKILL. This is not in the report you have before you. It is in addition to that. We should be glad to supply the information contained in the summaries or it can be taken off of the copies which are available to the committee. I am now referring to the salient statistics included in the document that the Senator has on his desk.

Senator CARROLL. If you will submit that for the record, without objection it will be placed in the record. Or any other information to put light on this subject.

(The following tabulation was subsequently submitted:)

Lead and zinc mines, United States

[Production, 1954-59, in thousands of short tons by size of mine]

Size of mine	1954	1955	1956	1957	1958	1959
0 to 499 tons:						
Number of mines	524	479	557	372	368	182
Production	26,394	25,303	27,248	27,264	19,377	8,628
500 to 999 tons:						
Number of mines	31	29	27	21	16	10
Production	20,053	20,927	18,750	17,042	12,097	6,440
1,000 to 1,999 tons:						
Number of mines	30	24	29	32	17	15
Production	46,005	34,372	41,984	44,614	23,441	20,469
2,000 to 2,999 tons:						
Number of mines	11	18	24	73	3	6
Production	28,135	43,195	61,544	32,102	7,820	14,359
3,000 to 3,999 tons:						
Number of mines	8	9	13	9	4	2
Production	27,073	29,662	46,607	32,554	14,466	7,151
4,000 to 4,999 tons:						
Number of mines	8	8	9	4	4	2
Production	35,022	35,560	41,901	16,568	17,642	8,148
5,000:						
Number of mines	33	34	37	32	35	33
Production	616,208	663,674	657,135	699,786	584,539	615,694
Total:						
Number of mines	645	601	696	543	447	250
Production	798,890	852,696	895,169	869,930	679,382	680,889

Senator ALLOTT. I have lived with this particular document as a Bible every year, and I think every Senator has a copy of this in his office, though it may not have been called to the attention of some of them. It came to my office in routine mail.

Senator CARROLL. I think it is very important. The cited pages will appear in the printed record.

Senator ALLOTT. Your bill refers to the previous legislation of 1958, by way of subsidy, and this bill follows in general the theory of the so-called Allott formula, applied to that bill, does it not?

Mr. WILSON. Yes, sir.

Senator ALLOTT. As I understand it, according to page 4, line 14, this would go up to 2,000 tons of lead and 2,000 tons of zinc, per producer?

Mr. WILSON. That is right, Senator.

Senator ALLOTT. I think that is all I have, Mr. Chairman.

Senator BIBLE. Might I ask just one question? This may have been asked and answered. I understood you to say that your committee and the industry generally opposed the barter that was suggested by the Interior officials this morning?

Mr. WILSON. Yes, sir.

Senator BIBLE. Why do you oppose it? If you have already testified to this, tell me so. I did not see anything in your statement, except that you did say something with respect to the barter programs not having helped the industry.

Senator CARROLL. I am not aware that he testified. That is a good question. I want to hear it, too.

Senator BIBLE. I did not want to cover the same ground again.

Mr. WILSON. I think it was brought out that barter, in general, can be an incentive to the foreigner as well as solving our domestic problem. We just feel that the real solution to helping the domestic miner is control of imports, and we do not think that the barter program does that.

Senator BIBLE. Do you think that if foreign producers agree to cut back their production, and this is in addition to selling 45,000 tons from Canada, for example, and 45,000 tons from Australia, in exchange for bartered grains, do you think if they agree to cut back that this helps it? That is, if this is enforced.

Mr. WILSON. I think if this lead program goes through as it is envisioned on the barter program, 6 months from now or a year from now we will get together at another one of these international meetings, and we are still living with our lead surplus and theirs has been relieved through their barter program, and we are going to be told that the lead problem is ours internally, the same as they did with zinc. We have gone around this circle. As I said, we have not only been around the circle and bartered twice, but the rest of the circles several times. We always try to put off the solution of this thing, which is legislation. I think it is high time that the domestic industry had the advantage of a permanent solution, some legislation that we can live with, grow with, and continue to plan to be a domestic industry.

Senator BIBLE. I would hope you would have some solution. I do not know whether you could ever get a permanent solution, because I think the industry, itself, will change from time to time. I do not think that with legislation you will find solutions to all of the ills that will affect your industry from now on out. I hope we would get some type of situation that would be helpful. But on the barter point, you feel that this does not help by draining off supplies of lead and zinc that otherwise would go into the world market, and taking them off, putting them in stockpiles? You do not think this helps the domestic industry?

Mr. WILSON. No, sir.

Senator CARROLL. To put the question differently, there is more than one solution to the problem, isn't there?

Mr. WILSON. Yes, sir.

Senator CARROLL. Here is one that would give stability and protection to our own country.

Mr. WILSON. Yes, sir.

Senator CARROLL. But you would not object to the Government replacing surplus grains with other commodities which will be stored more cheaply if it does not affect the market. If this will bring stability into the world market, you are not concerned with that so much as you are concerned with what will happen to the industry in this country?

Mr. WILSON. That is right, Senator. We would like some type of definite program that we think we can live with for a while. We have tried everybody else's program and we would like to try our own for a change.

Senator CARROLL. You heard Senator Anderson say this morning that we had the storage problem, spending a million dollars a day for storage. If we can shift the emphasis and get something that is more easily storable, less perishable, less costly, that seems to be a different problem, as long as it does not impinge on what is important in your mind, in the mind of your industry—your own price stability and your own survival here.

Mr. WILSON. The thing is the importer has been living off of us pretty well the last few years and we think he ought to start taking part of this burden.

Senator CARROLL. You are advocating a positive program, with a good solution, and you are not trying to knock down what some other agency is doing in order to effect a program, but you do not want it to supplant what you think will be a good program.

Mr. WILSON. And something that will be permanent and fairly stable.

Senator ALLOTT. Mr. Chairman, I agree with Mr. Wilson to this extent, from what little studying I have done on this matter. I think there is almost irreconcilable conflict in the interest of the barter program and the interest of the lead-zinc industry. I hardly think I see how it can be avoided. If it is limited so that it does not put the lead-zinc industry into a bind, that would be one thing. We are aware in Colorado of one situation, in particular, where bartered funds under 480 established fluorspar production in Mexico and put fluorspar production in Colorado, at Northgate, completely out of business. I do think there is almost an irreconcilable conflict in this area.

Senator CARROLL. I just wanted to make the observation that we have enough problems that we are trying to solve now. Let's see if we can't get some legislation. We have been trying for years to do something for lead and zinc.

Mr. WILSON. Senator, the legislative summary with my testimony shows that that is just what we have had, a series of things to keep pushing us off and try something else. We are getting to the point where we have gone around the circle enough times and we would like to have them try our solution.

Senator CARROLL. This is an exploratory solution. We ought to see if we can unite on a program. We thought we had a good one 2 years ago, as I indicated to Senator Allott, a leader in this fight.

We thought we had a good program then, but it did not come to full fruition. I take a look at the mines in my own State and I hope we can agree on a program to be presented in some constructive piece of legislation.

Thank you very much.

Mr. WILSON. Thank you, Mr. Chairman.

Senator CARROLL. The next witness will be Mr. Richard Young.

STATEMENT OF RICHARD YOUNG, VICE PRESIDENT, AMERICAN ZINC, LEAD & SMELTING CO., ST. LOUIS, MO.

Mr. YOUNG. Sir, there was a bit of misunderstanding as to just what these hearings were to cover, and I was not informed to have a statement.

My name is Richard A. Young, vice president of the American Zinc, Lead & Smelting Co. I reside in St. Louis, Mo. Our company is a major miner-smelter of zinc and also a substantial producer of zinc pigments. We are probably the most representative company in the entire industry in that we mine about 15 percent of the zinc in the United States, we smelt about 15 percent of the zinc in the United States, we smelt about 15 percent of the imported concentrates that come into the United States, and we produce about 15 percent of the zinc pigments and zinc metal in the United States. So we are in all facets of the business.

I will not dwell on the history of this case further. Mr. Wilson has covered it quite completely. I would like to say that we have now tried stockpiling, barter, quotas, an attempt at subsidies. I feel very strongly that we are at a point now where the industry is in agreement and in complete agreement on the type of instrument to be used, and that we should, if at all possible, try to proceed to an understanding within the industry, the legislative and the executive, to try to reach some reasonable tariff solution to this problem.

There are two problems, and I will deal with only one. The small mines are an entirely separate problem and have virtually nothing to do with the overall lead and zinc problem. They are being considered now in certain social legislation, being considered as depressed areas, and there is a subsidy bill before both Houses. This is, as Mr. Wilson pointed out, a subsidy at unrealistic price levels, so far as the lead and zinc industry is concerned. It is a limited amount, tonnagewise, it is a limited amount, dollarwise, it is to run only for 5 years and is to take care of a problem over that period of time on a social basis.

We have no objection to it, but it does nothing toward the basic lead-zinc problem and, as a matter of fact, we feel a great deal of sympathy for the small mines situation. But, gentlemen, so far as the prices at which that is set, of 17 cents for lead, 14.5 for zinc, or 16–16, if you take the other bill, they are at prices which are not competitive in the kinds of markets we have today or which we foresee for the future.

I will therefore deal entirely with the problem of the average of the industry, which is the bulk of the tonnage that Mr. Wilson spoke of, and is the industry which deals in international commerce and in comerce within the United States in reasonably large tonnages of lead and zinc.

I would say before leaving the small mines that I will comment on Mr. Wilson's bill. The companies with whom my company is associated, the American Smelting & Refining Co., the Matthiessen Hegeler Zinc Co., the National Zinc Co., collectively smelt approximately 50 percent of the lead and zinc in the United States, mine about 15 percent of the zinc, and a small amount of lead. But so far as we are concerned, we do not like the idea of any subsidy that goes clear across the industry. We do not think it is politically feasible to pay subsidies to the United States Steel Corp., and Anaconda, Kennecott, St. Joe, without having a feeling that this is doing something major. It is not. The amounts of money they would receive would not be significant to them, and politically, they do not want it. Any subsidy bill should be confined to the small mines and paid only to the small mines, and not to the substantial companies. We differ in this regard.

The problem of the lead and zinc industry——

Senator CARROLL. How would you determine that, only to the small mines?

Mr. YOUNG. They are defined in the legislation that is sponsored in the Senate by Senator Kerr.

Senator CARROLL. Mr. Wilson, I think, testified that everybody under the bill he was discussing would receive some benefits. You do not agree with that?

Mr. YOUNG. No, I do not.

Senator CARROLL. If you just confined this to the small mines, would there be an income limitation, a profit limitation?

Mr. YOUNG. Mr. Kiser, who follows me, will testify to the Kerr bill. If it is all right, I would rather he give that information. He is quite familiar with the bill. I might miss a detail.

Senator CARROLL. Very well.

Mr. YOUNG. I think it is highly constructive that you gentlemen are holding a hearing that includes all the facets of the industry. This is the first time that any such hearing has been held in either House for a great many years. The protection problem is fundamentally that of the mines. The problem of the mines is twofold, No. 1 being price. They need more price. No. 2 is that in the past practically all of the ups and downs and changes in world consumption have had to be borne by the American miner. In times of shortage we had minor amounts of imports. In times of surplus in the world we got all of the world's surplus with the world mines outside the United States continuing to operate at a single rate, which was at capacity, whether business was good, bad, or indifferent. The last extreme case we had of this was 1957, when the imports plus the scrap, in the lead industry, came within 12,000 tons of furnishing the entire market and the U.S. mining industry was not needed at all in 1957. That was the extreme example. The extreme example of short imports was in 1951 when prices ran quite high. We wanted more imports and could not get them. Consequently, these are the two problems of the mines and the two problems that have to be faced.

So far as the other elements of the industry are concerned, they have problems of their own. They are not asking anything in the way of protection. Historically, the mines are the only elements of the zinc business of the United States that are protected any way. The zinc smelting industry is an unprotected industry and the fabri-

cators are unprotected and always have been in that the amount of duty on the ores or concentrates has been the same as the amount of duty on finished metal, and the same as the amount of duty on the major fabricated products lead and zinc.

Senator ALLOTT. In a sense, what you say is true, but you also just made the statement that the American miner has borne the burden of all the products cycles of the world.

Mr. YOUNG. That is virtually true.

Senator ALLOTT. And your company mines, I think you said, 15 percent of the zinc.

Mr. YOUNG. Approximately that.

Senator ALLOTT. Approximately 15 percent. It therefore has an interest in procuring the importation of zinc and lead at as cheap a price as it can. Let me say this: This is good business and I do not pick you for this. But I am simply trying to point out the conflict into which we have arrived every time we have tried to pass any legislation or zinc legislation, so the people who are primarily processors or refiners have an interest in keeping the price as low as they have. When the miner has borne the brunt of this, you and other companies who are essentially refiners have gotten the benefit of the brunt that the miner has borne. Isn't this true?

Mr. YOUNG. Senator, I am glad you asked that question because it is not true, and I would like to explain it to you, sir. The smelting industry has not and does not object at all to solving this mining problem. They are all in favor of solving the mining problem and have been virtually since the beginning of this problem. It is purely a matter of level at which it is solved, and a matter of instrument which is used to solve it. There has been the difference between the two. So far as the smelters are concerned, we are in very rugged competition at all times, obtaining our raw materials in the foreign market, smelting them in the United States, and selling them in competition with metal mined and smeltered abroad in this market. I will promise you, Senator, that the profit margins in this competition are keen. It is not possible to buy your raw materials at low prices and sell your finished products at high prices. There is the keenest kind of competition. There is no advantage to the United States smelterer in having abnormally low prices of lead and zinc at any time.

Senator ALLOTT. I would have to say this: I have attended numerous hearings in this committee on this, and we have run into this problem continually. On at least one occasion that I recall, some 2 or 3 years ago, we ran into an irreconcilable conflict between the various people here. It is not my purpose to drive a wedge between the various interests. What does it cost to produce lead and zinc in this country? The testimony here has been a total combined price of 32 cents today, 31 cents in the past. I have heard testimony within the last 3 years as low as 29 cents. But compare that with a 22.5-cent import price and it is hard for me to understand how the pure smelterer or refiner or processor can help but benefit from the low import price.

Mr. YOUNG. If we were the consumer of zinc, you would be correct. We are not the consumer of zinc. We are the processor of zinc ores. The prices of zinc ores change with the price of zinc metal, and the smelters are only processors. The only gainer from low prices is the ultimate consumer. The smelters have, actually, lower margins

on low prices than they have on better prices. They have absolutely no interest whatsoever in driving the price abnormally low. So far as 31 cents is concerned, Senator, it is the opinion of the ablest people I know in the industry that at a combined price of 31 cents the lead and zinc industry are doomed to substitution and would deserve it. It is too high a price for the kind of competitive markets we are in. Later on I will explain this to you in some detail, if you would like, as to the type of competition we have, what we are working against, and what we are facing in this regard.

Senator ALLOTT. I will withhold any questions, then, until you get to that.

Mr. YOUNG. The problem of the mines, as I pointed out, is primarily price. They also have the problems of the ups and downs in production due to the variation in (a) consumption in the United States, and (b) imports from other parts of the world. The smelters, which have historically been unprotected, are the processors of ores, processing both domestic ores and foreign ores. Eighty percent of the zinc and lead mining industry in the United States is owned by smelting companies. It is captive. The amount of independent mines falls in the 20 percent category——

Senator CARROLL. Say that again, would you?

Mr. YOUNG. Eighty percent of the lead and zinc mines, tonnage-wise, in the United States, is controlled by smelting companies.

Senator ANDERSON. You switched from owned to control. First you said owned; didn't you?

Mr. YOUNG. They are both the same as far as I am concerned, sir.

Senator ANDERSON. They are?

Mr. YOUNG. Yes; in this case.

Senator CARROLL. Go ahead.

Mr. YOUNG. So that the conflict that the Senator referred to really isn't there as between miners and as between smelters. There is no self-interest in this low price.

The third person to be considered is the manufacturer. He is the one who takes our metals and converts them into useful items. He has two interests. No. 1, he wants to be sure that he is able to buy metal and at a price at which he can sell his fabricated goods competitively. He is also interested in this in that he wants to be sure that no protection instrument is chosen, nor no duty rate is set, which is so high that it gives an automatic subsidy to his foreign competitor.

The next person to be concerned is the consumer.

Senator CARROLL. May I interrupt you right there? Let me take you back to this 80 percent. Eighty percent of the mines of this country are owned by the smelters?

Senator ANDERSON. He said the products, not the number of mines.

Mr. YOUNG. Of the products.

Senator CARROLL. Are you referring to the present year or how long has this situation obtained?

Mr. YOUNG. The calculation was actually made, as I recall, in the year 1959. It was for a Tariff Commission hearing which was held in January 1960. The Tariff Commission has analyzed all of this. It is in their report.

Senator CARROLL. And of these smelters and refiners, do you know what their foreign holdings are, their foreign production? How much do they control the production in foreign countries?

Mr. YOUNG. Percentagewise, for the world as a whole, it is very small. Of the amount that comes into this country, of the concentrate imports—may I refer to the figure, please, sir?

I will check it later and correct the figure, but as I recall, it is in the area of 40 percent.

Senator CARROLL. You may furnish it to us later, if you will.

(The following information was later supplied:)

Year October 1, 1959, to September 30, 1959, was approximately 40 percent for zinc and a much smaller percentage for lead.

Senator CARROLL. I asked counsel to take a look at the Tariff Commission report on this. It appears in the Tariff Commission report about the smelting. That is, about refiners controlling 80 percent of the products of this country. Without objection, I will put it into the record at this point.

(The following table supplies the information requested:)

TABLE 45.—*Lead and zinc ores and concentrates: Receipts by lead and zinc smelters in the United States from domestic and foreign sources, classified by whether or not the materials originated in mines owned or controlled by the smelting companies or their subsidiaries, January–September 1958, and January–September 1959*

[In short tons]

Item	January–September	
	1958	1959
LEAD ORES AND CONCENTRATES [1]		
From domestic sources:		
Originating in mines owned or controlled by smelting companies or their subsidiaries	102,342	103,889
Originating in mines not owned or controlled by smelting companies or their subsidiaries	100,905	84,670
Total from domestic sources	203,247	188,559
From foreign sources:		
Originating in mines owned or controlled by smelting companies or their subsidiaries	5,460	5,272
Originating in mines not owned or controlled by smelting companies or their subsidiaries	144,674	97,792
Total from foreign sources [2]	150,134	103,064
Grand total from domestic and foreign sources	353,381	291,623
ZINC ORES AND CONCENTRATES [3]		
From domestic sources:		
Originating in mines owned or controlled by smelting companies or their subsidiaries	133,653	129,006
Originating in mines not owned or controlled by smelting companies or their subsidiaries	119,807	116,050
Total from domestic sources	253,460	245,056
From foreign sources:		
Originating in mines owned or controlled by smelting companies or their subsidiaries	45,770	64,145
Originating in mines not owned or controlled by smelting companies or their subsidiaries	295,990	312,579
Total from foreign sources [4]	341,769	376,724
Grand total from domestic and foreign sources	595,229	621,780

[1] Valued chiefly for their lead content.

[2] Dutiable lead contained in lead-bearing ores entered for immediate consumption or into bonded warehouses amounted to 150,795 tons in January–September 1958, and to 109,163 tons in January–September 1959, according to preliminary statistics of the U.S. Department of Commerce.

[3] Valued chiefly for their zinc content.

[4] Dutiable zinc contained in zinc-bearing ores entered for immediate consumption or into bonded warehouses amounted to 356,972 tons in January–September 1958, and to 389,323 tons in January–September 1959, according to preliminary statistics of the U.S. Department of Commerce.

Source: Reports to the U.S. Tariff Commission from individual smelting companies.

Mr. YOUNG. In my investigation, I made this finding: 75 to 80 percent of all the U.S.-mined zinc is owned or controller by smelting companies.

Senator CARROLL. That is your observation?

Mr. YOUNG. Yes, sir.

Senator CARROLL. Did you say in the report you made?

Mr. YOUNG. Yes, sir.

Senator CARROLL. What is the basis of your information?

Mr. YOUNG. The published reports of various companies in the United States, which is public knowledge. It is all published or virtually all published in annual reports and other statistical series.

Senator CARROLL. We have the Department of the Interior people here. I will ask this of them:

Did you understand the question put and the answer?

Mr. MCCASKILL. Mr. Chairman, I would like to put it in a slightly different way because the figures which I have taken from the Bureau of Mines reports have it slightly differently. Nine large companies produce three-fourths of the domestic mine output of lead and zinc. These same companies produce the bulk of the metal refined in the United States. Some of these companies along with other prominent companies in the lead-zinc industry have substantial investments in or control important mines in foreign countries. Twenty-four companies own the 25 largest lead mines and the 25 largest zinc mines.

Senator CARROLL. Are you referring to producers in this country?

Mr. MCCASKILL. In this country.

Senator CARROLL. What does your report shown about the extent of their control or ownership in foreign countries?

Mr. MCCASKILL. Sir, I do not think we have put that together. We could probably do that. I am sure we could.

Senator CARROLL. I would like to have you do that. I would like to know. I think there should be a study. If I can make this suggestion, while you are in the barter business temporarily, I should think you would want to know what productive forces are at work in the world. You do not know the extent of the influence of some of these companies. It may be that the Australian company and the Canadian company may have an American base where you could work in some of the provisions of a contract we were discussing this morning.

Mr. MCCASKILL. I have the information on my desk, sir. I will be glad to supply it.

(The following information was later submitted:)

LEADING DOMESTIC LEAD MINE PRODUCERS

The three largest domestic mine producers of lead represent approximately 65 percent of the total U.S. mine output. The companies in ranking order of production are St. Joseph Lead Co., Bunker Hill Co., and United States Smelting Refining & Mining Co.

An additional eight companies represent an additional 25 percent of the U.S. mine output. These companies, ranking in production from 4th to 11th are as follows: Shattuck Denn Mining Corp., Pend Oreille Mines & Metals Co., Idarado Mining Co., American Smelting & Refining Co., New Jersey Zinc Co., United Park City Mines Co., the Anaconda Co., and New Park Mining Co.

LEADING DOMESTIC PRIMARY REFINED LEAD PRODUCERS

Four companies produce primary refined lead in the United States. In ranking order of their production they are American Smelting & Refining Co., St. Joseph Lead Co., Bunker Hill Co., and United States Smelting Refining & Mining Co. The largest refined lead producer, American Smelting & Refining Co., owns approximately 57 percent of the domestic refining capacity. St. Joseph Lead Co. owns 20 percent; Bunker Hill Co. owns approximately 17 percent; and United States Smelting Refining & Mining Co. owns the remaining 6 percent.

LEADING DOMESTIC MINE PRODUCERS OF ZINC

The six largest mine producers of zinc represent approximately 63 percent of the total U.S. mine output. The companies in ranking order of production are as follows: New Jersey Zinc Co., St. Joseph Lead Co., American Zinc Lead & Smelting Co., the Bunker Hill Co., the Anaconda Co., and United States Smelting Refining & Mining Co.

An additional eight companies represent an additional 27 percent of the mine production. Listed in ranking order of production these companies are: The Eagle Picher Co., Shattuck Denn Mining Co., Tri-State Zinc Co., U.S. Steel Corp., Tennessee Coal & Iron Division, American Smelting & Refining Co., Idarado Mining Co., Pend Oreille Mines & Metals, Cyprus Corp., United Park City Mines Co., Tennessee Corp., and Ozark Mahoning Co.

LEADING DOMESTIC PRIMARY SLAB ZINC PRODUCERS

Eleven companies produce primary slab zinc in the United States. The largest three producers represent approximately 45 percent of the total output. The companies in ranking order of production in 1959 were New Jersey Zinc Co., American Smelting and Refining Co., and St. Joseph Lead Co.

An additional six companies represent 48 percent of the slab zinc output. Listed in ranking order of production these companies are: American Zinc Lead & Smelting Co., the Anaconda Co., Blackwell Zinc Co. (a subsidiary of American Metal Climax, Inc.), the Bunker Hill Co., Matthiessen & Hegeler Zinc Co., and National Zinc Co.

MAJOR FOREIGN HOLDINGS AND INTERRELATIONS OF LEAD-ZINC COMPANIES

American Smelting & Refining Co.

Mexico: American Smelting & Refining Co. owns mines, smelters, and refineries that produce approximately 135,000 tons of refined lead annually.

Peru: The company owns Northern Peru Mining Corp. (Chilete silver-lead-zinc property).

Newfoundland: American Smelting & Refining Co. owns Buchans mine, a gold-silver-copper-lead-zinc property that produces about 25,000 tons of lead in concentrates per year.

Australia: The company owns 53.9 percent of Mount Isa Mines, Ltd., a silver-copper-lead-zinc producer that has a yearly lead output of about 60,000 tons.

St. Joseph Lead Co.

United States: St. Joseph Lead Co. holds 100,000 shares of New Jersey Zinc Co. St. Joe also owns jointly with National Lead Co., Mine La Motte Corp., a lead-mining property in southeast Missouri.

Argentina: The company owns 99.9 percent of the stock of Compania Minera Aguilar, S.A., a mining company in Argentina that produces about 25,000 tons of lead per year.

Canada: St. Joseph Lead Co. owns 40 percent of the issued stock of Brunswick Mining & Smelting Corp., which owns a large lead-zinc-silver-copper deposit near Bathurst, New Brunswick.

North Africa: The company owns 17.15 percent in Soc. Nord-Africaine du Plomb and Soc. Algerienne du Zinc operating lead-zinc deposits near the Algerian-Moroccan border.

Peru: St. Joseph Lead Co. owns 66.9 percent of Compania Minerales Santander, Inc., that mines copper-lead-zinc ore.

Other: Joint ventures with Bethlehem Steel Corp. in Missouri magnetite mine and with Continental Oil Co. in oil leases.

Bunker Hill Co.

United States: Bunker Hill Co. owns 37 percent of Pend Oreille Mines & Metals Co., and as a result of this relation owns 22 percent of Reeves MacDonald Mines, Ltd. of Canada, a lead-zinc producer.

United States Smelting & Refining & Mining Co.

Although this company has many subsidiaries, the company, with respect to leand and zinc, can be considered totally domestic.

New Jersey Zinc Co.

Although New Jersey Zinc Co. has joint foreign ventures (in Canada) with another company, with respect to the lead-zinc industry, New Jersey can be considered to have only domestic interest.

Shattuck Denn Mining Corp.

This company is entirely a domestic enterprise.

United Park City Mines Co.

This company (13.74 percent owned by the Anaconda Co.) has no foreign lead or zinc interest.

Pend Oreille Mines & Metals Co.

Approximately 37 percent of Pend Oreille's stock is held by Bunker Hill Co. Pend Oreille, in turn, owns 59.4 percent share interest in Reeves MacDonald Mines, Ltd., a substantial lead-zinc mining company in Canada.

Idarado Mining Co.

Idarado is 74.2 percent owned by Newmont Mining Corp. and 11 percent owned by Homestake Mining Co. Idarado's mining is confined to Colorado.

New Park Mining Co.

New Park's interests are all within the United States.

American Zinc-Lead & Smelting Co.

Although a major domestic producer of zinc, this company has no foreign interest in lead or zinc.

Eagle Picher Co.

Although this company has been a significant producer from both Mexican and United States properties, it has recently sold Mexican holdings and shut down all U.S. mines except those in the Illinois-Wisconsin field.

Tri-State Zinc, Inc.

This company, as such, has no foreign lead-zinc production interest. However, it is owned by Consolidated Gold Fields of South Africa, Ltd., that has a major interest in Fresnillo Co., a significant lead-zinc producer in Mexico. Incidentally Consolidated Gold Fields stands in complex corporate relations to American Metal Climax and other companies through common interest in producing and holding companies, mostly related to African copper.

Cyprus Mines Corp.

Cyprus Mines is a rather minor domestic producer of copper and zinc concentrates (Bagdad, Ariz.). Its subsidiary, Coronado Copper & Zinc Co., owns the Johnson Camp Colorado copper and zinc mine. Main holdings of Cyprus Mines Corp. are the copper and pyrite mines on the Island of Cyprus. Newmont Mining Corp. owns the principal share interest in Cyprus Mines Corp.

The Anaconda Co.

Anaconda is a large diversified corporation primarily interested in metal production and fabrication.

United States: Anaconda owns International Smelting & Refining Co. that operates a lead smelter in Utah. United States Smelting, Refining & Mining Co. ships concentrates to International for smelting and return to United States Smelting, Refining & Mining Co. at their East Chicago electrolytic refinery.

Although Anaconda has large holdings (mainly copper operations) in Mexico and Chile, with respect to lead and zinc, it can be considered a totally domestic company.

United States Steel Corp.

United States Steel Corp. does not own interest in foreign lead- and zinc-producing companies.

Tennessee Corp.

This company is principally a copper-producing company, with only byproduct quantities of zinc. There are no foreign affiliates.

Ozark Mahoning Co.

This company produces zinc concentrates from the Kentucky-Illinois fluorspar district. It has no foreign interest.

National Zinc Co.

This company is a subsidiary of International Minerals & Metals Corp., a marketing agent for copper, zinc, mercury, and cadmium. Apparently it owns no foreign enterprises although it engages in international trade. The National Zinc plant is about 60 percent dependent on foreign zinc sulfide and calcine.

Matthiessen & Hegeler Zinc Co.

Although this company is largely dependent (possibly 65 percent) on imported zinc concentrates and calcine for its raw material (it has no domestic mines) apparently there is only one foreign subsidiary—Sherbrooke Metallurgical Co. that operates a roasting plant in Canada that treats zinc sulfide purchased from Noranda Mines, Ltd., and delivers the resulting calcine to Matthiessen & Hegeler for reduction to metal in the United States.

In addition to domestic lead and zinc companies that have varying degrees of interest in foreign producing companies, there are several domestic companies that have little or no lead-zinc mining interests in the United States but do have significant interest in foreign operations that bear relations to the U.S. lead-zinc supply. A list follows:

Cerro Corp.

This Delaware corporation has copper-lead-zinc-silver mining properties in Peru. Custom ores and concentrates are smelted and refined at La Oroya. Production of lead in about 65,000 tons per year and yearly zinc output is about 72,000 tons. Cerro owns 22.25-percent interest in Southern Peru Copper Corp. (also see American Smelting & Refining Co., and Newmont Mining Co.).

American Metal Climax, Inc.

In Mexico American Metal Climax subsidiaries (Cia Metalurgica Penoles, S.A., and Cia Minera de Penoles, S.A.) own lead-zinc mines and lead smelter and refinery facilities. Penoles refined lead amounts to about 75,000 to 80,000 tons per year. Zinc concentrates are smelted in the United States (about 90,000 tons of contained zinc yearly) by Blackwell Zinc Co., a 100-percent owned American Metal Climax subsidiary.

San Francisco Mines of Mexico is 37.5 percent owned by American Metal Climax and ships about 32,000 tons of lead in concentrates to Penoles for smelting and refining.

In Canada American Metal Climax owns 75 percent of Heath Steel Mine, Ltd., a lead-zinc-copper mine now under development.

In southwest Africa the company owns 30 percent of Tsumeb Corp., Ltd., major mine producer of copper, lead, and zinc. A large portion of the lead concentrates are smelted by American Smelting & Refining Co. in the United States.

Newmont Mining Corp.

Among other holdings this company owns 74.2 percent of Idarado Mining Co., 4,988 shares of American Metal Climax, 51,429 shares of St. Joseph Lead Co., 31.85 percent of Soc. Nord-Africaine du Plumb (north Africa), 10,596 shares of Southern Peru Copper Corp. (also see Cerro Corp. and American Smelting & Refining Co.), large but unknown interest in Tsumeb Corp., Ltd., a major lead-zinc-copper producer in southwest Africa. Newmont also has the principal share interest in Cyprus Mines Corp. and Soc. Algerienne du Zinc (north Africa).

H. M. CALLOWAY.

MAY 19, 1961.

Senator ANDERSON. I was reading at page 45 of the report, and it says reports received by the Commission from domestic lead and zinc

smelting companies in connection with this investigation indicate that close to half of the domestic lead and zinc ores and concentrates received by these smelters in the first 9 months of 1958 and 1959 originate at mines owned or controlled by these smelting companies or their subsidaries.

The jump is from less than half to 80.

Mr. YOUNG. That is both domestic and foreign receipts, I believe you will find, Senator.

Senator ANDERSON. During the same period, receipts of foreign lead ores or concentrates from mines owned or controlled by domestic companies amounted to 4 percent of their total receipts of such ore from foreign sources, and receipts of foreign zinc ores and concentrates of such owned or controlled mines amounted to 37 percent of their total receipts of such ores from foreign sources.

Mr. YOUNG. That is based on receipts by sources, Senator. Many companies own mines that will mine in one State and ship to a smelting company that they do not own. We do this in the West. My own company ships ores mined in the West to the Anaconda smelter. I am referring to ownership or control and you are using smelter receipts figures.

Senator ANDERSON. I guess that may be right, but the statement to which I raised up and took some question which you will find in the record, dealt with 80 percent of all this ore that is produced here was owned by the smelters. I just question whether that is so. I assume Anaconda does smelting work, doesn't it?

Mr. YOUNG. Yes, sir.

Senator ANDERSON. And American Zinc does, and St. Joe have lead, New Jersey Zinc, American Smelting & Refining?

Mr. YOUNG. Yes.

Senator ANDERSON. Then what we are coming down to is trying to give relief to these companies who own four-fifths of the products. Are we sure when they do this skimming off process in Canada and Australia we are not buying from the same companies up there that we are trying to help down here?

Mr. YOUNG. On the barter?

Senator ANDERSON. Yes.

Mr. YOUNG. The two barter deals that are made are not with companies controlled in this country.

Senator ANDERSON. We are not through. I remember very well we had an active day; I think your father might have been here, when Fred Searles testified one day as a Government official. You may recall that we had a very warm afternoon because he was doing one thing as a Federal official and had some African interests. He was representing Newmont at the time, I believe. He opposed help to domestic mines as an active official of the Government at the same time, Newmont Mining Co. had interests outside the United States.

Mr. YOUNG. We are not opposing help.

Senator ANDERSON. Are you urging for yourself in this situation of Canada, Australia and Mexico? Are you the real parties in interest to this aid given by the barter deal in Australia, Canada and Mexico?

Mr. YOUNG. To my knowledge, no American company has any interest in either of those barter deals.

Senator ANDERSON. He is not through. He is only part way through with the barter deals. Are you in the next batch?

Mr. YOUNG. I do not know.

Senator ANDERSON. Well, the other day——

Mr. YOUNG. For instance, if they would barter with Mexico, there are only two metal producers there, one is the American Smelting and the other is the American Metal Climax. So American companies would get into it. If you go to Africa, you have an interest there, also in Australia American Smelting & Refining have very large interests in Australia. They are not in the barter deal, the company that they run.

Senator ANDERSON. If the chairman does not mind, I would like to ask you about this. When we got Mr. Searles on the stand we found that while he opposed giving help to domestic mines, he was very glad to get Government subsidies in the way of taxes and various other things to open up his mines in Africa. Does your company have any overseas suppliers that get Government aid? Mines from which you get ore that get Government aid?

Mr. YOUNG. None that I know of.

Senator ANDERSON. Are you in favor of a Government program to help the miners of this country?

Mr. YOUNG. Do you mean a program to aid the mines in this country? We are very strongly in favor of it.

Senator ANDERSON. Senator Allott read that figure of 32 cents a while ago or 31 cents and you said that would just destroy everything.

Mr. YOUNG. I said it was much too high.

Senator ANDERSON. How else do you get help if you do not raise the price?

Mr. YOUNG. This is our problem, Senator, and it is a very serious problem. This is one thing that has made this a hard one to solve. You try to get high enough, you want to get high enough, to honestly aid the mining industry and make it a sound and stable industry. But in doing that you have to watch for two or three other ceilings that you cannot exceed. One of them is the ceiling at which you will get substitution for your product.

Senator ANDERSON. Can you tell us where that is with lead and zinc, in view of plastics and so forth?

Mr. YOUNG. It varies a little from time to time, depending upon the strength of the market. At the present time, we are nip and tuck with aluminum in the automotive industry, with plastics constantly in the automotive industry. This is a matter of opinion from a good many people. But the last time we had a good price for zinc in 1960, I think it was pretty well felt that it went as high at that time as it could go or should go under conditions existing at that time, and that was around 13 cents for zinc.

Senator ANDERSON. What was the total combined price?

Mr. YOUNG. At that time?

Senator ANDERSON. Yes.

Mr. YOUNG. Lead, 12, and zinc, 13.

Senator ANDERSON. Our lead and zinc mines cannot operate at that price?

Mr. YOUNG. Lead is not as vulnerable compared to zinc at this time, vulnerable to substitution.

Senator ANDERSON. It is more vulnerable to plastics, isn't it?

Mr. YOUNG. Only in cable covering. In lead tetraethyl there is nothing on the horizon to substitute for it. The lead storage battery seems at the moment, at least, to be pretty safe from substitution. Those are the two largest users of lead. Now, in cable covering they are having a terrible time. Plastics, it looks like, is going to take it over. Zinc, on the other hand, is not in trouble in galvanizing; we do not have too much trouble there. We do in almost all the other uses.

Senator ANDERSON. You are going to give the committee tables to show where you got the 80 percent figure?

Mr. YOUNG. I will have to furnish that to you later, sir. All I have with me is the total tonnage.

Senator ANDERSON. Well, furnish as much as you can and we can work back from there. We can take company by company if need be and find out what they own. It might give us guidance on this program.

(The following communications were subsequently received:)

AMERICAN ZINC, LEAD & SMELTING CO.,
St. Louis, Mo., May 10, 1961.

HON. CLINTON P. ANDERSON,
Chairman, Senate Committee on Interior and Insular Affairs,
Senate Office Building, Washington, D.C.

DEAR SENATOR ANDERSON: In line with your request at the hearings last week, I am attaching hereto a statement giving the amount of recoverable lead and zinc mined in the United States by companies owning lead or zinc smelters in the United States. The figures for lead are for the year 1959. The figures for zinc, which are somewhat more difficult to get, are for the year ending September 30, 1959 and were prepared on this basis in connection with hearing of the Tariff Commission in January 1960 in answer to Senate Resolution 162.

You will note that there are 13 companies in the United States owning either lead or zinc smelters or both. Of these, all but four are also engaged in the mining business in the United States. The nine companies engaged in domestic mining business in the period shown produced 82 percent of the lead mined and 78 percent of the zinc mined.

Of the companies listed, only four hold financial interest in foreign corporations engaged in lead and zinc mining. These are as follows:

(1) American Metal Climax, Inc.: This company is a large producer of both lead and zinc in Mexico through their ownership of the Penoles Co. They also are the largest stockholder in the San Francisco del Oro Co. in Mexico. In 1959 Penoles and San Francisco produced approximately 76,000 tons of lead and San Francisco produced 58,000 tons of zinc. The zinc output of Penoles is not available. Further, American Metal owns a minority interest in the Tsumeb Corp., of Africa which in 1959 produced 74,000 tons of lead and 12,000 tons of zinc.

(2) American Smelting & Refining Co.: This company is the largest miner of both lead and zinc in Mexico through various wholly owned subsidiaries. In 1959 in Mexico they produced 132,000 tons of lead, but the amount of zinc is not reported. In Canada, they own a 50-percent interest in the Buchans Mine which produces about 15,000 tons per year of zinc and a lesser amount of lead. In Australia, they own 51 percent of Mount Isa Mines which in 1959 produced 56,000 tons of lead and 16,000 tons of zinc. They also own a small mine in Peru, production of which is not reported.

(3) The Bunker Hill Co.: Bunker Hill is the largest stockholder of Pend Oreille Mines which, in turn, owns the Reeves-MacDonald Mines in Canada. In 1959 this mine produced 3,800 tons of lead and 14,000 tons of zinc.

(4) St. Joseph Lead Co.: In the Argentine they own the Aguilar Mine which in 1959 produced 24,000 tons of lead and 36,000 tons of zinc. In Peru they own 50 percent of the Santander Mine which has come into production since 1959. They also own minority interests in companies in Morocco and Algeria, production for which is not reported.

I trust that the above plus the statement attached will give you the information you desire, but if there is any additional data regarding lead and zinc on which you would like information, I would be more than happy to furnish it.

Thank you again for your continued constructive interest in the lead and zinc industry and if we can be of any aid to you in this regard, please let us know.

Best regards.

Sincerely,

R. A. YOUNG.

U.S. lead and zinc mine production of companies owning lead or zinc smelters in the United States

[Period: Lead, year ending Dec. 31, 1959; zinc, year ending Sept. 30, 1959]

	Recoverable mine production of lead	Recoverable mine production of zinc
American Metal Climax, Inc		
American Smelting & Refining Co	8,100	15,300
American Zinc, Lead & Smelting Co	2,500	47,000
The Anaconda Co.[1]	9,700	39,500
Athletic Mining & Smelting Co		
The Bunker Hill Co.[2]	47,600	39,600
Eagle-Picher Co	2,400	22,500
Matthiessen & Hegeler Zinc Co		
National Lead Co	4,000	
National Zinc Co., Inc		
New Jersey Zinc Co	7,800	79,200
St. Joseph Lead Co	100,000	46,300
United States Smelting Refining & Mining Co	25,300	25,000
Total	207,400	314,400
Comparable U.S. Bureau of Mines U.S. mine production	253,300	406,100
Percentage of U.S. total mine production	82	78

[1] Includes United Park City Mines in which Anaconda is largest stockholder.
[2] Includes Pend Oreille Co. in which Bunker Hill is largest stockholder.

Source: Lead, Lead Industries Association Report Form E; zinc, survey made by American Zinc, Lead & Smelting Co. in connection with Tariff Commission hearings.

AMERICAN ZINC, LEAD & SMELTING CO.,
ST. LOUIS, MO., *May 10, 1961.*

Mr. ROBERT DWYER,
Senate Committee on Interior and Insular Affairs,
Senate Office Building, Washington, D.C.

DEAR MR. DWYER: I am attaching hereto copy of a letter to Senator Anderson together with statement which I sent in line with his request at the hearings last week. For your further information, there are seven additional mining companies not owning smelters who account for an additional 7 percent of the lead production and 18 percent of the zinc production in the periods covered. Therefore, the statement attached to Senator Anderson's letter plus these companies would account for 89 percent of the lead produced and 96 percent of the zinc produced. These companies and their recoverable lead and zinc production for the same periods as shown in the statement attached to the letter are as follows:

	Lead	Zinc
New Park Mining (Utah)	2,900	2,900
Idarado (Colorado)	6,300	10,500
Shattuck Denn (Arizona)	8,400	23,000
Tri-State Zinc (Illinois)		7,100
U.S. Steel Corp. (Tennessee)		12,600
Cypress Copper (Arizona)		9,000
Tennessee Corp. (Tennessee)		6,600
Total	17,600	71,700
Percent of U.S. total	7	18

If there is any further information we can give you in regard to lead and zinc which will be helpful, please do not hesitate to call on us.

Best regards.

Sincerely,

R. A. YOUNG.

Senator CARROLL. I might say that I have asked the Department of the Interior to furnish us the basis of their study. I think their testimony is, if I understood the statement, that nine companies hold about three-quarters.

Now I have asked that they not only show, if they will, who these companies are, what they control, what products, but let's go overseas and take a look. For example, in this barter business is it true that in Australia one of the great producers over there is the American Smelting & Refining Co.?

Mr. YOUNG. Yes. But they are not a party to this barter. This barter is with the Broken Hill people.

Senator ANDERSON. We are not going to understand, are we, that skimming off all the surplus does not help all the producers?

Mr. YOUNG. It certainly will.

Senator ANDERSON. In Australia, if there is 45,000 tons of surplus and you skim it off to Broken Hill, you improve the market for American Smelting & Refining, don't you?

Mr. YOUNG. For all the producers.

Senator ANDERSON. So the barter deal helps them a little bit. Of course, it nips the Treasury.

Mr. YOUNG. The market help is prices, but the barter puts cash into the receiving companies that actually made the sale.

Senator CARROLL. Tell me a little more about Mexico. You mentioned that with the two principal producers.

Mr. YOUNG. Of lead, there are only two producers of lead metal in Mexico. One is the American Smelting & Refining Co., and the other is the American Metal Climax Co., which operates through a subsidiary called Peneola's.

Senator CARROLL. Are these the only producers or the only Americans?

Mr. YOUNG. They are the only smelters, the only producers of lead metal. All of the mines in Mexico ship their lead to one of these two smelting companies.

Senator CARROLL. What was your last statement?

Mr. YOUNG. I said if barter was done for lead metal in Mexico, there have been no negotiations mentioned to my knowledge, but if that were done it would have to be done with one of these two companies because they are bartering only for lead metal and they are the only two producers in Mexico.

Senator CARROLL. Thank you.

Senator BIBLE. Mr. Young, do you have any convictions as to the advisability or inadvisability of these barter programs insofar as they help the domestic mining industry?

Mr. YOUNG. I am opposed to barter programs, for a little different reason, however, than Mr. Wilson. I am opposed to them as such fundamentally. I think the industry ought to work out its own problems. I was particularly opposed to this one because here we were in a group, an international group, which was seeing if it could, on a volunteer basis, work out its own problems, and I thought we ought to leave it to the foreign producers who had a problem to see if on a cooperative basis through this international meeting, they could work it out on their own, face up to the problem, cut their production back to where it should be, and adjust the market them-

selves. Instead of that, the United States took them off the hook, so to speak, and we will probably never know whether it could have been accomplished by international cooperation or not. I think there is one thing about it that is favorable, now that it has been done, and that refers to Senator Anderson's reference this morning to the music. The world is in such condition today, zincwise, that the quotas are not being filled here on metal. We are exporting metal to the world outside the United States, and if they did not have our exports last year there would have been a shortage in the outside world. In lead there has been a surplus but this is going to take all the surplus lead off the market. The music is sweet. Now is the time for domestic action if you are ever going to take it.

Senator BIBLE. One thing that mystifies me about your statement there is, if zinc is in short supply, why doesn't the price go up?

Mr. YOUNG. The price has gone up in London.

Senator BIBLE. Not very materially, has it?

Mr. YOUNG. It has gone up to a point where they are very pleased. The world producers outside the United States could not be happier with the price they have today.

Senator BIBLE. For zinc?

Mr. YOUNG. That is right. Ten and a half cents they think is just great. That is their price in London.

Senator BIBLE. This is not an attractive price to an exporter from the United States.

Mr. YOUNG. It is not. This is the problem. We need a bigger differential over the world market so that when they are in a certain economic condition we are in the same economic condition as they are. This is all we need in this industry. If we have this, this will solve the problem.

Senator CARROLL. How do we do that, through legislation or by Government action?

Mr. YOUNG. By duties. Just by a simple increase in the duty.

Senator ANDERSON. How much?

Mr. YOUNG. This has been recommended by the tariff commission twice. It has been testified to by the industry. No one in the industry now, no company that I know of, has a kind word to say for quotas. They see the pitfalls. The Tariff Commission condemned duties unanimously in their report and in rather strong language. Subsidies we don't want. We want the only thing that will solve this, and leave industry free on a free enterprise basis, a simple increase in duties.

Senator ALLOTT. Mr. Chairman?

Senator CARROLL. Senator Allott.

Senator ALLOTT. You say that the exports, and I presume you are speaking to zinc, that the exports of slab zinc were 70,000 tons as against a consumption of 880,000, which is slightly under 8 percent.

Mr. YOUNG. Yes.

Senator ALLOTT. In the case of lead, however, the exports of lead were 4,000 tons as against a consumption of 1,045,000. So the statement you made would apply to zinc but not to lead.

Mr. YOUNG. I said that, sir. I gave the example. It was zinc first and then I said in lead there was a surplus but we were bartering to take that surplus off.

Senator ALLOTT. Could I ask a question at that point along these lines. There is a statement in the Bureau of Mines report, and I am sure you are aware of it, you probably have it memorized by this time, that says "Other use substitutions" speaking of lead "are relatively minor, although over the past 20 years TiO_2—" what is that?

Mr. YOUNG. Titanium dioxide.

Senator ALLOTT (continuing). "Has replaced most basic lead carbonate in paint formulation." To what extent has this market been lost? Do you have any figures as to what this means in lead use in this country? That is, in the paint field.

Mr. YOUNG. No, but that is available. It is the consumption of lead as so-called white lead.

Senator ALLOTT. Let me ask you this way: Is this a significant item?

Mr. YOUNG. It used to be a very nice tonnage for lead. Now it is very low. It has been virtually replaced in paint formulations.

Senator CARROLL. You may proceed with your statement, Mr. Young.

Mr. YOUNG. Beside this matter of substitution and the consumer price, we also have to consider the import. The importer is exceedingly important in lead and zinc and he cannot be dismissed lightly even though he comes from outside this country. We have to have approximately 50 percent of our raw material supplies from abroad. The United States has not, since World War II, or prior to World War II, been able to produce enough to satisfy its own needs, and there are no indications that either the number of mines or the reserves are available to do so. Consequently, we have to have an atmosphere here which at all times will attract this approximately 50 percent of the raw materials in lead and zinc that we need. Any instrument that we adopt or any rate of duty that we adopt, has to take this into account. Consequently, when you are trying to solve this problem, you look at the miner and what he needs and then you see how this may have to be modified in light of substitution, its effect upon the fabricator in that if you get a higher duty on his raw material than he has on his finished product you are giving a subsidy to the foreign fabricator of that metal. You have these limitations. That is the reason you can't get the 31 cents. As far as the importation is concerned, we have to at all times be competitive in the world markets for this approximately 50 percent of our raw materials. The magnitude of this problem is something you want to think of. We are talking about producing 550,000 tons of zinc in this country as being satisfactory and last month we produced at the rate of 500,000. Our mine production is only about 10 percent from the kind of goals we are talking about. In lead it is more severe, because the price has been lower over a period of time. But I don't think we need to think about grandiose schemes and complete dislocations and so forth to solve this problem because it isn't an insolvable problem, and it isn't an impossible thing at all, tonnagewise. We are in bad shape, pricewise. We need more price. As Mr. Wilson pointed out, the mines which are operating are, generally speaking, not profitable at these price levels.

Senator ANDERSON. The smelters get along pretty well, don't they?

Mr. YOUNG. By and large they are not doing very well. I don't know a single lead smelter in the United States which makes any

money or which has for several years. Their volume is so low compared to their capacity. The zinc smelters make reasonable margin but nothing commensurate with the amount of investment you have.

Senator ANDERSON. You don't think with attractive prices the amount of production of lead and zinc in this country would be nearly enough to take care of the demands of the industry?

Mr. YOUNG. The amount that we can mine?

Senator ANDERSON. Yes.

Mr. YOUNG. No. We can't begin to take care of our demand.

Senator ANDERSON. Did we do it under the stimulus of the war when we opened them up?

Mr. YOUNG. No.

Senator ANDERSON. How close did we come? Even with the extraordinary war demands, didn't we produce enough lead and zinc during the war years under the production stimulus to have taken care of the normal peacetime demand?

Mr. YOUNG. No. I can give you the imports.

Senator ANDERSON. No.

Mr. YOUNG. I will give you mine——

Senator ANDERSON. I know what happened during the war. We had extraordinary demands. It is like the wool business. In the first year of the war the defense establishments requisitioned enough wool to clothe all the soldiers of this country for about 40 years. You wouldn't regard that as a single year's ordinary demand. So what did we do productionwise compared with normal peacetime uses?

Mr. YOUNG. During the war—I happen to have the imports here. I don't have the mine production back that far. I have some mine productions immediately following the war, and we did not have near enough immediately following the war.

Senator ANDERSON. But during the war activities in my own State, I saw the Groundhog Mine start to work and nine other mines start to work down there. Now they are all closed. So you can't take the production of this country and say under no circumstances could we ever produce enough. I would like to know how much we produced when we really tried.

Mr. YOUNG. Well, in 1946 we mined in this country about 570,000 tons of zinc. The highest we have hit since World War II is 1951 when we had 680,000. In 1956 we were down to 540,000.

Senator ANDERSON. How much do we need? Compare those figures to our actual consumption in peacetime.

Mr. YOUNG. For pigments and metal both about 1,200,000, under normal conditions. Consumption is less than that now.

Senator ANDERSON. Do you mean these aren't normal conditions?

Mr. YOUNG. No. The first quarter was one of the worst quarters we have had in years. It was terrible, volumewise. Consumptionwise, the consumption of zinc in the first quarter of this year is the lowest first quarter I think we have had since 1952, I belive it was, when they had the restriction on automobile production. Automotive assemblies were the lowest since 1952. Steel was terrible.

Senator ANDERSON. I don't know whether the Department of Interior can give us some figures on what this premium price plan during the war resulted in with increased production, but it might be supplied for the record, Mr. Chairman, as to what we got up to. But we certainly went beyond 550,000 tons.

Senator CARROLL. What do you have to say about that?

Mr. MCCASKILL. I am afraid, Mr. Chairman, I don't have the facts with me. I will be glad to supply them to the committee.

Senator CARROLL. That will be a good idea. We will insert them into the record.

(The following tabulation was subsequently submitted:)

Mine production of recoverable lead and zinc in the United States, 1925–29 (average) and 1941–48

[In thousand short tons]

	Average 1925–29	1941	1942	1943	1944	1945	1946	1947	1948
Lead	664	461	496	453	417	391	335	384	390
Zinc	725	749	768	744	719	614	575	637	630

Average annual consumption, 1953–60

[In thousand short tons]

Primary lead	648
Primary zinc	1,000

Senator CARROLL. Can you recall from memory approximately what it was?

Mr. YOUNG. Yes, sir, I believe so. It is my memory that we did not have any war years above 700,000 tons.

(The following information was later supplied:)

There were 768,000 tons in 1942.

Mr. MCCASKILL. I think that is right.

Mr. YOUNG. It went down. You will remember we lost our manpower priority toward the end of the war and we had a terrible time keeping the mines going. It hit a peak and fell off. We have never produced so much since.

Senator CARROLL. What about the period just preceding our entry into the war, 1939, 1940, when we began to move?

Mr. YOUNG. Our production at that time was about equal to our consumption, and our consumption at that time was only about half what it is now.

Senator CARROLL. There is not the slightest doubt in your mind that we have consumptive need of about 50 percent more than we are producing?

Mr. YOUNG. Than we are capable of producing under the best of circumstances. At the moment in zinc we are producing more than 50 percent of our consumption.

Senator CARROLL. You may continue with your statement.

Mr. YOUNG. Covering the conditions in the industry, which I understood you were interested in, briefly they are as follows: Zinc outside the United States is in the best shape it has ever been. Consumption is rising rapidly. Since the big imports of 1957, the consumption of zinc outside the United States has risen almost 400,000 tons. The consumption pattern is good. The industry is operating at 100 percent capacity, and as pointed out we are actually exporting metal to the world market to keep it from being short in zinc. In lead, there is a surplus as was pointed out this morning. The consumption pat-

tern for lead has not been so good and there is a surplus production of lead. However, with the adjustments that have been made for the year 1961 we should see the stocks of lead outside the United States drop rapidly.

Senator CARROLL. Are you exporting zinc from your company?

Mr. YOUNG. We did export in the fourth quarter of last year. We have not exported since the fourth quarter of last year, my own company.

Senator CARROLL. What is the reason for that?

Mr. YOUNG. Under quotas and under the price system, you can only smelt and compete on the European Continent on what we call overquota concentrates. In other words, those are concentrates brought from abroad, based on the world price and not on the U.S.A. price. We got some of those in the fourth quarter from Mexico. We have not gotten any since that time and consequently have not been able to export any.

Inside the United States the condition of lead and zinc is just about the same as it was when they put the quota system in. We built up our stocks terrifically during 1957 and 1958 due to the imports. We have approximately the same amount of stocks now that we had then. The current situation is balanced. It has been relatively balanced at a very low mine production figure as you know, both for lead and for zinc. Our prices here are unsatisfactory. The problem is as acute, almost as acute, as it has ever been. I can't urge on you too much the fact that this is the proper time for action.

Senator CARROLL. What were the total imports into this country? You have given us an idea of our consumptive needs.

Mr. YOUNG. The total imports?

Senator CARROLL. Yes. You can give us the exact figures later on, but just percentagewise.

Mr. YOUNG. I have the exact figure so far as metal is concerned. In lead we are importing now at the rate of the quota, which is approximately 200,000 tons. Zinc is being imported at the rate of about 70,000 tons at the present time.

Senator CARROLL. Would you repeat that, please.

Mr. YOUNG. Lead metal is being imported at the rate of 200,000 tons a year. Zinc at the present time is being imported at the rate of about 70,000 to 72,000 tons a year of metal. As concentrates, zinc is being imported at the rate of about 350,000 tons a year, and lead, I believe, at about 125,000, in concentrates.

Senator CARROLL. Did you say our consumptive needs are 1,200,000?

Mr. YOUNG. In zinc, yes.

Senator CARROLL. What is the zinc over our needs, then?

Mr. YOUNG. At the moment?

Senator CARROLL. Yes.

Mr. YOUNG. None.

Senator CARROLL. What is the reason for the depressed market?

Mr. YOUNG. Because if we were producing 50,000 tons more in our mines it would be too much. It is balanced, but at too low a mine production and too low a price. That is our problem.

Senator CARROLL. What is the situation with reference to lead?

Mr. YOUNG. In lead it is a little different. We are continuing to build up our stock a little more rapidly than we are in zinc. And

also lead is, as Mr. Wilson said—their goal was 350,000. Lead is only being mined at the rate of about 250,000. So we need 100,000 tons more, according to his definition of mine production.

Senator CARROLL. You heard the testimony of Mr. Wilson?

Mr. YOUNG. Yes.

Senator CARROLL. What is your viewpoint about his ideas on this question, to increase a tariff?

Mr. YOUNG. We are in agreement on the instruments to be used. We are in disagreement on the amount of the instrument. He advocates duties of 4 cents a pound on each. It is frankly our opinion that a 4-cent-a-pound duty, (*a*) would give us a price level here under normal conditions on the world market that would be too high; (*b*) with the amount of the off and on duty that they have it would be disruptive of trade, and there would be long periods of time when we would have difficulty getting sufficient raw materials; (*c*) we feel that this is too far outside the general tariff level of the United States. It is in excess of anything allowed under the Trade Agreements Act, and is approximately double the 1930 rates. It is on an ad valorem of approximately 40 percent, whereas the general level of manufacturers of the United States is 15 to 20, something of this order. And we have quite a conflict in difference of philosophy. I can tell you the two philosophies very simply to help you understand it. Their idea is to look at the mines, to look at the price they think is needed, and to put that figure on. Our philosophy is that the problem is very pressing. It certainly justifies higher tariffs. Different people in our group have testified anywhere from the 1930 rates to approximately 50 percent above the 1930 rates. We had a 10-day debate before the Tariff Commission in January of last year as to what was the appropriate level. This was in response to the Senate resolution. To give you all of the reasons and to explain all of this I am sure would take the full 10 days. But the conclusions of the only two Commissioners who reported was that rates of approximately 2½ cents on zinc and 3 cents on lead would be appropriate, that they would give a healthy growing industry. These were higher than any of us had advocated.

We felt we had had our day in court, that we had argued as best we could for lower rates, and we did not prevail. The Tariff Commission made this recommendation and we said we would go along with it. They happen to be at levels that will do two other things. No. 1, they are permissible levels under the Trade Agreements Act. They do not go outside. Under the Trade Agreements Act you can have a specific duty of 50 percent above the rate on a certain date and these levels fall within that definition. Consequently, this legislation which in the Senate is being sponsored by Senator Kerr, is merely implementing the maximum that could be done under the Trade Agreements Act.

Senator CARROLL. While you are at that point, if I understood the testimony of Mr. Wilson, he recommends that the Congress establish a permanent tariff of 2 cents per pound on both lead and zinc. If that were done, do you think it would be too high?

Mr. YOUNG. If it was only the 2 cents per pound it would not be. It is the other 2 cents per pound that does it.

Senator CARROLL. That is because of the flexibility, because of the influx.

Mr. YOUNG. It is because of the total rate of 4 cents I am talking about. The rates of 2 cents are more of what we have talked about in the past.

Senator CARROLL. Under the Kerr bill, how high does he go?

Mr. YOUNG. 2½ cents on zinc and 3 on lead, maximum. The Kerr bill is the implementation of the recommendations of the Tariff Commission after hearing all of the industry as to levels of duty.

Senator CARROLL. Gentlemen, it is now getting close to 5 o'clock. I know we will have a vote soon in the Senate. We do have other witnesses. We have spent a full day getting some fine testimony.

Mr. Jeffrey, is it convenient for you to come back tomorrow morning?

Mr. JEFFREY. Senator, if the committee desires, I can come back tomorrow morning; yes, sir.

Senator CARROLL. Are you located here in Washington?

Mr. JEFFREY. No; I am not located here, but I can put in another morning on this business.

Senator CARROLL. I do not want to shut off questioning. Let us wait a moment.

Are there any further questions of Mr. Young?

Senator ANDERSON. I wish to point out that we told Mr. Kiser we would hear him. So I think that Mr. Jeffrey and Mr. Kiser ought to both come back tomorrow.

Senator CARROLL. I will say this, that I am willing to stay now and go right on through with Mr. Jeffrey and Mr. Kiser, both of whom, I believe, said they would not make a very lengthy presentation. All testimony has been within a reasonable time. It is our questioning which has delayed it.

Mr. KISER. I can very well be back tomorrow.

Senator CARROLL. Is that convenient to you, Mr. Kiser?

Mr. KISER. Quite all right with me.

Senator CARROLL. And Mr. Jeffrey?

Mr. JEFFREY. Yes, sir.

Senator CARROLL. If this is inconvenient to you, I will stay this evening, if you want to stay. But I think we are getting ready for a vote. We will stay as long as possible to accommodate several witnesses.

Mr. YOUNG. Could I say one more thing in conclusion? The matter of handling this by legislation rather than through the Trade Agreements Act is extremely important. In our experiences under the Trade Agreements Act, we have found out several things about it we didn't know. There are some 40 products of lead and zinc that cost very little to fabricate. They are just a different form of the metal. They are very simple. They cannot be covered in this present case. They have ruled that each and every one would have to stand on its own as an individual case. To try to actually solve this problem under the Trade Agreements Act with this great multiplicity of cases on each one of the products, it would be just as far fetched as if you put one duty on hamburgers and don't put it on salted hamburgers and salted hamburgers are going to come in. That is the way it is going to be in lead and zinc. The Trade Agreement Act was not designed for this case, unfortunately. This type of case wasn't thought about, I guess. But where you have a raw material with a number of cheaply fabricated, easily fabricated products, it won't work.

No. 2, the mining industry is an industry that needs to know where it is going.

It plans 10 years ahead under exploration and development, and under the Trade Agreements Act, everything is subject to review every year. It isn't appropriate to the mining industry. Also, there are two or three other features in these bills, both Senator Anderson's and Senator Kerr's, that are quite good, quite important, but which are difficult, if not impossible, under the Trade Agreements Act. So I think it is highly important that if at all possible this thing be solved by the legislative route, and I would hope that everybody will eventually agree to that, because it is very significant.

Senator CARROLL. What about that question we raised this morning, as to whether the President could re-form his executive order to conform with the recommendation of the Tariff Commission in the event there is no legislation? What does that mean? This is the concept of 80 percent ruled in the executive order and 50 percent recommended by the Federal Tariff Commission.

Mr. YOUNG. My understanding is that under 10401 the President may change his order to a less restrictive order but not a more restrictive order, and to have a more restrictive order would require an entire new section 7 case.

Senator CARROLL. What would this mean, the effect of it?

Mr. YOUNG. This means that he can't, without introducing a new section 7 case, go from 80 to 50 percent.

Senator CARROLL. What would that mean to the industry?

Mr. YOUNG. If we went to 50 percent?

Senator CARROLL. Yes.

Mr. YOUNG. If we went to 50 percent you would have a panic by the zinc consumers in 3 months, because you would be cutting imports of zinc metal plus ore of between 450,000 and 500,000 tons by approximately 200,000 tons. We could only mine 50,000 more tons if we opened everything up, 50,000 or 60,000 more tons. We do not need anything that severe, sir.

Senator CARROLL. Are you therefore suggesting that the executive order should not be modified or if it is modified it shouldn't be modified to 50 percent?

Mr. YOUNG. It should be modified to remove quotas competely and replaced with a reasonable duty. Quotas are a very unfit instrument and if you had time, we have written books about it.

Senator CARROLL. Can the President do it without legislative enactment?

Mr. YOUNG. It is the opinion of many lawyers that he can put in a duty in place of the quotas because any duty is less restrictive than an absolute quota.

Senator BIBLE. Can he do it without a further hearing?

Mr. YOUNG. This could probably be done without further hearing. But a more restrictive measure could not be put in without a further hearing. This is my understanding. I am not a lawyer. This is what they advise.

Senator CARROLL. Let me put the question to you bluntly and directly. If this could be done, could the President by Executive order set up the provisions that are contained in the Kerr bill, for example, without hearing?

Mr. YOUNG. He can set up the maximum rates provided in the Kerr bill. He cannot cover the obvious articles that I spoke of, covered in the Kerr bill, and recommended by the Tariff Commission in answer to the Senate resolution.

Senator CARROLL. Forgetting the subsidy feature of Mr. Wilson's testimony, could he do the same thing under Mr. Wilson's proposal?

Mr. YOUNG. No. The rates in the bill Mr. Wilson was talking about are almost double the 1930 rates and in excess of any rates allowable under the trade agreements act.

Senator CARROLL. Because it is beyond and outside the provisions of the trade agreements act.

Mr. YOUNG. Yes.

Senator ANDERSON. I only want to say to you that the amendment which Senator Kerr himself wrote into the 1958 Trade Agreements Act gave the President power to go above or below the recommendations, as I read it.

Mr. YOUNG. As was pointed out this morning, there is some controversy. I was just giving you the benefit of our lawyer's advice when we consulted on this matter. I am sure your counsel will check it. But our understanding of 10401 is that he can only put in something less restrictive.

Senator CARROLL. I would like to have your lawyer send us that. When the language reads he can go up or down, I don't see how he can only go down——

Mr. YOUNG. I am not familiar with the legal implications.

Senator CARROLL. Thank you very much, Mr. Young. You have been very helpful.

Mr. Jeffrey, will you come forward, please?

STATEMENT OF FRED JEFFREY, NATIONAL ZINC CO.

Mr. JEFFREY. My name is Frederick R. Jeffrey. I am president of National Zinc Co.

Thank you, gentlemen, for hearing me. I would like to talk a few words about the position of a smaller independent zinc smelter today.

We came to Oklahoma from Europe about 55 years ago to help establish an industry in this country which at this time was in its very infancy, the industry of zinc smelting. We still have in our plants some men who are third generation descendants of the Belgium smelter furnacemen who came with us at that time.

The smelter was established to smelt ores from the tri-State district and did so almost exclusively until twoard the end of World War II. From that time on, that source of ores declined rapidly and we were forced to find supplies or to find part of our ore supply from foreign sources.

I would like to go later on into some of the difficulties of this situation, but I would like to say right away that as a small enterprise that has no foreign properties or no foreign connections, and which is small generally, we cannot exert in the foreign markets, with the foreign mines, the same influences as some of our larger competitors. When we are forced to buy abroad, we have to buy what the big fellows leave over. Furthermore, being located with relation to our domestic mining district, we are not well located to receive foreign

ores because we are far away from the foreign sources and far away from the seacoast.

We have been able to continue to get a certain amount of our ore supply from domestic mines. A small, independent smelter makes a natural team with a small miner. We have found that the large mines very naturally fall under the influence or under the ownership of the large concerns.

We have been dependent on the small miner to supply us with ore. On the other hand, I think you can see that a small smelter is the natural outlet for the independent and small- or medium-sized miner. We think this is not in any way a weakness, to be small. Our experience is that all over the world and in this country lead and zinc tend to appear in smaller ore bodies that do not always interest the very large companies. We think there always will be small- and medium-size mines and there will always be a place for the smaller independent smelter.

This being so, the fate of the smaller domestic miner is of the greatest importance to our smelting operation. When the smaller miner is in trouble, we have difficulty finding our ore supply. We are, therefore, interested in seeing help being extended to the smaller miner, because he is one of our essential suppliers.

I might also say that we are interested in a good price as a smelter. The income that we get is entirely the rate that we get for processing ore into metal. When the price is high we can get a somewhat higher processing rate. A low price is very bad for us, almost as bad as for the miner.

I think other ideas might result from a misunderstanding of a smelter. Since we are so interested in what happens to the smaller miner, you might ask why we have not joined some of these proposals that look for a very high protective tariff. Well, I will just say that being a smelter it is our job to sell the metal that we make from the ore that we buy from the small miner. Having a long experience in finding that market, we are convinced, as has been pointed out by Mr. Young and also by Mr. Wilson, we are convinced that there are certain limits in the market prices beyond which our metals lose their markets to the competing materials. If we go beyond those limits, we are going to damage every miner and every smelter in the country.

We have, therefore, felt that a more moderate rate of tariffs would probably be the right thing for the industry.

When it comes to helping the small miner that needs a higher price than these market prices, then we feel something must be done on an individual or depressed-area basis or on the basis of a subsidy. We have, therefore, supported Mr. Edmondson's subsidy bill.

I would like now to talk to you for a moment about the international situation as it looks to us as a small smelter.

Senator BIBLE. Might I ask just a question?

You constantly refer to yourself as a small smelter. Would you define that a little further? How many tons would you smelt in the course of a normal year or how many people do you employ?

Mr. JEFFREY. Certainly.

Senator BIBLE. I want to find out what you mean by being small.

Mr. JEFFREY. By "small," I mean certainly in relation to the operations of the large integrated companies. We used to employ close

to 700 people. We now have about 500, because we are not operating at the rate at which we used to operate years ago because business is bad.

We consume somewhere over 80,000 tons a year of zinc concentrates, out of which we make metal and sulphuric acid as a byproduct.

Senator BIBLE. Thank you.

Senator CARROLL. Do you own any mines?

Mr. JEFFREY. We own no mines. We are not one of the nine enterprises that are purported to own all the mines.

Senator CARROLL. Do you have any foreign holdings?

Mr. JEFFREY. No.

Senator CARROLL. Tell us about the foreign situation which you had begun to talk about.

Mr. JEFFREY. First of all, as a smaller buyer we can't swing that much weight around as the larger people have or those who have investments in foreign countries. But we have been able to hold our own for all these years and we have been relatively successful. We have been able to compete as a small enterprise with our big colleagues and we intend to go on.

We are, however, greatly concerned by recent developments abroad. What has happened to our mines is a matter of record and I think is known to you gentlemen. I have made some visits in Europe recently and I have come back even more concerned than before. I am under the very strong impression that the prosperity and the success of our smelters is going to be under a similar attack as our mines have been in the last 10 or 15 years.

After all, we must not forget that it was only a very few years ago that the countries of Western Europe and Japan recovered from the results of World War II. But no sooner did they fully recover their industrial potential, one of the things they are going after is the zinc smelting industry. And with the cooperation of their governments, which do everything from taxes to import and export regulations, differential tariffs and whatever the measures are, they are working to beat the band to build up their smelting industry.

If you will follow what has happened, you see new smelters being built, or smelting plants being vastly expanded in Britain, France, Spain, Italy, in Japan and Australia new plants, in Peru, India, Mexico, and Canada. The results of this is already evident in the international statistics as has been brought out by the International Study Group. If you look forward to the year 1962 when some of the foreign smelting capacity which is now only in preparation will be operative, you will find that the metal output of zinc of the free world outside of the United States will have gone up by about 25 percent from 1957 to 1962, whereas in the similar period our production has gone down by about 20 percent.

I wish that some of you gentlemen could go and visit these foreign smelters and see how certain they are of victory, how certain they are that they are going to take the business away from us, and with the help of their various government devices, they are going to build themselves up.

We feel that the very lack of any action on the part of our Government is encouraging further nationalistic and unwarranted expansions in these other countries.

Senator CARROLL. At that point the free world you are talking about is up 25 percent and we are down 20 percent. How much of our own American capital, American corporations, are investing in these foreign countries building these smelters? Do you know?

Mr. JEFFREY. I cannot give you an exact answer, but casting it over in my mind, Mr. Chairman, I would think that this is almost entirely non-American capital. There has been in the news recently an announcement by an American-owned company in Peru expanding their zinc smeltering, but basically, I think this is a revival of the local capital in these various countries who see a good thing which the United States is not defending, and which they see is good for them to take away from us.

Senator CARROLL. Is that true in Mexico?

Mr. JEFFREY. I do not know where the capital for the Mexican zinc smelter is coming from.

Senator CARROLL. There has been testimony here that there are two American smelters in Mexico.

Mr. JEFFREY. I think this testimony referred to the lead smelters. There is a zinc smelter, according to our advice, being built in Mexico, but I do not know if American capital is being used in that.

Senator CARROLL. You are referring specifically to zinc?

Mr. JEFFREY. Because that is my experience; yes, sir.

Senator CARROLL. Do you know of any large American producer in these foreign countries of zinc?

Mr. JEFFREY. Are you thinking now of mines or mining or smelting?

Senator CARROLL. Smelting. Your emphasis here seems to be centered around the growth and the development of smelting.

Mr. JEFFREY. I am trying to emphasize this because I think what has happened to our mines we all know already, unfortunately. My answer would be that as far as I know, almost all of these developments are by local capital, British, Australia, Japanese, Canadian and, in fact. Canadians have made it point that they want their own capital for that purpose and not ours.

Senator CARROLL. You may proceed.

Mr. JEFFREY. Our prosperity at home, of course, in the smelters and the mines, is in the same boat entirely. I feel that this difference that has been emphasized and the potential interest between those two groups has been vastly exaggerated and that our basic interest here is together; and that we are together on the attack by aggressive foreign enterprise, which is seeing a chance.

When we think of a solution for the domestic industry, I think it must be a solution that recognizes not only the long-standing difference, difficulties and sufferings of our mines, but the new comprehensive assault I see being mounted upon the prosperity of our entire industry. The smelters have in the past not asked for Government help and I think they wouldn't have to ask for it now if it wasn't that other governments were taking all kinds of aggressive measures to locate new smelting capacity in their country and in the face of such happenings we come to you and say, our country must not stand still; that we must do something to maintain part of this essential industry at home.

The measures proposed in the Anderson bill and in the Kerr bill have that in mind. But, as I pointed out before, because of the market

considerations we feel that the rates in the bill which bears Senator Anderson's name are too high for a realistic operation of a protective system.

Senator CARROLL. Do you then agree with Mr. Young? You heard his testimony.

Mr. JEFFREY. As far as the rate of protection is concerned, yes. I might say that in my own testimony before the Tariff Commission I suggested some tariff rates which were somewhat higher than the ones he brought out for his company. But in the approximate general level, I agree with the rates proposed by him, yes, sir.

Senator CARROLL. Do you think this can be achieved, therefore, by a higher tariff, the objectives that you seek?

Mr. JEFFREY. Yes. I would also say that it is my feeling that it should be achieved by legislation because this is the only way we can also protect the products, the products of our own customers, whom we don't want to put out of business by getting a higher protection for the mines.

Senator CARROLL. You have spoken of your relationship to miners. Do you think the testimony of Mr. Wilson on the Anderson bill and the Aspinall bill—well, first, are you in favor of this subsidy?

Mr. JEFFREY. I find it difficult to say anything about subsidy, because, in a way, a subsidy is a somewhat repugnant thing for an industry that wants to continue in free enterprise and doesn't want the Government to run its affairs.

Senator CARROLL. But your miners have gone to the wall, haven't they?

Mr. JEFFREY. Yes. Therefore, Mr. Chairman, as I pointed out before, I feel very strongly that justice demands that something be done for the small miner, to whom so many promises have been made and who has been kept waiting from one proceeding to the other. I don't see any other way to do that than in some form of subsidy.

I don't feel qualified to judge as between the subsidy in the bill which the emergency committee backs, Senator Anderson's bill, and Congressman Edmondson's bill. I do feel that there should be no subsidy for large companies.

Senator CARROLL. In your years of experience and your identification as a small smelter, and with smaller mines, and you said this was a natural relationship, have you not found that the small miners pretty much have gone to the wall?

Mr. JEFFREY. Yes, sir.

Senator CARROLL. What is your principal source of supply today?

Mr. JEFFREY. What are they today?

Senator CARROLL. Yes.

Mr. JEFFREY. As far as domestic ores are concerned, we are now limited to certain operations in Arizona, from whom we get——

Senator CARROLL. I don't want to delve into your business or business secrets, but I was thinking that most of the mines in my own State have closed, and I suspect this is true of the Rocky Mountain West. I am wondering in view of that, with not much exploration, what is your principal source of supply. But I don't want to know the names. Small businessmen have enough troubles. I am not trying to create any more for you.

Mr. JEFFREY. There are still some smaller mines operating in Arizona, for instance.

Senator CARROLL. Is it adequate to supply you?

Mr. JEFFREY. No, it is not. It supplies at this time barely a third of our requirements. We have at times also received domestic ore from some of the larger companies, but we cannot expect this to be permanent because they have their own business to look after.

Senator CARROLL. Do you get concentrates from foreign sources?

Mr. JEFFREY. Yes; we get some concentrates from Mexico.

Senator CARROLL. What part of your business is that? What percentage?

Mr. JEFFREY. At this moment the foreign ores are over half of our supplies, and it is difficult. I foresee increasing difficulties for us to obtain so much abroad with this increased foreign smelting activity that we have been talking about which will absorb more and more of those concentrates for their own smelters and then they will come in our market and try to sell the metal that they make from that in competition with the metal we are trying to make.

Senator CARROLL. Does this increase in the tariff rates affect the concentrates from foreign sources?

Mr. JEFFREY. An increase in the tariff would first of all bring about a higher price here at home and would put some of the domestic miners back to work.

Senator CARROLL. I didn't quite understand you. Would the increase in the tariff apply to these concentrates that come from a foreign source?

Mr. JEFFREY. Yes. The concentrates from foreign sources would also pay a higher tariff. There are provisions in both of the bills that we have been mentioning today whereby the rates on concentrates will not rise quite as much.

Senator CARROLL. Fifty percent of your business is in these concentrates?

Mr. JEFFREY. Yes, sir.

Senator CARROLL. I am not pressing you on these matters, but I think we have to make a record. I am very much impressed by what you say. I think you are not only an excellent businessman, but you have given us an insight into what the problems of a small smelter are.

Mr. JEFFREY. Thank you, sir.

Well, pressing for a higher tariff at home because it will bring up our price and put some of our domestic miners back to work, it is true even then we will have to bring in some foreign ores to keep our smelter at Bartlesville running. But we are quite prepared to bring these ores in and pay the higher tariff because we will get in our home market here in higher price for the metal and we will be able to swing that.

I don't know whether I make myself clear on that point.

Senator CARROLL. Yes, you do. If I understand you, if the tariff is imposed on these concentrates from a foreign source, you are willing to pay that higher price, but in the paying of that higher price you expect to get a higher price in the market?

Mr. JEFFREY. Yes. We are confident a higher tariff would bring this about.

Senator CARROLL. And ultimately, the consumers will have to pay that price.

Mr. JEFFREY. That is true. The consumers will pay the bill for accomplishing this result, but, as we say, we think because of the fact

that our metals are somewhat subject to substitution, we cannot raise the tariff just without limit. We have to think where we draw the line. But we think that our domestic markets are in a position to absorb a certain additional tariff, a worthwhile increase in the tariff.

Senator CARROLL. And, therefore, to sustain this industry, the consumers must be prepared to pay an additional price if we are to save this industry and the importance of it, not only in our everyday economic life, but as a matter of national defense.

Mr. JEFFREY. I am glad you bring this up, Mr. Chairman. I think our consumers are willing to pay a greater price. In fact, I think our consumers want to have a large part of their supply come from domestic suppliers who cooperate with them in product research, in quality control, to whom they can go on a telephone to order a delivery out tomorrow morning, and tell Jack to ship just that kind of metal and he will get it. When he has to get the same metal from the Congo, he doesn't get that service.

Senator CARROLL. Does that conclude your statement?

Mr. JEFFREY. I have concluded my statement.

Senator CARROLL. You have been most helpful here.

Mr. JEFFREY. Thank you, sir.

Senator CARROLL. Senator Bible.

Senator BIBLE. Mr. Jeffrey, I think you have made a splendid statement and have been very helpful to the committee. I think your point of solution may be successful in accomplishing this.

You say you have historically employed 700 men in your smelter and in the last year or two, you dropped it down to 500. What do these 200 men who were formerly employed do now? I suppose they were skilled or specialized in the smelter. But do they fit into other industries?

Mr. JEFFREY. Fortunately, we were not forced to lay them off. We gradually went down and we did it by attrition. When there was a change, we did not take on new men. Nevertheless, we are giving work to fewer people than we did before. We were running eight blocks of turrets in the old days and now we are only running six. Of course, I must say, we have adopted laborsaving devices because if we hadn't we couldn't have stayed in business. Our industry is subject to a terrific cost-price squeeze. The cost of zinc is now less than 50 percent above the controlled price in World War II. But our costs have gone up like the cost of everything else.

We have to counter that by mechanization, automation, and laborsaving devices. In fact, our company is now, and I might add that, bringing a decision to adopt a major plan of investment to adopt technical innovations that would substantially cut our cost and assures we would remain competitive for a number of years to come. But it is difficult for me to recommend such a big investment to my directors when I think that we will have to operate in a climate where our competitors abroad are being continually favored by their governments whereas in our country the buck is just being passed from one Government agency to the other and nothing ever happens except ill-conceived measures like stockpiling and barter that make the things worse instead of better.

Senator CARROLL. Is this an individually owned company?

Mr. JEFFREY. It is largely individually owned; yes, sir.

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Senator CARROLL. It is a closed corporation?

Mr. JEFFREY. Yes, sir.

Senator CARROLL. A closed corporation?

Mr. JEFFREY. That is right.

Senator CARROLL. What has your profit been in the last year? I don't want the sum, but are you getting along all right or are you having difficulties?

Mr. JEFFREY. We are having serious difficulties; yes sir. We are having serious difficulties, because at this low price level it is difficult for us to make ends meet and then whenever the domestic business goes down as it certainly has in all heavy goods industries, including zinc and lead, for the last year or 18 months, we find it very difficult to maintain our domestic market because one of the unfortunate consequences of this quota system is that the foreign metal imports have a certain portion of our market guaranteed to them at our domestic price and they come in in any event and we have to take what is left. So we are concerned about our outlook.

Senator CARROLL. In addition to smelting, do you fabricate?

Mr. JEFFREY. No. We make sulfuric acid as a byproduct and a few other minor byproducts. We do not fabricate.

Senator CARROLL. Did you hear the testimony of one representative of the Department of Interior that if this market would get out of balance, that in some way the lead people of the world would find a way to get in their lead through picture frames or some techniques they would devise to bring lead. Have you thought about that, if you raised the tariff too much?

Mr. JEFFREY. Yes, sir. That is one of the reasons why my testimony was in favor of a reasonable increase in tariff and why I am for the legislative route because in this way we will be able to give compensatory treatment to some of the products which might otherwise come in from abroad. If we had quotas or a trade agreement solution of this thing, we could not give some compensatory protection to these products, the kinds of products you mentioned.

Senator CARROLL. I did not mean to cut in on Senator Bible, but I wanted to ask a question that occurs to me.

You have been in this business for many years?

Mr. JEFFREY. Yes, sir.

Senator CARROLL. You know not only about the smelting of zinc but lead, I assume. You are familiar with its smelters, how big they are, and the number of mines owned by some of the smelters of lead and zinc is known to you. If we adopted a program of increasing the tariff, flexible, 2 to 4 cents, and then provided a subsidy—you heard the testimony—perhaps an integrated company could get as much as $225,000 apiece.

How much of a windfall would that be? You see, we are trying to help a small miner. Someone indicated in the testimony, and I think it was Mr. Young, who is opposed to this across-the-board subsidy, that the Kerr bill suggests that there ought to be an income limitation. How do you feel about a subsidy across the board?

Mr. JEFFREY. I would feel that a subsidy should always be limited to the people or enterprises that actually need it. It would certainly be possible to limit the benefits of a subsidy to the class of small operators, of small and depressed miners in this case.

I don't think there is any necessity, any essential necessity in what we are trying to accomplish with a subsidy, as I understand it, to take in the large companies, because the large companies must be able to live with the overall tariff solution we are thinking about.

The small miner who needs more than we can give him with the kinds of tariff I have in mind, the small miner should then get a subsidy, but only for a small miner, for a man who is perhaps within a certain range of production and any property that produces more than that would be outside of the subsidy.

Senator CARROLL. I assume that Belgium is your native country?

Mr. JEFFREY. Germany is my native country, sir.

Senator CARROLL. Are you familiar with the cartels that exist on the Continent?

Mr. JEFFREY. In a general way only.

Senator CARROLL. Do you see any cartelization that might be developing in the lead and zinc industry throughout the world?

Mr. JEFFREY. No; I would say not. I think the trend is rather for each country to promote its own industry. I think we have competition in our industry, we have international competition, rather than cartelization.

Senator CARROLL. As you said in zinc, this is especially acute because the men who are building the smelters will try to get the market. Do you know what the situation is in lead?

Mr. JEFFREY. I am much less familiar with lead, certainly. I think it has been noted that there is a smaller number of producers in the world of lead. The situation may be somewhat different than in zinc, where there are a great many miners and a great many smelters in various countries.

Senator CARROLL. Senator Bible.

Senator BIBLE. I have no further questions, but I want to make the observation that Mr. Jeffrey has proven a splendid witness. I think he shows the awareness of the problem from a different viewpoint. If I got anything out of this hearing today, it is that the smelterers and the fabricators and producers had all better take a good, close, careful look at this and join for a change instead of pulling in different directions.

I am agreeably surprised with the seeming unanimity, at least, in the industry, and maybe with that unanimity something can be done.

The warning that you sound is that the fabricators who are growing up in the countries you mentioned will soon take over both the smelter, the miner and the fabricator in this country. I think that is a most important point. I want to commend you.

Mr. JEFFREY. Thank you.

Senator CARROLL. I agree with Senator Bible. We have to emphasize more and more what is happening in other countries, how they are building these industries and how they are beginning to maneuver against us.

At the same time they are moving ahead, we are sliding behind. Somewhere along the line we have to meet this headon. That is the real problem.

We thank you very much for coming, Mr. Jeffrey.

STATEMENT OF ALBERT H. GREENE, ATTORNEY AT LAW, REPRESENTING VARIOUS LEAD COMPANIES

Mr. GREENE. My name is Albert H. Greene and I am counsel for the following lead manufacturers:

Alpha Metals, Inc., Bunker Hill Co., Eagle Picher Co., Evans Metal Co., Flemm Lead Co., Gardiner Metal Co., Hammond Lead Products, Inc., National Lead Co., Reddi-Wipe Co., Southern Lead Rolling Co.

This statement is submitted on their behalf, and they produce approximately 80 to 85 percent of all the lead products manufactured in the United States.

Manufactured lead products include fabricated products made by casting, rolling, and extruding, such as sheet, strip, pipe, rod, and so forth, and lead oxides and pigments produced by heating, such as litharge and red lead.

The major characteristics of all these products is that they are composed in whole, or in great part, of pure lead, and require little in the way of manufacture to produce the end product.

For example, sheet and strip are produced by simply running lead pigs or slabs through a mill. Pipe, rods, wire, traps, and joints are produced by simply processing raw lead through an extrusion press. Litharge and red lead are manufactured by the simple process of heating.

Consequently, when there is action taken by the U.S. Government which results in unrelated tariff treatment of raw lead, vis-a-vis closely related manufactured lead products, a situation arises which results in serious injury to the entire domestic lead industry.

The foreign lead producer is ever aware that he can easily substitute manufactured lead products for raw lead if it so serves his purpose. This is exactly what has happened since the imposition by the U.S. Government of quotas in October of 1958.

The foreign lead producer has shipped manufactured lead products in order to circumvent the imposition of the quota and thus make up some of the business lost through the imposition of the quota.

The statistics for manufactured lead product imports in 1959 proved this.

The manufacturers of sheet, strip, lead oxide, and so forth, are the consumers, and of vital importance to the welfare of the domestic lead mining industry. They must be considered in, and be, the recipient of similar protective action that is taken by the Government with respect to unmanufactured lead.

It is obvious to our group, as it must be to others, that protection enacted only on unmanufactured lead is in fact destructive of the domestic lead mining industries markets if manufactured items do not receive compensatory treatment. By compensatory treatment we mean treatment of manufactured lead products that would be equivalent to treatment accorded unmanufactured lead.

For some time it has been possible to purchase foreign-produced manufactured products domestically at prices similar to the price of domestic unmanufactured lead. Under such continued circumstances it will be impossible for domestic producers of manufactured products to compete.

Unless compensatory protection is given to the manufacturers of lead products, they will be forced to curtail their production and in turn curtail their orders of pig lead from the domestic mining and smelting industry.

On behalf of the companies which I represent I wish to thank this committee for the opportunity of presenting to it the views of the lead manufacturers.

Senator CARROLL. If there are no questions, thank you, Mr. Greene.

We will stand in recess until 10:00 in the morning, and the first witness will be Mr. Tom Kiser, and the second witness will be Mr. James Mack. I believe those are all the witnesses we have scheduled at this time. If there are other people who feel they want to make a contribution to this hearing we will hear them. We will stand in recess subject to the call of the Chair until tomorrow morning.

If anyone wants to submit a brief, we will insert it in the record. There will be other hearings on this matter. This is a preliminary hearing.

We will stand in recess until 10:00 tomorrow morning.

(Whereupon, at 5:50 p.m., the hearing in the above-entitled matter was recessed, to be reconvened at 10:00 a.m., of the following day.)

LEAD AND ZINC PROBLEMS

FRIDAY, MAY 5, 1961

U.S. SENATE,
SUBCOMMITTEE ON MINERALS, MATERIALS, AND FUELS OF
THE COMMITTEE ON INTERIOR AND INSULAR AFFAIRS,
Washington, D.C.

The subcommittee met at 10 a.m., pursuant to recess, in room 3112, New Senate Office Building, Hon. Alan Bible presiding.

Present: Senators John A. Carroll (Colorado), chairman of the subcommittee, Alan Bible (Nevada), J. J. Hickey (Wyoming), and Henry Dworshak (Idaho).

Present also: Richard L. Callaghan, staff director; Jerry T. Verkler, clerk; Stewart French, chief counsel; and Robert P. Dwyer, professional staff member.

Senator BIBLE. Gentlemen, the subcommittee will come to order.

When we recessed yesterday afternoon late, I think we had completed all except two of the listed witnesses, and I think we had Mr. Kiser and Mr. Mack left.

I should like to have inserted in the record at this point a statement from Congressman Ichord, of Missouri relative to the problem which we are exploring in this mining subcommittee here.

(The statement referred to follows:)

STATEMENT OF HON RICHARD H. ICHORD, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MISSOURI

Mr. Chairman, may I express my appreciation to this distinguished subcommittee for the opportunity to submit testimony in behalf of the lead and zinc mining industry describing its pressing need for legislation to save this great industry of our Nation.

My district, the Eighth Congressional District of Missouri, produces approximately one-third of the lead mined in the United States. The lead-mining areas of my district were formerly prosperous, thriving communities, but today they are depressed areas, living in constant fear of still another mine being closed down. A few weeks ago National Lead Co. closed down its mining operations in Fredericktown, Mo.; this leaves St. Joseph Lead Co. as the only producer remaining in my district. In 1952 St. Joseph Lead Co. employed 2,740 men in the mines. Today there are only 1,668 men employed. These miners have also experienced long periods of time that they worked less than 5-day workweek during recent years. In short, conditions in my district are the same as they are in all our lead-mining areas of the Nation, and conditions will continue to worsen unless some action is taken.

The current lead prices of approximately 11 cents a pound are not sufficient to keep the lead-mining industry prosperous. It is my belief that if we do not take action to check the present trend, conditions are going to deteriorate beyond the point of remedy.

The major cause of present conditions is the flood of the excessive amount of lead and zinc imports into this country in recent years. Our import policies

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have not been sound, and they have resulted in tremendous damage to our domestic producers. It is true that the demand for lead and zinc has decreased, but excessive unneeded imports since 1956 have reduced the share of the market requirements of the domestic producer to less than 50 percent. The result has been a surplus of metal stocks, lowered prices, mine closings, a very unhealthy industry, and the widespread suffering of our miners.

Today our domestic mining industry provides only about 40 percent of our annual U.S. requirements of lead and zinc. Thus, the need for promoting a fair and more reasonable balance between foreign and domestic supplies is readily apparent.

It is my firm belief that the best possible means of aiding our sick lead and zinc industry is the Lead and Zinc Act of 1961, which has already been introduced in the Congress, but unfortunately not before this committee for its consideration. This bill, I believe, does provide for a sound mineral policy for the lead and zinc industry. It attacks the problem through both a tariff and a limited subsidy, but the subsidy is to come from the tariff receipts alone and not out of general revenue. I do not feel that our foreign friends can justifiably attack the proposed tariffs in view of the fact that imports are presently supplying 60 percent of our annual requirements.

We cannot be expected to sit idly by and see our lead and zinc mining industry irreparably damaged.

I am grateful that this committee is cognizant of the dire need of action to solve the ills existing in our lead and zinc mining industry, and I sincerely hope that these hearings culminate in the development of a program which can be enacted and that will improve conditions in this industry representing such an important segment of our economy.

Senator BIBLE. Our first witness this morning will be Mr. Kiser of the Tri-State Zinc & Lead Ore Producers Association.

STATEMENT OF TOM KISER, PRESIDENT, TRI-STATE ZINC & LEAD ORE PRODUCERS ASSOCIATION, MIAMI, OKLA.

Mr. KISER. My name is Tom Kiser. I am a small independent mine operator and president of the Tri-State Zinc & Lead Ore Producers Association of Miami, Okla., with a membership from southeast Kansas, northeast Oklahoma, and southwest Missouri.

Mr. Chairman, first I would like to say that the members of our association, the small producers, and our business and professional people of the tristate district are very grateful to this committee and appreciate very much the time, observation, hard work, and consideration that you have given the domestic lead-zinc industry.

Since May of 1958 there have been numerous legislative proposals before Congress and hearings before the Tariff Commission. Those various proposals and hearings were discussed very thoroughly yesterday, and I do not think that we should go into them this morning unless you gentlemen care to ask some questions later on.

Senator BIBLE. I think it was very well developed yesterday, and I think we got a very good picture of the overall problems that your industry faces.

Mr. KISER. Many expert witnesses from the Government and industry have been heard, and usually with widely varied suggestions as to what the solution to these industry problems should be.

In the past there were some witnesses who would say, "Do nothing. The situation will right itself in 2 years."

Mr. Chairman, far more than 2 years' time has elapsed, and we all know that the situation has not righted itself, and the time and effort by this committee and others has proved to all of us beyond any doubt that the situation will not correct itself without congressional action.

At this point I would like to quote from an excerpt of one of President Kennedy's campaign speeches at Pocatello, Idaho, May 16, 1960:

> But if we are to really move ahead in this country—if the mineral and resource potential of this State and region is to be fully realized—then a Democratic House and a Democratic Senate are necessary but not enough. The Congress can urge administrative action; the Congress can appropriate money; the Congress can pass legislation; but without Presidential cooperation, instead of vetoes, the Congress cannot do the job alone.
>
> Last week in Washington we had a striking example of what I mean. Both Houses of the Congress were determined to do something to help our distressed lead and zinc industry. In the last 7½ years our domestic production of lead and zinc has declined by more than one-third. Our output of zinc has never been this low since the depression. Our output of lead has never been this low in the 20th century.
>
> Almost all of the small mines have been abandoned, and most of the middle sized mines have either closed or are on the brink of closing. In Idaho alone, lead and zinc production since 1952 has been cut almost in half.
>
> There was disagreement as to the solution. Many proposals were controversial. But on one bill the Congress was in agreement—the Small Mine Stabilization Act. This was a bill authorizing assistance to small lead and zinc mines to enable them to hold their heads above water at a time when imports were driving market prices down. This bill was not a final solution, but it would have helped several hundred smaller mines in Idaho and throughout the West. And it would have helped several thousand miners who have lost the only job they knew how to perform, the only means they had of supporting their families.
>
> The House passed the Small Mines Stabilization Act. The Senate passed it. But last week we were told that it would be vetoed—that it would never become law—that nothing would be done to help our distressed mines and miners, their families, and their communities. I was shocked. I know the people of Idaho were shocked, and we can agree on one further fact: that this bill would never have been vetoed by Franklin Roosevelt, Harry Truman, or any Democratic President.

With this thought in mind, our association wishes to give fullhearted support to Senate bill 115—and its companion bills—which is an identical bill to the one the President was talking about. Senate bill 115 provides limited payment on limited tonnage of lead and zinc to the small mine producers.

I think that bill was discussed some yesterday. We can go into that later. I think most of you gentlemen are familiar with it.

Senator BIBLE. That is right.

Mr. KISER. I do have a copy of the bill with me if there is any discussion.

With our country having invested one-half billion dollars of the American taxpayers' money in foreign mines and loans and grants, surely we can spend $5 million to protect the small lead and zinc producers of America. This measure would be very helpful to our economy in the tri-State area as well as conserving our mining industry, and according to the Bureau of Mines report last year it would also be helpful to other lead-zinc mining areas in the United States.

I might add that there is no industry opposition to this bill.

Senator BIBLE. I think that is true, and I think Mr. Young made the position clear yesterday, because he certainly must be classed as a big producer and a big smelter. I think the only comment he made was that he did not think it should be an across-the-board proposition, but that it should be primarily designed to aid and assist the small producer. I think he agreed with what you are just saying, if I understand him. He is right here, and he can correct me if I am in error.

But I think he said that he did not feel that the big companies should rely on subsidy, and I think he had some well-reasoned reservations on subsidy as an assistance to the mining industry. And I somewhat share it. I am pretty worried about this subsidy problem.

And tell me this. Maybe the staff can make this clear. As I understand it, this is to help the small lead and zinc producers. It has a limitation on it.

Is the limitation just the same as the bill passed last year?

Mr. DWYER. Yes, sir; 2,000 tons of each metal.

Senator BIBLE. 2,000 tons of each metal. And this, to support, would cost approximately $5 million a year. How many years would this run for?

Mr. DWYER. Five years from the date of passage.

Mr. KISER. Senator, I do think that the cost of this bill would increase a little as time goes on. I would estimate the bill to cost $32½ million in 5 years, and I think that is in line with what the people from the Interior Department will say. It is an identical bill to the one that was discussed in the address by the President.

Senator BIBLE. My worry about this type of bill—and I know Senator Dworshak and I am sure Senator Carroll had the same problem when we had the tungsten bill before us—we authorized a tungsten subsidy. It may very frankly have been too high. I think very frankly it was too high when we paid this support price at $63 per unit.

But the weakness of the bill, as I look back and examine it, was that we authorized this legislation. We encouraged the tungsten people to go into production. And then we could not get the money to go with our commitment.

Would we not run into about that same type of a program if we had a subsidy bill here? Suppose we pass the subsidy bill and we go to the Appropriations Committee this year, and maybe we secure $5 million to help the small lead and zinc producers of the United States under the terms of the act. And if the bill passes, this would encourage the small producer to get into production.

Now, suppose a year from now we are unsuccessful in getting an appropriation. Do you have any thoughts along that line? I know you are an expert in this field. And this is the thing that has constantly worried me about the subsidy approaches. I am wondering if this is a fair approach to the industry. I like the idea of trying to get some tariffs to solve this problem.

Mr. KISER. You have asked me several questions. But I think definitely it is a fair approach for this very reason. And then we will go into the cost, if you please.

I think the reason that it is a fair approach is that from time to time, as you gentlemen brought out yesterday in committee, there have been discussions and solutions offered by first one segment of the industry and then the other. And all the while you are losing small mines and small mine operators and putting people out of employment. This thing drags on from year to year. And in the next paragraph of this statement, I was fixing to tell you——

Senator BIBLE. Why do you not go ahead? My questions were premature.

Mr. KISER. We do not look upon it as a complete and final solution to the lead and zinc industry, but it will let the small people live.

Senator BIBLE. Why do you not proceed with your statement, Mr. Kiser? I was premature in asking my questions.

Mr. KISER. I can answer this one. The bill has provisions that would prevent the barter, the candlestick maker, and so on, from coming into the lead and zinc mining business. It also has qualifications that would only help to heal the wounds of the people who were hurt by this, by the Government's actions or lack of actions.

It goes still further to say that the Secretary can allocate quotas. I do not think the prices are exorbitant, that they are going to be paying these small producers. And if we get an upturned economy or any of this other legislation that has been discussed, it will serve to lighten the load of this bill, or maybe possibly make it dormant. But in the meantime the small producer can live.

Senator BIBLE. Does your concept involve an income limitation?

Mr. KISER. There is not an income limitation in the bill, Senator. But I think it could very well be placed there. I have discussed this a little with our Congressmen and our Senators. I think it could very well be placed there.

Under the prevailing market price of lead and zinc last year, the differential payment would amount to I believe $168,000; whereas I think the overall or the average figured out about $8,000 per producer. Some of them might only draw a few dollars. It could have some limitations placed on it.

Senator BIBLE. The reason I asked the question: I wondered how we could justify a program that would give a subsidy to people who do not need it.

Mr. KISER. Well, this could be a limitation. And this bill does not propose to pay a subsidy to a company that is importing or produces more than 2,000 tons.

Senator CARROLL. Which bill are you referring to now?

Mr. KISER. Senate bill 115, the mineral stabilization bill passed last year. This is not an across-the-board subsidy.

Senator CARROLL. Go right ahead.

Mr. KISER. Even though we look upon this legislation with great hope, we do not regard it as a complete solution to all domestic lead-zinc problems. However, Senate bill 115 can work by itself, or equally well with any other legislation that Congress might enact.

Now, as I said earlier, you gentlemen have heard many expert witnesses, statistics, proposals in the last few years. We have also had a very sincere and hard-working subcommittee from Congress make a personal tour and investigation of our area. After touring the field one day, they met the next morning with some 200 miners and business and professional people of our area, and I think that we proved beyond any doubt that we are injured as a result of imports.

Senator Dworshak asked a question yesterday that I thought was very important. He asked Mr. Wilson: "Where are you going to get these small mines and the miners?"

Gentlemen, when I talk about saving mines or conserving mines, I am talking about good mines in our area, and I know there are some in New Mexico and elsewhere, because I have had correspondence with people. We have mines that are pumped out. We have some that the water has been permitted to rise somewhat, but not to be flooded yet.

But this cannot go on forever. If Congress were to do nothing for the small miners, it would be much better for them to tell them to "die where you are rather than bleed to death."

We have lost quite a good many miners through bankruptcy. Some of them have pulled their equipment and sold it for whatever salvage they could get for it. Some of them are still on a stand-by basis, so that they can go back to work. There are quite a few, including myself, that have had their mines pumped, have to keep them pumped.

Senator BIBLE. What do you class as a small mine operation? You represent what type of a group, as the representative of the Oklahoma Small Mine Producers Association?

Mr. KISER. I am president of the Tri-State Ore Producers Association, which also includes some large corporations. But when I speak of small mines, I think of one of 2,000 tons or less, and in most cases they produce less.

Senator BIBLE. Then your measuring stick is those that produce 2,000 tons combined? Or of each metal?

Mr. KISER. There would be a lot of them that would not produce more than 2,000 tons combined. But the bill says 2,000 tons of each.

Senator BIBLE. I understand. But this is your measuring stick?

Mr. KISER. Yes. That covers practically all of the miners who are not a part of an integrated company.

Senator BIBLE. How many lead-zinc mines—we had the figure a year ago or 2 years ago—produce less than 4,000 combined tons of lead and zinc?

Mr. KISER. I think it was 500, when they worked those figures up, but I think it was probably far less than that.

Senator CARROLL. 80-some percent, as I recall.

Mr. KISER. The cost of this bill is not too great for the results it can do. For instance, in our area, we have mines with good, decent tractors and electric loaders and so on that are setting there deteriorating. You say, "Well, sell some of that equipment." If it is just setting there, it is just worth what the junkman will give you for it.

Senator CARROLL. The thing that is not clear in my mind: Yesterday we had two witnesses testify, one from the Department of the Interior, and Mr. Young. They testified that nine companies control about 80 percent of the production.

Mr. KISER. 75 percent.

Senator CARROLL. Well, Mr. Young said 80 percent, and Interior said 75 percent.

Mr. YOUNG (Richard Young, vice president, American Zinc, Lead, and Smelting Co.). I said 80 percent of the lead and zinc mined in the United States is mined by companies who have smelters.

Senator BIBLE. The other one was that the nine large companies produce 74 percent of the zinc and lead in the United States.

Mr. KISER. Those figures are in the Tariff Commission report.

Senator CARROLL. If you will reduce this in simple enough terms for me to grasp it, I am sure anybody can grasp it. I want to know the breakdown of the production of small mines in my area. First I want to know how many there are, and how many are controlled by smelters. Who is going to get the benefit of this bill?

Mr. KISER. This is not going to smelters. There are a lot of bills in, and they are all good bills. But we are hoping for some-

thing that will let the small man live until you can get something for an integrated company. But this does not propose to pay a subsidy to the smelters.

I understand Mr. Palmer, who is from your area, and Mr. Wilson could tell you exactly how it would operate in Colorado. They also tell me practically all the small miners are shut down.

Senator CARROLL. Well, this is true.

Mr. KISER. How many would reopen—I do not know whether it would be 10 or 15 or 25. In our tristate area, we would reopen some 25 mills.

Senator CARROLL. You just made an observation, then, that this bill you are talking about—and I assume you are talking about S. 115—does not permit an integrated company to participate. Did you mean that?

Mr. KISER. Well, in this respect. If an integrated company produced less than 2,000 tons of each metal, they would qualify.

Senator CARROLL. I see.

Mr. KISER. But Mr. Wilson would be more qualified to answer as to your State.

Senator BIBLE. In reading this table which was put in the record yesterday and is based on production of lead and zinc in the United States in 1959, if my calculations are correct, it shows that there are 215 mines in the United States in that year that produced less than 4,000 tons. This is 215 mines. They have a total production of something in the neighborhood of 57,000 tons, which was about 8 percent of the total. Do you agree with that?

Mr. KISER. I think that I would. I think I can explain to you why that would be down. Your small mines have suffered more from the market fluctuations than the larger mines. You have eliminated more small mines. Now, yesterday, it seemed to me you folks were figuring that all these 500 mines would produce the maximum. There are going to be very few mines that produce the maximum, under this bill.

I have been told that in Idaho there are one or two companies that could produce the maximum of both metals. In our area, if a fellow was lucky enough to produce his maximum, I dare say he would not have half his maximum of lead, and probably a fourth of it. So it would keep the cost way down.

Senator BIBLE. Maybe the Department could respond to this, Mr. Kiser, if you do not have the answer. These 215 mines would employ how many men? What would be the total employment?

Mr. KISER. Well, I really would not know. But 215 small mines, if we had that many in our area, would employ possibly an average of 25 men per mine. But I do not feel qualified to speak for Colorado or the other States.

Senator BIBLE. In the tristate area, such a mine would employ approximately 25 men?

Mr. KISER. You are not going to get that maximum tonnage, of course. We have to assume that.

Senator BIBLE. The purpose of my question is prompted by the attack on the bill which was on the floor. I know the distinguished chairman of this subcommittee remembers the attack very well. And

I certainly remember it, as the person charged with the responsibility of handling the bill.

They simply multiplied out and took this $5 million, which is a subsidy figure, and divided it by 215 mines and so many people, and they came up with a startling subsidy figure per individual. And I would like to have you respond to that type of attack, because it made quite an impression.

Mr. KISER. Again, you are assuming maximums. Personally, even though we have asked for $4.8 million, and the Department of Interior says it could cost six, and I will agree it could cost $6 million, but not the first year. It does have its limitation of $4.8 million. But these mines are not coming right back into production the first day they attempt to start. That production will be gradual. But if you want to attack something, it is only natural for people to have a tendency to attack one year or the other.

Senator BIBLE. How do we answer the question, assuming these figures to be right? I would be happy to have Interior check anything I say here and correct the impressions. If there are 215 mines that will be reached by this bill, and if those mines are only 8 percent of the total production, and then, if we are going to put in about $5 million subsidy to those mines alone, and then the further "if," if we have about 20 men to a mine, or some 44,000 people, this is one of the arguments they make on the floor. They show a huge subsidy of $5 million going to a very small group with a very small percentage of production.

Now, it would seem to me we have to justify, if we can, and I am sure we can, that we are doing this not only for employment. We are doing this not only for production. But we are doing this for the purpose of holding mines in a system and a standby operation for national defense and conservation. And while you are doing it, you can show how you can enrich the economy at the same time.

Mr. KISER. You can do that. In our area, it figures that for each dollar invested by this subsidy bill we would have about $5 worth for the economy. In other words, our mines can almost make it. We have had a decrease in the prevailing market price of lead and zinc since last year, when this bill was heard, and I would say it would be about 4 to 1, now.

In other words, this dollar does not stop in the laborer's pocket. He has to spend it. He has to do something else with it.

Senator CARROLL. It is not a total loss. That is true.

Mr. KISER. And you should not consider that the total subsidy is profit to a mine operator. There might be some particular instance that that would be the case, but I would say in most cases the operator would only get to keep a small percent of his subsidy payment as a profit. I think it is entirely wrong to assume that the entire amount of subsidy that he received was velvet or profit that he could put in his pocket.

Senator CARROLL. Of course, this raises the other question: Can the Department of Interior itself, when it makes its presentation to the President, be impressed with the merits of this bill when it involves only 8 percent of the total production?

Mr. KISER. In our area it involves 30 percent of the production. And I believe the Tariff Commission gives some figures in their report. I am speaking from memory, but I believe it is 22 percent.

Senator CARROLL. I think we ought to correct this impression that there are only 8 percent. It has been stated here that 215 mines have only 8 percent of the production, and if this is wrong, it ought to be corrected. Does Interior have anything to say about this?

Mr. KISER. The Tariff Commission Report No. 65 and the latest report will give you some figures on that.

Senator BIBLE. I think the staff could develop that and put it in the record.

(The following excerpt from the report was subsequently submitted:)

Adverse effect on mining and milling.—Most of the cost of producing primary lead and zinc, and—until about 1956—most of the employment in the lead and zinc industries, are accounted for by the mining and milling stages of production. Also, mining and milling, especially mining and milling of ores valued primarily for their zinc content, suffered most in 1957 as in 1953, from declines in market prices—as indicated by reductions in employment, production, and profits.

Mining and milling companies receive only about two-thirds of the gross market value of the recoverable metals contained in the ores and concentrates they produce.[1] The remaining one-third is absorbed by smelting, refining, and transportation companies. The mining and milling companies, particularly those that do not have their own smelting facilities, bear the brunt of the impact of the market price cuts.

Mr. KISER. There is another thing I think we should point out here. As far as conserving mines, I think it would be much better to conserve 10 mines producing 2,000 tons a year than to keep 1 mine producing 10,000 tons. You could keep 10 mines on a standby basis, with water pumped out and in reasonably good repair, so that if a national emergency warranted, you could go in there and step up your production, and you could go on away and leave this little bill, with the United States having some place to go and get metals. At this rate, we are losing several every year.

Senator CARROLL. Do you think the industry as a whole would support your concept, here, of S. 115, if we placed an income limitation upon it?

Mr. KISER. In other words, if you did not take it all away?

Senator CARROLL. Well, I'm thinking of the people who are running this industry. Let us assume this 8 percent or 10 percent or 15 percent, to reflect the production of the small mines. The people who are producing the other 85 percent or 90 percent—are they going to stand for the little miner coming in and getting this amount of money and they getting nothing? This is a practical question.

Mr. KISER. As I said before, there is no known opposition. The lead and zinc group and the smelter group are represented here this morning. Maybe some of them deep inside would rather we would not have it, but I do not think that you will find anybody that will appear against us.

Senator CARROLL. Did Mr. Wilson testify yesterday that he was in favor of an income limitation on this? I do not recall that.

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[1] On the basis of data for 1952 obtained from producers by the Tariff Commission and data for 1954 compiled by the *Census of Mineral Industries*, the net mine or mill value of ores and concentrates produced by the industry in each of these years was about 67 percent of the gross market value of the recoverable metals contained in the ores or concentrates as calculated by multiplying the quantities of the recoverable metals by average market prices of the respective metals in those years. Mining companies receive a somewhat larger percentage than 67 percent of the gross market value of the lead content, and a somewhat smaller percentage of the gross market value of the zinc content.

Mr. WILSON (Clark Wilson, Emergency Lead-Zinc Committee). No, sir, Senator. Of course, I was talking to the Anderson bill, as you understand. We say a subsidy to each operator, regardless of size.

Senator BIBLE. You will recall also that Mr. Young said that he differed with Mr. Wilson on that point; that he did not think that the large smelter and large producer should have a subsidy.

Mr. YOUNG. We feel this is strictly for the small mines, and that the major integrated companies not only should not have any, but they do not want any participation in it, and it should not be looked upon as any solution to the lead and zinc problem at all. It is just for a small segment, and the small mines, and should stay with the small mines.

So far as income limitation is concerned, I would say Mr. Kiser would have to answer that. Our group has no objection to Mr. Kiser's bill, and in fact we have supported Mr. Kiser in his contention that the small mines should be helped.

Senator CARROLL. Why do you support this contention?

Mr. YOUNG. There is no other known solution to the small mines' problem. Anything that is done on an overall basis we feel should be reasonable and moderate, and this kind of aid just will not help the small mines. They need prices that are in excess of what might be anticipated in the marketplace for a long, long time to come.

Senator CARROLL. Do you think it is vital to your industry to have these small mines in operation?

Mr. YOUNG. I think this is a determination that you will have to make, sir. This is a public-interest situation. And there is the defense angle which you spoke about, and there is the conservation angle which you spoke about. And this is a matter of public policy and really is not something that is going to make or break the zinc industry, the lead and zinc industry, generally, as such, and it is a public policy problem much more than it is a lead-zinc problem.

Senator CARROLL. I would like to ask you, as an expert in this field, whether you think that this would strengthen the position of the industry nationwide. Firstly, is it vital to the industry? Is it important to the national defense? How can we determine a public policy issue, you see? If there is something that is not necessary to the industry, let it go. If there is something that is not necessary to defense, let it go. Society is changing all the time.

But if it is necessary, it seems to me the people in the industry would be able to help us make policy for the Nation.

Mr. WILSON. I would like to make a comment, Senator.

Senator CARROLL. Before you do, I would like to pursue this a little.

Mr. YOUNG. So far as the industry is concerned, Senator, you cannot say that this is going to do anything for the industry one way or the other. And when I say the industry, I am talking about the whole international industry, because we are an international industry. We have to consider ourselves such, and we are. And the magnitude of this as compared to the overall picture is very small, and it will not do anything, in my opinion, for the industry one way or the other, and as a matter of how you, from a public standpoint, view such things as standbys for national defense, conservation—and this was originally introduced, I believe, as having to do with the depressed areas situation.

Senator DWORSHAK. If the Senator will yield at that point, I wanted to ask the gentleman the question whether his organization has explored the possibilities of getting in under this new depressed areas plan that the administration has sponsored.

Mr. KISER. No, sir; we have not.

Senator DWORSHAK. Essentially you would think that in your tri-State area the small miner could qualify as being engaged in any distressed industry in a depressed area.

Mr. KISER. Well, we possibly could qualify, and I did talk with our Congressman at one time about the possibility of maybe our bill going through with this depressed areas thing, and he did not think at that time it was the right thing to do.

Now, to say that this bill would do nothing for the lead-zinc industry—I do not agree with that.

Senator DWORSHAK. Well, I think Mr. Young meant the overall production and dealing with depressed prices which have plagued the industry for some years.

Mr. KISER. Yes. Well, I have some more things I would like to talk about.

Senator BIBLE. I do not want to prolong this hearing too long. We have some Appropriation Committee commitments, and this is a very valuable discussion, but I want to move it right along.

Mr. KISER. When you look at these figures, you will find the small producers produce from 20 to 30 percent of the lead and zinc, and they would produce more in the event of a national emergency, and if you conserve these mines and have them ready, I think you would find that would do something for the industry.

Now, one more thought about the cost of this bill. I think that when you get your figures on your cost to the taxpayer for this barter program, you will find that our cost will cost the taxpayer far less. Take into another count wages and fringe benefits, and you will find a lot of those companies pay 85 cents or a dollar a day labor, whereas mines, I guess, go $12 to $20, depending on the area.

In my individual case, it costs $2.52 per man-shift to protect that man and his family's health and welfare, for unemployment compensation, workmen's compensation, in case he gets hurt, social security, and so on. It makes a high cost to work a lead-zinc mine, but I dare say that there would not be one of you fellows who would vote to discontinue any one of those laws for which we pay. It will actually cost $2.52 per man-shift, and it will be up some since this shutout.

Let me ask you, gentlemen: As to the cost to the ultimate consumer, does your wife go and buy something with zinc in it, for any less than we had in 1936, 13½ cents for zinc and 16 cents for lead? The trend has been upward. I would like for you gentlemen to look into the cost to the ultimate consumer.

The Seaton bill in title II recognized the plight of the small producers. The Tariff Commission in Report No. 65 says that the small producers bear the brunt of the blow in price cuts and fluctuations, such as we are having now.

This mineral stabilization bill we are talking about lets the small producer live while you work on other legislation. We do not look upon it as a complete or final solution. But as you can see right now,

there is going to be room for a lot of debate on what the final solution is going to be. And I am not here to tell you that this is a final solution, but it will let us live. You get better legislation, and it will not cost anything.

I think there is another thing that we should remember. You say, "Well, we have adequate stockpiles." And I hope we do.

We have also been told what we have to do to protect our foreign producers, to protect them from communism. But I think it is high time we pay a little attention not only to the small producers, but to all domestic producers.

Looking back to Pearl Harbor, that could not happen, but it did.

Then, we can, last but not least, look at Cuba. And what could happen if we had a cold war in all Latin American countries or countries that produce lead and zinc for us? Now, that is not a conflict, but they can shut it off, and we might just as well face it. It is just as serious as the Cuban situation.

Senator CARROLL. I think you have made a very, very effective statement, Mr. Kiser. You did not directly say so, but I am certain that I can anticipate your answer to my next question. What do you think of this proposed barter plan that you heard the Interior Department representatives testify to yesterday? Do you think this helps your domestic industry, or that it hurts it?

Mr. KISER. It hurts it.

Senator CARROLL. And why does it hurt it?

Mr. KISER. I think you stimulate production abroad. Even though you take it off the market, they are going to make another surplus over there. And the consumption for the lead and zinc is here.

Senator CARROLL. But then we questioned the Interior Department about that and Mr. McCaskill indicated that in order to prevent the stimulation of production, there would be some method of voluntary cutbacks by the companies within the countries concerned. Now, how would you respond to that?

Mr. KISER. I said earlier that I do not think that this situation can be corrected without congressional action or legislation. You ask for volunteer quotas on oil and lead and zinc. And all through these years I have been coming here: "Yes, we are going to work this thing out," and you gentlemen have tried hard. Everybody has tried. But nevertheless, it will not work unless you get something with teeth. It is like any other law. If you do not have teeth or some way to enforce it, I do not think you will get a market for the small producer.

Senator CARROLL. One thing that bothers me is this overall problem. And I think you have made a good case for the small lead-zinc producer. But this in effect is just a short-term inadequate solution to the overall problem. You admit this, yourself.

Now, let us go one step further. The proposal is made in the Anderson bill that the Government impose tariffs, which will permit the industry, both the producer and the smelter and the fabricater, to stay competitive. But if the tariff is too high, then they cannot stay competitive.

Assuming this subsidy bill became law, at the end of 5 years, what would the small producer do? Would you not still be at the mercy of competition from the aluminum people and from the plastics people and from other competitive industries? And would you not still be

at the mercy of the overseas fabricaters that are taking this market over, as was testified by Mr. Jeffries yesterday, in Germany and in Japan and Belgium and elsewhere? Would you not still be at their mercy? This is what concerns me about this problem.

Mr. KISER. Well, I do not think you should be lost. I am not as afraid of this competition as some of the other fellows. I will admit it exists. I think the big trouble with the small mines today is this: There were a lot of mines developed at the taxpayer's expense during the war, and the Korean war, and you created a surplus of smelting capacity, and so on, and at the same time our consumption went down somewhat, because the economy is down. In 5 years we will get a little increase in the economy that will compensate. The experts in the Interior Department will tell you that they certainly anticipate a rise in the economy and the consumption of lead and zinc in less time than 5 years.

Senator BIBLE. If you cannot stay competitive with a 32-cent combined price, how can you stay competitive after you take away the subsidy? I mean if you have to have a 27-, 28-, or 29-cent price to stay competitive, how will you stay competitive after the subsidy is removed?

Mr. KISER. Well, that is a rather difficult question, and we are in a difficult situation. So far as the small producer producing ore, the major producer of our area took the cost figures from my individual mine and told me that I could produce cheaper than they can. But I cannot process.

Senator CARROLL. You talk about the depressed area situation. The depressed area situation in coal mines is a result of a competitive factor that is domestic. The reason that your mines have gone out of existence, here, is not a domestic problem, but it is because of the inflow of lead and zinc from outside.

Mr. KISER. Definitely.

Senator CARROLL. The basic question, it seems to me, is whether we are going to sustain men who have devoted themselves to a way of life. Are we going to sustain the mines, rebuild them, give them incentive to rebuild themselves? And if it costs $4.8 or $5 million, it is not a total loss to the country. It will come back in many ways.

But I think from all the testimony I have heard, this gentleman here, Mr. Young, has indicated that we are part of an international plan. I am not talking just about the domestic market. We are talking about the whole scope of this thing internationally.

The question is: As a result of this, are we going to protect our miners?

In my own State, I think we have lost almost all our mines in the past 5 or 6 years. Now, what are we going to do? Are we going to wash out the mining industry, the little miner, even though they account for only a small percent of production?

And I agree with Mr. Young, this is a question of public policy. But you as a taxpayer are willing to carry your share of the load. You have been in the industry. You think this is a worthwhile thing, as I think you have testified.

Mr. YOUNG. That is right. And we will support Mr. Kiser's bill, and we say that the only solution—or we agree with him thoroughly that the only solution for the small mines is some sort of legislation.

They are not going to be saved or revived by any foreseeable market conditions, even though some tariff solution comes along to the overall problem. They still are going to have specific legislation if you are going to solve this problem you mentioned.

Senator CARROLL. You have studied the Colorado situation. You know about that. What do you think this bill would do in getting back our mines?

Mr. KISER. I think it would reopen some. I am not familiar, really, with the smaller operations. I have heard from quite a few fellows who would like to have the bill and say they can work with it.

Senator CARROLL. In your own area, how many mines would it reopen?

Mr. KISER. Possibly 25.

Senator CARROLL. Then for the Nation as a whole, how many mines do you think this bill would reopen?

Mr. KISER. The Bureau of Mines' chart last year showed there would be considerably more money going into the Western States than ours. Therefore I would assume they would reopen 50 mines under this bill. And the Eastern States would be far less; so probably 85 or 90. I mean pretty good sized small mines. Now, there are always going to be some little fellows who come in with a few tons.

I think there is one other thing. You talk about washing up mines.

Senator CARROLL. Mr. Kiser, will you pardon me a bit?

Senator Bible, if you have to leave for the committee——

Senator BIBLE. If you can stay, I will. If Senator Dworshak has any questions, we both have to go to the Interior Appropriations Committee, and I thought I would just cut in on your questioning to see if he had any questions to ask this witness; and then if I could turn this over to you, it would help.

Senator CARROLL. Is this the last witness?

Senator BIBLE. We have one more witness. Mr. Kiser in his testimony has been very helpful.

Senator CARROLL. Gentlemen, we are going to bring this hearing to a close in 15 minutes. We have got to, because we have run over our time.

Senator BIBLE. May I just interrupt for a second?

Senator CARROLL. Do you have any more questions, Senator Dworshak?

Senator DWORSHAK. No; I do not think so.

Senator CARROLL. Senator Hickey?

Senator HICKEY. No. The only one I wonder about: I have not heard any discussion yet of whether or not the industry itself has a research and development facility in operation, as many of the other industries have.

Mr. KISER. I think the industry as a whole has. The ore producers as an association do not, but you have the American Zinc Institute. Mr. Wilson and Mr. Young are both more capable and qualified to tell you about that, but I assure you it will interfere with your time. A lot of work is being done on that.

Senator BIBLE. I think it might be well to have either Mr. Wilson or Mr. Young respond. I think they have done considerable in the field of research, but I think it is a proper question, Senator Hickey,

and I think with the Chairman's permission we might develop that point right now, Senator Carroll.

Senator CARROLL. Go right ahead.

Mr. YOUNG. Through the American Zinc Institute and its head Industries Association we have a very substantial research program, and this has been quite successful. As an example, about 4 years ago there was a great deal of trouble with chrome plating on zinc die castings. It looked like the automobile companies might design away from zinc die castings because of this. The industry undertook this problem. It was done at Batelle Institute. They developed a satisfactory method of plating. Now this problem has been completely overcome, and I am happy to say that in the larger cars, not the compacts but the larger cars, the amount of zinc in the cars each year is being increased very rapidly.

We also are doing research on welding problems. They have started to use galvanized sheet now in the automobiles. We had a speech on that in Chicago at the Institute this week, from the Ford Motor Co., their chief design engineer. They are using it in the understructure. They are going to put some sort of corrosion protection on the fenders and doors. And if we are on our toes and can lick a few problems on research, we will get this into galvanized sheeting.

We have an assessment. Everyone in the industry makes a contribution to this fund of so much per ton produced. And our budget this year, as I recall, is about $865,000 that we are putting into research.

In addition to that, each one of the individual companies has its own research. So that as a percentage of the total sales of the industry, our research budget is quite substantial.

Mr. WILSON. This is also on an international basis, not just a domestic feature.

Mr. YOUNG. Yes, the British Commonwealth producers are cooperating with us in this, and also some of the European producers.

Senator CARROLL. Did you hear the testimony of that gentleman yesterday, Mr. Jeffries, about the growth, the development, of the smeltering industry in some of the foreign countries, and how they are moving ahead?

Mr. YOUNG. Yes, sir.

Senator CARROLL. Do you agree with his viewpoint on that?

Mr. YOUNG. A hundred percent.

Senator CARROLL. Does it cost more to mine lead than zinc?

Mr. YOUNG. A very good question. It does not cost any more, except that you might have a difference in grade. Generally speaking, the zinc mines have a higher percentage of zinc in the ore mined than the lead mines have a percentage of lead in the ore mined.

Mr. WILSON. From my standpoint, Senator, the answer is no. Particularly in the West, where you have lead and zinc mixed together, where you cannot differentiate a cost, there. Of course, there are other mines that are lead mines or other mines that are zinc mines that are getting conditions that vary from place to place, but I do not think basically you can say it costs any different.

Senator CARROLL. What about the smelting costs of lead and zinc? Are they the same?

Mr. YOUNG. No. The smelting cost of zinc is much higher than the smelting cost of lead.

Senator CARROLL. Do you concur in that?

Mr. WILSON. That is right.

Senator CARROLL. What percentage of the domestic mine tonnage or production does your group represent?

Mr. YOUNG. About 15 or 20 percent.

Senator CARROLL. And Mr. Wilson, what percentage of the ore mine producers does your organization represent?

Mr. WILSON. We say 80 to 90 percent of the lead mining production; 80 percent of the zinc mining production; and about 60 percent of the lead and zinc smelting.

Senator CARROLL. And what percentage of the zinc producers does your organization represent?

Mr. WILSON. It would be about 80 percent of the zinc mining production in the United States.

Senator CARROLL. And what percent of the smelting is represented by your organization?

Mr. WILSON. About half; 50 percent.

Mr. YOUNG. 50 percent with mine.

Senator CARROLL. So between the two of you, you have it pretty well wrapped up?

Mr. WILSON. That is right. You have to talk to us, Senator.

I think the differential, Senator, is that the people I represent, for instance, are in general either independent miners or integrated miners and smelters who are interested domestically. Again, Mr. Young has substantial domestic production, but his group largely are importing smelters.

Mr. YOUNG. All smelters are importing smelters. There is no such thing as a strictly domestic zinc smelter in the United States.

Senator CARROLL. Can you tell me why they closed that one in Leadville?

Mr. YOUNG. Yes. They could not foresee an economic operation.

Senator CARROLL. If this bill came in, could they have such an operation? In other words, what we are trying to do is not only help miners——

Mr. YOUNG. When you say "this bill," which bill do you have reference to?

Senator CARROLL. Any of the bills pending before this subcommittee. Which bill would be most helpful to stimulate industry? I know you have to do your research, your planning. However, this industry is sick. What do we do about it? This is an exploratory hearing. Which bill is best designed to produce this result?

Mr. YOUNG. The bill that in our opinion is best designed, taking into account all interests, to help the industry as a whole, tonnage-wise, is the Kerr bill. Mr. Wilson's opinion is that it is the Anderson bill.

Mr. WILSON. That is right.

Mr. YOUNG. So far as the small mines are concerned, you are going to have some specific legislation. They are not going to be saved by anything that will apply to the overall industry. You are not going to have to have one bill, unless you tie them together, as they have attempted to do in the Anderson bill. But it is my opinion that you ought to solve this small mines matter.

If you want, as a matter of policy, to revive these small mines, you are going to have to take something along the line of Mr. Kiser's proposal, as a small mines bill.

Senator CARROLL. Is that contained within the provisions of the Kerr bill?

Mr. YOUNG. Mr. Kerr has two bills, Senator. He has a small mines bill, and he has an overall tariff bill. And Senator Kerr's two bills, I think, would do it.

Mr. WILSON. Senator, we think the two things are one and the same and should be taken care of together. Legislatively there are always some hazards in getting one without the other. Again, we are looking for an overall, long-term stabilization of this industry. You certainly have to have some controls of imports to make a market-place for these domestic ores that should be produced. The Anderson bill does that. It protects you from imports. It provides the market for stimulation of domestic production through a better market price for everybody and for this limited subsidy for the small man, particularly, who needs this thing. We like the integrated approach. We think that is the way it should be.

Senator CARROLL. I think you will agree that the lead and zinc industry is not alone but many industries are affected by the economic upsurge in other countries since the war.

We have poured a lot of money into Europe. And it has had an effect in almost every field. There is an impact upon many segments of our economy. And the question is: How do we deal with it? If we are going to maintain our present trade relations, we have to develop some technique, to keep some of our domestic industries afloat.

Mr. WILSON. But of course, Senator, the raw material producers got this impact first. After all the way you go in and rehabilitate a country is to get their raw materials going, so they are competing against us. We have felt this for a long time. Now the other people, the manufacturers and fabricaters, are beginning to get it, too.

I think this plan in the Anderson bill for lead and zinc could well be a plan for other minerals. You could change the formulas a little bit. I think Mr. Jeffrey had it right. We are in an economic war. We have heard people say in the next war we are going to get the bombs. I do not think we will have bombs. We are in economics right now, and we know from the Department of Interior that Russia is subsidizing all their minerals. It does not matter what they are. They keep the satellites coming to them for raw materials. They will let them fabricate; but they are going to have the raw materials in Russia so that they can dole them out.

In Mexico City we got the sad news. Russia finally comes out and announces that this metals balance we thought we had internationally last year was out about 24,000 tons on lead and 19,000 tons on zinc. They had put that on the market, which we did not even realize from their statistics. So I think that is a good example. Right there, economically, they can upset the whole world balance by what they do.

One of these days we are going to wake up and find out we do not have these mines. We will be depending on these foreign operators. Mr. McCaskill says Austria can dump this stuff they are going to barter for 4 cents, or something like that. It is the same doggone

thing. They dump it. We are out of business. And then we are totally dependent on the other fellow.

That is not the way America got strong. You know that. We developed our own stuff out through the Midwest and the West. And we can do it again if we have the incentive.

Senator CARROLL. Of course, I also remember what happened under the Smoot-Hawley tariff bill. There are certain dangers. We build a high protective wall around the Nation, and then other nations begin to retaliate.

Now there is the concept of a freer trade. And I suppose this is why there is the reluctance to set up higher tariff walls.

Somewhere in here, we have to develop a device, a technique, for protecting our domestic industry and still letting goods flow.

I think the record shows that we have about a $4 to $5 billion trade balance in our favor, but not considering military assistance and foreign economic aid. But this is why these conversations and these hearings are good.

Is there another witness that we have not heard from?

Mr. YOUNG. Senator, could I make one other comment, apropos of what you have spoken?

We have only asked that the present laws of the United States be followed. The Trade Agreements Act provides an escape. If they make a trade concession and find out they have made a mistake, then there is a way to remedy it. You withdraw the concession. It is that simple.

And for 8 years we have been trying to just get the concession withdrawn, and for 8 years we have not gotten it done. We are not asking for any extreme new tariffs. We are quite opposed to them.

Senator CARROLL. Now, let us follow this through. What trade concessions should be withdrawn, for example?

Mr. YOUNG. Well, the tariff on lead and zinc has been traded way down through the Trade Agreements Act. If they invoke the escape clause and put in the maximum specific duties under the escape clause, you accomplish just what we are speaking of in this legislation. It is not an extreme tariff.

Senator CARROLL. As I understood your testimony, the maximums under the escape clause are not as high as those proposed here by Mr. Wilson.

Mr. YOUNG. That is correct.

Senator CARROLL. And your idea is that if they would follow existing law and get some relief, at least this would up the tariff rate within reasonable limits, which would not affect the consumer and not depress the market?

Mr. WILSON. I do not think that we agree with his interpretation of the law on those rates, Senator.

Senator CARROLL. Well, I would suggest that you people, who have all this in the palm of your hand—if you could get together, you might be able to convince other people. Not the Congress itself, which has to make decisions; I am thinking of the executive branch. And when you are somewhere in agreement, maybe we can do something for Tom, here, and his people, and my people down the line; although they are different problems, are they not, really?

Mr. WILSON. Well, we are all working for the operator of Tom's size. After all, I am not one of these big fellows, Senator. I am a

small independent intermediate-sized mine, and I know more about Tom's problems, probably, than I do about the smelter's problems. But we certainly want to see the whole gamut of this thing taken care of legislatively, to get this thing settled once and for all.

Senator CARROLL. Suppose we could not do it all in one bite. Suppose we began with the subsidy for the small miners with an income limitation. Just so long as it does not directly press upon the big problems, would this not be a good start?

Mr. WILSON. We would like to see that done, Senator. At the same time, let us see what that new production will do to a market already in trouble. That is why we have to consider some import control. It is very important to consider both sides.

Senator CARROLL. You think they should be looked at together?

Mr. WILSON. We certainly do.

Senator CARROLL. We have another witness, here.

Mr. KISER. You were talking about the prices of ore and unemployed miners. Let me say that in World War II and Korea, we well know what happened to the price of lead and zinc. At one time it was exorbitant and our price was frozen down, and you lost a lot of mines.

Senator CARROLL. Mr. Mack, I have been expressing my off-the-cuff opinions here, and I do it for a purpose, to develop the record. I am not expressing my approval or disapproval of any bill or any viewpoint that has been expressed in this hearing. What I am trying to do is to put provocative questions to build the record. And I am sure this is true of Senator Bible and Senator Hickey and the rest who have attended here.

Go right ahead, Mr. Mack.

STATEMENT OF JAMES E. MACK, ROLLED ZINC MANUFACTURERS ASSOCIATION

Mr. MACK. Mr. Chairman, my name is James E. Mack, and I appear as general counsel and in behalf of the Rolled Zinc Manufacturers Association with headquarters here in Washington. The association is composed of seven members who manufacture 100 percent of the zinc rolling mill products produced for sale in the United States. These items include zinc sheets, strip, rod, wire, and engravers' plates.

ROLLED ZINC TARIFF NEEDS

The rolled zinc industry is being seriously injured from import competition just as the zinc mining and smelting industries are being injured. Although the mining and smelting industries have received some increased import protection in the form of quotas, no such protection or even compensatory relief has been accorded the manufacturers of rolled zinc products. Your attention is invited to S. 1747 by Senator Anderson and other Senators. H.R. 3416 introduced by Representative Aspinall of Colorado and similar House bills contain the same provisions as S. 1747. These bills would provide meaningful import protection for the various zinc rolling mill items. Pertaining to rolled zinc, in brief the bills would do two things:

(1) Provide for an additional duty of 7 cents per pound on zinc sheets under tariff paragraph 394 and an additional duty of 4 cents per pound on zinc wire dutiable under tariff paragraph 316(a).

(2) Provide compensatory increased import protection on zinc strip, rod, and engravers' plates to offset the increased duties which the bills would impose on zinc concentrate and slab.

WHY LEGISLATION IS NEEDED

Quite naturally you might ask, "Why do you need legislation? Why do you not use the administrative remedies which are available?" This is a proper question and naturally Congress expects administrative remedies to be used when they are available and workable. The statement that legislation should not be resorted to until administrative remedies are exhausted is applicable in this case. We are exhausted and we have been watching our industry's deterioration. I would like to take the time of the committee to summarize briefly just what steps, primarily administrative, the rolled zinc industry has taken in recent years to obtain increased import protection.

It will be recalled that in 1957 the administration proposed to deal with the lead and zinc problem by means of legislation which would have increased the duty on lead and zinc. Provision for increased import protection for rolled zinc was included in this bill, H.R. 8257, which was supported by the Departments of State, Commerce, and Interior.

The State Department spokesman stated that any problems which international commitments might involve if the bill were passed could be resolved if article XXVIII of the General Agreement on Tariffs and Trade were invoked, and he stated that article XXVIII would be invoked if the bill were passed.

It will be recalled, however, that a majority of the members of the House Ways and Means Committee concluded that the lead and zinc industries had not not exhausted their administrative remedies and suggested that an application for escape clause relief be filed with the Tariff Commission. When the application was filed, the President requested that action be expedited. Rolled zinc was included within the scope of this application, but the Tariff Commission concluded that rolled zinc was an industry separate from zinc mining and smelting and that, therefore, could not be considered in the same application.

Accordingly, the industry filed a separate application on October 29, 1957, asserting that serious injury would occur to rolled zinc, assuming that the import protection on zinc concentrate and zinc slab were increased. This application was subsequently withdrawn in view of an informal opinion expressed by officials of the Tariff Commission that the provision in the escape clause authorizing increased import protection in the event of a "threat" of serious injury means a threat of injury based on the then current import restrictions, and not a threat of injury, although almost certain to occur, based upon an anticipated increase in the import protection on other products.

In view of this development, the industry on November 22, 1957, sought to avail itself of the provisions of Article XXVIII of the General Agreement of Tariffs and Trade, which, as committee members are aware, provides for the withdrawing of concessions and increased import protection if special circumstances exist. In this instance the special circumstances were the injury to the rolled zinc industry

which would be caused by an increase in the import protection on concentrate and slab.

We thought it particularly appropriate that article XXVIII be invoked by the administration in this instance, inasmuch as the administration itself previously had proposed that it be invoked not only for rolled zinc but also for the mining and smelting industries. Although we pursued this application diligently through the Committee for Reciprocity Information and the Trade Agreements Committee and later through the Trade Policy Committee, to our knowledge to date no action has even been taken.

Our fears, however, were well founded and when increased import protection was imposed on zinc concentrate and slab, the rolled zinc industry experienced increased injury at a rapid rate. Accordingly, an escape clause application was filed with the Tariff Commission on zinc sheets on July 14, 1959.

The hearing was held and the domestic industry lost the case by the distressing and heartbreaking vote of 3 to 2. Two of the Commissioners finding with the majority decided that imports of zinc strip must be included with imports of zinc sheet in order to determine a ratio of imports to domestic production, even though zinc strip is included in another tariff paragraph from zinc sheet and is in a so-called basket clause which does not make it feasible to even determine the extent of zinc strip imports. Even though these Commissioners felt that zinc sheet and zinc strip should be grouped together for statistical purposes, they did not favor a relationship for tariff purposes.

The duty on zinc sheet is only 1 cent per pound, which is equivalent to about 5 percent ad valorem. The duty on zinc strip is 19 percent ad valorem or more than three times the duty on zinc sheet. Although the duty on zinc strip approaches reasonableness, the duty on zinc sheet actually should be several times the duty on zinc strip because of the much higher labor cost in production.

The two dissenting Commissioners, who incidentally were the Chairman and the Vice Chairman, recommended that the import duty on zinc sheet be increased to 45 percent ad valorem, a value at which the domestic industry would have had a fighting chance.

It is an anomalous situation whereby the duty on zinc sheet is less than one-third the duty on zinc strip, when actually because of cost of production it should be much higher than the duty on zinc strip.

As you may be aware, the Tariff Commission was requested by Congress to conduct a customs simplification study and investigation and to submit recommendations to Congress for the revision of the tariff classifications so as to eliminate anomalous situations and illogical results. Accordingly, it seemed logical that this investigation would be the appropriate forum for the Commission to consider and then to recommend to Congress a substantial increase in the tariff on sheet zinc because of this highly anomalous situation, and on July 17, 1959, the industry in an appearance before the Tariff Commission so requested. The Commission, while appearing to be very sympathetic to the problem, concluded that it could not recommend such an increase in duty because although its assignment included recommendations for the revision of schedules which produce anomalous situations,

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it, nevertheless, was restricted in that it could not recommend significant changes in the rates of duty.

As you are aware, there have been several international meetings of the Lead-Zinc Study Group which have considered the overall problem. Our industry has been represented at each of these meetings with an industry spokesman attending as a member of the U.S. delegation.

Because the various zinc rolling mill items are almost 100 percent zinc, it must be recognized that the problem of rolled zinc is part and parcel of the problem pertaining to concentrate and slab.

Certainly there is merit in a mineral research program and perhaps some value may be obtained from the meetings of the International Lead-Zinc Study Group. However, neither of these approaches provide a substitute from facing up to the question that if the domestic lead and zinc mining, smelting, and rolled zinc industries are to survive, substantially increased import protection must be forthcoming.

Inasmuch as the multitudinous efforts in which we have engaged, some of which I have explained, have not been successful, we urge the Congress to enact remedial legislation along the lines of S. 1747 and similar bills.

Concerning rolled zinc, the problem pertaining to zinc sheets is the most critical. In 1952 sheet zinc imports accounted for less than 1 percent of domestic production. For 1960 they accounted for 27 percent of domestic industry production. The foreign value of zinc sheets has been declining, whereas the domestic average value has been increasing, due to much higher production costs. Until recently, West Germany, Belgium, and the Netherlands were the shippers of the largest quantities of sheet zinc to the United States. However, now Communist Yugoslavia is taking the market away from them. This is because Communist Yugoslavia sells zinc sheets in this country for very little more than the domestic price for slab zinc. In 1959, 16 percent of total sheet zinc imports were of Yugoslavian origin. For the calendar year 1960 it had increased to 45 percent. For the 4-month period, October, November, December 1960, and January 1961, imports from Yugoslavia accounted for 61 percent of total sheet zinc imports.

I would like to make this observation, here, Mr. Chairman, before concluding. We certainly share the view that has been expressed several times yesterday and today that the solution to this problem is a tariff increase. It is not a quota. If there is to be a subsidy for the small miners, it is of vital importance that we control the intake of zinc from imports so that surpluses will not continue to increase.

ZINC COMPETITION WITH OTHER METALS AND MATERIALS

We have heard, as have other industries, that the real threat to our industry is other metals and materials, and not imports. We are confident this is not true when we see the percentage of our market being taken by imports continually increasing. We believe in fair competition under the free enterprise system, and we are ready and expect to meet competition from other metals and materials when the competition is on a fair basis. The competition from imports of rolled zinc, however, particularly from Communist Yugoslavia, is unfair and we

ask the Congress in the absence of administrative action to correct the situation.

Senator CARROLL. How many employees did these seven members who control the entire market have?

Mr. MACK. The number is small. I could give you the information on zinc sheets. If you would like it for all of the zinc rolling mill items, I would like to ask to be permitted to supply it for the record.

Senator CARROLL. I was just thinking of the overall.

Mr. MACK. It is small, sir.

Senator CARROLL. How small? Could you give me a general idea, so that we know what we are talking about, as I put some more questions?

Mr. MACK. I would say several hundred.

Senator CARROLL. And these seven members whom you represent control the entire market, do they?

Mr. MACK. They are the only ones who make zinc sheet for sale. There are some manufacturers who make zinc strip which is used in the production of other products, such as batteries. There are one or two captive operations.

Senator CARROLL. Where do you buy your zinc?

Mr. MACK. There is no uniform practice. One of the members of our association is the New Jersey Zinc Co., which is also affiliated with Mr. Clark Wilson's Emergency Lead-Zinc Committee. This company primarily uses zinc of domestic origin.

Probably our people buy from both sources, but we are friends of the domestic mining and smelting industries, and have had long years of favorable relations with the domestic mining and smelting industries.

Senator CARROLL. But you also buy in the foreign market, too?

Do you people buy? How about that, Mr. Wilson?

Mr. WILSON. Well, of course, the people I represent are primarily domestic producers. That is done in order to keep their smelters going. But it is a very small percentage.

Mr. MACK. We like to buy domestically, Senator.

Senator CARROLL. Your association is just in the rolled zinc business, alone?

Mr. MACK. It varies with companies. The New Jersey Zinc Co. has mining interests and other interests. Matthiessen & Hegeler Zinc Co. is a smelter as well as a zinc roller. Ball Brothers Co. does not have either mining or smelting interests. The Illinois Zinc Co. has mining interests but does not have smelting interests.

Senator CARROLL. What would be the dollar value of the Yugoslavia business in this country?

Mr. MACK. I can give it to you, sir.

Senator CARROLL. You say now they are taking 45 percent of the market?

Mr. MACK. 61 percent of the market. The total value is very low, because they sell it at such a low unit price.

Senator CARROLL. I am thinking of the dollar volume, don't you see. The volume of the business.

Let us put the question a different way. What, dollarwise, is the importance of this industry?

Mr. MACK. It is very small, sir. In 1960, the total value of imports of zinc sheets from all countries was $301,000.

Senator CARROLL. That is from all sources?

Mr. MACK. Yes, sir. That is zinc sheets alone. Just zinc sheets. It does not include strip, rod, wire, and plates.

We have trouble getting some of these statistics. As I explained in my testimony, zinc strip is in a basket clause under tariff paragraph 397. We have sought to get that broken down through the Census Bureau. We offered to pay the costs to the Government, which the Census Bureau has authority to do if they can separate the data. They were cooperative and made a study and decided they could not collect that information for us.

Senator CARROLL. Is any one of the members, of the seven here that you represent, totally dependent upon the rolled zinc business?

Mr. MACK. The importance of rolled zinc to each company varies with each company.

Senator CARROLL. How important is this to you? Is your back against the wall because of this $301,000 importation?

Mr. MACK. Let me give you some statistics on the profits of the industry for this past year.

This pertains to zinc sheets. The entire zinc sheet industry for 1960 had a total loss of $251,000.

Senator CARROLL. A loss of $251,000?

Mr. MACK. There are only three companies that make zinc sheet, sir.

Senator CARROLL. Three companies. Now, is this their total work?

Mr. MACK. No, sir; it is not their total. But rolled zinc is either a primary or an important interest.

Senator CARROLL. Well, what I want to know, if you can furnish it for the record: How important is it? What does it mean? Is it the difference between going to the wall, or do they just write it off as a part of the loss of their business? What is the total picture?

Mr. MACK. Our companies have been losing a substantial amount of money on rolled zinc.

Senator CARROLL. And how much of it was attributable to this condition that you have testified to today?

Mr. MACK. Almost all of it, sir.

Senator CARROLL. Almost all of it?

Mr. MACK. That is my opinion. I represent an association, and statements by individual companies should come from the company officials, who are not here with me today.

I do know, and I gave you the figures on zinc sheets.

Now, as to zinc strip, which is manufactured by five companies, the total loss for the whole industry was $73,000, whereas for 1959 the profit was $505,000.

So you can see how fast things are going.

Senator CARROLL. What I have in mind—and this is just, again, a thought: Suppose we had the Illinois Zinc Co. Here is a company that had been going for years, a small company. Whether it had 25 employees or 50 employees, there are only three companies in this field, I think you have indicated.

Mr. MACK. In zinc sheets.

Senator CARROLL. In zinc sheets.

Mr. MACK. Yes, sir.

Senator CARROLL. And suddenly there is an influx of zinc sheet into this country, maybe because of some political arrangement that we have had, and this company goes to the wall, or is about to go to the wall. This is what we have been talking about. What do we do to help these companies?

Mr. MACK. Our suggestion is that you enact S. 1747.

Senator CARROLL. Well, if you do a thing like that, we have political problems in the world, too, you see. We just do not live in the world by ourselves any more.

Mr. MACK. We realize there are many ramifications to it.

Senator CARROLL. So this makes it very difficult. But if we have to take care of our political problems, we must not let some small industry bear it all alone, and therefore we have to develop the technique to hold these people in business, if it means a subsidy.

Now, many years ago, when I was on the Ways and Means Committee, I saw what the Swiss watch people were doing to the American watch industry. And we had testimony week after week and month after month. And now we see what is happening to the textile industry. And now this is I think a very clear illustration, even though it is small, of what happens when you permit a country to just flood our market, flood this country and take over a market.

Well, you have been most helpful. I appreciate it. You have made a very clear presentation.

Senator Hickey, any observations?

Counsel, any observations on this?

Mr. DWYER. No, Senator.

That concludes the witness list.

Senator CARROLL. Gentlemen, you have all been very helpful. We will study these matters. The very purpose of this, I again repeat, at the close of this hearing, is exploratory. We do not have any idea what we are going to do. Although I have put my name on as a cosponsor to the Anderson bill, which has its counterpart in Congressman Aspinall's bill in the House, I am not committed to it at all. I am committed, however, to the general principle of doing something for the miners if I can, if we can get a workable program.

I must confess to you I am not impressed with the idea that the sole solution is just moving in and raising the tariffs.

Mr. Jeffries and Mr. Wilson have some conflicting ideas. But this is not too bad. We can make some adjustments. And this is the whole purpose of the escape-clause provision.

But these are matters you can see we are now getting into, with discussion with the State Department, discussion with the Interior Department, and these are the hurdles that we are going to have to overcome.

Mr. MACK. Senator, could I make one observation?

Since Yugoslavia has been in the discussion, let me make a comment pertaining to Yugoslavia. When the escape-clause investigation on zinc sheet was held, naturally we assembled data indicating wages in the United States and abroad, and this I think serves to explain why it has been possible for Yugoslavia to grab this market. We wondered at the time why they had not grabbed it quicker, even from the other foreign countries.

At the escape-clause hearing, we showed that the average hourly wage in Yugoslavia, for metal industries, including metal mining, was 22 cents, compared with $2.27, or 10 times, in the United States.

That is the root of the problem.

Senator CARROLL. One further question. As a result of Yugoslavia coming into this market, its products coming into this market, what has been the effect on the price to the consumer?

Mr. MACK. Certain data was assembled at the Tariff Commission hearing. It showed that because our costs had gone up, our prices had gone up whereas theirs have gone down.

One reason, regarding zinc sheet, is that to make zinc sheet you have to start by first making zinc strip, which is machine made. Then the strip is taken and crossrolled. When you can get someone to do this work for 22 cents an hour—we do not want anybody to work for anything like that small amount—you can readily see why they can completely ruin us.

Senator CARROLL. Who buys in Yugoslavia?

Mr. MACK. I think it is one importer, who appeared at the Tariff Commission hearing.

Senator CARROLL. Is this owned by American capital, Americans here?

Mr. MACK. I do not know who owns it.

Senator CARROLL. And to whom did they sell?

Mr. MACK. They sell to the companies that we used to sell and to some extent still do sell. In other words, they are our competitors and they sell to our customers. Although we may import some zinc concentrate and zinc slab, in Yugoslavia they do not use any of the zinc from those Colorado mines that we would like to have opened.

Senator CARROLL. Well, what I have asked is whether or not this low price is in any way reflected downward to the consumer. Does the consumer get any benefit?

Mr. MACK. The average foreign value of Yugoslavian zinc sheet I think is 14½ cents a pound.

We have to pay 11½ for slab zinc. They manufacture the slab into sheet and send it here, and their average value is 14½ cents.

Senator CARROLL. I do not think you quite get my question. I want to know whether or not there is any benefit that goes to the consumer because of this.

Mr. MACK. Yes; the consumer gets a lower price, which you may consider a temporary benefit. Now, if you put us out of business——

Senator CARROLL. In what commodities does he get a lower price?

Mr. MACK. When you said "the consumer," I thought you meant the purchaser of zinc sheets.

Senator CARROLL. You see, what I am thinking about is this: How does it affect Yugoslavia if this importer is taking your market, when the way he takes your market is that he undersells you?

Mr. MACK. I do not know whether the ultimate consumer gets any benefit, or not, from these imports. I know the immediate purchaser can buy them for a lower price than they could buy them if we were permitted to sell at an economic price.

Senator CARROLL. I was wondering if there was a windfall somewhere in between, you see, that really does not get down to the consumer himself.

Mr. MACK. That could well be the case.

Senator CARROLL. Thank you very much.

Are there any further questions, now?

I have some telegrams here from Louis D. Gordon, executive secretary, the Nevada Mining Association, and W. G. Maloney, secretary-manager, the Mining Association of Montana, and a letter from Mr. Henry L. Day, from Wallace, Idaho. Without objection, these will be inserted in the record at this point.

(The communications referred to follow:)

RENO, NEV., *May 4, 1961.*

Senator CLINTON P. ANDERSON,
Chairman, Committee of Interior and Insular Affairs,
Senate Office Building, Washington, D.C.:

Nevada Mining Association expresses its thanks and appreciation to you for introduction and support of S. 1747. Condition of domestic mining industry especially lead and zinc is precarious and remedial legislation sorely needed if our industry is to survive.

Best wishes,

LOUIS D. GORDON,
Executive Secretary, Nevada Mining Association, Inc.

BUTTE, MONT., *May 4, 1961.*

Senator CLINTON P. ANDERSON,
Chairman, Senate Interior and Insular Affairs Committee, Washington D.C.:

The Mining Association of Montana strongly supports S. 1747 introduced by you, Senator Metcalf, and other Senators of the Interior Committee. We appreciate your efforts to help stabilize the mining industry. This constructive legislation, if passed, will reverse the present trend of closing down long-time-producing lead zinc mines.

W. G. MALONEY,
Secretary-Manager, Mining Association of Montana.

DAY MINING, INC.
Wallace, Idaho, May 2, 1961.

Hon. CLINTON P. ANDERSON,
Chairman, Senate Interior and Insular Affairs Committee, Washington, D.C.

DEAR SENATOR ANDERSON: Information has just been received that you recently introduced legislation knuown as S. 1747, a companion measure to H.R. 3416, providing for the stabilization of the lead and zinc industry. Without reservation, I approve this proposed legislation. Its enactment is absolutely necessary if the lead-zinc industry is to be preserved in the United States.

Day Mines, Inc., and its predecessors have been producers of metal in this well-known district of northern Idaho for 60 years, and my own actual experience covers more than half that period. Over the years the principal metal mined was lead, followed by zinc.

The present economic circumstances respecting the mining of lead and zinc ores in this district are the most difficult since the time of the great depression in the early 1930's. Our current production is limited to one lead mine, curtailed to a bare minimum, with the objective of keeping the workings in good condition and maintaining a skeleton mining operation. This mine has lost money during the past few years.

The annual U.S. production of lead during the last few years has been at the lowest rates in the 20th century. Zinc output is as badly depressed. Since the termination of the Korean war I have witnessed the lead and zinc mines in this area decline from a few dozen to a bare handful. Experience elsewhere in the United States is, generally speaking, not even this good. I would cite the

Sale Lake area and the State of Nevada as even more unfortunate examples. As far as your own State of New Mexico is concerned, you are of course aware that the lead-zinc situation has deteriorated similarly.

Our industry must have legislation such as S. 1747 in order to survive.

Yours very truly,

HENRY L. DAY.

Senator CARROLL. I will not adjourn the meeting, but we shall recess subject to the call of the Chair. We do not know when we will meet again.

Thank you very much.

(Whereupon, at 11:20 a.m., the subcommittee was recessed, to reconvene upon call of the Chair.)

LEAD AND ZINC PROBLEMS

TUESDAY, JULY 25, 1961

U. S. SENATE,
SUBCOMMITTEE ON MINERALS, OF THE
COMMITTEE ON INTERIOR AND INSULAR AFFAIRS,
Washington, D.C.

The subcommittee met, pursuant to notice, at 10:05 a.m., room 3110, New Senate Office Building, Senator John A. Carroll presiding.

Present: Senators John A. Carroll, Clinton P. Anderson (chairman of the full committee), Alan Bible, Frank Church, Frank E. Moss, Lee Metcalf, J. J. Hickey, Henry Dworshak, and Gordon Allott.

Also present: Stewart French, chief counsel; Jerry T. Verkler, clerk; and Robert P. Dwyer of the committee professional staff.

Senator CARROLL. The committee will come to order.

We have been delaying here for a few minutes in the hope that some of our colleagues who desire to appear first will be here, but I have just been informed that they have been detained and will be in later.

Let us have the record show that Senator Hickey of Wyoming is present.

The purpose of this hearing today is to consider S. 1747, a bill introduced by the distinguished chairman of this committee, Senator Anderson.

(The bill, S. 1747, together with reports from the Department of the Interior and the Department of Commerce follow:)

[S. 1747, 87th Cong., 1st sess.]

A BILL To stabilize the mining of lead and zinc in the United States, and for other purposes

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Lead and Zinc Act of 1961".

TITLE I—GENERAL PROVISIONS

DECLARATION OF POLICY

SEC. 101. It is declared to be the policy of Congress—

(a) to promote a reasonable balance between foreign and domestic supplies of lead and zinc ores, concentrates, and metal;

(b) to restore to a sound and stable condition the domestic lead and zinc mining industry;

(c) to provide limited Federal financial assistance to domestic miners of the lead and zinc industry as (1) an aid to development of a profitable mine from a prospect, (2) economic assistance, to compensate for periodic cycles of low metal prices, to assure continued operation and exploration and development of new ore reserves, and (3) to provide recovery of metal that may be permanently lost by a mine closure.

EFFECTIVE DATE

SEC. 102. Subject to the provisions of section 4622(b) of the Internal Revenue Code of 1954, as amended by title III of this Act, this Act shall take effect ninety days after date of enactment of this Act, and the quotas provided for by Proclamation Numbered 3257 of September 22, 1958, shall be discontinued on the effective date of this Act.

SEVERABILITY

SEC. 103. If any provision of this Act or the application thereof to any person or circumstance is held invalid, such invalidity shall not affect other provisions or the application of this Act which can be effected without the invalid provision or application, and to this end the provisions of this Act are severable.

TITLE II—STABILIZATION OF PRODUCTION FROM DOMESTIC MINES

ESTABLISHMENT OF PROGRAM

SEC. 201. The Secretary of the Interior is hereby authorized and directed to establish and to maintain a program of stabilization payments to domestic miners who sell newly mined lead and zinc ores and concentrates mined in the United States and its possessions, as provided in this title.

STABILIZATION PAYMENTS

SEC. 202. (a) Subject to the limitations of this title, the Secretary shall make stabilization payments to domestic miners upon presentation of evidence satisfactory to him of the entitlement of a domestic miner to such payments under this title and of the sale after the effective date of this Act by such miner of newly mined ores, or concentrates mined in the United States and its possessions.

(b) Such payments shall be made with respect to newly mined lead and zinc ores and concentrates whenever the average market price for common lead (in standard shapes or sizes delivered at New York City) and the average market price for slab zinc (prime western, free on board, East Saint Louis, Illinois) as determined by the Secretary is below 16 cents per pound on the date of delivery for sale of such ores and concentrates, and such payments shall be in an amount equal to but not exceeding the difference between the amount actually received by such miner from such sale with the settlement for treatment and all other charges based on the actual market price and an amount, as determined by the Secretary, which such miner would have received for such ore or concentrates had such price at the time of such sale been equal to 16 cents per pound.

LIMITATIONS ON PAYMENTS

SEC. 203. (a) No stabilization payments under this title shall be made to any person on sales, or further processing in lieu of sales, by such person of ores or concentrates the recoverable content of which totals in any one twelve-month period in excess of two thousand tons of lead and two thousand tons of zinc.

(b) No stabilization payments under this title shall be made on any domestically produced ores or concentrates which are sold to or eligible for sale to the United States Government, or any agency thereof, pursuant to a contract made under the provisions of the Defense Production Act of 1950, as amended, or the Strategic and Critical Materials Stockpiling Act. Any such ores or concentrates shall be included in ascertaining the entitlement of any person to stabilization payments under this title and shall be applied to reduce the quarterly limitations.

(c) No person shall be paid in any one quarter more than one-fourth of the total annual stablization payments to which the Secretary estimates that such person will be entitled, except that in the final quarter of any calendar year payments in excess of one-fourth of such total annual payments may be made to the extent necessary to make up any deficiency of payments made in any prior quarter or quarters as a result of erroneous estimates by the Secretary.

AUTHORITY OF SECRETARY

SEC. 204. (a) The Secretary is authorized to establish and promulgate such regulations and require such reports as he deems necessary to carry out the purposes of this title, but such regulations shall assure equitable distribution of the benefits of the programs provided by this Act among the domestic miners affected.

(b) The Secretary may delegate any of the functions authorized by this title to the Administrator of General Services.

DEFINITIONS

SEC. 205. (a) For the purposes of this title—

(1) The term "Secretary" means the Secretary of the Interior.

(2) The term "domestic mine" means any facility located within the United States or its possessions.

(3) The term "domestic miner" means (1) any person owning and operating a mine located in the United States or its possessions except that all sales of ores and concentrates produced from all mines owned by such person and operated by other persons under lease, permit, or contract entered into after January 1, 1961, shall be included with sales of ores and concentrates sold by such person for the purposes of determining limitations on such payments to such person as provided for in section 203(a); (2) any person operating a mine located in the United States or its possessions under lease, permit, or contract entered into prior to January 1, 1961; or (3) any person operating a mine located in the United States or its possessions under lease, permit, or contract entered into on or after January 1, 1961, except that all sales of ores and concentrates produced from all mines owned by the owner of such mine shall be included with sales of ores and concentrates sold by such person for the purposes of determining limitations on such payments to such person as provided for in section 203(a): *Provided*, That any person may be deemed to be a domestic miner under more than one of the foregoing definitions to qualify for stabilization payments as provided for in this title.

(4) The term "sale" means a bona fide transfer for value of ores and concentrates from a domestic miner to a processing plant.

(5) The term "newly mined" means domestic material processed into concentrates or severed from the land subsequent to the date of enactment of this title, but shall not exclude normal inventories of crude ore. The term does not refer to material recovered from mine dumps, mill tailings, or from smelter slags and residues derived from material mined prior to the date of enactment of this title.

(6) The term "quarter" and "quarterly" mean the calendar periods commencing on the first day of the months of January, April, July, and October.

(b) For the purposes of this Act, sales of concentrates produced from ores sold to a mill or processing plant in accordance with regulations issued pursuant to this Act, shall not be considered as sales of the owner of the mill, but shall be considered as the sales of the domestic miner producing such ores.

LEAD AND ZINC STABILIZATION PAYMENTS FUND

SEC. 206. (a) There is hereby created in the Treasury of the United States a fund to be known as the lead and zinc stabilization payments fund and into which the Secretary of the Treasury shall cover all proceeds realized from the imposition of the import taxes set forth in subsections (a), (b), and (c) of section 4601 and of subsections (a), (b), and (c) of section 4611 of the Internal Revenue Code of 1954, as amended by title III of this Act.

(b) There are hereby authorized to be disbursed from the lead and zinc stabilization payments fund by order of the Secretary of the Interior such sums as may be necessary to carry out the provisions of this title.

(c) In the event that at the close of a fiscal year, there shall be funds remaining in the lead and zinc stabilization payments funds after the disbursements authorized by subsection (b) hereof have been effected for such year, such remaining funds shall be covered into the general funds of the Treasury. In the event that at the close of a fiscal year the lead and zinc stabilization payments fund shall have provided insufficient funds for disbursements authorized by subsection (b) hereof for such year, there are hereby authorized to be appropriated from the funds of the Treasury not otherwise appropriated, such sums as may be necessary, to carry out the provisions of this title.

ANNUAL REPORTS

SEC. 207. Not later than March 1 of each year the Secretary shall make an annual report to the Congress of the United States with respect to the administration of this title. Each such report shall contain such recommendations as the Secretary may deem appropriate.

PENALTIES FOR MISREPRESENTATION

SEC. 208. Whoever, for the purpose of procuring a payment to which he is not entitled under this title and the regulations issued pursuant thereto, or for the purpose of assisting another to procure a payment to which the other is not entitled under this title and the regulations issued pursuant thereto, misrepresents any material fact, knowing the same to be false, fictitious, or fraudulent, shall be guilty of an offense against the United States and shall be fined not more than $5,000 or imprisoned not more than two years, or both, and shall thenceforth be entitled to no benefits under this title.

PENALTIES FOR ACCEPTING UNAUTHORIZED PAYMENTS

SEC. 209. Whoever, accepts a payment under this title to which, or to any portion of which, he is not entitled, knowing that he is not entitled thereto or whoever, having accepted a payment under this title to which, or to any portion of which, he is not entitled, retains the same, knowing that he is not entitled thereto, shall be required in a civil action instituted by the Attorney General, to refund treble the amount accepted or retained by him. The acceptance or retention of any payment as aforesaid shall also constitute an offense against the United States punishable by a fine of not more than $5,000 or imprisonment for not more than two years, or both, and any person who shall be convicted of such offense shall thenceforth be entitled to no benefits under this Act.

TITLE III—AMENDMENTS TO THE INTERNAL REVENUE CODE OF 1954

AMENDMENTS TO CHAPTER 38 OF THE INTERNAL REVENUE CODE OF 1954

SEC. 301. Chapter 38 of the Internal Revenue Code of 1954 is amended as follows:

(a) By redesignating subchapter G as H.

(b) By renumbering sections 4601, 4602, and 4603 as sections 4631, 4632, and 4633, respectively.

(c) By inserting after subchapter F the following new subchapter:

"Subchapter G—Lead and Zinc

"Sec. 4601. Imposition of taxes on imported lead.
"Sec. 4611. Imposition of taxes on imported zinc.
"Sec. 4621. Price determinations.
"Sec. 4622. General provisions.

"SEC. 4601. IMPOSITION OF TAXES ON IMPORTED LEAD.

"(a) There are hereby imposed upon the following articles, imported into the United States, taxes at the rates specified:

"Article	Rate of Tax
Articles provided for in paragraph 391 of the Tariff Act of 1930, as amended: Lead-bearing ores, flue dust, and mattes of all kinds.	1.4 cents per pound on lead content, provided that such taxes shall not be applied to the lead contained in copper, gold, silver, or tin ores, or copper mattes, unless actually recovered.
Articles provided for in paragraph 392 of the Tariff Act of 1930, as amended: Lead bullion or base bullion, lead in bars and pigs, lead dross, reclaimed lead, scrap lead, antimonial lead, antimonial scrap lead, and all alloys or combinations of lead not specially provided for.	2.0 cents per pound on lead content.

"(b) If the average market price of lead determined in accordance with section 4621 is less than 13½ cents per pound, there shall be imposed on the following articles additional taxes at the rate specified beginning on the first day of the calendar quarter next following such determination: *Provided*, That when the said average price of lead so determined is 14½ cents per pound or more, the said additional taxes shall cease to be imposed beginning on the first day of the calendar quarter next following such determination:

"Article	Additional Tax
Articles provided for in paragraph 391 of the Tariff Act of 1930, as amended: Lead-bearing ores, fine dust, and matters of all kinds.	1.4 cents per pound on lead content, provided that such taxes shall not be applied to the lead contained in copper, gold, silver, or tin ores, or copper mattes, unless actually recovered.
Articles provided for in paragraph 392 of the Tariff Act of 1930, as amended: Lead-bullion or base bullion, lead in bars and pigs, lead dross, reclaimed lead, scrap lead, antimonial lead, antimonial scrap lead, and all alloys or combinations of lead not specially provided for.	2.0 cents per pound on lead content.

"(c) In addition to any other tax or duty imposed by law, there are hereby imposed upon the articles provided for in paragraphs 46, 72, 320, and 397 and lead in sheets, pipe, shot, glazier's lead, lead wire, babbitt metal, solder, and type metal under paragraph 392 of the Tariff Act of 1930, as amended, imported into the United States, taxes at the rate of 2.0 cents per pound on the lead contained therein.

"SEC. 4611. IMPOSITION OF TAXES ON IMPORTED ZINC.

"(a) There are hereby imposed upon the following articles, imported into the United States, taxes at the rates specified:

"Article	Rate of Tax
Articles provided for in paragraph 214 of the Tariff Act of 1930, as amended: Zinc fume.	1.4 cents per pound on zinc content.
Articles provided for in paragraph 393 of the Tariff Act of 1930, as amended: Zinc-bearing ores of all kinds, except pyrites containing not more than 3 per centum of zinc.	1.4 cents per pound on zinc content, provided that such taxes shall not be applied to the zinc contained in lead, tin, or copper ores unless actually recovered.
Articles provided for in paragraph 394 of the Tariff Act of 1930, as amended:	
Zinc in blocks, pigs, or slabs	2.0 cents per pound.
Zinc, old and worn-out, fit only to be remanufactured, zinc dross, and zinc skimmings.	1.4 cents per pound.

"(b) If the average market price of zinc determined in accordance with section 4621 is less than 13½ cents per pound, there shall be imposed upon the following articles additional taxes at the rates specified beginning on the first day of the calendar quarter next following such determination: *Provided*, That when the said average price of zinc so determined is 14½ cents per pound or more, the said additional taxes shall cease to be imposed beginning on the first day of the calendar quarter next following such determination.

"Article	Additional tax
Articles provided for in paragraph 214 of the Tariff Act of 1930, as amended: Zinc fume.	1.4 cents per pound on zinc content.
Articles provided for in paragraph 393 of the Tariff Act of 1930, as amended: Zinc-bearing ores of all kinds, except pyrites containing not more than 3 per centum of zinc.	1.4 cents per pound on zinc content, provided that such taxes shall not be applied to the zinc contained in lead, tin, or copper ores unless actually recovered.
Articles provided for in paragraph 394 of the Tariff Act of 1930, as amended:	
Zinc, in blocks, pigs, or slabs	2.0 cents per pound.
Zinc, old and worn-out, fit only to be remanufactured, zinc dross, and zinc skimmings.	1.4 cents per pound.

"(c) In addition to any other tax or duty imposed by law, there are hereby imposed upon the articles provided for in paragraphs 5, 77, 93, 214 other than zinc fume, 341, 380, 381, 1634, alloys of zinc, zinc strip, and other zinc mill products under paragraph 397, brass wire under paragraph 316(a), leaded zinc oxides containing over 25 per centum of lead under paragraph 72, zinc dust under paragraph 394, and parts whether partly or wholly manufactured from zinc, provided for in paragraphs 372, 369, 353, and 368 of the Tariff Act of 1930, as amended, imported into the United States, taxes at the rate of 2.0 cents per pound on the zinc contained therein and in addition to any other tax or duty imposed by law there is hereby imposed upon zinc wire under paragraph 316(a)

of the Tariff Act of 1930, as amended, imported into the United States a tax at the rate of 4.0 cents per pound on the zinc content contained therein and in addition to any other tax or duty imposed by law there is hereby imposed upon zinc sheets under paragraph 394 of the Tariff Act of 1930, as amended, imported into the United States a tax at the rate of 7.0 cents per pound on the zinc content contained therein.

"SEC. 4621. PRICE DETERMINATIONS.

"(a) For purposes of this subchapter, the terms 'average market price for lead' and 'average market price for zinc' mean, respectively, the average market price for common lead (in standard shapes and sizes delivered at New York City), and the average market price for slab zinc (prime western, free on board, East Saint Louis, Illinois), each determined for a period of three consecutive calendar months as hereinafter provided.

"(b) As soon as practicable after the last day of the second month of each calendar quarter following the effective date of this Act, the Secretary of the Interior shall determine the average market price for lead and the average market price for zinc during the three consecutive calendar monthes immediately ending on the second month of each calendar quarter, shall notify the Secretary of the Treasury of each such determination and shall cause each such determination to be published in the Federal Register. The first such determination shall be made and published in the Federal Register as soon as practicable following the effective date of this Act and each such subsequent determination shall be made and published in the Federal Register not later than the last day of each such calendar quarter. The average market prices so determined and published shall be the average market prices governing the imposition and removal of the additional taxes set forth in section 4601(b) and in section 4611(b) of this subchapter as to articles provided for therein entered, or withdrawn from warehouse, for consumption during the calendar quarter following the calendar quarter in which such determination is made.

"SEC. 4622. GENERAL PROVISIONS.

"(a) The taxes specified in subsections (a) and (c) of section 4601 and in subsections (a) and (c) of section 4611 shall be applied on and after the date of the effective date of this Act; the taxes specified in subsection (b) of section 4601 and in subsection (b) of section 4611 shall be applied on the effective date of this Act as if the average market price for lead and the average market price for zinc had been determined, in accordance with section 4621, to be less than 13½ cents per pound, and thereafter shall be applied in accordance with the provisions of subsection (b) of section 4601 and of subsection (b) of section 4611.

"(b) Notwithstanding the provisions contained in subsection (b) of section 4621 and in subsection (a) hereof, the provisions of subsections (a), (b), and (c) of section 4601 and of subsections (a), (b), and (c) of section 4611 shall not apply insofar as the imposition of taxes are concerned until the effective date of this Act: *Provided, however*, That any such taxes on any of the articles specified in sections 4601(a), 4601(b), 4611(a), or 4611(b), other than those included within paragraphs 382 and 394 of the Tariff Act of 1930, as amended, shall not be applicable to any such articles which were entered in bonded warehouse prior to the date of enactment of this subchapter, such products upon being withdrawn from bonded warehouse during the statutory period of the bond to be subject to the rates of duty which were applicable thereto prior to the enactment of this subchapter.

"(c) On and after the date of enactment of this Act, the articles provided for or referred to in subsection (a) of section 4601 and subsection (a) of section 4611 may be duly entered for warehouse by the importer under bond. Any such article may be withdrawn from warehouse and entered for consumption during a period when the tax imposed by section 4601(b) or section 4611(b), as the case may be, is applicable upon payment of such tax, and upon payment of the applicable duty; and such article may be withdrawn from warehouse and entered for consumption during a period when the tax imposed by section 4601(b) or section 4611(b), as the case may be, is not applicable only upon certification that the article has been sold for use. The term 'sold for use' applied to any article means that the article has been sold or otherwise transferred, or is subject to a binding agreement for sale or transfer, to a purchaser or transferee who intends to process, manufacture, fabricate, or combine it to produce a different article.

"(d) For purposes of this subchapter, the term 'United States' includes Puerto Rico."

(d) By amending the table of subchapters for such chapter to read:

"SUBCHAPTER G. Lead and zinc.
"SUBCHAPTER H. Special provisions applicable to import taxes."

TITLE IV—EFFECT OF AMENDMENTS ON TARIFF ACT OF 1930

SEC. 401. (a) The treatment provided for imports of articles described in sections 4601 and 4611 of the Internal Revenue Code of 1954, as amended by title III of this Act, shall, for purposes of section 350 of the Tariff Act of 1930, as amended, be considered as having been in effect continuously since the original enactment of said section 350.

(b) The duties imposed under paragraphs 214, 391, 392, 393, and 394 of the Tariff Act of 1930, as amended, shall cease to apply to the articles provided for in subsections (a) and (b) of section 4601 and in subsections (a) and (b) of section 4611 of the Internal Revenue Code of 1954, as amended by title III of this Act, as of the date the import taxes imposed by said subsections become applicable.

THE SECRETARY OF COMMERCE,
Washington, D.C., July 25, 1961.

Hon. CLINTON P. ANDERSON,
Chairman, Senate Interior and Insular Affairs Committee,
Washington, D.C.

DEAR MR. CHAIRMAN: In response to your request there is attached a report with respect to S. 1747, a bill to stabilize the mining of lead and zinc in the United States, and for other purposes.

For reasons developed in the report the Department of Commerce does not favor enactment of this bill. However, this Department would not object to the enactment of a limited and temporary subsidy measure which would assist the small lead and zinc mines. The basic features of the proposed plan are outlined at pages 2 and 3 of the attached report and also in our letter relating to S. 115.

We have been advised by the Bureau of the Budget that there would be no objection to the submission of this report from the standpoint of the administration's progam.

Sincerely yours,

(Signed) EDWARD GUDEMAN,
Acting Secretary of Commerce.

DEPARTMENT OF COMMERCE REPORT RELATING TO S. 1747

This report has been prepared in response to the request from the Senate Committee on Interior and Insular Affairs for the views of the Department of Commerce relative to S. 1747, a bill to stabilize the mining of lead and zinc in the United States, and for other purposes.

If enacted this measure would (1) establish a system of stabilization payments to domestic producers of newly mined lead and zinc ores; (2) terminate the present quantitative quota plan relating to unmanufactured lead and zinc and, in lieu thereof, impose import taxes; and (3) impose import tax on the lead and zinc contained in a number of semimanufactured and manufactured articles.

STABILIZATION PROGRAM AND FUND

The stabilization payments, provided for in title II of the bill, would be made to domestic producers of newly mined lead and zinc whenever the quarterly average market price of common lead in New York is below 16 cents a pound and whenever the quarterly average market price of prime western zinc in East St. Louis is below 15 cents a pound. Such payments would be equivalent to the differences between the amounts received from the sales of ores by domestic miners—after deducting smelting and related costs—and the amounts they would have received had the price of each metal been 16 cents a pound at the times the sales of ores were made. All domestic mineowners and operators—regardless of size, financial condition, and need—would be eligible to receive

stabilization payments on the first 2,000 tons of recoverable lead output and the first 2,000 tons of recoverable zinc output.

Title II of the bill also would create a stabilization fund into which the Secretary of the Treasury would transfer all revenues collected from the import taxes provided for in title III of the bill. The Secretary of the Interior would be authorized to make payments from this fund in order to implement the stabilization program.

One of the purposes of S. 1747 is to restore the domestic lead and zinc mining industry to "a sound and stable condition." It is suggested that this condition cannot be achieved on basis of subsidy payments of the magnitude proposed in this bill. The increase in domestic supplies of lead and zinc stemming from such a subsidy program could depress prices further and result in major offsetting adjustments by the unsubsidized output of the domestic industry. In realistic terms, this could mean a decrease in the output of the unsubsidized segment and of employment therein.

The establishment of a lead and zinc subsidy program of the magnitude envisaged in S. 1747 would have an adverse effect upon the efforts of this Government and the governments of other important lead and zinc consuming and producing countries to deal with the problems relating to these two metals. Since May 1959 certain producers in some foreign countries have voluntarily and independently reduced mine and smelter production and the exports of these two metals—especially lead.

Recent actions taken at the international level should have a substantial beneficial effect upon the domestic mining industry. At the Mexico City meeting of the International Lead and Zinc Study Group during March 1961 a number of foreign producers, through their respective government representatives, voluntarily and independently announced substantial reductions in lead mine and smelter output and in exports. As a result, for the first time since 1957 planned production of lead in the free world for 1961 is below estimated consumption for the year.

In addition to these efforts this Government has entered into barter arrangements whereby surplus agricultural products would be exchanged for surplus foreign lead accumulated prior to December 1, 1960. It is believed that the removal of these surplus lead stocks and the reductions in supplies of newly mined lead (including some zinc) will have a salutary effect upon the market.

In light of these international actions, to increase domestic lead and zinc production at this time through the payment of subsidies in the amount proposed in S. 1747 may be considered an inimical act by those countries whose producers have reduced output and exports in order to bring about a better balance between supply and demand for these two metals. Such action may result in the termination of these voluntary commitments and a collapse of international consultations.

Nevertheless, it is recognized that the depressed conditions among the small lead and zinc mines and their employees continue, and the market prices for both metals are low—due in major part to the decline in the consumption of these two metals in the United States. Accordingly, two alternative plans in lieu of the subsidy program envisaged in S. 1747 are proposed.

First, this administration would not object to the enactment of a limited and temporary measure which would assist a large number of small domestic lead and zinc mines without affecting adversely the overall industry and corrective actions taken already. Listed below are the basic features of this proposal:

The subsidy assistance would be limited to small lead and zinc mines and to a period of 3 years. During this time, effort would be made to resolve the problems of the small domestic mines on a more lasting basis. The assistance payments would be limited to 750 tons of each metal (recoverable basis) for the first year; 500 tons for the second year; and 250 tons for the last year. The subsidy payments would be made on basis of a combined price of 27½ cents for the two metals. The program would be limited to small producers. A small producer would be defined as one who actually mined lead and zinc ores at some time during the 1956–60 period, but whose output during any 1 year did not exceed more than 2,000 tons of recoverable lead and zinc metal. Producers of other metals who recover lead and/or zinc as byproducts would not be eligible for subsidy payments. Output from mines not previously operated or leased since January 1, 1961, would not be eligible to receive subsidies.

Second, the administration is developing plans to implement the recently enacted Area Redevelopment Act (Public Law 27). Under this legislation qualified

firms in depressed mining areas may receive assistance to effect economies and changes which would make them more competitive. The legislation also provides for vocational retraining for unemployed miners and subsistence payments to persons undergoing training.

TERMINATION OF QUOTAS—IMPOSITION OF IMPORT TAXES

Title I of the bill would terminate the present quantitative import quota plan applicable to unmanufactured lead and zinc which became effective on October 1, 1958, pursuant to proclamation 3257 of September 22, 1958. In place of the quota plan, title III of the bill would impose an import tax of 2 cents a pound on lead and zinc metal and 1⅖ cents a pound on the lead and zinc contained in ores and concentrates, in zinc fume, and in zinc scrap when the quarterly average domestic prices for the two metals are at or above 14½ cents a pound. If the quarterly average market prices for the two metals are less than 13½ cents a pound, the import tax would be increased to 4 cents a pound on lead and zinc metal and to 2⅘ cents a pound on the lead and zinc contained in ores and concentrates, in zinc fume, and in zinc scrap.

While this Department does not favor the permanent continuation of the import quota program, it believes that the termination of the quotas at this time and in lieu thereof, the imposition of the import tax rates proposed in S. 1747 would prejudice the domestic and international steps taken and contemplated to resolve the lead and zinc problem. Such action probably would weaken our international relations and the support of friendly nations at a very critical time. This Department is of the view that the Executive has sufficient legislative authority to effect a change from quotas to competitive tariffs when such a change becomes appropriate.

IMPOSITION OF IMPORT TAXES ON LEAD AND ZINC ARTICLES

In addition to any other tax or duty imposed by law, title III of the bill also would impose import taxes on the lead content of some or all of the semimanufactured and manufactured articles enumerated in paragraphs 46, 47, 320, and 397 (relating primarily to lead) and in paragraphs 5, 72, 77, 93, 214, 316(a), 341, 353, 368, 369, 372, 380, 381, 394, 397, and 1634 (relating primarily to zinc) of the Tariff Act of 1930. In the case of most articles the increase would be 2 cents a pound on the lead and zinc contained therein; but in some instances the increases would be much higher. For example, in the case of zinc wire the increase would be 4 cents a pound and in the case of zinc sheet the increase would be 7 cents a pound.

There are certain manufactured and semimanufactured articles which are composed entirely or substantially of lead and zinc. Further, the fabricating costs of certain of these products are not substantial. Hence, their prices are not much higher than the prices of the lead and zinc contained therein. Since these articles are not subject to the quantitative import quota plan applicable to unmanufactured lead and zinc, there has been some concern—within the Government and industry—lest a substantial increase in the imports of such products might affect adversely the domestic lead and zinc mining industry and the domestic industries manufacturing lead and zinc products.

One objective of Senate Resolution No. 162 of the 86th Congress was to ascertain the facts in this allegation. In its March 31, 1960 report made in response to the resolution, the Tariff Commission considered and reported at length on the foreign trade, in the domestic consumption and production of, and the customs treatment relating to a large number of lead and zinc products. The conclusion reached by the Tariff Commission was that while imports of lead and zinc products had increased after the quota plan became effective, the increases were not large enough to have any appreciable effect and that for many of these articles imports had been increasing for several years before the quota plan became effective.

The conditions which caused an upward trend in imports of these products existed "before the imposition of U.S. quotas, and the situation does not appear to have been greatly altered since then."[1] Even the minority members of the Tariff Commission who advocated the termination of the quota plan and the imposition of higher import duties stated, "imports of manufactured articles containing the two metals are not now sufficiently large to affect domestic mining

[1] U.S. Tariff Commission, "Lead and Zinc," report to the Congress, Mar. 31, 1960, p. 113.

operations, but they *might* [emphasis supplied] become so if higher rates of duty were applied to imports of unmanufactured lead and zinc." [2] It is for this reason that the bill under reference provides for increases in import taxes on lead and zinc articles. This Department is of the view that proposals to increase the import duties or taxes on lead and zinc articles on basis of hypothetical assumptions are unwarranted.

Primarily because of the possible impact upon domestic fabricators of lead and zinc products, the Department of Commerce has had under review the foreign trade in these articles since the quota plan became effective. On basis of this review, through April 1961, we have reached the same basic conclusion as the Tariff Commission; namely, imports of lead and zinc products are not sufficiently large to warrant additional restrictive action at this time. In this connection it should be noted that the total quantity of imports of lead and zinc articles during 1960 was less than during 1959—although the imports of a few articles, such as lead pigments, have increased. Should the imports of such products increase so as to threaten or cause serious injury, the affected domestic interests could request the Tariff Commission to institute an escape clause investigation.

In view of these considerations the Department of Commerce is opposed to the enactment of S. 1747, but would not object to the enactment of a subsidy measure designed to assist the small miners—the basic features of the proposal are outlined at pages 2–3 of this report.

JULY 25, 1961.

Hon. CLINTON P. ANDERSON,
Chairman, Senate Interior and Insular Affairs Committee,
Washington, D.C.

DEAR MR. CHAIRMAN: This letter is in reply to your request for the views of the Department of Commerce with respect to S. 115, a bill to stabilize the mining of lead and zinc by small producers.

The bill provides for stabilization payments to be made to small domestic producers of newly mined lead and zinc ores whenever the average price of common lead in New York is below 17 cents a pound and whenever the average price of prime western zinc in East St. Louis is below 14½ cents a pound. Such payments would be equivalent to the differences between the amounts received from the sales of ores by the small domestic miners—after deducting smelting and related costs—and the amounts they would have received had the price of common lead metal been 17 cents a pound in New York and the price of Prime western zinc had been 14½ cents a pound in East St. Louis. Stabilization payments would be limited to domestic miners whose output in any 12-month period did not exceed 2,000 tons of recoverable lead metal and 2,000 tons of recoverable zinc metal from each single operating unit producing ores on which stabilization payments are claimed. Small domestic producers may be eligible for such payments with respect to only one operating unit in any one State or mining district.

The Department of Commerce is opposed to the enactment of S. 115 as presently drafted.

This Department is of the view that the magnitude of the subsidy payments proposed in this bill would so increase domestic supplies of lead and zinc as to depress prices further and result in major offsetting adjustments by the unsubsidized segment of the domestic industry. This could mean a decrease in the output of the unsubsidized mines and of employment therein.

The establishment of a lead and zinc subsidy program of the magnitude envisaged in this bill would have an adverse effect upon efforts of this Government and the governments of other important consuming and producing countries to deal with the problems relating to these two metals. Since May 1959 certain producers in some foreign countries have independently and voluntarily reduced mine and smelter output and exports of these two metals—especially lead.

Recent actions taken at the international level should have a substantial beneficial effect upon the domestic mining industry. At the Mexico City meeting of the International Lead and Zinc Study Group during March 1961 a number of foreign producers, through their respective government representatives, announced substantial reductions in lead mine and smelter output and in exports. As a result, for the first time since 1957 planned free world production of lead for 1961 is below estimated consumption for the year.

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[2] Ibid., p. 155.

In addition to these actions, this Government has entered into barter arrangements whereby surplus domestic agricultural products would be exchanged for surplus foreign lead accumulated prior to December 31, 1960. It is believed that the removal of these surplus lead stocks and the reduction in supplies of newly mined lead (including some zinc) would have a salutary effect upon the market.

In light of these international actions, to increase domestic lead and zinc production at this time through the payment of subsidies in the amount proposed in this bill may be considered an inimical act by those countries whose producers have reduced output in order to bring about a better balance between the supply and demand for these two metals. Such action may result in the termination of international consultations.

Nevertheless, the depressed conditions among the small mines, their employees and related communities continue. Accordingly, two alternative plans, in lieu of the subsidy programs envisaged in this bill, are proposed.

First, the administration would not object to the enactment of a limited and temporary measure which would assist a large number of small domestic lead and zinc mines without adversely affecting the overall industry and the corrective actions already taken. Listed below are the basic features of this proposal:

The subsidy assistance would be limited to small lead and zinc mines and to a period of 3 years. During this time, effort would be made to resolve the problems of the small domestic mines on a more lasting basis. The assistance payments would be limited to 750 tons of each metal (recoverable basis) for the first year; 500 tons for the second year; and 250 tons for the last year. The subsidy payments would be made on basis of a combined price of 27½ cents for the two metals. The program would be limited to small producers. A small producer would be defined as one who actually mined lead and zinc ores at some time during the 1956–60 period, but whose output during any 1 year did not exceed more than 2,000 tons of recoverable lead and zinc metal. Producers of other metals who recover lead and/or zinc as by products would not be eligible for subsidy payments. Output from mines not previously operated or leased since January 1, 1961, would not be eligible to receive subsidies.

Second, the administration is developing plans to implement the recently enacted Area Redevelopment Act (Public Law 27). Under this legislation qualified firms in depressed mining areas may receive assistance to effect economies and changes which would make them more competitive. The legislation also provides for vocational retraining for unemployed miners and subsistence payments to persons undergoing training.

We have been advised by the Bureau of the Budget that there would be no objection to the submission of this report from the standpoint of the administration's program.

Sincerely yours,

EDWARD GUDEMAN,
Acting Secretary of Commerce.

DEPARTMENT OF THE INTERIOR,
OFFICE OF THE SECRETARY,
Washington, D.C., July 21, 1961.

Hon. CLINTON P. ANDERSON,
Chairman, Committee on Interior and Insular Affairs,
U.S. Senate, Washington, D.C.

DEAR SENATOR ANDERSON: Your committee has requested a report on S. 1747, a bill to stabilize the mining of lead and zinc in the United States, and for other purposes.

The bill provides for (1) a sliding-scale tax on imports of lead and zinc ores, concentrates, and metals; (2) stabilization payments on 2,000 tons per year of lead and 2,000 tons per year of zinc produced from newly mined ores; and (3) termination of quotas on imports of lead and zinc.

The imports tax would be 4 cents per pound on lead or zinc metal (or 2.8 cents per pound on lead or zinc in ores or cencentrates); if the market price is less than 13½ cents per pound, and would be reduced to 2 cents per pound on lead or zinc metal (1.4 cents per pound on lead or zinc in ores or concentrates), if the market price rises above 14½ cents per pound. Taxes are also imposed on the lead and zinc content of imported zinc wire and zinc sheets,

respectively. The taxes would be imposed as excise taxes under the Internal Revenue Code.

The Department opposes the enactment of the bill.

The Department believes that the Government's objective with reference to lead and zinc should be to bring about conditions that would permit the lead and zinc industries of the United States to operate normally within our traditional concepts of private industry. We do not believe that such conditions can be achieved by a program of subsidies, such as proposed by S. 1747, nor by the prolonged use of the present import quotas, nor by manipulations of the tariffs in an effort to support prices.

The administration is opposed to any increase in the duties on lead and zinc, especially at this time when world conditions are such that we dare not weaken the friendship and support of friendly nations.

Especially objectionable are the provisions which would impose additional duties when prices fall below 13½ cents per pound and withdraw them when prices rise above 14½ cents per pound. The sudden imposition of a duty of 2 cents per pound because of a price movement, which could be as small as one-fourth cent per pound, in the domestic market could cause extremely abrupt fluctuations in market prices both inside and outside the United States. The alternation between the lower and the higher levels of duties would introduce speculative factors into the market which could be controlled only by measures more stringent then those provided in the bills. Furthermore, the duties imposed when prices fall below 13½ cents are higher than most duties on mineral commodities.

The Department believes that subsidies of the magnitude envisioned by S. 1747 would be seriously detrimental not only to national interests but to the welfare of the industry itself. These subsidies would bring onto the market substantial additional tonnages of metal at a time when stocks are unusually large and are depressing prices. In addition, they would stimulate production by marginal mines which would be unable to survive the expiration of the subsidy program. Subsidies of this character would make it impossible for the industry to achieve an economically independent status.

We recognize that the Government was responsible in part for stimulating world production by its stockpiling program. For this reason, we have endorsed the temporary use of import quotas and have used international consultations to push for reductions in output by producers outside the United States.

The administration is supplementing these efforts to reduce production abroad and reduce the available supply of metal in the world by offering to barter surplus agricultural products in exchange for surplus lead stocks held outside of the United States. This barter program has been conditioned on the willingness of major producers to cut back mine and smelter output substantially below the levels of previous years and on the willingness of producers throughout the world to bring total production below anticipated levels of consumption. We believe this program will lift off the market a large part of stocks held abroad and help bring about a balance between new supply and demand.

Imports of unmanufactured lead and zinc have been controlled by quantitative quotas since October 1, 1958. These quotas have not been sufficiently restrictive to permit domestic mine production to rise in the face of sharply declining consumption of lead and zinc. Nor have the foreign producers, to date, sufficiently reduced output to make it safe to remove the quotas. While we should like to see the quotas removed at the earliest practical date, we strongly recommend that they be retained until surplus stocks accumulated outside of the United States are liquidated and world production is brought into line with consumption.

There remain, however, the problems of economic and human distress arising from the inability of depleted or uneconomic mines to continue to supply employment in a community. Measures to cope with such problems in all areas are now rapidly taking shape. The Congress has enacted the Area Redevelopment Act (Public Law 87–27), and the administration has moved promptly to implement it. In this connection, the administration expects to create a special task force to gather data and analyze the situations of depressed communities historically related to mining. The Nation cannot afford erosion of human resources by the depletion of the particular natural resources upon which the economy of a community has been based.

This Department is engaged in an analysis of the whole range of problems affecting the production and utilization of metals and minerals. These problems are complex and do not lend themselves to ready and easy solution. We regard

this review as a continuing function of the Department, and as we find deterrents to fuller realization of the Nation's mineral potential, we shall seek their removal.

In reporting on another measure, the Department has indicated its willingness to see a temporary program of limited subsidies to small producers as a relief measure pending the development of more fundamental economic opportunities in the depressed mining areas. The tonnages to be subsidized and the amounts of the subsidies in the Department's proposal are much smaller than those of S. 1747. The increased production likely to result from the Department's proposal would not be large enough to affect the market significantly.

The Bureau of the Budget has advised that there is no objection to the presentation of this report from the standpoint of the administration's program.

Sincerely yours,

JOHN M. KELLY,
Assistant Secretary of the Interior.

Senator CARROLL. It is my pleasure to join with our most able colleague, the Senator from New Mexico, as a cosponsor of the proposed legislation.

All who are present today are familiar with the efforts of the lead-zinc industry to cause programs and policies to be adopted which would afford it stability.

Without being repetitious, let me assure you that the bill now before this committee is not temporary or emergency in nature. It is not a palliative, but provides the essentials to put this important industry on its feet.

The bill is designed to be fair to the importer, the domestic miner, the domestic consumer. In my opinion it is a well-thought-out measure and contains the real answers to the problems of the depressed lead-zinc industry. I trust S. 1747 becomes the Lead-Zinc Act of 1961, and I will do everything I can to assure its passage.

I see the distinguished chairman of our committee is also here with us this morning. We are glad to have him with us because we need his advice and counsel on this important issue.

I have been informed that we have two Senators here to testify. Is Senator Cannon of Nevada here yet? I understand that he has a statement that he desires to be inserted in the record.

(Senator Cannon's statement follows:)

STATEMENT OF HON. HOWARD W. CANNON, A U.S. SENATOR FROM THE STATE OF NEVADA

The plight of the lead-zinc industry in my State is of such serious proportions as to make it imperative that I support those measures which realistically approach the problem and offer reasonable solutions. I have already joined in sponsoring other legislation which I felt would afford some relief, and I earnestly urge this committee, after due consideration and study, to report out the type of bill which best deals with this difficult situation.

As members of this committee know, the U.S. Tariff Commission has repeatedly found during the last decade that the domestic lead-zinc industry was suffering serious injuries. Yet during this entire period no satisfactory corrective action has been forthcoming. Meanwhile, the industry has been virtually eliminated in many parts of the Nation.

In my State, whole communities have been disrupted and in some cases almost wiped out as a result of the depressed condition of the industry. Mining engineers who have spent their lives in obtaining the necessary professional education and experience are finding that their efforts have been in vain. Miners whose lives and families are rooted in the mining community are finding that they must pull up their roots and seek to begin anew in a new community and in a new endeavor for which they have no qualifications or training, leaving behind the homes and all else that goes with an established community life.

May I, by way of illustration, list some figures to show what has taken place in Nevada in the production of lead and zinc. From 1949 to 1953, lead produc-

tion averaged 7,669 short tons annually. Total production had dropped to 4,150 short tons in 1958, and in 1959 the industry experienced another 67-percent decline to 1,370 short tons.

Zinc, though slightly recovered in 1959 over the 1958 production, had gone from 16,132 short tons annual average for the 1949–53 period to 91 short tons in 1958.

It does not take much imagination to know what such a situation does to the community which is totally dependent, either directly or indirectly, on the lead-zinc industry.

For those who refuse to feel alarm for such a situation because it is local, may I suggest that the importance of the lead-zinc industry to the total national economy and security be viewed in its proper perspective. The recently increased tenseness of the cold war should alert everyone to the need for a vigorous and responsive domestic metals industry. Mines with the tunnels collapsed or flooded with water cannot respond to the national need in times of emergency. It is far safer to keep them operating and in the long run it is less expensive.

I hope that it will be possible during this session for the Congress to enact a program which will assure the continued exploration, development, and production of lead and zinc. This can be done, I believe, without harming importers or consumers. Stabilized prices at a level which would make it possible for the producers to operate without a loss and at the same time assure the consumer of an adequate continuing source at a price he can afford should be the goal of any legislation. In addition, it does not seem to be unreasonable to adopt a program which will give the domestic producers at least 50 percent of the domestic market. This would still leave foreign importers a sizable market.

This committee has the knowledge as well as the responsibility to report out legislation which will keep our domestic lead-zinc industry solvent while contributing to the security of this Nation. I sincerely believe that the bill which Senator Anderson has introduced and which is under consideration here by this committee offers the best approach. The barter-stockpiling program proposed by the administration does not, in my view, furnish the kind of corrective action that is required. In a letter to the Secretary of the Interior following the announcement of that program, I expressed doubts as to its workability, pointing out that Nevada could not benefit by a stockpile plan. I believe this is also true for other States with similar problems.

The action taken by this committee could well determine the future of the lead-zinc industry and, concurrently, will have a marked effect on our national economy and security. I am pleased to add my endorsement to S. 1747. Thank you.

Senator CARROLL. Mr. Chairman, do you desire to make any comments at this time?

Senator ANDERSON. No; I believe not. I believe Senator Bennett was also to be included.

Senator CARROLL. Senator Bible, do you have a statement at this time?

Senator BIBLE. I have no official statement. I see many, many friends out in the audience, and I hope that something worthwhile will come of these hearings, and that we can move some legislation forward that will be helpful to this depressed industry, which is certainly about to go into its final demise. I think this is the time that we must do something. I am waiting to hear the suggestions, and I hope we can come up with some worthwhile legislation.

Senator CARROLL. Senator Moss.

Senator Moss. Mr. Chairman, I did have prepared a brief statement which I would like to have placed in the record. I will not take the time of the committee at this point to read it, because we have many witnesses that we want to hear.

I certainly agree with the Senator from Nevada in saying that we may be getting to the point where this is our last opportunity to do something for the domestic lead-zinc mining industry before it is completely defunct.

It has been steadily going down hill on production and employment for more than 10 years now.

The few efforts that have been made have not been effective to reestablish the industry and keep it not only as an economic benefit internally in our country, but as a necessary defense production industry in the event we need the material for the defense of our country.

I think it is extremely urgent that some effective action be taken. I strongly support the Anderson-Aspinall lead-zinc bill approach, and I would like to file this for the record, if I may.

Senator CARROLL. Without objection the statement of the Senator from Utah will be inserted in the record as though given before the committee.

(The prepared statement of Senator Moss follows:)

STATEMENT OF HON. FRANK E. MOSS, A U.S. SENATOR FROM THE STATE OF UTAH

Mr. Chairman, since this committee has reviewed several times the lead-zinc battle of the fifties' which began with the Torquay tariff reductions on lead and zinc that became effective June 6, 1961, my statement will be brief.

We are all familiar with the unanimous finding of injury to the domestic industry by the Tariff Commission as presented in reports of May 1954, April 1958, and March 1960. The recommendations of this agency, which was established for the express purpose of determining cases of injury due to unreasonable foreign competition, were shunted aside for a program of stockpile purchases and barter. I am sure we agree that this only prolonged the day of reckoning, and perhaps aggravated the situation.

The 1957 proposal of the previous administration for a sliding scale tariff was hampered by rates that provided no permanent solution, and was turned down by Congress. Then came the 1958 Tariff Commission findings. These were held in abeyance pending congressional action on Secretary Seaton's domestic minerals stabilization plan.

When enactment of this program failed, President Eisenhower established quotas, effective October 1, 1958, but on a much more generous basis to the importer than had been recommended by the Commission.

As these quotas did not solve the problems of the domestic producers, friends of the lead and zinc industry in Congress continued to propose legislation, which, incidentally, is the only practical means of achieving the needed stabilization. In 1959, Senator Murray, then chairman of this committee, proposed his 4-cent import-tax bill, S. 2169, which contained peril points of 15½ cents for lead and 13½ cents for zinc. Congressman Wayne Aspinall, chairman of the House Interior Committee, introduced the flexibility-quota bill.

And Chairman Aspinall introduced, and Congress passed, House Resolution 177, calling on the executive department to advice the Congress on mineral policy. Unfortunately, there has been no action on this request. The resolution has no legislative force. It is, however, being used as the basis for a request to this administration for an action that is sorely needed—the determination of a policy respecting the status and future of the domestic lead-zinc industry.

During this long period of waiting for constructive action, the domestic mining industry has continued to decline. The loss of employment from closed mines has brought resultant hardships to families and communities alike. This is particularly the case in my State of Utah. Figures reported by the U.S. Bureau of Mines show the following Utah lead-zinc production for 1951, and to provide a simple comparison, I include 1960.

	Number of mines	Tons material treated	Tons lead and zinc produced	Value of lead and zinc
1951	61	710,923	84,768	$29,947,434
1960	15	486,482	74,874	18,371,940
Decrease (percent)	75	32	12	39

Reducing these cold statistics to human terms—the small mines have all but disappeared, and the few remaining operate at a loss in order to offer some protection to ore reserves and investments in mine openings and equipment.

You will note that the percentage reduction in actual lead and zinc produced is less than the reduction in tons of material treated. This means that the few mines remaining are "high grading" their ore reserves to stay in business. This, together with reduced exploration and development, will soon close these mines.

The high percentage loss in income compared to production reflects the low domestic market prices which excessive, unneeded foreign imports have imposed. This Congress must do something about this situation to rejuvenate and stabilize a natural resource industry that was the foundation of much western development and is still vital to our economy as well as to America's security.

Mr. Chairman, I am a cosponsor of the Anderson bill, S. 1747, that has been endorsed by the lead-zinc miners of Utah and many other States as the Lead and Zinc Act of 1961. The provisions of this bill will allocate some 50 percent of our domestic markets to the domestic miner, and in so doing, will provide a price that will keep our miners in business. At the same time, the legislation will provide an adequate supply of metal to consumers at prices attractive for increased used in manufactured products. And the foreign importer will still have a large segment of our markets at a favorable price, and under tariff rates that are most reasonable.

A familiar argument is being revived gainst this bill. It says that we cannot afford to stabilize the lead-zinc industry of the United States because to do so would weaken the friendship of foreign nations.

I do not believe that friendly foreign nations expect, or would respect, a policy which provides them with so large a share of our market that destruction of an important American industry would result.

I urge the administration to dispense with proposals of further temporary palliatives and endorse this effective legislation for approval by this committee and passage during this session of Congress.

Senator CARROLL. I have a statement from the honorable Senator from Missouri, Stuart Symington, to be placed in the record and a letter from my good friend Steve McNichols, the Governor of Colorado.

(The material referred to follows:)

STATEMENT OF HON. STUART SYMINGTON, U.S. SENATOR FROM THE STATE OF MISSOURI

Mr. Chairman: Thank you for the privilege of submitting for the record my views on the needs of the domestic lead and zinc mining industry.

The recent history of this industry has been one of steady decline. In 1956, for example, the production of lead was 352,000 tons. Last year it was only 244,000 tons.

During the same period, the number of operating lead and zinc mines dropped from 670 to some 200.

Employment in these mines was 25,000 in 1952. Today it is about 9,000.

The decline in our domestic production has been accompanied by a sharp increase in imports of lead and zinc.

Efforts by the Federal and State Governments to meet this problem over the past few years have been totally inadequate; and I am glad Congress and the administration have decided to take a good look at this vital problem.

My own State of Missouri—the No. 1 domestic producer of lead, has been particularly affected by this slump. The once productive "lead belt" with such towns as Flat River, Bonne Terre, and Fredericktown, and the area around Joplin, Mo., have been in the grips of chronic unemployment, caused, in large measure, by the closing of mines and the cutback in production.

The solution to this situation will not be an easy one, nor will short-term emergency programs provide the answer; for the solution to the problem of the domestic lead and zinc mining industry will require effective long-range action by both the Government and the industry.

The recent proposals of the administration give some recognition, but that recognition must be followed by action. This 3-year support program will be

a helpful stopgap measure for the small producers. It is no final answer, however.

We are very much encouraged by the reported plan of the Government for additional research on the mining and use of these valuable minerals, and will support this work in every proper way.

The people in the lead mining districts of my State do not want a handout. They are only too willing and anxious to work in the future as in the past.

Lead and zinc are important natural resources, with a vital role to play in the future economy of our State and the country; and I hope that the Congress will enact positive legislation to meet the ever-increasing problem of the domestic lead and zinc industry.

STATE OF COLORADO,
EXECUTIVE CHAMBERS,
Denver, July 24, 1961.

Hon. JOHN A. CARROLL,
Chairman, Subcommittee on Minerals, Materials, and Fuels,
New Senate Office Building, Washington, D.C.

DEAR SENATOR CARROLL: The recent and current disturbed international conditions, precipitated in part by the Berlin situation, place upon the Congress and the administration the responsibility to bring prompt relief for those segments of the domestic mining industry which have been depressed by low market prices and excessive imports. Failure to provide such relief will not allow them to produce the metals which they historically have produced during perods of national emergencies. Senate bill No. 1747 will accomplish this end for the lead and zinc mines.

The history of the lead and zinc industry and its relation to employment and production is well known and repeatedly has been stated before various hearings in recent sessions of the Congress. The Colorado situation is not different from those situations which prevail in the other principal lead and zinc producing States, with the exception that we have now lost, by shutdown, the all-important smelter at Leadville, Colo.

The bill under consideration will authorize a limited subsidy to be paid from tariff receipts on imported lead and zinc, minerals, concentrates, metals and products thereof. The cost of the subsidy will not be borne by the American taxpayer.

Provisions for stabilization payments under this program are equitable. The base prices for lead, at 14½ cents per pound and for zinc at 13½ cents per pound are both realistic and appropriate as evidenced by recent minerals history. The established price of 16 cents per pound for the determination of payments is not excessive; it is in line with the other costs and current mining expenses. Should inflation continue, it even may be found to be too low.

In my opinion, S. 1747 will be of much greater benefit to the lead and zinc mining industry than will the proposal offered by the Department of the Interior for stockpiling lead and zinc and for financing the purchase of the metals for stockpiling by selling surplus farm products to foreign countries. History demonstrates that the exchange of foodstuffs for metals has been of serious injury not only to the mining industry, but also to the American metals market. The economy of any segment of the mining industry always will be under jeopardy as long as it is tied to and becomes a part of a program for the disposal of surplus farm products.

I recommend and urge the Subcommittee on Minerals, Materials, and Fuels give favorable consideration to S. 1747.

Respectfully submitted.

STEVE MCNICHOLS, *Governor.*

Senator CARROLL. Senator Hickey, of Wyoming, do you have any comment at this time?

Senator HICKEY. No.

Senator CARROLL. Senator Metcalf, any comments?

Senator METCALF. Mr. Chairman, I have no comment at this time, except to add that the disastrous state that the lead and zinc mining industry has found itself in, and all over the Western States, makes it imperative that we do something about it immediately, and I, as

cosponsor of the Anderson bill, hope that this will be the vehicle we will enact to do something for the lead and zinc industry.

Senator CARROLL. Let the record show that we have Senator Allott, of Colorado, and Senator Dworshak, of Idaho, here for this important meeting. Senator Dworshak?

Senator DWORSHAK. No comments at this time.

Senator CARROLL. Senator Allott, do you have any statement to make?

Senator ALLOTT. I have no statement, Mr. Chairman, since I am not a member of this subcommittee, but I have introduced numerous bills on this matter, and I hope that this session will result in some legislation for the mining industry of the West.

Senator CARROLL. I thank the Senator.

We have with us the able Senator from Utah, Senator Bennett. We always try to give some leeway to Senators and Congressmen who appear before the committee because of the press of other business. Would the Senator from Utah be willing to come forward, if the committee does not object, and we can have his statement inserted in the record? I have here a 4-page statement, and without objection I will put it in the record at this time.

STATEMENT OF HON. WALLACE F. BENNETT, U.S. SENATOR FROM THE STATE OF UTAH

Senator BENNETT. Mr. Chairman, I appreciate this. I have been tied up in the Finance Committee this morning, and I was unable to be here when the other Senators were called on. I would like to offer my statement for the record. I am a cosponsor of the bill. I certainly hope it will be approved.

I should also like to ask permission to offer a statement of S. K. Droubay, vice president and general manager of United Park City Mines Co., who not only has an excellent statement based on actual experience in operating one of the few lead-zinc mines that is left operating in the West, but he has some very interesting charts, and I hope it will be possible to produce those charts in the record. If not, I am sure they will be interesting in the files.

Senator CARROLL. We will be very pleased to receive this report, and without objection it will be placed in the record also with the statement of the able Senator from Utah.

Senator BENNETT. I appreciate your courtesy, Mr. Chairman. Thank you very much.

Senator CARROLL. Thank you for coming.

(The prepared statements of Senator Bennett and Mr. Droubay follow:)

STATEMENT BY HON. WALLACE F. BENNETT, A U.S. SENATOR FROM THE STATE OF UTAH

Mr. Chairman and members of the committee, I greatly appreciate the opportunity of appearing before you this morning in support of S. 1747 of which I have had the honor to be a cosponsor with the chairmen of both the full committee and the subcommittee. This bill holds out the only hope for the economically depressed lead-zinc industry in our Western States, and specifically in Utah. Our lead-zinc miners and mine operators in the West are being drowned in a flood of lead-zinc imports from foreign countries. They have had little sympathy from any administration during the past three decades. The recent July 21 report of the Department of Interior, flatly rejecting S. 1747, conclusively shows that the Kennedy administration is no exception and that it has all but written off the

lead-zinc mining industry in the Western States. Unless Congress acts and acts soon, this hearing will be at best, a wake for the industry and we can proceed from here to dedicate the grave.

WESTERN MINERS HAVE SUFFERED THE GREATEST LOSS

Our western miners and mine operators have had to bear almost the total loss of markets caused by the great increase in imports from abroad. This discrimination must cease. Comparing the average domestic production of lead-zinc of the 1947–49 period with the domestic production of 1960, the loss of production in areas other than the Western States was just 51,080 tons, or 15 percent of the total loss. But the loss of production of the Western States was a shocking 85 percent, or 287,666 tons. This means a direct loss to western miners of $46 million in 1960 alone.

UTAH'S DEPRESSED LEAD-ZINC INDUSTRY

Where domestic lead-zinc mine and mills had 24,777 employees in 1952, there were only 9,769 in 1959 and fewer now, a decrease of 61 percent. In Utah, the number of employees in our lead-zinc mines has dropped from 3,118 in 1948 to less than 1,000 today. Where Utah had over 100 mines operating in 1948, there are only 6 today, and 3 of them are small mines combined under one management. Our Utah lead-zinc industry is an island of depression in a sea of national prosperity.

TARIFF COMMISSION UNANIMOUSLY FINDS INJURY

The Tariff Commission unanimously found in May 1954, in April 1958, and again in March 1960 that the lead-zinc industry is suffering serious injury because of excessive imports. I think all of our people recognize that we must import lead and zinc to meet our needs but not in the vast quantities now permitted to reach our shores, since it is having the effect of depressing the price of lead-zinc in domestic markets. It is particularly unfair that western miners should bear almost the full burden of this impact.

It is imperative for us to preserve a stable domestic lead-zinc industry in the interest of our national security.

We must have a reliable source of supply and it seems only fair and reasonable to permit our domestic industry to have 50 percent of the American market. Yet, at the present time, imports of lead exceed domestic production by 110,000 tons. Imports of zinc in 1960 exceeded domestic mine production by 70,000 tons. This flood of imports has caused a sharp drop in prices which makes it impossible for our Utah miners and mining operations to make a profit.

KENNEDY ADMINISTRATION'S PROGRAM—A RETURN TO FAILURE

Against this serious backdrop of depression in the lead-zinc industry, I think the Utah miners and mine operators may be forgiven for believing that what purports to be a program offered by the Kennedy administration is worth virtually nothing at all. First of all, the administration rejects S. 1747, which would give domestic miners a price of 13½ cents per pound for lead and 14½ cents per pound for zinc. This combined price is the minimum which must be received by the western lead-zinc mine operators if they are to have a successful economic operation. Contrast these prices, however, with the price which has prevailed for several months of 11 cents for lead and 11½ cents for zinc. These prices under the bill would be achieved by a permanent tariff on lead and zinc of 2 cents per pound, compared with the present rate of 1.0625 cents for lead and 0.7 cent for zinc. In addition, should the domestic price for either metal go below 13½ cents an additional 2 cents flexible tariff would be applied, to be removed when the domestic price rises above 14½ cents per pound.

The administration offers as a substitute for S. 1747 a four-point program:

1. Temporary continuation of the present quantitative import quota program.
2. A barter arrangement under which the United States would exchange surplus agriculture products for lead stocks held outside the United States.
3. A temporary program of limited subsidies to small producers.
4. Creation of a special task force to gather data.

The barter and import quota programs constitute a return to programs that have been tried and failed. The quotas are set so high that our shores are being flooded with imports of lead-zinc. In Utah alone, there has been a decline of over 13 percent in lead-zinc metal production since quotas were imposed on

October 1, 1958. Employment has dropped over 13 percent in the same period, with resulting hardship to miners and their families. In the last 2 years, two custom lead-zinc mills were closed and a lead smelter and custom ore sampler have been dismantled. Where Utah 10 years ago had three custom lead smelters, three custom lead-zinc mills, and one independent custom ore sampler, we now have only one lead smelter, one lead-zinc mill, and no ore samplers.

The barter program was completely discredited when it was applied in 1955–56. All that barter accomplished then was to stimulate foreign production. As a result, imports reached an alltime high in the year 1956 through 1958, amassing commercial surpluses which have never been liquidated. Such a program would add 300,000 tons of lead-zinc to the huge supply already in the Federal stockpile. In all, it would waste $60 million of Federal funds. Any temporary benefit which might result would not reach the miners who are the ones who need help. On the contrary, the benefits would go to the two or three large producers who hold excess stocks. The end result of barter would be merely a subsidy to foreign producers.

The third point in the administration's program calls for temporary subsidies to small producers. This would be of virtually no use to the lead-zinc mining operations in the State of Utah. None of the few remaining existing producers would qualify for assistance, with one exception, under the so-called Edmondson subsidy bill endorsed by the President.

The subsidy recommendation by the administration is most curious. On the first page of the administration report, the use of subsidies is vigorously criticized. The report correctly points out that this would bring on the market substantial additional tonnages and would stimulate production of marginal mines. Let me say in all candor that I agree with the administration. But then on the third page, the administration recommends the adoption of a program of the very subsidies it earlier attacked. This is surprising to say the least.

Let me make it clear that I, as one Senator, will not support any limited subsidy program to small producers unless the flexible tariff provisions of S. 1747 are enacted.

As for a task force to study mining problems is concerned, our mining industry has been studied to death. We need affirmative action not more paperwork.

If this disastrous trend is allowed to continue it will not be long before the United States will to be totally dependent upon foreign imports. Likewise our lead-zinc industry in the Western States will be dead. Therefore, I urge early favorable action by this committee to approve S. 1747 which is the only real hope for the survival of the lead-zinc industry.

I hereby request that the committee include in the hearing record the attached statement prepared by S. K. Droubay, vice president and general manager of the United Park City Mines Co., Salt Lake City, Utah, who is unable to be here this morning. Mr. Droubay is also president of the Utah Mining Association and fully endorses S. 1747.

STATEMENT OF S. K. DROUBAY, VICE PRESIDENT AND GENERAL MANAGER, UNITED PARK CITY MINES CO., SALT LAKE CITY, UTAH

United Park City Mines Co.'s current activities represent all of what remains of one of our Nation's former richest and most prosperous lead-zinc-silver mining operations. Our employees today number less than 200, where formerly there were up to 2,000 men employed. Two counties have lost excessive tax revenue that once supported schools and other community activities. The very existence of our company as a domestic mining operation, now more than ever, depends on prompt and positive action on the part of Congress. We cannot survive much longer unless we are protected from excessive low-cost foreign imports that keep our markets flooded and our metal prices depressed. We in the Western States have borne 85 percent of mine curtailment forced by excessive imports, because of our lesser amenability to mechanization and because of the much higher burden of freight rates to market. This means that the people of Park City, Heber, and many other surrounding communities are suffering unemployment and all of the other harsh aspects of a community that loses its place of majority employment.

We are almost at the end of the road and feel that it is not in the public interest to sacrifice our industry, which creates new wealth and furnishes employment, tax revenue, and other community support, in order to let foreign nations take over our markets. We can compete with other American producers and stay in business, but we cannot survive the impact of foreign imports which

flood through and around our domestic smelters. We truly believe that all of the features outlined in S. 1747 are needed to save our industry from eventual total disintegration.

United Park City Mines Co. represents a consolidation of most of the old, famous mines of the Park City mining district, the United Park City Mines Co., being the result of the consolidation of the Silver King Coalition Mines Co. and the Park Utah Consolidated Mines Co. in 1953. These two predecessors mining companies have grown from previous consolidations of numerous other Park City mines. The history of this group of mines since World War II and the Korean emergency, as operations of the United Park City Mines Co., is the story of an American natural resource industry being destroyed because of inflated production costs on one hand and a reduced or stabilized income, due to low-cost foreign imports, on the other hand. These mines are not small, marginal producers which are vulnerable to short-term periods of low metal prices, but are historically listed in the Bureau of Mines Annual Mineral Yearbooks among the top 25 producers of lead and zinc in the Nation. For example, the 1948 volume lists Silver King Coalition Mines Co. 16th in lead production and Park Utah Consolidated Mines Co. 25th. The 1957 volume lists United Park City Mines Co. 16th in lead production and 22d in zinc production. The American Bureau of Metal Statistics for 1959, page 48, shows only three districts in the United States producing more lead than the Park City district during 1958.

We are an independent mining company, owned by 7,500 public stockholders, selling our raw ores to the only custom smelter left in Utah. Two other custom smelters have been torn down because of the decline in Western States lead-zinc mining.

Production from the Park City mining district from the late 1860's through 1960 has been estimated as follows:

Income to mining companies	$314,000,000
Revenue to railroads	18,300,000
Retained by smelter, mills, etc	99,000,000
Total income from metals paid for	431,300,000

From the records of the various companies that now make up United Park City Mines Co. and from our own records, the following statistics are recorded for the period 1875 through 1960:

Lead produced:	
Pounds	2,911,516,576
Tons	1,455,758
Zinc produced:	
Pounds	964,872,939
Tons	482,436
Silver produced ounces	197,914,977
Gold produced do	463,118
Copper produced:	
Pounds	61,176,830
Tons	30,588

From this production the mines received $261,748,737 and paid out $64,407,247 in dividends. No dividends have been paid since 1952 and dividends have been very limited since before World War II. This reflects overproduction of metals for purposes of war during times of ceiling metal prices and manpower shortages, which, in turn, resulted in gradual depletion of ore reserves through lack of sufficient development work.

Our company has suffered an annual operating loss of approximately $100,000 per year from 1955 through 1959. This trend continued through three-quarters of 1960, then drastic measures had to be taken in order to halt the drain on the company treasury. Our employee workweek was reduced from 6 to 5 days per week, reducing their income by $100 per month. Production was kept on a 6-day basis (economically necessary) and employees rotated. This action cut out the overtime shift but saved laying off 1 out of each 5 employees. Fringe areas of the mine were let out on small block leases, and company operations are now concentrated in several central areas. Maintenance work has been abandoned in many of the more remote portions of the mine. Changing to this type of operation produced its intended financial objective but is contrary to logical procedure for natural resource conservation. It could well result in total extraction of

ore reserves within an unreasonably short time. Yearly losses are suffered only because shutdown expenses would be much greater. Our two predecessor companies, Park Utah Consolidated Mines Co. and Silver King Coalition Mines Co., were closed down in June of 1952 because of labor strikes. Before the strikes could be settled lead and zinc prices declined to a point where resumption of operations could not be considered by either company. Lead declined from 19 cents per pound in January of 1952 to 14.1 cents per pound in December of the same year. The price of zinc declined from 19.5 cents per pound to 12.5 cents per pound during the same period. In the meantime, the two companies decided there was mutual advantage in combining their resources and continuing on as a single company. Thus, United Park City Mines Co. came into being in May 1953.

In the fall of 1954, after a shutdown period of over 2 years, metal prices began to rise. Shutdown expenses had been very costly to the predecessor companies and continued costly for the new company. Shutdown expenses from May 8, 1953, until October 1, 1954, had cost the new company $522,458 (about $30,000 per month), so it was decided to begin operations again and take advantage of the increased metal price. The lead price had advanced to 14.5 cents per pound and the zinc price had advanced to 11.4 cents per pound, after lows of 12 cents for lead in April 1953 and 9.25 cents for zinc in February 1954.

During the third quarter of 1954, with improved prices of 15 cents per pound for lead and 11.5 cents per pound for zinc, and through the year 1955, when prices averaged 15.14 cents per pound for lead and 12.3 cents per pound for zinc, a modest profit was made, because high-grade ore was selected and the amount of development work was moderate. Activities were confined largely to the Ontario mine. Then when prices were at 16 cents per pound for lead and 13½ cents per pound for zinc during 1956, it was deemed necessary to catch up on neglected underground repair and maintenance work in all branches of the operation. Also, a substantial development program was started. This necessary work ended hopes of profit and none was realized in that year.

Our operation consists of five underground divisions that were former independent mines. They are now interconnected with a drain tunnel approximately 30,000 feet long. Even though present production comes from but one or two of these divisions, it is necessary to repair caving ground and replace rotting timber in the main tunnels and shafts of all divisions. The longer such repair work is neglected, the most costly it becomes until, if left too long, the workings cave and must be abandoned. Already we have been forced to abandon sections of the mine from time to time and this problem presents increasingly serious and grave concern. Such abandonment is a waste of potentially productive mining property. Mine deterioration is much like a malignant growth in a human being. It must be fought and kept under control at all times. Losing parts of your mine is like a patient losing a leg, then an arm from cancer. Neither will ever be the same again.

In order to demonstrate the seriousness of our position the following tabulation is presented to show the money spent each year on development and maintenance work in the various divisions of United Park City Mines Co. for the years 1955 through 1959:

Year	Park Utah	Ontario	Daly West	Judge	Silver King	Daly	Total
1955	$7,347	$578,117	$172,588	$154,046	$178,395	----------	$1,090,493
1956	30,821	616,468	251,367	86,755	371,508	----------	1,356,919
1957	107,087	547,784	202,853	50,702	157,213	----------	1,065,639
1958	65,435	537,411	76,359	54,209	53,871	$24,725	812,010
1959 [1]	20,476	575,419	48,209	51,322	34,293	44,057	773,776
Total	231,166	2,855,199	751,376	397,034	795,280	68,782	5,098,837

[1] 1960 figures are approximately the same as those for 1959.

Note how expenditures in the Silver King portion of the mine have been drastically reduced with the declining lead price from 16 cents per pound in 1956 to a low of 11 cents in 1959. Zinc also declined from 13½ cents per pound in 1956 to a low of 11 cents in 1959. The bulk of our production has come from the Ontario mine since 1954, where we endeavor to develop a ton of new ore for each ton mined. Even so, expenditures have had to be reduced in this part of the mine. Anyone engaged in mining realizes that development work is the "life-

blood" of mining. This is especially true in Western States limestone replacement deposits, where ore is scattered over large areas. There are four tunnels on our property over 20,000 feet long, and our underground workings measure in the hundreds of miles.

In order to further demonstrate the effect of declining metal prices and increasing cost of labor and supplies, the following tabulation is made:

	1956	1957	1958	1959	1960
1. Tons of lead produced	6,105	6,317	6,137	5,921	6,095
2. Tons of zinc produced	8,054	8,742	8,676	8,565	8,264
3. Total tons, lead plus zinc	14,159	15,059	14,813	14,486	14,359
4. Wet tons ore produced	85,699	98,941	108,795	107,619	108,874
5. Gross value metals paid for	$3,402,061	$3,367,255	$2,980,176	$2,947,920	$2,986,351
6. Paid to railroad company	$103,614	$124,858	$130,195	$113,044	$127,009
7. Paid to smelting company	$1,087,994	$1,104,117	$1,039,871	$1,055,514	$1,089,538
8. Paid to sampling and assaying	$47,847	$56,605	$29,949	$7,764	$1,859
9. Left for mining company	$2,162,606	$2,081,675	$1,780,161	$1,771,598	$1,767,945
10. Direct cost development	$684,304	$520,134	$373,106	$349,265	$393,092
11. Total cost development	$1,356,919	$1,065,639	$812,010	$773,776	[1] $800,000
12. Net loss per year	−$123,936	−$88,120	−$101,265	−$106,305	−$16,668
13. Income per ton ore	$25.23	$21.04	$16.36	$16.46	$16.24
14. Profit or loss per ton ore mined	−$1.45	−$0.89	−$0.93	−$0.97	−$0.05
15. Average number employees per day	281	268	236	231	221
16. State and local taxes paid	$60,602	$58,519	$53,433	$54,000	$57,194

[1] Estimated.

Note in items 1, 2, and 3 that tonnage of metal produced remained fairly constant during the 5 years. Note in items 6 and 7 that revenue to the railroads and the smelters also remained fairly constant. On the other hand, the gross value of ore (item 5) decreased, which resulted in progressively less income to the mine. Item 9, losses did not increase from year to year because crews were laid off as development and maintenance work was cut down to fit revenue. Income per ton of metal (item 13) became lower because of lower metal prices. There is a tendency to "high grade" a mine when very little new high grade ore is found through lack of development work, and our higher grade ore was mined under such conditions during 1954 and 1955.

The above tabulations, together with tables No. 1, No. 2, and No. 3, show in many ways our urgent need for higher lead-zinc prices. Tariff Commission reports in 1954, in 1958, and again in 1960, recognized the fact that the same is true for the entire domestic lead-zinc mining industry. Extensive studies by the Emergency Lead-Zinc Committee, by congressional committees, and private companies have established so-called peril point prices for lead and zinc below which the domestic industry cannot survive to meet the emergency needs of the Nation. Table No. 1 is an extract from my testimony before the Senate Finance Committee July 22, 1957, demonstrating that it would have required 17-cent lead and 15½-cent zinc in order for the United Park City Mines Co. to break even during 1956 when a fairly heavy development program was being carried on.

Table No. 2 demonstrates how the independent mining industry retains but a small share of the values of the minerals its produces. It shows how United Park City Mines Co., during 1958, netted less than 50 percent of the value of the gross metal content. The $38.18 gross value shown for a ton of ore (left-hand column) includes the value of the gold and silver content. Also, the net-income-to-mine figure of $16.75 includes the amounts paid by the smelting company for the gold and silver. The two columns on the right show that we netted but 6.36 cents per pound, out of an average price of 12.11 cents per pound, for the lead content and only 2.52 cents per pound, out of an average price of 10.31 cents per pound, for the zinc content.

The way things stand today, the profits from our Ontario division cannot indefinitely support the load of maintaining the vast network of underground workings in our other divisions in anticipation of better metal prices. In the past there have been the so-called bonanza periods when relatively high metal prices had the effect of wiping out periodic losses suffered durng lean years. Table No. 3 demonstrates that the lean years have become very prevalent in recent years. Eventually, unless things change real soon, we may well have to abandon all or large portions of the mine. The alternative is to sacrifice the interests of our thousands of stockholders by leasing our property to investment people, if any

are to be found, who are willing and able to gamble on the future of the lead-zing mining industry. In either case, the public interest is not served.

In conclusion, I would like to point out the impact that the depressed lead-zinc situation has registered on the town of Park City and the neighboring communities. United Park City Mines Co. and its neighbor, New Park Mining Co., have represented the industrial backbone of an extended area of 15,000 or more population. Towns such as Park City, Heber, Kamas, Peoa, Oakley, and Coalville, are very much dependent on the mines for their economic well-being, and their schools and community services depend heavily on our taxes. Now, less than 300 employees are working for the two companies, where formerly, in pre-World War II years, there were at times several times this figure. Silver King Coalition Mines Co. and Park Utah Consolidated Mines Co. employed a total of approximately 900 employees during 1940. Many families own their own homes and many are without work or are forced to hunt jobs away from the area. Permanent closure of the mines, which must come about unless conditions change, would turn Park City into a ghost town. This would render over 600 miners' residences and approximately 50 business houses practically valueless. Already the county has taken possession of over 1,000 individual lots, many with homes of them, and resold them to speculators for the amount of taxes due on them. This condition is not only a tragic loss to the former owners, but causes a great loss in revenue to county, State, and National governmental agencies. People of the area, as well as mine operators who are still trying to operate their mines, have read many official statements by congressional bodies, appointed study groups, members of the President's Cabinet, by the Tariff Commission and by Presidential representatives, that it is in the interest of our national security and well-being that the domestic lead-zinc mining industry must be preserved.

We who work in Western States lead-zinc mines cannot believe that we are less important to America than foreign interests and that our jobs and our industries will be allowed to "die on the vine." So far as we are concerned, the quota system invoked by President Eisenhower over 2 years ago is too lenient because 1960 year-end prices of 11 cents per pound for lead and 11½ cents per pound for zinc are much too low to support the domestic mining industry. We are forced to keep up production in order to preserve our mine and protect our position as a mining enterprise even though we operate at a loss year after year. Our formerly sound financial position will soon be totally undermined unless we are protected from competitive low-cost foreign production.

In this spirit of hope and confidence for the future, employees of United Park City Mines Co. have worked since July 1, 1957, with only one modest wage increase, in order that our company would have a better chance for continued operation. So you see, our employees, as well as community business, are all suffering financial loss in order to help preserve the domestic mining industry.

I thank you in behalf of our employees, our stockholders, and the communities of the Park City area for listening to our story.

TABLE I

"Secretary Seaton has described the plight of the domestic miner very clearly in his statement that accompanied the announcement of the long-range minerals policy. Also, many spokesmen for the industry such as Messrs. Otto Herres and Miles Romney from Utah, have explained our serious situation many times to congressional bodies in Washington. I would like to outline a few statistics that represent the operations of United Park City Mines during the 16-month period from January 1, 1956, through April 1957, when lead-zinc prices were stable at 16 cents and 13½ cents, respectively:

"Period of operations equals 16 months;

"Pounds of lead plus zinc in crude-ore production equals 38,225,953;

"Pounds of lead plus zinc paid for by the smelter equals 27,630,950;

"Average percent of production paid for by the smelter equals 72 percent;

"Operating loss during period equals $176,745;

"Average loss per pound of lead plus zinc paid for equals 0.643 cent;

"For each 1-cent increase in price the mines net: per pound of lead 0.83 cent; per pound of zinc 0.39 cent.

"Therefore, with average grade of production and crediting payment for gold and silver to operating costs, it would roughly take a 1-cent increase in lead price and a 2-cent increase in zinc price to afford a break-even operation and show a very slight profit. This would have meant a 17-cent lead price and a 15½-cent zinc price."

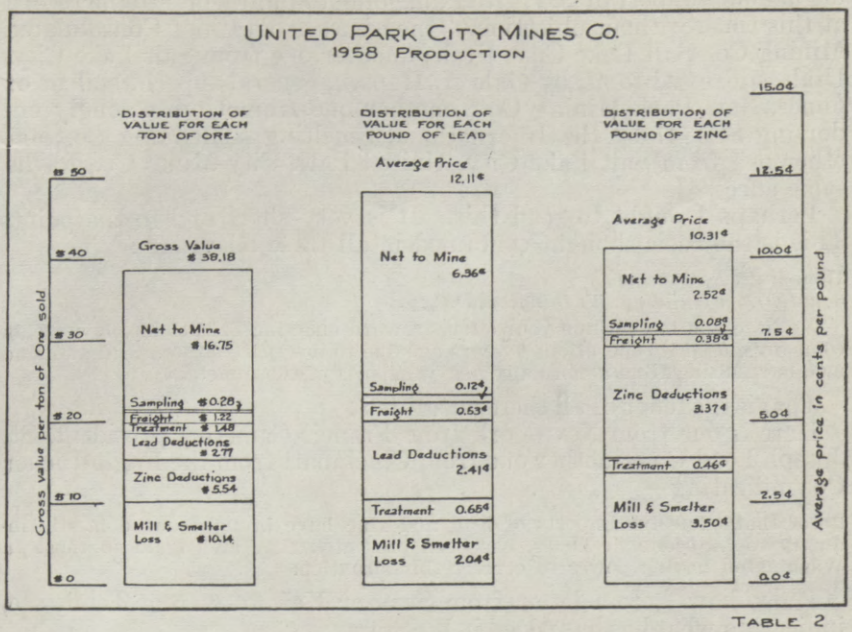

TABLE 2

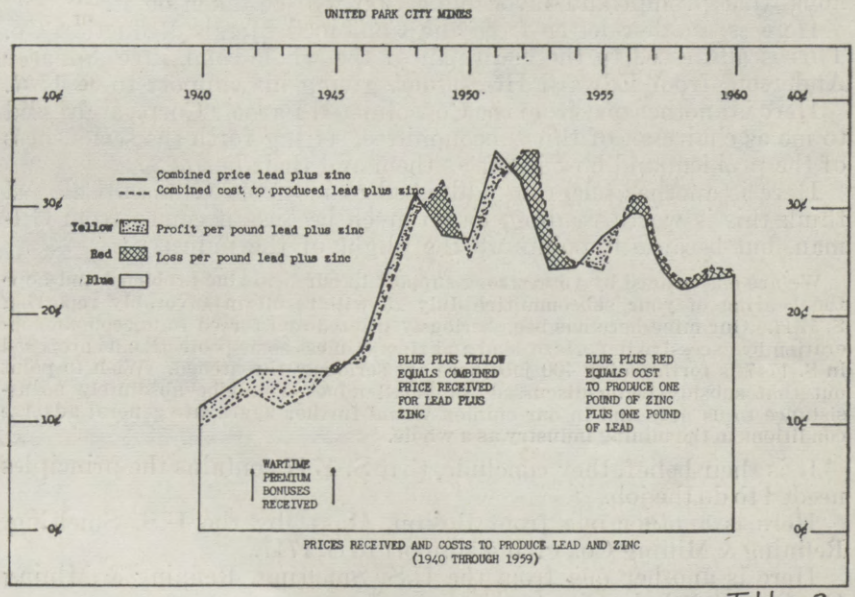

Table 3

Senator CARROLL. At the outset here, I have a number of telegrams urging our support of S. 1747. I am going to put them into the record at this time, without objection. One comes from Chief Consolidated Mining Co., Salt Lake City, Utah; another one from Salt Lake City, Utah, addressed to us, by Gale A. Hansen, general superintendent of mines, New Park Mining Co.; another one from Utah strongly endorsing S. 1747 by the International Smelting & Refining Co.; another one from Salt Lake City, United Park City Mines Co., to the same effect.

Perhaps I ought to read this. It is very short and to the point. This is the basic thought contained in all these telegrams:

Hon. JOHN A. CARROLL,
Senate Office Building, Washington, D.C.:

We urge you to continue your efforts toward enacting S. 1747 into law. This company closed its operations 4 years ago due to low price of both lead and zinc metals resulting from abnormally heavy imports of these metals.

That is the tenor of all these telegrams.

Here is one from New York from Francis Cameron, president, St. Joseph Lead Co.; another one from Cincinnati from the Eagle-Picher Co., indicating—

Proof that excessive imports of lead and zinc have brought our domestic industry to its economic knees, has been presented time and again to those in Washington having power to correct this situation.

I also have here a letter from Senator Kefauver from Tennessee, indicating what has happened in his State.

Senator Kefauver concludes that S. 1747 represents a workable solution to the problems now facing our Nation's lead industry, and he hopes that prompt and favorable action will be taken on it.

Here is another letter from the Combined Metals Reduction Co. This is addressed to the chairman of the whole committee, Senator Anderson, from Edward H. Snyder, giving his support to S. 1747.

Here is another one from the Consolidated Parnett Corp., addressed to me as chairman of this subcommittee, setting forth the seriousness of the problem and how it affects them and their business.

Here is another telegram addressed to me from Gilman, Colo. I think this is worth reading not so much because it comes from Gilman, but because it points up the plight of the industry:

We are encouraged by your strong support in our lead-zinc problems and hope the hearing of your subcommittee July 25 will result in favorably reporting S. 1747. Our mine here has been seriously injured and forced to uneconomic operation by excessive imports of lead and zinc. Unless some protection as proposed in S. 1747 is forthcoming 400 jobs here are seriously threatened. Wish to point out that subsidy being discussed for small mines would be absolutely no assistance to us here and in our opinion would further aggravate general adverse conditions in the mining industry as a whole.

It is their belief, they conclude, that S. 1747 contains the principles needed to do the job.

Here is another one from Boston, Mass., by the U.S. Smelting, Refining & Mining Co., giving support to S. 1747.

Here is another one from the U.S. Smelting, Refining & Mining Co. from Salt Lake City to the same effect.

Here is another one from Canon City, Colo., by the superintendent of the New Jersey Zinc Co. asking for the support and approval of this bill.

We have received this morning in the mail a five-page letter from the National Zinc Co., from the president, Mr. Jeffrey, who testified before this committee the last time it met, and, I think, gave very impressive testimony.

This will be included in the record.

I have another very important letter from Mr. Waldeck, who is a distinguished, prominent, exceedingly capable attorney from Montrose, Colo., who hoped to be here today to testify. He has given us a six- or seven-page letter, a very intelligent letter, and it touches the basic issues involved here.

Let the record show that the Senator from Nevada is here, Senator Bible; the Senator from Utah is here, Senator Moss, and the Senator from Montana, Mr. Metcalf, is here this morning.

Without objection I would like to put in the record at this time the letters and telegrams; first, the letter from Mr. William Waldeck of Montrose, Colo.; and I would like to follow that with a letter by Mr. Jeffrey; a telegram from C. E. Schwab, president of the Bunker Hill Co.; one from Hon. Albert D. Rosellini, Governor of the State of Washington, and then, as I have indicated, the telegrams and other letters that I have previously discussed at this time.

(The letters and telegrams previously referred to follow:)

BRYANT, PETRIE, WALDECK & KING,
Montrose, Colo., July 21, 1961.

Senator JOHN A. CARROLL,
Chairman, Senate Interior Subcommittee on Minerals, Materials, and Fuels, Senate Office Building, Washington, D.C.

DEAR SENATOR CARROLL: As counsel for Standard Metals Corp. we wish to register our support for Senate bill 1747 now pending before the Senate Interior Subcommittee on Minerals, Materials, and Fuels. We understand that hearings will be held before the subcommittee on this bill on July 25, 1961. The undersigned would have liked to have the privilege of appearing in support of such legislation but unfortunately prior legal commitments prevent such an appearance.

We are sure that testimony before the committee will have produced abundant and overwhelming evidence of the dire straits of the domestic mining industry due to the long continued, progressive weakening of domestic lead-zinc prices. Doubtlessly statistics will have been presented showing the deterioration of the domestic mining industry, the consequent loss of employment, secession of activity, closing of mines and mills and the resultant serious impact on the communities and areas dependent upon mining for their economic livelihood. Often, however, statistics alone do not present as vivid a picture as can be seen from focusing the attention upon specific examples of the effects of deteriorating prices causing the death of a domestic industry.

San Juan County, Colo., is a rather large county situated in the rugged high mountain terrain of the San Juan Range in western Colorado. The economic base of this area is dependent solely upon mining and the small amount of revenue produced by tourist travel. San Juan County encompasses one of the richest areas of mineral wealth to be found in the United States. However, because of the high altitude, ranging to 14,000 feet, extremely rugged terrain, and severe weather conditions, operations for exploitation of the mineral wealth must of necessity be on somewhat larger scale than in areas of milder climate, lower elevations, and less rugged terrain. Nevertheless the richness of the ore deposits as well as their size and continuity enables this area to compete favorably with any other areas provided operations of reasonable size can be maintained.

The principal mineral operations in the county during the last few decades have centered around the operation of the Shenandoah Mine & Mill and the Sunnyside Mine. The Shenandoah Mill was constructed in 1929 and began operations in 1930 and was operated continuously until March 15, 1952, when the decline in metal prices rendered continued operations impractical. Development operations on a starvation basis was continued by the company until the

latter part of 1953 when the company succumbed entirely to the deterioration of metal prices. During its operation the Shenandoah Mine & Mill employed as many as 300 persons. In addition to the concentration of ores from its own operations, the Shenandoah Mill has always accepted custom ores supplied to it by small mine operations and "leasers" operating mines throughout the area. Records of the mill show that as many as 25 separate shippers or operations supplied custom ore to the mill during yearly periods.

The other operation of some size in San Juan County during the last few decades was the Sunnyside operation located at Gladstone near the town of Silverton in San Juan County. This operation employed some 400 workers during its operations. The Sunnyside was forced to close some years ago because of a combination of low metal prices and water conditions which required large quantities of water to be evacuated through the upper workings and shaft.

Standard Metals Corp., which was formerly known as Standard Uranium Corp., was formed some years ago for the purpose of developing and mining of uranium properties. The company has been successful in such activity and was one of the companies which has helped to change the condition of the United States as being a "have not" country with respect to uranium to the world's largest producer of the metal. As the requirements of the United States for uranium began to be met, Standard Metals Corp. devoted effort and capital to other fields of mining in order to continue its activities and consequent economic contribution.

In 1959 Standard Metals Corp. acquired the properties of the Shenandoah Dives Corp. including the Shenandoah Mine & Mill at Silverton and in addition obtained a lease upon the Sunnyside mine at Gladstone. The company instituted a program of rehabilitation and modernization of the mill as well as driving of a long, low level haulage tunnel under the Sunnyside property in order to drain the workings and allow economic mining of the ore reserves therein. The investment of Standard Metals Corp. in the base metals industry in the State of Colorado amounts to $4,634,082 of which to date only the sum of $247,000 represents income from operations. It has been the hope of Standard Metals Corp. as well as the hope of every resident of San Juan County that the operations of the company would be successful and continuous.

The deposits of ores which have been developed by the company are substantial and of good commercial grade. The only factor which now prevents Standard Metals Corp. from going forward with its activity is the extremely low level to which base metal prices have fallen. Without relief from such conditions San Juan County may well become a county of spectacular scenery, great unexploited mineral wealth, ghost towns, and poverty. There is no significant agricultural activity to be found anywhere in San Juan County. As mentioned above the terrain is rugged and inaccessible and little suited for anything other than mineral development.

As your subcommittee doubtlessly is aware, the basic cause of the depressed condition of metal prices is not due to a lack of intrinsic value or worth of lead and zinc, but rather to the large importations of cheap, foreign-produced metals. Many of the foreign mines and mills have been constructed with grants-in-aid by the United States, thereby eliminating the necessity of amortizing capital costs of development in establishing costs of production.

We are well aware of the overriding importance of governmental programs aimed at bolstering and improving the economies of underdeveloped nations. By their very nature the first steps in the economic development of underdeveloped countries requires development of natural resources. Once a program of supplying aid to underdeveloped countries has been instituted efforts must be made to help such companies find a ready market for developed resources. We wish to submit, however, that such a program must be balanced by weighing other equally important considerations. We must guard against the destruction of segments of our own domestic economy and industry as a result of programs in aid of underdeveloped nations.

It would appear to us, therefore, that a balanced decision must be made, weighing the purpose of facilitating the growth and development of other nations' economies with consideration of continuance of our own domestic industry at reasonable levels capable of maintaining high levels of wages and benefits.

As you are doubtlessly aware, the work of a miner is hard, hazardous, and often conducted in confining and disagreeable places. Under such circumstances certainly the domestic mining industry does not think that our miners should be required to attempt to compete with the low levels of pay representing the wage factors of cost in certain foreign countries.

The problem, then, as we see it, is to reach a program of balance in which we can maintain a relatively healthy and reasonably active domestic mining industry capable of paying its workers and others dependent upon it with fair compensation, and at the same time facilitating the development of the economies of underdeveloped nations by sharing the domestic market available in the United States. It would certainly not seem to us that it is unreasonable to ask that the domestic mining industry be allowed at least half of the domestic market available for its mine product. It would seem to us that no one could say that the domestic mining industry was not doing its part by allowing a full half of the domestic market to be utilized for helping underdeveloped countries along the road to increased prosperity. Particularly is this true when we look at the portion of the domestic market which is allowed foreign countries with respect to certain other natural resources such as oil.

If it is governmental policy for the benefit of the affairs of our country as a whole that we attempt to bolster the economies of other countries, then the burden of such a policy should not and cannot fall solely upon one small segment of our economy. Frankly the shoulders of the emaciated domestic mining industry are not sufficiently strong to support along the program of aid to underdeveloped countries.

In the past, several attempts have been made to reach a solution to the problem of deteriorating domestic metal prices. Although repeated favorable reports have been obtained from the Tariff Commission, and although adequate powers existed in the executive department to take action which would alleviate the situation, still no such action has been forthcoming. Other approaches have been suggested such as the small producers stabilization bill (H.R. 84). This bill, however, would do nothing about the basic cause of the weakening of domestic prices. Instead it would offer subsidy payments to certain small operators, as defined in the bill, to make up the difference between the price which they would receive on the open market and a price which would be considered fair for their mine produce. The result of this bill would actually be to worsen the situation by causing additional supplies of subsidized metal to enter a market presently plagued with oversupply. Accordingly, any operators unable to qualify as a "small producer" would be in a less favorable position if the bill were passed than at present. Passage of the bill would offer no assistance whatsoever to Standard Metals Corp. In fact, the undersigned firmly believes that passage of the bill would offer practically no help to the domestic mining industry located in the Rocky Mountain West where mines are deep, where water problems exist, and where much larger capital expenditures are required. Although the bill might offer some measure of help to the small producers located in the tri-State lead-zinc area, in our opinion, it would worsen the situation for other operators and prevent any hope of a strengthening of metal prices.

On the other hand, the legislation being considered by your committee is aimed at the specific cause of the problem which exists. Senate bill 1747 seeks to affect the level of price at which foreign imported metals may stream into the United States so that a reasonable competitive position may be maintained. The bill does not tend to restrict or prevent the importation of such metals but merely to require that they come into the United States at a reasonable price level. We believe that the passage of this legislation would result in a reasonably healthy domestic mining industry while still allowing a large portion of the domestic market to remain open for the sale of the mine products from other nations which have not reached the level of prosperity of the United States.

Accordingly, may we respectfully urge favorable consideration of the bill now pending before your committee. Standard Metals Corp. as well as those involved in, and dependent upon, domestic mining will greatly appreciate all efforts which your committee may expend in an attempt to alleviate the plight of the dying metal mining industry.

Respectfully yours,

WILLIAM G. WALDECK.

NATIONAL ZINC CO., INC.,
New York, July 24, 1961.

Re Zinc-lead

Hon. JOHN A. CARROLL,
U.S. Senate,
Senate Office Building, Washington, D.C.

MY DEAR SENATOR: I read with the greatest interest the remarks by yourself and by Senator Anderson in the Senate the other day, announcing the forthcoming hearings under your chairmanship of the subcommittee of the Senate Interior Committee. Also, I recall the consideration you, as chairman, and other members of the subcommittee extended to me when I was a witness before you early in May.

Recovering from a back operation, I shall be unable, to my regret, to attend the hearings you are going to hold. In view of the importance of the matter, I take the liberty of writing to you.

I believe it is the hope of all who are engaged in the various stages of the lead-zinc industry that the hearings before your subcommittee will finally lead us on the way to a real solution of the lead-zinc problem, through an increase in tariff and an improved level of domestic prices.

After all, the several interests within the industry have studied this problem for long years, and I assure you that they have not lightly arrived at the stand, which practically the entire domestic industry has now taken, that a tariff increase is the proper solution. The industry itself is fully aware, not only of our Latin-American relations in general, but of the essential part which imported lead and zinc must play in the functioning of our domestic industry.

The Members of Congress who are amongst the foremost students of this problem and who have intimate knowledge of the industrial situation at home also seem to have arrived at the same conclusion after searching investigation, as evidenced by the bills introduced by Senators Anderson and Kerr, and Congressmen Baker and Aspinall, as well as the supplementary legislation on small mine subsidies proposed by Congressmen Mann, Edmondson, and others.

It is disconcerting to see how all these efforts, as well as the thorough researches and studies made in the Department of the Interior, are continuously being thwarted by a resistance which, to the uninitiated observer, seems to originate in the State Department.

Why is it that the State Department seems to be obsessed with the idea that a reasonable tariff solution would work havoc with Latin Amercian countries? I am not, of course, familiar with all the papers and studies which may be on file in the State Department regarding this matter, but I do not think I have seen a satisfactory exploration by the Department of the question whether a reasonable increase in tariff would really cause injury to our Latin American suppliers. I should like to explore this important question with you in the next few paragraphs.

Zinc and lead are commodities in international commerce, and we must import large quantities of both. Therefore, the domestic price has long been—and promises to remain—the world price, plus U.S. duty, plus a transportation factor. Given reasonably sound conditions of demand outside the United States, a moderate increase in tariff will produce an equivalent increase in the domestic price. Thus, a foreign supplier will net our price, less our duty; i.e., he will net a world market price. That is what he is receiving now; in fact, that is all he would be receiving if we had no tariff at all. (Certain foreign suppliers, because of proximity to U.S. markets, obtain a somewhat higher return here than abroad but this is a function of geography and freight rates and would remain so at any level of tariffs.) It follows that pricewise, the foreign suppliers will not suffer from a tariff increase. Will his market in the United States be narrowed? I think not; certainly not materially.

The higher tariff will by no means call forth a flood of domestic production that would then deny our markets to traditional imports. Nonferrous mines and smelters cannot be turned off and on as assembly lines or quarries. Widely accepted studies, including those, I believe, by the Bureau of Mines, show that the tariffs the industry is thinking about would support a strictly limited rise in domestic mine production (to 350,000 tons of lead, and 550,000 tons of zinc per annum.

What will be the effect of this modest rise in domestic mine production on foreign suppliers?

Imports of slab zinc and pig lead would not be much affected. Domestic smelter production of these metals would not go up just because there are some more domestic concentrates around. True, domestic smelters will absorb these additional domestic concentrates and thus they would need fewer foreign concentrates, but the shift will be relatively small and limited in potential, so that the displaced foreign concentrates will easily be diverted to smelters in other countries. In fact, this will be a beneficial development from the point of view of other countries. New zinc smelters are springing up in many lands and are soaking up concentrates that used to come on the world market. Smelters in Europe are wondering where their concentrates will come from and their published reports give expression to that concern. Knowledgeable European observers are even talking of a "concentrate famine." Some new ore production in the United States, then, would make for a better balance all around.

I conclude that our tariff balance would upset neither prices nor markets for our foreign suppliers. I would go a little further. Historically, the existence of a strong domestic mining, smelting, and fabricating industry has but benefited foreign suppliers. Without that vigorous domestic base of production, our markets for lead and zinc, and I believe for copper, would not have grown to what they are. Today, domestic producers are still making the leading contribution to the maintenance and development of the American market for metals—that market which means so much to our foreign suppliers. I think our foreign suppliers would want to see a sound industry here.

This is significant to the future of lead and zinc, and to the American consumers of zinc, for instance—that is, the steel industries with their galvanizing mills, and the automobile and appliance industries, and others with their diecasting facilities—have invested in equipment for the specific use of zinc alone hundreds of millions of dollars. These investments are continuously being broadened and expanded. I think it stands to reason that these vast, continuing, investments would not be made if the metal that was to be used in them were to come entirely from places like the Congo, Rhodesia, and other farflung places where either production or transportation is subject to the varagies of a world full of political uncertainty. Our neighbors, Canada and Mexico, have, of course, performed magnificently in supplying us in times of emergency, but they cannot sustain our industries by themselves. It is the domestic producers who, because of certainty of supply, promptness of delivery, and intimate cooperation in matters of quality and know-how have spearheaded the forward march in the use of our metals, particularly in zinc.

I refer to the domestic industry—and I mean the entire industry, not the marginal enterprises—because the basis of the existence of our whole industry is steadily narrowing. Our costs have gone up with the rise in living standards in the whole country, and with the inflation the whole country has come to know. Besides, many units of our industry are in remote locations in our farflung country.

Thus, it comes that in many cases transportation alone from mine to smelter to market is costlier for us when we sell in our own country than it is for metal that comes to us from overseas mines and smelters. But the price of our product—lead and zinc metal—internationally determined by low labor costs overseas and new low-cost ore bodies, is still within striking distance of World War II levels—a tremendous cost-price squeeze.

At the same time, foreign governments are actually promoting their mining and smelting industries by tax, tariff, and financing devices of every description. From the Province of New Brunswick, to Japan, to the Common Market, to India, lead-zinc mining and smelting activities, with the emphasis, by the way, on smelting, are being pushed aggressively in the hope of expanding their share of world activity. Our Government does nothing, or resorts to stopgap palliatives—stockpiling, quotas, barter—which are of questionable or negative value. The results are ever more apparent: continuous rise in foreign mine production now being followed by a veritable forward leap in foreign smelting capacity—decline of domestic mine production, more recently followed by decline of domestic smelter production, and closing of smelters.

The prospects of domestic industry fulfilling its traditional role are bleak until a price level is restored at which we can compete for our whole market on approximately equal terms, a price level commensurate with the national level of costs, commensurate with protection afforded other producers by their governments, and other industries by our own Government.

One feature of the tariff plan should be of particular interest to Latin America, namely, the provision that the tariff rates on ores and concentrates would be raised by a somewhat lesser amount than the tariff on metal. This would permit the foreign shipper of concentrates to reach a protected and remunerative market at a relatively reduced cost of admission. Most of our imports of lead and zinc from Latin America are precisely in the form of concentrates.

Perhaps the above deductions will be disproven by one better qualified than the writer, but I should like to ask the State Department whether the studies they have undoubtedly made have addressed themselves to these considerations, and whether it has attempted to discuss the problems in this light with our Latin-American suppliers. One certainly would wish the energetic efforts in this direction had started a long time ago. It appears that the State Department, by its doctrinaire blocking of any tariff action, has confirmed our Latin-American suppliers in their notion that a tariff increase is aimed at their heart. Nothing could be further from the real facts of industrial life.

What the domestic industry wants is to conduct domestic business on a price level that will enable it to function and to reasonably prosper.

Foreign suppliers of lead and zinc will continue to be needed and the net return to the foreign supplier will not be affected by the tariff increase we propose.

The question might then be raised as to what kind of a world this is going to be in which everybody benefits and nobody suffers. You yourself, Mr. Chairman, at the May meeting, put your finger on the answer. The bill will be paid, not by the foreign supplier but by the domestic consumer. The average cost of lead and zinc to the domestic consumer will be higher than it was, but it is my conviction that the domestic consumer is prepared to pay a reasonable price for these metals in order to assure a reasonable stability and continued existence of a sound domestic industry. Obviously, because of the fact that it is our own consuming industries who will feel the effects of this burden, great care must be exercised in setting new tariff rates. Undoubtedly, the committee will have ample testimony before it on this point.

I close, my dear Senator, with the wish that the efforts of yourself and of the committee, will be fruitful.

With kindest personal regards,

Respectfully yours,

F. R. JEFFREY, *President.*

KELLOGG, IDAHO, *July 25, 1961.*

Hon. JOHN A. CARROLL,
U.S. Senate, Washington, D.C.:

Re hearings today before Senate Interior Committee on S. 1747. We strongly endorse this bill and other identical bills which have been introduced as the only practical solution to the continuing problem of excessive lead-zinc imports and resultant severely depressed market prices. Have very much appreciated your continuing concern about this matter and respectfully urge your support of this pending bill as the necessary solution to the domestic lead-zinc mining industry's problem which has gone unanswered far too long.

THE BUNKER HILL CO.,
C. E. SCHWAB, *President.*

OLYMPIA, WASH., *July 25, 1961.*

Hon. CLINTON P. ANDERSON,
Chairman, Senate Committee on Interior and Insular Affairs, Senate Office Building, Washington, D.C.:

This is to urge favorable consideration by the committee on S. 1747, the measure designed to assist the lead and zinc mining industries. Zinc leads all other metals in Washington in production value but recent price declines have closed a major operation. Lead mining has declined seriously. S. 1747 provides long-range solution to the problems of the lead-zinc industry. Follow the unanimously adopted recommendation of the Western Governors Conference made at Sale Lake City, May 14–17, 1961. Speedy action of this measure would be of great assistance to the lead-zinc industries in Washington State.

ALBERT D. ROSELLINI,
Governor, State of Washington.

SALT LAKE CITY, UTAH, *July 21, 1961.*

Hon JOHN A. CARROLL,
Senate Office Building, Washington, D.C.

We urge you to continue your efforts toward enacting S. 1747 into law. This company closed its operations 4 years ago due to low price of both lead and zinc metals resulting from abnormally heavy imports of these metals.

CECIL FITCH, Jr.,
President, Chief Consolidated Mining Co.

SALT LAKE CITY, UTAH, *July 22, 1961.*

Senator CLINTON P. ANDERSON,
Senate Office Building, Washington, D.C.

DEAR SENATOR ANDERSON: We in New Park Mining Co. want you to know that we sincerely appreciate your constructive efforts to assist us in our domestic lead-zinc mining industry problems. We wholeheartedly endorse your S. 1747 bill as a solution to the domestic industry problem. The future of our mines in the Park City district is now depending solely on fair governmental action that will assure us of at least 50 percent of our own domestic lead-zinc market. May I remind you that the State of Utah today has only 4 lead-zinc producing mines where 10 years ago it had 27 producing mines. These mines have been closed because of excessive foreign imports of lead and zinc metal. Obviously we in the mining business now deem the situation as extremely critical. We are well aware of the importance of our foreign neighbors and their economic problems, however, we also believe that our people and our own mining industry are also important. Particularly so in our efforts to create new national wealth and maintain our own job security and economic well-being. Again we in New Park Mining Co. thank you for your efforts and support.

GALE A. HANSEN,
General Superintendent of Mines,
New Park Mining Co.

TOOELE, UTAH, *July 21, 1961.*

Senator CLINTON P. ANDERSON,
Senate Office Building, Washington, D.C.:

The lead-zinc industry in Utah continues to suffer a serious economic problem resulting from excessive imports and low market prices of lead and zinc. I strongly endorse S. 1747.

W. J. MCKENNA,
International Smelting & Refining Co.

SALT LAKE CITY, UTAH, *July 21, 1961.*

Hon. JOHN A. CARROLL,
Chairman, Lead-Zinc Hearing Subcommittee,
Senate Interior and Insular Affairs Committee,
Senate Office Building, Washington, D.C:

We urgently request that Congress be advised of the serious condition of our Park City, Utah, lead-zinc mining industry at July 15 hearings and that we urge passage of S. 1747 in order to have several hundred jobs together with the tax revenue that supports several communities.

UNITED PARK CITY MINES CO.,
S. K. DROUBAY,
Vice President and General Manager.

NEW YORK, N.Y., *July 21, 1961.*

Senator JOHN A. CARROLL,
Senate Office Building,
Washington, D.C.:

We have today wired Senator Anderson as follows: "As evidenced by the shutting down last month or our Bonne Terre mine after nearly a century of operation we and other miners of lead and zinc ores are being seriously harmed by excessive imports and the resultant low metal prices, our lead mining operations in southeast Missouri are currently at about 60 percent of mill capacity

and inventories are well above normal levels, further curtailments are in prospect unless some constructive action is taken toward controlling the continued flow of the world's surplus production of lead and zinc to this country."

We are most appreciative of your efforts to help develop a constructive mineral policy under which the domestic miner of lead and zinc can continue to operate on a sound economic basis.

ST. JOSEPH LEAD CO.,
FRANCIS CAMERON,
President.

CINCINNATI, OHIO, *July 24, 1961.*

Senator CLINTON P. ANDERSON,
Senate Office Building, Washington, D.C.:

Proof that excessive imports of lead and zinc have brought our domestic industry to its economic knees has been presented time and time again to those in Washington having power to correct the situation. If the United States cannot maintain the good will of other nations except by sacrificing its own economic best interests, then it must be woefully weak in salesmanship. Passage of S. 1747 is the only practical solution to our dilemma, and your support of it is earnestly solicited.

M. M. ZOLLER, *The Eagle-Picher Co.*

U.S. SENATE, *July 21, 1961.*

Hon. JOHN A. CARROLL,
Chairman, Subcommittee on Minerals, Materials, and Fuels,
Committee on Interior and Insular Affairs,
U.S. Senate, Washington D.C.

DEAR MR. CHAIRMAN: As the largest zinc-mining State in the country Tennessee is deeply interested in S. 1747 on which your subcommittee has scheduled a hearing on Tuesday, July 25. Since the Antitrust Subcommittee has a hearing scheduled for the same time, I regret I will be unable to appear in support of S. 1747, but I request that this letter be made a part of the record of the hearing.

Tennessee has for the last few years shown marked annual gains in zinc production; this is explained by extensive and successful exploration resulting in new discoveries. But while production has been going up, four Tennessee zinc mines have been forced to close in the past year because of depressed metal prices. These four closures have, of course, resulted in substantial unemployment. For example, the Flat Gap Mine at Treadway is the largest industry in Hancock County, but because of the depressed price of zinc it was necessary for the operators to close the mine last April.

S. 1747 represents a workable solution to the problems facing our Nation's lead-zinc industry, and I hope prompt and favorable action will be taken on it.

With kind regards and best wishes,

Sincerely,

ESTES KEFAUVER, *U.S. Senator.*

COMBINED METALS REDUCTION CO.,
Salt Lake City, Utah, April 6, 1961.

Mr. CHARLES O. PARKER II,
Vice President, Consolidated Parnett Corp.,
Denver, Colo.

DEAR MR. PARKER: Thanks for your letter of April 3. I regret present low metal prices have forced us to shut down the Bauer mill and we cannot offer to purchase your ore at this time.

I am sending a copy of your letter to Mr. Glen Burt, manager of the ore purchasing department of International Smelting Co., Kearns Building, Salt Lake City, who may be able to make arrangements for purchasing your ore.

Yours very truly,

EDWARD H. SNYDER.

COMBINED METALS REDUCTION CO.,
Salt Lake City, Utah, July 21, 1961.

Re Senate bill 1747.

Hon. CLINTON P. ANDERSON,
Chairman, Committee on Interior and Insular Affairs,
U.S. Capitol Building,
Washington, D.C.

DEAR SENATOR: The lead-zinc miners of the Rocky Mountain States, who have suffered severely due to the unsound policies of our Government during the past 20 years, are grateful to you and the other Senators sponsoring S. 1747, and to Representative Aspinall and the other Congressmen for the introduction of identical measures in the House.

The need of this legislation has been conclusively established in numerous hearings before this and other committees of the House and Senate and before the Tariff Commission over a period of 8 long years. The records of these hearings are readily available, and I am sure there is no doubt in your mind or that any other western Senator that a substantial portion of the domestic lead-zinc mining industry has either been destroyed or is in a serious depression due to low prices resulting from excess imports.

A careful review of the record at this time indicates the creation of this sad condition was carefully planned and brought about by men in the State and Interior Departments who have had little or no concern as to the intent of Congress when the Trade Agreement Act was enacted. These same people understood well the destructive impact of time on unprofitable underground operations, and by using the power of the executive branch have successfully prevented our friends in Congress from doing anything constructive for our industry for a long 8 years. Stockpiling and barter further expanded the foreign industry with little but temporary benefit to the domestic miner. If adequate tariffs had been applied in 1954, the stagnation of several hundred million dollars of U.S. taxpayers' money in stockpiling would have been unnecessary and we would have a healthy domestic industry at this time.

The imposition, in 1958, of extremely liberal import quotas that allow the importer the first call on more than half of our market was another device made effective by the "planners" to fool Congress and the American public. As a result, 3 years of additional depression has been suffered by the domestic lead-zinc industry to prove said quotas were "phoney" protection for the domestic industry.

I sincerely hope the members of your committee will now analyze the shameful record of the "planners" in connection with the administration of the Trade Agreements Act, and recommend enactment of S. 1747 without their blessing.

This proposed legislation is designed to benefit the small as well as the large domestic miners of lead and zinc, protect the consumers by insuring them a domestic supply at reasonable prices and I believe, if enacted, will ultimately benefit the foreign producer by effecting reasonable stabilization in the world industry. Instead of burdening the U.S. taxpayers with additional costs, it will increase revenue and reduce the cost of unemployment insurance.

Copies of this letter are being mailed to members of your committee.

Respectfully submitted.

EDWARD H. SNYDER.

CONSOLIDATED PARNETT CORP.,
Denver, Colo., July 20, 1961.

Hon. JOHN A. CARROLL,
U.S. Senate, Senate Office Building,
Washington, D.C.

DEAR SENATOR CARROLL: The enclosed correspondence is forwarded to you from a group of men who believe that this information will be helpful to you in supporting legislation affecting the lead-zinc mining industry.

Our group is currently in operation at the Wellington mine near Breckenridge, Colo., which has long been a mainstay of that area's economy. The Wellington has been a great producer of lead and zinc since 1887, employing 500 men during the 1920's and yielding over $35 million through 1958. The Wellington was shut down in 1958 due to imports lowering the domestic metal prices, conse-

quently a large number of people moved away from the area and others have been on welfare rolls. Our group believes that this mine is capable of producing more high grade ore if adequate capital and sound management are applied to developing the known ore bodies. Therefore, it is our intent to spend $250,000 of investment capital in reopening this property, which in turn will assist the miners and their families, all of the local merchants, equipment suppliers, and ultimately the entire Nation by adding new income and a usable metal commodity to the economy.

But all of our plans and technical abilities, and the investor's capital may go for naught, if Congress and the administration do not give careful attention to lead-zinc problems. We firmly believe in the competitive free-enterprise system, so we are not asking for handouts from the Government. But we do want the opportunity to compete freely, without oppressive measures being taken by the administration, or by Congress' ignoring the flood of foreign metal imports which is destroying the ability of the United States to produce essential commodities.

We recommend strong tariff legislation to protect U.S. citizen producers and we demand a halt to the administration's barter programs which only add to the killing surpluses of foreign metal. We ask your serious consideration of pending legislation in order to help us revive a dying industry and to allow us to operate competitively so that we may again aid the local economy as well as provide greater basic productive strength for the United States.

Sincerely,

CHARLES O. PARKER II,
ROBERT P. FULLERTON,
CHARLES O. PARKER,
IRA F. BENNETT, Jr.
ROBERT H. RICHARD,
JOHN S. HARPER, Jr.

APRIL 28, 1961.

Re OME–6112 (lead-zinc), Contract 2124, (Wellington Mine), Summit County, Colo.

U.S. DEPARTMENT OF INTERIOR,
Office of Minerals Exploration,
Denver Federal Center, Building 20, Denver, Colo.
(Attention: Mr. H. M. Connors).

GENTLEMEN: In reference to your letter of April 4, 1961, and our conversations regarding the referenced contract, I submit the following in preparation for executing this contract.

Although the allowed total cost of the exploration work has been reduced from our cost estimate, we believe that a minimum exploration program can be accomplished in accordance with the referenced contract. We especially note that stage II as requested by us was entirely eliminated from the contract provisions. These reductions in cost and scope of work do not preclude the fact that we believe our original estimates were appropriate and that actual operations will demand greater cost and additional driving to fully explore the Wellington ore zones. However, we will accept the allowable costs as provided by the contract, in order to assist us in accomplishing the initial phases of exploration.

All other provisions of the contract are acceptable with the exception of one minor specification—that of rail size shown in exhibit A. The specific requirement that "mine rails shall not be of less than 30-pound size" may create some difficulty. Investigation of rail suppliers indicate that 30-pound rail is difficult to obtain, being in short supply. If we can change the rail size requirement to "not less than 12-pound size," I am sure that we will have adequate trackage for exploration work. Any cost savings from this specification would be small, but they would help contribute to the cost of technical, engineering (services which must be performed, but were not included in our original cost estimate.

It is our intention that work on this contract shall begin on or before August 1, 1961. We regret that work cannot begin immediately, but we have experienced a steadily deteriorating condition in the base metal industry which has resulted in a cautious and reluctant attitude by the investors.

To interest private investment in mining (as in any business), the investor wants to know that there is a reasonable possibility to recover his investment.

In financing exploration work, the investor is concerned about metal prices and about our ability to sell ore if we should locate a commercial deposit. With

metal prices depressed and with major smelters refusing to buy concentrates or even 200 tons per month of ore, we are not in a favorable position to interest investors at this time. (Note the attached copies of letters to our firm from major ore-buying companies.) So we are faced with the investors' attitude of "why explore for minerals with an OME contract when you can't sell the ore if you find it?"

We in the mining industry have recognized for some time that these fundamental problems are destroying domestic mining. Nevertheless, our firm is so interested in the potential of the Wellington mine that we are gambling on our ability to successfully operate on a small profit margin in a declining industry. It is our continuing hope that favorable legislation will be enacted by Congress and implemented by the executive administration to permit domestic mining to be competitive with foreign production.

With your concurrence of the above rail specification change and the starting date of August 1, 1961, we will sign the contract and forward the copies to you.

Sincerely,

CONSOLIDATED PARNETT CORP.,
CHARLES O. PARKER II, *Vice President.*

INTERNATIONAL SMELTING & REFINING CO.,
March 24, 1961.

Re Wellington ore.

Mr. CHARLES O. PARKER II,
Vice President, Consolidated Parnett Corp.,
Denver, Colo.

DEAR MR. PARKER: In response to your letter of March 17, I have reviewed with local and New York officials our company's position as regards new purchases of lead and zinc.

My instructions are to avoid making any new commitments to buy or treat any lead-zinc material. By contract and prior commitments we are obligated to accept the tonages of materials we are now receiving.. Our company, and other lead-zinc custom smelters, are currently able to sell only a small portion of the metal we produce each month. The unsold balance has to go to stockpile and these stocks of unsold metal are larger today than they have been for many years. All this results in a weak price situation with a continual threat of price decreases. It also results in a decision by our company officials to avoid making any new commitments to buy lead-zinc materials. It is a certainty that additional quantities of lead and zinc would only add to our present stocks of unsold metal, with the usual accompanying market risk.

I am sorry to have to advise you that until the consumption of lead-zinc improves and stocks begin to show some reduction, I cannot agree to accept even your limited 200 tons per month of crude ore. From your own standpoint at the Wellington mine, it may be more prudent to postpone the development work for a while to see what happens in the next few months in the lead-zinc business.

Sincerely,

GLEN A. BURT, *Assistant to the Manager.*

GILMAN, COLO., *July 24, 1961.*

Senator JOHN A. CARROLL,
Senate Office Building, Washington, D.C.

We are encouraged by your strong interest in our lead-zinc problems and hope the hearing of your subcommittee July 25 will result in favorably reporting S. 1747. Our mine here has been seriously injured and forced to uneconomic operation by excessive imports of lead and zinc. Unless some protection proposed in S. 1747 is forthcoming 400 jobs here are seriously threatened. Wish to point out that subsidy being discussed for small mines would be absolutely no assistance to us here and in our opinion would further aggravate general adverse conditions in the mining industry as a whole. What is needed is a measure that will assist whole industry not just part of it and we believe S. 1747 has the principles needed to do this.

L. W. L. JUDE,
Superintendent, New Jersey Zinc Co.

BOSTON, MASS., *July 24, 1961.*

Senator JOHN A. CARROLL,
Senate Office Building, Washington, D.C.:

We heartily endorse S. 1747 the Anderson bill as a practical domestic lead-zinc policy since we believe such legislation is vital for survival of the seriously distressed domestic lead-zinc mining industry caused by continuing excessive imports and low market prices of these metals.

C. G. RICE,
President, United States Smelting, Refining & Mining Co.

SALT LAKE CITY, UTAH, *July 21, 1961.*

Hon. JOHN A. CARROLL,
U.S. Senator,
Senate Office Building, Washington, D.C.:

We wholeheartedly endorse the Anderson bill, S. 1747, as an aid to the domestic lead-zinc mining industry. We have done all in our power to reduce costs in order to keep our operations going despite the low returns received on our metals. This effort has involved many sacrifices. Our own smelter has been abandoned and dismantled (1958) and many good men including staff members have been terminated. Our labor unions have been most cooperative in all phases of our retrenchment. We are approaching wage negotiations primarily due to wage increases given all around us. We have reached the point of no return. The mining communities of this country including ours in Utah have made terrific sacrifices all because of an unwarranted and indefensible government policy of permitting foreign produced lead-zinc to flood our domestic markets.

OSCAR A. GLAESER,
Vice President and General Manager of Western Operations,
United States Smelting, Refining & Mining Co.

CANON CITY, COLO., *July 21, 1961.*

Senator JOHN A. CARROLL,
Senate Office Building, Washington, D.C.:

Strongly urge your continued support of S. 1747. Our roasting operation here is entirely dependent on continuing operation of the zinc mine at Gilman. Colorado mining has been hard hit by excessive imports and continues to suffer from lack of constructive help from the Government. We are fortunate to still be operating, but the future is conjectural unless reasonable protection is provided for all of the mines, large, medium, and small.

C. W. GEPPELT,
Superintendent, the New Jersey Zinc Co.

NEW YORK, N.Y., *July 20, 1961.*

Senator JOHN A. CARROLL,
Senate Office Building, Washington, D.C.:

As one of the larger domestic primary producers of lead and zinc at the Iron King mine in Arizona we urge you to support Senator Anderson's S. 1747 bill and make such support known at committee hearings scheduled for July 25. Without such relief it seems probable that it will be impossible for our operations to continue.

SHATTUCK DENN MINING CORP.,
THOMAS BARDON,
Chairman of the Board.

HANOVER, N. MEX., *July 24, 1961.*

Senator CLINTON P. ANDERSON
Senate Office Building, Washington, D.C.:

We are greatly encouraged by your strong leadership in behalf of the lead-zinc mines. Excessive imports have forced us to uneconomic operation continuation of which is precarious. We urge you to keep up the pressure to obtain

some constructive form of assistance such as embodied in your S. 1747. The lead-zinc mining industry in New Mexico desperately needs held if it is to survive. All of us in this community appreciate your efforts in our behalf.

K. R. WINSLOW,
Superintendent, The New Jersey Zinc Co.

(Subsequently the following letters with further comments on S. 1747 were submitted by the New Jersey Zinc Co. for the record:)

THE NEW JERSEY ZINC CO.,
New York, N.Y., August 18, 1961.

Senator CLINTON P. ANDERSON,
Senate Office Building, Washington, D.C.

DEAR SENATOR ANDERSON: Enclosed is a copy of a letter I have written to the Honorable Wayne N. Aspinall regarding the State Department's views on his bill H.R. 3416.

These comments apply equally to the views of the State Department on S. 1747 and I thought you might like to see the letter.

With kind personal regards, I am,

Yours sincerely,

LINDSAY JOHNSON,
Vice President.

THE NEW JERSEY ZINC CO.,
New York, N.Y., August 17, 1961.

Hon. WAYNE N. ASPINALL,
House Office Building,
Washington, D.C.

DEAR WAYNE: I have just read a letter from the Honorable Brooks Hays, Assistant Secretary of State, to the Honorable Wilbur Mills, chairman, Committee on Ways and Means, setting forth the views of the State Department and the administration on your bill, H.R. 3416.

I think this position as stated in this letter demands analysis and comment because it is wholly unrealistic in its appraisal on the likely effects of your bill and in its suggestions of other means of attempting to relieve the distress of our domestic mining industry. It seems to be based wholly on a principle that the interests of other nations must transcend our own and that our foreign aid must involve not only the exporting of dollars but also the exporting of jobs of thousands of men skilled in mining.

Mr. Hays dwells at some length on the hardship that would result from further restrictions on the importation of lead and zinc from a number of other countries and points to the diminishing of the capacity of these countries to buy U.S. products because they would be accumulating less dollars.

This is purely a generality and I wonder if Mr. Hays and others in his Department have carefully, objectively and impartially analyzed the situation, or whether they proceed to their conclusions only on generalities.

First of all let us examine the question of what U.S. lead and zinc miners are seeking and analyze then the effect on our friendly foreign nations. All the U.S. miners want is a reasonable chance to mine and supply to the market in the United States at a profit a fair share of the mined products that go into end products of lead and zinc that are consumed in the United States. To have a chance of doing this, they need a fairly stable price of about 13½ cents per pound for lead and zinc metal.

It is well known that at the price level envisioned in your bill there are practical limitations to the amount of lead and zinc mine production from mines in the United States. This is generally considered to be about one-half the amount required for normal consumption, so since we must import about one-half of our needs, we really are not talking about any drastic restriction of imports. All we are talking about is restriction of imports to about the quantity we need, and controls to avoid the U.S. market becoming a dumping ground when it is necessary for foreign producers to find a home for their excess mine production.

I have before me some figures showing a comparison of returns to a miner in Peru under actual circumstances and under those that can be forecast with your bill in effect.

These show that during the years 1957, 1958 and 1959 the effect of heavy imports caused an average price of zinc of 11 cents. At this price the return to the miner in Peru under actual contract conditions was $20.48 per ton of concentrates at port of shipment, with the applicable duty being the present 0.06 cent per pound of contained zinc.

The comparison makes the reasonable assumption to stabilize the U.S. price at about 13½ cents per pound, the level needed by miners here, and with your bill in effect the return to the miner in Peru would be $28.06 per ton of concentrates at port of shipment, with the applicable duty being 1.4 cents as prescribed in your bill. This represents a return 37 percent greater than the return when the U.S. market was permitted to be a dumping ground.

So the net effect would be that we are not asking the foreign producer to cut his exports by very much and we are offering him an opportunity to gain a greater return. As for dollar return, it is obvious that under enforced cooperation in maintaining a reasonable price in the United States the foreign producers could cut their exports to the United States by as much as 30 percent and still gain the same amount of dollars. The practical aspects of the situation are such that cuts of this magnitude are not required. They may be more in the order of 10 to 15 percent.

So the conclusion is that there is no real substance to the argument that the exporting countries would have less dollars to buy U.S. products. The fact is, they very likely would have more. I cannot see how it is going to hurt anyone to get more dollars for a lesser quantity of something.

Because of the relatively unfavorable cost position of the U.S. miners, the U.S. market easily can be made the dumping ground for excess foreign production. The sooner we change things so that foreign producers cannot use the U.S. market to cut the throats of the U.S. miners, as well as their own throats, the better off everyone will be.

I note that when threatened with possible restrictions, the principal exporters of lead and zinc to the United States protested vigorously. Is this an unexpected reaction? I believe they have come to learn that protests are constantly rewarded by our Government. Obviously in this case such protests are given precedence over the protests of our own people here in the United States.

Little need be said about the suggestion that the way to solve this problem is by international consultations and that any unilateral action, such as you propose, would endanger the effectiveness of these consultations. I respectfully submit that the record will show that those international consultations now in their fourth year have accomplished nothing that has been of any benefit to the U.S. lead and zinc miners. Any small accomplishments have benefited only the foreign producers. I submit that any action from these consultations has been stimulated by unilateral action by the United States, as in the case of quotas, or by munificent action by the United States, as in the case of the recent lead barter proposals at Mexico City.

The quotas did nothing to help the U.S. lead-zinc miners. All they did was to assure certain exporting nations of a substantial and inviolate place in the U.S. market. The lead barter program, if it is eventually brought to fruition, will primarily benefit large producers in Australia and Canada, and it may be a long time before any secondary benefit will accrue to the U.S. lead miners. The program will still leave the United States holding the excess stocks that are depressing prices here.

With regard to the general attitude found in these international consultations, it is well illustrated by the complete callousness of other nations in the recent Mexico City meetings regarding the zinc situation. It was openly stated that since excess stocks of zinc were residing only in the United States, this was a U.S. problem requiring no action on an international basis.

I submit that only if the United States takes strong unilateral action to stabilize the U.S. market at a reasonable price will international consultations ever produce any constructive action in control of free world mine production of lead and zinc. Until then the other nations will only attempt to resolve their problems at the expense of the United States.

There is little substance to the statement that your bill would increase prices of lead and zinc to a point where consumption would be affected by substitution of other metals. Prices cannot get out of hand under your bill. In fact, it is well known that many major consumers of lead and zinc have been adversely influenced by the wide fluctuations in the price of these metals and

would much prefer more stability which it is apparent would be achieved under your bill.

The claim that the subsidy provision of H.R. 3416 would stimulate production of commodities which are already in oversupply only holds if a subsidy stands alone without the import taxes provided in your bill. The simple fact is that there is no oversupply of mine production of lead and zinc in the United States when related to consumption in the United States. We are producing at the mine level less than one-half of what we need. As pointed out earlier, the circumstances are such that there can never be an oversupply of mine production in the United States.

Again, little need be said about the suggestion that escape clause procedures are a means of resolving the problems of the U.S. lead-zinc miners. The industry has tried this on numerous occasions without any result. The disregard of past and present administrations for the underlying intent of the escape clause is well known.

With kind personal regards, I am,

Yours sincerely,

L. F. JOHNSON, *Vice President.*

Senator CARROLL. Off the record.

(Discussion off the record.)

Senator CARROLL. Mr. Kelly, Secretary Kelly, will you come forward, please.

Do you have anyone you desire to be seated with you?

STATEMENT OF HON. JOHN M. KELLY, ASSISTANT SECRETARY, MINERAL RESOURCES, DEPARTMENT OF THE INTERIOR; ACCOMPANIED BY JOSEPH C. McCASKILL, STAFF ASSISTANT

Mr. KELLY. Mr. McCaskill of the staff.

Senator CARROLL. For the record, this is the Honorable John M. Kelly, Assistant Secretary of the Interior, who has previously testified before this committee, and his biographical sketch is already in the record.

Who is with you?

Mr. KELLY. Mr. McCaskill, my staff assistant.

Senator CARROLL. Mr. McCaskill has also testified before this committee, and his identification is in the record.

Will you proceed, Mr. Kelly.

Mr. KELLY. Thank you, Mr. Chairman.

Mr. Chairman and members of the subcommittee, it is a very real pleasure to be here this morning and meet with members of the committee. I was pleased that members of my staff were able to appear and answer questions several weeks ago when the committee went rather extensively into the lead and zinc question.

I have been asked to present the administration's position on S. 1747, a bill introduced by the chairman of the full committee, Senator Anderson. I believe that several other Senators have sponsored identical bills.

There are three distinct purposes evident in the proposed legislation. The first is an effort to use the tariff as a price support device by increasing the duties when prices drop and lowering the duties when prices rise. Thus it is hoped to peg the prices of lead and zinc somewhere between 13.5 cents and 14.5 cents per pound.

A second provision of the bill is that stabilization payments shall be made to every producer on his first 2,000 tons of lead and his first 2,000 tons of zinc. Such types of payments have generally been called

limited tonnage subsidies. These subsidies would be based on a price of 16 cents a pound. That is, the miner would receive as a subsidy the difference between what he actually gets for his ore and what he would get if the price of the metal were 16 cents.

A third provision of the measure would increase the duties on certain manufactured products valued chiefly as lead or zinc.

The report of the Department, reflecting the position of the administration, is in opposition to the enactment of the measure. The administration is opposed to any tariff increase on lead and zinc at this time.

The countries which comprise the principal suppliers of lead and zinc to the United States are among our strongest allies. It is the considered judgment of the administration that any weakening of the economies of these countries, or any alienation of their support, by increased protection to domestic lead and zinc mining, would be adverse to the overall national interest.

The measure provides initially for a duty of 2 cents per pound on lead and zinc metal, and 1.4 cents per pound on ores and concentrates. These duties are approximately double those now in force for lead, nearly three times the present rate for zinc metal, and 2½ times the current rate for zinc ores and concentrates.

These rates, however, are to apply only so long as the price of the metal remains about 14.5 cents per pound. The price of slab zinc in the United States has not reached the 14.5-cent level at any time since the Korean emergency, and the price of lead has been below this point since midyear 1957.

We assume that the price of lead or zinc in the domestic market is a function of supply and demand. Production has been in excess of consumption for several years and unusually large stocks have accumulated. Consumption in the United States, on the other hand, has declined sharply. It is difficult to see how in these circumstances an increase in the duties, in the absence of other measures, would substantially increase the domestic price.

Certainly the chances of the 14.5-cent price are not good if the subsidy provisions of the measure under discussion are adopted. The additional output that would be generated by such subsidies, added to the very large stocks now overhanging the market, would make it most unlikely that prices would rise to 14.5 cents.

Since the present price of lead is 11 cents, and the price of zinc is 11.5 cents, the additional duties provided in the bill would come into effect immediately upon its enactment. And, since there is no immediate prospect of a 14.5-cent price, we must assume that the additional duties would remain in effect until the full impact of these restrictive measures are felt by foreign producers, and until surplus stocks in the United States have been liquidated.

Let us look briefly then at the level of duties we should have while these additional duties are in effect.

The current duty on lead ore is three-quarters of a cent. With the passage of the bill, this duty will be increased more than 3½ times to 2.8 cents per pound. The duty on lead metal, now 1 1/16 cents per pound, will be almost quadrupled to 4 cents per pound.

The duty on zinc ore, now 0.6 cent per pound, will be increased 4½ times to 2.8 cents per pound. The duty on zinc metal, now 0.7

cent, will be 5½ times as much and will represent an ad valorem equivalent of approximately 60 percent.

The impact of such steeply increased duties would fall most heavily on Canada and Mexico, who between them supply more than 50 percent of our imports of lead and zinc.

The Canadian producer who, after paying transportation and duty, now receives approximately 10.25 cents per pound for the zinc metal he sells in the United States would suddenly, upon passage of the bill, find his receipts cut to approximately 7 cents a pound.

The Canadian trade deficit with the United States is even now a matter of concern to both Governments. A broadening of this gap, and a further weakening of the Canadian dollar would not, in our opinion, be in the national interest of the United States. The on-again, off-again nature of these additional duties would introduce highly speculative elements into the lead and zinc trade. The ability of some companies to take advantage of these changing duties and changing prices may result in wide fluctuations in available supply and price.

I think, Mr. Chairman, it is fair to say that the intentions of this section of the bill are to try to achieve a price level of not less than 13.5 cents a pound for lead and zinc metal, and a stable output for domestic mines, regardless of the ups and downs of consumption of these metals in the United States.

One of the major causes of the difficulties faced by the domestic lead and zinc industry has been the decline in industrial consumption of these two metals in the United States. While Europe, Japan, Australia, and other countries have shown steady increases, consumption in the United States has fallen sharply.

Lead consumption in the United States in 1960 was nearly 10 percent below 1957, while the rest of the free world showed an increase of more than 11 percent. For zinc the contrast is even sharper. In 1960, U.S. zinc consumption was 10 percent below 1957, while in the balance of the free world, it was 22 percent greater.

During the 3 years, 1958, 1959, and 1960, the yearly average consumption of lead in the United States was 125,000 tons below the yearly average of the previous 5 years. Zinc consumption was 75,000 tons a year less.

This effort to achieve stability in price and mine output in periods of low consumption would be achieved by transferring to foreign producers the entire burden of adjusting output to meet declining consumption. This we have strongly objected to when done to us by other countries. It affords no basis for expanded trade and improved mutual understanding with our neighbors.

Title II of the bill provides for stabilization payments to lead and zinc miners. Each producer of lead or zinc ores would be entitled to subsidy payments on 2,000 tons of lead and 2,000 tons of zinc—the subsidies to be based on a price of 16 cents a pound.

The bill does not authorize the appropriation of funds from the Treasury for this purpose. Instead, the bill would create in the Treasury a special fund to be known as the lead and zinc stabilization fund into which would be deposited all revenues from duties collected on imports of lead and zinc. From this fund would be paid the subsidies authorized by the bill.

It is difficult to forecast with accuracy what a program of subsidies such as this would do to the domestic mining industry. We have not had in the United States since Korea a combined price of 32 cents for lead and zinc.

In 1956, the best year, the combined price of the two metals averaged for the year 29.5 cents. On the basis of the production figures for that year, we could expect at least 100,000 tons of additional lead and zinc to be produced by the mines whose output would be fully subsidized. Whether the large producers would make corresponding cuts to prevent stock accumulations would probably vary in different situations.

Subsidies of the magnitude envisioned by the proposed legislation would not only generate large tonnages of metal, they would stimulate the expanded operation of many marginal mines which would be unable to survive any reduction or termination of the subsidy program. This hardly seems the way to go about restoring to a sound and stable condition the domestic lead and zinc industry.

While opposing the subsidy provisions of the bill, the Department recognizes that there are problems of economic and human distress arising from the closing down of lead and zinc mining operations in many communities. The Congress had enacted the Area Redevelopment Act and the administration is moving rapidly to implement it. This will take some time.

Consequently, the Department is willing in the meantime to see the enactment of a limited, temporary measure which would assist a number of small producers without disrupting the entire industry. We have proposed that such assistance be limited to a 3-year period during which every effort should be made to utilize other more fundamental courses of action. To appropriately limit the program and to provide for orderly termination, we recommend that individual payments be limited to 750 tons of each metal the first year, 500 tons the second year, and 250 tons the third and last year, based on a combined price of 27.5 cents for the lead and zinc.

We propose that a small producer be defined as one who actually mined lead or zinc ores at some time during the period 1956–60, but who did not in any year produce more than 2,000 tons of the two metals combined. This definition would cover approximately 90 percent of all domestic producers of lead and zinc. Producers of other metal who recover lead and zinc as byproducts should not be eligible. Production from properties not previously operated, or from properties leased since January 1, 1961, should not be eligible.

The final section of S. 1747 would increase the duties on lead and zinc products. These increases in duties are included in the bill to compensate for the proposed increases in the duties on unmanufactured lead and zinc. Should the duties on unmanufactured lead and zinc not be enacted, we assume no increase in duties on products would be warranted. Our Department considers the Department of Commerce as the agency of the Government primarily concerned with lead and zinc products. The primary concern of the Department of the Interior has been to see that the quotas on unmanufactured lead and zinc are not frustrated by the imports of products. To date there has been no marked increase in imports due to the quotas.

There is one other provision of the measure to which I should like to call your attention. The bill would specifically terminate the

quantitative quotas imposed on imports of lead and zinc by the President on October 1, 1958.

The Department believes it would be a mistake to terminate the quotas at this time. Surplus stocks of lead now accumulated outside of the United States total approximately 125,000 tons. Much of this would probably come to the United States in the absence of quotas.

Imports of lead and zinc have been restricted by absolute quotas since October 1, 1958.

These quotas were established by Executive proclamation pursuant to an escape-clause investigation and report by the U.S. Tariff Commission.

A specific quarterly quota has been assigned to each major exporting country. There is a quota for ores and concentrates, and a quota for refined metal. All of the other countries have been grouped and an overall quota assigned to them.

The quotas established by the Presidential proclamation allowed each country to export to the United States 80 percent of its average annual competitive exports during the years 1953–57. In calculating the quotas all exports from a country destined for Government stockpiles were eliminated and only commercial competitive exports used on which to figure the 80 percent.

The quotas have been criticized by some as overly restrictive and by others as not strict enough. Many representatives of the domestic industry claim they have failed because domestic mine output is not back to the levels of 1955 and 1956.

I think it is fair to say that had consumption of lead and zinc in the United States not fallen off so sharply since the establishment of the quotas the situation today would be quite different.

The quotas were never intended to be permanent. It was expected that the end of the 1957–58 recession would see sharply mounting requirements for the metals and the quotas could be quickly withdrawn. The anticipated rise in demand never fully materialized.

If through international action world surplus stocks could be liquidated and production brought into line with industrial demand, it is possible that quotas would no longer be required to hold off imports. Presumably the Tariff Commission will consider such developments as it maintains a continuing review of the need for quotas.

The zinc metal quotas have not been filled in any of the past four quarters. The quotas for ore, however, have been filled regularly. In fact, during 1960, U.S. zinc smelters imported some 90,000 tons of concentrates in excess of the quotas which were smelted in bond and reexported, principally to Europe. There are no surplus stocks of zinc outside of the United States and probably no real incentive to foreign producers to export additional quantities to the United States unless we have a much better price than seems likely at this time.

I suspect, Mr. Chairman, that my testimony up to this point has appeared largely negative. In our report, we express the belief that the Government's objective with reference to lead and zinc should be to bring about conditions that would permit the industry to operate normally and efficiently within our traditional private enterprise system. The administration is simply not ready to concede that the only way in which we can move forward is by resorting to restrictive

tariffs or production subsidies. The Department is not prepared to propose any alternative legislation at this time. I should like, however, to mention a few things on which we are working in the belief that we can find suitable measures to strengthen the mining sector of our economy.

1. We believe that more orderly and formalized contacts between the industry and the Government ought to be developed. There was a Minerals Advisory Council in existence several years ago, but the Council found it difficult to function in respect to some of the antitrust laws and Department of Justice regulations.

We shall consult the Department of Justice as to ways and means by which the Council can be reactivated. Should we find legislation necessary, or desirable, we shall come back here.

2. We propose to see if we cannot find a way to assist small mines to become economic producers. Small mines have played a very important part in the development of the Nation's mineral resources. The history of many small mines is that they either become bigger or they become marginal. So many segments of the domestic mining industry—including lead, zinc, and copper—are dominated by the large integrated companies that small mines are now passing out.

We should like to have services and facilities available to help some of these mines develop into economic producers. We are studying the possibility of expanding the Office of Minerals Exploration, which now provides financial assistance to exploration, to include financial assistance to development, and technical assistance in modernization, mechanization, unitization of properties, and improved mining and milling.

3. We in the Department, as well as other agencies concerned, are giving increased time and attention to a cooperative international approach to commodity problems generally. We do not presume that a formal international commodity control agreement is either appropriate or practical in every commodity. Each commodity has its own peculiar problems. Few are more complicated than lead and zinc, but encouraging steps have been taken in recent months by the International Lead-Zinc Study Group to bring about a basic improvement in the world situation.

4. The Department hopes to see a review of some parts of the tax structure affecting minerals. We recognize that special treatment is already given to mining enterprises, but we have to realize that the difficulties besetting segments of our domestic mining industry are weakening the whole economic structure of large areas of our country. We should like to see a study made of the results which might accrue from the removal of limitations on the expensing of exploration costs. A similar study should be made of the possibility of permitting full percentage depletion without the present limit of 50 percent of net.

The Department also believes that State, county, and municipal taxes, especially taxes on ore reserves and severance taxes, in many places are uneconomic and that lower taxes would encourage greater mining and bring greater wealth to the community. We should welcome action by any community or State to reappraise its taxes with reference to mining.

There are other ways by which modifications of the Federal tax structure would assist mining. I think our problem is to convince

our tax experts—both in the administration and in the Congress—that, in reviewing and revising the Revenue Code, they should give especial attention to mining.

5. The Department proposes to send task forces into a number of mining districts to find what economic impact declining mine output has had upon the community, to ascertain the amount of unemployment among skilled miners, to assess from a long-range point of view what is happening to exploration and development work, the effect upon the earnings and reinvestments of mining companies, and to begin to put together what can be done to make mining in these communities economic.

We know that hundreds of mines have closed and that production of several metals and minerals has declined. We do not have in the Government—or, at least we haven't been able to lay our hands on it—the kind of data that give an adequate picture of the economic conditions in mining communities and what can be done to aid these communities.

6. In consultation with industry, we shall examine the research programs of the Government to see whether these programs can be directed toward increased use of products of depressed segments of mining. We also want to see whether the Government itself, in its building and procurement programs, can make greater use of metals and minerals produced in distressed areas.

I have offered no panacea for the ills of the domestic mining industry. I think it is increasingly clear that short-term measures of assistance, such as subsidies to production, merely call for more and greater subsidies and lead to more and greater direct intervention in business by the Government. I think now is the time to make the sacrifices needed and so direct our energies as to assure that over the long run we shall have viable economies in every region of our Nation. I, for one, have confidence that the development and wise use of our natural mineral resources will play an important part.

Senator CARROLL. Secretary Kelly, that is a very dark view of the prospects for success of this industry, wouldn't you say?

Mr. KELLY. No, Senator, not particularly. We note that the lead and zinc industry did show some improvement in the year 1960 over the previous years.

For example, the number of mines in 1960 in operation increased from approximately 250 in 1959 to 315 in 1960.

The tonnage was slightly better in 1960 over 1959, even with the economy, the overall economy, of the country fairly depressed.

We produced domestically some 682,000 tons as against 680,000 tons in 1959. So that I do not believe it is completely black for the industry. It is a shade of dark gray at the present time, I will admit that.

Senator CARROLL. On page 7 you say:

> We know that hundreds of mines have closed and that production of several metals and minerals has declined.

And then on page 4, this seems to me that you have kind of thrown up your hands in the situation, because you say that while you disagree with the basic principles contained in S. 1747, you propose that assistance be limited to a 3-year program, to appropriately limit the pro-

gram and to provide for orderly termination; that is a phaseout program, is it not?

Mr. KELLY. That is right, sir.

Senator CARROLL. This means a sort of an anesthetic. You give them a program for 3 years to phase out of the picture.

Mr. KELLY. The program, Senator, is for the small mines, and they are the ones, when I talk about hundreds of mines closing, it is the small mines, those producing less than 500 tons of metal per year—there was approximately 524 such mines in 1954, and they declined to a low of 182 mines in operation in 1959.

They increased to 244 last year. There has been roughly a decline of 300 of that type mine in the period 1954–60.

This measure that we propose would be to aid those mines to stay alive until the general segments of the economy improve and, perhaps, the other remedies that we suggest can be put into operation, such as taxation and research.

However, I would call to your attention that the large mines—which are 15 percent of the total number of mines—produced 94 percent of the metal. There were 33 such large mines in 1954. They increased to 37 in 1956, decreased to a low of 32 in 1957, and then 35 in 1958, 33 in 1959, and 36 in 1960.

The number of these mines has remained relatively stable.

Their production also has remained relatively stable. They produced roughly 600,000 tons of combined lead and zinc.

Senator CARROLL. We had a telegram this morning from Gilman, Colo., which I read into the record. They say unless there is some change that 400 people in that small community will be out of work. That is a substantial mine, is it not? It is not a small producer. You are familiar with that mine at Gilman, are you not?

Mr. KELLY. I do not believe I am.

Senator CARROLL. I ask your expert, sir, whether he is familiar with that operation in Gilman, Colo.

Senator ALLOTT. Mr. Chairman, if you will yield, I might suggest that it is not only substantial, but in that community the mine is almost the community.

Senator CARROLL. The Senator from Colorado, of course, is absolutely correct in that.

Now, we are talking about a phaseout in just 3 years.

Wouldn't that be a tremendous waste of money? How much money would be put into a program like that, just for 3 years, to let them hang and sort of die on the vine?

Mr. KELLY. Roughly a million and a quarter dollars a year.

Senator CARROLL. A million and a quarter a year.

Mr. KELLY. Yes. It would phase down. If you would average it for 3 years it would be a little over $3 million; the first year about a million and a half, and then a little over a million, and then about $800,000 the third year.

Senator CARROLL. Also in your statement here, and understand, when I am referring to you, this is nothing personal——

Mr. KELLY. Yes.

Senator CARROLL. This is a question of the Department of Interior which has jurisdiction over these matters.

We understand there is responsibility in the State Department, too. But there are quotas imposed by an Executive order, are there not?

Mr. KELLY. That is right, sir.

Senator CARROLL. What is the nature of those quotas with reference to Canada and Mexico, the percentages?

Mr. KELLY. Percentages?

Senator CARROLL. I think you have testified that 50 percent——

Mr. KELLY. Of the total quota, Senator, the total quota of zinc is 482,000, and lead is 354,000 tons, and Canada and Mexico between them fill more than 50 percent of these quotas.

Senator CARROLL. 50 percent of the quotas?

Mr. KELLY. Yes, sir.

Senator CARROLL. So that the total productivity, the total production, of the mines in this country do not meet the consumptive demand, do they?

Mr. KELLY. No, sir; they do not.

Senator CARROLL. Well, we discussed this some 3 or 4 years ago, Mr. Chairman. You may recall that Congress adopted a program for sugar. We set up a quota system.

Now, isn't this possible with lead and zinc?

Mr. KELLY. Senator, the quota system was set up, of course, on the basis of 80 percent of the average of 1953–57 imports. If the domestic consumption had held at the same 1953–57 average, I think the quota system would have been effective in maintaining a stable market for the lead-zinc industry.

However, as I stated, the consumption of lead and zinc in the United States sharply declined right after the imposition of the quotas.

Senator CARROLL. Yes, I am familiar with your statement on that. It is my impression that with respect to sugar quotas, there was power delegated to the Secretary of Agriculture to regulate the quotas to give some stability, economic stability, to the sugarbeet industry, including the farmer and the refiner.

Now, I am asking why is it that we cannot have some device such as this? If, obviously, we permit Canada and Mexico, to flood the market, it is bound to affect the price.

This would have been true in sugar also. Some have said that we have set up a monopolistic piece of legislation for the sugarbeet industry and the refiners. This may be true, and it may have cost the consumer a cent or a half-cent more a pound. But it has given a measure of economic stability, and now it has been on the books for 25 years. There is nothing socialistic about it, as I have said on occasion. In some of the sugarbeet areas, the farmers who have received the great benefits of the act are not only not socialistic, they seldom vote Democratic.

It seems to me there is a device we can use. I discussed this before with the previous Secretary of the Interior, Secretary Seaton. I thought we had a workable bill. I thought it was a bill which was a step in the right direction.

Now, has this administration abandoned that concept completely, or is there something in it that is administratively not feasible? Why can't we explore this pattern rather than a phaseout program for small miners, because we were dealing then with small farmers, too? I would like your comment on that, Secretary Kelly. I understand you cannot come up with all the answers, but it seems to me we just

cannot throw up our hands and say that we are going to phase this out and do nothing about it.

Mr. KELLY. Well, the commodity approach, Senator, that you are speaking of as it applies to sugar I am not familiar with in detail. However, parts of it, the adjustment of quotas to the market demand or the consumption is being explored at the present time in the International Lead-Zinc Committee of which we are a member.

We feel—by "we" let me say I feel—that a rigid quota such as the one imposed, which is 80 percent of a previous import volume that these different countries did import into the United States, is too rigid to be workable. I would rather see a flexible one that is more tied to——

Senator CARROLL. I agree with that.

Mr. KELLY. To consumption.

Senator CARROLL. I think the power ought to be vested with the Secretary of Interior even as it is done with the Secretary of Agriculture, but I think we have to work some way to give stability.

In my own State in the last 4 years I think there are 54 to 56 mines that have closed. These are small mines, it is true, but this has happened throughout the West, and by your own testimony, hundreds of these people have gone out of business.

Mr. KELLY. That is right, Senator; the western mines have.

Senator CARROLL. It seems to me that some of us who supported the reciprocal trade program and voted for foreign aid, have got to come up with more intelligent constructive thinking if we are to save this industry. It is virtually destroyed now within our own country.

Now, is there something in the lead and zinc industry by its very nature which would prohibit the sugar approach? Let me ask Mr. McCaskill.

Mr. MCCASKILL. Mr. Chairman, we have been pushing extremely hard to get order into the world situation with reference to lead and zinc.

We were able at the last meeting of the International Lead-Zinc Study Group to bring mine production of lead around the world some 70,000 tons below the level of last year, and metal production some 82,000 tons below last year.

Senator ANDERSON. Who was able to do that?

Mr. MCCASKILL. The International Lead-Zinc Study Group.

Senator CARROLL. Is there a world price on lead and zinc?

Mr. MCCASKILL. Well, there are two major prices in the world. One is the London Metal Exchange, and the other is the posted price in the United States.

Senator CARROLL. Is there a world price on sugar?

Mr. MCCASKILL. I think that there is a U.S. price, and there is a world price.

Senator CARROLL. A world price?

Mr. MCCASKILL. Yes. There is an international sugar agreement.

Senator CARROLL. When we want to help certain countries we give them a premium price; do we not?

Mr. MCCASKILL. The international sugar agreement, I think, attempts to stabilize the world output.

Senator CARROLL. Are we shouting down the rain barrel? Can we work this out along the line of a similar technique as we have done on the world sugar situation and, if not, why not?

Mr. McCaskill. There are substantial differences between the two commodities. The consumption of sugar is a rather stable figure. The consumption of lead and zinc——

Senator Anderson. It is?

Mr. McCaskill. As compared to lead and zinc, I think you will find it is. You know more about sugar than I will ever know.

Senator Anderson. That is quite an interesting statement.

Mr. McCaskill. I believe that sugar, what with the fluctuations in the consumption of sugar within the United States, is within the order of 5 percent; is it not?

Senator Anderson. It steadily grows year by year.

Mr. McCaskill. Surely. I do not mean that it is fixed, but the fluctuations are not as sharp. We can have a drop of 10 percent in lead consumption one year to the next without any trouble at all, and we can get this in several countries or we can get an increase of 10 percent in some countries and a drop of, as we have, of 20 percent in zinc consumption in the United States in a matter of 3 years.

These are difficulties which make the problem a little more complex, but I do not think necessarily insoluble. I think that the advances that have been made in our international consultation should not at this moment be simply thrown overboard.

Senator Carroll. I agree with that. But in the interim period, if these consultations keep on, as they have in the past we will not have an industry left.

Mr. McCaskill. Well, I think that the success that has been achieved within recent months is very promising, and this need not be a long period of many years.

There is another session coming up in October, and I am hoping at that time——

Senator Carroll. Promising for the small miner?

Mr. McCaskill. We have different proposition with the small miner, Mr. Chairman, and I think we have to talk of them in slightly different ways.

The small miner competes not simply with imports, he competes with the more economic producers in the United States, and this is one of the difficulties in dealing with the problem. Many small mines came into being during World War II, and in the period thereafter, and again in the Korean emergency.

Many small mines that would not ordinarily exist in our economy, came into being, and much of the insistence that the Government shall do something about mining arises from the desire that many of these small mines shall somehow or other continue to produce.

Now, they will not be aided substantially by the measures which would be taken for the industry generally, and they will not, in a normal free enterprise society, function in competition with the larger integrated companies and the more economic producers, at least many of them will not.

Senator Carroll. Would it not be true, however, if there were a limitation by the quota on imports from Canada and Mexico, that some of these small mines would now be in production?

Mr. McCaskill. I think you would have to have the same thing, Mr. Chairman, you have in sugar, some subsidy payments.

Senator Carroll. Exactly.

Mr. McCaskill. If you wanted to keep these small mines in production.

Senator Carroll. Exactly.

Mr. McCaskill. Or you would have to have such a shortage of supply that prices would go to the point where these metals would price themselves out of consumption, out of the market.

Senator Carroll. I do not want to take all the time for questioning, Mr. Chairman. Perhaps you would like to question this witness before you go to the Senate Finance Committee.

Senator Anderson. I would like to ask a question or two here.

Mr. Kelly, you say on page 2:

> We assume that the price of lead or zinc in the domestic market is a function of supply and demand.

Now, you really believe that supply and demand work, don't you?

Mr. Kelly. Yes, sir.

Senator Anderson. A few paragraphs down you speak of the full impact of these restrictive measures. You would assume this bill, if enacted, would have a restricting influence on foreign imports, do you not?

Mr. Kelly. Restricted on what, Senator?

Senator Anderson. On foreign imports into this country.

Mr. Kelly. That would be my interpretation, yes.

Senator Anderson. Yes. Because, you say, the full impact of these restrictive measures are felt by foreign producers. So you believe this would restrict the foreign producer, and you say until surplus stocks in the United States have been liquidated.

You agree that we might liquidate the surplus stocks in the United States?

Mr. Kelly. It would take a period of time for producers to liquidate them, Senator.

Senator Anderson. Yes. No matter how long it takes, once they are liquidated, wouldn't that have some effect on the price of lead and zinc in the law of supply and demand?

Mr. Kelly. It would, sir.

Senator Anderson. If you believe in the law of supply and demand, then it would raise the price, which is what we are trying to accomplish.

Mr. Kelly. Yes.

Senator Anderson. You admit the quota system did not raise the price, you would admit that, wouldn't you?

Mr. Kelly. That is right.

Senator Anderson. So why does the Department of the Interior object to the only thing that seems possible to solve the problem?

Mr. Kelly. I do not believe we are objecting to the only thing that might be possible, Senator. We have, in order to remove the supplies that are overhanging the market, we have suggested perhaps that we could help the domestic industry by bartering agricultural products for the overhang.

Senator Anderson. And that got quite a response, did it not?

Mr. Kelly. What did you say, sir?

Senator Anderson. That got quite a response.

Mr. Kelly. It got quite a response.

Senator ANDERSON. A thoroughly practical suggestion, and it was promptly rejected by everybody concerned.

So, having found that a dark, closed alley, why go down that again? The two things do not work at all together.

I would like to ask Mr. McCaskill—I am coming back to you, Mr. Kelly—what these encouraging signs are in the international situation. You mean encouraging from our standpoint or from the mortuary standpoint of our mines? Have you seen anything that does anything except close the mines in this country by this international talk?

Mr. MCCASKILL. I think we might look at it in a slightly different way.

Senator ANDERSON. No, I want to look at it in that way. You are the one who testified that this international relationship we have been having on some international board has been very encouraging in the last few months. What encouraged you?

Mr. MCCASKILL. Well, I was trying to say a while ago that the one encouraging thing—, there have been two:

First of all, the lead-zinc study group, 2 years ago, in its very first action, demonstrated its ability to improve the world and the domestic price of zinc when producers individually volunteered to withhold certain quantities of zinc from the market.

Senator ANDERSON. Now then, let me just stop you right there, if you will.

Mr. MCCASKILL. Yes, sir.

Senator ANDERSON. And tell me how much the domestic price has increased in the last 6 months?

Mr. MCCASKILL. The price in the United States promptly went to 13 cents following the action of the study group.

Senator ANDERSON. It what?

Mr. MCCASKILL. It promptly went to 13 cents, which is a cent and a half more than it is now.

Senator ANDERSON. How long ago?

Mr. MCCASKILL. This was in the spring of 1959 that the action was taken.

Senator ANDERSON. What is the price now?

Mr. MCCASKILL. The price is now 11½ cents.

Senator ANDERSON. I think that is a downgrading, is it not?

Mr. MCCASKILL. Yes.

Senator ANDERSON. You said these things encouraged you in the last 6 months. Has it encouraged you when the price goes down domestically 1½ cents, and if so, why?

Mr. MCCASKILL. Because consumption in the United States took a sharp decline in 1960, way below any estimates of anybody.

Senator ANDERSON. Maybe then this international gabfest has not done us much good.

Mr. MCCASKILL. It has not helped consumption of zinc in the United States one bit. These are the difficulties involved.

Senator ANDERSON. I wrote down here "the ability of the lead-zinc study group to improve the world and domestic price of zinc."

Now, I understand that improving the price, from my standpoint, means going up. From your standpoint, does it mean going down? Is that what you think an improvement is?

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Mr. McCaskill. The price of zinc, after the action taken by the lead-zinc study group in 1959, promptly firmed up both in London and in the United States, and the price of zinc reached 13 cents and stayed there until late 1960, until consumption in the United States simply would no longer support that price.

Senator Anderson. You mean a sort of hypodermic shot in the arm that wore off pretty quickly?

Mr. McCaskill. No.

Senator Anderson. Aren't we looking to a permanent solution to this problem?

Mr. McCaskill. If there are permanent solutions to the problems they must take into mind, I think, the adjustments to ups and downs of consumption.

Senator Anderson. We know the downs, I am trying to find out about the ups.

You are telling me about the last conditions—the conditions in the last few months that made you feel so encouraged, and you state as one of them the fact that the price of zinc has gone down 1½ cents.

Mr. McCaskill. The ups will take care of themselves; it's the downs we will have to worry about.

Senator Anderson. No, we think this bill will take care of the ups, that is the difference in our philosophy. You think the ups just come naturally, I do not.

Mr. McCaskill. No. I indicated that I thought that the action of the International Lead-Zinc Study Group with reference to tin produced substantial——

Senator Anderson. Tin?

Mr. McCaskill. With reference to zinc.

Senator Anderson. I was going to say who got tin into this?

Mr. McCaskill. I did not mean to bring tin into it. It resulted in a substantial increase in the prices of zinc. Those prices——

Senator Anderson. That is just where I am stopping you.

Mr. McCaskill. That price was not able to be sustained because the estimated consumption in the United States did not materialize.

Senator Anderson. Therefore, it was not a sound assumption, to begin with.

Mr. McCaskill. That is right, exactly.

Senator Anderson. We had a play by William Saroyan, I forgot the name of it, in which the chief character keeps saying "there is no foundation" all the way down, and that is what you are up against, isn't it?

Mr. McCaskill. The quotas were fixed, and the production of the world continued to come in in terms of the estimates made as to consumption.

Senator Anderson. Precisely. You thought that by a group sitting down and talking about it they would stop some other country from producing enough so that they would be able to take care of the situation in the United States. But it did not work out that way, did it?

Mr. McCaskill. Well, this will need reexamination from the U.S. point of view, and I suspect that foreign producers will be much more willing to talk about it in October. The problem with zinc has been——

Senator ANDERSON. To talk about it? I agree they will be willing to talk about it.

Mr. MCCASKILL. They will be.

Senator ANDERSON. But we want to know whether they will be willing to do anything about it. There is a difference.

Mr. MCCASKILL. I think they will be much more willing to do something about it.

Zinc has been considered primarily a U.S. domestic problem. We are the only ones who have accumulated surpluses, and the foreign producers have not been willing to look too seriously at it. We tried to say that unless something is done internationally on this, that the United States would have to find ways of dealing with the zinc problem.

With regard to lead, the group has been willing to take rather definitive action, and has cut back substantially on both mine output and smelter output. If we are able to absorb some of the surplus stocks, we should have by the end of the year a growing——

Senator ANDERSON. You said if we are able to absorb surplus stocks. If you can make the assumption then you can just prove anything, but we are not absorbing surplus stocks, are we?

Mr. MCCASKILL. We are trying to absorb the surplus stocks abroad which we talked about before.

Senator ANDERSON. That would be useful to the people abroad. But what are we going to do about the people of the United States?

Mr. MCCASKILL. Well, those are stocks that would come to the United States normally. If we can get them diverted elsewhere, and we can improve consumption here a little bit, the market ought to reflect it.

Senator ANDERSON. You have testified before this committee before. Have you ever recommended anything that would be of benefit to the lead and zinc industries of the United States?

Mr. MCCASKILL. It has not been my task, Senator, to make recommendations to this group.

Senator ANDERSON. Well, you have just now been talking about the things that would improve the lead-zinc situation.

Mr. MCCASKILL. I think we have been working on a number of things that ought to bring about a better functioning of the lead-zinc industry, and other mining industries. The Secretary referred to some of them in the latter part of his statement.

Senator ANDERSON. I do not know how it works in the metal markets, but I did have presented to me one time in the Department of Agriculture a study by the Bureau of Agricultural Economics that showed oversupply of agricultural produce to the amount of 5 percent would probably drop prices 10 percent; an oversupply of 10 percent would drop prices 25 percent, and so forth.

I assume something of that sort works in this industry, and because we do get this price abroad we get into trouble.

Mr. Kelly, you deal, on page 2 with Canada and Mexico, and the impact of these duties that would fall most heavily on them.

Is Canada trading with Cuba and Red China?

Mr. KELLY. I do not know, Senator.

Senator ANDERSON. Well, it probably is, and maybe it has a different problem than we do.

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Now, again we go to page 3, and you have a paragraph about the fourth one down, where you say:

> Lead consumption in the United States in 1960 was nearly 10 percent below 1957, while the rest of the free world showed an increase of more than 11 percent. For zinc the contrast is even sharper.

Has anybody, Mr. McCaskill, asked himself why lead and zinc consumption has increased outside the United States and decreased inside the United States? Isn't that a situation that ought to be looked into a little bit?

Mr. McCaskill. There have been quite a few articles and papers on that subject; yes, sir.

Senator Anderson. What do they suggest was the cause?

Mr. McCaskill. Well, there are a variety of reasons. The patterns of use are somewhat different in the two countries.

The introduction of the compact car into the United States has, of course, been one of the factors which has brought about a decline in consumption of both lead and zinc.

The longer life batteries and the smaller batteries have made quite heavy inroads into lead; the amount of zinc on cars has dropped considerably. This kind of change has not come about in Europe.

In the United States plastics have largely taken the cable covering industry from lead, whereas this has not taken place in Europe. And then, of course, the growth of the European economy has been rather spectacular in many ways, and this has accounted, in part, for the growth of lead and zinc consumption.

This has also been true in Japan. India and Australia have also shown substantial increases in consumption of these two metals.

Senator Anderson. Now, knowing all that, do you think the imposition of quotas is going to help any?

Mr. McCaskill. The imposition of quotas?

Senator Anderson. Yes.

Mr. McCaskill. In addition to the ones we now have?

Senator Anderson. Well, even the ones we now have, plus additional ones. Isn't the only thing that is going to do any good is some sort of tariff protection?

Mr. McCaskill. Well, I am still of the opinion that consumption of lead and zinc will increase in the United States with the improvement of our economy.

Senator Anderson. You mean with all these factors you have mentioned going on and being accelerated, consumption of lead and zinc is going to increase?

Mr. McCaskill. Yes.

Senator Anderson. Why?

Mr. McCaskill. Well, I think, for one thing, developments in the automobile business itself promise considerable increase in the amount of zinc used for galvanizing—in unitized bodies, and the like.

Senator Anderson. I misunderstood you. I thought you were testifying that this compact car wave, and so forth, had decreased the consumption of lead and zinc.

Mr. McCaskill. Yes. But the one thing that is so true about this is you never know what is going to happen, and that in this——

Senator Anderson. You do in lead and zinc——

Mr. McCaskill. No, sir.

Senator ANDERSON. Is going down. [Laughter.]

Mr. MCCASKILL. No, sir. That has been true for 3 years, but I think the industry is doing something about it, and I think you are going to find a change. I think the research program in the uses of lead and zinc is beginning to show signs of yielding results, and if we can get lead and zinc consumption back simply to the average of the 5 years preceding 1958, the quotas would be quite effective, if kept on.

In the absence of that kind of a lift in consumption the quotas are not sufficiently effective at the present time, that is quite true.

Senator ANDERSON. I can only say that this sort of discussion reminds me of what I hear when we talk about wheat production in this country. If we could only get wheat consumption back up to where it was per capita when people did not go in for other types of food, we would not have any wheat surplus.

But people have stopped eating some of the things they once were eating, and they are not going to start again, and I think the only way we are going to get any protection in this is to give them some duty protection.

I do not see how hoping there is going to be an upturn is going to help.

Mr. Kelly, you say:

> I think had we had consumption of lead and zinc in the United States, had it not fallen off so sharply since the establishment of quotas, that this situation would be quite different.

Sure, if it had not fallen off quotas might have helped. But it did fall off. Humpty Dumpty had a great fall. Now that he had a great fall, what are we going to do about it? Just say we are sorry. If it had not fallen off things would be much better. But it did fall off, that is the fact we are confronted with.

Now, having that fact in front of you, what are we going to do about it?

Can I ask one more question, and then I will stop? Go ahead, Senator Bible.

Senator BIBLE. If the Senator from New Mexico would yield at that point, the very sentence he reads now is one on which I would like the record clear, because I am not completely clear on it myself.

You say:

> I think it is fair to say that had consumption of lead and zinc in the United States not fallen off so sharply since the establishment of the quotas the situation today would be quite different.

I read from the official document of the Commodity Data Summary of the Bureau of Mines, U.S. Department of Interior, dated February 1961, and they show, if I read it correctly, that in 1954 you had, in thousands—I guess this is in thousands—thousand short tons of lead, you had a figure of 1.095 in 1954; 1.213 in 1955; in 1956 you had 1.210; in 1957 you had 1.138; in 1958 you had .986; in 1959 you had 1.091; and in 1960 you had an estimated 1.045.

Now, as far as zinc is concerned, using the same measurement quantities of thousands, you had a figure in 1954 of 884; 1955, 1.120; 1956, 1.009; 1957, .936; 1958, .868; 1959, .956; 1960, .880.

Is that considered to be a sharp falloff? Are these accurate figures, are these the figures that correctly reflect the consumption of lead and

zinc in the United States, as put out by your own Department and, if so, is your conclusion that this is a sharp falloff, is that a correct conclusion?

Pardon me for the interruption, Mr. Chairman.

Senator ANDERSON. Go ahead, that is exactly the point I was trying to develop.

Senator BIBLE. Because I just wonder if that is a correct statement you draw in your official statement.

Mr. MCCASKILL. I have the figures. The average consumption of 1953 through 1957 would be 1.172. The same figures you are looking at, the average consumption for 1958–60 would be 1.040.

Mr. KELLY. Approximately 100,000 tons drop, or approximately a 10-percent drop.

Senator BIBLE. And that is called a sharp falloff, 10-percent drop?

Mr. KELLY. Yes, I would say 10 percent is a sharp drop.

Senator BIBLE. How about zinc? It looks to me as though zinc stays fairly steady.

Mr. MCCASKILL. Senator, you have to add to that one other factor which, I think, we tend to overlook, and that is during this time the U.S. market supplied from 1953 through 1957 a market for about 125,000 tons a year for stockpiling.

Senator BIBLE. You mean that is reflected in the consumption figure?

Mr. MCCASKILL. That is not reflected in the figures on consumption. These figures are industrial consumption.

In addition to the decline in industrial consumption, you would have to add another 125,000 or so tons a year to reflect the decline of the U.S. take.

Senator BIBLE. The only point I was making, Mr. Kelly, and I am very glad to have you clear the record, is your conclusion in which you said that there had been a sharp falloff, as I read the consumption figures. It did not seem to me that this was a sharp falloff. Maybe this amount of falloff is considered sharp in the industry. I suppose they can testify to it.

Mr. KELLY. This is industrial production.

Senator BIBLE. I ask the pardon of the Senator from New Mexico for my interruption, but it seems to be pertinent.

Senator ANDERSON. The figure from 1957 to 1960 is down on lead nearly 10 percent in 3 years, that is 3 percent a year. That is about what——

Mr. MCCASKILL. That is the average.

Senator ANDERSON. What is that?

Mr. MCCASKILL. That is the average. It would be 10 percent a year.

Senator ANDERSON. You mean from 1,138,000 to 1,045,000 in 3 years is 10 percent a year? One of us cannot figure now, I will tell you that.

Mr. MCCASKILL. I was giving you, sir, the average for the 5 years, 1953 through 1957, and the average for the 3 years.

Senator ANDERSON. Let us start with 1954; 1954 was 1.095 and 1960 is 1.045. That is 5 years—6 years. That is 10 percent a year, which would be 60 percent.

Do I understand it to be your testimony that you think the production in 1960 was only 40 percent of what it was in 1954?

Mr. McCaskill. One of us is not figuring right.

Senator Anderson. Well, I suspect which one it is, but I would not want to charge you with it. [Laughter.]

Mr. Kelly. Production is off 10 percent, Senator, from the average.

Senator Anderson. Is off 10 percent from the average?

Mr. Kelly. From the average.

Senator Anderson. You mean if you averaged them all and took the last year it is down about 10 percent, but not a fall of 10 percent a year.

Mr. Kelly. That is right.

Senator Anderson. It is not too sharp then if in 6 years it comes down maybe a point and a half a year. We do not think we have a sharp erosion of money, and yet it has gone off about 1.5 to 2.5 percent a year right along, that is not sharp; I think that is very steady.

May I read you something that was said by one of the campaign speakers in the last election. He was speaking at Pocatello, Idaho, May 16, 1960, and he said:

> But if we are to really move ahead in this country, if the mineral and resource potential of this State and region is to be fully utilized, then a Democratic House and a Democratic Senate are necessary, but not enough. The Congress can urge administrative action, Congress can appropriate money, the Congress can pass legislation, but without Presidential cooperation instead of vetoes the Congress cannot do the job alone.

Now, what do you think the President might do in this present situation if not support this bill?

Mr. Kelly. Well, Senator, one thing I think the administration would call to your attention, we realize the problem is a complex problem. We have spent quite a bit of time studying it. We have not completed our study, we are not willing to grab at straws, a straw here or a straw there, and try to build a house on straws.

We would like to have the time to make a thorough study from this administration's standpoint, and then recommend to the Congress what we feel would be in the best interests of the domestic mineral industry after we have completed the study. We have not completed the study.

My opinion is that the difficulty resides in the State Department, the thing you mentioned, we have problems with other countries. We know what it takes to do the job, we just have international complications.

Can I return to Mr. McCaskill for a minute because I think this probably concerns him. In paragraph 3 at the bottom of page 6 the statement says:

> Each commodity has its own peculiar problems. Few are more complicated than lead and zinc, but encouraging steps have been taken in recent months by the International Lead-Zinc Study Group to bring about a basic improvement in the world situation.

This does not go back to 1959. This says:

> Encouraging steps have been taken in recent months by the International Lead-Zinc Study Group.

Would you just mention what those steps have been, not in philosophy but in the actual steps.

Mr. McCaskill. Yes. The International Lead-Zinc Study Group in its last meeting in March appointed an 11-nation committee to be-

gin the development of some long-term solution or to explore the possibilities of a long-term solution in lead and zinc.

That committee has had one meeting of a 10-day period. Another is scheduled in October.

This, you should read in the light of the top part of the statement with regard to cooperative international approach to commodity problems generally.

Senator ANDERSON. Well, you see, it does not quite satisfy my interest in this because you said they met in 1959. They decided what they were going to do, and the price of lead and zinc went down about 2 cents.

I would not want this talk to drop it another 2 cents. You do not think that could happen, do you?

Mr. MCCASKILL. There are those who say there is no room at the bottom now.

Senator ANDERSON. No, I do not believe that is quite true. You will have to try harder.

The Department says, Mr. Kelly, at the top of page 7:

> The Department hopes to see a review of some parts of the tax structure affecting minerals.

New, what sort of a review and change would you hope for? We have been trying to vote out the transportation tax. It cannot get by because the Treasury is opposed to that.

We have been trying to get rid of the telephone tax. We in the Finance Committee have been concerned with many of these taxes that are excise taxes.

Do you think there is any hope in that direction, a real hope? You must not hold out something that is not a real hope. I am sure you would agree with that.

Mr. KELLY. I do, Senator. But I think we can have some hope, especially in the fields of expensing the exploration costs of minerals. Some of our tax laws already allow such expensing.

Senator ANDERSON. Are we exploring for lead and zinc when mines are closed that can produce it, that already can produce it?

Mr. KELLY. We should continue to explore for lead and zinc, Senator, under a long-term, long-range program, in order to keep our mining in lead and zinc, along with the other minerals, active. We should explore for large low-cost deposits that will enable us to compete.

As I pointed out——

Senator ANDERSON. That would not help any of these existing mines that are closed down now, would it? That would make their recovery more difficult, wouldn't it?

Mr. KELLY. No. Every mine classes a certain percentage of their costs as exploration, so it would help the present mines along with new ones.

Senator ANDERSON. If they are closed down, what help do they get?

Mr. KELLY. Of course, if they are closed down——

Senator ANDERSON. Well, they are closed down. That is why I could not see what tax relief they could get out of a change in the exploration costs or even in the depletion allowance, if they could get it.

Now, in the second paragraph you say:

> The Department also believes that State, county, and municipal taxes, and especially taxes on reserves and severance taxes, in many places are uneconomic and that lower taxes would encourage greater mining and bring greater wealth to the community.

Do you know of a State that is seeking lower taxes? Didn't we have a long story of what happened in Michigan where they had to come up with new taxes?

I was just reading a book the other day about the election in 1960 in which it described the problems of Governors, and how many more Governors were defeated, and Senators were defeated, for example, because the Governors were dealing with this very pressing problem of taxation. It is bearing down on every State in the Union.

Do you really feel that cutting of State, county, and municipal taxes will help the metal mines of lead and zinc in this country?

Mr. KELLY. I think if the State, county, and municipal authorities will look upon the problem realistically they would see if they could keep the mines in operation, that by cutting taxes on reserves and severance taxes, that the taxes they would gain from employment taxes and, let us say, sales taxes and other types of taxes on the payrolls that are generated within the community, yes, they should look realistically on it and lower the mining taxes in order to, in turn, gain from taxation by ad valorem and payroll.

Senator ANDERSON. I have taken too much time. I just——

Senator HICKEY. Mr. Chairman, would you yield to me? I think the point you have just brought out shows an impractical situation.

I have rather recently come from my State, and I know that these agencies that you point out, the municipal, the county, and the State, are all confronted with more demands rather than less demands, and I cannot possibly conceive of how they would be able to reduce taxes.

Senator ANDERSON. Thank you, Senator Hickey. That is exactly the point I was trying to make. I know in my home State our problem is not where are we going to cut the taxes but what new taxes can you find.

In 1933, I guess, I became the administrator of the emergency school tax in New Mexico. It was just a sudden emergency that boiled up, and it was only going to be there a short time, and I was State treasurer, and they asked me to administer it because it was not going to be in effect long enough to have a person run it as a full-time job.

Well, it is 20 some years after, and the only thing that has changed in the emergency is that they increased the amount of tax, and it is the most permanent feature in New Mexico, the emergency school tax.

Everywhere I hear the same story with reference to taxation. The States, we try to do something about the telephone tax in the Finance Committee because business was complaining that this was a burdensome sort of tax, and so forth, and almost overnight, the very energetic and able Governor of New York, Mr. Rockefeller, had a program to take the telephone tax over for the State of New York if we took it off federally, and many people said, "what's the difference? We will just leave it alone."

I know of no help in this. That is why I am trying to say that I would not want the metal mines, the lead and zinc mines, to be utterly

devoid of hope, and I see very little in here that gives them much hope thus far.

Mr. KELLY. Senator, perhaps I can give you an example of where there is a little hope. I am familiar with the emergency school tax in New Mexico where you were the first commissioner of revenue.

Talking about severance and reserve taxes, several years ago the State of Louisiana embarked upon a program of drastically increasing their severance tax which they did on petroleum products.

After they increased the severance tax, exploration and production of petroleum products in the State of Louisiana took a drastic drop.

I think that we can take this example and put it in reverse. If local communities and the States would take a realistic view on severance and lower reserve taxes, and lessen them—they would, I think, see an increase in the mineral activity and, therefore, stimulate mining in those States.

Senator ANDERSON. Well, we have had some mines close down in our home State, Mr. Kelly. How high is the severance tax on lead and zinc?

Mr. KELLY. In New Mexico?

Senator ANDERSON. Yes.

Mr. KELLY. It is one-half of 1 percent now, I believe.

Senator ANDERSON. One-half of 1 percent. I do not believe that is going to revive the mining industry.

Mr. KELLY. That is a State severance tax. But your local taxes added to that probably add up to a figure of close to 5 percent, Senator.

Senator ANDERSON. Well, I appreciate your testimony. I appreciate most of all the fact that I know the Department is exploring, and I hope you continue to explore, and come up with some things that will satisfy the metal industry so that we are really going to give them some help.

Senator CARROLL. Senator Bible.

Senator BIBLE. Mr. Chairman, I want to share with the distinguished Senator from New Mexico the expresison that at least you are trying to be sympathetic. I kind of get an impression instead of being a doctor trying to help a patient, you are more like a coroner seeing what killed the patient and examine the corpse. But I hope I am wrong.

I used the statement that was alluded to by the Senators from New Mexico, the State of Wyoming, the State of Utah, and the State of Idaho last year, to try to indicate that we would have a sympathetic expression from the Executive and we could get something worthwhile.

I have just a few questions. I will go to pages 6 and 7 to look at your suggestions. Your fifth suggestion certainly puzzles me because you say that you want to send a task force into a number of mining districts to find out what the economic impact of declining mine output has had on the community, to see what the unemployment is and why the mines have closed, and exactly what the situation is.

Now, you certainly do not mean to tell me that as the Assistant Secretary of the Interior in charge of mining, you do not know what the situation is in these mining communities? They are ghost towns,

and certainly if any of your people have traveled to Idaho and in Wyoming and Utah and Nevada you do not need a task force to go out and see the corpse. It is there, I mean, and I do not know why you have to spend the taxpayers' money to go out and see what the situation is.

Doesn't the Interior Department itself know what the situation is as far as the lead and zinc miners of America is today? What else could you study?

Mr. KELLY. Well, for one thing, Senator, we can study this part of the problem. We say that we should stimulate the industry and put miners back to work. How many unemployed miners are there? How many skilled unemployed miners are there? There is no place in the Labor Department statistics that we can find that gives us that story.

For an example, in the Senator's State of Utah, there is a potash development now starting up down in the southeastern part of your State, Senator Moss. We are told that there is a depressed condition in the lead-zinc industry in Utah and the neighboring State of Colorado. Yet when that company went out to find skilled miners to staff this new potash industry, they had quite a bit of trouble getting the labor force together.

Therefore, it is difficult to conclude how many unemployed miners are now in that area. The company had a hard time recruiting locally.

Senator BIBLE. I think the industry could furnish that information very simply. I do not have it right at my fingertips. I have heard them testify as to it, and I have heard them testify as to the number of unemployed miners.

Certainly, it does not take any great amount of imagination to find out that you have a number of ghost towns, and I can name them in my own State, which has some real lead-zinc producers, which are now—former lead-zinc producers which are ghost towns now.

I just question that fifth recommendation as to how to strengthen the mining sector by appointing a task force to go out and view the corpse.

You next say, your second point, and I am only trying to go to your solutions, because I think we are all trying to point in the same direction, at least I hope we are, and trying to get something done—you say:

> We should like to have services and facilities available to help some of these mines develop into economic producers.

What does that mean, Mr. Kelly?

Mr. KELLY. Well, we are talking about small mines now, Senator.

Senator BIBLE. Yes, I understand. This has reference to small mines.

Mr. KELLY. A small one does either one of two things. It either grows and becomes a larger mine, or it goes out of existence.

We hope there are certain things the Department can do to aid them to grow to be larger mines. For instance, if a mine has complex ore, complex base metal ore, let us say lead, zinc, copper, gold, and silver, with some of the other minerals in it, milling is very difficult. The owners are not able to go out and get finances from private parties because they cannot get a decent report from the research labs

to show that they could lick their milling problem. We think that the Department has——

Senator BIBLE. This is certainly not new, at least I assume it is not. The Bureau of Mines has been functioning for many years. I happened to sit on the Appropriations Committee and I think we added some money for additional lead-zinc research this year over the estimated amount, and I see, according to this same bible that I use, that you are using about $1 million a year in the Bureau of Mines program for this very subject.

Mr. KELLY. We are talking about increasing the aid, and also pinpointing it to these conditions that exist today. Probably the Bureau has been a little broader in its approach, and we feel it should be sharpened up to aid the smaller mines.

Also our mineral exploration program—we think that it should be expanded from just providing money for exploration, that it should have some money to aid in beneficiation and upgrading facilities. We are unable to include these in the programs today.

Senator BIBLE. You make another statement here that insofar as possible solutions with which you are concerned, that you are groping along trying to find out what you think is the correct solution. I think, as a cosponsor, I have no concern as to that. I think if you would report favorably on Senate 1747, the bill introduced by the very, very able chairman of this full committee, as well as a good many cosponsors and members of this committee, this would go a long way to solving the problem.

I think he has suggested a solution to you, and I would hope you would take a real close look at that.

Just one further point, and that is on page 5 you get into the quota problem. Don't you honestly believe that the quotas were made—if the quotas were made more restrictive that this would go a long way toward solving the lead-zinc problem, or do you?

Mr. KELLY. I believe, Senator, I believe I stated earlier that my personal opinion is that the rigid quota system, as it is set up, 80 percent of the 1953–57 base, is not the type of quota system that should be imposed. It should be a flexible quota system that takes into consideration the varying consumptive periods, that is, the ups and downs of consumption.

Senator BIBLE. Well, would you be prepared to recommend a more flexible quota system that would take into account the varying ups and downs of consumption?

Mr. KELLY. In my report to the Department I would be prepared to recommend such a system, yes.

Senator BIBLE. Do you think this could be enacted, I mean, if the Tariff Commission would go along as they did, and the President would go along with this type of recommendation, would this be of assistance to the lead-zinc people, domestic lead-zinc people?

Mr. KELLY. I would hope so; or I would not recommend it.

Senator BIBLE. You what?

Mr. KELLY. I say I would hope so, or I would not recommend such a change.

Senator BIBLE. But you are not prepared to recommend something along in this direction?

Mr. KELLY. To the Department.

Senator BIBLE. To the Department?

Mr. KELLY. To the Department.

Senator BIBLE. I have no further questions.

Senator CARROLL. Senator Dworshak.

Senator DWORSHAK. Mr. Kelly, I share the concern already expressed by my colleagues on this subcommittee that we should not accept the position of the administration which is implied in your comments, that we are moving along as well as we can, to do something to stabilize the lead-zinc mining industry.

Neither will I try to inject a partisan note into these proceedings. The chairman of the full committee, the distinguished Senator from New Mexico, has referred to some of the comments made by Candidate Kennedy at Pocatello, Idaho, on May 16, 1960, about deploring the status, distressed status, of the lead-zinc industry, and making a promise to do something to stabilize the industry.

I am not going to charge there has been a reversal of policy.

When you say you are going to name a task force to do some study, well, as the Senator from Nevada has pointed out, we have been holding hearings similar to this for the past 5 or 6 years.

We do know of the distress which is existent in the lead-zinc industry.

Now, I want to emphasize that while it is difficult to solve this particular problem affecting the future of the lead-zinc industry, that I think we cannot afford to admit inability or the futility of doing something constructive and doing it as quickly as possible.

To that end I want to explore very briefly some of the comments which you made. For instance, on page 6 in your statement you said:

> The administration is simply not ready to concede that the only way in which we can move forward is by resorting to restrictive tariffs or production subsidies.

Now it is apparent that the administration disapproves of subsidies and tariffs, although we recognize in much of the legislation sponsored by the administration, not necessarily initiated, but continued by this administration, there are many subsidies.

I will not go into detail on that subject, but I recall that within the past 2 weeks we had an appropriation bill in the Senate which provided $280 million for operating and construction subsidies for the merchant marine, and I could enumerate many other programs which involve the payment of subsidies to help various American industries survive in the face of competition from abroad.

Now then, you also mentioned that you have very little faith in quotas or, at least, you do say on page 5:

> If through international action world surplus stocks would be liquidated and production brought into line with industrial demand, it is possible that quotas would no longer be required to hold off imports.

Now you have exhausted those three approaches, subsidies, tariffs, and quotas.

Well, now, that leaves virtually the only other approach which is a voluntary negotiation, either at a bilateral level or through some existing organization, with the producers of lead and zinc abroad to effect some curtailed production in an effort to bring up the prices of lead and zinc.

Now is that summary in accord with the current thinking of the administration, that that is the field where we can look for some solu-

tions to these lead-zinc mining problems, voluntary action by the producers of lead and zinc?

Mr. KELLY. That is one of the fields that we can look toward helping solve the problem, Senator.

As you stated at the beginning, the problem is very complex, and that it has been studied over the years by the Congress and by the previous administration, and over those years the situation, as has been brought out, apparently has been deteriorating.

We feel that the industry is balancing itself at the present time. We feel that the industry itself is taking the steps to help bring about better conditions within it.

Senator DWORSHAK. You mean within this country or abroad also?

Mr. KELLY. Within this country and abroad also, Senator.

As you know, the industry have stepped up their research, and are trying to develop new uses for metals.

Senator Anderson brought out the point that lead and zinc might be compared to wheat. We are not eating as much bread as we used to. It is true in the automobile industry that the change from the large, so-called luxury automobile, to the compact car has cut down quite a bit of the zinc use.

However, the industry, working in conjunction with the automobile manufacturers, have come up now with a new method of galvanizing which, even with the compact car, we hope will bring up the use of zinc in the automobile industry in the next model change.

This, I think, is an example of industry cooperation, or interindustry cooperation to improve the product.

Now in the international field we are, of course, working with other governments to try to bring the foreign supply into better balance. We hope that the agreements that we are trying to reach with Canada and Australia will cut off the tonnage that Mr. McCaskill stated.

Senator DWORSHAK. Are you consulting Mexico in this regard, too?

Mr. KELLY. Mexico is being consulted; yes sir. These efforts, will reinforce the positive actions that Interior can take itself. Senator Bible—I notice he has left—brought a point out that the Bureau of Mines should have been looking at this problem for quite a while. The Bureau of Mines is not prepared to offer general technical assistance to individual mine operators, especially if that assistance is available from commercial consulting firms. We are hoping we can offer technical assistance to small mines in connection with the program of the Office of Minerals Exploration.

Senator DWORSHAK. Can you point to any specific progress which has been made in the conferences with Canada, Mexico, and Australia in curtailing the overall production of lead and zinc in an effort to stabilize prices?

Mr. KELLY. Yes. I would like to ask Mr. McCaskill. He sat in on the conference. If it pleases the Senator, he can answer as far as the talks he has had with Canada and Australia or with Canadian and Australian producers.

Mr. MCCASKILL. Senator, there has been no effort within the past year, so far as zinc is concerned, to effect any reduction in output.

With regard to lead, substantial reductions are now being effected in both mine output and smelter output. The Canadians, the Mexicans, the Australians are all participating; the Europeans are also cutting back substantially in their smelter output. This has been a very real achievement with regard to lead.

We are hopeful that this action can be continued with regard to lead and similar steps taken with regard to zinc.

Senator CARROLL. Are you doing this—if you will pardon me, Senator—are you doing this, is this what you have reference to when you are talking about the world surplus? You previously testified on one or two occasions about the surplus.

Mr. MCCASKILL. Yes, we are trying to supplement these cutback efforts by absorbing through agricultural barter the surpluses that are existing outside of the United States as a step toward bringing a semblance of balance between new supply and consumption.

Senator CARROLL. You do that because of supply or do you have some reference to price stability as you move in this direction?

Mr. MCCASKILL. Well, we feel that before there can be any real progress in the lead and zinc industries, that the surplus stocks now overhanging the market have somehow got to be liquidated. If they are liquidated through normal operations this will take time. If there were some way of doing it more promptly this would make possible the development of a more positive program that would be effective more quickly.

Senator CARROLL. This would change the price structure, would it not, in the world market; but how would it affect our domestic economy?

Mr. MCCASKILL. The U.S. price is always closely tied to the world price.

Senator CARROLL. And the world price is fixed in London, is it not?

Mr. MCCASKILL. Well, there is some question as to whether the world price is the U.S. price, and the London price related to that, or vice versa. There are two prices, and the difference between the two remains fairly constant, reflecting the transportation costs and the U.S. duty.

Senator CARROLL. I did not mean to interrupt the able Senator from Idaho, but I wanted to pursue that point.

Senator DWORSHAK. So far in your discussions with representatives of the Canadian Government, have you merely recognized the need of taking some remedial action or do you have some indication of a firm agreement which will result in some improvement in the zinc-lead industry?

Mr. MCCASKILL. The major producer in Canada has already cut back substantially his operations. The United States has indicated its willingness to barter for the surplus supplies which are in Canada. That has not yet developed into an agreement.

Senator DWORSHAK. How much is involved in that, how much tonnage?

Mr. MCCASKILL. About 55,000 tons.

Senator DWORSHAK. Of lead?

Mr. MCCASKILL. Of lead. We are speaking only of lead.

Senator DWORSHAK. What would be done with that if that lead were exchanged, brought into this country?

Mr. McCaskill. If that were acquired by the U.S. Government as a part of its agricultural barter program, that would go into the supplemental stockpile provided for by law.

Senator Dworshak. Well, Mr. Kelly——

Mr. McCaskill. It would be lifted completely from the market, not available at any time without an action of the Congress.

Senator Dworshak. And you would have, of course, an agreement with the Canadian Government that production would be curtailed instead of being increased to make up for that acquisition of lead by this country?

Mr. McCaskill. Sir, there is no agreement with the Canadian Government on this. This is a voluntary undertaking by the Canadian producers, and the Canadian Government is fully aware of it, but they are not party to the agreement.

Senator Dworshak. How long would production be curtailed under this plan, do you know?

Mr. McCaskill. Until June 30 of 1962.

Senator Dworshak. Well, Mr. Kelly, I do not like to prolong this colloquy, I have other questions that might develop, but I wonder if you could give us any assurances that this administration really recognizes the need of taking action soon.

Of course, being again Republican and a member of this committee for about 8 years, I have been subjected to a lot of criticism and, at times, rather drastic comments that the Eisenhower administration did not fully appreciate the need of stabilizing the lead-zinc industry.

Now, while you have only been in office 6 months, it is apparent from the questions of my colleagues on the other side of the aisle that they, too, are becoming somewhat impatient, that there is a lack of interest in this question.

Now, can you give us any assurances about how soon we may be expecting some very tangible results?

Mr. Kelly. Well, Senator, I can give you this assurance: There is no lack of interest in the administration. The administration is fully aware of the problem.

They have expressed deep interest in it; they also are aware of the complex nature of it, and they will assure you and the Congress that they are moving ahead with their study of not only the lead-zinc problems but also the overall problem of the minerals industry, lead and zinc being not the only commodity within the mineral industry that is depressed, as you well know.

We are trying to look at the entire mineral industry as a whole, and hope that we can come to the Congress, after we have completed the study, in the very near future with an overall statement on the mineral industry in which a particular segment of that statement will deal with lead and zinc.

Senator Dworshak. If I may infer from your testimony, it is assumed that the administration frowns on subsidies, tariffs and quotas in trying to reach some solution?

Mr. Kelly. At that point, the administration will not agree that those three items are the proper method to solve the problems. We are not saying that they are being discarded by this administration; no, sir.

Senator DWORSHAK. What if you fail in the consideration of other alternatives, certainly you won't rule out reconsideration of these three?

Mr. KELLY. That is right, sir.

Senator DWORSHAK. Thank you.

Senator CARROLL. Senator Hickey?

Senator HICKEY. No questions.

Senator CARROLL. Senator Allott, do you desire to put some questions?

Senator ALLOTT. I would appreciate the courtesy of the committee if I could.

Senator CARROLL. I want to say for the record, and I had not previously recognized him, that Senator Church, the distinguished junior Senator from Idaho, has been here all through the hearings, and I did not put his name in the record. I want to correct that right now. I mentioned every other Senator who has been present, and I neglected my esteemed friend.

Senator Allott, please proceed.

Senator ALLOTT. Mr. Chairman, I do not think my examination will be very long. I was here when you made your statement, Mr. Secretary, and as I read the statement I see an incorporation into it and the adoption of the theories and policies of the old Paley report.

I had hoped we had buried this a long time ago, and I hope we can preside at its proper interment right soon. We either are going to do that or we are going to kill off our mining industry.

Now, much of your statement seems to be based, and many of your arguments are based, upon the fact of the great curtailment of production in lead and zinc.

I have in my hands here "Minerals and Metals Commodity Data Summaries by the Bureau of Mines of 1961," which are your figures.

Now, let us take the case of lead, and the figures I give will be starting with the year 1954 and proceeding through the year 1960, inclusive.

The consumption of lead in 1954 was 1,095—these are in thousands of tons; then 1,213, 1,210, 1,138, 986, 1,091, 1,045.

Now, the President's, President Eisenhower's, decision on the last lead-zinc case was on October 1, 1958. In that year the consumption was 986. It increased the next year to 1,091, and the estimated lead consumption for 1960 is 1,045. This shows no drastic decrease in consumption.

Would you care to comment on this?

Mr. KELLY. Yes, Senator. Well, the figures for 1958 show 986. One reason for the drop from 1957, and the pickup in 1959, was that there was curtailment in the last 3 months of 1958, which was sharp, probably overly sharp.

But the other, the main point that I would like to make is that these figures do not reflect the some 125,000 tons per year that went to Government stockpiles during the years preceding, during the years of the stockpile acquisition. So if you add that 125,000 tons to these figures, you will come up then with a drop of over 10 percent.

Senator ALLOTT. Now, during what periods did these go to the stockpile?

Mr. KELLY. Through the middle of 1957, Senator.

Senator ALLOTT. Up to 1957?

Mr. KELLY. Mid-1957.

Senator ALLOTT. But we were talking about consumption, not production or supply.

Mr. KELLY. But the stockpile was production.

Senator ALLOTT. I am talking about consumption.

Mr. KELLY. Yes, sir.

Senator ALLOTT. And in the field of consumption you have had no material lessening, according to your own figures, of the consumption of lead.

Incidentally, I am informed that the stockpile stopped in 1957.

Now, if we turn over to zinc, I use the same figures and the same source, starting in 1954 through 1960, and the figures are in thousands of tons, and they are as follows: 884, 1,120, 1,009, 936, 868, that is in 1958, and that is the year that the President's adjustment of the recommendations of the Tariff Commission came in, in October; in 1959 back up to 956, and 880 in 1960.

Now, this is not on an average basis a material diminishment of the consumptive uses of zinc in the United States, and I simply wanted to point this out to you because most of your testimony is based upon that, and I would also like to call attention—yes?

Mr. KELLY. I testified that the quotas were based on consumption for the 5-year period 1953 through 1957.

This 5-year period showed zinc consumption as 987,000 average; by years, 1953, 986; 1954, 884.

Senator ALLOTT. Which ones are you talking about, lead or zinc?

Mr. KELLY. Zinc, now, sir. You are over to zinc.

Senator ALLOTT. All right.

Mr. KELLY. So the figures we start in 1953 with 986, and then we come to your 1954 figure of 884, as shown in the tabulation that you have, sir; and then following in the line 1,120, 1,009, 936. These average out 987,000 tons.

Senator ALLOTT. So your diminishment in 1960 upon the average of these years was roughly in the neighborhood of 10 percent?

Mr. KELLY. That is right, roughly 100,000 tons.

Senator ALLOTT. But your constant reference to the diminishment in consumption would lead one to assume that it was a drastic reduction in consumption. It was not from 1958.

If you take the three figures of 1958, 1959, and 1960, the average of those 3 years, the consumption of zinc has not dropped drastically for 1960.

Mr. KELLY. Well, if the industry could get a market for an additional 100,000 tons now, Senator, I think they would be very happy.

Senator ALLOTT. I can understand that.

Then I would like to also ask, I think you said that the countries of Mexico and Canada do provide 65 percent of the zinc, but only 34 percent of the lead?

Mr. KELLY. Roughly 50 percent of the combined products.

Senator ALLOTT. All right.

Now, with respect to the outlook on Australia, the American Metal Market, with which everyone here is acquainted, in the last 30 days published a notice that production from the Broken Hills area in Australia will be increased by 20 percent for the year ending June 30, 1961.

Now, this does not indicate that the International Study Group has been too effective with respect to that, does it?

Mr. KELLY. I would like Mr. McCaskill to comment on Australia, Senator.

Mr. MCCASKILL. Senator, I think that is the southern Broken Hill mine which is only one mine in the Broken Hill group. Our agreement is with the complex of the Broken Hill group, and I think every indication is that they have reduced their overall mine output and smelter output and commercial sales.

Senator ALLOTT. I am concerned about your statement as a whole, Mr. Secretary, because it seems to me it is a repetition of the old situation of the State Department controlling the commerce of this country—and this has gone on not just now but in previous administrations, too.

Do you agree with the repeated findings of the Tariff Commission that the domestic industry is suffering and that the unemployment and closing of mines is attributable in substantial degree to increased imports?

Mr. KELLY. I agree that the industry is suffering, Senator, and that part of the problem is the import problem. I am sure that the Tariff Commission will, in their review, their next review which, I understand, takes place on October 1 this year, consider the points that you have raised.

Senator ALLOTT. Well, now, in your statement you say this on page 7 with respect to that:

> We do not have in the Government—or at least we haven't been able to lay our hands on it—the kind of data that give an adequate picture of the economic conditions in mining communities and what can be done to aid these communities.

My colleague commented about one town in Colorado and, Mr. Secretary, I just want to suggest that all you have to do is climb into an automobile or an airplane and go through the West, and you do not need any study by experts to let you know what the mining situation is in the Western States.

It is completely depleted; it is completely gone, almost completely gone; and the worst part of it is that the great wealth of the great Western States has not even been tapped, and it is still underground.

I cannot understand, in view of your previous answer to my question, why a statement like this would be in your statement before this committee.

Mr. KELLY. Well, as I stated, Senator—I believe you were absent—on questioning along that similar line, we hear about the number of skilled miners that are unemployed in the industry. We are talking industrywide. Yet as I pointed out to the committee, a company starting a new mining development in southeastern Utah had quite a bit of difficulty in recruiting skilled workmen. And that area is classed as, or we have been told anyway it would be classed as, a depressed area mineralwise.

So I say, Senator, that when we go out to try to develop programs to help mining and to help communities, can we actually help them? Do we have the people there that we can help? Do we have the skilled workers to put back to work?

Senator ALLOTT. This is one of the great tragedies if this country ever gets into a prolonged and extended emergency, the loss of skilled miners is an irreplaceable asset that this country will have lost.

Mr. KELLY. That is right; I agree with you.

Senator ALLOTT. And they will be gone forever; in fact, many of them are now gone.

I would like to call your attention to sections 6 (a) and (b) of the U.S. Tariff Commission document containing the Trade Agreements Extension Act of 1951, and I am referring particularly to the escape clause.

Mr. Chairman, I would like to have these two sections inserted in the record, if I may.

Senator CARROLL. Without objection, it will be inserted in the record at this point.

(The sections referred to follow:)

ESCAPE CLAUSE POLICY

SEC. 6. (a) No reduction in any rate of duty, or binding of any existing customs or excise treatment, or other concession hereafter proclaimed under section 350 of the Tariff Act of 1930, as amended, shall be permitted to continue in effect when the product on which the concession has been granted is, as a result, in whole or in part, of the duty or other customs treatment reflecting such concession, being imported into the United States in such increased quantities, either actual or relative, as to cause or threaten serious injury to the domestic industry producing like or directly competitive products.

(b) The President, as soon as practicable, shall take such action as may be necessary to bring trade agreements heretofore entered into under section 350 of the Tariff Act of 1930, as amended, into conformity with the policy established in subsection (a) of this section.

Senator ALLOTT. In that it says, in part, that—

No reduction in any rate of duty—

and so forth—

shall continue in effect when the product on which the concession has been granted is, as a result, in whole or in part, of the duty or other customs treatment reflecting such concession, being imported into the United States in such increased quantities, either actual or relative, as to cause or threaten serious injury to the domestic industry producing like or directly competitive products.

It goes on to say that the President shall take such action as may be necessary to bring trade agreements heretofore entered into in line with this policy.

I believe this escape clause was written by the former great Senator from Colorado, Eugene Millikin.

Now, in the light of this, are you willing to continue, because you or some one of your superiors believes it in the national interest, this policy which is in direct violation of the law of the United States?

Mr. KELLY. As I stated, Senator, I hope that the Tariff Commission in their review will give due consideration to the sections that you have quoted.

Senator ALLOTT. You do not personally subscribe to this kind of internationalism which sacrifices one end of the United States in terms of international, so-called international, good will?

Mr. KELLY. Being a representative of the Department of the Interior, Senator, I am of course interested primarily in the domestic industry. Under my title, my prime responsibility is to the domestic mineral industry.

Therefore, I will recommend to the Department and to the administration steps that will, in my opinion, tend to strengthen the domestic industry.

Senator ALLOTT. Mr. Chairman, I have just one or two other questions.

Would you, as a representative of the administration—and I am not speaking personally, Mr. Secretary—oppose increased tariffs if the resulting duties were deposited in special Treasury accounts at a year's end to be paid to the foreign producers of lead in place of foreign economic aid?

Mr. KELLY. I would not be able to answer that question right now, Senator. I would like to give some study to it.

Senator ALLOTT. What would be the administration's position on another escape clause proceeding initiated by the industry, assuming that the Tariff Commission would find injury from imports in these two metal areas?

Mr. KELLY. I could not answer that, Senator.

Senator ALLOTT. You do not know what the position would be?

Mr. KELLY. No, sir; I do not know.

Senator ALLOTT. There has been much said by you and Mr. McCaskill about the so-called voluntary committee, whatever it is called, whatever the official name of it may be, which I have been aware of for some years.

Would the effectiveness of this committee not be greatly enhanced if the committee had backing it up a law of the United States declaring it to be the policy of the United States to keep the mining industry of the United States in a sound, healthy, economic condition?

Mr. KELLY. Well, I would state that this administration will bend most of its efforts to keep the mining industry of the United States in that condition.

Senator ALLOTT. Let me reask my question because I did not make myself clear, I guess.

Would the hands of this committee be greatly enforced if they had a law of the United States declaring a specific policy of the Federal Government to keep our mining industry in a healthy economic condition?

Mr. KELLY. Senator, I do not want to give you a negative answer. I would say this: it certainly would not hurt our position if such a law backed them up.

Senator ALLOTT. I do not suppose, sir, you have had an opportunity to see the bill which was offered in successive Congresses by me declaring a national minerals policy, have you?

Mr. KELLY. No, sir; I have not had a chance to study it.

Senator ALLOTT. Mr. McCaskill, will you call that to his attention?

Mr. MCCASKILL. Yes, sir.

Senator ALLOTT. Because your answer is what I wanted to hear, and I believe it is true that Mr. McCaskill—that it would be strengthened a great deal because I personally feel—I want to make this very strong—that the time has come—I realize we have our problems with Canada, and I have had occasion to study these considerably. Nevertheless, we cannot afford in our national interests to let our mining go down the drain, and that is what we have done.

I would like to say this: I can see in the counterproposal recommended by you, I can see only the bringing in of a few people to start

in production immediately, with a consequent diminishment and breaking off without a solution to any of the basic causes, which will only cause some people to go into debt, get into businesses again and be in debt when this ends.

I can see in it nothing which solves the basic relationship between ourselves and these other countries, and I commend to you the study of the bill which I introduced as a basic vehicle alone, just a basic vehicle, by which this country could adjust its dealings with other countries in lead and zinc, and by which ultimately, I hope, we could not only stabilize our own industry but we could stabilize the countries with whom we are anxious to preserve good international relations.

Mr. Chairman, I thank you very much.

Senator CARROLL. I thank the Senator from Colorado.

The Senator from Idaho, Senator Church.

Senator CHURCH. Mr. Kelly, I arrived this morning just after you made your initial statement, and I have had occasion during the questioning this morning to review it.

I want to say that you have very bravely set aside the proposals that we have thought offered some real hope to the domestic mining industry, without offering an alternative proposal, and I say without any intention to offering any personal comment, that I am in full accord with one sentence here that appears on page 8 where you say:

I have offered no panacea for the ills of the domestic mining industry.

I certainly am in accord with that.

In all fairness, as my colleague, my senior colleague, Senator Dworshak, has pointed out, neither did the last administration offer any panacea for the ills of the domestic mining industry.

This seems to be a problem that goes on from year to year without any effective solution being recommended by the Executive.

Now, I recognize your problems. We have become very familiar with them in the course of our extensive hearings on this subject over the years.

You came up a few weeks ago with a proposal to barter our surplus foreign commodities for lead and zinc abroad, with the objective of then placing this lead and zinc in our supplemental stockpile, and you have testified this morning that negotiations are presently underway in Canada on 55,000 tons of lead.

Are there any other negotiations underway in pursuit of this program elsewhere in the world?

Mr. KELLY. Yes; Australia, approximately 45,000 tons.

Senator CHURCH. No agreement has been reached in either case?

Mr. KELLY. The agreements have not been signed. The proposal of Interior has been accepted by the producers in both countries. They are now over in Agriculture trying to work out the details of the barter.

Senator CHURCH. Do you intend, Secretary, to continue to pursue this barter program?

Mr. KELLY. You mean insofar as these agreements we have——

Senator CHURCH. I mean insofar as other agreements elsewhere in the world are concerned. Do you contemplate to continue this effort or do you contemplate that your negotiations with Canada and Australia will constitute the whole of the program?

Mr. KELLY. Not necessarily the whole of the program, perhaps 75 to 80 percent of the program.

Senator CHURCH. Yes.

Mr. KELLY. I believe it was stated to the committee that we were attempting to barter some 125,000 tons, the overhang of the market.

Senator CHURCH. Now, would these two agreements, if they are consummated, accomplish that objective?

Mr. KELLY. That will be 100,000 tons out of the objective.

Senator CHURCH. What effect do you think the consummation of these agreements would have over—would have on the domestic price of metals?

Mr. KELLY. With the agreements being consummated, there goes hand in hand with them, of course, the understanding that the foreign producers would cut their mine and smelter output by some 75,000 tons mined and 85,000 smeltered, so that you would have taken, you would have removed from the market for the year's period some 175,000 to 200,000 tons of metal.

By removing this overhang and also bringing the production more in line with world consumption, the market should strengthen.

Senator CHURCH. This would depend, would it not, on the inviolability of our stockpiles; that is to say, it would depend upon retaining within our stockpiles the present metals without releasing any part of these metals into the market?

Mr. KELLY. That is right.

Senator CHURCH. Did you know that the foreign aid bill contained a provision this year which would have authorized the foreign aid agency to dip into the stockpiles and supplement foreign aid programs abroad with use of metals in the stockpiles without reimbursement to the Treasury and without the consent of the Congress?

Mr. KELLY. I have been aware of such a provision, Senator, and I believe that you will find that Interior objected to that provision being in the foreign aid bill.

Senator CHURCH. Nevertheless, it was in the bill, was it not?

Mr. KELLY. I understood it was in the original draft; yes.

Senator CHURCH. On my motion in the Foreign Relations Committee, I know about this because it came up in the Foreign Relations Committee just the other day, and on my motion this whole section was stricken from the bill so that the bill as being reported by the Senate Foreign Relations Committee will not contain these provisions.

However, if these provisions were to be enacted into the law in the final action of Congress, this would or could place the whole market in serious jeopardy, could it not?

Mr. KELLY. It could, sir.

Senator CARROLL. Will the Senator yield?

Senator CHURCH. Yes.

Senator CARROLL. In other words, if you had not had this stricken from the bill it would have undone all you were doing?

Mr. KELLY. That is correct. Of course, Senator, under existing procedures we have a veto now on releasing stockpile materials on the market, and we hope the veto will be retained.

Senator CHURCH. Yes, by striking this provision from the bill we preserved the present protections in the law.

Mr. KELLY. That is correct.

Senator CHURCH. I was interested, Mr. Kelly, in your recommendations with respect to flexible quotas. I have two or three questions I would like to ask about that.

First of all, you have not yet prepared any set of proposals to present to this committee on the subject of flexible quotas?

Mr. KELLY. That is correct.

Senator CHURCH. But you have this matter under very serious study, is that correct?

Mr. KELLY. It is one of the parts of our study.

Senator CHURCH. Are you prepared to say at this time whether or not it will require any legislation to institute a flexible quota program?

Mr. KELLY. We have not proceeded that far to get to that point, Senator, but it probably would unless we we able to negotiate at GATT, but we have not reached that point in the study. If we decide that this is a proper approach, then we will——

Senator CHURCH. The reason I ask the question is because, as you know, the quotas that now obtain with respect to lead and zinc were imposed by Executive order.

Mr. KELLY. That is right.

Senator CHURCH. And, therefore, this raised the question "Is it necessary to legislate if quotas can be established by Executive order of the kind we are now experiencing, could flexible quotas be established by Executive order?"

I remember, Mr. Chairman, 2 or 3 months ago when we made our initial inquiry into this subject matter of this hearing, the question was raised as to whether or not the President could enlarge or reduce the present 80 percent quota without further findings and hearings and recommendations of the Tariff Commission, that is to say, under the present state of the law, particularly in view of the impact of recent Supreme Court decisions, whether they would permit the President to revise the present quota without a whole new set of hearings, findings and recommendations of the Tariff Commission.

Have we ever received an answer to that question?

Senator CARROLL. I will ask the staff member to answer. We discussed that.

Mr. DWYER. We participated in the discussion with the Chief Counsel and his aids in the Tariff Commission. Also present were State Department representatives and Department of the Interior representatives.

It was the conclusion of those present that under the current Trade Agreements Act the President could not, without further hearing by the Tariff Commission, reduce the existing quota imposed in October of 1958.

Senator CARROLL. Who was present at that hearing?

Mr. DWYER. It was not a hearing, Senator. It was a discussion in the Office of the Chief Counsel of the Tariff Commission.

I was present, Mr. French of this committee, Mr. Bruce Wright of the Solicitor's Office of the Department of the Interior; two or three men from the State Department whose names at the moment escape me, but we do have a record of those present.

Senator CARROLL. Was there any—has that been made a part of the record anywhere, the result of that hearing?

Mr. DWYER. Yes, sir.

Senator CARROLL. Were any papers filed, any documents filed?

Mr. DWYER. Yes. There is a memorandum which will be a part of the printed record of the hearings held under your chairmanship, I believe, May 4, on the subject of lead and zinc, May 4 of this year. (See p. 17.)

Senator CARROLL. Was there anybody at that meeting, either of the Department of the Interior, the Attorney General's Office or any other Government official or attorney or counsel of an agency advocating that the President have some flexibility?

Mr. DWYER. No, sir.

Senator CARROLL. Was the consensus that he did not have such power?

Mr. DWYER. That he did not have such power.

Senator CARROLL. I think that is a very fine question asked by the Senator from Idaho. If it is not part of the record we will make it a part of the record before we are through.

Senator CHURCH. I thank the chairman for following it through in a more detailed way because I do think we ought to have the answer to that inquiry.

There is one more possibility of indirect assistance to lead and zinc that we have not yet discussed this morning in these proceedings.

In some parts of the country where lead and zinc are being mined, a very important byproduct of the mining operation is silver and, therefore, what benefits silver indirectly benefits the lead-zinc industry. This is so in the Coeur d'Alene's in Idaho, and it is so in other parts of the country as well.

So I would like to ask just a question or two because it is so closely related to the lead-zinc question of the present policies or the continuing policies of the Treasury policies that have been inherited from the last administration, but not changed in this, of selling off into the market of our rapidly dwindling stocks of free silver.

I do not have the figures this morning, but in my study of the question, the figures show that if the Treasury continues to sell at 91 cents an ounce, a price below the present world price for silver, the quantities it has been selling into the marketplace, that by the middle of next year we will have sold out all of the remaining supply of free silver in the Treasury, silver that we obviously need for coinage purposes, and that when this happens the Treasury will either have to go out into the market and buy back silver that it sold for 91 cents an ounce for $1.10 and $1.20 an ounce, at great cost to the public, in order to meet its continuing coinage needs or it is going to have to demonetize part of the silver bullion that presently backs our silver certificates.

Either course, it seems to me, is very objectionable and very much against public interest.

Therefore, I think this is a very pressing and real and important problem.

Moreover, I am persuaded that if the Treasury would terminate its sales of free silver in the market it would not only retain its silver for its own coinage needs but that this would bring the price of silver in the marketplace to its natural level, considerably above the pegged price that the Treasury is now maintaining by its sales policies.

Now, are you personally in agreement with this proposition that I have made or are you in disagreement with it and, if so, for what reasons?

Mr. KELLY. If I understand your proposition, Senator, you are stating that the Treasury should stop selling silver at 91 cents an ounce from the public——

Senator CHURCH. From its remaining stocks of free silver.

Mr. KELLY. From its remaining stocks that are above the stocks needed for coinage.

Senator CHURCH. Yes.

Mr. KELLY. I personally am in full agreement with that. I suggested as part of our study that we should examine the Treasury policy of buying it at 90½ and selling it as 91 at this time, when silver consumption exceeds silver production, not only domesticwise but worldwise at the present time.

If the Treasury stopped selling silver at 91 cents, then the price of silver would rise on the world market; of course, the world market for silver right now is 91 cents an ounce because we are selling on to the market at 91 cents an ounce.

Senator CHURCH. I think the London price is fractionally—a price which has hovered fractionally above the 91-cent level.

Mr. KELLY. It takes into consideration transportation and other things.

Senator CHURCH. Yes.

Mr. KELLY. It actually is not an increase in price. However, I understand there are some bonus prices being paid by some consumers of silver that do not show in the marketplace. They are technically buying at the world price, but they are actually paying a bonus.

I believe that if the Treasury Department would stop selling silver at 91 cents an ounce that silver would, the price of silver would, find its proper relationship to supply and demand which, in my opinion, would mean an upward revision of the market price of silver. We are selling out of our Treasury stocks at a rate that will, if we keep up the present rate, exhaust the excess stocks between a year and 15 months. I believe it would be wise for the Treasury at this time to examine that problem and to cease the selling of stocks before we reach the end point.

Senator CHURCH. Has the Department made this recommendation to the administration?

Mr. KELLY. The Department has made the recommendation.

Senator CHURCH. Has the Treasury made—or how has the Treasury responded?

Mr. KELLY. We have had no response from the Treasury to date.

Senator CHURCH. I ask that question because I have read in the trade journals some comment to the effect that the Treasury has turned down this recommendation and insists that it should continue past policies, and this is something which has disturbed me a good deal, and I just wanted to know on the record whether, in fact, that had occurred.

Mr. KELLY. We have not been informed by Treasury that they have turned it down, but, Senator, you realize our recommendations were made as part of a mineral study—that this action could help the mineral industry of the United States.

We did not make our recommendation as part of a monetary study. That falls within the jurisdiction of the Treasury. But insofar as aiding the domestic mineral industry, we feel that this step would be an advance, and it could be taken by the administration without cost to the Government, and probably at a profit.

Senator CHURCH. I agree with you fully.

Moreover, in my exchanges with the Treasury, and I called upon Secretary of the Treasury to terminate these sales, the explanations that I have heretofore received certainly give no adequate fiscal reason why this should be done.

So I think the case is very strong, and I think that the Senate and this committee, Mr. Chairman, ought to interest itself in this subject, and we ought to undertake to see what we can do in the committee and on the Senate floor to further the proposal that I have discussed, because I think that the Treasury ought to stop these sales.

We have clear need for this free silver. Our coinage needs alone will soon deplete the reserves we have left. Therefore, I think those reserves should be held for coinage purposes, and if we stop these sales I think it would be a very marked increase in the price of silver, which would greatly benefit the domestic mining industry.

Senator CARROLL. May I say to the Senator from Idaho that, as chairman of the subcommittee, I have had under consideration conducting just such a hearing.

I am indebted to the Senator from Idaho for bringing this matter to the attention of the subcommittee today.

The action of the Department of Interior has been for a long time to acknowledge that the Treasury Department is selling its silver stock on the commercial market, and there is no doubt that it has held some prices down.

We might discuss for the record how this relates to the lead and zinc industry?

Senator CHURCH. It does only in the sense, Mr. Chairman, that many of the lead and zinc mines in the country also obtain silver as a byproduct, so that the price of silver affects their general well-being, and that is why I raised the question.

I think, Mr. Chairman, that if this committee could, in the future, in the near future, schedule hearings on this silver question it would be most helpful in pushing along the proposal I have made.

Senator CARROLL. I have discussed this matter informally with other members of the subcommittee, and I hope before this session ends we can have such a hearing.

Senator CHURCH. That is all I have.

Mr. KELLY. Mr. Chairman, in addition to Senator Church's answer to you, I should like to point out that the area of the lead-zinc problem that this silver question affects to the greatest extent are the lead-zinc mines of the West, the hard rock vein type mines that are the high-operating-cost mines, and the ones that have been most affected by the dropping of the lead-zinc consumption.

Senator CARROLL. At this point in the record I would like to insert a letter from the Treasury dated July 24, 1961.

(The document referred to follows:)

THE GENERAL COUNSEL OF THE TREASURY,
Washington, July 24, 1961.

HON. CLINTON P. ANDERSON,
Chairman, Committee on Interior and Insular Affairs,
U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: Reference is made to your requests for the views of the Treasury Department on S. 115 and S. 1747, bills which would provide subsidy payments to producers of lead and zinc, and to your letter of July 10 inviting someone from the Treasury Department to appear at the hearings before your committee on S. 1747 which are to begin on July 25.

It is our understanding that the Department of the Interior, the executive branch agency with primary interest in conditions in the lead and zinc industry, has advised your committee that it does not believe that better conditions in the industry can be achieved by a continuing program of subsidies, nor by the prolonged use of import quotas, nor by manipulations of tariffs in an effort to support prices. The Treasury Department is in general opposed to Federal subsidies and believes that they should be used only when they can be justified by overriding considerations of national policy. Since the Department of the Interior does not believe that better conditions in the lead and zinc industry can be achieved by a continuing program of subsidies, the Treasury Department would be opposed to the subsidy programs envisioned by S. 115 and S. 1747. Moreover, the Treasury Department believes that the establishment of subsidy programs of this kind would have an adverse effect upon the efforts of this Government and the governments of other major lead and zinc consuming and producing countries to deal with the problems relating to these two metals on an international basis.

The Treasury Department is aware, however, as is the Department of the Interior, of the human problems of unemployment arising in communities which have depended on mines which have become uneconomic to operate. While the Congress and the administration are seeking through other means to solve this problem, the Treasury Department would not object to a temporary subsidy program designed to relieve human distress but so limited in duration and magnitude that it would not, in the opinion of the Department of the Interior, disrupt the entire lead and zinc industry.

We appreciate your invitation to appear at the hearings beginning on July 25. As arranged with your staff, Mr. W. E. Higman, Deputy Commissioner of Customs, will be available to answer technical questions which may arise on the provisions of S. 1747 relating to responsibilities of this Department. We do not believe that there would be anything further that we could add on matters of policy which would be helpful to the committee.

The Department has been advised by the Bureau of the Budget that there is no objection from the standpoint of the administration's program to the submission of this report to your committee.

Sincerely yours,

ROBERT H. KNIGHT, *General Counsel.*

Senator CARROLL. Would you say if the price of silver moved upward that this, in turn, could reopen any of these small mines which are closed?

Mr. KELLY. It certainly could, Senator. The price of silver is one of the controlling factors in the complex base metal mines of the Rocky Mountain West.

Senator CARROLL. There are just one or two more questions, and then we are going to take a recess until 2:30. I had hoped to reach Secretary Blumenthal of the Department of State. Is Mr. Blumenthal here?

Mr. BLUMENTHAL. Yes, he is.

Senator CARROLL. Would it be convenient for you to return, say, at 2:30?

Mr. BLUMENTHAL. Very good.

Senator CARROLL. Or 2 o'clock?

Mr. BLUMENTHAL. At your convenience.

Senator CARROLL. As my colleague from Colorado has said, we have sought for many years to find a solution. These are not easy problems to solve.

For example, there is a statement, I think it is on page 6 of Mr. Kelly's statement which says:

"The administration is simply not ready to concede that the only way in which we can move forward is by resorting to restrictive tariffs or production subsidies.

In a sentence which precedes that:

In our report we express the belief that the Government's objective with reference to lead and zinc should be to bring about conditions that would permit the industry to operate normally and efficiently within our traditional private enterprise system.

Now, how can it operate traditionally and normally within our private enterprise system when the markets, the U.S. markets, are being flooded with lead and zinc that come from areas with a low cost of production? There are many things which have been said here about the decline of lead and zinc. There are competitive factors involved in this, just as there would be in steel or plastics and other things that are interfering.

I do believe the statement made here that we will move forward. The increase in population, expansion of our economy ought to bring greater activity in our lead and zinc industry.

I asked Secretary Kelly, speaking for the Department of the Interior, not to close the door on subsidies, if they are necessary.

Senator Dworshak from Idaho has said that we do not close the door on the maritime industry, in the hundreds of millions of dollars being given through the years. Why should we follow a program of economic strangulation on an industry where we know what has happened?

I know in my own State we have seen it, 56 mines closed up.

So again I say to you gentlemen, and not in a partisan sense—that these are issues that we should take to the people. We have a right to take them to the people, and we have before.

Some of us did not like that veto we got before, and I have no doubt if this administration does not come up with a solution it will be taken to the people, and it should be taken to the people.

Senator DWORSHAK. Will the chairman yield at that point?

Senator CARROLL. I would be happy to yield.

Senator DWORSHAK. I was interested in the colloquy on silver, and its potential effect on the lead-zinc mining industry.

In order to complete the record, Mr. Chairman, I should like to point out that more than a year ago I sent a letter calling attention to these developments in the sales of silver by the Treasury to the then Secretary, Mr. Anderson, and when the new Secretary Dillon took office I again called to his attention these facts and, of course, I received a very specific reply refusing to recognize in any way by the Treasury Department in this administration the problems inherent in the acquisition and sale of silver and their relationship to the domestic minerals industry.

I do not know whether we have jurisdiction to explore this area or whether the Senate Banking Committee has that jurisdiction. But

the record should show that the preceding administration and this administration so far have refused to give realistic, practical consideration to the problem of silver.

Senator CARROLL. I will say to the Senator from Idaho that prior to my becoming chairman of the subcommittee, I had studied this question of silver at some length. I have not written to the Treasury, but I have been led to believe that the Treasury feels that it has silver running out of its ears, and that there is no shortage of silver, that they are not using bullion which protects the base of the silver certificates.

But I understand that there is a representative here from the Secretary of the Treasury's Office. Is he here in the room?

I apologize to Senator Metcalf. He stepped out, and then came back in again, and I apologize for failing to recognize the Senator. I did not want to cut off any questioning, and I am willing to be seated here until you have as much time as you need.

Senator METCALF. Thank you, Mr. Chairman.

Senator CARROLL. I want to say that if the Senator will permit me to interrupt him for a very quick observation, that we have a number of witnesses. I think we all know what this issue is about. I see many of the witnesses who were here before. We had the value of their advice and counsel at the other hearings, and if we can I want to get through this afternoon.

I want to conclude this hearing today, and I may have to leave you occasionally. There is a very important farm bill on the floor of the Senate. I hope that if you have prepared statements you will put them into the record, then make your observations. Your statements will be placed in the record as though you had testified in full.

I ask you to give us that cooperation because I want to finish here today.

Now Senator Metcalf.

Senator METCALF. Mr. Chairman, I will not keep Mr. Kelly long, as he has been here a long time already and he has been a very excellent witness.

I, too, am interested and concerned in the farm bill, and that was the reason I stepped out to try to arrange for some amendments as far as wheat is concerned.

The wheat farmers in Montana are almost in as bad a situation as the lead and zinc miners.

Mr. Kelly, I agree with the chairman's statement. I am not wedded to any particular approach.

The years I have been in Congress I have tried to—I have appeared before the Tariff Commission and I have gone to the quota route, the subsidy route, the tariff route, all the routes that seem to give relief to the industry, and I notice some suggestion in your statement that I would like to develop, because it brings up another thing that may bring about the kind of relief that we want.

I want to call your attention to page 7 of your statement, article 4, where you suggest that there be a review of the tax structure, and especially this last sentence in the first paragraph:

> A similar study should be made of the possibility of permitting full percentage depletion without the present limit of 50 percent of net.

I wonder if you would elaborate on that a little.

Mr. KELLY. Well, as you know, Senator, the depletion allowance provision calls for an allowance of 15 percent on copper, up to 50 percent of the net profits of the company. Some companies are able to take full advantage of the 15 percent. Those are the low-cost producers.

Senator METCALF. Those are the companies that are not in trouble.

Mr. KELLY. Those are the low-cost producers; that is right, sir.

The high-cost producers, companies that are, as you say, in trouble, are not able to take full advantage of the 15 percent. We had better get to lead and zinc that we are talking about here. I am pretty sure it is 15 percent.

Yes, 15 percent for lead and zinc. They are not able to take full advantage of it due to the fact that their profit margin is less than 50 percent of this figure.

I beg your pardon; depletion on lead and zinc is now 23 percent. The figure I glanced at was 1954; it is now 23 percent on lead and zinc.

Senator METCALF. It is 23 percent on lead and zinc, and the depletion allowance on copper is 15 percent?

Mr. KELLY. Fifteen percent on copper. I was right on copper, but it is 23 percent on lead and zinc.

Senator METCALF. Yes. Let us talk about lead and zinc.

Mr. KELLY. Lead and zinc.

Most of the companies are not able to take advantage of a full 23 percent due to the limitation of 50 percent of net. This drops them down in some cases to 1 or 2 percent. That is all they are getting as a depletion allowance rather than the 23 percent that the Congress set up years ago.

So we hope that the tax people, both in the administration and the Congress, will look seriously at the possibility of removing the 50 percent of net limit in order to aid the lead-zinc mining industry. We feel it would be a substantial aid to the industry.

Senator METCALF. So we hear a lot of talk about depletion allowance, and some talk about abuses of depletion allowances, but actually many of the lead and zinc companies get no depletions or no appreciable allowance at all, and if we removed the 50 percent of net profit, all the companies then would be able to have the same depletion allowance.

Mr. KELLY. That is right, sir.

Senator METCALF. In other words, our present tax system works exactly in the reverse. It gives greater benefit to the companies that need it the least, and it deprives the companies that need to have assistance of any depletion allowance at all.

Mr. KELLY. That is right. If a company was losing money, Senator, they would get no depletion allowance.

Senator METCALF. And one that is making money——

Mr. KELLY. One that made just, say, a few percent, 5 percent, on their investment, would be limited to this 50 percent clause.

Senator METCALF. Mr. Chairman, I think that he has opened up another area of exploration that we should look into to determine if we cannot do something for the industry in this direction, too.

(Subsequently, the following material was received from Senator Metcalf for inclusion at this point:)

U.S. SENATE,
COMMITTEE ON INTERIOR AND INSULAR AFFAIRS,
August 8, 1961.

Senator JOHN CARROLL,
Chairman, Subcommittee on Minerals, Materials and Fuels, Senate Interior Committee, New Senate Office Building, Washington, D.C.

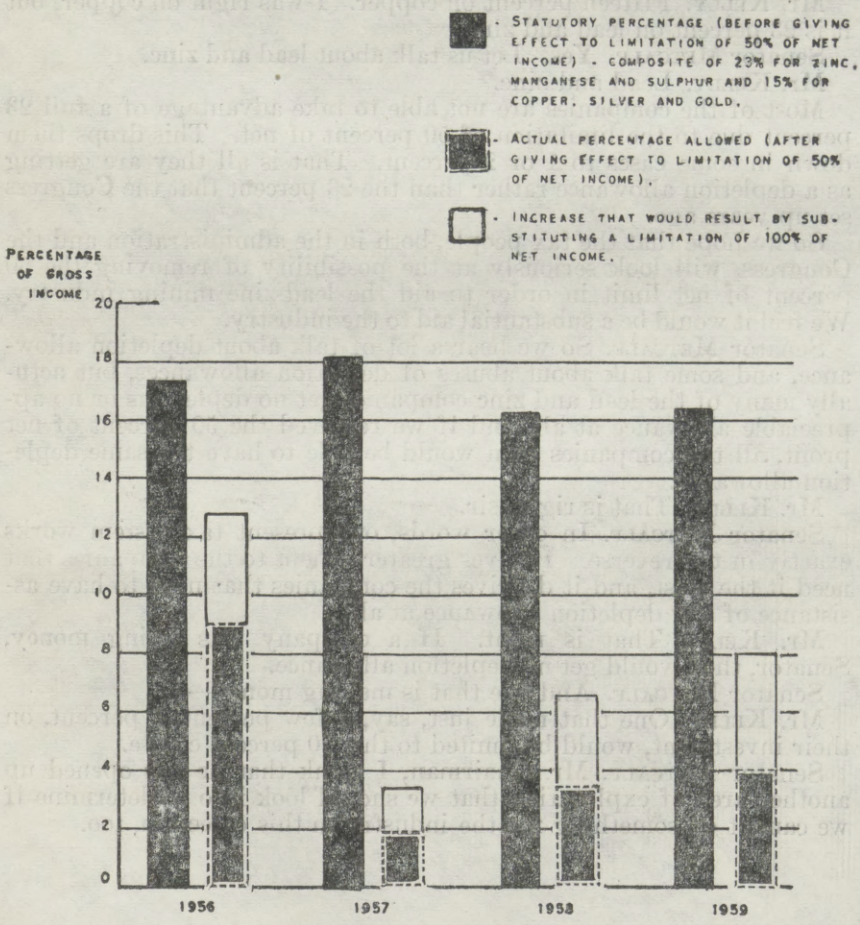
DEAR JOHN: When your subcommittee heard administration witnesses July 25 on S. 1747, Assistant Secretary John Kelly suggested a study should be made of the possibility of permitting full percentage depletion without the present limit of 50 percent of net.

The Anaconda Co. furnished me some of its correspondence, statistics and a graph which deal with its experience in this field. I enclose the material with the request, concurred in by the Anaconda Co., that they be made part of the printed hearing.

Sincerely yours,

LEE METCALF.

THE ANACONDA COMPANY - BUTTE DISTRICT
COMPARATIVE DEPLETION ALLOWANCES
(EXPRESSED AS PERCENTAGES OF GROSS INCOME FROM MINING)



THE EAGLE-PICHER CO.,
Cincinnati, Ohio, June 30, 1961.

Mr. A. E. WILKINSON,
The Anaconda Co., Washington, D.C.

DEAR MR. WILKINSON: In accord with the request in Mr. Wilson's letter of May 12, I am setting forth below the percentage depletion information which he asked me to send to you. Sorry it has taken as long as it has to get this information to you, but it entailed quite a lot of work. I am only giving you the summary because the detail, mine by mine, of which there are a great number, is too voluminous and I do not believe of any particular value for the purpose in question.

Year	Maximum allowable calculated at 23 percent of gross income	Actual allowance as limited by 50 percent of net income	Actual percent depletion received (in percent of gross income)
1956	$2,350,650.49	$441,451.60	4.32
1957	1,411,926.61	90,992.98	1.48
1958	838,997.62	67,155.40	1.84
1959	559,792.07	45,162.70	1.86
1960	739,763.66	146,613.40	4.56
Total	5,901,130.45	791,376.08	3.08

All best wishes and success in your efforts and if there is anything further we can do to cooperate, please be sure to let us know.

Yours very truly,

MILES M. ZOLLER, *Vice President.*

UNITED STATES SMELTING, REFINING & MINING CO.,
Boston, Mass., May 24, 1961.

Mr. A. E. WILKINSON,
The Anaconda Co., Washington, D.C.

DEAR MR. WILKINSON: Detailed below are shown the actual percentages of depletion received in percent of gross income from our lead-zinc properties in Utah for the years indicated:

	Percent		Percent
1956	17.8	1959	6.6
1957	7.7	1960	10.0
1958	2.6		

I trust the above will serve your purpose well.

Very truly yours,

J. GEORGE GANGE, *Senior Vice President.*

THE BUNKER HILL CO.,
Kellogg, Idaho, May 17, 1961.

Mr. ALBERT E. WILKINSON,
Director, Public Relations, The Anaconda Co., Washington, D.C.

DEAR AL: With reference to Clark Wilson's letter of May 12, I enclose herewith the requested recapitulation for the Bunker Hill and Star mines for the years 1954 through 1959. We have gone back to 1954 and 1955 to show the effect of present depletion allowances since the years subsequent to this time have been such extreme lean ones. Insofar as 1960 is concerned because of our 8 months' strike and very substantial loss, any data regarding depletion would, of course, be meaningless. Although only our Bunker Hill mine was on strike during this period, we do not yet have the data available concerning the Star mine for 1960.

If you have any questions concerning this data, please let me know, and I hasten to add my appreciation of the efforts that you are making in behalf of the mining industry.

With very best regards,

Sincerely,

C. E. SCHWAB, *President.*

Percentage depletion, Bunker Hill and Star mines, 1954 through 1959

	Maximum allowable, calculated on percent of gross income (23 percent Pb, Zn, Cd—15 percent Ag and Cu)			Actual allowances as limited by 50 percent of net income			Actual percentage depletion received in percent of gross income		
	Bunker Hill mine	Star mine	Total	Bunker Hill mine	Star mine	Total	Bunker Hill mine	Star mine	Total
1954	$2,247,047.18	$855,246.38	$3,102,293.56	$1,197,410.41	$221,608.89	$1,419,019.30	11.39	5.87	9.91
1955	2,558,757.90	901,341.03	3,460,098.93	1,322,806.79	411,865.89	1,734,672.68	11.22	10.36	11.00
1956	2,197,073.31	809,629.78	3,006,703.09	945,884.55	360,701.55	1,306,586.10	9.40	10.11	9.59
1957	2,140,685.19	755,032.11	2,895,717.30	722,594.33	95,262.78	817,857.11	7.23	2.84	6.13
1958	1,433,728.81	671,678.20	2,105,407.01	317,562.15	112,191.63	429,753.78	4.68	3.76	4.40
1959	1,694,838.09	875,026.51	2,569,864.60	529,412.94	327,552.51	856,965.45	6.66	8.44	7.25
Total and weighted percentage	12,272,130.48	4,867,954.01	17,140,084.49	5,035,671.17	1,529,183.25	6,564,854.42	8.82	7.10	8.35

NOTE.—1960.—Bunker Hill mine: Strikebound for 8 months—substantial loss—data would be meaningless. Star mine: Data unavailable at present time.

AMERICAN ZINC, LEAD & SMELTING CO.,
St. Louis, Mo., May 26, 1961.

Mr. A. E. WILKINSON,
The Anaconda Co., Washington, D.C.

DEAR AL: I am sorry I was a bit delayed in answering your letter of May 5, but I have been out of town and received the figures upon my return to the office today.

For the years 1956, 1957, 1958, and 1959 our company has never been able to use the full 23 percent depletion. We have always in each and every year been limited by the 50 percent provision. The actual percentage of gross value which we have received in these 4 years has never exceeded 15 percent.

I hope this will give you sufficient information for your purposes but if not please advise.

Best regards.

Sincerely,

R. A. YOUNG,
Vice President.

THE NEW JERSEY ZINC CO.,
New York, N.Y., May 26, 1961.

Mr. A. E. WILKINSON,
Anaconda Co., Washington, D.C.

DEAR AL: Here are the percentage figures on the percentage depletion allowances:

Year	Relative percentage of actual allowance to 23 percent of gross income	Applied to 23 percent lead and zinc
1956	40.435	9.30
1957	18.348	4.22
1958	10.505	2.43
1959	26.696	6.14

These figures are a composite from our mine properties operating during the years shown.

Will these serve your purpose?

With best regards, I am,

Yours sincerely,

LINDSAY.

ST. JOSEPH LEAD CO.,
New York, N.Y., May 16, 1961.

Mr. CLARK L. WILSON,
Chairman, Emergency Lead-Zinc Committee,
Washington, D.C.

DEAR CLARK: I have your letter of May 12, 1951.

Although I appreciate Al Wilkinson's continued effort to maintain the domestic mining industry—we in St. Joe strongly believe that great caution should be exercised in any changes in the depletion provisions. This matter has been handled very well for many years through the American Mining Congress and therefore you and Al should certainly discuss any approaches with Julian Conover before actually taking any steps.

As you of course appreciate, the easiest way to obtain additional depletion is to obtain higher prices for the products, because when this occurs, then the 23 percent depletion allowance is not cut back by the 50 percent of net limitation.

We do not think that it is advisable to give you actual dollar figures for each year of 1956–60, but we are willing to give you the following percentage figures covering the depletion received in percent of gross income.

	Percent		*Percent*
1956	12.98	1959	13.04
1957	10.16	1960	8.97
1958	7.10		

With kindest regards, I am,

Sincerely,

KANSAS STATE UNIVERSITY LIBRARY
OCT 9 1961
MANHATTAN, KANSAS

THE ANACONDA CO.,
New York, N.Y., March 16, 1961.

Mr. A. E. WILKINSON,
Director of Public Relations, The Anaconda Co.,
Washington, D.C.

DEAR AL: Pursuant to your telephone call this morning, I am listing below the results of the application of percentage depletion to the Yerington Mines operations for the years 1956 through 1959.

As you will note, in 1956 and 1959 we were on gross income and, therefore, had full advantage of the 15 percent deduction. In 1957, however, we were limited to 50 percent of the net income, with the result that our deduction was equivalent to 5.26 percent of gross income. In 1958 we did not have any deduction for depletion because we did not have any net income.

Percentage depletion—Yerington Mines

Year	15 percent of gross income	Actual allowance	Effective percentage of gross income
1956	$3,417,077	$3,417,077	15
1957	2,152,982	755,911	5.26
1958	1,672,370		
1959	1,521,407	1,521,407	15

Yours very truly,

W. E. QUIGLEY, *Comptroller.*

	Allowance				Increase in allowance with 100-percent limitation
	Depletion deductible (if amount based on gross income were limited to 100 percent of net income)		Depletion actually deducted (based on gross income but limited to 50 percent of net income)		
	Amount	Percent of gross income	Amount	Percent of gross income	
Butte District:					
1956	$12,280,334	12.7	$8,481,573	8.8	$3,798,761
1957	1,941,295	3.3	970,647	1.6	970,648
1958	3,343,481	6.6	1,684,276	3.3	1,659,205
1959	3,693,092	8.0	1,864,551	4.0	1,828,541
Total	21,258,202	8.4	13,001,047	5.1	8,257,155
Other properties:					
1956	15,561,802	20.0	15,423,774	19.8	138,028
1957	10,839,445	19.5	10,010,446	18.0	828,999
1958	9,729,381	17.9	9,623,873	17.7	105,508
1959	8,920,691	21.0	8,914,345	21.0	6,346
Total	45,051,319	19.6	43,972,438	19.1	1,078,831
All properties:					
1956	27,842,136	16.0	23,905,347	13.7	3,936,789
1957	12,780,740	11.1	10,981,093	9.6	1,799,647
1958	13,072,862	12.5	11,308,149	10.8	1,764,713
1959	12,613,783	14.2	10,778,896	12.2	1,834,887
Total	66,309,521	13.7	56,973,485	11.8	9,336,036

Senator CARROLL. I think it has been very helpful. We had suggestions along this line, as you remember, when we were talking about the Mesabi Range in iron ore. What do we do? It is not only in lead and zinc, but the impact upon other vital minerals is a problem. It is the impact upon our economy as we are moving into this new and strange world in which we live.

I remember years ago in the Ways and Means Committee I saw what was happening to the American watch industry. We know what has happened to the textile industry. That is why I use the words "economic strangulation." If we have to move into subsidies to help industry, domestic industry, this will have to be done, it seems to me, and if I am not mistaken I have heard the President of the United States say the same thing when he was a Senator.

Now, the New England area has been especially hard hit; textiles, and I know what is happening from my discussions with some of the Senators from the New England States. I think the suggestion by the able Senator from Montana is a good one.

So I close on this point, with my own observations: We have got the brains in Government, if they will apply themselves to it, and not be caught in these little cliches about permitting the industry to operate normally and efficiently within our traditional private enterprise system. It is not normal and it is no longer traditional. As we look upon the dumping which has been occuring in some of our markets, this is a sad thing, but this is true, and as we discussed the farm bill today, there is nothing normal or traditional about the farm situation.

The farmer has no free competitive market to operate in, and this is why we have to buy price support programs and techniques and devises. We have got to help the farmer.

We have also got to help other segments of our economy.

You do not think, do you, Secretary Kelly, that that is a wild and irrational way of thinking, do you?

Mr. KELLY. No, sir. I think that you are, at least I hope, Senator, that you will, take with you from this meeting the fact that the Department of the Interior is giving the problem, the mineral problem, in this country a very thorough study, and we hope we can——

Senator CARROLL. I am sure that the President would want to convey——

Mr. KELLY. We are sure he would.

Senator CARROLL. Even though you testify today in rejection of S. 1747, even though you come in here with what I think is a phase-out program, I would certainly hope that you would not stop here. I think this does nothing for the small miner, except eventually he gets the squeeze out, and I think we have to attack this thing more vigorously.

May I say we have to attack it with broader vision.

Mr. KELLY. We hope to give it that, sir.

Senator CARROLL. This proposal really, in a sense, is dealing with peanuts compared to the great subsidies that we pay in the other important industries or segments of industries in the country.

Have you finished, Senator Metcalf?

Senator METCALF. Yes, sir.

Senator CARROLL. We are going to recess until 2 o'clock, and I wish you would pay attention to my admonition. Most of you have testified here before, and I wish you would be thinking of how you can condense your statements when you present them. I do not want to limit anybody, for I would like to listen to everybody. I think we have covered the ground pretty well this morning. We know the position of the Department of the Interior, and if you have any ideas, we welcome them from you.

We will stand in recess until 2 o'clock.

(Whereupon, at 1 p.m. the subcommittee adjourned, to reconvene at 2 p.m., the same day.)

AFTERNOON SESSION

Senator CARROLL. The committee will come to order.

Mr. Blumenthal, will you come forward, please?

Mr. Blumenthal, will you give your title and tell us a little bit about your background here?

Normally we have a biographical sketch, but we do not have one of you.

Have you testified before this committee before?

STATEMENT OF HON. W. MICHAEL BLUMENTHAL, DEPUTY ASSISTANT SECRETARY FOR ECONOMIC AFFAIRS, DEPARTMENT OF STATE, ACCOMPANIED BY HARLAN P. BRAMBLE, DEPUTY DIRECTOR, OFFICE OF INTERNATIONAL RESOURCES

Mr. BLUMENTHAL. No, I haven't.

My name is W. Michael Blumenthal, I am Deputy Assistant Secretary for Economic Affairs in the Department of State. I was appointed to that position on April 3 of this year.

Prior to that, I was a vice president and member of the board of directors of Crown Cork International Corp., which is a U.S. holding company operating manufacturing plants in about 15 countries throughout the world.

Prior to that, I was a member of the faculty of Princeton University, in the Department of Economics.

Senator CARROLL. How long were you vice president of this Crown Cork?

Mr. BLUMENTHAL. I was a director from 1957 to 1961, and a vice president from 1960 to 1961.

Senator CARROLL. Prior to that, were you in the Department of Economics of Princeton?

Mr. BLUMENTHAL. Prior to 1957, I was in the Department of Economics at Princeton.

Senator CARROLL. What sort of a holding company is this?

Mr. BLUMENTHAL. Crown Cork International Corp. operates primarily manufacturing plants producing crown corks, other types of closures, other cork products, and bottling machinery. In addition to that, they function as agents for an affiliated domestic company called Crown Cork & Seal Co., Inc.

Senator CARROLL. Where were you from originally, what is your home State?

Mr. BLUMENTHAL. My home State is New Jersey. I have lived in New Jersey for 10 years. Prior to that, I lived in the State of California. I am a graduate of the University of California in Berkeley. I was born abroad, in Germany, and came to this country after the war.

Senator CARROLL. What is your field, economics?

Mr. BLUMENTHAL. My field is economics. I have a bachelor's degree in economics from the University of California. I have a masters and a Ph. D. degree in economics from Princeton University.

Senator CARROLL. If you should care to submit a further statement at this point, we would be happy to include it in the record.

Mr. BLUMENTHAL. Thank you very much, Senator. I shall do so.

(The State Department subsequently supplied the following statement:)

Mr. Blumenthal was born in Germany on January 3, 1926, and became a naturalized citizen in 1952. He received his bachelor of science degree in economics from the University of California at Berkeley, and later attended Princeton University, where he received both a master's degree in international affairs, and a Ph. D. in economics. From 1954 to 1957, he was a research associate in economics at Princeton University, during which time he also served as a labor arbitrator for the State of New Jersey.

In 1957, Mr. Blumenthal became affiliated with the Crown Cork International Corp. at Jersey City, N.J., as a director and assistant to the president. In 1960, he became vice president of the corporation, with responsibility for the coordination of the activities of 12 foreign subsidiaries in Europe, Latin America, and Africa. He became director of all of those subsidiaries. He was also concerned with implementing new investment projects, particularly in Africa and Latin America.

Senator CARROLL. You may proceed, Mr. Blumenthal.

Mr. BLUMENTHAL. Mr. Chairman, I have a brief prepared statement which, if you wish, I would be glad to introduce into the record and dispense with the reading of it in order to conserve time.

Senator CARROLL. Well, it is so short I think perhaps the witnesses here would be happy to hear the viewpoint of the State Department. In view of the fact that it is only about a page and a half, I think it would be well if you would read it, and speak up loud and clear.

Mr. BLUMENTHAL. Mr. Chairman, the Department of State is keenly aware of the depressed condition of parts of the domestic lead and zinc industries. The reduction or termination of operations at mines and smelters is a matter of serious concern, involving as it does unemployment, business losses, and generalized distress in the communities which are dependent upon these operations. It is the view of the Department of State that sound solutions must be found for problems such as those faced by the lead and zinc industries and the workers and communities dependent on them.

At the same time, the Department of State, in conformity with the position of the administration, is opposed to the enactment of S. 1747. The Department of the Interior has pointed out some of the principal considerations that lead to this position, and has indicated the initiative being taken within the administration to give assistance to the lead and zinc mining industry and to the communities affected by the closing of mines. I would like to stress particularly the foreign policy repercussions that would ensue from enactment of the bill.

In the present serious and possibly critical state of world affairs, the United States cannot afford to take unilateral actions which may cause injury to other countries in the free world. It is our judgment that if this bill should become law U.S. relations with countries which have been traditional suppliers of lead and zinc to this market would be seriously impaired. Traditional suppliers of the market include Peru and Mexico, important less-developed countries in Latin America where long-term interests of the United States are at stake, and Canada and Australia, important in a strategic sense to the security of the free world. All of these countries, and others, depend to a significant degree on the sale of lead and zinc to the United States, and they would therefore suffer economic injury if their access to this

market should be further restricted. They protested vigorously last year when similar legislation was under consideration.

Passage of this legislation would seriously undermine the efforts of this country to improve relations with Latin America through the alliance for progress. It would also materially impair our position in international meetings such as the conference which is to take place in Montevideo in a few weeks. In less-developed countries in general, and Latin America in particular, restrictions by the United States on the importation of lead and zinc have acquired a symbolic character and tend to evoke intense political and emotional reactions.

The imposition of increased tariffs and other restrictions on imports of lead and zinc would tend to diminish the capacity of other countries to buy U.S. products. Under the General Agreement on Tariffs and Trade, GATT, the foreign countries affected by our restrictions are entitled to compensation in the form of lower duties on other exports to the United States or to higher duties on our exports to them. They have refrained from taking this action on the ground that the present quotas are temporary, but it is clear they would take a different view of permanent restrictions resulting from legislation.

The subsidy provisions of this bill would, we believe, tend to aggravate the existing problems of the lead and zinc industries by stimulating additional production of these commodities, thus increasing the existing oversupply.

The Department of State believes that other approaches to the solution of the problems of lead and zinc hold promise of bringing soundness and stability to these industries in a manner compatible with the general interests of the United States. These approaches may be summarized as follows:

The administration supported and the Congress has passed area redevelopment legislation which can be of material benefit to areas afflicted by the depressed condition of the lead and zinc industries. Administration task forces are to undertake in the immediate future an intensive survey of distressed lead-zinc areas with a view to developing a composite program of long-term assistance. As Mr. Kelly has stated, there are a number of actions which could be taken by the Government to improve the competitive position of the lead and zinc producers of the United States. To this end the Department of State supports the use of such measures as tax incentives and exploration assistance.

The Department of State would not object to the enactment of a limited temporary program of subsidies for small mines, as outlined by Mr. Kelly for the purpose of affording temporary assistance to small mines during the period of transition until the long-term program can be developed and placed in effect.

The problems of lead and zinc are essentially worldwide problems of oversupply in relation to present consumption. No one country can solve these problems by its own means, but the Department of State believes that the activities of the International Lead and Zinc Study Group can contribute significantly to bringing about a balance of supply and demand in the international markets for lead and zinc. Continued active participation by the United States in the activities of this intergovernmental organization demonstrates our intention to seek solutions to the problems of this industry in a spirit of international cooperation.

Thank you, Mr. Chairman.

Senator CARROLL. Mr. Blumenthal, seated to your right is another gentleman. May I have his name?

Mr. BRAMBLE. My name is Harlan Bramble. I am Deputy Director of the Office of International Resources, of the State Department.

Senator CARROLL. Are you here to offer a statement?

Mr. BRAMBLE. No, I am here to assist Mr. Blumenthal, since I have some acquaintance with the lead and zinc problem, having been the U.S. representative to meetings of the Lead and Zinc Study Group.

Senator CARROLL. How long have you been in the State Department?

Mr. BRAMBLE. For 16 years, sir.

Senator CARROLL. And in your present position how long?

Mr. BRAMBLE. Two years.

Senator CARROLL. And what is your title again?

Mr. BRAMBLE. Deputy Director of the Office of International Resources.

Senator CARROLL. And prior to this 2-year period, what office did you hold?

Mr. BRAMBLE. I was an economic counselor at the American Embassy in Caracas, Venezuela.

Senator CARROLL. Are you a career man in the State Department?

Mr. BRAMBLE. Yes, sir.

Senator CARROLL. Both of you were present this morning during the question of Secretary Kelly?

Mr. BRAMBLE. Yes, sir.

Senator CARROLL. You witnessed how the whip and the spur were put to the Department of the Interior on this question this morning?

Mr. BRAMBLE. I paid close attention.

Senator CARROLL. Your recommendations follow pretty much along the line of the Department of the Interior?

Mr. BLUMENTHAL. That is right, sir.

Senator CARROLL. Were you here this morning when Senator Church, of Idaho, said that section had to be stricken from the foreign aid bill?

Mr. BLUMENTHAL. Yes, I was.

Senator CARROLL. Because it would have undermined all the work that would have been done with the Department of Interior, which I assume is under negotiations?

Are you familiar with the section that was stricken?

Mr. BLUMENTHAL. Yes.

Senator CARROLL. Why was it in the foreign aid bill in the first place?

Mr. BRAMBLE. Are you asking me to comment on this?

Senator CARROLL. I would like anybody to comment on it that has the capacity to do so.

Mr. BRAMBLE. I am familiar with the provision.

The intention was to make available for use surplus materials owned by this Government for use in a governmental program when a disposal program had been devised in accordance with the general principles for disposing of surplus products. But there was no intention of opening a floodgate of disposing of stockpile materials in this fashion, and I am sure the State Department would have opposed any such action.

Senator CARROLL. Now that it is stricken out of the bill, do you think there is a clear understanding of why it was stricken?

Will this not help you in your negotiations that you are carrying on? As I understand it, you are attending these international meetings.

Mr. BRAMBLE. That is right, sir. It is true that governments of other countries were somewhat concerned about this provision in the proposed aid program. But when they understood the character and purpose of it, they agreed that it caused no particular problem.

I think we would have had to explain it to other countries, but at the same time I think it would have improved our ability to bring foreign aid to other countries under proper safeguards.

Senator CARROLL. I notice in your statement you say that the—

> restrictions by the United States on the importation of lead and zinc have acquired a symbolic character and tend to evoke intense political and emotional reactions.

Do you not think that they have also the symbolic character in these areas where the mines have gone out in my own State?

Mr. BRAMBLE. Yes.

Senator CARROLL. Do you think that they do not evoke intense political and emotional reactions in our own country?

This is the purpose of this hearing, to find out what the executive department is going to do about this. We have been dilly-dallying and shilly-shallying along with this program.

I can remember that back in the 80th Congress we had a premium price program for minerals, it was 12 or 13 years ago. And all through the previous administration we have had one effort after another to try to reach some solution of this problem. And in the meantime, as I expressed it this morning, we have got an important industry that is dying on the vine.

We have seen this morning that your program and your recommendation are really nothing.

Now, the small miners of this country are gone. And this is the only thing that we can offer.

Now, as I said, and I think you were here in the room this morning, I have supported a reciprocal trade program and a foreign aid program for years, and I have watched certain industries that are being caught. And they are declining. Other industries are moving ahead.

I think that foreign aid is important to our exports. But, by the same token, if you just say that we will do nothing, and we will negotiate this with other countries and let important segments of an industry affecting wide areas wither away—now, you are both intelligent men, you are economists, what shall we do about this? Nothing?

Mr. BLUMENTHAL. No, sir.

I would like to say that there is certainly every realization that this is a most serious and difficult and urgent problem as far as the domestic industry is concerned, and that we must continue to seek all possible avenues to find ways of improving and relieving this situation.

Senator CARROLL. Do you not see, that for 10 years we have nothing?

This morning I used the illustration, when we were confronted with a problem that began over 30 years ago, they drew their brains together in the Department of Agriculture—I can remember some of the men who worked on the Costigan-Jones Sugar Act. And they went at it with a purpose, and they came up with something.

Now, I cannot say that we can put lead and zinc in the same category with sugar, but there is a technique that can be used.

Supposing we had just abandoned the idea and said to sugar producers, "we cannot do this?" We had to do it.

It was also a world problem. You have got a world price, and we pay price premiums to underdeveloped countries.

This was a long time ago. Now, we made this work, although it has its imperfections.

Now, you are economists—and I am referring now to the State Department and the Treasury—is it impossible that we could work out a program?

I am not only talking about S. 1747, because basically I do not believe in high tariffs, because I know the retaliation that would come from it. But, on the other hand, we have got to come up with something. And this bill is the best we have come up with yet.

We cannot just say we are going to evolve a plan. We had the testimony this morning about the overhang on the world market. And when they get through with the overhang, what do you think will happen to the industry in this country?

As a matter of fact, you do not know whether you can rehabilitate certain segments of the industry now, because I think that there has too long been a failure to move forward vigorously and intelligently. And I am speaking to you now as an economist.

I know that you are bound by the policies of the State Department, and I know that we have got to give due consideration to Canada and to Mexico and Peru. But do we have to do it at the expense of an important segment of our industry?

Gentlemen, you will find that intense political and emotional reactions can go to such an extent that it can do great harm to this Nation in its foreign aid program. I am getting this from home, not necessarily from the mining industry, but small businesses employing perhaps a hundred people. They are finding out what the foreign aid program is doing. I am finding out in Pueblo, Colo., how an exchange agreement between Mexico and Canada has thrown 2,000 people out of work. And this extends to the coal mines, and throws other thousands out of work.

These intense political and emotional reactions can hit so hard at home that it can damage the security of this Nation. And that is why I say—I know we have got in our Government capable clear people and economists—if we have to move to a subsidy, let's do it. If we have got to move into these devices—are you familiar with the Sugar Act and how it works?

Mr. BLUMENTHAL. Yes, sir.

Senator CARROLL. Is such a plan as this—I am not trying to commit you, I am now talking to you as an economist—is such a plan as this feasible?

Here you have a commodity, which is not in overproduction in the United States; we do not meet our consumptive needs at all. Is there some reason why this cannot be worked out along the lines of the Sugar Act?

Mr. BLUMENTHAL. We see at the present moment particularly some real weaknesses even in the Sugar Act. And, particularly in view of

recent political developments, pressures have been building up to the point where the working of the Sugar Act is no longer very perfect.

One of the differences between sugar and lead and zinc which would make the application of this system, which even in the sugar field is not working too well any more, even more difficult in the lead and zinc field is that in sugar we are paying the foreign producer twice the world price but in lead and zinc we are not.

Senator CARROLL. Yes, but the foreign producers, most of them are in underdeveloped countries.

Mr. BLUMENTHAL. That is right, sir.

Senator CARROLL. So this is really part of a foreign aid program.

Mr. BLUMENTHAL. That is right, sir.

Senator CARROLL. You remember in the Senate there was a vote that we handcuff the President and not permit him to pay certain countries the premium price. Some felt that we should not handcuff the Executive, that this was a matter for him to adjust, although we could see a windfall in certain areas that had no business getting the money, because we felt that the money would not go to the people. The money would go to certain vested interests that already had the crops in the warehouse. But we thought that this would be a question at least that the President could judge because he should have more information on these things than we—I say "we," referring to the Congress itself.

Now, you go ahead about the lead and zinc.

Why do you think there is a great difference?

Mr. BLUMENTHAL. Because of the fact that in sugar we are paying to those nations who supply us with sugar roughly twice the world price. We are able to pass on to them the burden of changes in the consumption of sugar in this country.

Secondly, the changes in consumption of sugar tend to be much less severe and more even and more on the upward side than they are in the case of lead and zinc, where there are rather great variations that are both seasonal as well as from one year to the next.

So that the kind of adjustments that would be necessary in the lead and zinc field would be much more severe and, therefore, more difficult to apply than they would be in the sugar case.

Senator CARROLL. But from the standpoint of our country, the standpoint of the industry, nothing could be more severe than is happening to it now, unless we are going to abandon—just say, let's forget it, they are gone, the marginal mines are gone, the small miners are out, there is no hope for them. Because I think you will be honest enough to admit that the program you have come up with—this is a phase of it—is meaningless in a sense insofar as rehabilitation is concerned.

Mr. BLUMENTHAL. May I say something on that, sir?

Senator CARROLL. Yes.

Mr. BLUMENTHAL. We realize, sir, that this limited subsidy, which is a phaseout over a period of 3 years, is no answer to this domestic problem.

Senator CARROLL. This is a sort of a sop to kind of get them off the political hook for a couple of years, in the hope that something will happen; we don't know what. We do not know where we are going or how it is going to happen, but maybe something will happen—this

is just another palliative, another aspirin, and this is what this industry has been getting for 10 and 12 years.

Mr. BLUMENTHAL. I would rather like to characterize it as an interim—well, the world "solution" is not good—as an interim step, so that we can look toward a——

Senator CARROLL. That is what I call State Department gobbledygook, an interim step, and I do not blame you for it, I understand.

Mr. BLUMENTHAL. I am a very new recruit, you must be aware of the fact that I have just acquired it.

Senator CARROLL. These statements are not directed against you, personally, but this is typical State Department talk. And maybe you have learned to couch your terms—maybe this is the way treaties have been drawn that can get us in so much trouble again.

Senator DWORSHAK. If you will yield, Mr. Chairman, I thought under the new administration we were changing the policies of official supervision in the State Department.

Senator CARROLL. Well, it takes time in a bureaucracy to change the language and the phraseology. And if they could all speak as clearly and express themselves as the Senator from Idaho, we would solve the question quickly.

Senator DWORSHAK. Thank you. The only difference is, the Senator has been at it over the years and has not made any concessions to palliatives.

Senator CARROLL. I want to say that the Senator from Idaho has been a vigorous critic of his own Republican administration. And they should have listened.

Senator DWORSHAK. But they did not.

Senator CARROLL. Now, back to this again.

You just support the administration, and you come up here with nothing, and having supported them you end up with the support of nothing. As you say, this is a phaseout policy that really adds nothing.

Let me ask Mr. Bramble, In your negotiations internationally can you see any real hope for the mining industry as a result of these negotiations that you are carrying on in the international field?

Mr. BRAMBLE. Mr. Senator, nobody is more disappointed than I am that some of the things that we have tried to do in the international field have not paid off. We have tried to avoid the use of increased protection in the United States by using other measures. In the early meetings of what later became the International Lead and Zinc Study Group, we got voluntary undertakings by other countries to reduce the amounts of lead and zinc they would put on the market. And this was effective for 1 year.

The prices of zinc went up, and the prices of lead sort of stabilized for awhile. But then consumption dropped, particularly in the United States, and this method of trying to meet what we thought might be a temporary situation didn't show any lasting results.

Also, as a result of this, companies in countries which had undertaken to reduce the amount of lead and zinc they would offer for sale didn't reduce their production commensurately, and, consequently, surpluses built up over the market, about which you heard Mr. McCaskill testify this morning, and they hung over the market. There was no possibility of getting prices to go up when the buyers in the market knew that these surpluses were being held off only

for 6 months at a time and might come on the market at the end of another 6 months.

It was for this reason that we made our offer to try to take these surpluses off the market through the medium of barter, and in an attempt to clear the board of the surpluses and let supply and demand show its real effect in the market.

I am disappointed that the barter transactions have not proceeded more rapidly.

But they are not dead yet, and they may still be consummated, at which time I hope—and I believe that there will be some industry observers who will agree—that there will be an improvement in the market, at least for lead.

Senator CARROLL. I have heard this discussion two or three times, and I think that this is sensible to move that overhanging market. I do not approve of all the techniques, but I know of your work in it. This is really a longer range program, is it not?

Mr. BRAMBLE. It would have shown results right away if we could have completed these transactions more completely.

Moreover, there was a suggestion discussed in the administration that the same sort of technique be applied to domestic surpluses, domestically held surpluses. These were more difficult to work out, because one thing that we have gotten from foreign producers is undertakings to reduce their production so that they wouldn't recreate the surpluses.

One thing we do not want to do with barter is to induce producers to maintain their level of production, which is higher than commercial consumption, because when you stop your barter then you just have too much capacity in operation, and then you are back in trouble.

This happened to us in the years before 1958, and we don't want to repeat that.

So we have asked those who profit from barter to reduce their production and compensation so that they will no longer build up the surpluses after we stopped the barter. And the barter is intended to be only a one-time operation, we don't intend to repeat.

Senator CARROLL. You know we are moving into a period now where we are going to advocate the long-range foreign aid program. This is going to cause in some areas serious economic dislocations, we hope not too serious, but it is going to be very provocative.

Is there any planning on what we are going to do to help those industries that are affected?

Mr. BRAMBLE. I realize fully the concern that you have with this. And we have it, too.

I learned only recently of industries that have been affected, not only in our country but in other countries that have been affected by the very assistance that is being extended to foreign countries to build up industries in those countries. These are problems that we have to recognize and we have to cope with the best we can.

But we can only do them on an industry-by-industry basis so far.

Senator CARROLL. This is not an easy problem.

Of course, these problems—maybe they are regional in a sense, but they are international in character, and we recognize that. But you see, we are confronted here not with a theory but with a condition,

what will we do about these areas when we see the impact in my own State, where, as I said this morning, there are 54, 56, mines closed, small mines.

The Secretary of the Interior—the Assistant Secretary of the Interior talks about the difficulty of locating skilled miners. If you sought them you wouldn't find them, because they have disappeared, they have moved into other areas.

If we can't help the small miners, what is going to happen?

What will we do about Mexico and Peru and Canada?

And implicit in your statement is the implication that if we strengthen these quotas the other countries will take retaliatory action against us.

But is there, then, some thought that the Executive order will be modified on the existing quotas before you go into your next meeting, your international meeting?

Mr. BRAMBLE. Mr. Senator, we don't see any immediate action to change this. But the quotas were established under an escape-clause procedure, and the Tariff Commission will survey the lead and zinc situation every year to see whether or not action could be taken to relax these quotas. So far, they have not found any.

Senator CARROLL. But I think in your statement here, the statement given here by Mr. Blumenthal, you said that they, referring to these other countries, have refrained from taking this action, that is, retaliatory action, on the ground that the present quotas are temporary, but it is clear they would take a different action if permanent restrictions resulted from legislation.

Mr. BRAMBLE. The present action is taken under escape-clause procedure, which is part of the General Agreement on Tariffs and Trade, and while they are entitled to ask for compensation from the United States now, they have voluntarily refrained from doing it on the understanding that we will review this every year to see when it can be taken off.

Senator CARROLL. Then recognizing the plight, the economic plight of this industry, if the President had a flexible quota system which we could delegate to the Secretary of the Interior to adjust quotas like they do with sugar, we would not do it by legislation, we would do so under the escape clause, with some flexibility in the quota. This is exactly in the sense what is done with sugar.

Now, I can see that there could be a difference between these two commodities.

But if we permitted sugar to flow into this country like we do lead and zinc, we would have chaos in many States of our Union.

You would throw complete disorder into a large segment of our agricultural economy.

You would agree with that, would you not, if we just let sugar flood in on us?

Mr. BLUMENTHAL. That is right, sir.

Senator CARROLL. So, therefore, we regulate it.

Now, what I am saying is, why can't we regulate this? It is identical. We don't produce enough for consumption, they are coming in flooding the market with low-cost lead and zinc, and it seems to me it is analogous from a commodity standpoint.

Now, as to how you treat the two, I mean from the commodity standpoint—there is small stability in sugar, I would assume—but

even with lead and zinc the cost is so small comparatively, if we have to go to the subsidy or the processing tax device, why can't it be done?

I don't think anybody in the Government seriously studied this, although it has been advocated through the years. Did the State Department study this concept I am talking about?

Mr. BRAMBLE. Yes, sir.

Senator CARROLL. On lead and zinc?

Mr. BRAMBLE. May I comment on the problem with reference to this?

Without committing myself on the desirability of this——

Senator CARROLL. I understand.

Mr. BRAMBLE (continuing). I am not sure that the President would have authority under the escape clause procedure or under the Trade Agreements Act to establish flexible quotas. He has the authority to relax the quotas now, but I don't think he can make them more restrictive unless he has another escape clause finding by the Tariff Commission.

Senator CARROLL. I would assume so, but I would think that a continuing body could study it to give the flexibility under the law, because it is changing all the time, year after year, 6 months after 6 months it has been changing downward. And the evidence is clear, if you have a continuing hearing, if this is necessary under the law—and I think we could modify it to give the President that degree of flexibility.

But you haven't quite answered my question: Is the State Department studying this question that I just posed to you?

Mr. BRAMBLE. Of the flexibility quota?

Senator CARROLL. Yes, and I am talking about the same device as used for sugar.

Mr. BRAMBLE. We have studied the device in connection with sugar, because sugar legislation is coming up, and we have thought about it in connection with lead and zinc.

But we have, I think, up to now we have come to the conclusion that it isn't a practical device to use in that field.

Certainly after our hearing today, we are going to study it a little more thoroughly.

Senator CARROLL. I wish you would, because I do not want the State Department to leave this room or the Department of the Interior with the impression you are not going to do anything about this.

That would be very bad. We have got to examine and reexamine, and if it takes a subsidy we have got to do it.

The Senator from Idaho, Mr. Dworshak, said this morning you can give a subsidy. I do not know how accurate he is. He is on the Appropriations Committee, and he normally knows what he is talking about, not always, but normally he is very accurate, and especially when he is in a partisan field, in the political field.

But when he makes a statement that the maritime industry has a $280 million subsidy—if we have to go to the subsidy way to save some of our industry in this Nation, then we should do so.

Mr. BLUMENTHAL. May I comment on that, Mr. Chairman?

Senator CARROLL. I would be happy to have your comments.

Mr. BLUMENTHAL. I would like to mention, sir, that we are certainly not sitting back doing nothing and feeling satisfied with the present situation in lead and zinc in this country, or in the world, for that matter.

We have been involved, and will be for some time, in an intensive review of the entire range of commodity markets, including as one of our urgent ones the lead and zinc market. And it is for that reason that I referred somewhat earlier to this limited subsidy program as an intermediate step, so that in the interim we have the time to develop, together with the other agencies of the Government, a thorough review of all possibilities, including this flexible quota, which will certainly get every possible attention to see how it might work.

Senator CARROLL. Why do you not take S. 1747 as an intermediate step?

Mr. BLUMENTHAL. Because we are very determined about the effects of this, which would constitute a unilateral action on the part of the United States.

Senator CARROLL. Why do we not modify its unilateral activity?

You have kind of touched this with a powder puff—I do not mean you, I mean the Department of the Interior, the executive branch. You have not got your teeth in it, in my opinion.

You make a good point here that if these permanent restrictions resulting from legislation are injurious, there might be some retaliation. Then let's modify it, let's come up with some other way to do it, let's talk about a flexible quota. Let's talk about a subsidy program. Let's talk about a taxing process.

Let's explore these things and not wait until next year. We have been over this field, we have plowed this field 10 times to my own knowledge and we have never come up with anything except more printer's ink.

Senator DWORSHAK. We get a crop a week.

Senator CARROLL. I am serious about this. And I think you men have got the experience and the brains, and I think in the concept of the State Department you must think in world terms, of course, but you have also got to think in terms of down here at the grassroots, too. And when you think about the intense political and emotional reactions you must also remember the feelings of our unemployed miners.

Senator DWORSHAK. There are other witnesses, but I would like to take just a few minutes to develop one point.

Mr. Blumenthal, in your statement you said:

> Under the General Agreement on Tariffs and Trade (GATT), the foreign countries affected by our restrictions are entitled to compensation in the form of lower duties on other exports to the United States or to higher duties on our exports to them.

Now, let's be specific.

For 14 years GATT has been in operation, the fifth conference began negotiations on September 1, 1960, at Geneva. I understand those conferences will continue until June 30—when will they end?

December 31, 6 months in this new fiscal year, is my understanding.

I have heard a lot about GATT. It has been operating for 14 years. Let's pinpoint what it has done to help the mining industry in this country.

Now, briefly tell us.

Mr. BLUMENTHAL. I am afraid that I cannot tell you specifically what, during this 14-year period, has been done for the mining industry.

The experience of GATT over this 14-year period has certainly been that it has brought about in the overall pattern of international trade a substantial lowering of barriers to trade which has been fully as much to the advantage of our country as it has to our trading partners. And this is the whole concept on the basis of which we support GATT.

Senator DWORSHAK. And that would be true if we make concessions and the other countries with whom we do business make concessions. But it seems to me that as we examine the record, most of the concessions are made by us.

Mr. BLUMENTHAL. I think our negotiating personnel, the men who are over there working on this problem in close conjunction with their industry advisers and contacts, try very hard, sir, to make sure that we get a quid pro quo every time we make a concession.

Senator DWORSHAK. Well, if they did, I hope they continue these meetings, because the more conferences we have under GATT, the more distressed become the mining industry and the other industries in this country, so probably the full effect of GATT is not beneficial; it is probably adverse upon our economic stability in this country.

I will not prolong that. I want to ask you one question.

In your negotiations and contacts with foreign countries in proposals affecting tariffs, in this instance if tariffs were placed upon lead and zinc shipments from abroad, would that not have a beneficial effect upon stabilizing and possibly increasing the general price levels and, to that extent, help the foreign producers of lead and zinc instead of adversely affecting them like it is generally pointed out?

Mr. BLUMENTHAL. I think, sir, that the imposition of a higher tariff, and, as this bill would provide, a substantially higher tariff, on lead and zinc imports into the United States would result in all probability, as far as the foreign suppliers are concerned, in two things:

First, it would mean to some extent that their net revenue from these sales would be reduced.

Senator DWORSHAK. Not if the price levels were increased accordingly. Their net returns would not be decreased; they would be maintained and increased, would they not?

Mr. BLUMENTHAL. If all of the price levels, both domestically and internationally, were increased by this amount, there would be no damage to them.

The real question is whether this would occur, sir. And there is a good, strong body of opinion which indicates that this would not occur, but that to some extent this increased protection of this form of the domestic market, U.S. domestic market, would bring forth additional production in the United States sufficiently great to offset and depress, at least to some extent, what would otherwise be the rise in the price levels.

Senator DWORSHAK. That is all.

Senator CARROLL. I want to ask some questions.

Were you occupying your same position in the Department of State when President Eisenhower vetoed that mineral bill?

Mr. BRAMBLE. Last year?

Senator CARROLL. Yes, sir.

Mr. BRAMBLE. Yes, sir.

Senator CARROLL. Did the State Department recommend that veto?

Mr. BRAMBLE. Yes, sir.

Senator CARROLL. As a matter of fact, the State Department was responsible for it, was it not?

Mr. BRAMBLE. No, sir. I think all the other agencies agreed with that.

Senator CARROLL. Did Interior recommend it too?

Mr. BRAMBLE. I would rather not speak for the Department of the Interior.

Senator CARROLL. It was Interior's bill, was it not?

Mr. BRAMBLE. I would rather not speak for the Department of the Interior, but it was my understanding that all the agencies asked for a conference on the veto and the action taken.

Senator CARROLL. Do you recall specifically why you recommended the veto?

Mr. BRAMBLE. Yes.

The arguments for the veto were generally the arguments that are used today against the subsidy provisions in this bill.

Senator CARROLL. Are you against subsidy?

Is it because you are a great advocate of the free enterprise system?

Mr. BRAMBLE. There are additional aspects of subsidy to small mines which we cited as reasons for opposing it, one being that a subsidy as such on part of the production of the United States would not be of any help to the domestic industry, since—not any help in general to the domestic industry, because the increase in production in small mines would be largely at the expense of other domestic production.

Senator CARROLL. Is Mr. McCaskill, of the Department of the Interior, here?

Would you come forward, please? I want to ask a question.

Were you in the Department of the Interior when President Eisenhower vetoed the mineral bill?

Mr. MCCASKILL. Yes, sir.

Senator CARROLL. Was that the Department of the Interior bill that came before our committee?

Mr. MCCASKILL. That was not a Department of the Interior bill; no, sir.

Senator CARROLL. Did that not have the support of the Department of the Interior?

Mr. MCCASKILL. Qualified support only.

Senator CARROLL. Did you recommend a qualified veto?

Mr. MCCASKILL. There was not that choice at the time, sir.

Senator CARROLL. I do not want to pit departments of the Government one against the other. I will withdraw that question. I do not think it would be helpful.

But you see, this gives rise to the paragraph in Mr. Jeffrey's letter which has been put in the record. He says:

> It is disconcerting to see all these efforts, as well as the thorough researches and studies made in the Department of the Interior, are continuously being thwarted by a resistance which—

he says—

> to the uninitiated observer seems to originate in the State Department.

Now, he asks this question:

> Why is it that the State Department seems to be obsessed by the idea that a reasonable tariff solution would work havoc with Latin American countries?

I am not of course familiar with all the papers and studies which may be on file with the State Department regarding this matter. But I do not think I have seen a satisfactory exploration by the Department of the question whether a reasonable increase in tariff would really cause injury to our Latin American suppliers. I should like to explore this important question with you in the next few paragraphs.

Now, I read you this, and I would like to have your comment. Mr. Jeffrey is not here, unfortunately:

Zinc and lead are commodities in international commerce. And we must import large quantities of both. Therefore, the domestic price has long been and promises to remain the world price, plus U.S. duty, plus a transportation factor. Given reasonably sound conditions of demand outside the United States, a moderate increase in tariff will produce an equivalent increase in the domestic price. Thus a foreign supplier will net our price less our duty; that is, he will net a world market price. That is what he is receiving now, in fact that is all he would be receiving if he had no tariff at all.

Then he puts in parentheses:

(Certain foreign suppliers, because of proximity to the U.S. markets, obtain a somewhat higher return here than abroad, but this is a function of geography and freight rates, and would remain so at any level of tariffs. It follows that, pricewise, the foreign supplier will not suffer from a tariff increase.)

Will his market in the United States be narrowed?

He asks the question.

I think not, certainly not materially.

Do you care to make an observation or comment on that?

Mr. BLUMENTHAL. Yes, Senator, I would like to make two brief observations, and perhaps Mr. Bramble will go on to add.

The first comment relates to a general question on the increase of the tariff on a commodity such as lead and zinc, and its impact on foreign suppliers, particular in Latin America.

The President in March of this year, in his "Alliance for Progress" speech, emphasized particularly—I think it was point 5 of that speech—the question of commodity problems, and the responsibility which the United States as a consumer of these commodities recognizes and is willing to assume in cooperating and in working with these countries for the elimination of restrictions.

We are presently engaged in preparing for the Montevideo Conference in about 10 days from now, where the Latin American countries have put on the agenda a rather detailed proposal on how to implement this. And a proposal that occurs time and time again in different variations is, the substance of it is all the same—there should be no restrictions, and we should work for the elimination of existing restrictions, on the free flow of primary commodities in international world trade in general, and between Latin America and North America in particular.

Now they recognize that we have domestic industries, and we have problems that we have to reconcile, and, whereas the President has recognized this as a general principle, we have to make allowances for individual situations. And their pressure on us to reduce existing barriers therefore cannot be affected in all instances with great speed the way they would like to see.

But as a symbol—and this is where this idea of a symbol and of emotionalism comes in—the increase at this time when we are trying to implement a program in Latin America, this program of increasing

a tariff, we feel it would create an extremely difficult situation, because this is going to be——

Senator CARROLL. I might say that this is Mr. Jeffrey of the National Zinc Co. And I think he is the president.

Yes, he is.

Mr. BLUMENTHAL. I would like to make a specific comment with regard to his analysis of the effect of an increase in the tariff on the access of foreign shares to our market and of the revenue of the earnings to them.

His argument, I believe, is sound on the assumption in this letter that this would produce an equivalent increase in the U.S. domestic price.

This, however, is an assumption which is open to question. We do not know if this would be the case. If we could be sure that this is the case, then we would be on somewhat more solid ground. But there is reason to believe that this protection, additional protection, might result in significant increases in production, and that this greater volume of products on the market would depress the domestic price back to some lower level.

So that the end effect would be that the foreign supplier would, in terms of the revenue that he receives, lose on balance.

Do you have anything to add?

Mr. BRAMBLE. Yes, I do.

Mr. Senator, I know Mr. Jeffrey very well. He is one of the advisers of the industry, adviser to the delegation to the lead and zinc study group. And I have talked with him many, many times on these subjects. And I must say that I have great respect for his opinions. He is internationally minded, and he is very intelligent in the field both of business and economics.

I think that his argument is correct so far as it goes. I believe that he envisages a very modest increase in tariff, perhaps not as great as the one provided in S. 1747.

I believe also, however, that we might find, as Mr. Blumenthal has pointed out, that it would not—that not all of the incidence of the increase in duty would fall on the price in the United States, but that some of it might reflect back on foreign producers.

There is another aspect of this, however, that interests us in the State Department with respect to our international trade policy. Lead and zinc are commodities that are subject to competition from other forms of products. Plastics have made heavy inroads into lead recently. The plastics are beginning to make some inroads into zinc, and aluminum has been a strong competitor in the diecasting industry for a number of years now.

Lead and zinc have started to fight back with research programs of their own to find new uses and to expand demand. But I think it is generally recognized that any sizable increase in price of these commodities, perhaps not a sizable increase over the present—I am not referring to the present distressed, what we may regard as distressed, prices—but any sizable increase over a price that might rule in the absence of surplus products hanging over the market is liable to invite further substitution from competitive products and generally reduce the area of the market. And this is a matter of concern to our foreign friends who trade with us as well as our own producers.

Our thesis is that we should try to reduce the restrictions to help these industries learn to compete at the prices that they have to be in order to be competitive in the long run, and maintain their industries on a sound basis rather than an artificial one.

Senator CARROLL. Is there any feasibility to the thought—there has been some testimony here about the world price, whether we set it or London sets it, on lead and zinc.

Supposing that in Mexico and Peru we are trying to help; supposing we had a different price than the world price, which involved the premium; supposing we took a loss of some money, but by so doing we protected our own industry. Now this is what I had in mind about the sugar situation.

Has this thing been thought of?

The way we are spending money around the world, you know, we could spend a little bit to protect some of our own industry too.

I am not one of these people who thinks it is thrown down the rathole, as they used to say. We know that much of it has been wasted. But it would seem to me that we could give some thought to this problem.

Have you thought about premium for lead and zinc?

Mr. BRAMBLE. Yes.

Senator CARROLL. Is this thing feasible?

Mr. BRAMBLE. As a matter of fact, it opens up some rather interesting speculations. But we find that it requires a long time and much examination to work out the practicability of these proposals.

Again, without discussing the merit of any of these suggestions, it has been suggested that we might put a fee on imports of lead or zinc, collect it, and then return it to the country of export as a means of contributing to their economic development. This would cause an increase in price and protect the domestic industry, but would help those governments.

I do not want to comment on the practicability of a plan like this, but it is something that has been suggested and is being studied.

Senator CARROLL. It would seem to me—and I am not an economist—it would seem to me that we have got to develop this sort of a technique, if we are going to continue this enormous outlay of money, moving as I think we must do. I think the President is right in his alliance for progress program in Latin America, I think it has been neglected too long. And I am one of those who feels that we have got to move in other areas of the world, too. That is one of the reasons I have been in support of this program.

I have studied it as much as a layman can hope to know, within my limitations. But, by the same token, we cannot continue to ignore the impact and the dislocations in our own country.

And I think you will agree that, historically, the United States has never been able to produce more than one-third to 40 percent of its domestic consumption, referring now to lead and zinc. And consequently, if a tariff is involved, the U.S. price has to increase after the surplus stocks in the United States are depleted, because not such a large volume of imports would flow in. We cannot meet our U.S. consumption demands without imports.

Now, if we are going to help Mexico, as we must, and Peru, as we hope to do and as we are doing, we have got to get some idea as to how

to balance these things. And it seems to me we cannot wait. We have been talking about task forces—take a look at unemployment. We should have a task force to see what is going to happen to meet these problems.

And with you gentlemen who are skilled in this field, I think it can be done. I think you can work out something. Something has got to be worked out for this mining industry.

And I say, you have got so many big problems that you are looking forward to that you do not see the little problems behind. And the little problems behind can catch up with you because, you see, these pressures hit these little people.

Senator Moss of Utah.

Senator Moss. Thank you, Mr. Chairman. I am not sure that I have any questions.

I would like to emphasize that this problem we are talking about now is not of recent origin, it has been building up and going on for years.

Earlier today we had some discussion about whether there were skilled miners around to take on a job at the potash mine. And the indication was that they were not readily available.

I have a very quick answer for that. Of course they are not available. They cannot just sit there and be unemployed miners for 10 years; they have gone elsewhere and they have found other jobs in their ghost towns. But there are still a few of them around that they have managed to get on welfare and have relatives support them.

But of course the whole face of the economy has to change, when we have a long, continuing downward period, as we have had in lead and zinc mining. And so the time has come when we must find a solution for this problem; we just cannot let it longer dangle as it has.

And to have a proposal for a very small subsidy that would last only for 2 or 3 years, and could have no other effect that I can see other than further increase in surplus that is now hanging over the market, it seems to me is no solution at all.

Like the chairman here, I believe in foreign aid, and I have been in support of it, even at times when politically it has been most unpopular to do so. But we have a lot of domestic problems that we are going to have to solve, or there will not be any people around in the Congress who will support foreign aid.

Well, I will not ask any questions. I will just listen. And I think we are making a record that might get us perhaps some action here.

Senator CARROLL. I thank the Senator from Utah.

I thank you gentlemen. If you would be kind enough—can you stay here for a while longer?

Mr. BLUMENTHAL. Yes, sir.

Senator CARROLL. There may be some members of the Department of Interior here, and some issue might come up that they want to present quickly.

Mr. Schipper has flown in here from Denver, and he has to catch a plane. He tells me he has only a 5-minute presentation. If he will come forward, I might even extend that to 7 minutes.

Mr. Schipper, will you tell us your name, please?

STATEMENT OF W. B. SCHIPPER, DENVER, COLO.

Mr. SCHIPPER. My name is Warren Schipper, from Denver, Colo., 954 Pearl Street.

Senator CARROLL. What is your business, Mr. Schipper?

Mr. SCHIPPER. I have been trying to do a bit of consulting work in Denver.

Senator CARROLL. What is the nature of the consulting work?

Mr. SCHIPPER. In the minerals industry, both oil and mining.

Senator CARROLL. And you came here to testify about S. 1747, did you?

Mr. SCHIPPER. Yes, sir. And on a matter that transcends lead and zinc, the whole minerals industry, oil, too, and many other industries as well.

I think I will get to the core of the problem, at least one part of this jigsaw puzzle, I think that the answer to your problems is a sectional affair. I think that it will come in pieces. I think it is a sort of a jigsaw puzzle, and when you get all the pieces together you will have the whole picture.

Senator CARROLL. Do you want to put your statement into the record and speak—do you want to speak from your statement, or how do you want to proceed?

Mr. SCHIPPER. I would like to read my statement, sir.

Senator CARROLL. All right. You may proceed.

Mr. SCHIPPER. Mr. Chairman, and members of the Senate subcommittee, men grow popular who have flowing phrases of eulogy. Men who speak unpalatable truths are disliked, and if they have power to make the public conscience uncomfortable they are said by some to abuse the liberty of free speech—for it is the liberty of fanning men to sleep that is supposed to be legitimate; the liberty of waking man out of sleep is supposed to be license. Yet we shall certainly die by the sweetness of flattery; and if we are healed, it must be by the bitterness of faithful speech. There is tonic in the things that men do not like to hear, and where such speech is stopped, miasma is bred, and death comes fast.

We should take solemn account of our guilt in the great growth of social laxity and vice by Americans overseas. Every American citizen is by birth a sworn officer of state. Every man is a policeman. If bad men have had impunity, if the vile have controlled our affairs, if by our delinquencies and indolence, justice has been perverted, then we cannot put the guilt away from our own consciences.

For the sake of a principle our fathers dared to defy the proudest nation on the globe. They suffered. They conquered. We are never tired of praising them. But when we are called to stand firm for principle, we tremble, we whine, we evade duty, and shuffle up a compromise, by which we may sell our conscience, and save our pocket.

Everywhere, in all the earth, we should ask, "What is liberty?" I declare that it is the right of every man who is born into this world to use every power, every faculty of his being, according to the law that God has fixed in that power and in that faculty, and not according to any external imposition of man.

If our oversea businessmen, who are paying such extremely low wages, are taxed with sin, and I think we have good reason for so

doing, provided we speak to them kindly and respectfully, it must be on this specific point, that they have neglected to carry out the design of the framers of our constitution, neglected to fulfill their implied pledges to our Nation in regard to their employees, and neglected to make provision for the future of our United States or our allies' nations.

Our problem arises from the fact that it would cost at least $3.49 a day under today's cost conditions to maintain a Simon Legree type slave in the United States and give him the same starvation living standard as he received before the Civil War. Because many of our U.S. oversea businessmen are paying far less to their men, our allies, than they would have to pay a slave in this country, and are putting those goods upon our markets, it is persecutory to our allies and our fellow U.S. citizens, too. Less-than-slavery wages, even from humane and Christian businessmen, is a degradation of the whole class of the community, below their proper rank as men. And this is not all. They are degraded in their own eyes. They are discouraged from all attempts to rise, by a knowledge of the near impossibility of rising. Yet our allies are found to be quite as easily taught to perform all the required duties on a job as U.S. people, and are just as tractable when taught. They are easily trained to habits of industry and patient endurance.

Reflection on wages paid abroad by U.S. businessmen that are less than the cost of slavery only confirm my judgment of its immeasurable evils. It is a double-edged evil that cuts both ways, wounding all. It is a pest to good morals; a consumption of the industrial virtues, a burden upon society in its commercial and economic arrangements; a political anomaly; and a cause of inevitable degradation in religious ideas, feelings and institutions. All other causes of trouble derived from the weakness or the wickedness of men put together are not half so mischievous to our land as this gigantic evil. It is great sin. It is a national curse.

Our U.S. oversea businessmen defend wages less than the cost of slavery on the ground that the men are fed and clothed, and are apparently happy in their condition. Are they happy because they are fed and clothed? Why, pigs are happy, that have the liberty to grunt as much as they please, that have all they want to eat, and have plenty of straw to lie on. If our allies have food and clothing, that is no evidence that they have all the rights of their manhood. Our U.S. oversea businessmen make this formal assertion: that that portion of our original Declaration of Independence which makes all men free and equal has been misinterpreted or is false. They endeavor to say it softly, but it is a thing that cannot be said softly. To breathe it, to whisper it, makes it louder than thunder.

Such wages absorb all free capital and thus make it impossible for the afflicted people to accumulate enough surplus wealth to enter largely into manufacturing. The products from many U.S. foreign business that are paying less-than-slavery wages are imported into the United States. It has been one gigantic bargain, only working out in different ways for the oversea businessman and those people here at home. It is for us just as much as for them that the afflicted ally works, and we acquiesce. We burn the oil, we use the rubber, the mined goods, the agriculture and other goods, while many of the citizenry of our allied nations overseas water the ground with their

sweat and tears. We use these goods and consume the luxury. We live on his labor.

Our oversea U.S. businessmen who pay less-than-slavery wages are like people bearing arms against us. They have challenged the American flag. They have already fired upon the American flag with less-than-slavery wages their weapon to do it. Our glorious banner has been borne through every climate, all over the globe, without scorn or dishonor. Now, this glorious national flag has been abased and trampled to the ground. The exploiters among our U.S. oversea businessmen have put their feet on the American flag because it stood in the way of wages less than slavery. It is for all our patriotic sons reverently to lift our flag and to bear it full high again, to victory and honor. Until those U.S. oversea businessmen are convinced that they cannot do such business conduct, they will never cease arrogancy and aggression against our own country and its flag.

I tell you that as long as there are freemen, as long as there is a loaf in the cabin and water in the cruse; as long as there is blood in the veins, and humanity in the heart, so long the afflicted people overseas will not want for sympathy and help from us Americans here at home.

Every advantage that can be reckoned belongs to us as U.S. citizenry. Ours is the free labor. Ours is a common people not ashamed of toil, and able to make work a badge of honor. Ours is popular intelligence, competitive industry, ingenuity, and enterprise. We put the whole realm and wealth of freedom and civilization against barbarism, and ask what have we to fear?

We must accept our principles. Manliness demands this—honor demands it, but if we will not heed worthier motives, then interest demands it. If this is not strong enough, then necessity, inevitable and irresistible, will drive and scourge us to it.

Gold holds up to ages and to nations our exploitation-minded U.S. oversea businessmen, that men may see the difference. Now that there is a difference, I ask which is to yield? Liberty must discrown her fair head; she must lay her opal crown and her diamond scepter upon the altar of oppression, or else oppression must veil its head, and depart. Which shall it be? Two queens are not to rule this land, one from below and the other from above. Two influences are not to sit in culminated power at the seat of influence in this Nation, one dragging and pulling toward the informal, and the other drawing and exciting toward the supernal. Let us continue to have one Government, one Constitution, one political doctrine which makes all men free and equal—that shall be the prophecy of the future; that shall be the continued glory of the continent; that shall bring down the blessings of God, against which all the machinations of hell shall not prevail.

I ask our Congress and our Government to pass regulations and enact them to law to force every U.S. oversea businessman, who is paying even so much as one of our allies a wage equal to or less than the cost of slavery, to raise his wages to freemen standards. I ask that the oversea U.S. businessmen that will not comply should be forced to pay fines of 10 times their net profit each year, plus a fine of 10 times the current market price of every unit of their productivity placed upon our shores. In addition, I ask higher duties to help reestablish and bring protection and aid to the minerals industry of our native land.

Senator CARROLL. That is a very comprehensive statement, Mr. Schipper. You have come a long way.

Were you invited to speak before this committee, or did you write in asking permission to speak?

Mr. SCHIPPER. I wrote in asking permission, sir.

Senator CARROLL. And you paid your own way, sir?

Mr. SCHIPPER. Yes, sir.

Senator CARROLL. That is very nice of you. We appreciate that. And I understand you are on your way back home?

Mr. SCHIPPER. That is right.

Senator CARROLL. We appreciate this sort of advice. And we are glad to have you here. Thank you very much for coming.

Any questions, Senator?

Senator Moss. No questions.

Senator CARROLL. Thank you very much for coming.

The next witness will be Mr. Clark L. Wilson, Chairman of the Emergency Lead-Zinc Committee.

STATEMENT OF CLARK L. WILSON, CHAIRMAN, EMERGENCY LEAD-ZINC COMMITTEE

Mr. WILSON. Mr. Chairman, in anticipation of this hearing, I had prepared some remarks that dealt with the more or less technical phases of the bill.

Senator CARROLL. You have testified on this bill before?

Mr. WILSON. That is right.

And over the weekend I had an opportunity to see several times the comments that were made by the Department of the Interior in a letter to Senator Anderson regarding S. 1747. And I thought perhaps it would be much better today if I just confined myself to a short résumé of my reaction to that letter.

Senator CARROLL. I think that is fine.

Mr. WILSON. I would like to file the longer statement for inclusion in the record.

Senator CARROLL. Without objection, it will be so ordered.

Do you want to read it or summarize it?

Mr. WILSON. I would like to read this.

Since S. 1747 is legislation proposed by the committee, I prepared a statement for this hearing discussing the features of the bill that could be of benefit to the domestic miner, the domestic consumer, and the importer. We are convinced that this type of legislation will help all three groups and is a program that should be endorsed by the administration and the Departments of the Interior, Commerce, Treasury, and State.

In view of an adverse report on this bill from the Department of the Interior, it seems appropriate for me to present my personal opinion on this report and perhaps call your attention to certain parts of my full statement.

Our domestic economic problem is caused by excessive imports. An effective solution has been impossible of attainment because of the Government philosophy repeated again in the sixth paragraph of Mr. Kelly's letter. This is the letter to Senator Anderson:

> The administration is opposed to any increase in the duties on lead and zinc, especially at this time when world conditions are such that we dare not weaken the friendship and support of friendly nations.

In other words, our domestic industry is supposed to continue to suffer and deteriorate at the expense of the foreign producer.

The Department of the Interior is long on statistics and short on appreciation of the economics and human relations involved in domestic mining.

We've been advocating that our miners be looked upon as individuals who have invested their lives and substance in a basic natural resource industry whose value and financial contribution to our country is multiplied many times in accompanying service industries.

Our country developed and became a great power by relying on our own natural resources. We will deteriorate with increasing reliance on others for these products.

The Department should sharpen its pencil and analyze this bill as regards the import situation. A decrease in imports is going to raise our domestic price, particularly as stocks are worked off. After an adjustment period, the percentage decrease in imports will be equalized by the increased revenue to the foreigner participating in our markets. We hope our consumption gains, and as it does, the importer will benefit accordingly. Sure, he may be affected at the beginning of this program, but we've been bearing the brunt of the situation for a good many years. It's time we had at least an even break with competition that the Government admits to stimulating—and with our money. We are in the position of having paid taxes to put ourselves out of business.

The "favorite objection" to the bill seems to be the speculation on predictions of market price fluctuations in connection with the removable tax. We hear talk on "speculators" and "sharp traders," but never with any definition as to who they are. In the first place, the fluctuations of price in our markets won't depend directly on the tax but on levels of consumption and metal stocks. The tax is to tell the importer to observe our needs and to discontinue taking advantage of our markets to the detriment of the domestic miner.

Secondly, for several years, we've been asking other nations to please observe these needs, but with little success, and now our Government offers the barter as a bribe. I think the removable feature will give the importer some goals and controls that they will learn to rely upon, and they will prosper with us.

Our legislation is primarily a tariff measure as that is the only practical cure for this Government-induced situation, but we recognize that at the market prices to be achieved under terms of S. 1747, there must be an additional incentive to the independent miners. Let's look at Interior reaction.

In one paragraph, they state that provisions of S. 1747 will produce additional tonnages detrimental to the Nation and industry. We recognize that subsidized tonnage must have a home in the market, and the increased tariff is designed to take care of this. Any proposal of a subsidy for lead and zinc must go hand in hand with a tariff to control imports. Sure, it may take time to stabilize the factors of production, consumption, imports, and price, but meanwhile, the independent miner is getting income that will keep him in business. The large operators in the lead-zinc industry have agreed to this idea. Their financial status is involved, and if they agree to the plan, why should Interior object? In a later paragraph the Department turns right around and recommends a "temporary program of limited sub-

sidies." They were careful to offer an empty gesture that generally won't put mines back to work, but it does put them in the anomalous position of saying "It's OK for the patient to be just a little bit pregnant." In the meantime, the Interior Department is still operating a long-established program of loans to industry to develop new ore bodies, and lead and zinc are both on this list. I agree with this program, and we are still using it. Big mines develop from little mines, and Interior should be doing all in its power to encourage, not discourage, the discovery, development, and production, and I underline "production," of U.S. mines. There is no use looking for ore reserves unless we have a market, and S. 1747, is designed to give us our fair share—a minimum of 50 percent.

Mr. Chairman, while we are commenting on Department of the Interior action, I would like to make one more point. We are supposed to look to this Department to represent our interests in Government. We think—and rightly so—that Interior should not only seek our advice on mining matters, but advocate our views in determining U.S. policy. This is not the case. True, we've had some conferences in connection with meetings of the international lead-zinc study group, but I don't feel these are Interior inspired. More importantly, Interior has certainly not advocated the policy of the domestic lead-zinc mining and smelting industry as they continue to develop and sponsor foreign and domestic barter of excess stocks, to be placed in our already overflowing stockpiles, as a solution to first—world problems, and secondarily—domestic troubles. As you know, we are unalterably opposed to barter in any form, and I am submitting our position letter on this for the record of this hearing. As shown by the Interior report on this bill, they apparently have no feeling for the practical solution to the ills of the domestic miner—a solution developed by the miners themselves who have lived and many died under plans of Government that admittedly have not worked. We realize that the new leadership in the Department has had many problems to consider and a short time to develop answers. We are requesting these new leaders to please examine the pitfalls of previous Department policy and advocate a new approach. We were impressed with the initial statements of Mr. Udall and Mr. Kelly, describing their hopes and plans for domestic lead-zinc policy. We appreciate the pressures that have effects outside our country, in spite of these problems, we sincerely hope that a constructive plan is still forthcoming.

Mr. Chairman, in the light of policy statements made here today, it is certainly essential to preservation of our domestic lead-zinc mining industry that your committee act favorably on S. 1747, and we ask once again for your continued cooperation and assistance in gaining passage of the Anderson bill in this Congress.

Might I say that I realize there are some technical problems in connection with a piece of legislation like this that will probably need interpretation and, you know, we are ready at any time to discuss those with you and try to smooth out any problems or inequality that this committee might think exists.

Senator CARROLL. Mr. Wilson, you have been listening here patiently all day. You heard the Department of the Interior, and you heard the State Department. They are both in opposition to the bill.

You heard their presentation and our attempt to open up some of these issues in our questioning.

You heard the colloquy in considering the likelihood of the passage of S. 1747 of which I am a cosponsor, and of which I approve because of the lack of something else; you heard the questions here about the possibility of a premium, some device, taxing device.

It seems to me that the possibility is not remote that if such a bill were passed by Congress that it would be vetoed. This is purely speculative.

Mr. WILSON. You mean speaking of legislation of this type?

Senator CARROLL. Yes, this type of legislation. There is no doubt in my mind that the Department of the Interior is influenced by the State Department. The State Department is influenced by the very factors which they presented here today.

Mr. WILSON. That is right.

Senator CARROLL. Is there anything in the studies you have made through the years that are feasible to the industry itself in this concept of a premium payment plan program?

Mr. WILSON. You are referring again to the possible redistribution of taxes to importers?

Senator CARROLL. That is right. That would be one.

Again the concept of the taxing process under the sugar bill. We have got to come up with a new technique. It is very clear to me, as I hear the policy of these two important agencies of the Government that we have got to come up with something. Can you think of any technique we can come up with? I know you have worked on it for years.

Mr. WILSON. Well, of course, as I mentioned in my statement, this is the result of a good many years of trial and effort by our group.

In the other statement I did mention that our plan is really a different—well, it is the same basic legislation as the wool plan; in other words, they take tariff collections and pass them back as a subsidy to the producer.

I think probably our plan is not as extensive as the wool plan, but it still has some basis on a public law that is already being used and, as you have mentioned, the sugar plan.

Senator CARROLL. The wool plan and this sort of thing is not new?

Mr. WILSON. It is not new; no, sir.

Senator CARROLL. And I think we have got to proceed along this line not only for lead and zinc but with other industries too that are seriously injured by imports, excessive imports, as you have outlined.

Mr. WILSON. We are convinced that is the problem.

As I have said, we have borne the brunt of it longer than we certainly should in relation to the others, and I think it is high time that some equitable solution came out of this progress.

Senator CARROLL. I agree with you, and I think from the tenor of our questioning—you were seated in the back of the room?

Mr. WILSON. Yes, sir.

Senator CARROLL. And you heard the questions put by almost every member of this committee?

Mr. WILSON. We certainly appreciate the attitude of the committee because we know that you understand our problems and that you are trying to do something to straighten this situation out.

Senator CARROLL. Well, I will say again personally I think that, given time, I think Secretary Udall and Assistant Secretary Kelly—will have some solutions.

This morning we were a little rough on them, not as individuals. We are not trying, as I use the expression, to put the whip and spurs to people, except to stimulate some thinking. That is the function of a congressional committee, not only to pass legislation, but to stimulate thinking, because actually the departments have not offered a solution. I think they are moving in the right direction, but they are not moving fast enough.

I should hope that the Secretary, Secretary Udall, and Secretary Kelly, would sit down and talk with the people like yourselves who have given years of your time in trying to work out some sort of a solution to a very difficult problem.

Mr. WILSON. We would welcome the opportunity to be called in and to discuss these things.

Senator CARROLL. Senator Anderson.

Senator ANDERSON. I was very happy to hear what you had to say, Mr. Wilson.

I would only question one thing. I think you said that you thought the Interior Department has been influenced maybe by the State Department.

I do not think so. I think the Interior Department still believes that this will not get the job done, but that in the process of having to clear things through the Bureau of the Budget they had to take this sort of presentation they presented here today, and I am still hopeful that the Department of the Interior will come up with the things in which it really believes, and not in the things which the State Department believes.

Mr. WILSON. That is a very encouraging thought, Senator.

Senator ANDERSON. I really believe that, having talked with both Mr. Udall and having known Mr. Kelly a great many years while he was Chief of the Engineers in this field in the State of New Mexico.

I wanted to ask you this: Toward the end of this presentation——

Senator CARROLL. Pardon an interruption, Senator Anderson. I understand Congressman Ikard is in the audience.

Mr. IKARD. Yes, sir.

Senator CARROLL. Will you please come forward. We would like to have you join us up here.

We have Congressman Edmondson here as a visitor. We would be glad to have you come up here and meet with us.

Do you gentlemen want to testify on this?

Mr. EDMONDSON. We are here as a cheering squad.

Senator CARROLL. We do not need cheers, we need advisers. [Laughter.]

I want to say to Senator Anderson, don't be too hard on the State Department now that we have got them coming our way, not all the way, but today we had some fine testimony, and they see our viewpoint. Whether they will accept it or not is another thing.

Senator ANDERSON. Well, I have felt many times it is our viewpoint, but they were unwilling to implement it.

It is the old iceberg story. We see the new faces come into the State Department, but down underneath the same mass is there that

always wrecks our boat, and I hope it changes some day. [Laughter.]

In the statement made by Mr. Kelly he laid out some hopeful things that might be done to help along. The first was he thought they might reactivate the Minerals Advisory Council, and to talk to the Department of Justice to find out ways in which it can be reactivated.

I am quoting from page 6.

Do you believe that that is going to open the lead or zinc mines in any State or in my State? Do you think it will open the mines in my State or in any other State?

Mr. WILSON. Senator, we need action. We have been asking for action a long time, and the Department of Interior knows how we, the domestic mining industry, feel about the situation. We need some control of imports, and we need it now.

Senator ANDERSON. Precisely; and I am just wondering if you think having the Department of Justice decide nice legal methods by which they can let the Minerals Advisory Council come into existence again, do you believe that is going to control imports?

Mr. WILSON. No, sir; and by the time they decide that we will be deteriorated out of business.

Senator ANDERSON. The next and the second hopeful sign and delightful idea that they discovered was that many segments of this domestic mining industry are dominated by large integrated companies, and I am quoting now:

> We should like to have services and facilities available to help some of these mines develop into economic producers. We are studying the possibility of expanding the Office of Minerals Exploration, which now provides financial assistance to exploration, to include financial assistance to development, and technical assistance in modernization, mechanization, unitization of properties and improved mining and milling.

Do you believe that guidance in giving financial assistance to the development is what these mines need that are now closed down, or do they need a market?

Mr. WILSON. Senator, they need a market. The men who are left in the business are about as efficient as anybody can be. That is the only reason they are left in the business.

Senator ANDERSON. That is right.

Mr. WILSON. We agree in this assistance and development and exploration, but you have to have a market that you can find; that is up against the same old problem, let us control exports and have a place for this stuff to go.

Senator ANDERSON. Thank you. That is what I seem to believe on it.

Third, they want to give increased time and attention to a cooperative international approach to commodity problems generally. You heard when I asked this morning about the result of this international study that started in 1959, and the price of lead and zinc when down a little after?

Mr. WILSON. Yes, sir.

Senator ANDERSON. Do you think another international study will raise it up?

Mr. WILSON. No, sir. I would like to have some of these proposals of S. 1747 for these people to look at. I think again they could have something constructive to look at through legislation.

Senator ANDERSON. I do, too.

I am perfectly happy to see an international group do whatever it could.

In 1947 in the Department of Agriculture I began working on the sugar bill. Now they did have an international organization headed by Sir William Rook. I do not know whether he is alive or dead, but I will say he is the most appropriately named man I ever met in my life. What he was willing to do to the American sugar producer was quite a little.

So we drew our own sugar bill and get along very well without the international organization, and it has been continued year after year thereafter.

In 1946, I guess, we had an endless supply of wool on hand. I do not know whether you have heard the story, but as soon as war started and we got involved in it, the military services requisitioned enough wool probably to clothe everybody for a 50-year war; it didn't last quite that long, and then they had this tremendous supply of wool on hand, so did the British, and we had a great deal of difficulty with the British at that time.

Only through the first auction, but after that we worked out an arrangement with them. But it was still necessary to do something for the American wool producer, and what finally became this Wool Act was suggested by Congress at that time.

Now, both of these are based upon areas where there is a shortage of domestic production, where the domestic producer cannot supply the market.

Do you not think there is a parallel in lead and zinc?

Mr. WILSON. I certainly do, Senator.

Senator ANDERSON. That is why I was so happy to see the chairman of the subcommittee, Senator Carroll, bringing up the sugar bill and the wool bill because they do seem to have a similarity.

No. 5, the Department wants to send a task force into mining districts to find out what the economic impact of closing down the mines has been.

I went down to Silver City shortly after the Ground Hog mine closed in my State, and I will tell you in the strictest of confidence it did not take an expert to see what it did to that community.

If you put all these miners out of work, just a common ordinary Senator or Congressman going down there can see what happens.

I do not really believe that the Department of Interior needs to send a task force to find out the amount of unemployment amongst skilled miners or to find out what this does to a community.

Haven't you found when a mine closes down it does not take you too long to measure the effect on a community?

Mr. WILSON. Senator, I would hate to be a member of the task force representing the Government to come in and solve the miners' problems as a task force because I do not think they would get a very good welcome.

Senator ANDERSON. I am glad to have any information gathered; I do not criticize the Interior Department for wanting to know about it. But you can find out pretty quickly in some of these places that have closed down.

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Mr. WILSON. Senator, we appeared here about a month ago, as you know, in a preliminary hearing, and even since that time we have deteriorated. There has been the announcement of the closing of one of the oldest lead mines in the West, the Bonne Terre mine which is shutting down.

Senator ANDERSON. And you remember at that previous hearing you testified that if they did not have something done it would be causing more trouble.

I remember in the play "Gentlemen Prefer Blondes," they asked the girl how she explained the acquisition of all these fur coats and jewelry and she said, "well, fate just keeps on happening," and that is what seems to be taking place with us in this business.

The last proposal they made was that in consultation with industry, the Department of the Interior would examine the research programs of the Government to see whether these programs can be directed toward increased use of products of depressed segments of mining. That is one of the few things I did like.

I think that in this country where the consumption of lead and zinc has gone down whereas in certain European countries the proportionate consumption of lead and zinc has gone up ought to suggest to us that we try to find out what has happened to see if there is any way to counterbalance that. There may not be, but if the compact auto has ruined our market, do you think there is anything wrong in trying to find out if there is another market to take its place or if something can be done in the automotive industry that would restore this market that lead and zinc enjoyed domestically? Don't you believe we ought to try that, at least?

Mr. WILSON. That is right, Senator and, as we mentioned this morning, the industry has a good program along these lines, and over the long term that is a great objective. In the meantime, as you pointed out, we are still in trouble, and we know what the source of that trouble is, and we should do something immediately.

Senator ANDERSON. I am glad that the lead and zinc industry still exists; I am glad to back up the committee while the members of it try to find a promising solution to this problem. I believe the committee still believes in the things contained in this bill, things which might offer some relief and might eventually get us some real help.

I appreciate your being here as a witness.

Mr. WILSON. Thank you, Senator. You certainly know we appreciate your help.

Senator CARROLL. Senator Moss.

Senator Moss. We did get some quotas set in 1958. What was the reason that they were not of any real help to the industry?

Mr. WILSON. Senator, the problem there was that the Tariff Commission recommended a quota set on a base. Fifty percent of the imports during that base period of 1953–57 and, as enacted, it was 80 percent, so, in effect, it favored the importer instead of the domestic miner.

Senator Moss. The President did not take the recommendation of the Tariff Commission. He just took part of it.

Mr. WILSON. That is right.

Senator Moss. And only went part way.

Mr. WILSON. He scaled it, I guess you would say, scaled it up.

Senator MOSS. Well now, the Secretary of the Interior suggests that we might have some small subsidies now for a limited period of time. Would these be payable to small miners and large mines also?

Mr. WILSON. Under our bill, Senator, a subsidy would be available to each producer regardless of his size.

We think that is right because, well, constitutionally it is right; and from the standpoint of an operating company we think it is right.

Whether you are little or big you have problems in exploration and development, and each mine should stand on its own in responding to whether it is a big one or a little one.

So we think it is fair that a subsidy should go to a producer, but no more than one subsidy. Our bill limits leasing that would permit more than one subsidy to a large operator.

Senator MOSS. How much of a subsidy could a large operator get?

Mr. WILSON. Well, as a result of this previous hearing in May we submitted some information to Senator Carroll, and we would estimate that, based on present market price and our subsidy price, which is 16 cents for each metal, it would amount to approximately $60 a ton.

Under our bill a large producer could possibly get paid up to a total of 4,000 tons in a year or about $240,000.

I would like to mention if he is making a profit, and a few of them still are, because they are integrated, half of that would go back as income tax, so the percentage of the money that is going to the big operators out of the total would be relatively small.

Senator MOSS. Would it be possible, do you think, to constitutionally limit this subsidy to the small producers in any way or constitutionally are we bound to pay across the board to all of them?

Mr. WILSON. Well, I am not a constitutional lawyer. If your committee were interested in something like that, I am sure we would be glad to try to work out wording that you could look at as a possibility.

Senator MOSS. The subsidy, however, is more or less just a stop-gap arrangement. It would not solve the oversupply that continues to depress the market, would it?

Mr. WILSON. No. Actually, Senator, our bill is sort of a double barreled affair. We realize that at the prices we are trying to set as the stable price in our domestic market for tariffs, that price is not going to bring out all the production domestically it should, particularly in the smaller fellows and some of the fellows out West who have these other disadvantages of production.

So we say that there should be this limited control subsidy that would go to the producer.

But along with it we must have this tariff to control imports so that the production from the subsidy will have a home in our domestic market. We think the two are pretty well interwoven. It is pretty hard to separate them.

Senator MOSS. Thank you.

Senator ANDERSON. Could I ask another question?

Senator CARROLL. Yes.

Senator ANDERSON. I am glad we got this question of whether you pay it only to the small producer or pay it to the large and small.

In the Sugar Act—I am not trying to take this as the last gospel—in the Sugar Act the people do not care whether a man has 5 acres of sugarbeets or 500 acres of sugarbeets, do they? I do not believe they do.

Mr. WILSON. No, sir. I believe everybody gets paid on sugar.

Senator ANDERSON. Yes. When a man gets into the wool bill they do not stop to see whether he has 100 sheep or whether he is the greatest shepherd since Abraham.

Mr. WILSON. That is right. [Laughter.]

Senator ANDERSON. And that is why I put in this bill the procedure of going right ahead and saying:

Come on, whatever you are entitled to under the law we are going to keep you going along with the others.

I am very glad you mentioned the fact that income taxes come in here, because they do, and if they do get $240,000, Uncle Sam gets $125,000 of that.

Mr. WILSON. That is right.

Senator ANDERSON. Under the 52-percent bracket, right back to the Treasury, so it does not wind up so badly after all.

On top of that also, I saw a farmer who was highly incensed because people talked about the amount of payment he got. It just happened that he was in an 80-percent bracket, and he said:

All I did was to act as sort of a middleman to give it back to the Treasury Department.

So that I think that the answer, Senator Moss, that he has given is a good one. We have not worried too much about trying to confine it to small producers.

I would have to say to you that I do believe it is legal to work out a device where the small producers get a better break than the large producer. We have had some legislation passed along that line.

Mr. WILSON. I believe the sugar bill is that way, Senator.

Senator ANDERSON. I do not believe it is desirable in this one.

Mr. WILSON. I might say as an independent operator, of course I did not have a milling and smelting business, that it would seem to me that this profit that this large man made could very well, a good part of it, come from operations other than mining.

What I am really trying to say is that I doubt there are very many mines in this country that are operating at any appreciable profit at the present time.

Senator CARROLL. I would like to raise this question because I think Senator Anderson has done a little exploration in new ideas on how to meet this problem.

In the wool question as originally formulated—I ask the Secretary and the Department of State to pay attention to this—weren't there international negotiations with wool underway at that time? I ask the Department of State if there was. And notwithstanding that we passed the Wool Act. How did the passage of the Wool Act interfere with those international agreements?

Mr. BRAMBLE. Mr. Senator, I was well acquainted with that because as Senator Anderson might remember—he probably does not remember—but I was working on wool for the Department of State at that time, and we were allies in this. But——

Senator ANDERSON. Would that it might be again.

Senator CARROLL. We have opened a wedge here with the State Department, and I would not in any way want to injure it. Now go ahead.

Mr. BRAMBLE. At that time the negotiations for the General Agreement on Tariffs and Trade were taking place in Geneva to establish the GATT, as we call it, and the key factor in those negotiations was the concession on wool that we were going to make or that we hoped to make, to the Australians.

If we did not make that concession on wool to the Australians, they would not agree to a reduction in empire preferences with the United Kingdom, and we wanted those, that reduction, in empire preferences for our American farmers to get their products into the European market.

At the same time, there was before the Congress a bill to put a flexible fee on wool, which passed the House and passed the Senate and was vetoed by the President, and was not passed over his veto.

Then we reduced the duty on wool and passed the Wool Act to put a subsidy, pay a subsidy, to the wool producer, instead of the—in lieu of the duty, and thus got our concessions on empire preferences from the empire countries.

Senator CARROLL. Now, following that principle, because I want to say to the chairman, who is a student in these matters and knows much more about it than I do, in your absence because of the other committee, mention was made of the possibility of a flexible quota. There are other points, but the real basic opposition is that if we pass legislation, S. 1747, to set up a permanent restriction, this would set into motion a chain reaction with other countries.

Now, then, we come back to the question of flexible quotas. If you did that in wool with all the steps, is it not feasible to do that with lead and zinc? And then you will not meet this question of the little producer or the big producer. Why? Because the tax, the subsidy, goes to the commodity itself, does it not? Isn't this true in wool, whether you are a big wool producer or a small wool producer? Isn't this true also in sugar? The same principle is involved there, is it not? The tax is upon the commodity, the processing tax or a subsidy. Isn't this feasible also in the lead and zinc field?

Mr. BRAMBLE. Mr. Chairman——

Senator CARROLL. You are not committing yourself. I am just saying this viewpoint, this thinking, in the hope that you can work toward flexible quotas. You could work toward some flexibility and, at the same time, set up some sort of a processing tax for a subsidy.

Mr. BRAMBLE. Mr. Chairman, I think the problem lies in the individual differences in and between the commodities.

As I just explained in the case of wool, we made a concession at the same time they put in this subsidy, so that we were actually, although we established a subsidy, we were also at the same time giving a compensatory benefit to another country which would otherwise have been injured.

Senator CARROLL. Wouldn't we be better off to give a compensatory benefit to another country than to have our whole economy disappear in the dust?

Mr. BRAMBLE. I would like to work out a way to do it. I just do not see the technique at the moment, but I assure you these things are being studied.

Senator CARROLL. I would say this, if I may suggest, not to you personally, but this thing has been studied to death. Now there is a time for some action, and I think that there are enough brains in the Government to do the job.

How is this, Mr. Wilson? You have been in this, is this possible, this approach we are talking about?

Mr. WILSON. Of course, we love S. 1747, but——

Senator CARROLL. Let us forget that for a moment.

Mr. WILSON. We are willing to——

Senator CARROLL. I do not want to undercut my chairman's bill here.

Mr. WILSON. We are willing to talk if we can get some action. We want action, like you say; we need action.

Senator CARROLL. Have you ever explored this theory that we are now advancing, this concept that we are now advancing here, the relationship to the Wool Act, the history of the Wool Act, as the chairman has so pertinently—"succinctly" is a better word—set forth here?

Mr. WILSON. Well, of course, as I say, our bill is based on Wool Act principles.

Senator CARROLL. I would just again make this observation, and it is only an observation, we have all got to develop a new idea and hit a new path, a new approach. You see here two big Departments bucking this bill, and maybe the Congress would not pass it. But that is not the question. We want some action.

Mr. WILSON. That is right; you are absolutely right.

Senator CARROLL. I am indebted to the chairman here for bringing this up. I had not thought about the Wool Act in relation to its general background. We have this gentleman here from the State Department who is now an expert on wool. We will make him an expert on lead and zinc, and he can solve the problem.

Senator ANDERSON. I do think he has done something that I regard as very fine. He has said maybe we can work something out, and I will just invite him to start in because it is out of some of these suggestions that eventually a good solution arises.

It is not going to be solely our solution but, in the meantime, I am going to press as hard as I can press to pass this bill, and if the President wants to veto it, that is, of course, his privilege.

I would only say when he did veto it, I would like to have him quote a few phrases from that speech in Pocatello, Idaho, where he said it is not just the Congress, that the President himself has to give leadership in this respect, and if he does not like what we have, it seems to me he would be obligated to offer something that would be equally as effective in curing the problem that he outlined himself at Pocatello.

I may say that politicians never go back to Pocatello, but surely the President might. [Laughter.]

Senator CARROLL. I have read the Pocatello speech, and I thought at the time it was a good one, and I still think his intentions are good.

Senator ANDERSON. So do I.

Senator CARROLL. I likewise, as we proceed along with the bill, intend to support the chairman. But I want to introduce to you—may I have your name again for the record?

Mr. BRAMBLE. Bramble, B-r-a-m-b-l-e.

Senator CARROLL. What is your title again?

Mr. BRAMBLE. Deputy Director of the Office of International Resources. It is Bramble, just like in bush.

Senator CARROLL. Mr. Bramble might pull us out of the bush.

Senator ANDERSON. I do not want to get like the little boy who jumped in the bramble bush and scratched out both his eyes. I want to keep looking.

Senator CARROLL. You have been very helpful, Mr. Wilson, as you always are.

Are there any further questions of Mr. Wilson at this time?

If not, thank you very much.

(The prepared statement of Mr. Wilson, together with the letter of July 14, 1961, follow:)

STATEMENT OF CLARK L. WILSON, CHAIRMAN, EMERGENCY LEAD-ZINC COMMITTEE

Mr. Chairman, on behalf of the Emergency Lead-Zinc Committee and the domestic lead-zinc miners of the United States, may I thank you and your committee for the opportunity to appear and urge favorable consideration of S. 1747, introduced by Senator Anderson and cosponsored by other friends of our industry.

As you know, this legislation was originally proposed by our committee, representing approximately 90 percent of the lead mining, 80 percent of the zinc mining, and 50 percent of the lead-zinc smelting industry in this country.

On May 4 and 5 of this year, your committee conducted a hearing to develop facts as a basis for whether legislative action might be required to assure a prosperous United States lead-zinc industry. Our committee firmly believes that appropriate legislative action is the only practical long-term solution to effective control of excessive foreign imports of these metals, and we assume that your committee in calling hearings on S. 1747 similarly recognizes this legislative need and is prepared to take affirmative action on this bill in this session of Congress.

The continuing distress of our industry was thoroughly reviewed at the May hearings. At that time, we urged legislation and discussed again the not only ineffective but disastrous results of previous temporary programs of stockpiling and barter used by the Government as palliatives to put off the day of decision for a permanent lead-zinc minerals policy. Under all these directives of the Government, the situation of the domestic miner has continued to deteriorate. We were literally shocked to hear on June 23 that the Department of the Interior was proposing a so-called new program of barter for purchase of domestic lead-zinc stocks. Fortunately, our friends in Congress and the industry itself reacted speedily and with unanimity in informing the Interior and executive departments that such a program was not new, would not be effective, and was not for the benefit of the domestic industry. Our Emergency Lead-Zinc Committee position on barter has been clearly stated in a letter sent to officials of the appropriate administrative departments and all members of this and other congressional committees. I submit a copy and ask that it be made a part of the record of this hearing. As these remarks are being prepared, we hope that the Interior Department is now listening to the industry it is established to represent in Government and that they will become a partisan for a long-term legislative tariff solution.

Mr. Chairman, at the lead-zinc hearing before your committee in May, we summarized our past experience from the standpoint of economics, legislation, and administration orders and regulations. All this need not be repeated, but I do wish to emphasize again that our situation is not just static. It continues to deteriorate. Most mines operating are doing so at a loss and will gradually disappear. We reported in May the recent mine closures and production curtailments. Since then, the famous Bonne Terre mine of southeast Missouri has announced closing after 94 years' operation. This seems to correspond with Government policy we've heard advocating "phasing out of our domestic mines." We are diametrically opposed to this type of thinking. My statement at the May hearing included a résumé of lead-zinc legislative and governmental experi-

ence since 1950 with a brief statistical summary. Among other things, this shows that 1960 domestic lead mine production was the lowest this century. Domestic zinc production the last 3 years was down to lows of the early 1930's. Lead-zinc mine and mill employment is approximately one-third of 1952 totals. This is certainly a sad situation in an industry that has been the foundation of the economy for many communities and States in the United States.

We mentioned that through all this experience, the domestic lead-zinc miner recognizes the following needs as the basis for future action:

1. That the domestic lead-zinc industry must have a market price that will put the miner back in business and provide long-term stability to explore, develop, and produce a fair share of the domestic needs.

2. The consumer of lead and zinc must be assured that there will be an adequate, long-term supply of metal at stable and reasonable prices to permit further planning and design for use in manufactured products.

3. We realize that imports are needed to help supply our domestic market and agree that appropriate quantities should enter at reasonable tariff rates, but this has not been the case; it is the cause of our troubles and is the problem to be considered here today.

As stated in May, the equitable and workable solution has been introduced in this Congress as the Anderson bill, S. 1747, and the Aspinall bill, H.R. 3416. I would like to confine my remarks to a more detailed discussion of the provisions of this legislation.

Excessive, unneeded imports are the cause of the economic problems of our industry and can be effectively controlled by proper rates of tariff. The tariff must be determined by three controlling factors:

1. A domestic price attractive to the consumer;

2. The sales price on the world market of foreign production entering the United States as imports; and

3. The domestic price needed to keep the domestic miner in business.

The question of a practical domestic consumer price has been rehashed several times at Tariff Commission hearings, and we are satisfied that our customers will be pleased with the promise of long-term, adequate metal supply and prices stabilized in the range of 13½ to 14½ cents per pound. The customer naturally wants to be able to design and use lead and zinc without fear of short supply and drastic fluctuation in price. The Anderson bill is designed for this.

In proposing effective import controls, we must examine the minimum production price of our competition. The London Metal Exchange (LME) reflects the world price outside the United States, and a tariff schedule must consider metal-pricing experience at the LME during the past few years. We have had excessive, unneeded imports of both metals at less than 8 cents LME prices (zinc in May 1958 and lead in December 1960). Legislation must consider these price levels as a very possible future threat. We know that the importing countries look at a 10- to 11-cent LME prime as satisfactory for normal operation. Legislation must also look to this as perhaps normal competition considering that something less than a cent must be added to the LME for transportation charges to the United States. The Anderson bill considers these conditions and proposes a permanent tariff on lead and zinc metal of 2 cents per pound (present rates 1.0625 cents per pound on lead and 0.7 cent per pound on zinc), recognizing that both metals should be treated equally as opposed to the inequalities of present tariff schedules. This 2-cent tariff will produce a domestic market price of the desired level with normal LME prices and with imports limited to needed quantities of lead and zinc. Past experience tells us that these normal conditions won't always prevail and additional controls are therefore mandatory during periods of subnormal LME prices. The legislation, therefore, further proposes that, should our domestic price for either metal go below 13½ cents, an additional 2-cent tariff be applied, to be removed when the domestic price rises above 14½ cents per pound. This is fair warning to the importer that we can protect the U.S. price down to the historic LME lows, that the domestic miner should have his fair share of the market, a minimum of 50 percent, and that the importer can participate with us at a good price and reasonable tariff (2 cents) by limiting his imports to those needed by our industry.

Our studies of domestic lead-zinc mining economics indicate that our market price should be above 30 cents per pound combined for the two metals. The price range proposed by this legislation of 13½ to 14½ cents, or approximately 28 cents combined, while satisfactory to the consumer and certainly satisfactory to the importer, will not alone maintain a healthy and stable domestic mining industry.

The legislation, therefore, proposes that a limited, controlled subsidy be paid to each miner on lead and zinc production up to the first 2,000 tons of each metal produced in a 12-month period. The subsidy market price is 16 cents per pound for each metal recognizing the similarity of mining problems in lead and zinc mines. The subsidy would be paid from tariff receipts and eliminate problems of appropriation with no burden on the Treasury. This proposal is similar to present financing provisions of the National Wool Act of 1954 provided under Public Law 690. The combination of a moderate market price and a small subsidy will maintain the efficient miner and continue the exploration and development so vital to the discovery of new ore reserves and for expansion of this industry.

Let's now consider specific provisions of S. 1747. This bill differs from other proposed legislation in that the subsidy would be paid to any domestic miner regardless of size, but only on production up to 2,000 tons of lead and zinc per year, and only one subsidy to a producer. Subleasing to obtain additional subsidies is not permitted. The subsidy price is 16 cents for both lead and zinc. At the present market prices of 11-cent lead and 11.5-cent zinc, it is estimated that the subsidy would pay about $60 per ton of combined lead and zinc produced. We hope present prices are the worst to be expected and that the $60 figure would not be exceeded. The Bureau of Mines has estimated subsidy tonnage under this bill based on 1956 production that approached our annual minimum domestic goals of 350,000 tons of lead and 550,000 tons of zinc. The estimated production under subsidy would have been 274,000 tons, and at $60 per ton would cost $16,330,000 annually. At a 14-cent normal market price provided by the Anderson bill, this cost would be reduced to $25 per ton, totaling $6,900,000 annually. Tariff receipts under present rates are estimated at approximately $13 million annually and would probably be nearly $26 million under the Anderson bill rates. This legislation provides that tariff receipts will be deposited in a lead-zinc stabilization fund. The subsidy will be paid from the fund, and the balance will be returned periodically to the Treasury. Receipts under the new rates would nearly cover the subsidy expense under the conditions of highest cost estimates and still maintain present revenue levels to the Treasury. As the subsidy cost decreases with better market prices, the Treasury will benefit over present levels of receipts. A question has been raised regarding the definition of a domestic miner. Present language may limit subsidy payments to miners who operated a lease but have allowed the lease to lapse because of economic conditions. We recognize this problem in definition and will recommend new language for this section.

All segments of the lead-zinc mining and smelting industry endorse the principal of an increase in the permanent tariff on both metals and the addition of a removable tariff controlled by peril points. There is a difference of opinion, however, on the amounts of tariff and the price level of the controls, depending on the desire to protect the smelting industry as against the need to maintain a healthy domestic mining industry. Historically, tariff rates have been higher on lead concentrates and metal than for zinc. Also, the differential between rates on lead concentrates and lead metal has been greater than for zinc providing additional protection to the importer of lead concentrates as compared to the importer of zinc concentrates. Actually, the situation should probably be reversed, based on the higher losses and costs of zinc smelting. As a first step to correct this, S. 1747, proposes equal tariff treatment for both metals. From the standpoint of the domestic miner, tariff rates should be equalized as his mining costs are the same regardless of the metal he mines. The bill provides a reasonable removable tax of 2 cents compared to the inadequate rate of 1 cent in other legislation. There has been some discussion on this feature that as the market is rising with the 2-cent removable tax applied, so-called sharp traders will import cheap metal or concentrates subject to the total tax of 4 cents and place this in a bonded warehouse. As the domestic market rises above the 14½-cent level, the tariff is reduced to 2 cents. The importer would then withdraw the metal from bond, pay the lower rate of tariff, and make an additional 2 cents per pound profit on the transaction. Section 4622(c) of this bill provides that withdrawal of bonded material can be made under these circumstances only upon certification that the article is sold for use, meaning it is subject to sale or transfer for processing, manufacturing, etc., and not just a brokerage transfer to domestic stocks.

Imports of manufactured good containing foreign produced lead and zinc directly displace domestic production of these metals. From experience, we know that as the price differential increases between the LME and the United States,

it becomes advantageous for the foreign manufacturer to fabricate goods from cheaper foreign metals and import these manufactured items into the United States at the present low tariff rates on these goods. Adoption of Anderson bill rates on unmanufactured lead and zinc will normally increase this LME/United States price differential, so the bill proposes an additional compensatory tax of 2 cents per pound on these items to plug this import loophole.

In summary, these are the features of the legislation that provide for producer, consumer, and importer:

1. There will be a domestic lead-zinc market price with limited subsidy that will regenerate a vital U.S. industry and provide for long-term stability and growth.

2. There will be a domestic lead-zinc market price that is stable and attractive to the consumer with an assured metal supply and adequate import protection for their products in U.S. markets.

3. There will be a domestic market and price to share with the importer at levels most beneficial to their economy. The quantity of imports may be reduced, but the cash flow will improve. We feel that this is a program to be embraced by both the administration and the other departments involved.

Mr. Chairman, this legislation has been actively sponsored by the emergency lead-zinc committee since first introduced in the House during January of this year. It is the outgrowth of years of legislative experience and trial and effort. Our industry is still trying to exist under what we can only hope is the last of a series of poor substitute measures. The industry, and I believe the Congress, knows that the only sensible, complete, and final solution to the necessary control of imports at current levels is legislation. Action on legislation this year has been slow because of lack of an administration announcement of minerals policy. You committee has acted in a most constructive manner to obtain such a policy and certainly has the thanks of the domestic mining industry for your effort. We sincerely request favorable action by your committee is reporting out S. 1747, and urge your continued support for approval of this measure by Congress in this session.

EMERGENCY LEAD-ZINC COMMITTEE,
Washington, D.C., July 14, 1961.

(Letter stating ELZ position on barter sent to all Members of Congress from lead-zinc States, appropriate congressional committees, and Government departments)

The Emergency Lead-Zinc Committee would like to state to you, once again, our position on bartering and stockpiling of lead and zinc by the U.S. Government and to briefly review for you the ineffectiveness of this practice as a means of stabilizing the domestic lead-zinc mining industry in this country. Barter provides no protection from excessive imports of these metals.

This discussion is particularly pertinent at this time as barter and stockpiling seem to be the only methods of operation recommended by many people who are responsible advisers to the Government. Negotiations are now nearing completion for barter of 100,000 tons of lead from Australian and Canadian mining companies. This metal will be added to the U.S. supplemental stockpile. This action is a result of commitments made by the U.S. Government at Mexico City in March 1961 despite the unanimous objection of the U.S. lead and zinc industry.

Of even greater concern to our industry is the administration proposal made to a mining State congressional group on Friday, June 23, 1961, that a new lead-zinc minerals policy should consist of a barter program to purchase $60 million worth of surplus domestic lead-zinc stocks now held by U.S. producers, to be added to the supplemental stockpile. This program is not new, and it is not good.

THE EMERGENCY LEAD-ZINC COMMITTEE IS UNALTERABLY OPPOSED TO BARTERING AND/OR STOCKPILING OF LEAD AND ZINC AS A MEANS OF TRYING TO STABILIZE THE LEAD-ZINC MINING INDUSTRY IN THE UNITED STATES

These are our reasons:

We need a measure that directly and quickly will give much-needed assistance to the distressed lead-zinc mining industry in the United States. Stockpiling and

barter will not do this. It has been adequately demonstrated over the past 10 years that all stockpiling and barter have done is encourage more foreign production of lead and zinc. Foreign producers have been quick to rise to opportunities to feed their production into the United States whether it be to stockpiles or to the consuming market, and opportunities to do this are almost unlimited. The present quotas are so inordinately high that even with this restriction the foreign producers can preempt well over 50 percent of our market almost at will.

These would be the results of the proposed barter program:

(1) It would add some 300,000 tons of unneeded lead and zinc to the Government's already overburdened stockpile.

(2) It would needlessly tie up $60 million of our Government's funds.

(3) While it would temporarily remove surplus stocks from the hands of the U.S. producers, it would then provide an opportunity for foreign producers to come into our market. In the absence of proper restrictions, they can and will do so at price levels that keep the U.S. miners at curtailed and uneconomic levels.

(4) Any temporary benefit would not reach the miners who are the ones who need help. Rather, the temporary benefit would go to two or three large producers who hold the excess stocks, much of which have been refined from foreign imported ores.

(5) As with other barter and stockpile programs, it will in the end be a subsidy to foreign producers and will be of no permanent aid and assistance to the U.S. mines.

Let's recall that for over 10 years the domestic lead-zinc mining industry has worked with and importuned our Government to establish a sensible minerals policy to stabilize our business and provide normal metal stocks at reasonable prices to the producer, the consumer, and importer. The cause of instability of price and stocks during this period has been and still is the import of excessive foreign supplies of these metals. Not once during the past 10 years has our domestic mine output equalled foreign imports. Why? Excessive foreign imports of cheap metal and concentrates have kept our domestic market prices for these metals below levels that are needed for our mines to remain competitive with the foreign producer. The result has been closed U.S. mines, loss of employment, and permanent damage to our mining economy.

During the past 10 years, the domestic lead-zinc mining industry has tried by procedural and legislative means to correct the source of our problem—again, that of excessive foreign imports of lead and zinc. The record shows several Tariff Commission determinations of injury with recommendations for greater tariff protection. The repeated legislative efforts have demonstrated the interest and concern of the Members of Congress who understand the importance of domestic lead-zinc mines in our economy and who also recognize the need to control foreign imports to reasonable levels. We need similar recognition by the administrative departments.

Industry wants and needs a long-term solution for stability of supply at an adequate price. This can only be accomplished through tariff legislation controlling imports to needed levels. Barter does not accomplish this but compounds the problem. The present proposals once again put off the political problem of facing up to a permanent solution. Barter and stockpiling were used in 1954–57 in lieu of accepting and implementing Tariff Commission recommendations for increased tariff. The result was an artificial price that resulted in unprecented imports. When the program was discontinued in 1957, the price broke radically, and the domestic industry has never recovered from the excessive buildup of stocks. The end result was that the foreign producer received a U.S. subsidy.

The recent administration proposal for acquisition of domestic stocks through barter tackles the results of present and previous programs, but doesn't get to the cause. Domestic production has provided less than 45 percent of the total U.S. ore supply the last 2 years. We maintain, and we believe rightly so, that the domestic miner should have a minimum of 50 percent of our U.S. market needs of lead and zinc ores. Unless consumption trends change appreciably, imports even under quotas will continue to exceed our needs. Any increase in domestic price would assure maximum quota imports to the further detriment of our own producers. The domestic mines must remain on a reduced production schedule to prevent a further building of stocks and to maintain the present low price. We doubt the optimistic report of the Interior Department that prices will move up 2 to 3 cents per pound. If they should, there is still no long-

term assurance of price stability and no real help for the small miner, particularly in the West.

Our industry has a long record of uneconomic business experience as a result of Executive orders. We also have a long record of presenting to our Government constructive advice that has not been heeded or used. It's high time that Government use industry advice based on sound business experience rather than continual substitution of uneconomic theory.

For your information, the American Mining Congress representing all facets of American mining has adopted the following barter policy:

"The barter program should not be utilized to supply current Government mineral requirements nor to acquire minerals, metals, or alloys for which stockpile objectives have been filled."

The ELZ Committee early this year notified the Interior, Commerce, and State Departments of our opposition to barter. This same opinion has been expressed to appropriate offices at the Department of Agriculture. Our opposition is being restated to these Departments once again.

The people we represent request that our friends in Congress insist on a legislative solution to control excessive imports of lead and zinc and that this take precedence over foreign economic aid matters with which our Government has become so preoccupied.

Very truly yours,

CLARK L. WILSON, *Chairman.*

Senator CARROLL. Now, the next witness will be Mr. Romney, manager of the Utah Mining Association.

Mr. Romney, would you mind? Senator Anderson informs me—I know how busy he is—that he has another meeting to attend, and he would like to have—if you would be willing to stand aside or just be seated right along here for a moment, he would like to have Mr. Darmitzel, executive director of the New Mexico Mining Association testify first.

Will you come forward, please.

Mr. Darmitzel, you have been very patient here all day listening to the witnesses and to our comments.

Do you desire to submit a statement, or do you want to comment, or do you want to read it? How do you want to proceed? How long would it take, is the next question?

Mr. DARMITZEL. Mr. Chairman, my remarks are very brief, and I would like to read them.

Senator CARROLL. Fine. Is there any statement you desire to put in the record at this time? If you have an additional statement we will be glad to receive it.

STATEMENT OF WILLIAM F. DARMITZEL, EXECUTIVE DIRECTOR, NEW MEXICO MINING ASSOCIATION

Mr. DARMITZEL. I am William F. Darmitzel, executive director of the New Mexico Mining Association, Santa Fe, N. Mex. The New Mexico Mining Association is a trade association composed of large and small mine operators in nearly all segments of New Mexico's mining industry. I would like to express our appreciation for the opportunity to appear before you and to present our comments on S. 1747.

The mining industry is a vital and important part of New Mexico's economy. Lead and zinc mining has been and should still be an important factor in the mining industry in our State. However, the lead-zinc industry in New Mexico has reflected the extreme instability which has plagued that industry for many years. Early in 1952 lead-zinc mining employed approximately 1,200 men, producing 50,975 tons of

zinc and 7,021 tons of lead. These men were working in the mills, in surface plants at the mines and a large number were working underground.

Following the price break in 1953, more than 75 percent of these men had been laid off. During the year 1954, New Mexico produced only 7 tons of zinc and 887 tons of lead.

In 1955, due to the stockpiling program, some mines resumed operation as the price rose for both lead and zinc.

As the price continued to recover in 1956, production of lead almost doubled and more than doubled for zinc.

Then, in 1957, the price broke again and our production began to drop off slightly during that year.

The year 1958 saw a drastic cut in lead-zinc production to 8,800 tons of zinc and 1,100 tons of lead. The lead and zinc industry in New Mexico, for all practical purposes, was completely closed down by the end of 1958.

The quota system which became effective in October of 1958, and the slight increase in price which resulted therefrom has revived some activity so that during 1960 there were 13,770 tons of zinc produced and 1,996 tons of lead. Employment in the lead-zinc industry during 1960 was only 190 men.

There have been programs designed to help our domestic mining industries such as the quota system and the Government purchases for the national stockpile. These have been short-range programs, and we need only look at the record to see that they have not provided a long-range solution. I emphasize the need for a long-range program since a good, sound mining operation cannot operate without long-range planning to develop its ore reserves.

Although our association has generally taken a position that is opposed to tax supported Federal subsidy programs at the same time our mining people have been unable to understand the justice in spending their tax money to aid foreign countries in developing a mining industry which then drives us out of business. It is our opinion that S. 1747 is the best proposal for a long-range solution.

In operation, the program set up under S. 1747 would not need annual appropriations from tax revenues. By placing a reasonable tax on imported lead and zinc, and an additional import tax to be imposed only when the market price is unreasonably low, a more stable market should develop. Thus, with the subsidy payments from the import tax receipts, our domestic producers will be better able to partially offset our higher costs of labor and materials and can maintain a reasonable level of domestic production.

I might point out that most foreign countries have tariffs or import taxes on materials and products from the United States, some of them at much higher rates than those imposed by our country on products we import from them.

I thank the committee for giving me this opportunity to present our views.

Senator ANDERSON. Mr. Chairman, I just want to say, I know how vigorously Mr. Darmitzel has worked in this field. I knew him in another field, and also I wish to say that the people he represents are good, sober, sensible folk. They have not been hysterical about the program. They have tried to have a sensible program, and I want to commend him and them for their part in this work.

Mr. DARMITZEL. Thank you.

Senator CARROLL. Have you testified before this committee previously, Mr. Darmitzel?

Mr. DARMITZEL. No, sir; I have not.

Senator CARROLL. Have you attended any of these hearings? You have heard the exchange today of the material by the Department of State and our questioning of them. Do you think that we are on the right track?

Mr. DARMITZEL. Yes sir; I firmly believe you are.

I heard with much interest both the Interior Department's views and the State Department's views, and it seems to me that the primary consideration is given for foreign countries, although they may be friendly, and we think that our domestic industries deserve some consideration also in order to maintain a healthy and stable economy in this country, in order to fight any cold wars we may be waging; we need a good, strong economy, and we think the mining industry should be a strong part of this economy.

Senator CARROLL. Well, I thank you very much. You have a very clear, concise statement, and we are happy to have had you here today.

Thank you.

Mr. DARMITZEL. Thank you, sir.

Senator CARROLL. Mr. Romney.

STATEMENT OF MILES P. ROMNEY, MANAGER, UTAH MINING ASSOCIATION

Mr. ROMNEY. Mr. Chairman, I have submitted a statement which I would appreciate being included in the record. If I could take just a few minutes to highlight two or three points I would appreciate it.

Senator CARROLL. Without objection so ordered.

Mr. ROMNEY. I would appreciate being allowed that opportunity.

Senator CARROLL. Mr. Romney, manager of the Utah Mining Association. Have you testified before this committee previously?

Mr. ROMNEY. Not before your particular chairmanship of the committee. I have testified before the Interior and Insular Affairs Committee many times, and before this particular committee, particular subcommittee.

Senator CARROLL. Are you a Romney of Utah?

Mr. ROMNEY. Yes.

Senator CARROLL. Are you related to the man who is the head of American Motors?

Mr. ROMNEY. As I tell people who ask me that, we are just related; he is the youngest and I am the oldest of six brothers.

Senator CARROLL. He has appeared before us at the Antimonopoly Subcommittee hearings, and I must say to you he made a most impressive witness. As a matter of fact, it was suggested at one time that we thought he ought to run for the U.S. Senate. We thought he still lived in Utah, but it seemed that his residence was Michigan, and we changed our minds after a while.

Is Julius also related?

Mr. ROMNEY. He is a cousin. My great-grandfather was the only Romney who ever came to the United States, so any time we are asked about a Romney being a relative, we admit some relationship although it may be distant.

Senator CARROLL. Many years ago I was in Salt Lake City setting up an Eagle Division, I went in to see George Critchfield. Later on I understand he passed away, and then later on Julius Romney came into the organization to help.

We are very happy to have you here.

Now, you proceed in your own fashion.

Mr. ROMNEY. Fine; I will just take a few minutes, Mr. Chairman.

I do want to express our wholehearted support of the statement made by Mr. Wilson, of our wholehearted support of the legislation introduced by Senator Anderson and you other gentlemen as cosponsors.

I became manager of the Utah Mining Association about 10 years ago, just as this lead-zinc problem was reaching a real head.

Previous to that I had spent about 15 years examining mines and prospects throughout the Western United States, and I have been very conscious of the deterioration of this very major segment of our western industry.

If I may say, our western industry—I have been conscious of the western deterioration because I know the areas, the mines, and a lot of the people. The deterioration has been very general.

On that basis, I took the Bureau of Mines figures for the averages of 1947–49, first because that period is a comparative base for economic factors and, second, because 1947–49 represents the peak period of recovery for the mining industry from the overproduction and underdevelopment experienced by World War II, and it was just prior to the floods of imports which began to cause us all the trouble.

In these Bureau of Mines statistics I was amazed to see that of the general areas as reported by the Bureau of Mines, that the western mines have shared a substantial portion of the reduction in production comparing 1960 back with 1947–49 average.

For instance, the Western States lost 117,000 tons of production of lead in 1960 as compared with that base period.

The Western States were 31,000 tons, the Eastern States only about 2,000 tons.

Turning to zinc, some 187,000 tons of production less in 1960 than in the period of the base period 1947–49. The Western States lost 170,000 tons of that or 90 percent of that. The Western Central States, which are principally the Oklahoma, so-called tristate area, lost right around 85,000 tons; the Eastern States during this same period, where we all know that the mining industry has been developing rapidly, gained during this period 67,000 tons.

Pointing back to the fact of the western position, the Western States in this, we might say in a 12-year comparative period, have lost a shocking 85 percent or have sustained 85 percent of the total loss.

Now, this is based on several reasons. Our mines are underground, following steeply dipping fractured water-carrying veins.

They are less amenable to mechanization. We are substantially further from our marketing outlet. It costs us from a half to three-quarters of a cent a pound more to get lead and zinc into this market, into the eastern markets, than it does mines in the easterly part of the United States.

Most all of our western mines have depended for a portion of their economics on gold and silver.

The gold and silver price has been static for a number of years, and in 1960 the purchasing power of gold and silver was somewhat only about 78, 79 percent of the 1947–49 average.

A combination of those factors——

Senator CARROLL. May I interrupt you to say, and I would like to have the attention of the departmental witness on this, we had some testimony this morning about silver. If the price of silver were permitted to reach normal price, its normal place, in the market, would that be of substantial assistance to lead and zinc prices, do you think?

Mr. ROMNEY. I can only put it this way: It would vary between mines. In my own opinion, and in my own calculations, the average lead-zinc mine in the Western United States would produce about 5 ounces of silver per ton. So if the price went up 20 cents, it would mean about $1 per ton more for his ore, which would be a rather substantial amount, particularly when losses are being sustained.

Senator CARROLL. Were you here this morning, Mr. Bramble, when that question was raised?

Mr. ROMNEY. Yes; I heard it.

Senator CARROLL. Mr. Bramble, I am directing this to Mr. Bramble.

Mr. ROMNEY. And I think the impression was left that it would be a rather substantial help. It would be a material help, but it would not make the difference between mines which have had to close in recent years and staying open. I stated that badly.

The difference in the price of silver would not have made a great deal of difference in the economic ability of the western mines to stay alive. It would have been helpful, sir.

I would just like to call attention to the present price of metals.

Senator CARROLL. Pardon me just a moment.

Is Mr. Wilson still in the room?

Mr. WILSON. Yes, sir.

Senator CARROLL. Did you hear my question I put to Mr. Romney about silver?

Mr. WILSON. Yes, sir.

Senator CARROLL. And the discussion this morning by Senator Church?

Mr. WILSON. I did hear it.

Senator CARROLL. And the exchange with Assistant Secretary Kelly? Do you have an observation to make on that question of silver with reference to lead and zinc?

Mr. WILSON. I agree with Mr. Romney. The increase in the price of silver would not open any closed lead-zinc mines in the West.

Senator CARROLL. It would be some help but not sufficient?

Mr. WILSON. It would be some help to the man still operating and trying to break even, sure; but the fellow who is closed, offering him an increase in the price of silver is not going to do anything in his opening up.

Senator CARROLL. Thank you.

Mr. ROMNEY. If I might add one remark to that, most of the western mines in their effort to meet the economics of the times have curtailed exploration work, curtailed long-range development work, and otherwise cut down and delayed any sort of expenditure that they could get by with without completely closing down.

Now, another $1 a ton would help them to maintain a better rounded cycle of operations.

The process that most of the western mines are going through at the present time is what you might call long-range suicide, because if you do not develop, and you do not explore when you mine out your present reserves, you are all through, and that is the status of a substantial number of the western mines.

Now, if they got another $1 per ton for silver it would put them in a healthier position, they could do more on this side of the fence.

I would like to——

Senator CARROLL. May I interrupt at this time to ask Mr. McCaskill, you have heard these observations. Do you have one to make?

Mr. MCCASKILL. No, sir; only to agree with them.

Senator CARROLL. I was under the impression this morning that when the question was put to Assistant Secretary Kelly he thought this would be especially helpful to the West because of the silver content.

Mr. MCCASKILL. That is the one place it will be helpful. It will not be helpful to the mines in the East.

Senator CARROLL. But in the West it would be helpful; this is a relative term.

Mr. MCCASKILL. That is right.

Senator CARROLL. How much helpful? As Mr. Wilson said, this would not reopen any mines.

Mr. MCCASKILL. It will help the silver miners much more than it will help the lead and zinc miners.

Senator CARROLL. Yes, but the question was put in relation to its effect upon lead and zinc. This is what we are talking about. We are not talking about silver mines.

Mr. MCCASKILL. I do not think that we could contend that this would open a lot of mines. It is not that kind of help, sir. It is helpful, it is helpful particularly in the complex ore area.

Senator CARROLL. You would then agree with Mr. Romney?

Mr. MCCASKILL. It is the eastern group that would get no help from it.

Senator CARROLL. You would then agree with Mr. Romney and Mr. Wilson on their general observations?

Mr. MCCASKILL. I think that is right; yes, sir.

Senator CARROLL. Thank you. Go ahead, Mr. Romney.

Mr. ROMNEY. We would be extremely grateful to have it, let us make that clear. We would be extremely grateful to have it.

Senator CARROLL. It would be a contributor——

Mr. ROMNEY. Very much.

Senator CARROLL. That is, it is not sufficient to meet basic needs of the industry.

Mr. ROMNEY. No; but it would be helpful in distressing circumstances.

I just want to make one comment on price versus costs.

The present price is about 77 percent of the price of 1947–49; miners' wages, base wages, are now 66 percent over the 1947–49 average; the blasting powder costs 53 percent more; basic freight rates are up over 40 percent; the cost of finished steel which enters into all of our tools and equipment is up over 82 percent; if you take on one side of the bracket the price is down to 77 percent of what it was in the previous period, and overall costs somewhere around 150 per-

cent higher, one wonders why any mine in the United States, and particularly those in the West, have been able to stay alive.

In conclusion I would like to read a small portion here on the last page.

In conclusion, I would like to pose a question which relates to the term "marginal mines," as it is commonly used in discussion of the domestic lead-zinc mining problem. The statement that, "We do not want to provide measures which will sustain the marginal mines," is commonly made.

I will say that statement has been made for 10 years.

By what standard is a domestic lead-zinc mine considered to be a "marginal mine"?

Is the mine marginal as determined by the price which represents the ability or the willingness of foreign producers to supply metal to our market; or is it marginal in terms of prices reasonably related to production costs in our domestic economy?

To date, "marginal mine" has apparently been related to the foreign producers' "ability or willingness" for closing of domestic mines and curtailment of domestic production have trended sharply downward for the past 10 years and we still have the same chorus, "We do not want to provide measures which will sustain the marginal mines."

Gentlemen, I think that point is of tremendous importance. The marginal mines of today are the mines that we looked at 5 and 6 years ago as the mines that were able to take care of themselves under these economic circumstances.

I agree with Mr. Wilson that there are very few mines that are making a profit at mining operations today; a number of them with integrated operations are doing fairly well on an overall basis because of their integrated position.

But I do not know of an independent lead-zinc miner in the United States today who is making a substantial or any sort of an adequate profit, and this definition of "marginal" has gone down and down and down, and we feel that we are being phased out by this marginal situation.

I feel, and feel very strongly, that marginal mines in this whole discussion should be defined as marginal in relation to reasonable costs of production in our domestic economy, and not marginal to the ability or the willingness of the foreign producer to put materials into this market.

Gentlemen, thank you. That is all I have.

Senator CARROLL. I thank you very much.

One question occurs to me, Mr. Romney. What is the unemployment caused by this situation in your State of Utah?

Mr. ROMNEY. Well, in Utah in 1951 we had a little over 3,000 men employed in lead-zinc mines and mills. The average for 1960 was some 980 men. We have gone down from a little over 3,000 to 980 men in a period of just 10 years.

Senator CARROLL. I thank you very much for your very able presentation. I also thank you for the patience you have exhibited in having sat here all day.

Mr. ROMNEY. It has been a pleasure, Mr. Chairman.

(The prepared statement of Mr. Romney follows:)

STATEMENT ON S. 1747 BY MILES P. ROMNEY, MANAGER, UTAH MINING ASSOCIATION

The past 10 years have witnessed a great and tragic deterioration of a major segment of the domestic mining industry—lead-zinc mining. I have been in a position to observe this change in detail. Ten years ago I became manager of the Utah Mining Association—just in time to witness the beginning of the excessive import floods. For 17 years previous to joining the Utah Mining Association, I traveled extensively through the Western States, examining mines and prospects as an exploration engineer, and became intimately acquainted with western operating and marketing economics, mining districts, individual operations, and general potentialities.

The ground was broken for this deterioration with the drastic duty cuts of the Canadian, Mexican, and Torquay agreements. The seeds were sown by the post-World War II grants and loans for foreign exploration and development under the scarcity appraisal of our metal supplies and the "buy-at-the-cheapest-source" philosophy. With the urging of Harry Dexter White, even loans to Russia, returnable principally in mineral raw materials, were seriously considered. The crop was brought to maturity by the dumping of foreign stockpiles of lead and zinc on the American market in 1952 and the subsequent continued flow of free world surplus production to the U.S. market, the only substantial "open" market in the world. The "dumped" stockpiles were acquired while free world lead-zinc and other markets were regulated by the State Department-inspired International Materials Conference, and were acquired to a substantial extent with our foreign aid funds.

We appreciate the opportunity to briefly review for this committee the effects of those policies and actions on lead-zinc operations of the Western States.

The following data, illustrating the deterioration of western lead-zinc mining, is evaluated with respect to 1947–49 averages, first, because that period is the comparative base for current economic data, and second, because 1947–49 represents the period of peak recovery of the domestic mining industry from the overproduction and underdevelopment experienced during World War II.

The attached table compares domestic production of the 1947–49 base years with production of 1960 as given in the preliminary reports of the U.S. Bureau of Mines. Overall, substantial production losses were sustained. However, the losses in lead and zinc production have not fallen evenly on the several principal producing areas. The Bureau of Mines reports cover the following listed general areas: Western States; West Central States; States east of Mississippi River.

The total loss in domestic mine lead production in 1960 as compared with the 1947–49 average was 150,927 tons, of which the principal area losses were:

Western States, 117,403 tons, or 77.9 percent of the total loss.

West Central States, 31,527 tons, or 20.8 percent of the total loss.

States east of Mississippi River, 1,997 tons, or 1.3 percent of the total loss.

The total loss in domestic mine zinc production over the same period was 187,830 tons, of which the principal area losses were:

Western States, 170,263 tons, or 90.7 percent of the total loss.

West Central States, 84,643 tons, or 45.0 percent of the total loss.

States east of the Mississippi River gained 67,076 tons in this period, which gain, subtracted from the 254,906 loss by Western and West Central States, gives a net loss of 187,830 tons.

Mines of the West, for the most part, produce lead and zinc intimately associated in the ore; thus the loss of lead and of zinc production has a general ratio relationship. Losses of lead in the West Central States were borne principally by the southeast Missouri mines, while losses of zinc in that same general area were sustained largely in the tristate area of Oklahoma, Kansas, and Missouri.

Lead losses in the States east of the Mississippi River were minor, and as lead production is a byproduct of zinc, the loss suggests generally lower lead content in the zinc ores. Zinc production in the Eastern States, as noted above, increased 67,076 tons in the comparison period.

As to total lead-zinc produced by domestic mines, the loss was 338,748 tons of which:

> Western States lost 287,666 tons or a shocking 85 percent of the total; West Central States lost 116,170 tons or 34 percent of the total; but States east of the Mississippi River gained 65,081 tons, equivalent to 19 percent of the net domestic loss.

Western mines have been severely handicapped in the cost-price squeeze of the past decade by several factors beyond control of the mine operators.

Most western mines are underground developments, following steeply dipping, fractured, water-carrying veins. Although mechanization has been employed wherever possible, such mines are much less amenable to mechanization than are the flat-bedded, relatively dry mines where the ore is situated within rock horizons which are self-supporting over wide spans of mine openings.

The loss in purchasing power of gold and silver during war and postwar inflation has further added to the financial problems of western lead-zinc mining. This is a condition not experienced by any other domestic lead-zinc producing area because of the absence of precious metals in ore from those areas.

Returns from the sale of gold and silver combine with returns from lead and zinc to determine the economics of western mine operations. However, the price for gold has remained at $35 per ounce since 1934 and the price for silver has been 90.5 cents per ounce since 1946.

The 1960 purchasing power of gold and silver, gaged by the Consumers Index, was only 79 percent of the 1947–49 average. The 1960 prices should have been $1.15 per ounce of silver and $44.28 per ounce of gold to equal 1947–49 purchasing power.

Most western-produced metal must be transported to eastern markets to reach consumers. The cost of transportation over such long distances is high.

Zinc and lead metal moving from Western States to eastern markets, at St. Louis and New York respectively, cost western mines approximately one-half cent more per pound of zinc and three-fourths cent more per pound of lead than similar movement from West Central States or Eastern States operations.

Western States have borne the major brunt of the mine curtailments forced by excessive imports and related metal price reduction, because of their lesser amenability to mechanization, because of the much higher burden of freight rates to market, and because of the progressive loss of purchasing power of gold and silver.

Employment, freight hauled, taxes paid, and general business in the mining communities have suffered along with the mine production losses.

Employment in Utah lead-zinc mines and mills averaged 981 men in 1960—down from an average of 2,948 men in 1947–49.

Railroad revenue lost on the above tabulated 1960 metal production loss in Western States approximated $7 million.

Utah's lead-zinc mines dropped from an assessed valuation of $9,513,122 average in 1947–49 to $2,521,704 in 1960.

There is no accurate measure of loss of business in the producing communities, but economists have stated that one man in mining supports four others in all phases of related supply, service, transportation, and manufacturing.

Further western lead-zinc mine curtailments are threatened under present prices, which are far below price levels reasonably related to mine production costs in our domestic economy.

It is pertinent to call attention to the fact that western mines produced 60.5 percent of the Nation's lead and 57.5 percent of the zinc in the 1947–49 period, and were still producing 50 and 43 percent, respectively, of those metals under the distressing conditions of 1960.

Assuming that normal profits were realized by western lead-zinc operations in the 1947–49 period, a brief comparison of metal prices and mining cost factors between that period and 1960 will illustrate the causes of the demise of a substantial portion of the mines and the precarious position of those who have to the present survived.

Metal prices—Per pound of refined metal delivered to eastern markets

Period	Lead	Zinc	Combined
	Cents	*Cents*	*Cents*
1947–49 average	16.027	12.078	28.105
1951 (Korean scarcity scare)	17.5	18.0	35.5
1952 (beginning of import flood)	16.467	16.215	32.682
1953	13.489	10.855	23.344
1954 (stockpiling began August 1954)	14.054	10.681	24.735
1955 (stockpiling)	15.138	12.299	27.437
1956 (stockpiling)	16.013	13.494	29.507
1957 (stockpiling terminated)	14.658	11.399	26.057
1958 (quotas, Oct. 1, 1958)	12.109	10.309	22.418
1959 (quotas)	12.211	11.488	23.659
1960 (quotas)	11.948	12.946	24.894
1961 (as of July 19)	11.000	11.500	22.500

Present prices compared with 1947–49 prices are but 68.6 percent for lead and 95 percent for zinc and 77 percent of the combined price. Compared with average prices during the stockpiling years of 1955, 1956, and 1957, present prices represent 72 percent for lead and 93 percent for zinc and 80 percent of the combined price.

Meanwhile, cost factors have increased, as illustrated by the following data:

Utah lead-zinc miners' base wage rate averaged $10.63 in 1947–49. In 1960 that base wage rate averaged $17.61—an increase of 66 percent. Fringe benefit costs have also increased substantially.

Blasting powder cost an average of $13.71 per 100 pounds in 1947–49, but the cost has risen to about $21—an increase of 53 percent.

Base freight rates effective in the 1947–49 period on lead metal shipped to the New York marketing outlet, averaged $19.57 per ton. Today's lowest base rate is $27.17 per ton—an increase of 39 percent.

For slab zinc, comparative costs to the St. Louis marketing outlet for the same dates were $13.04 and $17.72 per ton, respectively, an increase of 36 percent.

Cost of "composite finished steel," as a generalized measure of machinery, tool, and equipment costs, has risen from an average of $3.85 cents per pound to 7 cents per pound—an increase of 82 percent.

With present metal prices at about 80 percent of the 1947–49 average and with individual cost factors up from 40 percent to 80 percent, the question is pertinent as to how any portion of the lead-zinc mining industry has survived this price-cost squeeze.

Much of the western segment has not survived. The surviving mines have done so by eliminating exploration, curtailing development, and mechanizing where possible, but meanwhile getting the last turn out of often obsolete equipment and by resorting to "highgrading" of the developed reserves.

In conclusion, I would like to pose a question which relates to the term "marginal mines" as it is commonly used in discussions of the domestic lead-zinc mining problem. The statement that "we do not want to provide measures which will sustain the marginal mines," is commonly made.

By what standard is a domestic lead-zinc mine considered to be a marginal mine?

Is the mine marginal as determined by the price which represents the ability or the willingness of foreign producers to supply metal to our market; or, is it marginal in terms of prices reasonably related to production costs in our domestic economy?

To date, marginal mine has apparently been related to the foreign producers' ability or willingness, for closing of domestic mines and curtailment of domestic production have trended sharply downward for the past 10 years and we still hear the same chorus, "We do not want to provide measures which will sustain the marginal mines."

We respectfully contend that marginal mine should be defined with respect to prices which are consistent with production costs in our domestic economy. We urge consideration and passage of S. 1747 as the most effective means of attaining such realistic domestic prices, and to preserve at least 50 percent of the domestic market for the domestic miner. Failure to do so will mean the continued distress and ultimate demise of western lead-zinc mining.

Change in lead-zinc mine production by general areas comparing 1947–49 average with 1960

Year	Total United States	Total Western States	Percent of total	West Central States	Percent of total	Eastern States	Percent of total
Lead in tons of metal:							
1947–49 average	394,869	238,838	60.5	146,200	37.0	9,829	2.5
1960	243,942	121,435	49.8	114,673	47.0	7,834	3.2
Change to 1960, ( ) =loss	(150,927)	(117,403)	77.9	(31,527)	20.8	(1,995)	1.3
Zinc, in tons of metal:							
1947–49 average	620,263	356,663	57.5	91,640	14.8	171,959	27.7
1960	432,432	186,400	43.1	6,997	1.6	239,035	55.3
Change to 1960, ( ) =loss	(187,831)	(170,263)	90.7	(84,643)	45.0	67,076	35.7
Total lead and zinc, in tons of metal:							
1947–49 average	1,015,132	595,501	58.6	237,840	23.4	181,788	18.0
1960	676,384	307,835	45.5	121,670	18.0	246,869	36.5
Change to 1960, ( ) =loss	(338,748)	(287,666)	84.9	(116,170)	34.3	65,081	19.2

Senator CARROLL. Next we have Mr. Teske, secretary of the Idaho Mining Association. I will tell you, Mr. Teske, as I have said to these other gentlemen, if you want to summarize your remarks briefly, your full statement will be inserted in the record.

Mr. TESKE. Mr. Chairman, it is not very long. I prefer to read it, if it is all right with you.

Senator CARROLL. All right. Can you give me some idea about how long it will take?

Mr. TESKE. It would run less than about 6 or 7 minutes, I would guess.

Senator CARROLL. All right, sir. I am not trying to hurry you, but I am trying to watch the clock, and I am also listening for the buzzer.

We have got Mr. Young, representing the American Zinc, Lead, and Smelting Cos.; Tom Kiser, James E. Mack, Mr. McCormick, and if I get called out they will not feel very happy. This is why I asked about the length.

STATEMENT OF A. J. TESKE, SECRETARY, IDAHO MINING ASSOCIATION

Mr. TESKE. My name is A. J. Teske. I am secretary of the Idaho Mining Association which includes in its membership virtually all the producing lead-zinc companies in Idaho as well as most of the other metallic and nonmetallic mining operations.

This year I am also chairman of the Mining Advisory Council of the Western Governors' Conference and in this capacity I would like to take a few moments of your time before going into a report on the lead-zinc mining industry in Idaho.

In May of this year, as you know, the Western Governors' Conference met in Salt Lake City and at that time adopted by unanimous vote a statement of policy on mining that I'm sure will warrant the attention of this committee.

This statement is quite lengthy and I do not propose to take up your valuable time with a detailed review of it. I think our purpose here today will be adequately served, Mr. Chairman, if you would permit me to submit a copy of this policy statement for inclusion in the hearing record and take time now to point up only those features of the statement that are particularly pertinent to this hearing.

Senator CARROLL. That will be permitted. Without objection so ordered. How many pages is there to that policy statement?

Mr. TESKE. That is the Governors' policy statement. I think it is about eight pages of that.

Senator CARROLL. I see. I was looking at the thickness of the whole thing.

Mr. TESKE. That is 25 copies, Senator.

Senator CARROLL. It will be admitted in the record at this point.

(The document referred to follows:)

WESTERN GOVERNORS' CONFERENCE

(May 14–17, 1961, Salt Lake City, Utah)

STATEMENT OF POLICY ON MINING

The Governors of the Western States recognize that the strength, vitality, and progress of the economy of their jurisdictions can be attributed at substantial measure to the abundance of mineral resources with which their States have been endowed.

Development and utilization of these resources has not only provided much direct employment in mining and mineral processing, but has also supported many additional jobs in related industries involving transportation, supplies and services to the mining industry and its employees. This economic activity has furnished the purchasing power for lucrative market outlets for the products of agricultural and manufacturing enterprises thoughout the West and the Nation. It has also served as a major source of tax revenues for the support of State and local government services. Furthermore, this minerals industry has provided a substantial and reliable supply of basic raw materials for the civilian and defense requirements of the Nation's vast industrial complex.

Over the past 15 to 20 years, however, there has occurred a progressive deterioration of the domestic mining industry that has seriously impaired its capacity to maintain its traditional contribution to the western economy and the Nation's welfare. Many mines have been closed down, employment in the industry has been drastically reduced, and even large producers have been reduced to the status of marginal operations. This has meant the loss of important payrolls and at the same time has lowered tax revenues and increased local problems of economic distress.

Although both major political parties for the past 10 years have officially recognized that a healthy domestic mining industry and an adequate mobilization base for minerals are absolutely essential to national preparedness, there has been little effective progress toward achievement of this objective and economic conditions in the industry have become increasingly critical. This situation has received some recognition by Congress and by the executive department but these efforts have usually taken the form of short-range programs designed to provide temporary relief rather than a long-range policy to get at the basic cause of the difficulty.

The western Governors are aware that a healthy domestic mining industry is essential to the future growth and stability of the western economy. They realize the need for a favorable economic climate to encourage the mining industry to undertake the long-range programs and extensive capital outlay

that will assure efficient and economic utilization of their States' mineral resources. And they have in their individual States sponsored and supported policies conducive to such a healthy economic climate.

The western Governors also realize, however, that one of the major obstacles to the establishment of a healthy domestic mining industry is the continuing lack of a long range, clearly defined national policy on conservation and utilization of mineral resources.

They recommend, therefore, that—

Whereas the Western Governors' Conference recognizes the futility of the mining industry trying to live within an economic framework supported by short-range programs such as subsidies, incentive payments, stockpiles, and barter; and

Whereas the State Department in its dealings with other nations has not given adequate consideration to the welfare of the segments of our domestic minerals industry which are becoming more and more international in character; and

Whereas we acknowledge a new age of responsibility among free world nations which calls for cooperation, trust, and mutual contributions; and

Whereas our national security can no longer be based on our strength alone but is vitally related to the strength of our friends in the free world; and

Whereas the failure to provide a national minerals policy has resulted in the lack of guidelines to stimulate confidence in the ability to produce with a fair economic return; and

Whereas our knowledge, while appreciable, is woefully incomplete concerning the mineral weath of our Nation and other nations of the free world: Now, therefore, be it

Resolved, That the administration and the Congress take a firm and positive position to develop a national minerals policy; and be it further

Resolved, That the national minerals policy recognize the necessity for immediate inventory and appraisal of the domestic mineral resources through geological and geophysical mapping, accelerated research for new and expanded uses and beneficiation of low-grade ores, the consideration of incentive measures to encourage investment, the proper use of and access to our public lands, and reasonable controls on imports to protect the ability of the domestic minerals industry to produce at fair prices in our economy; and be it further

Resolved, That in order to enhance our security and that of the free world, our national minerals policy should recognize our ability and intent to cooperate in meeting international mineral requirements for the economic growth and development of the free world, we encourage and urge cooperation in the inventorying of the mineral resources of the free world and in the more accurate reporting of international statistical information related to international mineral resources; and be it further

Resolved, That to facilitate the adoption and implementation of a national minerals policy, the National Minerals Advisory Council be reestablished.

More specifically, it is recommended that:

As to Government stockpiles.—No sale or other distribution of these shall be made until an adequate national minerals policy has been adopted, and thereafter no such disposal of stockpiles shall be made which would interfere with the maintenance of a health domestic mineral industry under such national minerals policy;

As to foreign aid.—The Congress should specifically prohibit the making of loans and grants to develop foreign production of any minerals and metals which are being imported into the United States in surplus amounts;

As to transportation policy.—Due to many western minerals and metals having to seek distant major markets, the appropriate regulatory agencies should be urged to allow the railroads to compete, in the matter of freight rates, with all forms of transportation involved in conveying similar products to those same markets from other areas;

As to royalties on Federal land leases.—The Interior Department uniformly encourage mining of the lower grade mineral reserves on leased lands through providing reduced royalties for lower grade ores, as have many of the western States on their State land leases, and leases be standardized as to royalty schedules on the various leasable minerals, in order that the operating life of leased deposits may be prolonged, valuable minerals conserved and the economies of affected communities benefited;

As to health and safety in mining—other than coal.—Jurisdiction of all matters relating to health and safety of employees in the mining industry remain with the States and Federal agency participation continues to be based on cooperation with the States in the areas of training, education, and research;

As to copper.—Adequate import taxes should be established to be effective only if and when the average monthly price falls below a reasonable legislated peril point, thus providing a market free of duty for any imports so long as the average monthly price is at or above the peril point;

As to lead and zinc.—Adequte import controls be established (either tariff or quotas or a combination of the two) to be effective only if and when unneeded imports depress the U.S. market prices below a reasonable legislated peril point level required for the maintenance of a healthy domestic industry;

As to silver.—As present Government sales of Treasury-owned silver, if continued will, in the not too distance future, reduce Treasury stocks to a point where the Treasury will either have to buy silver for its own coinage requirements at probable higher prices, or invade the monetary reserve for the required silver, we urge that the sale of Government-owned silver be discontinued;

As to mercury, fluorspar, and cobalt.—An annual quota (or tariff) be imposed on imports to preserve something over one-half of the domestic market for mercury and fluorspar producers, and something slightly less than one-half for domestic cobalt producers;

As to tungsten.—A quota be placed on foreign imports so that the domestic industry may enjoy at least one-half of the domestic market, and that tariff receipts on such imports be allocated to domestic producers until such a level is reached providing, however, that no individual producer may receive more than one-fifth of the import tax allocations;

As to uranium.—The Atomic Energy Commission continue to expedite processing of domestic contracts for the 1962–66 period; all restrictions except necessary licensing requirements, on sale to consumers other than Government, be removed to permit the orderly development of a free market; and the AEC announce, as soon as is practicably possible, policy to govern uranium concentrate purchasing in the post-1966 period in order that new reserve development might be resumed and availability of domestic reserves for future domestic markets be reasonably assured;

As to potash.—The U.S. Treasury Department and the U.S. Tariff Commission should be prepared to take adequate and speedy action under the Anti-Dumping Act should foreign potash be dumped within the United States, and the Anti-Dumping Act should be reviewed by Congress to assure its effectiveness;

As to antimony, chrome, and manganese.—Small excise taxes (or tariffs) be imposed on foreign imports of these metals, the proceeds from which should be sufficient when distributed among U.S. producers to maintain a healthy nucleus of domestic production of these strategic metals, the carlot program for manganese be resumed and present stockpiles of nonusable manganese be processed to usable form;

As to columbium and tantalum.—Import control (quotas or tariffs) be imposed which will preserve the present level of domestic production;

As to thorium, monazite, and rare earths.—The Government abide by the terms of the Buy American Act in purchasing thorium and monazite, and Federal assistance be given by research programs or purchase so that a healthy domestic rare earths industry can be developed;

As to coal.—The Federal Government be urged to adopt policies which will encourage the utilization of the vast deposits of coal in the Western United States, and also to assist in the acquiring of foreign markets, and as to U.S. Bureau of Mines' coal research and experimental stations, no such stations now in operation be removed from the West;

As to asbestos.—The long fiber strategic chrysotile asbestos produced from the Indian lands of Arizona presents one of the more difficult industrial problems and is one which may well require small scale but sympathetic financial aid from the Federal Government during the time required to change from Federal to industrial markets;

As to Federal taxes.—There should be no decrease in present depletion or depreciation rates which might further injure the already seriously weak-

ened western mining industry, and, further, additional exploration should be encouraged by removing the present limitation on tax-deductible exploration;

As to the Buy American Act.—This policy should be strictly followed on a national basis, and a similar policy is equally applicable on a statewide basis, and should be followed wherever possible, and the Government should immediately cease the use of barter of surplus agricultural products for the procurement of current Government agency requirements;

As to public lands.—(1) Since the mineralized area of economic potential in public lands makes up but a small fraction of 1 percent of the total area, it is not to the advantage of the Western States or of the Nation as a whole that these mineralized areas be withdrawn for all time or locked up in wilderness systems or other Federal reserves; furthermore, under no circumstances should there be any permanent withdrawals of any Federal lands without the concurrence of the Governor of the State in which the lands are located; and (2) an adequate study be made to determine if the true intent of the principle of multiple use of public lands is being properly carried out in all areas by all agencies of the Government;

As to research.—(1) There should be increased cooperation between industry and Government in the research field to the end that an interchange of information will eliminate duplication of effort, wastefulness, and unnecessary expenditure; (2) Federal support for basic research in the mineral industries should be continued and accelerated where justifiable; and (3) increased appropriations by the States to State organizations which have proved their ability in conducting effective research for the welfare of the mineral industries should be favorably considered.

RESOLUTION ON GOLD

Whereas an increase in the dollar price of gold will interfere with international monetary policy; and

Whereas it appears a long period of time will be involved before the international gold situation resolves itself; and

Whereas a bonus or incentive payment for newly mined gold from domestic mines would not interfere with international monetary policy; and

Whereas a bonus payment would reopen closed gold mines and directly employ upward to 50,000 men and indirectly support an additional 450,000 jobs; and

Whereas the production of gold is vital to the maintenance of the gold reserve of the United States; and

Whereas it seems reasonable to assume that the gold mines will need improved prices for their gold in order to get back into production; and

Whereas incentive or bonus payments will not result in the establishment of a multiple price for gold in this country; and

Whereas the depleted state of our current gold supply has prompted the recent proposal in Congress to remove the 25 percent backing of our currency: Now, therefore, be it

Resolved, That the Western Governors urge an incentive or bonus payment that will assure to domestic producers a fair economic return; and be it further

Resolved, That they express their opposition to changing the present law requiring the Treasury to hold gold to the value of 25 percent of the outstanding notes and deposit liabilities of Federal Reserve banks until a careful and exhaustive study is made of the relationship of gold to the value of the dollar, with particular reference to the effect of this relationship on the economics of the Western States where the major portion of domestic gold is mined.

Submitted by Gov. William A. Egan, Alaska; Gov. Stephen L. R. McNichols, Colorado; Gov. Robert E. Smylie, Idaho.

Mr. TESKE. In the preamble of the resolution, the Western Governors make a brief analysis of the importance of mineral resource development to the strength, vitality, and progress of their State's economics and to the Nation's economic welfare, and they go on to review the serious impairment of their economics which has resulted from the progressive deterioration of the domestic mining industry that has occurred during the past 15 to 20 years.

They recognize that a healthy domestic mining industry is essential to the future growth and stability of the western economy and express full awareness that one of the major obstacles to the establishment of such an industry is the continuing lack of a long-range, clearly defined national policy on conservation and utilization of natural resources.

Their basic recommendation is as follows:

> As a matter of utmost urgency the administration and Congress (should) give priority consideration to the adoption and implementation of a national minerals policy that will sustain a sound and vigorous domestic mining industry that is essential to western economic progress.

The Western Governors further support the proposal to reestablish the National Minerals Advisory Council which served the administration with admirable success during World War II and subsequent years, and they subscribe to the proposition that—

> domestic producers are entitled to a fair and reasonable share of the domestic market and should be assured that fair share through the effective application of tariffs, quota restrictions, or whatever combination of methods is necessary to achieve equity.

With specific reference to lead and zinc their recommendation is in a similar vein. It states:

> We recommend that adequate import controls be established (either tariffs or quotas or a combination of the two) to be effective only if and when unneeded imports depress the U.S. market prices below a reasonable, legislated peril-point level required for the maintenance of a healthy domestic industry.

This has been the official position of the Western Governors' Conference on the lead-zinc mining industry problem since their meeting at Sun Valley in 1959. They are clearly on record in solid support of the variable tariff feature of the legislation under consideration here today.

I cannot speak officially for the Western Governors' Conference, of course, but the record of their official actions at Salt Lake City, as recently as 2 months ago is positive evidence of their endorsement of the legislation under discussion at this hearing.

As to the lead-zinc picture in Idaho, the records of three hearings before the U.S. Tariff Commission and the record of past hearings before this committee and its House counterpart are replete with detailed testimony and statistical data which graphically and conclusively show the deterioration which Idaho's lead-zinc mining industry has suffered over the past 10 years.

I do not propose to go over all that material again here today, but would prefer instead to cite just a few rather startling comparisons to bring the problem into proper focus.

The figures which I have refer primarily to the Coeur d'Alene mining district of north Idaho because they offer the best comparability over the years and they are fully representative of the overall State picture because the mines in this district produce more than 95 percent of the State's annual yield of both lead and zinc. In recent years the district's proportion has been more than 97 percent for lead and more than 99 percent for zinc.

Many of the mines throughout the State which have closed down were relatively small in terms of tonnage. However, their loss is particularly serious because the small operator is highly important

in the future exploration and development of these metals. When this type of activity stops, as it has almost entirely in Idaho, this Nation has entered the first stages of the liquidation of its domestic lead-zinc mining industry.

To get back to the figures on the Coeur d'Alene district, for purposes of these comparisons I am using the years 1950 and 1959, because although 1960 data are available, they are severely distorted by the 7 months' strike last year at the Page and Bunker Hill Mines at Kellogg, both major producers of lead and zinc in Idaho.

In 1950 there were 57 lode mines operating and reporting production in the Coeur d'Alene district. In 1959 there were 17—less than one-third as many. And this does not take into account the total picture because these figures include only producing operations. I can perhaps sharpen the contrast by personal experience. When I first became editor of the Wallace Miner—a sort of mining trade paper in that district—in the late 1940's, I kept a chart of all the local active companies, recording those mentioned in each issue, as a reminder to check for further news about their activities at some future date and thus keep my readers informed. This chart built up to well over 100 names of companies that were actively engaged in some type of mining operations, much of it, of course, just persistent exploration of mineralized vein structures which held promise of developing into producing ore bodies. By the mid-1950's I no longer needed a chart, but could keep a reasonably accurate record in my head and when I left that position in 1959 I could literally count the number of sources of mining news—the active companies—on the fingers of both hands. Here is even more shocking evidence of the decline in exploration activity upon which the future of the lead-zinc mining industry depends, because this is a proven lead-zinc district and a most fertile field in which to find new ore deposits.

Here are some additional startling comparisons:

In 1950, 2,542,000 tons of ore were mined in the Coeur d'Alene district. In 1959 only 1,422,000 tons—a drop of nearly 45 percent.

Lead output—94,197 tons in 1950—a recent high.

In 1959, 61,155 tons, the lowest for any year since 1900.

Zinc output—86,102 tons in 1951; 55,454 tons in 1959—that's a 36-percent decline.

In terms of gross value, the peak of production in the Coeur d'Alene district was reached in 1951 with a production value total of $59,664,000. By 1959 that had slipped about 37 percent to only $37,453,000.

Another comparison will demonstrate the impact of this industry deterioration on the local communities. In Idaho producing mines are assessed for county tax purposes on the basis of a derived figure that is commonly called assessable net profit valuation although it is not a true net profits figure. This assessed valuation of mines in the Shoshone County, where the Coeur d'Alene district is situated, averaged less than $5 million in 1958–59 as compared to a high of $16,800,000 in 1951. Small wonder that county commissioners have their budget problems.

As to employment in Idaho's lead-zinc mining industry, I was unable to obtain separate figures for this branch of metal mining, so the data I have covers all metal mining and primary metal processing. They are representative of the lead-zinc picture, however.

In 1950, this employment totaled 6,411 persons and the payroll amounted to $25,528,000.

By 1959 employment had declined to 4,341 persons—more than 30 percent. But, note this—payrolls were down only about 6 percent to $24,049,000.

Add to this the fact that in 1950 the combined average price of lead and zinc was 27.2 cents as compared with 23.7 cents in 1959, and you get some idea of the magnitude of our lead-zinc mining problem in Idaho.

Now, as to the current situation and the impact of some of the past Government efforts to alleviate the situation by such temporary expedients as stockpiling and barter, I can only say that while they have provided some temporary relief, their termination has always forced our mines into worse economic straits than before. The downward trend in production, employment, payrolls, profits etc., has been stayed at times but never reversed. Today the lead-zinc mines of Idaho are still in a desperate struggle for survival, and many are having extreme difficulty in maintaining a break-even status on the profit-and-loss sheet. Some are showing a loss, but continuing to operate and hold their experienced crews together in the hope that you gentlemen and your colleagues in the Senate and House will find the remedy that will restore them to financial stability.

My appearance here today is to express the Idaho Mining Association's strong support and wholehearted endorsement of S. 1747.

Our organization has long been convinced that the root of the domestic lead-zinc industry problem is the steady and increasing flow of unneeded foreign imports which flooded our domestic market as a result of the tariff concessions on lead and zinc negotiated at Torquay in 1951 and the overstimulation of foreign production by our Government brought about by the Korean crisis. This combination of surplus foreign production and relatively free access to domestic markets is responsible, we believe, for the low lead and zinc prices that have virtually driven our domestic industry to the wall. Even the quota restriction on lead and zinc imposed in September 1958 has failed in its objective of stimulating a revival of the domestic industry because the quotas are far too generous to leave our producers an adequate share of the home markets.

Today the problem of the domestic lead-zinc industry is one of extreme urgency, not only for Idaho but for the entire Nation. These are times of serious international tension and it is generally recognized that a sound and substantial mobilization base for metals, including lead and zinc, is absolutely essential to national preparedness.

In conclusion, we urge that you support this bill. While objection can and will probably be made with respect to certain features of the bill, it represents, in our judgment, the best solution yet proposed, after years of study and inaction, for an extremely sick lead and zinc mining industry which is deperately in need of immediate legislation aimed at retention of at least a share of its domestic market. Domestic producers of these metals must be assured a fair share of their home market if they are to remain in business and carry on aggressive mineral resource exploration and development throughout the Nation.

May I express my sincere appreciation to the committee for the opportunity to present the case of Idaho's lead-zinc mining industry here today. I particularly want to tell Senator Anderson, the sponsor of

this legislation, and you, Senator Carroll, cosponsor, that our industry is deeply grateful for your excellent cooperation and persistent efforts in its behalf.

Thank you.

Senator CARROLL. I thank you very much for coming. I apologize, I think you understand the nature——

Mr. TESKE. I do, sir.

Senator CARROLL. Thank you very much.

Mr. Young, will you come forward. This is Mr. Young of the American Zinc, Lead & Smelting Co., who gave us the benefit of his advice at the last hearing.

Do you have a statement? To be frank with you, I would like to have your statement in the record, and I would like you to spend your few moments in commenting on what you heard, because I was impressed with your knowledge on the subject the last time you appeared.

STATEMENT OF RICHARD A. YOUNG, VICE PRESIDENT, AMERICAN ZINC, LEAD & SMELTING CO.

Mr. YOUNG. I would like to do that very much, Mr. Chairman. With your permission, I would like to place my whole statement in the record.

Senator CARROLL. Yes. I hope you will do that, and without objection it will be placed in the record as though read.

You heard this discussion, Mr. Young. Here you have Interior, you have been sort of waiting to get to them, you have Interior, State Department, and then our position on S. 1747.

We have had this discussion about flexible quotas and this discussion about what we might do with reference to the sugar and wool bills, whether we could have a new approach. Does this open up anything in your mind, from your long experience, of what we might do? Pending a better plan, we are going to push S. 1747.

Mr. YOUNG. I think this does open up several possibilities. First, I would like to say that I, for one, feel the Interior Department is sincere in trying to work out an answer. I agree with what Senator Anderson said that they keep plugging, and that they eventually will come up with the right answer, and I wish to give them nothing but encouragement and thanks and we will keep working with them in every way we can.

So far as the ideas presented are concerned, the industry is unanimous on a duty. We have been over everything else. We are unanimous on duty as the proper solution.

I would like to say in that regard that I would not like to see Mr. Bramble's suggestion go by lightly. I understand he did not endorse it. He merely threw it on the table as something for consideration. I'd throw it on the table in the same way, because I have not analyzed it.

But if you could raise the duty, raise the price the equivalent of the duty, which will happen, and then in some way to certain selected countries return this duty so that they would not feel that the colossus of the United States was usurping their national income, this would be the simplest, most direct and, by far, the simplest to administer of anything that has been suggested, any alternative.

Senator CARROLL. I am glad to hear that because I think we have got to begin—I have been over this and you have been, too, and I know that, too, and you must be tired coming before congressional committees. I remember the fights and the maneuvering years ago, back I think it was, in the 80th Congress, fighting for the bill, and it got defeated at the last moment. Suddenly you get a bill and it is vetoed. We may be marching into another veto, and I am glad to have you, Mr. Young, in a few words put your finger on something here that by working together we ought to be able to examine Mr. Bramble's idea. He cannot commit his department; these other people, our minds are open, and I suggest that while we are still moving this bill through the committee that if we can sort of get together with Interior, Mr. Wilson, and other people—I will personally talk to Kelly and I will talk to Udall. They might pay some attention to Senator Anderson and me on this concept of the wool bill.

We have got to work something out, not only for lead and zinc, but for some other people, too. So I am very happy to have you here testifying.

Mr. YOUNG. I think the sugar quota is entirely impractical for the lead-zinc industry. I commend to you the reading of the Tariff Commission report, some 20 pages, on what happened the first year under quotas.

They made a comprehensive study. There are many, many complications in lead and zinc that are technical in nature, but it involves the complete Government control of the entire industry, including Government allocation of the output of every mine in the United States, and that is the only way you can handle it.

It has to come down to that just like you have in sugar; you have to have a chit to raise sugarbeets.

Senator CARROLL. You think the Government controls the sugar industry, the sugar companies in this Nation? You should run with me in Colorado sometimes.

Mr. YOUNG. You have to have a certification or permission to plant sugarbeets. They waived it on account of Cuba.

Senator CARROLL. You are thinking of some kind of planting control.

Mr. YOUNG. There are three things that are part of the sugar plan.

Senator CARROLL. I have watched this thing for 25 years, and I can just tell you this is no Government-controlled program. It is a program that is given stability. It has some defects in it. The farmers want a little higher price, but the refiners are doing pretty well, and the farmers, compared to the chaos, let us put it the disorder, from which this legislation sprung many years ago—it was initiated by Senator Costigan of my State and when I was a young man I sort of watched it.

Mr. YOUNG. I want to call your attention—I said to go ahead and increase the duties. You are accomplishing exactly what you are trying to acomplish in your bill. I think the rates are too high in your bill. I said so before: I won't go into that now. I think we should stay within the limits of the Trade Agreements Act. I think that it is part of the policy of this country.

We have not been outside it many, many years. They will be high enough if you stay within that limit.

I think we are against the across-the-board subsidy for all the companies. I think it will hurt the bill. I think the small-mines bill ought to be set out as a separate bill and let it go. It does not have this complication that the other thing has.

(The prepared state of Mr. Young is as follows:)

STATEMENT OF RICHARD A. YOUNG, VICE PRESIDENT, AMERICAN ZINC, LEAD AND SMELTING CO., ST. LOUIS, MO.

My name is Richard A. Young. I am vice president of the American Zinc, Lead & Smelting Co. I appreciate the privilege of again appearing before your committee. Since you so kindly heard many of my ideas regarding the problems of our industry in your recent hearing, I will not again repeat what I said at that time. I will, however, summarize our position regarding the Anderson bill and dwell somewhat on the various alternatives open to the Congress and the administration.

It is my belief that practically all of the companies in the industry feel that a reasonable, lasting, and prompt solution to the problem is sorely needed. We have seen stockpiling, barter, sliding scale duties, subsidies, and quotas proposed by the past administration at one time or another in the last 8 years. Of these, stockpiling, barter, and quotas have been used and found lacking. Sliding-scale taxes of the types proposed, and industrywide subsidies were wisely rejected by the Congress. The Tariff Commission has consistently recommended the further consideration of duties. This is the approach of the Anderson bill and the industry virtually unanimously endorses it in principle as the only solution. The specific rates set forth in the Anderson bill are excessive, however. The recommendations of the two Tariff Commissioners in answer to Senate Resolution 162 are, we feel, the maximum rates which should be applied consistent with giving the aid needed by the mining segment of the industry and yet not unduly risking permanent injury to the long-range best interests of the consumers of lead and zinc products. These rates are contained in the Kerr bill (S. 1361) and an identical bill (H.R. 5193) which Congressman Baker introduced in the House. These rates are fractionally close to being the maximum specific rates allowable under existing authority of the escape clause of the Trade Agreements Act. This same legislation was approved by the House Ways and Means Committee and the Senate Finance Commitee in the last session of the Congress. We commend these rates to this committee as more appropriate than those set forth in the Anderson bill.

Further, we do not favor the across-the-board subsidy contained in the Anderson bill feeling rather that any subsidy should be confined to the truly small mining companies to whom a subsidy would be of really substantial help. We suggest that this should be along the lines of the Kerr bill (S. 115) and the Edmondson bill (H.R. 84).

The tax or tariff aspect of our problem at levels set forth in the Anderson bill can be implemented in only one way, namely legislation. At levels we advocate, there were three possible methods of implementation, but only legislation can do the job adequately.

Negotiations through GATT, if properly and completely accomplished, would have all of the features of legislation at the rates we advocate except permanency. We understand that under article 28 of GATT the United States has the right to raise any duty, which has been previously reduced, to the full levels allowed under the escape clause provisions of the Trade Agreements Act. Further, if negotiations of proper compensation cannot be agreed upon with affected nations, the United States may take unilateral action leaving the affected nations to take any retaliatory action they desire. For some reason the United States has not seen fit to use this instrument except on rare occasions. On the other hand, other nations have used this escape quite frequently. Unfortunately, this method is open only once in every 3 years and while 1961 was one of the years, we understand that section 28 negotiations are now completed and closed.

Rates we advocate could be established through the escape clause, which is by far the least satisfactory from the standpoint of the industry. While the present quota order could be replaced by duties (provided they are less restrictive than the quotas), this is possible only on the metals and the ores or concentrates. To place substantial duties on ores and concentrates and the metals without putting commensurate duties on the many products of the meals which have traditionally

carried commensurate rates would be tantamount to giving a subsidy to foreign fabricators who would have such a competitive advantage over domestic fabricators of the metals as to cause more injury to the industry than it would cure. To make this alternative truly effective, a multiplicity of additional section cases would have to be filed, heard, and acted upon which would add complications almost beyond comprehension. This, therefore, is by far the least satisfactory of the three alternatives. The magnitude of the rates on the metals, ores and concentrates to be instituted would have a great bearing on this, the higher the rates the greater the problem.

Thus, gentlemen, we feel that to adequately meet this problem legislation is the only practical solution.

We have the definite feeling that the Interior Department is working hard to find a solution to the problem and would like to solve it properly. We, for one, would like to express our appreciation.

It is rather widely recognized that a reasonable increase in U.S. duties or taxes on lead and zinc would not be too disturbing to the majority of foreign producers who regularly ship their production to this market. Consequently, since this is the case and temporary expediency substituted for proper action in the last 8 years has not solved our problem, we earnestly urge action by this Congress. The longer the delay, the more serious the results will be and the more difficult a proper solution will become.

Senator CARROLL. Is Mr. McCormick here? Mr. McCormick, I think, has a statement, at least for the record, has he not?

Mr. McCormick probably is not here, I understand.

We had a statement put in by Mr. Waldeck, of Montrose, Colo. who, I think, is the lawyer for the Standard Metal Corp., so I think that will answer for them.

Now, I want to keep Mr. Young here a while, if I may.

Tom Kiser. Is Tom Kiser here?

Mr. KISER. Yes, sir.

Senator CARROLL. Come forward, will you, please. You be seated right alongside the table. I think you and Mr. Young might get a couple of people like you working on this thing, because you impressed me very much the last time.

STATEMENT OF TOM KISER, TRI-STATE ZINC-LEAD ORE PRODUCERS ASSOCIATION

Mr. KISER. I certainly appreciate that.

Senator CARROLL. I do not want to shut you off in your testimony. Do you have a written statement?

Mr. KISER. I have already submitted it, sir.

Senator CARROLL. You have? That is fine. Do you want to make some general comment as you are seated alongside Mr. Young?

Mr. KISER. I just wanted to thank you for your work and your determination to help us solve this problem.

I want to thank you on behalf of the Tri-State Ore Producers Association and the membership thereof for this work that is going on, and I think you have made some good headway here today by having these departmental people here. I especially enjoyed hearing you question Mr. Bramble and Mr. Blumenthal and others.

I believe that out of this hearing will come some compromise whereby we might get some lead-zinc legislation.

Senator CARROLL. It is my own honest opinion that there is some good, sensible solution. I want Mr. Bramble to pay attention to me if he will.

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You see what we have got here, I am a new chairman of this subcommittee, coming in for this first time. I have been in this issue on the sidelines for a long time. I have been very much impressed with the testimony of all the people, but especially of Mr. Young and Tom Kiser and these men. This is a commonsense approach.

They know what they are talking about. They are commonsense people. If we can get people like you working together with Interior and the State Department, trying to work out some sort of a program, it does not have to be like the sugar bill, it does not have to be like the wool bill, but on this principle. As Mr. Young has said, some of this tax could go back to the underdeveloped countries, and this is all right, because we are giving it to them anyway, and so we ought to be able to use these funds and this money to sustain our own domestic economy.

Of course, I do not want to leave out of this discussion our own good friend and adviser from the Bureau of Mines.

I think men like you have the experience. If we have to spend money let us spend a little bit. Again I repeat the statement about the $280 million that goes into the maritime industry.

If we have to spend $5 million, $10 million to give a foundation for an important part of our economy we ought to give it. I do not mean to shut you gentlemen off.

You have about 3 more minutes and then I will have to run.

Mr. KISER. That is quite all right with me. I think you have one other witness.

(The prepared statement of Tom Kiser, together with the communications, follows:)

STATEMENT OF TOM KISER, TRI-STATE ZINC-LEAD ORE PRODUCERS ASSOCIATION, PICHER, OKLA.

Mr. Chairman, committee members, my name is Tom Kiser, I am a small independent mine operator and president of the Tri-State Zinc-Lead Ore Producers Association of Picher, Okla., with membership from northeastern Oklahoma, southeastern Kansas, and southwestern Missouri.

Once again our association wants to thank this committee for its observations and most sincere interest in the plight of the domestic lead and zinc industry. We are also very grateful for your efforts and the hard work that you have so generously contributed to this very grave and complex problem and for once again holding hearings and trying to arrive at a workable solution for all segments of the industry.

When we look back to the many appearances before congressional committees, the U.S. Tariff Commission, and their recommendations, I think that all of the witnesses here today will agree that there is injury to the domestic lead-zinc industry.

The facts, statistics, and statements given here today by witnesses, for the most part, will be repetition of or essentially the same as those in previous hearings and will prove beyond a doubt that the domestic lead-zinc industry is critically injured by excessive imports of these metals.

Last year Congress passed the small mines bill, which was vetoed.

Mr. Kennedy in his campaign speech at Pocatello, Idaho, said that he was shocked at the veto of this bill.

Mr. Kennedy also personally told miners, who had formed a caravan in Miami, Okla., and toured the tristate mining field, on their way to welcome him to a Democratic rally held in his honor at Joplin, Mo., that he would not have vetoed that same small mines bill. Later, the same day, while speaking to some 5,000 area people, he promised relief to our depressed mining problems and said, "What you need is legislation, not vetoes."

With these promises in mind, the people of the tristate mining area have continued to work for the small mines bill, even though we realize and have testi-

fied that it is not a complete solution to all domestic lead-zinc problems; however, it would provide the much-needed relief to allow the small producers to survive, until a final solution is enacted.

Gentlemen, I have a voluminous file of letters, telegrams, and newspaper clippings from the people of the tristate mining district, which, I regret to say, show that they are shocked at the delay and time-consuming deceptive gestures being made by people who are responsible for the President's commitment to this thoroughly studied problem, when immediate action is needed, justified, and promised.

The measure being considered here today has a much broader coverage for the small producer, and tariff regulations that would make it more desirable to all domestic producers, and a complete solution to their problems, if it were enacted.

The provision and merits of this proposal have been thoroughly explained by Mr. Wilson and other witnesses who were heard here this morning. Therefore, I feel that it is unnecessary to further discuss the provisions of S. 1747.

As I said earlier this bill would be most desirable by all domestic producers of lead and zinc and certainly very much hoped for by the domestic industry.

I sincerely hope that this committee will favorably report this bill and if we are fortunate enough to get our small mines bill before you, that you will favorably report it also.

TREECE, KANS., *June 21, 1961.*

HI TOM: Will drop you a few lines to let you know I am OK.

We are still waiting for the Kennedy administration to give us some help like the President promised in his speech in Joplin. But promises won't buy food and clothing for the miners' children and there are plenty of them that could use some now. When all the miners voted for President Kennedy we thought he was 100 percent for labor here in the United States and I sure hope he don't disappoint us.

As ever,

GLEN.

JUNE 23, 1961.

DEAR TOM: I'm sorry to hear about all this messing around going on up there about getting our mines opened. I've been waiting a long time for something to be done so I can get back to work again.

When I went on that caravan to Joplin to meet Kennedy, I thought he promised that he would help us. I sure thought he was the man who would get things going for us. From what I hear, he sure isn't doing much and I'd like to know why. I hope he hasn't changed his mind.

I've had my physical and am ready to go to work just as soon as we get the mines opened.

Is there anything here we could do to help get things going there?

Your friend,

FRANK BEEMAN.

PICHER OKLA., *June 19, 1961.*

DEAR TOM: The people here were certainly disappointed and dismayed here Friday that President Kennedy's Interior Department failed to take a stand for us.

President Kennedy voted for the small-producer bill as a Senator; from his campaign speeches we knew he was 100 percent for us.

The community has waited patiently this spring, but 5 months is long enough. President Kennedy declared himself for us and we are for him. The Interior Department is certainly not expressing his stand on the small producer bill. What is wrong?

The small producer bill would save our city and the tristate district. It would take care of all the producers except Eagle-Picher. The bill would furnish Eagle-Picher ore for their central mill which would keep them alive with a profitable operation until something was done for the open market price for their mines. This would also let all their subleased mines run.

My objection is that the Interior Department and the State Department make no effort to be posted. No one can imagine the distress in our district.

The Eisenhower-Nixon administration vetoed our mining bill without sending a committee into any small producer district. Neither Mr. Seaton, Mr. Nixon,

nor President Eisenhower would give a small producer an audience to hear our side. They were big business, period.

I feel President Kennedy is different. He gives thought to these American miners that are out of work and not allowed by our Interior Department and State Department to make a living for their families. His stand has been firm.

There were 1,500 men working in our mines here in January 1957. All these men ask is that they be allowed to work and be allowed to make a living for their wives and children. Today there are not over 100 working. We pass out free commodities. The school here has given thousands of free lunches to the schoolchildren. It is distressing to serve as mayor under these conditions. When there is a big market for his product, should any American miner be degraded to this point for 4 straight years? Nothing is more degrading to an American man than to see his wife have to go downtown for free commodities, to have his children have to ask for free lunches, for them not to have anything.

These are the conditions that have existed here for 4 straight years. All small lead-zinc communities in the United States are in the same condition.

The State Department apparently represents the foreign interests. Their stand could indicate nothing else. The facts bear this out. Let's be honest.

The lead-zinc staff of the Interior Department have had 4 years to solve this problem. What do they do Friday? They ask for more time. They ought to be fired.

My opinion is they sit in their offices and do most of their lead-zinc talking with the real large companies that make money every year. If they had been talking with the small companies that haven't had a cent of income for 4 years, do you think they would have asked for more time Friday?

Big business is certainly not for Mr. Kennedy. I just can't believe that he will go along with them in being against the small producer bill.

All the community here has confidence that he will have his Interior Department endorse the small producer bill. That he will have them also take care of the larger domestic producers.

No area, Tom, could be more distressed then ours. Please bring this to the attention of the administration and do the very best that you can for these miners of the tristate district and their families.

All the people here appreciate all the work that you have done and are doing for them. I add my personal thanks. Good luck and God bless you.

Yours truly,

BILL HASSEBERG,
Mayor, City of Picher.

MIAMI, OKLA., *July 1, 1961.*

Mr. TOM KISER,
Care of Ed Edmondson, Member of Congress, Old House Office Building, Washington, D.C.

DEAR MR. KISER: As you probably know I am president and one of the principal stockholders of the Contack Mining Corp. which has been in existence since 1949. For the past 3 years due to depressed prices on lead and zinc our company has been idle and during this 3-year period we have spent a tremendous sum in pumping cost in order to keep our leases from filling up with water. We have also sustained a substantial loss due to the deterioration of underground hoppers and other installations that have rotted and deteriorated to the point where it will take a great deal of maintenance to put them back in usable condition. During the last 3-year period, we have maintained these underground installations to a certain extent which has been a burden to us. Unless we receive some relief in higher prices on lead and zinc we will have no choice other than to abandon all of our leases and, of course, in a short time they will fill up with water and probably be lost forever.

Tom, as you, of course, already know this is our "last ditch" stand and unless something is done immediately we, along with many other operators, will lose everything that we have strived to preserve during the last 3 years. We ask that you kindly do your very best to present our problem to the proper officials in Washington for if something isn't done in the immediate future, we face the loss of a tremendous investment and there will be no possible chance to salvage any of it other than the price on lead and zinc ores that will permit us to operate at a nominal profit.

Thanking you in advance for your best efforts in our behalf, I am,

Sincerely yours,

ORVILLE B. MOORE.

PICHER, OKLA., *June 20, 1961.*

DEAR TOM: We were shocked to learn that the administration in Washington has asked for a postponement of the committee hearing on the "small producers" lead and zinc bill until they could decide their position on this legislation.

When Mr. Kennedy was making campaign speeches he stated at Joplin, Mo., and other places that he was for the "small producers" bill and if elected he would work for this bill; and if it was passed he would sign it, and, in fact, criticized President Eisenhower for not signing the bill which Congress passed last year.

The Tongaha has not had any operations now in about 4 years. Our equipment, including loaders, trucks, etc., is still underground and is deteriorating. If the "small producers" bill is passed I believe it would not only permit us to resume operations but many other small producers in this and other districts and help our unemployment situation coniderably.

We appreciate your efforts and please relay this information to the people concerned.

Yours very truly,

W. A. BREWER,
Secretary-Treasurer, Tongaha Mining Co.

INGRAM MACHINERY CO.,
Picher, Okla., July 1, 1961.

DEAR TOM: From all we read and hear down here it appears that we are getting the old GOP runaround from the new administration. We were led to believe that under this administration we could expect some realization of something better than the 3 years of stagnation imposed on us by the reciprocal trade program.

Tom, as you know we all are in a hell of a shape and how much longer we can go on keeping the shafts repaired, the water out, the liability, fire, and tornado insurance paid, and ad valorem taxes have to come from somewhere.

Tom, don't take this as criticism of your efforts, but we are getting to the point where we have to snap at someone.

Sincerely,

WILMER.

PICHER, OKLA., *June 20, 1961.*

Mr. TOM KISER.

DEAR TOM: Needless to say but we were very disappointed in the action that was taken on June 16 as we were positive and had been informed that the Interior Department would back up the small producers bill on that date.

We are at a loss to determine the delayed action in this matter especially when we consider the campaign promises by the Kennedy administration.

Words cannot express the dire need of this bill in this area as it's certainly a depressed area and no doubt deserves the consideration of the entire mining industry.

We are still hopeful that this administration will see fit to give us immediate relief in some manner as the shutdown expense at our mines has reached the point where it's impossible to continue to maintain our leases.

We are counting on you Tom to give us your best, and hope that the Department will see fit to provide this area with some action that will let us again resume operations.

With very best regards, we remain,

Yours very truly,

MARK TWAIN MINING CO., INC.,
By H. L. CHILDRESS,
Secretary-Treasurer.

MIAMI, OKLA., *July 1, 1961.*

TOM KISER,
Old House Office Building, Washington, D.C.

DEAR TOM: I am writing this letter to let you know that I am very much in favor of your action in behalf of the "sick" lead and zinc industry of northeast Oklahoma and adjoining States.

Due to the fact that I am employed as a salesman I have had the opportunity to see firsthand the miserable conditions of our relatives, friends, and neighbors

in this area. I have witnessed people living in hovels that many people of better means would not keep their pet dog or cat in. Many of these unfortunates (U.S. citizens) have several children that do not have enough clothing to keep them warm in winter.

Of course the logical solution to this problem that has been brought up so many times is, "Let them be absorbed by new industries." To an old lead and zinc miner this is very near an impossibility. How can he find a job if he has to compete with young, educated, and single men? All of his life this man has worked in the mines of this area and it is his occupation just as much as any professional man must stick to his own profession.

How much do we really appreciate the man that doubled his productive capacity during the trying days of World War II? Can we afford to let these citizens starve out? What about the young children? Will these children grow up to be responsible, socially adjusted, law abiding citizens when poverty is with them every day of their lives?

Yes, I am very much in favor of a method of improving the mining conditions in this area.

I am sure that if President Kennedy could see with his own eyes what I have seen, he too would be appalled at the conditions that his fellow countrymen are enduring.

Good luck with this much neglected situation, I remain,

Sincerely yours,

BILL G. CHRISMON.

THE TRI-STATE TRIBUNE,
Picher, Okla., June 18, 1961.

TOM KISER,
Washington, D.C.

DEAR TOM: What's happened?

Needless to say we, in the tristate area, are disappointed in the stand, or perhaps the lack of a stand, the administration and the Interior Department are taking in regard to the small producers bill.

Surely they are aware of the fact that the small producers in this area have been hanging on by the skin of their teeth, in the hopes that this administration would take immediate and positive action on this bill. Surely too, they are aware by now, that these producers will close down, that our mines may be irreparably damaged, unless help is forthcoming soon. Surely they are aware of the fact that hundreds of our people have been looking to the Democratic administration for relief of a desperate economic situation.

This area went for Kennedy in a big way in November, in the sincere belief that he would fulfill his campaign promises that he would correct the "Eisenhower veto" of the small producers bill last session.

Personally, and I believe I am reflecting the feelings of the majority of the miners, producers, businessmen, and citizens of this area, when I say "We are puzzled."

C. ALLAN MATHEWS.

UNITED MINES CO., INC.,
Picher, Okla., June 19, 1961.

TRI-STATE LEAD, ZINC ORE PRODUCERS ASSOCIATION,
Picher, Okla.
(Attention Mr. Tom Kiser, President).

GENTLEMEN: We were very much surprised to read in the papers that the June 16 meeting on lead and zinc was postponed for lack of readiness of the administration.

How much time do they need? Seems to us that we have been working on this thing for the last 5 to 6 years. After all the promised help during the campaign we felt sure that we would have something working for us by now.

Tom, there is no need of us telling you about the hardship of our people, who keep thinking that they will be put back to work, and the operators, who keep pumping water and maintaining equipment, thinking that they will be able to go back into the mines. Being an operator yourself, you already know these things, but seems like you are having a hard time convincing other people.

We are still hoping that you can get something done for us before this Congress adjourns.

Yours very truly,

VERNON B. ANDERSON,
Secretary-Treasurer.

MIAMI, OKLA., *June 25, 1961.*

DEAR FRIENDS, TOM AND ED: I am writing you in regard to the lead and zinc bill. What is wrong with Kennedy? Has he forgotten what he told us all when we met him in Joplin? All the smiles and handshaking he did, I thought he was sincere in it, but I wonder now. I guess he was wanting votes then. I voted for him and had many arguments over his religion and I thought he was the man. I thought if he was a Democrat he had to be all right for you know how I always vote right down the line for the Democrats.

My husband had to leave home to get work as there is none here. If you should find a job, they want you to work for $1 per hour. We had a nice home and a nice car and had to sell both to pay out. I also went to work to help out. You know 5 years is a long time to live without a steady job.

They talk and promise everything until they get elected and then they forget us. Tell Kennedy we can't help what some of these Oklahomans did against him. We sure all did our part and he should never forget us.

I hope he sees the light and does something this time, don't you?

I will close, hoping you both all the good luck in the world.

Yours truly,

MRS. GENEVA FORREST.

Senator CARROLL. Mr. Mack, do you have a prepared statement?

STATEMENT OF JAMES E. MACK, GENERAL COUNSEL, ROLLED ZINC MANUFACTURERS ASSOCIATION

Mr. MACK. Yes, sir.

Senator CARROLL. You are the attorney for the Rolled Zinc Manufacturers Association, are you not?

Mr. MACK. Yes, sir.

Senator CARROLL. Secretary and general counsel?

Mr. MACK. Yes, sir.

Senator CARROLL. Do you want to make any observations here? We will put your statement in the record, too.

Mr. MACK. All right, sir.

Thank you, Mr. Chairman. The reason that I requested permission to come back before you today is because of developments which have occurred since my previous appearance.

We then urged, and we again urge, the enactment of S. 1747. Our basic reason is that the administrative remedies are not working, and that we have exhausted all efforts to obtain relief through administrative channels.

Senator CARROLL. You testified to that before.

Mr. MACK. Yes, but there have been subsequent developments.

On June 20, 1961, we filed another escape-clause application on zinc sheets and, to our amazement and astonishment, the Tariff Commission has declined to even hold a hearing, notwithstanding the fact that the law—the escape-clause provision of the Trade Agreements Act—provides that when an application is filed the Commission shall hold a hearing. It does not say "may," it says "shall."

Senator CARROLL. Can you mandamus them?

Mr. MACK. We could probably get a hearing.

But if three Commissioners are entirely unsympathetic to the problem, what good would a hearing do us. What we need is increased import protection—not just a moral victory.

Senator CARROLL. Whatever you say will be in the record, I mean your whole statement will go in the record.

Mr. MACK. They said that the hearing was refused even though the law requires them to hold it because the facts have not changed.

They made that statement even though imports have increased drastically, and the financial position of our industry has deteriorated materially.

Just to give you an example of what the situation is, in 1952 imports were 1 percent of domestic industry production, in 1958, which was the last year before the other hearing, they were 19 percent; today they are 42 percent.

They say that is not bad enough to even get a hearing. We are losing substantial amounts of money. We say the administrative remedies have been exhausted and Congress should enact legislation.

(The prepared statement of Mr. Mack follows:)

STATEMENT OF JAMES E. MACK IN BEHALF OF THE ROLLED ZINC MANUFACTURERS ASSOCIATION

Mr. Chairman, my name is James E. Mack and I appear as general counsel and in behalf of the Rolled Zinc Manufacturers Association with headquarters here in Washington. The association is composed of seven members who manufacture 100 percent of the zinc rolling mill products produced for sale in the United States. These items include zinc sheet, strip, rod, wire, and engravers' plates. On May 5, 1961, I appeared before the Minerals Subcommittee and urged enactment of S. 1747 by Senator Anderson and others. Enactment was urged because manufacturers of zinc rolling mill products have attempted repeatedly to avail themselves of various administrative remedies to obtain increased import protection without success even though we are convinced both the law and the facts justify increased import protection.

In my appearance before you on May 5, 1961, I outlined our many efforts including escape clause applications, an effort to invoke article XXVIII of the General Agreement on Tariffs and Trade and an effort to correct an anomalous and illogical situation in connection with the Tariff Commission customs simplification investigation. Of the three escape-clause applications only one resulted in a hearing being held and the Commission by a vote of 3 to 2 failed to find injury. To our knowledge no action was ever taken on our application to invoke article XXVIII of the General Agreement on Tariffs and Trade. Concerning the customs simplification investigation, we were told that our request involved changes in duty rates which were outside the scope of the Commission's authority in connection with that particular investigation. Except for this brief summary, I shall not go into detail concerning these various efforts unless committee members wish me to do so because each was discussed each in detail in the May 5 appearance before the committee.

My purpose in requesting to appear before you today was to invite your attention to developments which have occurred since my previous appearance before you which we consider have provided further basis for the enactment of S. 1747.

On June 20, 1961, three manufacturers of zinc sheets filed an escape-clause application with the U.S. Tariff Commission. These are the same three companies which filed the previous escape-clause application on which a Commission decision was rendered on January 14, 1960, and in which the Commission by a vote of 3 to 2 made a finding of no injury. The two dissenting Commissioners did make a finding of injury and recommended an increase in the import duty from the current rate of 1 cent per pound to 45 percent ad valorem. The reason why the same three companies again submitted the application almost 18 months following the previous 3 to 2 rejection is because imports have increased materially and the position of the domestic industry has substantially deteriorated since that time. As evidence of this deterioration, zinc sheet imports represented a quantity equivalent to only 1 percent of domestic production in 1952. In 1958, the last full calendar year prior to the 1959 Tariff Commission investigation, they represented a quantity equivalent to 19 percent of domestic industry production. For the first quarter of 1961 imports accounted for a quantity equivalent to 42 percent of domestic industry production. Imports of zinc sheet during the first quarter of 1961 increased over imports during the first quarter of 1960 almost 40 percent and yet for April and May 1961 a further substantial increase in imports was experienced. For the three domestic zinc sheet manufacturers, profits for 1956–58 were minimal. A substantial net loss of $130,862 occurred in 1959, the loss for 1960 was almost double at $251,348 and the loss for the first

quarter of 1961 of $129,830 was more than four times the net loss for the first quarter of 1960. While domestic prices are relatively stable because of high unit costs, the average foreign unit value of zinc sheets imported reached a new low of 15.1 cents per pound in the first quarter of 1961 from a 1952 average unit value of 25 cents. If additions are made to the 15.1 cents per pound figure for ocean freight, import duty and importer profit the total may be compared to the average value of domestic zinc sheet sales per pound for the first quarter of 1961 of 39 cents.

Imports of zinc sheets from Yugoslavia [1] not only are rapidly overtaking the market of domestic zinc sheet manufacturers but also the major share of the market formerly held by other foreign suppliers. In the first quarter of 1961, 520,059 pounds of zinc sheets were imported. Of this quantity 375,000 pounds were of Yugoslavian origin. In 1959, 16 percent of total zinc sheet imports were of Yugoslavian origin. For the calendar year 1960 the percentage had increased to 45 percent and for the first quarter of 1961 imports of Yugoslavian origin represented more than 72 percent of total zinc sheet imports. The average foreign unit value of Yugoslavian zinc sheet imports during the first quarter of 1961 was only 14 cents per pound which is only slightly above the U.S. price for slab zinc. It is well known that Yugoslavia is a country with a centrally planned government and, therefore, is in a position to eclipse other sources of supply to the U.S. market. A further increase in the imports from Yugoslavia occurred in April and May of this year. 375,000 pounds were imported from Yugoslavia in April and May 1961 which is the same quantity which was imported during the entire first quarter of 1961, which period itself represented a 40-percent increase over the first quarter of 1960.

These are some of the basic facts which the three named companies cited in their escape-clause application to the Tariff Commission of June 20, 1961. We feel these facts fully justify an investigation and finding of injury on the basis of the merits of the case. However, to our complete amazement, astonishment, and in our opinion, disregard of the law, the Commission has declined to even conduct an investigation and hearing. At the time of the Commission's decision, there were some further circumstances which should be recognized. First there were only five members of the Commission with one vacancy. One Commissioner was in the hospital and did not participate in the action and one Commissioner dissented. Therefore, by a vote of 3 to 1, the Commission refused to even hold a hearing. As you know, the escape-clause provision of the Trade Agreements Extension Act 1951 provides as follows:

"SEC. 7. (a) Upon the request of the President, upon resolution of either House of Congress, upon resolution of either the Committee on Finance of the Senate or the Committee on Ways and Means of the House of Representatives, upon its own motion, or upon application of any interested party (including any organization or group of employees), the U.S. Tariff Commission *shall* promptly make an investigation and make a report thereon not later than 6 months after the application is made to determine whether any product upon which a concession has been granted under a trade agreement is, as a result, in whole or in part, of the duty of other customs treatment reflecting such concession, being imported into the United States in such increased quantities, either actual or relative, as to cause or threaten serious injury to the domestic industry producing like or directly competitive products." [Emphasis added.]

Your attention is invited to the word "shall" in this paragraph. The law does not say "may" but says "shall." It is presumed that the Commission by this action has taken the position that since there was one investigation almost 18 months ago, it is not required to conduct another one even though there has been a material change in the facts and even though the finding of no injury in the previous case was by the closest of margins of 3 to 2 votes. Following this reasoning, the Commission never would be required to conduct an investigation covering any item on which a previous investigation had been conducted no matter how long the interval. Now, of course, we could take this matter to court and the Commission perhaps be directed to hold a hearing and investigation. What the domestic zinc sheet manufacturers need is increased import protection and not a moral victory and if three Commissioners are unsympathetic with our problem we know of nothing which would be gained by forc-

[1] Although Yugoslavia is a Communist country, imports from Yugoslavia are not dutiable at the full rate but instead at the reduced most-favored-nation rate.

ing the hearing. That is why we say we must have exhausted our administrative remedies and S. 1747 should be enacted.

Submitted herewith is a copy of the letter from the Commission dated July 10, 1961, refusing to conduct the hearing and investigation in accordance with the application of the three zinc sheet manufacturers dated June 20, 1961. Your attention is invited to the last paragraph of the letter which reads as follows:

"It is the established policy of the Commission that when an escape clause investigation has resulted in a negative finding no new application for an investigation concerning the same subject will be accepted unless changed conditions are shown that indicate prima facie that a basis for escape clause relief is warranted. The instant application does not meet this test. No sufficient change of conditions is shown that would indicate a different conclusion than that the majority arrived at in the previous investigation."

The attention of the committee is invited to this statement in view of the tremendous change in the factual situation. A statement that the facts have not changed materially in view of drastically increased imports and the large net losses by domestic manufacturers among other things, in our opinion, is like saying black is white. Nevertheless irrespective of the factual situation, we believe the Commission acted outside its authority inasmuch as the law says it "shall" conduct the investigation and hearing.

Your attention is further invited to that portion of the Commission's letter of July 10 which reads as follows:

"After careful consideration of the application, the Commission has determined (Commissioner Talbot dissenting) that the investigation requested is not warranted for the following reasons: On January 14, 1960, the Tariff Commission issued a report of the results of an escape clause investigation with respect to zinc sheets which had been instituted on the application of the three domestic producers named in the present application. A majority of the five Commissioners participating in the determination found that no recommendation to the President for escape clause relief was warranted. The statement of views of *two* of the majority of the Commission contained the following conclusions [italic added]:

"(1) The deterioration of the zinc-sheet industry was in process long before the recent increase in imports;

"(2) The decline in the domestic production of zinc sheets in recent years has been far greater than the increase in imports; and

"(3) This decline, which manifestly had its origin in causes largely unrelated to imports, is but a continuation of a longrun trend in the domestic consumption of zinc sheets."

Please note that the three reasons assigned as a basis for a finding of no injury represented the views of only *two* members of the three member majority finding no injury, or a minority of the Commission. These three reasons are particularly interesting as they were advanced by the Commissioners who, according to our analysis, used exactly the opposite reasoning and logic in Escape Clause Investigation No. 67 of January 1959 pertaining to wilton, brussels, velvet, and tapestry carpets and rugs. In that case the same two Commissioners filed a minority report dissenting from the Commission majority. The majority made a finding of no injury from which these two Commissioners dissented. Included in their dissent were the following paragraphs:

"In denying the applicants relief from the injury *caused by imports* it does not suffice merely to show that the respective domestic producers are exposed to other competitive situations which constitute as great a threat to their survival as does the ever-increasing flow of imports. One does not deny first aid to a victim of external bodily injuries on the grounds that he concurrently needs medical treatment for internal ailments. Neither does one oppose the adoption of adequate rules of highway safety because there is also need for inspecting motor vehicles or for licensing operators. The existence of collateral problems provides no warrant for inaction. Nor is it germane to argue that some other domestic industry is enjoying an expanding market—i.e., some industry other than the one properly identified by both the majority and minority members of the Commission in this case as the domestic industry producing 'like or directly competitive products.' It would be a curious doctrine, indeed, that would deny an American industry the relief that Congress contemplated under the escape clause on the ground that the respective producers are also confronted with domestic difficulties in marketing their product.

Should such a doctrine be consistently applied, it is doubtful that any domestic industry, however intense the import competition may be, could be granted relief under section 7. The issue then is simple, clear, and unavoidable: Whether imports of wilton and velvet carpets and rugs are causing, or threatening to cause, serious injury to domestic producers of like products. Irrelevant facts relating to the domestic difficulties of the industry must not be permitted to obscure this issue. To deny relief to the domestic industry producing wilton and velvet carpets and rugs on any other basis would constitute a misapplication of the escape clause provision and a travesty of the congressional mandate. * * *"

The reasons cited in the above-quoted paragraphs by two Commissioners in the minority opinion concerning carpets fit like a glove the situation pertaining to the zinc-sheet industry on which an opinion by the same two Commissioners, using exactly the opposite reasoning, is cited as the basis for denying not only relief but even a hearing in the case of zinc sheet. Certainly the zinc-sheet industry has many problems other than imports just as does the carpet industry, and even though domestic production has declined more than imports have increased, the injury from imports has been substantial and, therefore, increased import protection is justified.

We urge the committee to consider favorably S. 1747.

U.S. TARIFF COMMISSION,
Washington, D.C., July 10, 1961.

JAMES E. MACK, ESQ.,
Attorney at Law,
Washington, D.C.

DEAR MR. MACK: This is in reference to an application which you filed with the Tariff Commission on June 20, 1961, as counsel for three named companies that are U.S. producers of zinc sheets, requesting an investigation for the purposes of section 7 of the Trade Agreements Extension Act of 1951, as amended, to determine whether coated and uncoated zinc sheets are being imported in such increased quantities as to cause or threaten serious injury to the domestic industry producing like articles.

After careful consideration of the application, the Commission has determined (Commissioner Talbot dissenting) that the investigation requested is not warranted for the following reasons: On January 14, 1960, the Tariff Commission issued a report of the results of an escape clause investigation with respect to zinc sheets which had been instituted on the application of the three domestic producers named in the present application. A majority of the five Commissioners participating in the determination found that no recommendation to the President for escape clause relief was warranted. The statement of views of two of the majority of the Commission contained the following conclusions:

(1) The deterioration of the zinc-sheet industry was in process long before the recent increase in imports;

(2) The decline in the domestic production of zinc sheets in recent years has been far greater than the increase in imports; and

(3) This decline, which manifestly had its origin in causes largely unrelated to imports, is but a continuation of a long-run trend in the domestic consumption of zinc sheets.

The third member of the Commission majority, in a separate statement of his views substantially agreed with these findings. While two of this majority defined the domestic industry concerned as embracing the domestic production of both zinc sheets and zinc strips, they pointed out that their conclusions would not have been different had they conceived of the industry as embracing the domestic production of only zinc sheets. The third member of this group agreed with the minority of the Commission that the domestic industry concerned embraced the production of zinc sheets only.

It is the established policy of the Commission that when an escape clause investigation has resulted in a negative finding no new application for an investigation concerning the same subject will be accepted unless changed conditions are shown that indicate prima facie that a basis for escape clause relief is warranted. The instant application does not meet this test. No sufficient change in conditions is shown that would indicate a different conclusion than that which the majority arrived at in the previous investigation.

Sincerely yours,

DONN N. BENT, *Secretary.*

Senator CARROLL. Well, now, you heard the discussion between Mr. Young, Mr. Kiser, Mr. Bramble, and assuming that S. 1747 is not the vehicle that will be adopted what do you think this idea of working along the approach that we were discussing will result in?

Mr. MACK. Well, we have studied——

Senator CARROLL. Does that affect your particular commodity?

Mr. MACK. We have studied the whole matter carefully, and we would welcome the opportunity to study any other proposal if we could see the whole proposal such as that which has been outlined. We have looked at S. 1747 and we say we can enthusiastically support it.

Senator CARROLL. Well, I wish you would give some thought along the line of trying to open up a new approach. The very argument that you used against a writ of mandamus could be used against trying to push S. 1747 if we know we are going to push that into a veto. We will take that one, too, but I think we have also got to get up and, I think, if we get some cooperation from these departments and with men who know the industry and know what the problems are, that then I think there is a chance for success in this field.

I, as chairman of the subcommittee, would be delighted to be able to come out with a bill that would have the endorsement of the Interior Department and of the State Department and of the industry itself.

Mr. MACK. There is nothing we would like better.

Senator CARROLL. It would be a significant achievement for all of us, the whole committee. I would like to really put this baby to bed once after all these years. We have been kicking it around, and I would really like to do something.

Now gentlemen, I have been given a respite here, I have a few more minutes.

Mr. Young, do you care to make any more observations?

Mr. YOUNG. One or two, Mr. Chairman. If we are going to have any program that is going to increase production in the United States back to where it was in 1956 even, it is going to have its effects on the foreign markets.

It makes no difference whether you do it by duty, subsidy, or by quota. It is going to have the same effect, so selecting one instrument over the other is not going to have any less repercussions.

If production is raised anywhere in the world, it has its effects on the market. If it is raised here it is going to have its effects on the market, and the instrument makes no difference.

Consequently, I think we should choose the simplest instrument. I think we should choose the instrument which will allow the industry, both here and worldwide, to, at least, the extent it does now, operate under the principles of free enterprise without controls and that we should keep this very firmly in mind when we work toward an instrument, because the instruments that involve too many controls are too cumbersome, they are too slow.

In lead and zinc, for instance, I am happy to say that no one has mentioned it, but the consumption of zinc has increased 30 percent in the last 4 months. No one could have foreseen this. This is how much it fluctuates.

We have had as high as a 25-percent change in a month from month to month, in a sudden drop. We had that sort of drop in the fourth quarter of 1960 and the first quarter of 1961.

There is nothing wrong with zinc. We had a combination of circumstances. We had the worst first quarter in steel we have had since the forties.

We had the lowest automobile fabrication since the forties. This is bound to be very low consumption. I am happy to say last month it was reported in zinc that the consumption was at the rate of around a million tons. This is higher than we have had since 1956. I do not know whether this will continue or not, continue to increase.

Senator CARROLL. How did that affect the price?

Mr. YOUNG. Well, the price has not come back yet because we have exceedingly heavy stocks, but the stocks are dropping. For 3 months now they have dropped. This month they will drop some more. It is on its way, not to a solution, but I did not want to leave the impression here that this thing, this consumption, was going down forever. That is not true.

Senator CARROLL. Well, it is almost a conclusion we reached this morning with the Department of Interior when they were referring to lead and zinc. But the impression was——

Mr. YOUNG. They are using annual figures, which annual figures included the depression of 1958, the steel strike of 1959. We lost our biggest customer for months in 1959 because of the steel strike, and in 1960 we had the worst heavy goods depression we have had since World War II. That is where you've got the low consumption.

Senator CARROLL. If I follow you, you are advocating that we could nothing and still——

Mr. YOUNG. No, I think something needs to be done. But I did not want to leave an erroneous impression before the committee that we were in a declining consumption in both of these metals under normal conditions. Lead is not in good shape. Lead has not responded to economic conditions the way zinc has, but zinc seems to be coming along rather well.

We do need something. We need a larger differential over the foreign markets, and that is all we need.

Now, the small mines need something else. They cannot be saved by anything reasonable. They need something along the lines of the Edmondson-Kerr bill, and we are perfectly happy to see it. It has to be a subsidy, but it should only be given to those who need it.

Senator CARROLL. Failing the Kerr bill, the Edmondson-Kerr bill, or the Anderson bill, and so forth, is there no other system—let us talk about lead for a little bit—can we go back to the first question put to you? Where we can explore this, there is a way to pay back revenue to some of these countries?

Mr. YOUNG. Any price that is going to be high enough to take care of the mines that you are trying to take care of in the small mines bill, is going to be too high a price for the average of the industry. It is going to encourage substitution, it is going to get us into competitive troubles, and lead and zinc will probably stay, and should stay, at reasonable prices. When I say reasonable, 13½ cents, something like this, for quite a period of time, and the prices—you have 16 cents, for

instance, in your bill for the small mines. We should not have any price like that on our markets for all of our materials. It is entirely too high.

I think the whole industry recognizes this, and this is the reason the small mines need some special sort of treatment.

Senator CARROLL. What do you say about this, Mr. Kiser?

Mr. KISER. Well, I think we need a little special treatment, but I do think this: It is time for all segments of the industry to try to get together and maybe compromise just a little or maybe better yet have the committee compromise a little for them.

It seems like it has always been a difference of opinion between the different segments, and certainly in the departments downtown.

Senator CARROLL. I was really thinking when I asked you gentlemen here, that I was opening up a new avenue for a while. This is what was really in my mind, not entirely to get away from this type of legislation, but to explore a new approach.

Mr. KISER. Of course, the reason particularly that we like to stick with the Edmondson bill is because it is one we have commitments on from the President, and it is a bill that will save us, it is a bill that will work with any other legislation that you might pass or if we could get this upturned economy they keep talking about, it will take the weight off and let our bill lay there domant.

But under no circumstances do we say that the Edmondson bill will solve all the problems of the domestic lead-zinc industry. It just would not do it.

Senator CARROLL. You say the President has given a commitment on the Edmondson bill?

Mr. KISER. Well, he did in his campaign speeches, which was before he was President.

Senator CARROLL. All right, gentlemen, I must leave you. Is there anyone else in the room whom I failed to call, whose name has been on the list? I think I have covered everyone here.

Mr. YOUNG. Could I suggest, Mr. Chairman——

Senator CARROLL. Do you have another observation?

Mr. YOUNG. Could I suggest, Mr. Chairman, that under the auspices of this committee or elsewhere that maybe we could get the different groups in the industry and the Interior Department and the State Department representatives together and sit down around the table one of these days soon and see what we can bat out?

Senator CARROLL. This is what I had hoped for. This is what I was suggesting, that with the Department of the Interior and Mr. Bramble, and you gentlemen who know this industry, and with the Bureau of Mines, that maybe we could come up with something, that you could come up with something.

You do not have to sell the members of this committee—if we can get the Interior and State Departments and you people together you have got yourselves a bill, and I think that bill could become law.

Mr. KISER. Mr. Chairman, do you think that you could get the State Department to come up with a program that would solve it?

Senator CARROLL. I do not think——

Mr. KISER. They are here.

Senator CARROLL. I not think you can put the whole burden on the State Department. I think Mr. Bramble has indicated here today, he has opened it up anyhow, that he is willing to explore this concept. Mr. Young said he thought it ought to be explored.

Then as I—I hope I am wrong about this—but next I heard that it may be that it could not work at all.

Mr. KISER. I do not mean to be rude, but you know we have been exploring a long time without any discovery, and we have lost a few small miners and a few of the intermediate ones.

Senator CARROLL. I know this is true, that you have been pressing for bills for 12 years.

Mr. KISER. Yes, that is right.

Senator CARROLL. I am trying to say here that you have got Interior and State up here opposing this bill of which I am a cosponsor, coauthor. I will vote to pass it, and I will work to pass this bill. We can get it through the Senate, I think. We can get this bill maybe through the House, and then if we get it vetoed, then we again dash cold water on the hopes of all these people.

I am saying that there should be another approach. If we can get Mr. Bramble, who is an intelligent man, he has talked about other techniques; we can get Mr. Young, I think, whom I remember testifying about the Tariff Commission report about the comparison here with the sugar industry, sugar as a commodity. I know this presents difficulties. But you people just keep going around the barn. I do not say you—you have all got problems.

Mr. KISER. We certainly do have, and we are willing to try to settle them.

Senator CARROLL. I intend to support this bill. But I want to be quite honest with you, I just do not think that this is the answer that is going to be acceptable. I hope I am wrong. I am going to fight for it, so I think I will leave it to you gentlemen.

Mr. Bramble has indicated his willingness to sit down, and I will talk to the chairman of the committee to see if we cannot do something.

I am not wedded to this bill as of now. I will talk to Senator Anderson and see if we can arrange to have you people sit down with Mr. Kelly. We can arrange to have you people—Mr. Bramble you would be available for such a meeting, would you not?

Mr. BRAMBLE. Certainly.

Senator CARROLL. Do you think the State Department would permit that?

Mr. BRAMBLE. I think I ought to point out that on this suggestion I threw on the table it was something in which the Treasury would have a very vital interest.

Senator CARROLL. Well, we would get Treasury in.

Maybe we can do this: We have some very able economists in this area in the Government and if we cannot work out a new approach, well, we will go ahead with this.

But so far as I am concerned, this is the last meeting of this committee on S. 1747, although I will keep the record open if you want to put anything in. I do not mean to say that I control this all alone, I am giving my own viewpoint. I have gone up and down

the hill on this thing long enough. I am going to fight for the legislation to put it through.

But I hope we are opening up a new avenue and a new approach.

Are you here testifying, Mr. Young, today on S. 1747? Do you favor it?

Mr. YOUNG. Yes.

Senator CARROLL. Mr. Kiser, do you favor it?

Mr. KISER. Yes.

Mr. YOUNG. I do not favor the rates. I favor the approach. We do not favor the rates. We favor lower rates. We do not favor the across-the-board subsidy.

Senator CARROLL. And you will keep your mind open on this other approach, too, if there is some other way? Can you think in your experience—just one more question along this line—do you think that there is a feasible approach to this idea of collecting revenue and giving it back to some of the countries who pay it?

Mr. YOUNG. Are you asking me?

Senator CARROLL. Yes.

Mr. YOUNG. I do not know the other side of it. That is the reason I said I would throw it on the table.

Senator CARROLL. But you are willing to explore it?

Mr. YOUNG. Oh, yes.

Senator CARROLL. All right. That is all right.

Well, gentlemen, are there any other observations? If not, I thank you, Mr. Young, and Tom Kiser, and Mr. Mack, and I will ask the staff member, is there anybody else here now?

Mr. DWYER. No other witnesses.

Senator CARROLL. Supposing we leave this record open——

Mr. ROMNEY. May I make just one statement on the matter of silver? I am sure that Peru and Mexico and Canada would wholeheartedly support any moves that we could make in this country to increase the price of silver. That is one place where we would have agreement among all miners in the Western Hemisphere on this point.

Mr. KISER. Mr. Chairman, I would like to add that certainly we would be for this silver payment, but the Tristate has no silver at all, so it would not help us.

Senator CARROLL. I see.

Well, we may have a hearing on silver.

Mr. KISER. I certainly would be for anything to help the industry.

Senator CARROLL. Senators have talked to me about that. China, I suppose, would be in favor of the silver program, too?

Mr. YOUNG. You might hold that up your sleeve for a trade. [Laughter.]

Senator CARROLL. Well, without objection, I think we ought to let the record stay open for 1 week, and if there are any voluminous documents we will not put them in the record; to save the taxpayers' money we will put them in the files. If they are within reasonable limits we will put them in the record.

We will stand in recess subject to the call of the Chair.

(Whereupon, at 5:15 p.m., the subcommittee adjourned, subject to the call of the Chair.)

APPENDIX

(The following communications and statements were ordered placed in the record:)

STATEMENT OF JOHN T. CURRAN, LEGISLATIVE REPRESENTATIVE, AMERICAN FEDERATION OF LABOR AND CONGRESS OF INDUSTRIAL ORGANIZATIONS

Mr. Chairman, my name is John T. Curran. I am a legislative representative of the American Federation of Labor and Congress of Industrial Organizations. I wish to thank this subcommittee for the opportunity to discuss on behalf of organized labor some of the problems of the lead and zinc mining industry.

The interest of the AFL–CIO in programs to achieve a sound and stable domestic lead and zinc industry is self-evident. The AFL–CIO policy resolution of September 1959 had this to say: "Falling prices of key materials * * * in particular lead and zinc * * * together with increased foreign imports, have combined to produce serious injury to the mining and minerals industry." The policy resolution added: "Many nonferrous mine workers have lost their jobs and have been forced to move themselves and their families elsewhere in search of other employment."

The economic data of lead and zinc mining show a long-term decline. This trend has persisted over the past several years.

U.S. lead production in 1959 had fallen off 124,900 short tons from the 1949–53 average mining production of recoverable lead. Production of recoverable zinc in 1959 had decreased 210,200 short tons from the 1949–53 average.

While domestic production was dropping, there was an increase in imports of both lead and zinc. Zinc imported in 1959 was 657,200 short tons, as compared to 501,400 short tons, the annual average over the 1949–53 period. Imports of lead were 1,147,200 short tons in 1958, against 937,700 short tons imported annually during 1949–53.

Between 1956 and 1959, lead and zinc employment dropped 25 percent from 16,600 to 12,300 workers. Average hours worked per week declined from 41.7 in 1955 to 40.1 in 1959.

A 15-percent increase in hourly earnings accompanied by an increase in productivity of 12 percent, as reflected by the U.S. Bureau of Mines productivity index, was the only bright spot for zinc and lead workers in a life spent generally in the slowly darkening shadow of a slowly expiring industry.

Other representatives of our workers have come before this subcommittee in past years to describe to you the effects on their families and their communities of failure to do something about lead and zinc in many areas of the Nation.

When the mines which sustain workers, service trades, schools, and other community services lay off large numbers of workers, or shut down, such actions strike the families of workers immediately. But the damage does not stop there. It extends to the shops where workers trade, the schools and other services sustained in large part by workers' taxes. Its weakening influence on the economy extends to the State and the Nation itself when taken in the aggregate.

This is why we take this occasion once again to urge that the Congress take action to set forth strong policies and programs designed to breathe economic health and life into two industries indispensable to the raw materials needs of the United States—lead and zinc. In so doing, you will be taking affirmative action to strengthen not only the industry itself and the part it plays in producing important ingredients needed by our industrial machine, but you will be giving once again opportunity for skilled workers to produce, to consume, and to build up their community and State.

The AFL–CIO recognizes the continuing interest and concern of Congress in the lead and zinc mining problem. It is evidenced by the numerous hearings and bills that have come before it and before this subcommittee over a period of many years.

The AFL–CIO believes, however, that a mineral and raw materials policy and program should include measures dealing adequately with the difficult and complex problems affecting the domestic lead and zinc industry and the workers involved.

Beyond the necessity of providing policies and programs to reinvigorate lead and zinc as a national good lie the pressures of the cold war and the advancing mining technology of the Soviet-Chinese bloc.

In relationship to the U.S. position, the Soviet-Chinese bloc as of 1959 had increased zinc production to the point where it represents 23 percent of the world total, as compared to 14 percent in 1953, and lead production rose from 12 percent to 23 percent of the world total between 1953 and 1959. This is another aspect of the formidable, overall economic challenge posed by the Communist world, perhaps more dangerous than the threat of war itself.

May I call to your attention the broad policy proposals of the AFL–CIO with respect to a domestic minerals policy and program. (See below.)

You will note that we are particularly concerned with the problems of small domestic producers, the necessity of assisting workers, mines and communities adversely affected by the closing of mines and the stabilization of domestic and world metal prices.

There has been unanimous agreement that something needs to be done, but no concensus on how we should go about doing it. It is time that the Congress and the administration cooperated to produce both immediate and long-range agreement on constructive objectives and the means of obtaining them before the lead and zinc and general minerals situation in this country is permitted to deteriorate further.

To add substance to our resolution, we have written in legislative form a proposal to carry out the policy resolution on minerals adopted by the AFL–CIO.

We submit the following broad policy recommendations with respect to the mining industry in general and the nonferrous mining industry in particular, of which lead and zinc are important segments.

I. POLICY

It is essential that the United States maintain a level of production of all useful minerals and metals including, but not limiated to, those classified by the Government as strategic and critical, necessary to an expanding national economy and national security.

Only by constant exploration, development, and exploration of all useful metals and minerals can the U.S. mining industry maintain its reserves and its supply position in a healthy condition.

The U.S. Government should cooperate with other nations to maintain a stable world market for minerals and metals with reasonable prices.

II. PROGRAM

1. Amendment of the act of August 21, 1959 (72 Stat. 701), to provide a program to include development work as necessary to bring useful metals and minerals into production.

2. Empower the Secretary of the Interior to establish programs for incentive payments or barter contracts necessary to maintain or increase minerals production. Such a program would be geared to assure smaller mines a reasonable minimum production and prevent excessive production by the few largest mines.

3. If this aspect of the program does not produce an increase in prices sufficient to allow containued operation of mines at a reasonable margin of profit, the Secretary of the Interior should be given loan-making authority equal to 80 percent of the smelter return value of a stockpiled product of the mine, such loans to be repayable at low interest rates.

4. The Secretary of the Interior should also be given the power to make loans to mining companies which have metals necessary to the national economy or security, but which find it economically impossible to operate under current conditions. The basis of determination of eligibility for such loans would be that the mine has met the criteria of necessity to the national welfare or se-

curity and whether the mine would be destroyed for future production without unusual and unnecessary expense for rehabilitation should pumping and other necessary maintenance operations cease. Money advanced by the Department of the Interior for this purpose would be secured by lien against the mine, and equitable provisions secured for repayment out of net profits, or sale of the mine's production or stockpile.

I wish to thank the subcommittee for the opportunity to present the position of the AFL–CIO on this important economic and human problem facing many areas of the Nation and thousands of workers.

CITIZENS COMMITTEE FOR STABILIZATION LEAD-ZINC INDUSTRY,
Flat River, Mich., May 1, 1961.

Senator CLINTON P. ANDERSON,
Senate Office Building, Washington, D.C.

DEAR SENATOR: We hope the enclosed material may be of some assistance in the hearing you are conducting May 4, before the Senate Interior and Insular Affairs Committee concerning the lead-zinc industry.

It consists of—

(1) The testimony of the chairman of this committee before a subcommittee of the House Interior and Insular Affairs on June 29, 1959.

(2) Copy of a letter dated March 20, 1961, to the President.

(3) Copy of a letter dated March 16, 1961, to Congressmen Frank M. Karsten and Thomas B. Curtis of the House Ways and Means Committee.

(4) Copy of a letter dated April 18, 1961, addressed to Secretary of the Interior Udall.

Our problems of unemployment and underemployment continues to grow and we can see little hope for improvement unless there is a decided upturn in general business conditions or the Congress or the President comes to the aid of the industry. You have been most helpful to this committee in the past and we appreciate your interest and fine cooperation.

Sincerely yours,

T. J. WATKINS, *Chairman.*

STATEMENT BY T. J. WATKINS, CHAIRMAN, CITIZENS COMMITTEE, STABILIZATION, LEAD-ZINC INDUSTRY, PRESENTED TO THE HOUSE COMMITTEE ON INTERIOR AND INSULAR AFFAIRS, JUNE 29, 1959

My name is T. J. Watkins. I am chairman of the Citizens Committee for Stabilization Lead-Zinc Industry. I own and operate a small business in Flat River, Mo., which is the center of the extensive lead-mining operation in southeast Missouri. Other officers and members of the committee are owners or operator of small-business establishments and professional people. The committee has a two-fold purpose. First, the preservation of jobs for our people. Second, the preservation of a vital industry for needs of our country in peace or war.

I served as county chairman of the War Price and Rationing Board in World War II and saw our country faced with severe shortages of vital materials. I hope we will be wise enough to forestall any such dire consequences in future conflicts, if such should occur.

A great deal of attention has been given by our country to displaced persons from other countries of the world. We of southeast Missouri and other lead-zinc producing areas of the United States also have a displaced persons problem. Hundreds of families have been forced to leave their homes and migrate to all parts of the Nation. With present conditions in the lead industry, a 4-day workweek, the threat of further layoffs and reduction in working time, those remaining face an uncertain future.

The most valuable asset of our Nation is its young people. There is no future for our young people in my area. The graduates of our high schools and our junior college must find employment hundreds or thousands of miles from home. We are poorer both in the pocketbook and in moral and social values as a result of this migration.

The Missouri Unemployment Service lists the Flat River as the fourth largest in the State in unemployment compensation payments. We have had an excess of 12 percent unemployment in the district in the past 20 months. Many of our people have exhausted their unemployment benefits, after looking in vain for work elsewhere.

Among the organizations to which I give time are the Lions and Salvation Army. Our requests for assistance are almost as great as during the darkest days of the depression. While I am neither a miner nor an economist, I believe the answer to our problem is relatively simple. We need protection from the great flood of imports that has depressed the market and caused widespread suffering in most of the mining areas of the United States.

This prompts us to pose the following questions: (1) Shall a great American industry be forced to close mines, employing tens of thousands of American citizens, creating widespread unemployment to retain the friendship of other nations whose loyalty may be doubtful in time of emergency? (2) Do wages paid by most foreign operators permit the purchase of American-made goods? A recent survey of wages paid lead miners in other countries shows a South African native may earn as little as 8 cents a day.

The theory of the Trade Agreements Act is that other countries have dollars with which to purchase our goods. While we recognize the importance of world trade, both to our economy and the furtherance of world peace, we do not believe an important basic industry should be sacrificed on the altar of expediency. In conclusion, our citizens committee respectfully urges the adoption of House Concurrent Resolution 177.

CITIZENS COMMITTEE FOR STABILIZATION OF LEAD-ZINC INDUSTRY,
Flat River, Mo., March 20, 1961.

The PRESIDENT,
The White House, Washington, D.C.

DEAR MR. PRESIDENT: For your consideration there is enclosed the following:

(*a*) A copy of the testimony by the chairman of this committee at a hearing in Washington, June 29, 1959.

(*b*) A copy of a letter this committee wrote you dated October 15, 1960.

(*c*) A photocopy of your reply dated October 19, 1960. (The speech mentioned in your reply was delivered September 6, 1960, at Pocatello, Idaho, during your campaign.

(*d*) A copy of a letter from this committee addressed to Congressman Frank M. Karsten and Thomas B. Curtis, members of the House Ways and Means Committee dated March 16, 1961.

Other correspondence has passed between this committee and your office subsequent to your election which has no particular bearing on our distress. The cause of our distress is plain; dumping of low-cost, low-wage-produced lead and zinc by other countries on the domestic market, depressing the price and causing widespread unemployment in the industry. This, with the general recession, has accelerated the conditions in our area. The remedy is not simple, but the application of some commonsense would help.

A principle is involved that goes beyond protection of the domestic lead-zinc industry. As you are well aware, many other industries have been seriously affected by an unrealistic attitude to foreign trade and a misapplication of the intent of the Reciprocal Trade Agreements Act. A close look at our shrinking trade balance is proof of this.

The price differential, for example, between the cost of foreign-produced lead and zinc and domestic production leads us to pose this question: "Must we bring our wage level down to theirs or their up to ours?" The latter would be a happy, but impossible, solution.

As this committee views the problem the solution can be accomplished in one, or all, of three ways:

1. An increase in tariff on imports of lead and zinc.
2. A reduction in quotas.
3. A subsidy on domestic production.

The passage of one of the several bills now in Congress would afford some temporary relief, but a long-range program is necessary. We realize the tremendous burden of your Office and the many pressures on you, but we of this and other mining areas of our Nation must look to you or the Congress for assistance.

The industry needs the protection so our people can have jobs. May we respectfully urge that you give attention to our problem either by your influence in the Congress or the authority of your Office.

Sincerely yours,

T. J. WATKINS, *Chairman.*

CITIZENS COMMITTEE FOR STABILIZATION OF LEAD-ZINC INDUSTRY,
Flat River, Mo., March 16, 1961.

Congressman FRANK M. KARSTEN,
House Office Building, Washington, D.C.

DEAR CONGRESSMAN KARSTEN: This committee, organized in 1954, urges your favorable consideration of the lead-zinc legislation now in the House. As a member of the Ways and Means Committee, your support of this legislation will be of great importance to the tens of thousands of persons throughout the Nation whose livelihood depends on the industry.

We are sure you are familiar with the general condition, but submit the following information about our area specifically.

In the five-county area of the Flat River employment office, only 7.42 percent of the population was employed as of December 31, 1960. This is 1 person in 11.

As of February 16, 1961, the toal number of wage-earning employees of St. Joseph Lead Co. was 1,630. This is approximately one-half the highest number that has been employed by St. Joe, the only large employer in the five-county area.

For the period July 1, 1957, to December 30, 1960, the average unemployment in the five-county area was 12.38 percent. This has ranged from a low of 9.5 percent in the last half of 1959 to 17 percent the first half of 1960. During the last half of 1960 we had 12.3 percent unemployed.

As the officers of this committee view the problem, we of the lead-producing areas of our Nation do not need Federal loans or Federal aid as much as we need Federal protection. The deplorable condition of the soft-metals industry is mainly the result of inept handling by various Federal agencies. The industry and the citizens are unable to undo the harm and must look to those agencies that created the problem to alleviate the condition.

We have studied the various bills now in both Houses and would be thankful for the passage of any one of them. However, we believe the Ichord bill, H.R. 3768, or the Aspinall bill, H.R. 3416, would be most helpful to the entire industry.

The thoughts of this committee on tariffs are outlined in the testimony I, as chairman, presented before a congressional committee in June 1959.

We believe some immediate legislation is necessary to save a vital industry from virtual destruction.

With best wishes, we remain,

Sincerely,

T. J. WATKINS, *Chairman.*

CITIZENS COMMITTEE FOR STABILIZATION OF LEAD-ZINC INDUSTRY,
Flat River, Mo., April 18, 1961.

Hon. STEWART L. UDALL,
Secretary of Interior,
Washington, D.C.

DEAR MR. SECRETARY: This lead mining area of southeast Missouri is experiencing great distress. Coming from a mining State, you are familiar with the events that have brought this about. Flat River and the adjoining towns of Desloge, Elvins, Leadwood, Bonne Terre, Esther, and Leadington is one of two of the distressed areas of Missouri listed in the findings of the committee on area redevelopment.

According to the Missouri employment office, as of December 31, 1960, 12.38 percent of the 5-county area comprising the office was unemployed and the situation has worsened since then. This is approximately double the national average for unemployed. Only 7.42 percent, approximately 1 person in 11, was employed in the 5-county area at the end of December 1960. The Flat River office paid the largest amount of compensation in its history in March and the fourth largest amount in the State. According to the 1960 census, Flat River had a decrease of 14.9 percent in population since 1950. This was the largest decrease in the State of Missouri.

Since this committee was organized in 1954, we have corresponded with Members of the Congress and White House and the writer has appeared before various committees dealing with the problem. In a recent letter to the White House, copy enclosed, we pointed up the necessity for remedial action. In response to this letter, we received a reply from Myer Feldman, Deputy Special

Counsel to the President, copy enclosed. It states the Department of Interior is engaged in a study. If we can supply data that will enable the Department to complete its findings, please call on us.

Other than a speech made by President Kennedy at Pocatello, Idaho, September 6, 1960, while campaigning, there apparently has been no commitment as to his attitude toward protection of the domestic lead-zinc industry.

According to informed sources in Washington, the congressional leaders and those from affected areas are somewhat reluctant to push pending legislation until the attitude of the President is known. If there is any way your Department can enlighten us on the President's desires, we will pass this information along.

There is enclosed a copy of a letter mailed you December 29. We did not receive a reply and did not expect one at that time.

Your very truly,

T. J. WATKINS.

NATIONAL COUNCIL OF AMERICAN IMPORTERS INC.,
New York, N.Y., July 26, 1961.

HON. JOHN A. CARROLL,
Chairman, Subcommittee on Minerals, Materials, and Fuels, Committee on Interior and Insular Affairs, U.S. Senate, Washington, D.C.

SIR: Our organization wishes to go on record in opposition to S. 1747 which is before your subcommittee. This bill proposes to impose import taxes on lead and zinc. Our objection is based on the following grounds:

It is generally agreed in the conduct of international trade that internal taxes should not discriminate against imported products. The United States has been a consistent supporter of this principle and has incorporated it in all the treaties of friendship, commerce, and navigation it has concluded with other sovereign states of the world. For example, the Treaty of Friendship, Commerce, and Navigation between the United States and Italy, which entered into force July 26, 1949, provides in section 1 of Article XVI as follows:

"Articles the growth, produce or manufacture of either High Contracting Party, imported into the territories of the other High Contracting Party, shall be accorded treatment with respect to all matters affecting internal taxation, or the sale, distribution or use within such territories, no less favorable than the treatment which is or may hereafter be accorded to like articles of national origin."

The United States is a contracting party to the General Agreement on Tariffs and Trade. Article III of the General Agreement on Tariffs and Trade specifically relates to the "National Treatment of Internal Taxation and Regulation." It provides that imports shall be accorded treatment no less favorable than that accorded to like products of national origin. With regard to the proposed legislation on lead and zinc articles, we believe this would be a direct violation of the international obligations which the United States has undertaken under the GATT, and would require some renegotiations of previous commitments with other countries.

Our organization has consistently taken the position that when domestic industries or producers need protection against competitive imports, this protection should be provided by appropriate rates of duty under the Tariff Act. The proposal to suspend the present import duties, and to substitute internal revenue taxes on lead and zinc articles is contrary to the well-established concept of tariff protection, and would create an entirely new precedent.

The imposition of excise taxes on imports based on average domestic market prices of identical or similar domestic products represents, in practical effect, an indirect domestic price support program financed by American importers, rather than by the U.S. Government. Operations through the back door are always objectionable.

We respectfully request that this letter be incorporated in the record of your subcommittee relating to this bill.

Respectfully submitted.

HARRY S. RADCLIFFE,
Executive Vice President.

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