

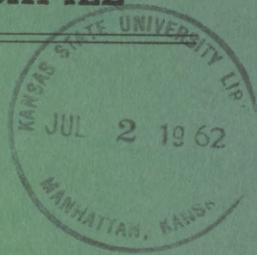
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GOVERNMENT
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DISPOSITION OF CERTAIN MATERIALS FROM THE NATIONAL STOCKPILE



HEARING

BEFORE THE

NATIONAL STOCKPILE AND NAVAL PETROLEUM RESERVES SUBCOMMITTEE

OF THE

COMMITTEE ON ARMED SERVICES

UNITED STATES SENATE

EIGHTY-SEVENTH CONGRESS

SECOND SESSION

ON

H. Con. Res. 473

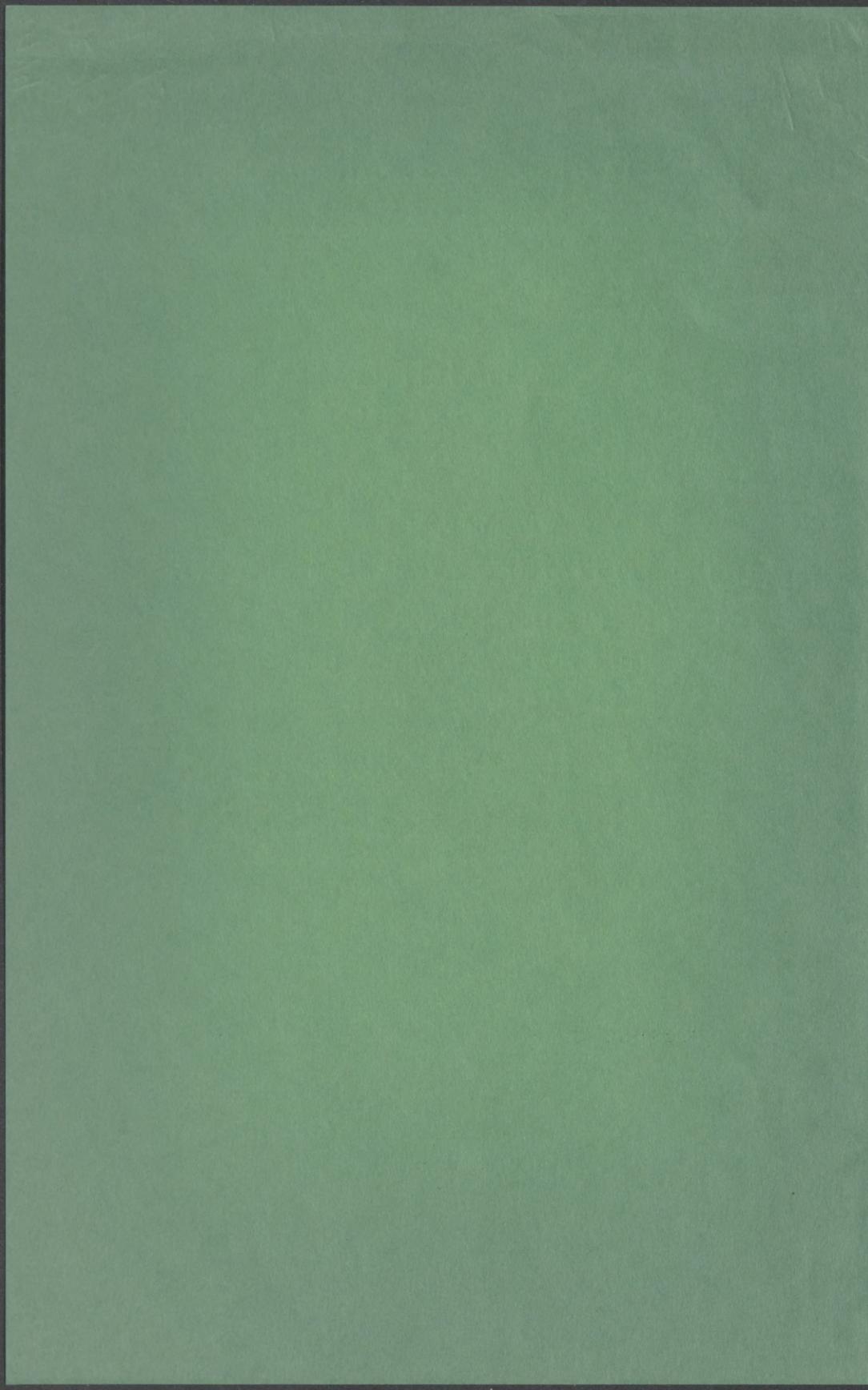
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PROVIDING THE EXPRESS APPROVAL OF THE CONGRESS,
PURSUANT TO SECTION 3(e) OF THE STRATEGIC AND
CRITICAL MATERIALS STOCK PILING ACT (50 U.S.C. 98b(e)),
FOR THE DISPOSITION OF CERTAIN MATERIAL FROM THE
NATIONAL STOCKPILE

JUNE 11, 1962

Printed for the use of the Committee on Armed Services





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U.S. GOVERNMENT PRINTING OFFICE

WASHINGTON : 1962

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DISPOSITION OF CERTAIN MATERIALS FROM THE NATIONAL STOCKPILE

MONDAY, JUNE 11, 1962

U.S. SENATE,
SUBCOMMITTEE ON THE NATIONAL STOCKPILE
AND NAVAL PETROLEUM RESERVES OF THE
COMMITTEE ON ARMED SERVICES,
Washington, D.C.

The subcommittee (composed of Senators Symington (chairman), Thurmond, Engle, Cannon, Case of South Dakota, Bush, and Beall) met, pursuant to notice, in room 235, Old Senate Office Building, at 10:10 a.m.

Present: Senators Symington (presiding), Engle, Cannon, and Beall.

Also present: John G. Harlan, Deputy Commissioner, Defense Materials Service, GSA.

Also present: Richmond C. Coburn, chief counsel to the subcommittee; T. J. May, assistant counsel; J. H. Zimmer, assistant counsel; Edward O. McCue III, assistant counsel; David S. Clarke, administrative assistant to Senator Bush; and William H. Darden, professional staff member of the full Committee on Armed Services.

Senator SYMINGTON (presiding). The hearing will come to order.

Mr. Counsel, do you have a witness?

Mr. COBURN. Yes, Mr. Chairman.

We have to consider today House Concurrent Resolution 473 for the disposal of some 14 items, I believe it is, in the stockpile.

(H. Con. Res. 473 is as follows:)

[H. Con Res. 473, 87th Cong., 2d sess.]

CONCURRENT RESOLUTION

Resolved by the House of Representatives (the Senate concurring), That the Congress expressly approve, pursuant to section 3(e) of the Strategic and Critical Materials Stock Piling Act (50 U.S.C. 98b(e)), the disposal of the following materials from the national stockpile:

(a) Approximately four hundred and forty thousand two hundred and forty-six pounds of silk noils;

(b) Approximately ninety-six short tons of 91 per centum nickel in ingot form, approximately four short tons of sintered nickel powder in the form of "cups", and approximately nine short tons of cobalt in rondelle form averaging 97.9 per centum cobalt;

(c) Cordage fiber consisting of approximately seven million five hundred thousand pounds of abaca fiber and approximately ten million pounds of sisal fiber;

(d) Approximately three thousand five hundred long tons of vegetable tannins (quebracho, chestnut, and wattle extracts);

(e) Approximately twenty-eight thousand eight hundred and sixteen short tons of celestite;

(f) Approximately four thousand four hundred and seventy-one troy ounces of platinum scrap and a quantity of nonferrous scrap consisting of approximately five hundred and twenty short tons of brass, seventy-four short tons of silicon bronze and copper, eleven short tons of beryllium copper, and one hundred and six short tons of zinc foil;

(g) Approximately fifty thousand long tons of pig tin;

(h) Approximately one hundred and fifty-five million six hundred and seventy-two thousand pounds of castor oil;

(i) Approximately two hundred sixty-five thousand pounds of cobalt oxides, and approximately five thousand five hundred pounds of cobalt carbonates;

(j) Approximately one thousand eight hundred and ninety long tons of chromite ore;

(k) Approximately sixty-five thousand four hundred and forty-seven pounds (gross weight) of ferrovanadium;

(l) Approximately sixty-three short tons of ferromanganese, and approximately four and one-half short tons of electrolytic manganese metal;

(m) Approximately ten million pounds of contained nickel and cobalt in the form of nickel oxide powder;

(n) Approximately five million pounds of molybdenum.

SEC. 2. All funds derived from the sales authorized by this concurrent resolution shall be deposited into the Treasury as miscellaneous receipts.

Passed the House of Representatives June 4, 1962.

Attest:

RALPH R. ROBERTS, *Clerk.*

Mr. COBURN. The first witness that I would like to call would be Mr. Maurice Connell.

Senator SYMINGTON. Good morning, Mr. Connell.

Have you been sworn in these hearings?

Mr. CONNELL. No, sir, I have not.

Senator SYMINGTON. Would you raise your right hand, please?

Do you swear the testimony you give this subcommittee will be the truth, the whole truth, and nothing but the truth, so help you God?

Mr. CONNELL. I do, sir.

Senator SYMINGTON. Proceed, Mr. Counsel.

Mr. COBURN. Mr. Connell, as I understand it, you have a statement you would like to read to the committee, copy of which you submitted to us in due time.

But, before you start to read it, may we identify you by asking your name and address.

TESTIMONY OF MAURICE J. CONNELL, COMMISSIONER, DEFENSE MATERIALS SERVICE, GENERAL SERVICES ADMINISTRATION

Mr. CONNELL. Yes, sir.

My name is Maurice J. Connell. My address is 1400 South Joy Street, Arlington, Va., and I am the Commissioner of Defense Materials Service of GSA.

Mr. COBURN. And as the Commissioner of Defense Materials Service—that was it, was it?

Mr. CONNELL. Yes, sir.

Mr. COBURN (continuing). In a general way, what are your duties?

Mr. CONNELL. In a general way my duties are to evaluate all the recommendations that I get from my different staffs, and in turn recommend that to the Administrator of GSA on disposal actions right at the present time.

Mr. COBURN. All right, Mr. Connell.

Would you read your statement, please, sir?

Mr. CONNELL. Yes, sir.

Mr. Chairman and members of the subcommittee, the resolution being considered by the subcommittee, House Concurrent Resolution 473, would provide the express approval of the Congress for 14 proposed disposals of materials no longer required for the national stockpile.

The materials covered by these disposals are as follows:

- (a) Approximately 440,246 pounds of silk noils;
- (b) Approximately 96 short tons of 91 percent nickel in ingot form, approximately 4 short tons of sintered nickel powder in the form of "cups," and approximately 9 short tons of cobalt in rondelle form averaging 97.9 percent cobalt;
- (c) Cordage fiber consisting of approximately 7,500,000 pounds of abaca fiber and approximately 10 million pounds of sisal fiber;
- (d) Approximately 3,500 long tons of vegetable tannins (quebracho, chestnut, and wattle extracts);
- (e) Approximately 28,816 short tons of celestite;
- (f) Approximately 4,471 troy ounces of platinum scrap and a quantity of nonferrous scrap consisting of approximately 520 short tons of brass, 74 short tons of silicon bronze and copper, 11 short tons of beryllium copper, and 106 short tons of zinc foil;
- (g) Approximately 50,000 long tons of pig tin;
- (h) Approximately 155,676,000 pounds of castor oil;
- (i) Approximately 265,000 pounds of cobalt oxides, and approximately 5,500 pounds of cobalt carbonates;
- (j) Approximately 1,890 long tons of chromite ore;
- (k) Approximately 65,447 pounds (gross weight) of ferrovanadium;
- (l) Approximately 63 short tons of ferromanganese, and approximately 41½ short tons of electrolytic manganese metal;
- (m) Approximately 10 million pounds of contained nickel and cobalt in the form of nickel oxide powder; and
- (n) Approximately 5 million pounds of molybdenum.

All of these proposed disposals require the express approval of the Congress, since the materials are not obsolescent within the meaning of the Strategic and Critical Materials Stock Piling Act.

The General Services Administration has developed disposal plans for these materials in accordance with authorizations from the Office of Emergency Planning. We have consulted the other departments and agencies concerned, and they have concurred in the proposed plans. Notices of the proposed disposals have been published in the Federal Register and transmitted to the Congress.

The 6 months' waiting period required by the Strategic and Critical Materials Stock Piling Act has already expired for 11 of the proposed disposals. The waiting period will expire in September for the nickel oxide powder and in October for the silk noils and molybdenum. Accordingly, disposal can be undertaken as soon as the Congress expressly approves for all of the materials covered by the resolution, except the nickel oxide powder, silk, and molybdenum.

Seven of the proposed disposals cover quantities of materials meeting stockpile specifications, but in excess of the current stockpile objectives. These are the silk noils, cordage fiber, vegetable tannins, tin, castor oil, nickel oxide powder, and molybdenum. The other seven

proposed disposals cover subspecification materials which do not meet current stockpile specifications. These are the various nickel items, the celestite, nonferrous and platinum scrap, cobalt oxides and carbonates, chromite ore, ferrovandium, and ferromanganese and electrolytic manganese metal.

The materials covered by these disposals have a total acquisition cost of approximately \$177.6 million. At the present time, market conditions generally are favorable for their disposal. All of the plans have been so devised that there will be no undue market impact. To this end, the quantities to be sold at any one time and the period during which disposals will be made have been planned so that effects on markets will be minimized.

The materials will be sold on a competitive basis, and every effort will be made to encourage the maximum participation by all prospective purchasers. The materials will be sold in such size lots that small business firms will be able to participate.

The materials will be sold at prices which represent fair market value for the materials at the time of sale. It is expected that, on the basis of current market prices, the Government will be able to obtain more than \$160 million from the sale of these materials. Our storage and maintenance expenses also will be reduced, particularly for the perishable materials such as the cordage fiber, by about \$185,000 annually when all the materials are sold.

Accordingly, we recommend the passage of House Concurrent Resolution 473.

Mr. COBURN. Mr. Connell, as I understand it, you have two men here from GSA today who are experts on various of these items in this concurrent resolution?

Mr. CONNELL. Yes, sir, I do.

Mr. COBURN. So that they can give as much information as we should have here in order to determine whether the disposal of each of these items is desirable from the standpoint of the public interest?

Mr. CONNELL. Both of them are completely knowledgeable and very capable career public servants and they know their business excellently.

Mr. COBURN. Mr. Chairman, I believe that is all I have to ask of this witness.

Senator SYMINGTON. Senator Cannon, have you any questions?

Senator CANNON. How long do you anticipate it will take to conclude these sales, Mr. Connell?

Mr. CONNELL. Sir, we have a guesstimate on each number of years that it will take, and it varies.

I can give you a guesstimate on each of the 14 materials, if you would like to, but, in answer to your question specifically, I think generally it will take 5 years to complete all the 14 items, but there are some that will be less than that, sir, and there will be some that will be 2 years, 1 year, 3 years.

Senator CANNON. Would you mind just going through the list and giving your estimate on each?

Mr. CONNELL. Sir, I would like to emphasize at this time that this is merely a guesstimate, and we do not have any way of knowing exactly.

On castor oil we figure it will take a period of 5 years.

On celestite it will take between 2 and 3 years.

Chromite ore, we think 1 year.

Cobalt oxides and carbonates, 1 year.

Cordage fiber, abaca, and sisal, 1 year each.

Ferromanganese and manganese metal, 1 year.

Ferrovandium, 1 year.

Molybdenum, between 2 and 3 years.

Nickel groups miscellaneous, 1 year.

The nickel oxide powder, 5 years.

Nonferrous and platinum scrap, 1 year.

The silk noils, 1 year.

The tin, pig, between 4 and 5 years.

And the vegetable tannin extracts, about 2 years.

As I say, they are guestimates at this time.

Senator CANNON. And you do not anticipate that this will have any material effect on the market in the manner in which you have proposed to dispose of it?

Mr. CONNELL. That is correct, sir, I do not expect that.

Senator CANNON. No further questions, Mr. Chairman.

Senator SYMINGTON. Senator Beall?

Senator BEALL. Yes, Mr. Chairman, thank you.

Mr. Connell, is it my understanding that you plan to sell the nickel oxide powder to the ceramics industry?

Mr. CONNELL. Yes, sir, that is true.

Senator BEALL. Will you sell any of the nickel oxide powder to the steel industry or others who will use it as a source of nickel, rather than for the ceramics properties as used by the ceramics industry?

Mr. CONNELL. The Ceramics Institute came in and they requested at the GSA and the OEP that there was a shortage of this material, and they have been buying it from us, and, of course, we have to come for authorization.

I think primarily that they are the ones that are interested from the knowledge that I have at this time.

Senator BEALL. At what price do you plan to offer the nickel oxide powder for sale?

Mr. CONNELL. I can give you the—the acquisition cost was \$4,190,000, and the estimated realization by the Government is \$7,400,000 on that particular item.

Senator BEALL. What effect would that have on the market?

Mr. CONNELL. From the information that I have been able to get from other agencies that are charged with this responsibility and our own capable people, that we will not disrupt the market.

Senator BEALL. Thank you, Mr. Chairman.

Senator SYMINGTON. Thank you, Senator.

First, from the able chief clerk of the full committee, Mr. Darden, I have this note I will read. He is here.

I want to be sure that we are clear.

Section 2 of House Concurrent Resolution 473 provides that "all funds derived from the sales authorized by this concurrent resolution shall be deposited into the Treasury as miscellaneous assets."

On two of the items—

Mr. Darden reports to me—

that are subject to this resolution, castor oil and abaca, the GSA proposes to swap certain quantities of the materials for a service or other material. In the case of abaca, the disposal plan indicates that a part of the excess may be

used in conjunction with rotation transactions where the cost of the new material is greater than the value of the old that is being rotated. In the case of castor oil the GSA proposes to use some of the excess as payment in kind for converting portions of the castor oil remaining in the stockpile to sebacic acid.

Mr. Darden suggests that if we approve both of these proposed uses, we might make it clear by questions this morning, or by a statement in the committee report.

Have you any comment at this time?

Mr. CONNELL. No, sir; I have no comment on that.

Senator SYMINGTON. I suggest we look into that to see if your lawyers feel, as Mr. Darden brought up this morning, this can be done under the law.

Mr. CONNELL. Yes, sir; I will certainly do that.

Senator SYMINGTON. And if there is any question they would like to ask Mr. Darden, who is as much up on these things as any around here, I am sure he will be glad to answer them.

Mr. CONNELL. Yes, sir.

Senator SYMINGTON. You can get him at the Armed Services Committee.

Mr. CONNELL. Yes, sir.

Senator SYMINGTON. I would ask a couple of questions, Mr. Connell.

You plan to sell approximately 50,000 long tons of pig tin, is that correct?

Mr. CONNELL. Yes, sir.

Senator SYMINGTON. How long has this been up before the Congress, the request?

Mr. CONNELL. The date authorized for GSA to prepare the plans was August 23, 1961, and the request has been before the Congress or was published in the Federal Register September 7, 1961.

Senator SYMINGTON. That would be last September; right?

Mr. CONNELL. Yes, sir, September 7.

Senator SYMINGTON. So we have had it for over 6 months, over 9 months, Senator Cannon points out, is that correct?

Now, during this period the steel companies, specifically U.S. Steel, several times have urged that we move on this because they felt the price of tin was going up?

Mr. CONNELL. Yes, sir.

Senator SYMINGTON. And knowing that we had tin pouring out of our ears in the stockpile, they asked that we do everything we could to see that some of it was made available to the market?

Mr. CONNELL. Yes, sir.

Senator SYMINGTON. Do you not think that, in itself, means we should take another look at this law from the standpoint of expediting something all of us agree should be done, but automatically held up by the law?

Mr. CONNELL. Mr. Chairman, I could not emphasize too much that I think another look should be taken at the law. It would be very helpful for us, and it would be very helpful to industry, I would think, under the circumstances.

Senator SYMINGTON. Thank you, Mr. Connell.

In that connection some time ago the subcommittee presented a proposed new law. It was not final.

We knew that many people would have thoughts about it. The chairman of the full committee suggested it be sent to the Department of Defense, which we did.

We also understand it has been in discussion in other agencies.

Have you any idea as to when legislation will be sent up by the administration?

Mr. CONNELL. Sir, we have had the legislation at GSA, suggested legislation.

I think we completed our comments last week. I do not want to talk for the Office of Emergency Planning, but, as I understand it, they are moving as fast as they can and are very interested in presenting this legislation as soon as possible.

Senator SYMINGTON. I am sure that there will be much the full committee and the Congress would like to know about the details of the law.

Mr. CONNELL. Yes, sir.

Senator SYMINGTON. If we do not get some legislation soon we will be back at the same old stand of delay in the future as has been characteristic of operation under the law in the past.

Mr. CONNELL. Yes, sir.

And I will do everything I can to push it from our end.

Senator SYMINGTON. Thank you, Mr. Connell.

Now, I notice here, on page 3 of your statement, that you say:

The visiting period will expire in September for the nickel oxide powder and in October for the silk noils and molybdenum.

Mr. CONNELL. Yes, sir.

Senator SYMINGTON. Speaking as one who at times has tried to move excess inventory, now that you have announced you are going to sell this material, and also announced that you cannot sell it until fall, is there not a chance that by the time you are permitted to sell it situations might occur, marketwise, which would make the sale inadvisable?

Mr. CONNELL. Absolutely.

Senator SYMINGTON. I thought of that as a result of answers you made to the distinguished Senator from Maryland when he asked whether this was going to be sold with minimum effect on the market.

For example, I do not know what the market is on molybdenum, but 5 million pounds is a lot of molybdenum.

Mr. CONNELL. Yes, sir.

Senator SYMINGTON. And now that it is known that 5 million pounds are going to be sold but cannot be sold until October, what is that going to do to the price of molybdenum? You cannot negotiate a trade now because you cannot sell it, even if you agree on the price, based on the present law?

Mr. CONNELL. That is exactly right, sir.

Senator SYMINGTON. Thank you.

You say, "The materials will be sold on a competitive basis." I presume that means everybody will get a chance to bid for the materials, is that correct?

Mr. CONNELL. Most assuredly, sir.

Senator SYMINGTON. Thank you, Mr. Connell.

I have no further questions.

Senator Beall?

Senator BEALL. I just wondered with bids, supposing they are the same.

Would it then be allotted to the different companies?

Mr. CONNELL. I think that in the short experience I have had, I would have to make a determination at the time that happened, Senator. I do not know at this time.

Senator BEALL. I was thinking, Mr. Chairman, in terms of small business being able to get their pro rata share.

Mr. CONNELL. We work very closely with small business, sir, and we try to cooperate with them very much. In our sales we consult with them before we make our sales, if they are involved in it.

Senator SYMINGTON. I hope you take back the thought—when there is such an interest in maintaining the price of steel at present levels, and, inasmuch as tin plate, I believe, is the largest single use of tin in industry—

Mr. CONNELL. Yes, sir.

Senator SYMINGTON (continuing). It is said that we have to wait by law for 6 months at the same time the steel companies point out that the price of tin is moving up.

I think the price last week was \$1.155, something like that; and that is a pretty good price for tin as against cost.

Mr. CONNELL. Yes, sir.

Senator SYMINGTON. Mr. Counsel?

Mr. COBURN. No further questions.

Senator SYMINGTON. Thank you, Mr. Connell.

Who is your next witness, Mr. Counsel?

Mr. COBURN. Mr. John Croston, Director, Economic and Marketing Research Division, Defense Materials Service, General Services Administration.

Senator SYMINGTON. Mr. Croston, have you been sworn before this committee?

Mr. CROSTON. No, sir.

Senator SYMINGTON. Will you raise your right hand?

Do you swear the information you give the subcommittee will be the truth, the whole truth, and nothing but the truth, so help you God?

Mr. CROSTON. I do.

Senator SYMINGTON. Mr. Counsel?

Mr. COBURN. Will you state your name and address, please, sir.

TESTIMONY OF JOHN J. CROSTON, DIRECTOR, ECONOMIC AND MARKETING RESEARCH DIVISION, DEFENSE MATERIALS SERVICE, GENERAL SERVICES ADMINISTRATION

Mr. CROSTON. John Croston. I am the Division Director in Charge of Economic and Marketing Research for the Defense Materials Service, and my principal activity at the moment is the preparation of disposal plans for excess materials and materials that are subspecification.

Mr. COBURN. This is in GSA?

Mr. CROSTON. Yes, sir.

Mr. COBURN. You did not give us your address.

Mr. CROSTON. 18th and F Street NW.

Mr. COBURN. Washington, D.C.?

Mr. CROSTON. Washington, D.C.

Mr. COBURN. All right.

Now, Mr. Croston, as a matter of fact, a disposal unit has been created in GSA in recent years, has it not?

Mr. CROSTON. Yes, sir.

About 4 years ago the unit was set up to prepare disposal plans and try and initially do a housecleaning job in the administration of the stockpile.

When the war ended, we inherited a tremendous amount of sub-specification material, some material that was of specification grade, and a lot of odds and ends.

And they have been piling up storage charges and required constant inspection and reporting and so on, and the material was not considered useful in time of war.

We made an attempt initially to get rid of the material that was sub-specification. Now we are moving into the area of the disposal of material that is of specification grade but excess to our needs.

Mr. COBURN. You mentioned a war where we acquired a lot of sub-specification material, as you say. You refer to World War II?

Mr. CROSTON. Yes, sir.

Mr. COBURN. Mr. Croston, are you the head of that disposal unit in GSA?

Mr. CROSTON. Well, I am head of the disposal planning unit.

After the disposal is planned and arrangements made, the actual sale is done in another unit of the GSA under Mr. Castro.

Mr. COBURN. How long have you been with General Services Administration?

Mr. CROSTON. Since 1953, when the DMPA, Defense Materials Procurement Agency, was absorbed by the General Services Administration.

Mr. COBURN. And how long have you had experience with reference to the management of the stockpile?

Mr. CROSTON. Well, I have been connected with it in one way or the other from the days of the Advisory Council to the Commissioner of National Defense in 1940.

Mr. COBURN. So it is 20 years or more?

Mr. CROSTON. Yes, sir.

Mr. COBURN. Mr. Croston, in your experience with the management of the stockpile where you are used to handling commodities, is it your experience that the price of commodities can change very sharply over a relatively short period of time?

Mr. CROSTON. Yes, sir, that is true.

Mr. COBURN. And can the demand for the commodity change markedly, too, over a relatively short period of time?

Mr. CROSTON. That is correct.

Mr. COBURN. Now, Mr. Croston, is there any particular group of the materials that are involved in this concurrent resolution, a group in which you have tended to specialize at GSA?

Mr. CROSTON. I have been connected with the metals industry for about 45 years.

Mr. COBURN. Metals and minerals, then, are rather your specialty?

Mr. CROSTON. Yes, sir.

Mr. COBURN. In GSA, is that right?

Mr. CROSTON. That is correct.

Mr. COBURN. And you are prepared this morning to testify with reference to the metals and minerals that are in this disposal resolution, are you not?

Mr. CROSTON. Yes, sir.

Senator SYMINGTON. Will counsel yield?

Mr. COBURN. Yes.

Senator SYMINGTON. You said the end of the war. To which war were you referring?

Mr. CROSTON. To World War II.

Senator SYMINGTON. Thank you.

Mr. COBURN. Now, Mr. Croston, will you turn first to the 96 short tons of 91 percent nickel in ingot form, and approximately 4 short tons of sintered nickel powder in the form of "cups," and approximately 9 short tons of cobalt in rondelle form, averaging 97.9 percent cobalt, which is included in the resolution.

Will you tell us, first, what the use of this nickel and cobalt is from a strategic standpoint?

Mr. CROSTON. Well, the principal use of nickel would be in the steel industry for use in alloy steels, and it also has a very considerable use in nonferrous alloys, high-temperature alloys, of various sorts, and a certain amount of it is used in plating, nickel plating.

Mr. COBURN. Is this material that is mentioned in subparagraph (b) of the concurrent resolution, is that nonspecification material; that is, it does not meet the quality standards of the stockpile?

Mr. CROSTON. That is right.

The ingot nickel is definitely low grade. The nickel "cups" have the specification of the stockpile, but the form they are in, they are little "cups" about a quarter of an inch in diameter and about a quarter of an inch high, little hollow cups, and they were pressed from powdered nickel, and they are stored in fruit jars, thousands of mason jars, and they came to us as a termination inventory from a Navy contract, and they are quite a nuisance to handle in their present condition.

Mr. COBURN. Was this acquired by the Navy during World War II?

Mr. CROSTON. It was acquired on a Navy contract, I believe, subsequent to the war.

Mr. COBURN. Do you anticipate that you will be able to get rid of this material readily?

Mr. CROSTON. We will have no difficulty whatever.

Mr. COBURN. Do you know what the acquisition cost of this material was, or can you tell us that in view of the fact that it was turned over to you by the Navy?

Mr. CROSTON. No, I could not because it was for an electronic device, and this "cup" was an integral part of the device, and I have no idea what it cost.

Mr. COBURN. Do you have any notion as to how much you will be able to sell this for?

Mr. CROSTON. We should get very close to market price for it because it is high-purity nickel.

Mr. COBURN. There is a market for all of these items mentioned in subparagraph (b)?

Mr. CROSTON. Yes, sir.

Mr. COBURN. This is a small amount, of course, is it not, as stock-pile inventories go?

Do you expect to be able to sell this immediately or will this be spread out over a period of time?

Mr. CROSTON. Oh, no. This would be sold just in one sale.

Mr. COBURN. Just in one lot?

Mr. CROSTON. Yes.

Mr. COBURN. Mr. Chairman, that is all I have to ask about this.

It may be that the members of the committee would like to ask questions about this item before I go to the next item.

Senator SYMINGTON. Senator Engle?

Senator ENGLE. No, thank you, Mr. Chairman.

Senator SYMINGTON. Senator Beall?

Senator BEALL. No questions.

Senator SYMINGTON. Senator Cannon?

Senator CANNON. No questions.

Senator SYMINGTON. Is this nickel low-grade nickel?

Mr. CROSTON. Well, 96 short tons that are in ingot form were the residues that were left at the old Nicaro Refinery at Wilmington, Del., after World War II, and the material was shipped to Huntington, W. Va., to the International Nickel Co. plant, and the best they could do was come up with an ingot with 91-percent nickel.

It had all the odds and ends of plant residues that were left when the plant was closed down.

Senator SYMINGTON. In other words, they processed it into as pure nickel as they could?

Mr. CROSTON. Yes, sir.

Senator SYMINGTON. And the purest they could get was 91 percent?

Mr. CROSTON. That is right.

Senator SYMINGTON. You say you are sure you can sell it?

Mr. CROSTON. Yes, sir.

Senator SYMINGTON. Would that be because of your willingness to move it, or because it is very much in demand?

What would the price be?

Mr. CROSTON. Well, the price would be at a material discount from that of specification grade nickel, but we could get quite a good price for it.

Senator SYMINGTON. What is the price of nickel now?

Mr. CROSTON. Roughly 79 cents a pound.

Senator SYMINGTON. What was it when this was bought?

Mr. CROSTON. We acquired this by transfer after the war, and, of course, at that time nickel was about 30 cents a pound, if I remember rightly.

Senator SYMINGTON. Nickel was 30 cents a pound when it was bought and it is 79 cents a pound now, is that right?

Mr. CROSTON. Yes, sir.

Senator SYMINGTON. Then you have a pretty good chance of moving it at least at cost, have you not?

Mr. CROSTON. Yes, sir, that is right.

Senator SYMINGTON. How about this cobalt? What does it mean, "in rondelle form"?

What does that mean?

Mr. CROSTON. Well, sir, rondelles are forms about five-eighths of an inch in diameter, cylindrical, and about the same height. They are little round slugs. They are really pills made on a pelleting machine, and they call them rondelles, a French term.

Senator SYMINGTON. Is this below standard?

Mr. CROSTON. This material is approximately specification grade. It is a little below, not very much.

Senator SYMINGTON. Why are you selling it?

Mr. CROSTON. Well, we have to keep a separate inventory of this item, and we have a tremendous excess of cobalt, of course.

We have enough to keep us busy for 20 years in disposing of the excess of cobalt alone.

Senator SYMINGTON. Then why do you sell 9 tons?

Mr. CROSTON. Because these authorizations that we got from the OEP were initially to get rid of the odds and ends first before we tackled the problem of getting rid of the larger tonnages that were in the national stockpile.

We first wanted to get rid of—

Senator SYMINGTON. Why do you not reverse that and attack the large quantities first and then take care of the odds and ends later?

Mr. CROSTON. It was not deemed expedient at that time, sir.

Senator SYMINGTON. I beg your pardon?

Mr. CROSTON. It was not deemed expedient at that time.

Senator SYMINGTON. Why not?

Mr. CROSTON. Well, there was a great deal of opposition to the disposal of anything from the national stockpile.

Senator SYMINGTON. Why did they let you dispose of the odds and ends?

Mr. CROSTON. Because they could not very well justify the continuation of these items in the national stockpile when there was no defense use for them.

Senator SYMINGTON. When you say "there was no defense use for them," these was no defense use for a lot more than this?

Mr. CROSTON. That is true, from the excesses; yes, sir.

Senator SYMINGTON. Then, if that was the reason why they would let you do this, why would they not apply the same reasoning and let you do that?

Mr. CROSTON. Well, also, the quantity has a lot to do with it, sir.

If you go to some of the other agencies where we have to get clearance, if you are discussing a small item, the chances are they will approve it.

Senator SYMINGTON. Who is "they"?

Mr. CROSTON. Well, the agencies that we had to have give their concurrence, the State Department, the Interior Department, the Commerce Department, and other agencies, as the case might be.

Senator SYMINGTON. Did you ever try to get that approval?

Mr. CROSTON. On some of the items; yes, sir.

Senator SYMINGTON. I mean on cobalt?

Mr. CROSTON. No; not on the big tonnages.

Senator SYMINGTON. Why not?

Mr. CROSTON. Because we wanted to get rid of this material first, and we knew that it would be turned down automatically if we sent it over. We had discussions with them.

Senator SYMINGTON. I do not want to labor it, but I am curious. I do not see why, if the principle was that you did not want to move anything, they would let you move a little bit, but not a lot.

Mr. CROSTON. Well, they objected on the grounds of the impact that it would have on industry.

Senator SYMINGTON. I beg your pardon?

Mr. CROSTON. They objected to these disposals on the ground of the impact that it would have on the industry.

Senator SYMINGTON. And is the same thing true of nickel?

Mr. CROSTON. To a lesser extent.

Senator SYMINGTON. What would be the impact on the nickel industry?

Mr. CROSTON. Well, most of our disposals have been pretty small in relation to the annual sales of nickel, rather trifling.

We still have objections.

We are trying to dispose of a fairly good tonnage of nickel and ferronickel, and there is objection at the present time to the impact, notwithstanding the fact that up until 2 years ago we were selling 40 million pounds a year.

Senator SYMINGTON. Who was objecting on the nickel?

Mr. CROSTON. Other Government agencies.

Senator SYMINGTON. Who?

Mr. CROSTON. Interior.

Senator SYMINGTON. What is their reason for objecting?

Mr. CROSTON. Impact on the market.

Also Commerce objects to the impact that it would have on the producers.

Senator SYMINGTON. I want to be sure we understand your testimony here. Is this recent, this objection?

Mr. CROSTON. The objection to the larger tonnage of ferro-nickel is recent; yes, sir.

Senator SYMINGTON. How recent?

Mr. CROSTON. A matter of the last few weeks.

Senator SYMINGTON. In other words, they are willing to let you sell 96 tons of nickel, but you cannot sell more than that, says Commerce and Interior, because it would have a negative effect on the market; is that correct?

Mr. CROSTON. Yes, sir. But I think we will overcome the objections of both the agencies. We have had a number of discussions with them, and I would not say that they have frozen that position. I think perhaps they will agree to our disposal.

Senator SYMINGTON. How much nickel did you ask them to sell?

Mr. CROSTON. 12,500 tons of nickel in ferronickel.

Senator SYMINGTON. And they refused?

Mr. CROSTON. Well, it has not been refused so far, but they have not agreed to it. I think perhaps they will agree ultimately, Senator.

Senator SYMINGTON. You still have hope?

Mr. CROSTON. Still have hope; yes, sir.

Senator SYMINGTON. Any further questions?

Senator ENGLE. I would like to ask: How are you ever going to meet this objection about the market? You will not know until you have done it.

Mr. CROSTON. Well, that is a rather difficult question to answer, Senator.

I suppose there are differences of opinion. A big industry, of course, has been founded on that, horseracing. Every agency of Government has had different opinions as to the effects of these disposals, and it is rather difficult to get an agreement from them.

When we started our disposals, we operated under the original DMO-V 7, and about 2 years ago the DMO-V 7 was changed by OEP or OCDM at that time, and that gave the agencies veto power over our action, and we had no recourse.

They could either have a pocket veto or a refusal, but, in any event, we had no opportunity to be heard in court, so to speak, and the OCDM refused to assume the role of judge in the matter, so that if any agency objected to any of our disposals, it automatically was killed.

In the new revision the agencies have to make known their objections within 30 days, and if the matter cannot be resolved at that time by OEP, why, the Director of OEP is supposed to bring the matter to the attention of the White House for resolution.

Senator ENGLE. If we have to take every one of these to the White House, the President is going to be pretty busy.

Mr. CROSTON. Well, sir, that also goes for these items.

It certainly seems pretty ridiculous that the Congress has to be bothered with some of these trifling items that we have.

I can see where the larger items, very definitely, are of interest to the Congress, but why they should be bothered to pass on 9 short tons of cobalt metal rondelles, that is, 18,000 pounds of metal, when there is the sale of 10 million or 11 million pounds of it every year in the country, I mean it certainly is something that should not be brought before the Congress and waste their time. There are many more important things for the Congress to do than to have to pass on items like this.

In other words, the legislation ought to be sufficiently broad so that all major items would have to come to their attention, but these trivial things like this should not come up here, I believe.

Senator ENGLE. I will tell you how it got in there. Industry was so spooked about a stockpile sitting around that someday it might be dumped right down their shirt collars that they tightened the law up so that you could not get rid of a spoonful of it without coming through Congress. Here we sit today with some of this stuff running out of our ears.

The reason I ask these questions is because we are right on the essential point, it seems to me, on one of the basic things, that this subcommittee ought to come up with an answer on, and that is: How are we going to manage these surpluses without doing the very thing we do not want to do: that is, wreck the market?

Now, it seems to me that we ought to be able to get some guidelines laid down and get a program out of here that will enable us to move forward in the direction of getting rid of some of these surpluses where they do not have a serious impact on the market. But I would think that it would require some skill on the part of the disposing agency. As I said, you cannot have everybody look in a crystal ball and come up maybe with a different answer as to what the impact is going to be. The only way you know the impact is after you have done it.

So maybe the day to do it is to authorize an agency to go forward, but to put the materials on the market in dribblets so that if you start getting an impact, you can back away from it, rather than just say well, when we finally decide to do it, we are going to unload the whole wheelbarrow full, whether that is the way to do it or not.

Someday I hope somebody down there does something on this and comes up with some recommendations, because I would hope, Mr. Chairman, that, as we wind up our affairs here, sooner or later, that we are in a position to suggest some guidelines to the Congress as to how you do this, and we are not caught in the barn full of redtape that you are talking about right now.

Senator SYMINGTON. This committee will, in due course, have findings, and conclusions from those findings, and recommendations we will work up when we have reached the end of the hearings.

Senator BEALL. Mr. Chairman, just in line with Senator Engle's question, I wonder if the witness would tell us who specifically in Interior and Commerce have declined to give them permission?

Mr. CROSTON. When we prepare disposal plans, after we have cleared them internally in our own organization, we then hold a meeting in my office of the various agencies that are particularly concerned with that commodity, and the plan is sent over to these agencies in advance, and in the case of Interior it goes to the Office of Minerals Mobilization.

Senator BEALL. Does the Secretary of the Interior know about it?

Mr. CROSTON. Well, that I could not say, sir. I imagine perhaps not.

It probably is not of enough importance to get that high, but it gets at least probably to the Assistant Secretary for Minerals.

Senator BEALL. The same would be true in Commerce?

Mr. CROSTON. Yes, sir.

Senator SYMINGTON. I do not think you answered Senator Beall's question.

Who was in the meeting with you from Commerce and who was in the meeting with you from Interior in recent weeks?

Mr. CROSTON. Well, generally, Dr. May comes over.

Senator SYMINGTON. Doctor who?

Mr. CROSTON. Dr. May.

Senator SYMINGTON. M-a-y?

Mr. CROSTON. M-a-y—on the light metals.

Dr. McCormack on the minerals, Mr. Moulds.

Senator SYMINGTON. What agency is that?

Mr. CROSTON. They all work for the Office of Minerals Mobilization.

Senator SYMINGTON. Are they all in Interior?

Mr. CROSTON. In Interior, yes, sir.

Senator SYMINGTON. And one of them works on the light metals and what do the other two do?

Mr. CROSTON. One on minerals and another on the base, the heavy base metals, copper, lead, and zinc.

Senator SYMINGTON. And who from Commerce?

Mr. CROSTON. We have Mr. Hirshman.

Senator SYMINGTON. Mr. Hirshman?

Mr. CROSTON. Yes, in Commerce on nickel. And Tom Curtis comes over at a number of the meetings. He is on stockpile policy.

Senator SYMINGTON. In the Department of Commerce?

Mr. CROSTON. In Commerce, yes, sir.

Senator SYMINGTON. Mr. Curtis?

Mr. CROSTON. Curtis, Thomas Curtis.

Senator SYMINGTON. I notice Mr. Connell, who has been of great help to us in these hearings, mentioned that it would average 5 years to get rid of these.

How long do you think it would take you to get rid of this nickel that you bought at 30 cents a pound and is now selling for 79 cents?

Mr. CROSTON. The afternoon that the bids are open. It will be sold in one lot instantly. That offers no problem whatever. The quantities are very small.

Senator SYMINGTON. I notice there is 115 million pounds of excess nickel.

Do you plan to sell 91 tons?

Mr. CROSTON. No.

I would hope we would dispose of most of that in a 5-year period or so.

Senator SYMINGTON. Ninety-five tons we have, 91 in ingot form and 4 in sintered nickel powder; and we plan to sell 9 tons of cobalt, and we have 78 million pounds excess.

We are not really moving very rapidly in this field. Is that a fair statement, in your opinion?

Mr. CROSTON. Yes, sir, that is correct.

Senator SYMINGTON. As I understand it, on amendment to DMO-V 7 of April of 1962, the approval of all the departments is no longer necessary.

If they object to the plans that the OEP has for disposal, the Director has the right of decision, subject, of course, to the President's approval, is that not correct?

Mr. CROSTON. Yes, sir.

It is quite an improvement.

Senator SYMINGTON. You do think it is an improvement?

Mr. CROSTON. Yes.

I do not think it went as far as it could have gone, but it is an improvement over the previous situation.

Senator SYMINGTON. How far would you have gone?

Mr. CROSTON. I would have the head of the OEP make the decision.

Senator SYMINGTON. He can make it now, subject to the President's approval, can he not?

Mr. CROSTON. Well, subject to the President's approval, but that, I think, in most instances should not be necessary.

I think he should be delegated—

Senator SYMINGTON. I am not sure I agree with you on that if for some reason it involves foreign or domestic policy.

In such instances, I would think the Cabinet member should have the right of bringing it up first before the decision is made, but, in any case, these discussions that you are having now, which you say prevent you from selling more, are pretty academic, are they not?

Mr. CROSTON. Yes, sir.

Senator SYMINGTON. They are probably interesting, but they are time-consuming, are they not?

Mr. CROSTON. Very.

Senator SYMINGTON. You have known for a good many years that you had millions, hundreds of millions of dollars of nickel to sell, had you not?

Mr. CROSTON. Yes, sir.

Senator SYMINGTON. And you can sell it without discussion so long as the head of OEP decides to sell it, can you not, if the President approves?

Mr. CROSTON. Yes, sir.

Senator SYMINGTON. I have no further questions.

Mr. COBURN. Mr. Witness, I think the next item that you are prepared to testify about is celestite, is it not?

Mr. CROSTON. Yes, sir.

Mr. COBURN. Is that not a mineral?

Mr. CROSTON. Yes, sir.

This celestite—

Mr. COBURN. First, will you tell us what celestite is, what its use is?

Mr. CROSTON. Well, it is a strontium sulphate and the mineral was used principally for flares, for signal flares.

Mr. COBURN. Do you mind pulling that loudspeaker a little closer to you? I cannot hear you very well.

Mr. CROSTON. It is used for signal flares for the military, and there were some uses for strontium chemicals as well.

This material does not meet the specification. In fact, it is so far below specification that there is a question of whether we will be able to dispose of it for any appreciable amount of money or not.

Actually, a large part of this material was bought in Spain during World War II to keep it from the Germans as a preclusive purchase, and it was brought over here after the war and has been in the stockpile ever since.

Mr. COBURN. Now, are you getting rid or attempting to get rid of all of the celestite that you have on hand?

Mr. CROSTON. This represents the total amount of celestite on hand.

Mr. COBURN. And that is how much?

Mr. CROSTON. 22,000 short tons, or, rather, 28,000 short tons.

Mr. COBURN. 28,816 tons of celestite?

Mr. CROSTON. Yes, sir.

Mr. COBURN. According to the resolution; is that right?

Mr. CROSTON. That is correct, sir.

Mr. COBURN. You do not have any idea, of course, as to what the acquisition cost was because it was acquired by other branches of the Government, or is that true?

Mr. CROSTON. That is right. It was acquired by the RFC and it was later transferred to us and we have no record of what it cost the RFC.

Mr. COBURN. Do you have any idea as to what its sale value might be, approximately?

Mr. CROSTON. Well, I would hesitate to say because it might have an effect on the bids that will come in.

Mr. COBURN. I see.

Mr. CROSTON. It is quite low-grade material.

Mr. COBURN. You, I believe, have said that you are not at all sure you will be able to sell this; is that right?

Mr. CROSTON. That is correct, sir. It is a very limited market.

Mr. COBURN. What is that?

Mr. CROSTON. It is a very limited market. There are very few consumers.

Mr. COBURN. And how do you offer something of that kind? Do you simply send out invitations to bid, or do you have an auction, or how do you handle it?

Mr. CROSTON. Well, most of our sales are through invitations to bid. We send out the invitations to all the known consumers of the material.

We also send out publicity to all the trade papers, and they, in turn, put an item in the paper announcing that the Government proposes to hold a sale on such-and-such a date, and that dragnet usually gets in the other firms that are not known to be consumers who might be interested to purchase.

Mr. COBURN. That is your usual way of selling something from the stockpile?

Mr. CROSTON. That is correct, sir.

Mr. COBURN. And then you simply sell to the highest bidder; is that right?

Mr. CROSTON. Yes, sir.

Mr. COBURN. Do you have any idea how long it will take you to sell this celestite?

Mr. CROSTON. No, sir; I have no idea. I imagine that at the first invitation to bid that the bid may be completely unsatisfactory to us, and then we will have to investigate further.

We have already investigated in quite some detail the possible marketing of this with consumers and what the consumers use, what the effect of the impurities in this material would have on their processing, and that is one reason why it is rather dubious whether we will be able to sell it soon.

Mr. COBURN. Now, there is no celestite in the stockpile itself at the present time. It is not a strategic and critical material, is it?

Mr. CROSTON. There is an objective; yes, sir. There is an objective for it, and, of course, this material does not meet the specification, and I believe they intend to secure the specification grade material through barter.

Mr. COBURN. I notice from looking at our chart that we have here of strategic and critical materials prepared by GSA, that celestite is not on it at all, is that correct, so that there is no specification for celestite held by the stockpile at the present time?

Mr. CROSTON. That is correct. There is none in the stockpile, but there is an objective. There is none in the stockpile.

Mr. COBURN. Do you know what the objective is?

Mr. CROSTON. Yes, sir. It is this 22,000 short tons.

Mr. COBURN. That is the present objective?

Mr. CROSTON. Yes, sir.

Mr. COBURN. So that is something that the stockpile would be buying in the future, is it?

Mr. CROSTON. That is right, sir.

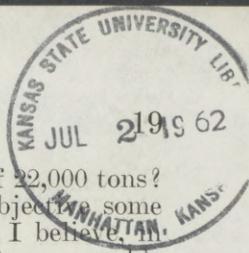
Mr. COBURN. If they can get it; is that right?

Mr. CROSTON. That is correct, sir.

Mr. COBURN. Where does it come from?

Mr. CROSTON. Well, the best grade material apparently comes from Britain, and some very good material comes from Mexico.

DISPOSITION OF CERTAIN MATERIALS



Mr. COBURN. How long have we had that objective of 22,000 tons?

Mr. CROSTON. This material was taken out of the objective some time ago, and they are dickering at the present time, I believe, these past few months, to acquire some of this material at a reasonable price.

Mr. COBURN. When was this 28,816 short tons taken out of the stockpile because it was below specification?

Mr. CROSTON. Oh, about 2 years ago.

Mr. COBURN. It had deteriorated, is that correct, in storage?

Mr. CROSTON. No, sir. It was not any good to begin with.

Mr. COBURN. Do I understand the fact to be that for a good many years we have had a stockpile objective for celestite; yet we have had nothing in the stockpile that met specifications; is that correct?

Mr. CROSTON. That is correct.

Mr. COBURN. Is that right?

Mr. CROSTON. That is right, sir.

Mr. COBURN. How long have we had an objective on celestite which has not been filled?

Mr. CROSTON. That I do not remember, sir. I will have to check that. It has been quite a few years, I believe.

Mr. COBURN. And we still have an objective of 22,000 tons and no celestite to specification grade in the stockpile?

Mr. CROSTON. That is right.

Originally, it was believed that this material could be handled and used by industry, but with the changing demands in industry, they demand higher and higher purity as the years go by, and they can get it from industry, and, consequently, none of the firms who process celestite would want to touch this material on account of the impurities that are in it. The cost of processing would be too high.

Mr. COBURN. I have no further questions.

Senator SYMINGTON. Senator Engle?

Senator ENGLE. No questions.

Senator SYMINGTON. Senator Beall?

Senator BEALL. No questions.

Senator SYMINGTON. Senator Cannon?

Senator CANNON. Mr. Witness, can you not upgrade this subspecification celestite as long as you do have a maximum objective?

Would you not be better off to upgrade it rather than to sell this and then go out and buy a new and higher grade?

Mr. CROSTON. I doubt it. This is very low value material, and the cost of upgrading it, you would lose a great deal in the process, and the cost of upgrading would probably exceed the cost of buying new specification grade material.

Senator CANNON. What do you mean, it probably would exceed? Do you not know how much it would cost to upgrade it and how much your new material would cost?

Mr. CROSTON. We have never made a definite study because it was obvious to us as engineers that it would cost \$20 or \$30 a ton, perhaps, to do anything with it, and you would not be certain that you would remove all of the impurities, and you can buy this material for \$25 or \$30 a ton in New York City right now, so there would be no point in trying to upgrade something and spend more money than we could get good stuff for.

Senator CANNON. Actually, from what you say, then, there is probably little likelihood of any market price for it at all, is there?

Mr. CROSTON. I believe that will prove to be true, sir.

Senator CANNON. Then you have just got material on hand you are going to have to go out and dump after you put it out to bid and find out you cannot get a price for it?

Mr. CROSTON. I would hope we would do better than that, sir.

Senator CANNON. Mr. Witness, I am a little concerned about this policy matter that you went into a few minutes ago.

As I understood it, you say it is now a policy matter to go to the other agencies to get their approval on these various disposals, is that correct?

Mr. CROSTON. Yes, sir.

Senator CANNON. And if they do not agree with you, if they say that it should not be done, then you drop it right there. You do not take it on up and make the recommendation to the President that disposal still be made; is that correct?

Mr. CROSTON. No, sir; we do not.

We do, however, take the matter up with OEP, who have the authority to authorize the disposal in the first place. So we simply report back to OEP that we have been unable to get the other agencies to agree to the disposal, and initially under the old DMO-V7, they then made a decision.

Then under the revision of several years ago, why, they decided not to go further, and if we had a refusal to concur by one of the agencies, that was the end of it. We could not even get a hearing.

Senator CANNON. This new April regulation that went into effect then, you just disregarded that entirely, is that correct?

Mr. CROSTON. Under the new revision, the agencies have to reply and they either concur or object within 30 days, and at the end of that time, then the Director of OEP can take appropriate action.

Prior to that, by pocket veto, some of the agencies would not respond at all and say the matter was under study, and some of these things required no real study.

It was obvious that the amount being sold was so inconsequential it could have no effect on markets, but it was still under study month after month.

Senator CANNON. But the only difference now is that they must reply, and if they reply unfavorably, the result is the same. You still do not go beyond that point of recommendation?

Mr. CROSTON. It is up to the Director of OEP, sir.

Senator CANNON. But you, yourself, do not recommend to the Director that you proceed with the disposal if you get an unfavorable recommendation?

Mr. CROSTON. Well, we would undoubtedly report to him that we would like to go ahead with the disposal, but, in sending back the agency reports to OEP, why, it naturally shows that the agency has, some agency has, objected to the disposal.

Then it is up to the Director of OEP to take the next step, either to make a finding in favor of the other agency or take the matter to the White House.

Senator CANNON. Since this new regulation went into effect, have you received any unfavorable reports from agencies and thereafter made a recommendation to OEP that they proceed with the disposal?

Mr. CROSTON. No, sir.

Senator CANNON. It seems to me, Mr. Chairman, that the regulation then has no meaning at all.

I have no further questions.

Senator SYMINGTON. I would like to get back to nickel, if I may, for a minute.

The price of nickel on the chart that I have here put out by the GSA was about 34 cents a pound in 1949. In 1950, it went to 40 cents a pound. In 1952, it was up to 56.5 cents a pound. In 1954, it was moving again. It was 60 cents a pound. In 1955, it went to 64.5 cents a pound. In 1956, it was moving right along. It went to 74 cents a pound. In 1962, it is up to just over 80 cents a pound.

Do you know of any major metal where the price rise has been comparable to that; and, if so, what?

Mr. CROSTON. I know of no major one; no, sir.

Senator SYMINGTON. Actually, there are some contracts the Government had where the price of nickel is a lot higher than 80 cents a pound, are there not?

Mr. CROSTON. Yes, sir.

Senator SYMINGTON. Some of them are over \$1 a pound, is that correct?

Mr. CROSTON. Yes, sir.

Senator SYMINGTON. Are you still buying nickel under those contracts?

Mr. CROSTON. There are two contracts, I believe, still outstanding.

Senator SYMINGTON. And you are still buying nickel for over \$1 a pound?

Mr. CROSTON. Yes, sir.

Senator SYMINGTON. And the market price is over 80 cents a pound?

Mr. CROSTON. Well, it is less than 80 right now.

Senator SYMINGTON. 79 cents?

Mr. CROSTON. 79 cents.

Senator SYMINGTON. And, yet, you say the reason that they only want to let you sell 90 tons is that you might do something that would affect the market if you sold any more, is that right?

Mr. CROSTON. Yes, sir.

Senator SYMINGTON. I have no further questions.

Mr. COBURN. Mr. Witness, I think the next item that you are prepared to testify on is the platinum scrap and nonferrous scrap, is that correct?

Mr. CROSTON. Yes, sir.

Mr. COBURN. In the resolution is 4,471 troy ounces of platinum scrap. What is the use of platinum, the strategic use?

Mr. CROSTON. Well, it goes into a number of electric uses. It goes into the chemical industry as a catalyst, in chemical processing, and the particular platinum scrap that we have here came from aircraft sparkplugs.

They snipped off the tips of the sparkplugs and salvaged the platinum, and the total of some many hundreds of thousands or millions of plugs amounted to this 4,471 troy ounces of platinum scrap.

Mr. COBURN. Was that done after World War II?

Mr. CROSTON. Yes, sir.

Mr. COBURN. And then this material, this platinum scrap, was turned over to the stockpile?

Mr. CROSTON. That is right; yes, sir.

Mr. COBURN. No price, no acquisition cost, then?

Mr. CROSTON. No, sir.

Mr. COBURN. Was placed on it, was it?

Mr. CROSTON. That is right.

Mr. COBURN. Do you expect to have any difficulty in disposing of this platinum scrap?

Mr. CROSTON. No, sir.

Mr. COBURN. There is a ready use for it, is there, in industry?

Mr. CROSTON. It will have to be refined, but that poses no problem to the industry. We will have bids from refiners for this material.

Mr. COBURN. You have had people who have made inquiry about this?

Mr. CROSTON. Yes, sir.

Mr. COBURN. Do you have any ideas as to about how long it will take you to dispose of this quantity of platinum scrap?

Mr. CROSTON. It should be sold at once, on the same day that the bids are opened, if the bids are satisfactory.

Mr. COBURN. This is not a large item, then?

Mr. CROSTON. No; it is very small. It amounts to, oh less than 2 percent of annual consumption.

Mr. COBURN. I cannot hear you, Mr. Witness.

Mr. CROSTON. Less than 2 percent of annual consumption.

Mr. COBURN. Now, then, you have in this same paragraph here of the resolution 520 short tons of brass. That, again, is just scrap, is it?

Mr. CROSTON. Yes, sir; that is brass, mostly termination inventories of various firms, and it came into the stockpile after the war.

It comprises sheet, some of it with corners cut out of it from use in factories, a certain amount of silicon bronze and beryllium copper.

We have some tubing that came out of a sunken ship, and the boiler tubing is flattened, so it has no use except for resmelting this scrap.

Mr. COBURN. You anticipate no difficulty in getting rid of this item?

Mr. CROSTON. No, sir.

Mr. COBURN. It is a small item, is it not?

Mr. CROSTON. They could consume more than this scrap while you would be having lunch, in industry.

Mr. COBURN. And it would be done all in one bunch, in one sale?

Mr. CROSTON. Except that we did have difficulty on this. This disposal was held up for over a year on the grounds of its impact on the copper industry.

Mr. COBURN. You mean this 520 short tons of brass?

Mr. CROSTON. Yes, sir.

Mr. COBURN. Was held up for over a year because of the impact on the copper industry?

Mr. CROSTON. That is right, sir.

Mr. COBURN. Who held it up?

Mr. CROSTON. Interior Department.

Mr. COBURN. When did you first try to make disposal of this?

Mr. CROSTON. Well, the Federal Register notice went in, in July of 1961.

Before that we had—I do not know the date of the original authorization, but it was quite a long time before that, and it was over a year, I think, at Interior.

Mr. COBURN. Studying the matter before they finally consented to it, is that it?

Mr. CROSTON. That is right.

Mr. COBURN. Did they give you any reason for the delay, or was it because of its impact on the copper industry, or did they give you any reason, really?

Mr. CROSTON. Well, it was under study for a long time, and I understood it was because of the impact that it would have on the copper industry.

Mr. COBURN. What about the 74 short tons of silicon bronze and copper?

That, again, is just scrap that has been turned over to the stockpile, has it?

Mr. CROSTON. That is right, sir.

Mr. COBURN. It is a very small item?

Mr. CROSTON. That is right.

Mr. COBURN. You think you can dispose of it easily at one time?

Mr. CROSTON. Oh, yes.

Mr. COBURN. Will you have any trouble getting rid of that?

Mr. CROSTON. No, sir.

Mr. COBURN. Eleven short tons of beryllium copper, that, again, is just scrap, is it?

Mr. CROSTON. Well, we hope that we might be able to get a better price, because some of it is in manufactured form. Some of it is in the form of nuts and bolts, and perhaps we might get a little higher price than a scrap price for it. We will attempt to do so.

Mr. COBURN. You do not anticipate any difficulty there?

Mr. CROSTON. No. It is a very small tonnage.

Mr. COBURN. It will be sold just in one sale?

Mr. CROSTON. That is right.

Mr. COBURN. And 106 short tons of zinc foil. How did you get that?

Mr. CROSTON. That was left over from World War II. I believe it was part of the mercury battery program, and when the program was abandoned, this was the termination inventory at the plant of the battery manufacturer.

It is a zinc form in rolls very similar to motion picture film, and it is quite a narrow strip.

Mr. COBURN. You think you will be able to dispose of that easily?

Mr. CROSTON. Yes; but it will probably be only used for resmelting. In its present form, I do not think anybody could use it.

Mr. COBURN. You think you can get rid of it in one sale?

Mr. CROSTON. Yes, sir.

Mr. COBURN. Mr. Chairman, I believe I have no further questions about this item.

Senator ENGLE. Senator Beall?

Senator BEALL. Mr. Chairman, I was just wondering if the witness would tell us who specifically in the Interior Department refused to concur in your recommendation?

Mr. CROSTON. Well, it is the Office of Minerals Mobilization that we send our letters to, and they are the people that have in some instances—

Senator BEALL. Who are they? Who is the head of it?

Mr. CROSTON. The Acting Director is Mr. Flory.

Senator BEALL. And did he answer in person or did his outfit?

Mr. CROSTON. Yes, most of the letters that come from OMM are signed by him in person.

Senator BEALL. These were letters. It was not a conference. It was in writing?

Mr. CROSTON. We have a conference in my office first, and then if they agree to the disposal plan, after a week or so we get letters from each of the agencies expressing concurrence with the disposal, if they have no further objection, and that is part of our disposal record.

If there is disagreement at the meeting, they go back to their respective agencies and discuss the matter there, and sometimes there is no further meeting because the objections are sufficiently strong, so there is no point in having another conference, and we get a letter from them saying that they do not concur in the disposal.

Senator BEALL. Mr. Flory, then, did object to your disposing of this item?

Mr. CROSTON. I would have to refresh my mind whether it was Mr. Flory or one of his predecessors. He has been the Acting Director for a period of time, 7 or 8 months, perhaps. Maybe it was an earlier incumbent in that office. I do not remember.

I would have to check the record.

But that is the Office that is charged with—

Senator BEALL. Mr. Chairman, do you not think we should have that for the record, who the persons were?

Senator ENGLE. You can secure that information, can you not? You can secure it and provide it for the record?

Mr. CROSTON. Yes, sir.

Senator ENGLE. Will you do so?

Mr. CROSTON. Yes, sir.

Senator ENGLE. Thank you very much.

Senator CANNON. When did you first request authority, Mr. Witness?

Mr. CROSTON. I have not the figures here, sir, on this brass scrap, but I would think that it was sometime in 1960.

Senator CANNON. And then when did you finally get approval on these items that you have here?

Mr. CROSTON. It would be just before the date of the Federal Register notice, which was July 19, last year, so it probably would be early in July.

Senator CANNON. And do I understand it correctly that before that time you just got no answer at all?

Mr. CROSTON. It was under study.

Senator CANNON. It was under study.

And then you finally got the approval.

Nothing further.

Senator ENGLE. Any further questions?

Mr. COBURN. Now, Mr. Witness, we will turn to the item of 50,000 long tons of pig tin.

This is a large item, is it not, in this disposal?

Mr. CROSTON. Yes, sir. It is equal almost to a year's consumption.

Mr. COBURN. The American consumption?

Mr. CROSTON. Yes, sir.

Mr. COBURN. In the United States of pig tin?

Mr. CROSTON. Yes, sir.

Mr. COBURN. This tin, of course, is an item, one of the major items, in the stockpile, is it not?

Mr. CROSTON. Yes, sir.

Mr. COBURN. And these 50,000 tons that you propose to dispose of here is specification tin, is it not?

Mr. CROSTON. Yes.

It meets the specifications, although not all of it is grade A tin, but all of the tin meets one or another of the various specifications.

Mr. COBURN. Yes.

So it is specification material in the stockpile?

Mr. CROSTON. Yes, sir.

Mr. COBURN. However, it is not all of the excess that we have in tin in the stockpile, is it?

Mr. CROSTON. No.

There would still be 115,000 tons, approximately, in the stockpile that would be excess after this 50,000 was sold.

Mr. COBURN. Yes.

My record here shows that we have approximately 164 million tons of tin in excess in the stockpile at the present time. Would that be correct?

Mr. CROSTON. 164,000; yes, sir.

Mr. COBURN. Did I say million? 164,000—excuse me—164,000 tons of tin.

And this 50,000 would reduce it, then, to about 114,000 tons, the excess is that right?

Mr. CROSTON. That is right, sir.

Mr. COBURN. Can you tell me what the acquisition cost of this tin was?

Mr. CROSTON. I think approximately a shade under \$1.09, \$1.08 and a fraction, if I remember right.

Mr. COBURN. And what is the market on tin at the present time?

Mr. CROSTON. Well, in New York it is approximately \$1.14 as of last week.

There is no market in London today over the weekend.

Mr. COBURN. The last quotation on Friday was \$1.14?

Mr. CROSTON. Yes, sir.

Mr. COBURN. A pound?

Mr. CROSTON. Yes, sir.

Mr. COBURN. Is that right?

Mr. CROSTON. That is right, sir.

Mr. COBURN. So that if the market remains at its approximate level, you hope to be able to sell this at some gain?

Mr. CROSTON. Yes, sir.

Mr. COBURN. Is that right?

Mr. CROSTON. Yes, sir.

Mr. COBURN. Now, then, this is a large item, 50,000 long tons.

How do you propose to sell it from the standpoint of spreading it out over a period of time?

Mr. CROSTON. Well, it is believed that to dispose of this amount will require 4 to 5 years if the estimates of the shortage are correct, and these estimates have varied from 5,000 or 6,000 tons to 20,000 tons a year.

Just what they will prove to be for 1962, I do not know at this time, but apparently there will be some shortage, and the amount that we would be able to sell would depend on the shortage.

In other words, if the shortage was relatively small, it would be difficult for us to sell a large tonnage without seriously affecting the price.

Mr. COBURN. What shortage is this that you refer to? I think that is not clear to me, at least.

Mr. CROSTON. Well, there has been a falling off in the production of tin in the last few years, and quite an expansion in consumption, especially in Europe where the tinplate industry has grown by leaps and bounds.

Many new tinplate plants have been built over there, and as a result the consumption of tin has exceeded the production, and the difference has been made up by quite ample stocks. But these stocks are steadily dwindling, and perhaps before the end of the year there may be an acute shortage.

It is difficult to say, because there is very little tin coming out of the Congo, for instance, and what the true situation there is, is difficult to ascertain.

The production in Bolivia and Indonesia has been rather poor, and the Malayan production has increased somewhat, but not enough to make good the deficit in the supplies.

Last year the buffer stock of 20,000-odd tons in the hands of the ITC was sold off, and we disposed of 4,000 tons of pig tin that was in the Federal Facilities Corp. inventory, and there was a small disposal from the Canadian stocks and from the Italian Government stocks.

Between our sales and the others, it took care of the deficit. But there is no longer any tin in the buffer stock of the ITC, and there is very little tin in other Government inventories other than the U.S. Government, and inventories in industry are getting rather low both here and abroad, so that if the consumption is maintained at a high rate and there is no great increase in production, there will be a definite shortage.

It can only be taken care of by releases from the stockpile.

Mr. COBURN. The ITC that you made reference to is the International Tin Committee, is it not?

Mr. CROSTON. Well, the International Tin Council.

Mr. COBURN. Or Council?

Mr. CROSTON. The "Committee" is the name of the prewar organization.

Mr. COBURN. And that is the tin cartel, is it not?

Mr. CROSTON. I would not say so, sir.

Mr. COBURN. I do not want to make a great point of it, but I wanted everyone to understand what you were making reference to.

If you have another term for it, why, tell us what it is, sir.

Mr. CROSTON. It is a quasi-governmental organization. The old ITC, the old Committee, definitely was a producers' cartel, but it is hard to read into this as being a cartel when the consumers have equal voting right and just as many votes as the producing people.

Mr. COBURN. Now, you say that the production of tin, looking at this thing from a world production, the production of tin in the Congo has been interrupted by the political motions there, is that correct?

Mr. CROSTON. That is correct, sir.

Mr. COBURN. Does that Congo tin represent a very large percentage of the world supply of tin?

Mr. CROSTON. Oh, about somewhat less than 10 percent.

Mr. COBURN. You say the tin production in Bolivia is down?

Mr. CROSTON. Yes.

It has been down for quite a while. I mean their production is nothing like what it was during the war.

Mr. COBURN. Why is that?

Mr. CROSTON. Politics.

Mr. COBURN. What is that?

Mr. CROSTON. Politics.

Mr. COBURN. We want something a little more definite than that.

Mr. CROSTON. Well, the Government has taken over the operation of it, and they feel that they can do a better job than private industry could do, and, as a result, they have had a pretty chaotic situation there.

Mr. COBURN. How much has the production of tin in Bolivia declined?

Mr. CROSTON. About 50 percent from the high.

Mr. COBURN. How long has that been going on?

Mr. CROSTON. Well, it has been a gradual attrition since the war from roughly 40,000 tons to about half that figure.

Mr. COBURN. Did you say that the production of tin was down in some other tin producing country? I believe you did, did you not?

Mr. CROSTON. In Malaya the production is down. There, again, the mines have been nationalized and the Dutch no longer run the properties, and there is a study underway now to see what can be done to rehabilitate those properties and get them back into high gear again.

Mr. COBURN. And to what extent are they down?

Mr. CROSTON. Oh, they are down roughly from the high about 30 percent, perhaps.

Mr. COBURN. And, on the other hand, the Indonesian tin, the production is increasing there?

Mr. CROSTON. Malayan tin; yes, sir.

Mr. COBURN. What?

Mr. CROSTON. The Malayan tin from Malaya. It has increased about 5,000 tons this past year.

Mr. COBURN. It is the Indonesian tin that is down and Malaya is coming up, is that right?

Mr. CROSTON. That is right.

Mr. COBURN. But the overall picture, worldwide, is that the amount of tin that is being produced worldwide now is down rather substantially, is it?

Mr. CROSTON. Yes, sir.

Mr. COBURN. What percentage would you say as against, say, 5 years ago, would you know?

Mr. CROSTON. I would have to check, but I might say that the production of tin and the consumption of tin in the world is no greater now than it was 30 years ago.

Mr. COBURN. The production of tin is not?

Mr. CROSTON. We produce about the same amount now as we did about 30 years ago.

It has not been a growing industry and consumption recently has been increasing at a very fast rate.

Mr. COBURN. So now the consumption is higher than production?

Mr. CROSTON. Yes, sir.

Mr. COBURN. And that is the reason why the price, I suppose, has remained quite firm in tin, is that right?

Mr. CROSTON. Yes, sir.

Senator BEALL. Mr. Chairman, I do not have a question, but I would like to make an observation.

This witness apparently knows his subject. He certainly has not wasted the 45 years he has been in the business. I want to compliment you for your direct answers.

Mr. COBURN. One more thing I meant to ask you, Mr. Witness.

With reference to the disposal of these 50,000 tons, do you plan to dispose of it in lots?

Mr. CROSTON. A definite decision has not been made as yet, it will be shortly, but, in general, we would probably sell it on a similar basis to the time we sold the Federal Facilities Corp. tin.

In other words, we would put up for sale a certain number of lots, each lot of 10 tons, maybe 25 lots, 250 tons would be put up for sale.

Then, after they were sold, another lot would be put up.

Mr. COBURN. I did not quite get the size of the lots. Do you have any notion at the present time as to what the size would be?

Mr. CROSTON. Yes.

Usually each individual lot is 10 long tons.

Mr. COBURN. I see.

That would take you a good, long time, then, will it not, to dispose of 50,000 tons at the rate of 10 tons a lot?

Mr. CROSTON. Well, it would be 25 lots, perhaps, at one sale. That would be 250 tons, and if we sold the tin weekly, that would be about 12,000 or 13,000 tons a year, which would give us 4 years for the disposal.

Mr. COBURN. No further questions, Mr. Chairman.

Senator SYMINGTON. Senator Engle?

Senator ENGLE. No questions.

Senator SYMINGTON. Senator Beall?

Senator BEALL. No questions, Mr. Chairman.

Senator SYMINGTON. Senator Cannon?

Senator CANNON. No questions.

Senator SYMINGTON. How long have you been with GSA, did you say?

Mr. CROSTON. I came with the GSA when the DMPA was incorporated into the GSA in 1953.

Senator SYMINGTON. 1953?

Mr. CROSTON. Yes, sir.

Senator SYMINGTON. What were you doing before then?

Mr. CROSTON. I was the chief consultant for the "Paley" Commission prior to that, and prior to that I worked for you, sir.

Senator SYMINGTON. Doing what?

Mr. CROSTON. In the Security Board of Metals and Minerals.

Senator SYMINGTON. And before that?

Mr. CROSTON. Before that, I was at the same desk and they changed the stationery.

I was with five or six different agencies beginning with the Counsel for Defense, the OPM, War Production Board.

Senator SYMINGTON. All the time?

Mr. CROSTON. Yes, sir, all the time.

Senator SYMINGTON. That is what I wanted to develop. You know the history of tin pretty well, do you?

Mr. CROSTON. Reasonably well, sir.

Senator SYMINGTON. And in 1952, July 1952, as I remember it, the Military Preparedness Subcommittee, chaired by Senator Lyndon Johnson, put a report out. Do you know about that report?

Mr. CROSTON. Yes, sir.

Senator SYMINGTON. In which they said that the price of tin was too high and gave their reasons for it. Do you remember that?

And then, within 30 days, the Government bought a quarter of a billion dollars, \$243 million to be more exact, more tin at that price.

Do you remember that?

Mr. CROSTON. Yes, I remember vaguely about it. Of course, at that time I was not directly connected with tin procurement.

Senator SYMINGTON. As I understand it, we are discussing tin now, of which we have nearly \$1 billion worth, have we not?

Mr. CROSTON. Yes, sir.

Senator SYMINGTON. Do you remember what the figure is exactly?

Mr. CROSTON. No, sir, but it is worth somewhat better than \$2,500 a ton.

Senator SYMINGTON. The acquisition cost is 848 and the market value now is estimated to be 939. These are millions.

Mr. CROSTON. Yes, sir.

Senator SYMINGTON. So that is pretty close to a billion. Do you think you are going to have much trouble moving these 50,000 tons of tin?

Mr. CROSTON. Well, a lot would depend upon the level of activity in Europe, and the United States, and on the world production, and then one other factor.

If the steel industry levels off in Europe and in the meantime Congo production comes back in, it might be difficult to sell large tonnages of tin without seriously affecting the price.

Then there is another factor that could cause us considerable worry, and that is Russian or Chinese sales.

Senator SYMINGTON. I beg your pardon?

Mr. CROSTON. Russian or Chinese sales could very drastically affect the market and price, and our ability to sell the tin.

Senator SYMINGTON. Are the Russians selling any tin now in the free world?

Mr. CROSTON. Yes, sir.

They are selling a small amount, nothing like as large a tonnage as they did several years ago, but they are still selling some.

Senator SYMINGTON. How much, roughly?

Mr. CROSTON. Oh, on the order of 7,000 or 8,000 tons in the free world.

Senator SYMINGTON. How much of that is used by the free world?

Mr. CROSTON. Approximately 150,000 to 160,000 tons.

Senator SYMINGTON. And how about China? What are they doing with tin?

Mr. CROSTON. Well, presumably, the Chinese are producing on the order of 20,000 tons a year, and at the moment perhaps they might have some tin for sale. Prior to this, it is my understanding that most of the tin went to Russia, their surplus, but that now they are definitely attempting to sell some tin in Europe on their own account.

Senator SYMINGTON. Have they sold any?

Mr. CROSTON. I believe a small tonnage; yes.

Senator SYMINGTON. What price do they get for it?

Mr. CROSTON. That I do not know, sir.

Senator SYMINGTON. How about the Russian tin? Do you know the price on that?

Mr. CROSTON. Well, it is my impression that in London they secured approximately the market price for their tin. Some of their other materials they have sold at very definite discounts.

Senator SYMINGTON. As I understand it, you have two forms of tin mining.

One is called high-lode mining, as high as 18,000 feet, in Bolivia; the other is dredge mining, Malaya, Indonesia.

Those are the two major different types of mining; is that correct?

Mr. CROSTON. Yes, sir; underground mining and dredging.

Senator SYMINGTON. And do you know about the cost of tin in Malaya, Indonesia, cost per pound of mining?

Mr. CROSTON. I have not followed it recently. Some years ago I used to keep records as a hobby of several hundred tin mining enterprises throughout the world, but many years ago, of course, the underground mines in Bolivia were extremely rich and their costs were low.

Today most of the underground mines are high-cost producers.

Senator SYMINGTON. About the cost of mining in Malaya with dredges. As high as \$3,750,000, is this not so, is the cost of a modern dredge?

Mr. CROSTON. Well, there are some firms that can produce tin for an operating cost of perhaps 25 cents a pound, but their overall cost, after they pay taxes and depreciation, depletion and everything else, of material is materially higher.

Some of the producers over there could not make money under \$1. Some of the others are quite capable of making a good profit at 75 cents.

Senator SYMINGTON. You say that you followed as a hobby tin companies, some 200 tin companies, over a period of years. Some of those companies, their operating costs were considerably less than 25 cents, were they not?

Mr. CROSTON. Very few with an operating cost of less than 25.

Senator SYMINGTON. The ones that would have the lowest costs would be the biggest operators, would they not?

Mr. CROSTON. Not necessarily. They would have probably the richest ground.

Senator SYMINGTON. I am only quoting against the Lyndon Johnson report, the two tin reports he made, as to the cost of the dredges, and what could be done.

In any case, let us say it is 25 cents before taxes. It is true, is it not, that in the stockpile we bought tin for \$1.83?

Mr. CROSTON. Yes, sir.

Senator SYMINGTON. Actually, the spot price of tin at one time was over \$2?

Mr. CROSTON. I do not know of it going higher than about \$1.85, but it is possible.

Senator SYMINGTON. Tin was sold for \$2.04, I think you will find.

Now, as I understand it, the price of tin was set by a group in Singapore; is that correct?

Mr. CROSTON. Pretty much, yes, sir.

Senator SYMINGTON. And there was no bidding. The price was just announced, not established by bidding, is that correct?

Mr. CROSTON. Well, it is supposed to be established by bidding, but, of course, each day they are supposed to set the price of tin in Singapore on the basis of the bids that have been received that cover the tonnage of tin that has been taken in that day.

Senator SYMINGTON. They never gave any evidence as to why they announced the price at a particular figure, to the best of my knowledge.

Mr. CROSTON. That is right, sir.

Senator SYMINGTON. That is a little different from most markets, is it not?

Mr. CROSTON. Yes, sir.

Senator SYMINGTON. Now, all the smelting of tin is controlled by some families in Bolivia and the British and the Dutch and the Belgians, is that not correct?

Mr. CROSTON. Well, the biggest factor, of course, is Patino, who controls the Consolidated Tin Smelters, and they have a property in England, and then they have a property in Singapore which is shut, and a smaller one which has been enlarged and is now their main property up near Penaing. They control the William Harvey Smelter in Liverpool and the Penaing Smelter.

The Straits Trading Co. is the other large smelter there, and that is controlled by, I believe, two companies out there.

Senator SYMINGTON. I am very glad to see you know so much about it.

Mr. CROSTON. It is a very centralized control of the smelting industry. There are about a half dozen entities that really have the majority of the business in their hands.

Senator SYMINGTON. And through interlocking directorates and control of all smelting except the Texas City Smelter, which we built during wartime, which we have now sold, they control the price of tin to the smelting operations due to interlocking directorates and a cartel, is that not correct?

Mr. CROSTON. Well, I think they exercise a fairly strong influence on the price, yes.

Senator SYMINGTON. So there was no place you could smelt tin except for a tiny smelter in New Jersey, as I remember it, and then the Texas City Smelter, which we built to handle low-grade Bolivian ores

If you wanted to smelt tin, you had to go to them, did you not?

Mr. CROSTON. That is right, sir.

Senator SYMINGTON. And, therefore, they controlled the price completely, did they not?

Mr. CROSTON. Subject to certain economic influences, yes, sir.

Senator SYMINGTON. Like what?

Mr. CROSTON. Well, naturally, if there was not a sufficient demand over a period of time, why, they certainly could not maintain the price.

Senator SYMINGTON. There has been a demand for tin, especially because of tin plating?

Mr. CROSTON. Oh, in recent years, yes, sir. But I recall during the 1930's when it was very difficult to get rid of tin at any price.

Senator SYMINGTON. Is it not true that many of these tin companies paid dividends, year after year, of 100 percent?

Mr. CROSTON. Yes, sir.

Senator SYMINGTON. I am glad to see you know so much about tin.

Maybe when we get into tin, you will come back and help us pursue this further.

You said there were not many companies producing tin for less than 25 cents operating costs, but there were some. Do you think after all we have done to try to preserve the free-world setup, it is right to produce tin for that type and character of cost and then move it into the American stockpile at \$1.83?

Mr. CROSTON. Well, sir, that gets into a matter of purchasing policy. We have done many things, but it is very easy now to look back on those things and say it was very stupid for us to do those things, but under the wartime pressures and stresses many things were done and felt to be good business at that time.

I can recollect when we were told in Government by some people that nickel at \$5 a pound would be cheap. It seemed rather an insane statement, but, nevertheless, it was made in committee, and during and after the war the pressure to get tin into the stockpile and nickel and other things perhaps warped the judgment of people, pricewise.

Senator SYMINGTON. In 1954, we had a surplus of tin; and, yet, we bought \$174 million more tin in 1954. Would you call that under war pressure?

Mr. CROSTON. No, sir.

I think that some purchases made by the Government were made for the purpose of stabilizing conditions in certain countries or helping them in one way or the other, rather than for direct defense.

Senator SYMINGTON. That is what I was expecting you would say, but do you know anything in the law that justifies the Government purchasing in order to stabilize an economy?

Mr. CROSTON. No, sir.

Senator SYMINGTON. Senator Cannon, have you any questions?

Senator CANNON. Do you know of any other reason, Mr. Witness, that these purchases might have been made, any reason consistent with the stockpiling laws?

Mr. CROSTON. Well, sir, I was not connected with the tin activities for a few years at that time, so I am really not in a position to just say, but obviously our Government was under very considerable pressure to purchase tin for the stockpile, and to also aid the economies of some of these countries like Bolivia, Indonesia, and so on.

Senator CANNON. But the Stockpiling Act did not permit the purchases for the purpose of aiding the economy of other countries, did it?

Mr. CROSTON. No.

Senator CANNON. And at that time, at the time these purchases were being made, apparently to aid these countries, was the information concerning the amount of tin in the stockpile classified information?

Mr. CROSTON. Yes, sir.

Senator CANNON. In other words, it was not generally known whether we had or had not exceeded our stockpile objective?

Mr. CROSTON. Well, I would not say it was not generally known. On a number of these metals the trade has got a pretty good idea of how much is in the stockpile, even though the Government thought they were keeping the figures secret.

Senator SYMINGTON. Will the Senator yield?

Senator CANNON. I will be very happy to yield.

Senator SYMINGTON. We just had a witness last week who said in the molybdenum industry he did not have the faintest idea what the Government objectives were.

I add that to the Senator's comment.

Senator CANNON. Anyway, the official information was not public, was it?

Mr. CROSTON. No, sir.

Senator CANNON. And it was classified so that if anyone released the official information, they were in violation of the law?

Mr. CROSTON. That is right, sir.

Senator CANNON. And you know of no other reason consistent with the Stockpile Act for these purchases, other than the attempt to aid some of these governments, which, of course, is not consistent with the Stockpile Act?

Mr. CROSTON. I would have no knowledge, but I would presume that would be the case.

Senator CANNON. Thank you, Mr. Chairman.

Senator BEALL. In connection with Senator Cannon's question, maybe the witness can tell us:

Did not President Kennedy about 6 months ago make a statement that he would not do anything to upset the economy of Bolivia?

Was there not some such statement?

Senator SYMINGTON. If there was, let us find it and put it in the record.

I also remember a statement the President made that he wanted to dispose of this inventory at the earliest opportunity, but in an orderly fashion.

I am sure we all agree that should be done.

Senator BEALL. Ultimately, there is no question about it. But I was just thinking about what Senator Cannon was saying. I was thinking about what effect it might have on the "orderly fashion."

Maybe that is the reason the statement was made that he did not want to upset the economy in Bolivia.

Senator CANNON. Mr. Chairman, my question did not go to the disposal program at all.

It went to the problem of why we were continuing to buy tin at a time when our stockpile objectives had been met and far beyond that amount had been purchased, and we were purchasing at a price that obviously was far in excess of the cost of production, because we were dealing with a cartel which controlled the world price.

Senator BEALL. And went beyond the intent of the law.

Senator CANNON. Right.

Mr. COBURN. One other thing that I would like to ask you, Mr. Witness.

You mentioned a moment ago that this buffer stock for inventory of the International Tin Commission has been completely depleted because of the strong pressure for the purchase of tin in recent years, is that right?

Mr. CROSTON. That is right, sir.

Mr. COBURN. Do you understand that this International Tin Commission would be interested in purchasing a substantial amount of tin from this 50,000 tons that you are prepared to sell here in order to replenish their buffer stock?

Mr. CROSTON. I have heard rumors to that effect. I have no specific knowledge of it, sir.

Mr. COBURN. What do they use that buffer stock for?

Mr. CROSTON. Well, the idea is to maintain that relative degree of price stability.

If the price gets too high, the buffer stock manager sells. If the price gets below a certain figure, why, he buys it and puts it back into the buffer stock.

It is sort of a surge tank to take care of fluctuations of prices.

Mr. COBURN. The purpose, then, is to stabilize the price of tin worldwide, is it not?

Mr. CROSTON. Yes, sir.

Senator SYMINGTON. I once figured the cost of tin in Bolivia was about four times of that in Malaya. Would you say that would be roughly right?

Mr. CROSTON. I would not know at the present time, sir.

Senator SYMINGTON. I am not talking about taxes that would be put on. That is not part of operating cost.

Mr. CROSTON. But apparently Bolivian costs are several times that of Malayan costs.

Senator SYMINGTON. Well, "several" has got to be at least three, and I said four.

Mr. CROSTON. No, I have no knowledge. I would think perhaps that their costs are twice as high as some of the higher cost producers, and perhaps three times that of the lower cost producers in Malaya.

Senator SYMINGTON. The price was controlled more through smelting than producing. So if you had three people making tin for 25 cents and one person making tin for, I will take your figure, 75 cents, and you figure a fair profit on 75 cents, then the three that made it for 25 cents have what you might call a good thing would they not?

Mr. CROSTON. Yes, sir, but if you want a certain level of production, you have got to maintain the price at the height that will bring in the inefficient, high-cost producers.

Senator SYMINGTON. I beg your pardon?

Mr. CROSTON. To get the maximum output, you have to raise the price to that point that will make it profitable for the inefficient and high-cost producers to operate.

Senator SYMINGTON. Are you saying that we could not have supplied the stockpile requirements from the other people besides the Bolivians?

Mr. CROSTON. No. I am simply saying that at any given period of time you have got to have a certain price for tin in order to get a certain level of production.

Senator SYMINGTON. I understand that.

Mr. CROSTON. And the greater the demand for the tin, if the sources remain the same, then the higher the price will have to go.

Senator SYMINGTON. What interests me in this is that in America today, if you make 4 or 5 percent profit, especially after taxes, that is considered a good profit in most industries.

It certainly is in the aviation industry, for example, because they are complaining about the fact that after taxes they only make 2 or 2.5 percent.

The truth is that many of these companies, over a period of years, were making hundreds of percent profit against cost, were they not?

Mr. CROSTON. 100 percent on cost, perhaps, but several——

Senator SYMINGTON. If they have a cost of around 25 cents, and sold to the stockpile at \$1.82, you are getting up pretty close to 700 percent profit on cost, are you not?

Mr. CROSTON. Well, they would have an operating cost, maybe, of 25 cents.

Their overall costs, including other items, bring it up to, say, 75 cents a pound of tin in the concentrate, and then there would be another nickel or so for the smelting of it, so that anything over 80 cents would be clear profit.

Senator SYMINGTON. Are you saying that the cost of tin in Malaya or Indonesia, including the smelting, is 80 cents a pound?

Mr. CROSTON. For some of the companies, yes.

Senator SYMINGTON. I am talking about the major operators.

Mr. CROSTON. Well, in the case of Indonesia, when the Dutch were operating it, they were fairly low costs, and it was one company, but in Malaya you have——

Senator SYMINGTON. What was the cost in Indonesia, which you say was fairly low?

Mr. CROSTON. Oh, on the order of probably 60 cents.

Senator SYMINGTON. At 60 cents, based on your own figures, there was well over 200 percent profit, was there not?

Mr. CROSTON. Yes, based on prices as they existed at that time.

Senator SYMINGTON. What are your thoughts about how we should move tin? You seem to be quite an expert on tin.

Mr. CROSTON. We have had discussions with the various people in the tin-consuming industry, and I would presume that the Steel Corp. and the other steel companies would be among the bidders when we would offer the tin each time we have an offering.

They were in the plan.

Senator SYMINGTON. How much do you plan to offer now, of this tin?

If we pass this resolution in the Senate—and that is the purpose of this hearing—to move it on to the full committee and then to the floor of the Senate, how much tin are you going to move?

Mr. CROSTON. Well, we would hope to move approximately 1,000 tons a month, if things went well.

Senator SYMINGTON. How many tons in excess have you got?

Mr. CROSTON. Oh, 165,000 tons.

Senator SYMINGTON. That is a rather extensive program, is it not?

Mr. CROSTON. Yes, sir. It would take 15 years.

Senator SYMINGTON. And we have now 165,000 tons excess?

Mr. CROSTON. Yes, sir.

Senator SYMINGTON. Excess to what?

Mr. CROSTON. To the stockpile objective.

Senator SYMINGTON. How many tons have you all told in the stockpile?

Mr. CROSTON. There is 349,498 tons in the inventory.

Senator SYMINGTON. The most orderly way to do this, based on your knowledge, would be to work it out with this world tin group, would it not?

Mr. CROSTON. It seems to me there might be serious political objections to our making a deal with the ITC. I do not know.

Senator SYMINGTON. Who would object to that?

Mr. CROSTON. I would think the Congress, sir.

Senator SYMINGTON. Why?

Mr. CROSTON. Well, they have objected to the so-called tin cartel for many years and its activities, and, in effect, they would claim that selling the tin to the ITC was, in effect, aiding and abetting cartel activities.

Senator SYMINGTON. You say the "so-called tin cartel." You have no question that it was a cartel, have you?

Mr. CROSTON. Originally, no. I do not think so today. I think, considering the fact that they cannot get together on anything, it certainly does not act like a cartel. Fifty percent of the votes are in the hands of consumers and 50 percent with the producers, and they cannot seem to agree on any program, so that if it is a cartel, I think it is an ineffective one.

Senator SYMINGTON. Would your thought be to sell it directly to the steel companies?

Mr. CROSTON. Sell it direct to all consumers, yes, sir.

Senator SYMINGTON. Would that not affect the companies in the countries that are bound up pretty tight with tin more than selling it back to the tin interests?

Mr. CROSTON. If we sold 12,000 tons a year in this country, that would be less than one-quarter of the consumption of virgin tin, and most of that tin, the preponderant tonnage, comes from Malaya, and we would be displacing some of the imports of tin.

We would be displacing a quarter of the imports.

Senator SYMINGTON. What is the price of tin today?

Mr. CROSTON. As of Friday, the last quotation they had, it was about \$1.14 in New York, and 882 in Penang.

Senator SYMINGTON. What is the average stockpile cost on tin?

Mr. CROSTON. I think a shade under \$1.09, \$1.08 and a fraction, I believe.

Senator SYMINGTON. \$1.10, from what the staff shows me, so that the market is pretty good to move some tin right now, is it?

Mr. CROSTON. Yes, sir.

Senator SYMINGTON. I have no further questions.

Mr. COBURN. Now, Mr. Croston, let us take the item of cobalt oxides and carbonates in the resolution.

What do you mean by "cobalt oxides"?

Mr. CROSTON. Well, these oxides and carbonates are chemical salts.

Mr. COBURN. I am sorry, I cannot hear you, sir.

Mr. CROSTON. They are chemical salts of cobalt metal, and the material that we got, the carbonate, came to us on transfer from the RFC, and the material was captured in Germany by the American Army.

Mr. COBURN. Which was it, oxides or carbonate?

Mr. CROSTON. The carbonate.

Mr. COBURN. All right.

What about the oxides? Where did you get that?

Mr. CROSTON. We also got that from the RFC on transfer.

Mr. COBURN. So you do not have the acquisition costs there at all?

Mr. CROSTON. No, sir.

Mr. COBURN. These are items that are not items in the stockpile in the sense of being strategic and critical materials?

Mr. CROSTON. There is no objective, sir, for these materials.

Mr. COBURN. No objective for it.

Do you anticipate any difficulty getting rid of these items?

Mr. CROSTON. No, sir.

Mr. COBURN. Do you think you will be able to do this all in one sale?

Mr. CROSTON. I would think they would get rid of it in probably two sales, within the year, I would say.

Mr. COBURN. Do you think the demand is good for these items, then, at the present time?

Mr. CROSTON. Yes, sir.

Mr. COBURN. They are used for what, did you say?

Mr. CROSTON. Well, the carbonate was used for a catalyst in the chemical process, and the oxides and other salts are used in the ceramic industry, glass, and a number of other uses.

Mr. COBURN. I have no further questions as to this item, Mr. Chairman.

Senator SYMINGTON. Since Senator Beall mentioned a statement by the President, the staff has shown me a letter to the President of Bolivia, from President Kennedy, October 6, 1961, and I would like to incorporate this letter in the record at this point.

(The letter referred to is as follows:)

On September 16, 1961, the President of Bolivia telegraphed the President of the United States that deep concern has been caused in Bolivia by the GSA announcement. On October 6 the President replied as follows:

OCTOBER 6, 1961.

EXCELLENCY: I wish to acknowledge your telegram of September 16, 1961, expressing your serious concern at the announcement that the U.S. Government had requested the Congress to grant authority to dispose of a part of its stockpile of tin.

Please be assured that my Government retains a deep interest and concern in the rapid development of the Bolivian nation and the economic and social progress of the Bolivian people. We are committed to assist you in carrying forward the historic aims of the Bolivian revolution, and we intend to continue to fulfill that commitment. I assure you that we will not take any action—

in regard to tin or any other matter—which will tend to frustrate our mutual goal of a better life for the people of Bolivia.

We fully understand the great importance of tin to the Bolivian economy. Even now we are engaged in an effort of unparalleled vigor and dimension to help modernize your tin mines and increase their productivity. You can be sure, therefore, that we will sell no tin from our stockpile without first consulting with your Government, and the governments of other tin-producing nations. In this way we can help insure that the interests of all nations are protected.

The course of action which we have suggested is the sale of small lots of tin over a period of several years. This tin would come from the 50,000 tons which we now have in excess of our strategic requirements. We do not intend to depress the price of tin through these sales; they would be initiated at a time of worldwide shortage and would have the effect of discouraging tin consumers from substituting other materials for their normal tin consumption. In this way we can protect the long-run stability and continued prosperity of the tin market.

We have consulted continuously with officials of your Government concerning this problem, and such consultations will continue. We hope to work with Bolivia toward a long-term solution to the problem of tin prices. It is to further this aim that we are now studying the terms of our accession to the International Tin Agreement to which Bolivia belongs and which the United States has not previously joined.

I have taken, from the very beginning of my administration, a deep personal interest in the development of Bolivia and in your own heroic efforts to raise the standard of living of the Bolivian people. It was this interest which led to our early exchange of letters, the sending of a special economic mission to Bolivia, the conclusion of several economic aid agreements, including the triangular operation for the rehabilitation of Comibol, and the stationing of a special economic representative in your country. Therefore, I am certain that our proposal to dispose of small lots of tin over several years, only after prior consultation with your Government, will not be counter to the interests of Bolivia or inconsistent with the abiding friendship of our two peoples.

With warmest personal regards.

JOHN F. KENNEDY.

Senator SYMINGTON. I would ask, paying the cost plus a fair profit to Bolivia should not necessarily involve paying the cost plus an exorbitant profit to other far lower cost people, resulting from the cartel operation; is that not a fair statement?

Mr. CROSTON. Well, if we paid the Bolivians what it costs them to produce tin, some of the other low-cost producers would be making an exorbitant profit, because Bolivia is an extremely high-cost producer.

Senator SYMINGTON. That is right.

And if we pay cost plus a profit to Bolivia, a fair price based on the actual cost of Bolivian tin, we are automatically giving a windfall profit to other producers of tin, are we not, based on your knowledge of the trade?

Mr. CROSTON. That is what has happened, sir, in the past.

Senator SYMINGTON. I beg your pardon?

Mr. CROSTON. That is what happened in the past.

Senator SYMINGTON. So if we want to utilize tin as the way to handle the Bolivian economy, we might well consider segregating it from other low-cost tin producers, might we not?

Mr. CROSTON. You mean for the United States to contract for the purchase of the concentrate and to smelt it in this country?

Senator SYMINGTON. Yes.

Mr. CROSTON. That would be one way to handle it.

Senator SYMINGTON. But there would be no place they could smelt it, would there?

Mr. CROSTON. They would still smelt it at Texas City.

Senator SYMINGTON. Is that not gone?

Mr. CROSTON. Yes, sir. Unless they have demolished a lot of equipment in the last week or so, the plant is still intact.

Senator SYMINGTON. Does the Government still own it?

Mr. CROSTON. No, sir; it was sold to Wah Chang, to K. C. Lee's organization, about 3 or 4 years ago, and he has operated it on a small scale, and is treating Indonesian concentrates at the present time, producing pig tin. He has treated the concentrates from other countries, but the business is quite small, because in tin smelting the smelting companies usually have a financial string on the producing units, so that they flow to certain smelters.

In other words, Consolidated has an interest in a large number of Malayan and Siamese companies, and so does Straits, and automatically they get the concentrates for those companies.

Senator SYMINGTON. Is the Texas City smelter the largest tin smelter?

Mr. CROSTON. Well, in theory, I think it is the largest tin smelter in the world, yes, sir, but actually the largest operating smelter at the present time is in Penang.

Senator SYMINGTON. Again, let me express my appreciation for your knowledge of this subject; do you think that the present owners of the Texas City smelter would be willing to handle it on the basis of resuming treatment of Bolivian ores?

Mr. CROSTON. I think they would be quite happy to have their facilities more fully occupied.

Senator SYMINGTON. At the expense of Indonesian concentrates?

Mr. CROSTON. Well, the Indonesian concentrates will be cut off, and the smelting of all the concentrates will be done in Malaya at Penang.

The Indonesian Government is stopping the equipment of concentrates to them.

Senator SYMINGTON. Thank you.

There are a lot of questions that occur to me on this I would like to pursue with you some other time. That is all for now.

Mr. COBURN. Mr. Chairman, the next item we would like to take up with the witness is \$1,890 long tons of chromite ore.

Is that specification material, Mr. Croston?

Mr. CROSTON. No, sir; it is subspecification.

Mr. COBURN. This is subspecification?

Mr. CROSTON. Yes, sir.

Mr. COBURN. We have quite a lot of chromite in the stockpile, do we not?

Mr. CROSTON. Yes, sir; we have over 5 million tons.

Mr. COBURN. And this, as you have said, however, is all below the standards of the stockpile?

Mr. CROSTON. That is correct, sir.

Mr. COBURN. How did you get this?

Mr. CROSTON. Well, it was a small amount that came through with a large contract from Turkey, and it was somewhat below specification, and I believe that originally it was intended to blend it with higher grade material and utilize it, but when we got such a very large excess inventory, there was no point in attempting to blend it to upgrade it.

Mr. COBURN. Do I understand you that in buying a larger lot of specification chromite ore you got a portion that was not good; that was below specification?

Mr. CROSTON. That is my understanding, sir, yes, and a drastic price reduction was made on it, and it was felt at that time that it could be blended, but at that time we had very little in the stockpile.

Well, now, we have such a large excess of material of good grade that there is no point in spending money on blending it, so we want to dispose of this.

Mr. COBURN. Now, do you anticipate that you will be able to sell this freely?

Mr. CROSTON. Well, at the moment the chromite market is not very good, but when conditions are more normal, the disposal of this amount would be no problem at all. We can sell it in the 1 day.

Mr. COBURN. Yes; but in its condition, subspecification condition, I wonder if you are going to have trouble selling it?

Mr. CROSTON. Well, no, sir; on some of the subspecification materials our difficulties would lie in the location of it more than anything else.

In other words, most low-grade, subspecification chromite or manganese can be utilized by industry, providing it is in a place where it will involve no transportation cost to any extent.

But when you get material that is in a distant location and the freight is going to be five or six times the market value, then you have a disposal problem.

This material is close to where it will be consumed, and I think they will have no trouble buying it and blending it.

But we do have chromite and manganese in some locations where the freight rates are so heavy that it is almost unmarketable.

Mr. COBURN. Do you have any acquisition cost on this item, in view of the fact that you bought it at a certain price?

Mr. CROSTON. Yes, sir; it is right here, \$122,000, sir.

Mr. COBURN. You think you will be able to realize that much for it or not?

Mr. CROSTON. No, sir.

Mr. COBURN. Or are you in a position to say?

Mr. CROSTON. No, sir; I do not believe so.

Mr. COBURN. What?

Mr. CROSTON. No.

The market at the present time for specification grade material would be down near \$36, roughly, a ton, and this would bring less than \$36.

Mr. COBURN. This is not a very large item, is it?

Mr. CROSTON. No; it is very small.

Mr. COBURN. Do you think you can sell it all in one sale?

Mr. CROSTON. Yes, sir.

Mr. COBURN. No further questions, Mr. Chairman, on this item.

Senator SYMINGTON. Mr. Counsel, we have a few more items here. This hearing will recess until 2:30. Mr. Croston, will you come back?

Mr. CROSTON. Yes, sir.

Senator SYMINGTON. We appreciate it. You have been a constructive witness.

(Whereupon, at 12:10 p.m., the hearing was adjourned, to reconvene at 2:30 p.m. of the same day.)

AFTERNOON SESSION

Senator SYMINGTON (presiding). The hearing will come to order. Who is your next witness, Mr. Counsel?

Mr. COBURN. Mr. Croston is still on the stand.

Senator SYMINGTON. Mr. Croston, will you take the stand, please. Will you please consider yourself sworn.

**TESTIMONY OF JOHN J. CROSTON, DIRECTOR, ECONOMIC AND
MARKETING RESEARCH DIVISION, DEFENSE MATERIALS SERV-
ICE, GENERAL SERVICES ADMINISTRATION—Resumed**

Mr. CROSTON. Yes, sir,

Mr. COBURN. Mr. Croston, when the recess began this morning, you were testifying with reference to the 1,890 tons of chromite ore, were you not, in this disposal plan?

Mr. CROSTON. Yes, sir.

Mr. COBURN. I notice in the stockpile that we have two kinds of chromite. One is chromite chemical grade, and the other is chromite metallurgical grade. Which does this ore belong to?

Mr. CROSTON. This is metallurgical grade.

Mr. COBURN. Metallurgical grade. And I also note here—am I correct in this—that we have more than 5 million tons of this subspecification chromite ore; is that right?

Mr. CROSTON. No, sir.

We have 5,228,000 tons in the inventory, and most all of that is spec grade.

Mr. COBURN. What is that?

Mr. CROSTON. Most of that is specification grade.

Mr. COBURN. How much of this ore metallurgical grade which is subspecification do we have?

Mr. CROSTON. I have not the figure with me, but I think it is on the order of about somewhat less than a million tons, of which one deposit or one pile comprises about 900,000 tons.

That is from the American Chrome Co. in Montana, and then on top of that there is perhaps somewhat less than 100,000 tons of other low-grade chromite.

Mr. COBURN. Then, as I understand it, we have almost 1 million tons of subspecification chromite ore in the stockpile?

Mr. CROSTON. I believe that is about correct, yes.

Mr. COBURN. Where would we get that much subspecification ore?

Mr. CROSTON. 900,000 tons that we produced in Montana was subspecification.

Mr. COBURN. We bought it all in one contract?

Mr. CROSTON. In one contract; yes, sir.

Mr. COBURN. Why do we buy subspecification ore?

Mr. CROSTON. I think at the time the contract was made, it was believed that they would upgrade it and produce a chrome that would meet specifications.

Mr. COBURN. You mean GSA would do that, after they bought it?

Mr. CROSTON. The contract was made, I believe, before GSA. I think it was a DMPA contract.

Mr. COBURN. Bought by the Munitions Board?

Mr. CROSTON. No, I think it was a Defense Materials Procurement Agency contract.

Mr. COBURN. I do not know that I understand the situation. You say that this large amount of chromite ore that was of subspecification grade was bought with the intention of upgrading it; was that it?

Mr. CROSTON. I think the ultimate expectation was to either upgrade it or to sell it to industry and let them utilize it.

Mr. COBURN. We have not upgraded it?

Mr. CROSTON. No, sir.

Mr. COBURN. Why not?

Mr. CROSTON. Because we have such an excess of specification grade material at the present time.

Mr. COBURN. How does it happen that we are selling only 1,890 tons here in this program when we have almost a million tons of subspecification ore?

Mr. CROSTON. We hope to get around to those others as soon as we get these smaller items out of the way and the decks cleared; we then hope to get approval of some of the larger items.

In that regard, of course, the revised DMC-V 7 may be of some help to us in that when we apply for approval of these agencies, we will get some definite action, rather than a pocket veto on them. We are hopeful that on a number of these items we will be able to get into pretty sizable disposals.

Senator SYMINGTON. Will you yield to me?

Mr. COBURN. Yes, certainly.

Senator SYMINGTON. For clarification, a chemical grade, is that the subspecification grade?

Mr. COBURN. No, sir. The metallurgical grade is most of the material that we have subspec. Two different uses. One of them goes into the chromium chemicals, and this is ferro—

Senator SYMINGTON. Just so I can be sure I understand it, we have on hand the specification grade, 5,228,548 short tons of metallurgical grade?

Mr. CROSTON. Yes, sir.

Senator SYMINGTON. This chromite, December 31, 1961. Then we have 1,226,934 refractory grade. Therefore, we have a total of 6,455,000-plus tons. Then we have 960,000 more tons of chemical grade, so we have about 7.5 million tons of chromite, of these three grades; is that right?

Mr. CROSTON. Approximately; yes, sir.

Senator SYMINGTON. And, in addition to that, we have 1 million tons of substandard; is that right?

Mr. CROSTON. Right.

Senator SYMINGTON. So we have 8.5 million tons of chromite, then, of various kinds, right?

Mr. CROSTON. Yes, sir.

Mr. COBURN. How did you happen to pick out just 1,890 tons of this subspecification stuff, when you had close to 1 million tons of—

Mr. CROSTON. In a number of these items, it is a question of clearing out inventory at a certain depot, and it makes it more convenient to see if we can get rid of some of the odds and ends at a depot rather than keep separate accountability and everything for them.

So we have picked all these things, as I said earlier, a housecleaning program of odds and end, and then, as soon as that was finished, we hope to get into the big tonnage of subspecification or excess materials.

Mr. COBURN. So this 1,890 tons was selected because it happens to be a pile, an isolated pile?

Mr. CROSTON. Yes, sir.

Mr. COBURN. Located in some depot, is that it?

Mr. CROSTON. Yes, sir.

Mr. COBURN. How easily do you think you are going to be able to dispose of this subspecification grade of chromite ore?

Mr. CROSTON. Well, some of it will be pretty difficult. A lot will depend upon the location of it. If the "subspec" material is in depots close to consuming points in industry, we probably would have a pretty successful disposal program.

In some instances the material will be stored in depots that are far away from a processing plant, and the freight rates will be so high that the value of this material to any processor is very low.

Mr. COBURN. What are you going to do with stuff like that, just give up on it or what will you do?

Mr. CROSTON. No.

In the case of some of this material, there is the possibility that ferroalloy business may be started in that general area that would consume the material and would be able to pay a higher price for it because the transportation charges would be so small.

Mr. COBURN. That is pretty remote, is it not, that somebody will start a plant near a depot so that they will be able to use the stuff in the depot. The odds are very much against that, are they not?

Mr. CROSTON. Not entirely. There has been talk of starting a ferrochrome plant in Montana. Anaconda has a ferroalloy plant in Montana, which produces ferromanganese. It is conceivable that they might at a later date turn out some other ferroalloys.

Mr. COBURN. Without asking you where this 900,000 tons of subspecification chrome is located that was bought apparently in one contract in Montana, is it located at a place where it might possibly be salable?

Mr. CROSTON. It is located at the mine. It is rather inaccessible.

Mr. COBURN. Rather inaccessible?

Mr. CROSTON. That is right.

Mr. COBURN. In the mine, you mean?

Mr. CROSTON. Well, it is stored at the mine property on the surface.

Mr. COBURN. I see. Where it was produced?

Mr. CROSTON. Yes, sir.

Mr. COBURN. How long ago did we buy that?

Mr. CROSTON. Well, the contract ran for a number of years. It was concluded last year.

Mr. COBURN. When did that contract start? How long has it been going?

Mr. CROSTON. I do not remember, sir. I would have to look the record up. It was quite a lengthy contract.

Senator SYMINGTON. If counsel will yield, you say you will look it up. Is there anybody here that knows when the contract started?

Mr. CASTO. I would think that it started in 1952.

Senator SYMINGTON. In 1952?

Mr. CASTO. Yes, sir.

Senator SYMINGTON. That is Mr. Casto, right?

Mr. CASTO. Yes, sir.

Senator SYMINGTON. You have been sworn, Mr. Casto?

Mr. CASTO. I have.

Senator SYMINGTON. And it was all bought at one time and delivery was over a period of years to the point where you are still taking it, is that it?

Mr. CASTO. That is correct.

Senator SYMINGTON. But you do not really take it because it is already there?

Mr. CASTO. That is correct.

Senator SYMINGTON. Is it above ground or is it still in the mine?

Mr. CASTO. It is above ground.

Senator SYMINGTON. Have you been mining it over this 10-year period?

Mr. CASTO. I have not; no, sir. The contractor did; yes, sir. The contract was concluded last year.

Senator SYMINGTON. What was the price on it?

Mr. CASTO. As I remember it, it was \$38 a short ton.

Senator SYMINGTON. \$38 a short ton?

Mr. CASTO. Yes, sir.

Senator SYMINGTON. And what does the good chromite sell for?

Mr. CROSTON. \$36.

Senator SYMINGTON. \$36?

Mr. CROSTON. That is right.

Mr. COBURN. You mean specification chromite?

Mr. CROSTON. That is right.

Mr. COBURN. Sells for \$36 a ton, and we spent \$38 for this?

Mr. CROSTON. That is right.

Senator SYMINGTON. Who made the contract for the Government in 1952?

Mr. CROSTON. I think, if my memory serves me, it was the Defense Materials Procurement Agency contract with the American Chrome Co.

Senator SYMINGTON. The American Chrome Co.?

Mr. CROSTON. Yes.

Senator SYMINGTON. In Montana?

Mr. CROSTON. That is right.

Senator SYMINGTON. It all came from that one mine?

Mr. CROSTON. Yes. It was the property that was worked during World War II by Anaconda.

Senator SYMINGTON. Well, I will say that with the exception of manganese, chrome is probably the material we should consider as much as any other when it comes to stockpiling, because there is very little of it in this country.

Is this a relatively low-grade ore? I suppose it is, is it not?

Mr. CROSTON. Well, the chrome content is not too bad, but the iron content is high.

If memory serves me, it is about a 38 percent chromium, which is, oh, 5 or 6 or 7 percent below specification grade, but the ratio of iron to chrome is high.

Senator SYMINGTON. You make ferrochrome to use, do you not?

Mr. CROSTON. Yes, but it is more of a problem to use a high-iron chromite in making high-percentage ferrochrome. It can be done, but it is less desirable.

This material can be used to make ferrochrome or to make a blocking grade of chrome.

Senator SYMINGTON. To borrow counsel's suggestion, if it is all below grade, and if it is all at the mine, why do you pick these 1,800 tons? Is that at the mine, too?

Mr. CROSTON. No. This is in a depot.

Senator SYMINGTON. Oh, is that all you shipped from the mine so far?

Mr. CROSTON. No.

This is not the material from that mine. This material came from Turkey. This is Turkish ore. The 900,000 that we are talking about was the production from the American Chrome Co. up until the property shut down last October, I think it was.

Senator SYMINGTON. But is this also, this Turkish, below grade, too?

Mr. CROSTON. A little bit, yes, sir.

Senator SYMINGTON. What do you mean, "a little bit?"

Mr. CROSTON. It is, I think, 4 or 5 percent below grade. It is not real low. It is not in the twenties.

Senator SYMINGTON. So you are not touching the Montana below-grade ore at this particular mine, but you are cleaning out the below-grade ore in the chromium inventory; is that it?

Mr. CROSTON. Yes, sir.

Senator SYMINGTON. Thank you.

Mr. COBURN. Do I understand that the company that was supplying us this low-grade Montana ore has shut down now?

Mr. CROSTON. Yes, sir.

They concluded the contract, delivered the 900,000 tons last October, I think it was.

Mr. COBURN. And closed down the mine?

Mr. CROSTON. Yes.

Mr. COBURN. As soon as they finished with our contract?

Mr. CROSTON. That is right.

Mr. COBURN. How much did we pay for this chromite, this low-grade chromite, that is being sold in this disposal plan, 1,890 tons?

Mr. CROSTON. That cost \$122,768.

Mr. COBURN. How much?

Mr. CROSTON. \$122,000.

Mr. COBURN. How much would that be a ton?

Mr. CROSTON. It would work out to about a little better than \$60 a ton.

Mr. COBURN. \$60 a ton for subspecification chromite? Did I understand you correctly?

Mr. CROSTON. That is what the figures would indicate, yes.

Mr. COBURN. That was considerably above the going rate, was it not?

Mr. CROSTON. At the time of purchase, probably not.

Mr. COBURN. When was it purchased, do you know?

Mr. CROSTON. I do not know, sir.

Mr. COBURN. Where could we find out?

Mr. CROSTON. We could get it from our records.

Mr. COBURN. You would have a record of when the purchase was made?

Mr. CROSTON. Yes, sir.

Mr. COBURN. All right.

Now, Mr. Witness, the next item on——

Senator SYMINGTON. Before you leave that, Counsel, as I understand it, your inventory on hand on chromite is also a tidy figure, \$484 million.

Your estimated market value is \$389 million, so we have a \$95 million loss in this picture; is that about right?

Mr. CROSTON. Yes, sir.

Senator SYMINGTON. That does not take into account the non-specification grade.

Mr. CROSTON. That is right.

Senator SYMINGTON. Is that correct?

Mr. CROSTON. Right.

Senator SYMINGTON. Have you estimated what you would add to that \$95 million in loss from the operation in the nonspecification grade?

Mr. CROSTON. No, sir, I have not.

Senator SYMINGTON. Would you be good enough to figure that out?

I notice that in the nonspecification grade, the cost was \$35 million, approximately.

How much of that do you think it would cover if you tried to sell it?

Mr. CROSTON. I would not want to make a statement, sir, at this time, offhand.

Senator SYMINGTON. All right.

Will you look that over and give us a figure for the files?

Mr. CROSTON. All right, sir.

(The information was supplied for the committee files.)

Mr. COBURN. Now, Mr. Witness, the next item that I would like to ask you about in this disposal plan is ferrovanadium, 65,447 pounds of ferrovanadium.

What is the difference between ferrovanadium and vanadium that we have in stockpile?

Mr. CROSTON. Well, the vanadium that we have in the stockpile for the most part is vanadium pentoxide, and we have also a considerable amount of ferrovanadium.

Senator SYMINGTON. What is that?

Mr. CROSTON. The pentoxide, it is the fifth oxide, V_2O_5 , an oxide of vanadium.

That is the material that is mined and which we have in the stockpile. Some of it also has been converted into ferrovanadium.

Mr. COBURN. Do I understand you to say that ferrovanadium is a higher grade of vanadium?

Mr. CROSTON. Yes, sir.

Mr. COBURN. Than the vanadium that we have in the stockpile?

Mr. CROSTON. Yes. One is a raw material.

Mr. COBURN. It is upgraded another level, is it?

Mr. CROSTON. Yes. It has been converted from the concentrate, the ore concentrate, to a higher use form. It is a ferroalloy.

Mr. COBURN. Now, this ferrovanadium that is being sold is not in the stockpile. It does not meet stockpile specifications, does it?

Mr. CROSTON. It does not.

Mr. COBURN. Where did you get this?

Mr. CROSTON. Well, part of it was captured in Germany, and the balance of it came to us from the Bureau of Mines experimentation work.

Mr. COBURN. So that you have no acquisition cost on it?

Mr. CROSTON. No, sir.

Mr. COBURN. Do you anticipate that you will be able to sell this easily?

Mr. CROSTON. We have had a number of inquiries about it already.

Mr. COBURN. Would this be sold in one lot or will this take time?

Mr. CROSTON. In one lot.

Mr. COBURN. I believe that is all about that item, Mr. Chairman.

Senator SYMINGTON. All right.

Mr. COBURN. Shall I proceed to the next item?

Senator SYMINGTON. Will you please?

Mr. COBURN. The next item is ferromanganese, approximately 4.5 short tons, no, 63 tons of ferromanganese and 4.5 short tons of electrolytic manganese metal.

Is ferromanganese an upgraded form of manganese that we have in the stockpile?

Mr. CROSTON. Yes, sir; it is.

Mr. COBURN. So the ferromanganese that is being sold is also non-specification grade?

Mr. CROSTON. That is right.

Mr. COBURN. Where did we get this?

Mr. CROSTON. This also came from Germany.

Mr. COBURN. This is captured material?

Mr. CROSTON. Yes.

Mr. COBURN. During World War II?

Mr. CROSTON. Yes.

Mr. COBURN. And we shipped it on back to this country after we captured it, did we not?

Mr. CROSTON. Right.

Mr. COBURN. You have no acquisition cost on that, of course?

Mr. CROSTON. No, sir.

Mr. COBURN. Not even the cost of shipping?

Mr. CROSTON. No.

Mr. COBURN. The 4.5 tons of electrolytic manganese metal, what is that as distinguished from the manganese that we have in the stockpile?

Mr. CROSTON. Well, the manganese that is in the stockpile is an oxide of manganese. It is an ore, and it is in the same form that it was mined in the ground.

The ferromanganese is an iron manganese alloy, and the metal is the pure manganese metal itself, made by electrolysis.

Mr. COBURN. So this is in pig form, is it?

Mr. CROSTON. Well, no.

It is in metallic form. It is not in pig form, no.

Mr. COBURN. Where did we get this? Did we capture it from the Germans, too?

Mr. CROSTON. No, this came from the Bureau of Mines, from experimentation at one of their experimental stations.

Mr. COBURN. You have no acquisition cost on this, then?

Mr. CROSTON. No.

It was produced while they were experimenting with treatment methods.

Mr. COBURN. Now, do you think you will have any trouble selling this?

Mr. CROSTON. No.

Mr. COBURN. All in one lot?

Mr. CROSTON. In one lot.

Mr. COBURN. And be done with it.

All right, I have no further questions about this.

On this ferromanganese material that we were just talking about, is this all of the subspecification material of that kind that we have, or do we have more?

Mr. CROSTON. We have more.

Mr. COBURN. How much more?

Mr. CROSTON. I have not the figures here with me, sir.

Mr. COBURN. What is that?

Mr. CROSTON. I have not any figures with me as to the amount, but we can get those figures.

Mr. COBURN. I have a figure here of 9,115,904 tons of ferromanganese, is that right?

Mr. CROSTON. No.

Mr. COBURN. It is not right.

What is that? Is that the manganese that we have in the stockpile, the total manganese in the stockpile?

Mr. CROSTON. I would think it would be the total of all sorts of manganese, yes.

Mr. COBURN. All what

Mr. CROSTON. All varieties of manganese.

Mr. COBURN. You do not know how much of this ferromanganese of this kind that you are selling here now is in the stockpile, how much all together?

How much of this manganese of this particular grade, where you are selling only 69 tons, I believe it is, 67.5, how much of it do you have in the inventory at the present time?

Mr. CROSTON. Of the ferromanganese?

Mr. COBURN. Yes.

Mr. CROSTON. Do you have that, George?

Mr. HARLAN. I think it is roughly 800,000 tons.

Mr. COBURN. 800,000 tons.

Do I understand, then, you have 800,000 tons in the stockpile?

Mr. HARLAN. That is my recollection.

Mr. COBURN. You are being pretty cautious selling 67.5 tons?

Mr. CROSTON. Most of the subspecification manganese material is ore rather than ferromanganese.

Mr. COBURN. My question is: If we have 800,000 tons of it in the stockpile, why would we just sell 67.5 tons? Why bother about selling anything at all?

Mr. CROSTON. Again, this was an attempt to rid a station of a small quantity of material that was a nuisance from a custodial standpoint.

Mr. COBURN. Purely a housekeeping job, then?

Mr. CROSTON. That is right.

Mr. COBURN. This, I suppose, will all be sold in one lot?

Mr. CROSTON. Yes, sir.

Mr. COBURN. Do you think you will have any trouble selling it?

Mr. CROSTON. None whatever.

Senator SYMINGTON. Will counsel yield?

Mr. COBURN. Yes.

Senator SYMINGTON. The stockpile grade, as we have it here, is 9,115,000 tons; 5,200,000 in the stockpile, 1,300,000 in the DPA, 257,000 in the CCC, and 2,304,000 in the supplemental, totaling 9,115,000.

That is a lot different than 800,000.

Mr. HARLAN. Sir, the 800,000 was only ferromanganese.

Senator SYMINGTON. You mean not ore, is that it?

Mr. HARLAN. No, sir; that is right.

Senator SYMINGTON. Did you buy it as ferromanganese?

Mr. HARLAN. Yes.

Senator SYMINGTON. And the nonstockpile grade is 2.4 million.

So you have 11.5 million tons of manganese.

Mr. COBURN. May I ask you this, Mr. Witness. These items, many of them that are in this disposal plan, suggest that we have bought a good deal of nonspecification stuff, have we not, for the stockpile?

Mr. CROSTON. There has been quite a tonnage of nonspecification material purchased; yes, sir.

Mr. COBURN. For instance, of this 800,000 tons of ferromanganese, did we buy all that from one company?

Mr. CROSTON. No.

A great deal of the excess of manganese is due to various purchase programs. We had 300 tons of nonspecification manganese at El Paso which we sold.

We have 350,000-odd tons of nonspecification manganese ore in Butte and Philipsburg, Mont., which we are in the process of selling.

We have about the same tonnage, about a third of a million tons, at Wenden, Ariz., which is subspec.

We have another third of a million tons at Deming, N. Mex., and we also have from World War II some subspec material which we still have.

Those were public purchase programs, and the GSA acted as warehouseman and accepted the material and paid for it and have acted as custodians of it.

Mr. COBURN. As to this ferromanganese of 800,000 tons, which is nonspecification as far as stockpile is concerned—

Mr. CROSTON. Oh, no, sir.

The 800,000 tons is the amount of ferromanganese that we have.

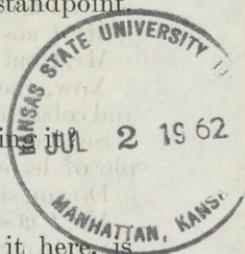
Mr. COBURN. Yes.

Mr. CROSTON. Not the amount that is nonspecification.

Mr. COBURN. How much is nonspecification?

Mr. HARLAN. I think only the stuff you are talking about.

Mr. CROSTON. Very little. There is a little Russian manganese that has deteriorated. It is a very small amount, a couple thousand tons or something like that, out of the total.



Mr. COBURN. I see.

I thought that the 800,000 was nonspecification.

Mr. CROSTON. No, that is specification.

Mr. COBURN. All right.

Now, the next item here is 10 million pounds of contained nickel and cobalt in the form of nickel oxide powder.

Senator SYMINGTON. I would ask this question. I received a couple of letters saying manganese ore was blowing away.

Do you subscribe to that?

Mr. CROSTON. Blowing away?

Senator SYMINGTON. Yes.

Piled up, and when the wind came, it blew away.

Mr. CROSTON. There are a few instances where the manganese that we have, the ore is in such finely divided condition that it is subject to some loss by wind, but actually nature protects some of these piles, because in a very short time grass grows on the pile and sort of holds it down, and we have very little loss.

In the case of chromite we have had some loss of subspecification material due to drifting sand, windblown sand, which has diluted the material so that if we ship it out now, it will be a lower grade than when it was purchased.

But, by and large, I do not think that our losses amount to anything from wind on either manganese or chromite.

Senator SYMINGTON. So you think this letter is in error, is that right?

The fellow said "come out and look" and he would show it to us.

Mr. CROSTON. Undoubtedly there is some loss, but whether that loss is sufficiently great to warrant spending money to put an elaborate cover on is another thing.

Senator SYMINGTON. At how many places have you manganese stored?

Mr. CROSTON. I would not know offhand, but I should think perhaps 20 places at least.

Senator SYMINGTON. About 20?

Mr. CROSTON. Yes, at least that.

Senator SYMINGTON. And where have you the most?

Mr. CROSTON. Well, most of it is in areas close to steel activities; that is, in the East and Midwest, within a reasonable distance of the big steel centers.

Senator SYMINGTON. You do not think there has been any appreciable loss due to wind or any other reason?

Mr. CROSTON. I do not think it is appreciable.

Senator SYMINGTON. Do you have anything to do with inspecting these materials?

Mr. CROSTON. No, sir.

Senator SYMINGTON. Who does that?

Mr. CROSTON. We have an inspection division that constantly inspects all the deposits at the various depots.

Senator SYMINGTON. Do you have a chief inspector?

Mr. CROSTON. Yes, sir.

Senator SYMINGTON. What is his name?

Mr. CROSTON. Mr. Hindman.

Senator SYMINGTON. Does he go around and look at these piles every now and then?

Mr. CROSTON. Well, he has a number of assistants, but he also travels to some extent.

Senator SYMINGTON. And he would be the one to get up here if we want to try and find what the current status of this material or any material is?

Mr. CROSTON. As far as quality.

Senator SYMINGTON. As far as quality is concerned. Thank you, Mr. Counsel.

Mr. COBURN. You say this manganese does not deteriorate because of wind or water?

Mr. CROSTON. Oh, in some instances there may be a little, but our technical staff has studied the matter as well as the inspection people, and on the number of the materials that are in storage that are finely divided, covers have been put over them.

In the case of manganese, for the most part, the specific gravity is great enough—that is, the weight of it; it is heavy enough material—so that it does not readily blow away, and that is true also of chromite.

There would be some little loss, but, on the other hand, the loss probably in a 10-year period would be far less than the cost of putting a cover on it and maintaining it.

Mr. COBURN. I notice you said that we had some Russian manganese, however, that was deteriorating. What about that? Did that deteriorate because it was Russian? Why would that deteriorate when the other had not?

Mr. CROSTON. Well, we are learning a number of things in the handling and storing of these stockpiles that we did not know; in fact, nobody in industry knew; and that is how long you could store certain things.

In the case of some of the manganese, ferromanganese, it was found that weathering had the effect of disintegrating the material so that, instead of a solid chunk of a ferroalloy that you could hit with a sledge hammer without breaking, it would fall apart to a powder.

Studies were made to determine just what caused that, whether there was a generation of acetylene gas or something else.

Senator SYMINGTON. It would be oxidation, would it not, just as you have in the rusting of a ferroalloy?

Mr. CROSTON. That is right.

There is some oxidation and then there is also an evolution of gas in the case of some of the alloys, acetylene gas.

I think the deposits that I have visited, it was just natural growth that gradually grew over there, each year a little bit more, and there will be a cover of 3 or 4 inches of sod built up that will hold it and can be ripped off when the time comes.

Mr. COBURN. I am interested in this Russian manganese. Where did we get that?

Mr. CROSTON. I think it was purchased before we got into serious trouble with the Russians on manganese ore purchases.

I think it came after the war, immediately after the war, before there was a shutdown of shipments of manganese ore, or ferromanganese from Russia.

Mr. COBURN. So that we have had it, then, perhaps from 1946 or 1947?

Mr. CROSTON. Somewhere around there, yes.

Mr. COBURN. No further questions on that.

Now, Mr. Witness, will you direct your attention to the next item, which is 10 million pounds of contained nickel and cobalt in the form of nickel oxide and powder.

What is the difference between nickel oxide powder, say, and just the nickel that is in the stockpile?

Mr. CROSTON. Well, this nickel oxide powder was produced at the Nicaro plant in Cuba, which was a Government-owned plant, and there the process of recovering the nickel was a wet process, not a smelting process, and they recovered nickel in the form of a carbonate and then it was calcined to drive off the carbon dioxide gas, and it resulted in a nickel oxide.

Now, initially, that nickel oxide was sold to the steel industry during World War II, and initially it was in paper bags.

That gave trouble through dusting losses in the furnaces, and then it was put into canisters, and later on the oxide was sintered, and that sinter was not subject to shipping and handling losses.

Mr. COBURN. What do you mean by "sintered"?

Mr. CROSTON. Well, actually, you treat it at a high temperature and the oxide has a tendency to agglomerate and some of it be reduced to nickel, so that it looks like a clinker from a furnace, and it is rough like that, and it will stand handling without loss.

Now, the nickel oxide was sold to the steel industry in that form from Nicaro, but we also sold a pure powder to the ceramic industry for ceramic purposes, and we have exhausted the supply of that powder from the company inventory since the shutdown of the plant.

Mr. COBURN. You mean the Nicaro Company?

Mr. CROSTON. Yes, Nicaro in Cuba.

The people who have been buying this in the ceramic industry are very anxious for us to continue selling them this premium grade; they prefer it to any other brand; and there is nothing available except what is in the national stockpile. That is why we have put in a request to sell these 10 million pounds.

That will take care of our requirements for perhaps 5 years or more in the industry.

Mr. COBURN. And how much of this do we have in the stockpile all together?

Mr. CROSTON. I have not the figure handy on the oxide but it is quite a very large amount.

We have, of course, in all forms, including the metal, 115 million pounds, but we have quite a sizable amount of oxide itself.

Senator SYMINGTON. We have 438 million pounds?

Mr. CROSTON. In the inventory?

Senator SYMINGTON. Yes.

Mr. CROSTON. Yes.

We have 115 million pounds excess.

Senator SYMINGTON. In excess, yes.

Mr. CROSTON. That is right.

And this is part of the excess.

Mr. COBURN. Mr. Witness, I notice in a list here of nonspecification grade materials that we have a total of 1,360,000 pounds of nickel. Would that include this nickel oxide that you are selling?

Mr. CROSTON. No, sir. This is specification grade material. This is premium quality material.

Mr. COBURN. I do not find anything on this list that the GSA provided for us with reference to nickel oxide. It says nickel, nickel content, and that is all. Is this strategically critical material having an objective?

Mr. CROSTON. Yes, sir. This is part of the nickel objective, except it is in excess of the objective by 115 million pounds.

Mr. COBURN. I know. But I am talking about nickel oxide powder. Now, does nickel oxide powder have an objective, and is it a strategic and critical material in the stockpile?

Mr. CROSTON. It is credited to the nickel objective for its nickel content. It is approximately three-quarters of the weight of nickel, and that is true in all the things. The manganese, for instance, is ferromanganese that we talk of. That is credited to the manganese ore objective.

Mr. COBURN. So that the nickel that we have here in our stockpile table that was furnished us by GSA is not just nickel metal, but it includes even nickel oxide that has nickel content?

Mr. CROSTON. And ferronickel, also.

Mr. COBURN. All right. But you do not know how much nickel oxide powder you have altogether, then, of which this 10 million is a part that is being sold?

Mr. CROSTON. I have not the figure readily at hand.

Mr. HARLAN. Forty-three million pounds.

Mr. COBURN. And this is to be used by the ceramic industry, did you say?

Mr. CROSTON. Mostly the ceramic industry, yes, sir.

Mr. COBURN. How much do they use in this country a year? Do you know?

Mr. CROSTON. Oh, it varies from half a million to a million pounds.

Mr. COBURN. Do you think you will be able to dispose of this 10 million pounds without difficulty?

Mr. CROSTON. Yes, sir.

Mr. COBURN. Over what period of time?

Mr. CROSTON. Oh, 5 to 10 years; perhaps 5 years, maybe. It depends if there is any desire on the part of the steel people to purchase some of this, and sometimes they want the oxide powder; the 10 million pounds could go much more rapidly.

Mr. COBURN. But, otherwise, you think it will take you about 5 years to dispose of it?

Mr. CROSTON. About 5 years, yes, sir.

Mr. COBURN. How do you intend to offer it? In lots of what size?

Mr. CROSTON. It will probably be offered in a certain number of small lots of, I would say, 10,000 pounds, or something like that, and then in some larger lots for larger consumers.

We have to take care of the needs of small users. In most cases, the oxide powder, the ceramic people would almost qualify as small business.

Mr. COBURN. Do you have any plan at the present time to sell this over a projected period?

Mr. CROSTON. Yes, sir.

Mr. COBURN. So much a year?

Mr. CROSTON. Yes, sir.

Mr. COBURN. What is it a year?

Mr. CROSTON. I think we hope to sell around a million to a million and a half pounds a year.

Mr. COBURN. So this will take you, then, more than 5 years, will it not, at that rate?

Mr. CROSTON. It would depend entirely on whether some of the steel industry would come in for this. The ceramic people would only use somewhat under a million pounds, but we have had demand from some of the steel companies for this material.

Mr. COBURN. What is the market condition at the present time in nickel?

Is it depressed?

I mean by that is there an overabundance of supply relative to demand?

Mr. CROSTON. Well, the situation, I think, is a little bit easier than it was some months ago, but I think there is still an excellent market in nickel.

Mr. COBURN. What do you mean by "easier"?

Mr. CROSTON. Well, there has been a drop of 2 cents a pound in the price which is usually indicative of the fact that it is not moving at a boom rate.

But, nevertheless, the International Nickel Co. has added tremendously to its production capacity, and in recent years you have had two or three other companies come in: Sherritt Gordon; a big expansion by the French nickel company, owned by Falconbridge Nickel in Canada; and then Hanna Nickel & Smelting, although most of that, of course, went into the stockpile, but some went into industry.

So there has been a big increase in the productive capabilities of the industry, and the demand has been sufficient to take care of that.

And, offsetting that, there has been a loss, a theoretical loss, of 100 million pounds a year from Cuba, half of which is in the Government plant and half in the newly built plant of Freeport Nickel.

Mr. COBURN. Have you received any protests from the nickel industry with reference to the selling of the nickel oxide powder?

Mr. CROSTON. No, we have not received any direct protests from the producers, and we have had very direct evidence of strong interest on the part of the consumers to get it.

Mr. COBURN. There has not been any commitment on the part of GSA that they will offer this for sale only to the ceramics industry and not to steel?

Mr. CROSTON. Not as yet.

Mr. COBURN. Do you intend to make any such commitment? You say not as yet. Is that something that might eventuate?

Mr. CROSTON. I do not know, sir. At my level I have not heard of any intention of limiting it to any group.

Mr. COBURN. I see.

Thank you.

Mr. CHAIRMAN. I believe that is all with reference to nickel oxide.

Senator SYMINGTON. Senator Cannon?

Senator CANNON. No questions.

Senator SYMINGTON. Proceed, Mr. Counsel.

Mr. COBURN. Now, Mr. Witness, we have one more item here that you are going to testify with reference to, and that is molybdenum; 5 million pounds of molybdenum.

This is stockpile specification grade material, is it not?

Mr. CROSTON. Yes, sir.

Mr. COBURN. It does not consist, however, of our entire excess in molybdenum, does it?

Mr. CROSTON. No, sir.

We have five times that for excess, 25,300,000 excess, and this is only 5 million pounds.

Mr. COBURN. Do you know what your acquisition cost was on this item?

Mr. CROSTON. I have not the figure readily at hand. It was somewhere in the neighborhood of \$1, was it not, George?

Mr. CASTO. Slightly in excess of \$1; 5 million pounds at \$5,250,000.

Mr. CROSTON. \$1.05.

Mr. COBURN. What is the market on molybdenum at the present time?

Mr. CROSTON. \$1.40 a pound.

Mr. COBURN. \$1.40 a pound.

So that you hope, if the market remains steady, to make some money there, do you not?

Mr. CROSTON. Yes, sir.

Mr. COBURN. Do you expect to be able to dispose of this molybdenum without any trouble?

Mr. CROSTON. Quite readily.

We expect to get rid of the 5 million pounds probably in 2 years time.

We conceivably could sell it in a much quicker period.

Mr. COBURN. From your investigation of the market, do you find that the demand for molybdenum exceeds the supply at the present time?

Mr. CROSTON. Yes, sir.

Mr. COBURN. What is that?

Mr. CROSTON. Yes.

Mr. COBURN. How do you propose to sell this with reference to time spacing?

Mr. CROSTON. Well, we would offer a million pounds of the material for bidding, and at the conclusion of the bidding and after we would have inspected the bids and approved them, depending on the results at that meeting, we would then determine when we would put up another million pounds.

Mr. COBURN. So you propose to sell this a million pounds at a time?

Mr. CROSTON. Yes, sir.

Mr. COBURN. And you estimate that you should be able to dispose of this over a 2-year period, 5 million?

Mr. CROSTON. Yes, sir.

Mr. COBURN. No further questions, Mr. Chairman.

Senator SYMINGTON. Senator Cannon?

Senator CANNON. No questions.

Senator SYMINGTON. How did you arrive at 5 million pounds?

Mr. CROSTON. Well, that was the directive that was sent to us from the OEP, authorization to dispose of 5 million pounds of molybdenum.

Senator SYMINGTON. In other words, they are the ones that are asking you to sell the molybdenum?

Mr. CROSTON. Yes.

We have received from them authority to dispose of 5 million pounds.

Senator SYMINGTON. Did they authorize you to do it or did they direct you to do it?

Mr. CROSTON. They have authorized us to do it.

Senator SYMINGTON. Did you ask them to authorize you to do it?

Mr. CROSTON. Yes, sir.

Senator SYMINGTON. What?

Mr. CROSTON. Yes, sir.

Senator SYMINGTON. Why did you pick 5 million pounds? Now you say you are the ones who asked them.

Mr. CROSTON. We asked them. We got the authorization for 5 million pounds. I asked for 10 million, if I remember right.

Senator SYMINGTON. You propose to sell 96 tons of nickel and 9 tons of cobalt.

Why do you propose some 2,500 tons of molybdenum?

Mr. CROSTON. Well, there was a short situation in molybdenum.

Senator SYMINGTON. A what?

Mr. CROSTON. A short position in molybdenum. It was short, and there was a keen market demand for it, and, let us be frank, the company was agreeable, the principal producer was agreeable to release—

Senator SYMINGTON. You come to Congress and request permission to sell a little nickel and a tiny bit of cobalt; then you want to sell 5 million pounds of molybdenum.

Mr. CROSTON. In the case of molybdenum, we have no odds and ends to dispose of first.

Any disposal would have to come out of stockpile grade material.

Unlike some of the other commodities, there was a shortage of molybdenum, and it is my understanding that the principal producer of molybdenum was quite agreeable to OEP releasing a very substantial amount.

Senator SYMINGTON. Does that imply that if people in these other metals and minerals are not quite agreeable to it, you are not going to do it?

Mr. CROSTON. That is something we have no control over, sir. That comes from OEP.

Senator SYMINGTON. Let us proceed on molybdenum. How do you know they are agreeable?

Mr. CROSTON. I have been told by people in the industry that they would be quite agreeable to the sale of Government surplus in molybdenum because their own stocks were at a very low point, and they wanted to assure their customers that there would be no shortage of the material.

From their own standpoint they felt that their own interests would not be endanger in any way by the sale of stockpile material.

Senator SYMINGTON. Then you are not talking about a molybdenum company like American Molybdenum or American Climax. You are talking about users of molybdenum, is that right?

Mr. CROSTON. No; I am talking about the Climax Co.

Senator SYMINGTON. I thought you said you were told by people in the trade who were using molybdenum.

Mr. CROSTON. No. We have heard from people in the trade that they would like to get molybdenum, but the Climax Co. itself had no objections to the disposal of a very sizable amount of molybdenum from the stockpile.

Senator SYMINGTON. Did you ask the molybdenum company whether they would object to your selling 5 million pounds?

Mr. CROSTON. In this instance, no, because I understood they discussed the matter with OEP.

Senator SYMINGTON. And who in OEP did they discuss it with?

Mr. CROSTON. That I do not know, sir.

Senator SYMINGTON. How do you know they did discuss it in OEP?

Mr. CROSTON. Well, various people in OEP connected with raw materials told me that the Climax people had discussed the matter with them.

Senator SYMINGTON. Specifically who?

Mr. CROSTON. Bill Lawrence.

Senator SYMINGTON. And what did he tell you?

Mr. CROSTON. I asked him about it, and he said that the Climax Molybdenum Co. were quite anxious for the material to be sold.

Senator SYMINGTON. Did they plan to buy it?

Mr. CROSTON. I do not believe so.

Senator SYMINGTON. They are quite anxious to have you sell it in the trade?

Mr. CROSTON. Yes, sir.

Senator SYMINGTON. Are they not producing it themselves?

Mr. CROSTON. But not in sufficient amount at this time.

They expect, according to my understanding, they expect that late in the year they would be able to take care of the demand, but, in the meantime, their stocks are very low, and they are unable, due to the nature of their operation, at 11,000 feet altitude, this spring they were unable to expedite any expansion.

But probably by the end of the year they might be able to take care of the increased demand.

Senator SYMINGTON. Where is this increased demand? There has been a heavy falloff in our steel business.

As I remember the figures, there has been a falloff from domestic use in this country. This is new, the idea they wanted to get some out of the stockpile in order to meet demand.

Mr. CROSTON. The company, I understand, had very successful sales in Europe, and when there was a pickup in the demand for molybdenum in this country, they were unable to supply the full requirements by virtue of the fact that a certain proportion of their demand had been contracted to Europe.

Senator SYMINGTON. That is what I was getting at. What price do you think you will sell at?

Mr. CROSTON. We expect to get the market price.

Senator SYMINGTON. Which is?

Mr. CROSTON. \$1.40.

Senator SYMINGTON. But you cannot sell any of it for 6 months?

Mr. CROSTON. No, sir.

Senator SYMINGTON. In the meantime, if you wait 6 months, the price might change, might it not?

Mr. CROSTON. Well, we frequently lose our markets in disposals on the limited scale we have been working, by virtue of that 6-month waiting period.

Senator SYMINGTON. In other words, you might go from a seller's market to a buyer's market?

Mr. CROSTON. Yes, sir.

Senator SYMINGTON. You say you think it would be well and in the best interests of the taxpayer to get rid of this 6-month delay clause?

Mr. CROSTON. I think that 60 days would be more than ample. I think it serves no purpose whatever to be 6 months, in my opinion.

Senator SYMINGTON. What would be the matter with 30 days?

Mr. CROSTON. I would think 30 days would work, but there might be objection to it from some people. But 30 days should be ample, actually.

Senator SYMINGTON. Actually, why do you need any time at all, if you have an excess and a good market price?

Mr. CROSTON. Well, it was my understanding that this period was to give industry an opportunity to object to Members of the Congress and have them look into it, and then they would have time to act one way or the other before we sold the material, even though it required no congressional approval.

Senator SYMINGTON. Would you repeat that again?

Mr. CROSTON. Well, any material in the national stockpile, unless it is obsolete, has to be advertised in the Federal Register and have congressional approval.

If it is obsolete, it does not require congressional approval.

Senator SYMINGTON. I understand.

Mr. CROSTON. But we still have to wait the 6 months.

Senator SYMINGTON. Right.

Mr. CROSTON. And during that 6-month period it is possible that somebody in the Congress could object on behalf of a constituent.

Senator SYMINGTON. I am not being critical. We are going to submit this bill, and would like your advice about it.

Mr. CROSTON. I would think that it would only be fair to all segments of industry to hear their story, both producers and consumers, rather than to do it without time for any hearings whatever.

I think that the 6 months makes us lose an opportunity to get good markets in many instances, but I think a shorter waiting period, a month or 2 months, would be a good thing.

Senator SYMINGTON. There would be no objections on the consumer's part, would there?

Mr. CROSTON. No.

By and large, disposal of anything in the stockpile is looked forward to with pleasure by consumers.

Senator SYMINGTON. Is any of this in the DPA inventory?

Mr. CROSTON. No, I think that is all in the stockpile.

Senator SYMINGTON. So it would all come under the stockpile rule of 6 months?

Mr. CROSTON. Yes.

Senator SYMINGTON. Senator Cannon?

Senator CANNON. No questions.

Mr. COBURN. Mr. Witness, as I understand it, in selling this molybdenum, you intend to sell it at the market price, do you?

Mr. CROSTON. Yes, sir.

Mr. COBURN. In that particular field, how is the market price on molybdenum established?

Mr. CROSTON. Well, it is established in a similar way to a number of the other metals and minerals. The industry is dominated by one company, and that company establishes the price.

Mr. COBURN. So that the Climax Molybdenum Co. establishes the market prices, does it?

Mr. CROSTON. Yes, sir.

Mr. COBURN. In other words, it publishes the market price?

Mr. CROSTON. Well, the price that it sets for its product is the price the other producers adhere to.

Mr. COBURN. In other words, Climax announces or publishes the price, and all of the other producers then come to them, come to their price?

Mr. CROSTON. That is right.

Mr. COBURN. Is that right?

Mr. CROSTON. That is right.

Mr. COBURN. Has that been the practice for a number of years?

Mr. CROSTON. Pretty much so.

Mr. COBURN. You say—

Mr. CROSTON. They have been the dominating factor in the molybdenum industry. Of course, there is a great deal of, an increasing amount of byproduct molybdenum from copper producers, and it is conceivable that in a market that would be good for copper and poor for molybdenum consumption, that they would be the residual legatees of the business.

They would get what the copper companies were not able to fill.

Mr. COBURN. Yes.

Mr. CROSTON. And in a depression, of course, they are in a much weaker position than if they did not have byproduct competition.

Mr. COBURN. But, as I understand it, they dominate the supply of molybdenum so completely throughout the world, as a matter of fact?

Mr. CROSTON. That is right.

Mr. COBURN. That they are able to publish the market price and everybody follows it?

Mr. CROSTON. That is right.

Mr. COBURN. Has that been the case back, say, 10 years?

Mr. CROSTON. I would think it has been the case since the 1920's.

Mr. COBURN. All right.

Mr. CROSTON. When the company started.

Mr. COBURN. Now, we have heard in another hearing that there has been a very considerable demand for a release of cadmium from the stockpile.

I do not know whether you know that or not, but we have.

Mr. COBURN. A great many purchasers or consumers of cadmium have been clamoring for cadmium from the stockpile. Do you know of any plan to release any cadmium from the stockpile from OEP?

Mr. CROSTON. We have not received any authorization yet from OEP.

Mr. COBURN. But you did in the case of molybdenum, where there was a short supply?

Mr. CROSTON. Yes, sir.

Mr. COBURN. Are we to draw any inference in any way that action with reference to releasing material from the stockpile depends considerably on whether the primary producers are willing to have their material released from the stockpile?

Mr. CROSTON. I would not think so, sir.

I would not draw that conclusion. Frankly, it is a lot easier to dispose of some material from the stockpile if the principal producers have no objection. After all, we have had DPA copper that we have talked about disposing of for a long time, and any time there was any talk of disposing even of a pound of it, there were screams going up from the industry that they were going to be ruined.

We have slowly gotten rid of some of the copper in the stockpile by having the mint get its entire requirements from us, and we are attempting to have other government agencies get part of their requirements of various metals and minerals from us.

But if a big organization is strongly opposed to it, let us be frank about it, they carry considerable weight, and there is liable to be considerable objection on the Hill here to disposal.

Mr. COBURN. I have no further questions.

Senator SYMINGTON. You mean, if the industry does not want it disposed of, is that right?

Mr. CROSTON. Yes, sir.

Senator SYMINGTON. Have you any particular metal in mind?

Mr. CROSTON. Well, for 4 or 5 years there has been a running fire in the newspapers about copper, for instance, and, yet, that is one of the smallest tonnages that we have. Certainly, it could have been dribbled out to industry without any harm to the copper producers at all, but they were extremely vocal and presented quite a case, and nothing has ever been done on the disposal of copper.

Presumably, on some of these other things, where there are substantial employers in any particular State, they can make a very good case in that State.

Senator SYMINGTON. So you feel the reason copper has not been sold is because of objections of copper companies, even though, in your opinion, it would not have affected their position at all, is that correct.

Mr. CROSTON. That is right.

Senator SYMINGTON. Any other metals along those lines?

Mr. CROSTON. No, I do not think that—we have excesses of some other materials, but, of course, it is not expedient at this time to do anything about it because of various other programs.

Lead and zinc are good examples. We have big excesses of both, but I would not think it would be expedient at this time to do anything with the excesses of lead and zinc.

Senator SYMINGTON. Why not?

Mr. CROSTON. Well, the Government has a program of aiding the small producers. We might have an effect of increasing the subsidy payments we might have to pay to these producers if we affected the price.

Senator SYMINGTON. You mean in this country?

Mr. CROSTON. Yes.

If we sold a lot of lead and zinc in the market, which is none too strong, and it affected the price, and the price dropped down a half cent or a cent, something like that, if this new program of assistance

to the small lead and zinc producers went into effect, we would have to pay them an even larger sum of money as a subsidy.

Senator SYMINGTON. Do you feel we can continue to take in foreign lead, but not make any effort to get rid of it? What is the difference between subsidizing small domestic producers, and taking in on a barter transaction 100,000 tons from foreign countries? What is the difference from the standpoint of the taxpayer?

Mr. CROSTON. I presume that on the barter program that it was felt that they would remove a large tonnage of zinc and lead that was overhanging foreign markets, and that, in turn, would strengthen the prices, both foreign and domestic prices, of lead and zinc, and it would help indirectly the American producer.

Senator SYMINGTON. It also strengthens the export of lead and zinc from behind the Iron Curtain, does it not?

Mr. CROSTON. To some degree; yes, sir.

Senator SYMINGTON. Senator Cannon?

Senator CANNON. Mr. Coburn asked you about cadmium. You said you had not had the authority to release any of it. Have you requested authority?

Mr. CROSTON. We have discussed the matter and it is under consideration in OEP.

Senator CANNON. But you have not made a formal request yet?

Mr. CROSTON. I do not recollect that we have made a formal request.

Senator CANNON. Now, is that your usual practice: To discuss it first and find out what the answer will be before you make a formal request?

Mr. CROSTON. Well, in a number of things we talk these things over with the OEP because, in theory, the decision to dispose of these things originates with the OEP.

Now, in some instances we have drawn their attention to certain situations and they have acted accordingly and have agreed with us.

In some instances they write us and give us an authorization to prepare a plan without our requesting. They have made a study of it. There is a meeting of the requirements committees. They have perhaps set a new objective, a lower objective or something, and there is this material available, and they write us.

In many instances the initial activity to dispose has come from my office. We have made these requests to OEP to consider certain materials for disposal, and they then call a meeting of the various Government departments concerned. They verify the requirements again, and, on the basis of their finding, they then write us and give us authority to prepare a disposal plan.

There is quite a bit of work involved in the preparation of a disposal plan, because we have to make a study of the industry where we are not too familiar with it, find out the details of the industry, its consumption, supplies and so on, and how much the consumers and producers think we would be able to sell without drastically affecting the market or price.

We then have to go to the various agencies concerned and get their concurrence.

This morning, unfortunately, I left the idea that Mr. May's uncle and others were people that were hindering our program, and I did not mean it in that respect.

Senator SYMINGTON. You take care of the stockpile; we will take care of Mr. May.

Mr. CROSTON. The three individuals that were mentioned have given us very good cooperation actually, but there were higher policy decisions that intervened.

Senator CANNON. How long have these discussions been going on with OEP concerning cadmium?

Mr. CROSTON. Well, the matter was first discussed perhaps 3 months ago, something like that.

Senator CANNON. And it still takes that long to get a decision when you have a surplus like you do here, an excess like you do in cadmium, and the market is in short supply?

Mr. CROSTON. We have not, at least my division has not, received any communication from them to go ahead with the plan.

Senator SYMINGTON. Even if you decide, you have to wait for 6 months, is that right?

Mr. CROSTON. That is right; yes, sir.

Senator SYMINGTON. The bill was put in the House of Representatives on June 4, if the Senator will be good enough to yield, by Mr. Broomfield, to sell 2 million pounds of cadmium from the national stockpile.

The staff just gave me this.

Would you be in favor of that?

Mr. CROSTON. Personally I would; yes, sir.

Senator SYMINGTON. Who would be against it?

Mr. CROSTON. Producers of cadmium, for the most part.

Senator SYMINGTON. Are they powerful in the GSA?

Mr. CROSTON. No. As a matter of fact, at the hearings of your committee, why, several of them felt that a million pounds a year could be disposed of without hurting them.

Senator SYMINGTON. If the Senator will yield further, I would ask a pretty fundamental question. Are you not interested, in your side of this Government, in what is going on in these various industries? If there is a shortage of cadmium resulting in rising costs, why do you have to wait until Congress investigates and has testimony to verify the shortage? Did you not talk about a disposal committee?

Mr. CROSTON. Well, after we get authority to dispose of a commodity, we then call together members of the other agencies to discuss that specific disposal.

Senator SYMINGTON. Do you do that any more?

Mr. CROSTON. We still do.

Senator SYMINGTON. But you do not have to?

Mr. CROSTON. We still have to notify the agencies.

Senator SYMINGTON. But you do not have to call them together. You can notify them you are going to move it, and then they can only object to the OEP.

The OEP can move it regardless.

Mr. CROSTON. No, sir.

Senator SYMINGTON. If the President approves of it?

Mr. CROSTON. If the President approves it.

Senator SYMINGTON. That is right.

That was taken care of in the amendment referred to this morning, was it not?

Mr. CROSTON. Not entirely so.

We still have to get in touch with these other agencies, Senator.

Senator SYMINGTON. Is not that just a form of passing the buck, which delays the whole program?

Mr. CROSTON. I wish it was that easy, sir.

Senator SYMINGTON. All right.

Now, when did you start this disposal group?

Mr. CROSTON. Four years ago.

Senator SYMINGTON. Why 4 years ago? That would be 1958?

Mr. CROSTON. That is when GSA set up a unit within the DMS to expedite disposal of materials from the stockpile.

Senator SYMINGTON. But for years before that you had had heavy surpluses, had you not?

Mr. CROSTON. Yes, sir.

Senator SYMINGTON. Why did you not have a disposal unit before 1958?

Mr. CROSTON. GSA did sell from time to time some materials at the authorization of the President.

There were some very substantial sales in the earlier years.

Senator SYMINGTON. Out of the national stockpile?

Mr. CROSTON. Yes, sir.

Senator SYMINGTON. Like what, for instance?

Mr. CROSTON. I would have to refresh my mind, but copper was one of them years ago.

When emergencies were declared, a number of items were sold from the stockpile. They are tabulated in one of the GSA reports.

Senator SYMINGTON. But you heavily increased the stockpile requirement of copper after the Korean war, didn't you, after the truce? And you have sold a substantial quantity since then?

Mr. CROSTON. No, sir.

Senator SYMINGTON. You have not?

Mr. CROSTON. No.

Senator SYMINGTON. What I am trying to get at, if you are in a rising market, why don't you try to sell?

Mr. CROSTON. I think GSA would be happy to do so, but you do have quite a routine to go through before—in the first place, when we started 4 years ago we would get from the OEP a letter authorizing us to dispose of the material. When the DMOV-7 was revised downward so that all the agencies had veto power, we only got from the OCDM a letter authorizing us to prepare a disposal plan, they didn't authorize us to dispose of anything, they just authorized us to prepare a plan.

Then after the plan was concurred in by the various agencies it was sent back to them, to the OCDM, for further determinations.

Senator SYMINGTON. You proposed a disposal in March of 1957, and everybody agreed to it, but you waited for 18 months before you got formal approval, and in the meantime none was sold. That was cryolite. So I think we see the facets. I don't understand why you are not following the needs of industry to a point where you know what is needed; and if you have an excess, try to move some of it prior to a congressional investigation.

Mr. CROSTON. Well, we have been planning, the plans aren't completed, but they are under study for a very extensive disposal program for a period of years. The GSA has been, I think, quite active in it. But after all the entire decision and authority is not within the GSA—there are other agencies that do have a definite part of the picture. And the actual authorization must come from another agency.

Senator CANNON. Mr. Witness, this morning you explained to us how some of the other agencies used to kill a disposal program by simply a failure to report and come back and say they are studying it. Now you say you have underway a study, and I am wondering if this isn't sort of the same type of thing, just a study to delay and get away from the real problem of disposal. If you had discussions on cadmium specifically, as much as 3 or 4 months ago with OEP, and after you get their approval, or whether you get it or not, you have to submit it to the agencies, and they have 30 days to act, it would seem to me it would be rather unreasonable to wait the period of time that you are talking about when we have a metal that is in short supply.

Now, is that premise wrong or is it correct?

Mr. CROSTON. Well, there is an unnecessarily long period. And, of course, in the case of cadmium the material is in the stockpile, and we will have to wait 6 months until legislation is passed to shorten that waiting period. If we received authority to dispose of cadmium, we are sufficiently informed on the industry and consumption of it and outlets, and so on, that we could have a prepared plan ready for action within a week's time.

Senator CANNON. If you were given approval by OEP, is that right?

Mr. CROSTON. That is right.

Senator CANNON. Now, at the time you first discussed it with OEP, were you aware then of the fact that this metal was in short supply?

Mr. CROSTON. Was beginning to become short, yes, sir.

Senator CANNON. So after you became aware of that, then you went to OEP, that was 3 or 4 months ago, and you haven't had any action yet, and when you get action then you have got to take the time to submit it to the agencies, and they have a month to answer.

So that means it is going to be at least 5 months from the time you decided it was in short supply, and then you have got 6 months to wait for Congress, so that is 11 months from the time you first found out that the metal was in short supply before you could possibly get any action.

Mr. CROSTON. That is right.

Senator CANNON. And, of course, if OEP doesn't give you an answer reasonably soon I suppose you will just continue to wait and have discussions, is that right?

Mr. CROSTON. Well, there is nothing we can do to force their hand, is there? That is a decision that is entirely up to that agency.

Senator CANNON. Do you have to wait for OEP to make that decision?

Mr. CROSTON. Unless they give us the authority to go ahead with the plan we have no authority—

Senator CANNON. You can't initiate that plan?

Mr. CROSTON. No, sir.

Senator CANNON. Thank you, Mr. Chairman.

Senator SYMINGTON. Senator Cannon's remarks, it seems to me, point toward good businesslike operation. Don't you agree?

Mr. CROSTON. Yes, sir.

Senator SYMINGTON. Thank you.

Mr. COBURN. Mr. Chairman, there is one thing that I think ought to be brought to the attention of everyone, in view of this discussion, and Senator Cannon's questions, which were very pertinent as far as the administrative procedures are concerned.

There has been introduced in the House, by a Member a bill called H.R. 11972 for the sale of 2 million pounds of cadmium, I assume at the request of purchasers of cadmium. And if this bill passes—it is not a joint resolution, but if this bill passes in the form in which it is in, it provides this:

Such disposition may be made without regard to the provisions of section 3 of the Strategic and Critical Materials Stock Piling Act relating to dispositions on the basis of a revised determination pursuant to section 2 of said Act, to the effect that no such disposition shall be made until six months after publication. and so on.

If this bill passes, then you are authorized to sell cadmium right away, aren't you, without going through the 6 months' waiting period?

Mr. CROSTON. I would think so, yes, sir.

Mr. COBURN. And without getting permission of OEP, in fact?

Mr. CROSTON. I would think so.

Mr. COBURN. So this does, when legislation of this kind is passed, as distinguished from the concurrent resolution that we have under consideration today, the committee has, this shortcircuits the time, does it not?

Mr. CROSTON. Yes, sir.

Mr. COBURN. But such a bill as this is never introduced at the request of GSA, is it? You don't ask for legislation with this kind of bill, you ask for a concurrent resolution, don't you?

Mr. CROSTON. Yes, usually.

Mr. COBURN. So this would be something that would have to be asked by some consumers, we will say, or someone who has a special interest in obtaining this particular material in the stockpile for it to be introduced in the form of a bill, which in effect demands the stockpiling act, is that right?

Mr. CROSTON. To a degree, yes, sir.

Mr. COBURN. No further questions.

Senator SYMINGTON. Do you think this is a good bill?

Mr. CROSTON. Personally, yes, sir, I do.

Senator SYMINGTON. If it is good for cadmium why do you want to wait 30 days on the other bill?

Mr. CROSTON. I don't want to.

Senator SYMINGTON. I thought you said 30 days' wait would be better than no wait.

Mr. CROSTON. This has been given a great deal of publicity, and I think in the case of an item that has been given a good deal of publicity like this, a bill can be passed without further delay. There has been a great deal in the press—

Senator SYMINGTON. If we include only the items in this hearing you would go ahead and have the bill passed?

Mr. CROSTON. Yes, sir.

Senator SYMINGTON. I think you said you knew 4 months ago there was a shortage of cadmium. Did you want to wait until it was investigated before you moved?

Mr. CROSTON. Well, sir, I think you should realize that GSA is the manager of the stockpile and the policy decisions originate at OEP, and it is up to them to make these policy decisions, and then we carry them out.

Senator SYMINGTON. Are you going to make us go through every 1 of these 75 items to find out which ones are needed?

Mr. CROSTON. No. There should perhaps be faster action on policy decisions to dispose of materials so we could take advantage of the temporary situations that arise, temporary shortages, so we could get a good price.

Senator SYMINGTON. What we are talking about runs into many billions of dollars. Doesn't your committee take into consideration whether or not industry needs these basic materials? What do they talk about when they sit down together?

Mr. CROSTON. Well, I am no longer on any of the committees on stockpiling, so I don't know just how they arrive at a decision, other than that the material is subject to requirements as presented by the Department of Defense and the Department of Commerce.

Occasionally there are representations made to various agencies by consumers of shortages or impending shortages, and sometimes that has resulted in our being able to get something out to take care of the situation. But in a number of instances, the 6-month waiting period has been sufficient to cause a loss of the prime market, and by the time we get ready to sell, the market is a lot softer.

Senator CANNON. Mr. Witness, this House bill that you say you personally favor, in your opinion if that bill were passed would that have a detrimental effect on the cadmium market, on the industry as a whole?

Mr. CROSTON. I wouldn't think its effect would be serious; no, sir. Of course, cadmium is a byproduct, it is not an industry by itself. It is a byproduct recovered when they smelt zinc ores. And many of the zinc ores have a very tiny fraction of appearance of cadmium in them, and this cadmium is recovered in the smelting of the zinc and sold at a premium price, they get \$1.70 a pound for the material, which is approximately 17 times or so the price of zinc.

But I don't think that the people that would be affected are the smelting companies that produce cadmium. The miner in most instances gets little or no benefit from it, most of the zinc ores that come in have such a small percent of cadmium that he doesn't get anything for it. In some instances he does. So the smelting companies that produce cadmium would be the ones that would be affected, and most of them, I think, are strong enough so that this small amount wouldn't seriously affect their operations.

Senator CANNON. Do you happen to know the average rate of consumption here in this country of cadmium?

Mr. CROSTON. Oh, it is presently a million pounds a month of something in that order.

Senator CANNON. Thank you, Mr. Chairman.

Senator SYMINGTON. We have had three industries, now, which have proposed working out with the Government a plan for taking back these excesses in the particular metal or mineral they are interested in. Do you think that a good idea?

Mr. CROSTON. You mean for an industry to take back and dispose of its own metal?

Senator SYMINGTON. Buy it back from the Government.

Mr. CROSTON. Well, it has been done in some foreign countries. They have had the producers that sold the metal to them buy it back.

Senator SYMINGTON. What do you think about the idea?

Mr. CROSTON. Well, I haven't been overly impressed with some of the proposals, if they make a good proposal—

Senator SYMINGTON. Assuming the proposal is a fair proposal in the opinion of the Government, wouldn't you be in favor of it?

Mr. CROSTON. I see no reason why not.

Senator SYMINGTON. It would help us with respect to distress selling, would it not?

Mr. CROSTON. Yes.

Senator SYMINGTON. The more we agitate this problem of the taxpayer holding frozen assets and trying to move them, the more chance for these industries to come in and negotiate to take unneeded materials off the taxpayers' hands, wouldn't you agree?

Mr. CROSTON. You mean that there would be pressure to sell an unduly large amount in order to get money?

Senator SYMINGTON. I think it would be the reverse of pressure. They would rather be part of the disposition themselves, and in that way have additional assurance against distress selling.

Mr. CROSTON. Yes.

Senator SYMINGTON. When you are running an economy at half a trillion dollars a year, if the industries and the Government sat down together, it wouldn't be too difficult to move most of this merchandise without causing serious disturbance in the trade, would it?

Mr. CROSTON. I wouldn't think so. Of course, it would require a bit of reorientation of thinking on the part of some of these people, because a number of them that have come to the GSA in the past have suggested that we take barges and dispose of the surpluses out in the ocean.

And we have had to tell them that it would cost the taxpayer money, and at least we were going to try to get some fair return for the Treasury.

Senator SYMINGTON. Any further questions?

Mr. COBURN. No further questions of this witness, Mr. Chairman.

Senator SYMINGTON. Thank you, Mr. Croston. You have been a fine witness.

Mr. COBURN. We have another witness, Mr. George Casto, who testified to four or five items in this resolution, if you want to hear him, Mr. Chairman.

Senator SYMINGTON. Mr. Casto, are you ready to testify?

Mr. CASTO. Yes, sir.

Senator SYMINGTON. Will you consider yourself sworn?

Mr. CASTO. Yes, sir.

TESTIMONY OF GEORGE K. CASTO, DIRECTOR, PROJECT ADMINISTRATION DIVISION, DEFENSE MATERIALS SERVICE, GENERAL SERVICES ADMINISTRATION—Resumed

Mr. COBURN. Now, Mr. Casto, you have testified a number of times before in these hearings, so I won't undertake to identify you.

One of the items in this disposal resolution is 440,246 pounds of silk noils, is it not?

Mr. CASTO. Yes, it is.

Mr. COBURN. This is an item in the stockpile, isn't it?

Mr. CASTO. Yes.

Mr. COBURN. That meets the specifications of the stockpile?

Mr. CASTO. It fully meets the specifications; yes, sir.

Mr. COBURN. Is this amount that you are selling the entire excess above the maximum objective for this item?

Mr. CASTO. It is.

Mr. COBURN. What is the use of silk noils?

Mr. CASTO. Silk noils was used primarily in the manufacture of cartridge cloth from which powder bags were manufactured.

Mr. COBURN. Do you understand that there is as much use for powder bags now as there was when the present objective was set?

Mr. CASTO. No, sir; considerably less use.

Mr. COBURN. And what about the use of synthetics in this field, are they moving into the field too?

Mr. CASTO. Yes, synthetics have become usable in this particular field, they have replaced to a certain extent, but not completely.

Mr. COBURN. I notice that our maximum objective is still 970,000 pounds, is it not?

Mr. CASTO. Yes, sir.

Mr. COBURN. I wonder how long it has been since that objective was reviewed, do you know?

Mr. CASTO. No, sir; I do not.

Mr. COBURN. What is your acquisition cost on these noils that you are selling?

Mr. CASTO. The acquisition cost was \$1.49 a pound.

Mr. COBURN. And what is the market at the present time, if there is a market?

Mr. CASTO. The market at the present time is roughly \$0.33 a pound.

Mr. COBURN. \$0.33 a pound? It isn't \$1.33?

Mr. CASTO. \$0.33, sir, not \$1.33.

Mr. COBURN. Do you expect to be able to sell this quantity of silk noils without difficulty?

Mr. CASTO. Yes, I should think that we could move this quantity at public auction without difficulty at roughly the market price.

Mr. COBURN. How do you intend to space these sales for the purpose of protecting the market?

Mr. CASTO. We would put them out at roughly 100,000 to 300,000 pounds at 60-day intervals.

Mr. COBURN. That isn't too rapid, now, so as to depress the market, do you think?

Mr. CASTO. No, sir; we would not depress the market at that quantity.

Mr. COBURN. You have gone into that carefully, have you?

Mr. CASTO. We have gone into it very carefully; yes, sir.

Mr. COBURN. No further questions, Mr. Chairman, on this item.

Senator SYMINGTON. Senator Cannon.

Senator CANNON. How do you account for the difference in the price that we pay, the present market price?

Mr. CASTO. This material was purchased, Senator Cannon, at the time when there was a terrific shortage during the days of Korea, and prices were exorbitantly high at that time.

Senator CANNON. Has the market price, the present day market price been at about this level for a considerable period of time?

Mr. CASTO. Yes, sir; for a considerable period of time.

Senator CANNON. How long?

Mr. CASTO. Oh, 5 or 6 years.

Senator CANNON. Right after Korea it dropped right down to the 30-cent level?

Mr. CASTO. That is correct.

Senator CANNON. At least right after we stopped buying?

Mr. CASTO. Yes, sir.

Senator CANNON. No further questions.

Mr. COBURN. Now, Mr. Witness, let's take cordage fiber. There are two types of cordage fiber in this joint resolution, are there not?

Mr. CASTO. Yes, sir.

Mr. COBURN. First is abaca. You propose to sell 7½ million pounds of abaca, do you not?

Mr. CASTO. Yes, sir.

Mr. COBURN. Now, this is a stockpile item meeting stockpile objectives, is it?

Mr. CASTO. Yes, sir.

Mr. COBURN. What is the use of cordage fiber?

Mr. CASTO. Well, abaca is used primarily for marine cordage. It has a very strong resistance to salt water and will stand a terrific amount of abuse where other cordages will not.

Mr. COBURN. But again the synthetics have moved into this field, haven't they?

Mr. CASTO. Synthetics have become a factor in marine cordage; yes, sir.

Mr. COBURN. Is there as much use for marine cordage as there used to be, say, during Korea?

Mr. CASTO. Yes, sir; I would say that the use has not decreased at all. Synthetics are exorbitantly expensive in comparison to abaca, but the synthetic rope has a considerably longer period of time.

Mr. COBURN. So it is a competitor for abaca, is it?

Mr. CASTO. It is a competitor; yes, sir.

Mr. COBURN. Now, Mr. Casto, I notice that our maximum objective for abaca is 150 million pounds, is that correct?

Mr. CASTO. That is correct.

Mr. COBURN. And you propose to sell 7½ million pounds, do you not?

Mr. CASTO. Yes, sir.

Mr. COBURN. According to my tables, the quantity that we have in the stockpile at the present time is 153,174,000 pounds. That would indicate to me that you mean to sell a little bit more than our surplus or excess, is that correct?

Mr. CASTO. This is a bookkeeping inventory. You must bear in mind that this is a rotatable material. We are constantly, in order to keep our stockpile fresh, selling old fiber and buying replacement fiber back. We have a peculiar system of bookkeeping in the Government, in that if you enter into a purchase contract, that contract is immediately logged under your official records.

If you enter into a sales contract it is not so logged in. They do not log it into the record until such time as an outbound storage report is received and the material moves physically out of the inventory. Consequently, you do not have an imbalance if you strike it at any one particular time. We have determined that we do have the 7,500,000 excess, we can sell that quantity, and will actually have an inventory, then, of 150 million pounds.

Mr. COBURN. So what you are saying is that you are selling all of your excess, but not more than that, in abaca?

Mr. CASTO. That is correct.

Mr. COBURN. What was your acquisition cost on the abaca?

Mr. CASTO. On the abaca, 25½ cents a pound.

Mr. COBURN. And what is the market at the present time?

Mr. CASTO. 20 cents a pound.

Mr. COBURN. Do you think that you can sell this quantity of abaca all right?

Mr. CASTO. Without difficulty.

Mr. COBURN. Over what period of time?

Mr. CASTO. Over approximately a 1-year period, it would move out in very small increments, contracts of 25,000, 50,000, 100,000 pounds at a time.

Mr. COBURN. And in your opinion that would not depress the market?

Mr. CASTO. It would not depress the market, in my opinion.

Mr. COBURN. Now, Mr. Casto, we have another item of cordage fiber; namely, sisal, in this resolution.

Mr. CASTO. Yes, sir.

Mr. COBURN. 10 million pounds of sisal being sold?

Mr. CASTO. Yes, sir.

Mr. COBURN. What do you use sisal for?

Mr. CASTO. Sisal is almost exclusively in bailer twine on the farm, to bail hay and feed primarily for livestock.

Mr. COBURN. Have synthetic cords or cordage of that kind come into this particular field?

Mr. CASTO. No, sir. There have been experimentations in polypropylene synthetics, but it is much too high priced for the farmer.

Mr. COBURN. So it is not competitive?

Mr. CASTO. It is not competitive at all.

Mr. COBURN. What was your acquisition price on the sisal you are selling?

Mr. CASTO. 14 cents a pound.

Mr. COBURN. And what is the market?

Mr. CASTO. 10 cents a pound.

Mr. COBURN. And the market, I guess, has been that for some time?

Mr. CASTO. It has sold at that figure for about 3 years; yes, sir.

Mr. COBURN. And is the same true of the abaca?

Mr. CASTO. Yes, sir.

Mr. COBURN. So you think this is as good a time as any to sell the excess?

Mr. CASTO. I think this would be an excellent time, sir.

Mr. COBURN. And this amount that you are selling in sisal is your entire excess?

Mr. CASTO. It is our entire excess.

Mr. COBURN. How long do you think it will take you to get rid of this sisal without depressing the market?

Mr. CASTO. A year's period of time. And again, it would move out in small increments.

Mr. COBURN. And that would not depress the market in your opinion?

Mr. CASTO. It would not; no, sir.

Mr. COBURN. No further questions, Mr. Chairman.

Senator SYMINGTON. Senator Cannon.

Senator CANNON. No questions.

Senator SYMINGTON. Mr. Casto, on this nickel and cobalt, as I understand it, we decided to sell it recently; is that right?

Mr. CASTO. Nickel and cobalt?

Senator SYMINGTON. Yes.

Is Mr. Croston still here?

Mr. CROSTON. Yes.

Senator SYMINGTON. Is that correct?

Mr. CROSTON. The oxide powder, you mean?

Senator SYMINGTON. No; the 91-percent nickel in ingots, 4 short tons of sintered nickel in the form of cups.

Mr. CROSTON. We put that notice in the Federal Register January 5, 1961.

Senator SYMINGTON. Why is it taking so long to get action?

Mr. CROSTON. It requires congressional approval, and it has awaited that.

Senator SYMINGTON. That was what I was hoping you would say, as we approach passing this concurrent resolution. Where was the delay? You published it in the Federal Register?

Mr. CROSTON. Published it in the Federal Register, and sent a notice to the President of the Senate, the Speaker of the House, and the chairmen of the two committees concerned.

Senator SYMINGTON. And they have to pass legislation, then wait 6 months, is that right?

Mr. CROSTON. Yes, sir.

Senator SYMINGTON. And so it is passed in the House 18 months after you registered it?

Mr. CROSTON. Yes, sir. One reason, perhaps, was the fact that there are a number of other items, and they decided to wait and consolidate them into one bill, which made for delay.

Senator SYMINGTON. And this is the legislation before us now?

Mr. CROSTON. Yes, sir.

Senator SYMINGTON. I have no further questions.

Mr. COBURN. Mr. Witness, there is an item in the concurrent resolution here called vegetable tannins, is there not?

Mr. CASTO. Yes.

Mr. COBURN. And there seems to be three different kinds of tannins that are to be sold.

Mr. CASTO. Yes.

Mr. COBURN. Take the first, quebecho.

Mr. CASTO. Yes.

Mr. COBURN. You propose to sell 2,100 tons of quebecho.

Mr. CASTO. That is right.

Mr. COBURN. Now, that is not all of the excess in quebecho that we have, is it?

Mr. CASTO. No, sir. We have 19,986 long tons excess of quebecho.

Mr. COBURN. Why can you select 2,100 tons? Is this again a house-keeping job to clean up?

Mr. CASTO. No; this is a program that is designed primarily for Government use. And these are the quantities of this material that we figure we can move in this Government program without disrupting any markets. The markets for quebecho and for wattle are somewhat on the soft side. The market for chestnut has firmed up here recently. But this is a Government program for internal use within the Government.

Mr. COBURN. So you do not propose to sell the quebecho outside, but to sell it to some other Government agencies, is that right?

Mr. CASTO. That is correct.

Mr. COBURN. And you have a prospective purchaser in mind, do you?

Mr. CASTO. Yes; we do.

Mr. COBURN. And you think you could place it all with another agency?

Mr. CASTO. We think we could without difficulty.

Mr. COBURN. And you have the cost of this item?

Mr. CASTO. Yes, sir. Our acquisition cost on the quebecho was \$246 a ton; on the wattle, \$252 a ton; on the chestnut, \$279. Each is long tons.

Mr. COBURN. Since you are selling it to the Government, I don't know whether it makes much difference, but what do you propose to get for it if you are going to be paid by this department for the quebecho?

Mr. CASTO. We would expect to get current market prices.

Mr. COBURN. Which is what?

Mr. CASTO. Quebecho, \$144; chestnut, \$190; wattle, \$142.

Mr. COBURN. What do you use the quebecho for?

Mr. CASTO. In tanning leather primarily. It is also used as an oil well lubricant in drilling oil wells for the mud.

Mr. COBURN. Now, you also propose to dispose of another vegetable tannin; namely chestnut, 750 tons.

Mr. CASTO. Yes, sir.

Mr. COBURN. That, too, is not all of the excess in that item, is it?

Mr. CASTO. No, sir, it is not.

Mr. COBURN. Are you disposing of that to another department of Government?

Mr. CASTO. Each of these, they are being disposed of to another Government department.

Mr. COBURN. What is the use of the chestnut tannin?

Mr. CASTO. It is again a tannin for leather primarily, or exclusively for leather.

Mr. COBURN. What is wattle?

Mr. CASTO. Wattle is the same, to be used in the Government program, and again is a tannin for leather.

Mr. COBURN. You are disposing of 618 tons of wattle, are you not?

Mr. CASTO. Yes, sir. That is the entire excess of wattle.

Mr. COBURN. The entire excess?

Mr. CASTO. Yes, sir.

Mr. COBURN. No further questions, Mr. Chairman.

Senator SYMINGTON. No questions.

Senator CANNON. No questions.

Mr. COBURN. Now, Mr. Casto, we have only one item left, and that is castor oil. You propose to sell 155,676,000 pounds of castor oil, don't you?

Mr. CASTO. Approximately, yes, sir.

Mr. COBURN. But that still won't dispose of all the castor oil in the stockpile, will it?

Mr. CASTO. No, sir, that would leave an objective of 68 million pounds.

Mr. COBURN. And this is all of your surplus or excess that you intend to dispose of, right?

Mr. CASTO. This is the entire excess in the stockpile, yes, sir.

Mr. COBURN. Besides the common well-known uses for castor oil, what else is it used for?

Mr. CASTO. It is used primarily in the production of sebacic acid. It is also used as a hydraulic brake fluid. It is used in pharmaceuticals, soups, and printing oil.

Senator SYMINGTON. What is sebacic acid used for?

Mr. CASTO. Sebacic acid is used as cable covering.

Mr. COBURN. Do you propose to sell all of this now to outside industry, this lot?

Mr. CASTO. Yes, sir, we are proposing to dispose of the entire excess in the open market.

Mr. COBURN. How do you propose to do that without depressing the present market?

Mr. CASTO. We would propose to go out on a sealed-bid basis at roughly 5 million pounds every 60 days.

Mr. COBURN. So that that would mean that you would have about 31 such offerings, would you not?

Mr. CASTO. That is correct.

Mr. COBURN. At 60 days an offering?

Mr. CASTO. That is correct, a 5-year period roughly.

Mr. COBURN. So it would be a 5-year period all together.

Mr. CASTO. That is correct.

Mr. COBURN. In your judgment will that mean that you can dispose of this material without depressing the market?

Mr. CASTO. In our judgment, yes, sir.

Mr. COBURN. Do you think that you will be able to dispose of all of it on that basis?

Mr. CASTO. I think I will, yes, sir.

Mr. COBURN. What was your acquisition cost of this castor oil?

Mr. CASTO. The acquisition cost of the castor oil was \$38,888,000.

Mr. COBURN. What is the market at the present time?

Mr. CASTO. The market at the present time is \$0.17 for No. 1, \$0.14 $\frac{3}{4}$ for No. 3.

Mr. COBURN. On that basis what would you get for all of your castor oil if you sold it at the present time?

Mr. CASTO. We will get roughly \$21,800,000, representing a loss of \$17,088,000.

Mr. COBURN. If there are two different grades I think we should know how much of each grade you are selling. How much of No. 1 grade are you selling?

Mr. CASTO. No. 1 grade, 119,350,000 pounds; No. 3 grade, 36,299,000.

Mr. COBURN. No further questions, Mr. Chairman.

Senator SYMINGTON. Just for the record, I see that the castor oil total cost was \$56 million. Your total cost is excess.

Mr. CASTO. I am talking of the excess only.

Senator SYMINGTON. And that \$56 million, the figure as of December 31, which is a loss of \$19 million. The loss that you speak of—has there been a further drop since December 31?

Mr. CASTO. Yes, sir.

Senator SYMINGTON. How much?

Mr. CASTO. It has gone roughly from around—well, about 2 cents it has dropped.

Senator SYMINGTON. That accounts for the difference?

Mr. CASTO. That is right.

Senator SYMINGTON. Senator Cannon.

Senator CANNON. No questions.

Mr. COBURN. No further questions on this resolution, Mr. Chairman.

Senator SYMINGTON. Thank you, Mr. Casto.

Any further business?

Mr. COBURN. No further business.

Senator SYMINGTON. Without objection we will recommend this concurrent resolution to the full committee.

Does that meet with your approval, Senator Cannon?

Senator CANNON. Yes.

Senator SYMINGTON. We will report it out to the full committee.

The hearing is adjourned, subject to the call of the Chair.

(Whereupon, at 4:20 p.m., the subcommittee adjourned, subject to the call of the Chair.)



