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LEAD-ZINC STABILIZATION**HEARINGS**

BEFORE THE

**SUBCOMMITTEE ON MINERALS, MATERIALS,
AND FUELS**

OF THE

**COMMITTEE ON
INTERIOR AND INSULAR AFFAIRS
UNITED STATES SENATE****EIGHTY-EIGHTH CONGRESS****FIRST SESSION****ON****S. 1534**

A BILL TO PROTECT THE DOMESTIC ECONOMY, TO PROMOTE
THE GENERAL WELFARE, AND TO ASSIST IN THE NATIONAL
DEFENSE BY STABILIZING THE DOMESTIC LEAD AND ZINC
INDUSTRY, AND FOR OTHER PURPOSES

AUGUST 14 AND 20, 1963

Printed for the use of the
Committee on Interior and Insular Affairs



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LEAD-ZINC STABILIZATION

WEDNESDAY, AUGUST 14, 1963

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

The subcommittee met, pursuant to notice, at 10:05 a.m., in room 3110, New Senate Office Building, Senator Ernest Gruening presiding.

Present: Senators Gruening, Bible, Moss, Nelson, Jordan, and Dominick.

Senator GRUENING. The subcommittee will please come to order.

This is an open, public hearing by the Minerals, Materials, and Fuels Subcommittee of the Senate Interior and Insular Affairs Committee on S. 1534, a bill to protect the domestic economy, to promote the general welfare, and to assist in the national defense by stabilizing the domestic lead and zinc industry. The short title of the measure is the "Lead and Zinc Stabilization Act of 1963."

S. 1534 is sponsored by the distinguished senior Senator from New Mexico, Mr. Anderson, who is perhaps one of the best informed men in the Senate of the United States on the lead and zinc industry, for himself and some 25 other Senators of both political parties. I will direct that a list of the names of the cosponsors appear at this point in the record.

(The cosponsors of S. 1534 follow:)

Mr. Anderson, Mr. Jackson, Mr. Allott, Mr. Bartlett, Mr. Bennett, Mr. Bible, Mr. Cannon, Mr. Carlson, Mr. Church, Mr. Dirksen, Mr. Dominick, Mr. Edmondson, Mr. Engle, Mr. Gruening, Mr. Hayden, Mr. Jordan of Idaho, Mr. Kefauver, Mr. Long of Missouri, Mr. Magnuson, Mr. Mansfield, Mr. Mechem, Mr. Metcalf, Mr. Monroney, Mr. Moss, Mr. Nelson, and Mr. Symington.

Senator GRUENING. Along with the text of the bill, there will be printed the official reports and comments of the agencies of the executive branch of the Federal Government.

(The bill, S. 1534, and reports and comments referred to follow:)

[S. 1534, 88th Cong., 1st sess.]

A BILL To protect the domestic economy, to promote the general welfare, and to assist in the national defense by stabilizing the domestic lead and zinc industry, and for other purposes

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Lead and Zinc Stabilization Act of 1963."

TITLE I—LEAD

SEC. 101. As used in this title—

(a) The term "lead" means lead metal, as defined in subsection (b), and the lead content of lead ore, as defined in subsection (c).

(b) The term "lead metal" means lead bullion or base bullion, lead in pigs and bars, lead dross, reclaimed lead, scrap lead, antimonial lead, antimonial scrap lead, and type metal, which, if imported into the United States, is subject to duty under paragraph 392 of the Tariff Act of 1930, as amended, and all alloys or combinations of lead not specifically provided for in such paragraph, which, if imported into the United States, are subject to duty under the Act.

(c) The term "lead ore" means lead-bearing ores, flue dust, and mattes of all kinds, which, if imported into the United States, are subject to duty under paragraph 391 of the Tariff Act of 1930, as amended.

(d) The term "imported into the United States" means entered, or withdrawn from warehouse, for consumption within the meaning of the Tariff Act of 1930, as amended.

(e) The term "ton" means two thousand pounds.

(f) The term "quarter" means calendar quarter.

SEC. 102. No lead shall be imported into the United States in any quarter, beginning with the first quarter which begins after the date of enactment of this Act, after the amount of lead imported into the United States during such quarter equals the import quota for lead for such quarter established under section 103.

SEC. 103. (a) For purposes of section 102 the import quota for lead for any quarter shall be whichever of the following amounts is the lesser:

(1) (A) Forty-five thousand tons, in the case of the first four calendar quarters which begin after the date of enactment of this Act, or

(B) Sixty thousand tons, in the case of a calendar quarter thereafter, or

(2) The amount by which the domestic consumption of lead in the second quarter preceding such quarter exceeded the domestic production of lead in such preceding quarter.

Provided, That subsection (a) (1) shall not apply for a quarter if for any one of the first three of the four calendar months preceding the quarter the average price of common pig lead, free on board New York, as reported in the Engineering and Mining Journal "Metal and Mineral Markets" exceeds 13½ cents per pound.

(b) For purposes of subsection (a) (2), the domestic production of lead for any quarter shall be the sum of (1) the amount of recoverable lead reported by the United States Department of the Interior, Bureau of Mines, in the monthly report of mine production of lead in the United States produced by mines in the United States during such quarter, (2) the amount of antimonial lead produced at primary refineries (lead content) and the amount of lead (both reported and estimated) recovered by secondary smelters in the United States during such quarter as reported in the United States Department of the Interior, Bureau of Mines, monthly lead report titled, "United States Lead Industry", and (3) the amount of lead released from United States Government stockpiles or inventories for consumption in the United States, during such quarters. The domestic consumption of lead for any quarter shall be the amount of pig lead (both reported and estimated) consumed in the United States as reported in the United States Department of the Interior, Bureau of Mines, monthly lead report titled "United States Lead Industry", during such quarter.

(c) The amount of lead metal which may be imported into the United States during any quarter shall not exceed 10 per centum of the total quarterly lead import quota established under provisions of this section.

TITLE II—ZINC

SEC. 201. As used in this title—

(a) The term "zinc" means zinc metal, as defined in subsection (b), and the zinc content of zinc ore, as defined in subsection (c).

(b) The term "zinc metal" means zinc in blocks, pigs, or slabs, old and worn-out zinc, fit only to be remanufactured, zinc in dross, and zinc skimmings, which, if imported into the United States, are subject to duty under paragraph 394 of the Tariff Act of 1930, as amended.

(c) The term "zinc ore" means zinc-bearing ores of all kinds, except pyrites containing not more than 3 per centum zinc, which, if imported into the United States, are subject to duty under paragraph 393 of the Tariff Act of 1930, as amended; zinc sinter, zinc fume, delead zinc fume, Waelz zinc oxide and sintered Waelz oxide and other materials, not specifically provided for, composed wholly or in chief value of zinc and used primarily for manufacture of zinc metal and zinc pigments.

(d) The term "imported into the United States" means entered, or withdrawn from warehouse, for consumption within the meaning of the Tariff Act of 1930, as amended.

(e) The term "ton" means two thousand pounds.

(f) The term "quarter" means calendar quarter.

SEC. 202. No zinc shall be imported into the United States in any quarter, beginning with the first quarter which begins after the date of enactment of this Act, after the amount of zinc, imported into the United States during such quarter, equals the import quota for zinc for such quarter established under section 203.

SEC. 203. (a) For purposes of section 202 the import quota for zinc for all foreign countries for any quarter shall be whichever of the following amounts is the lesser:

(1) (A) Eighty thousand tons, in the case of the first four calendar quarters which begin after the date of enactment of this Act, or

(B) One hundred thousand tons, in the case of a calendar quarter thereafter, or

(2) the amount by which the domestic consumption of zinc in the second quarter preceding such quarter exceeded the domestic production of zinc in such preceding quarter.

Provided, That subsection (a) (1) shall not apply for a quarter if for any one of the first three of the four calendar months preceding the quarter the average price of Prime Western slab zinc, free on board East Saint Louis, as reported in the engineering and mining journal "Metal and Mineral Markets," exceeds 13½ cents per pound.

(b) For purposes of subsection (a) (2), the domestic production of zinc for any quarter shall be the sum of (1) the amount of recoverable zinc, reported by the United States Department of the Interior, Bureau of Mines, in the monthly report of mine production of zinc in the United States, produced by mines in the United States during such quarter, (2) the production of secondary slab zinc as reported by the United States Department of the Interior, Bureau of Mines, in the zinc monthly report of the United States zinc industry, and (3) the amount of zinc released from United States Government stockpiles or inventories for consumption in the United States, during such quarter, less (4) the zinc content of zinc ores and concentrates consumed during such quarter used in the production of zinc oxide reported as such by the United States Department of the Interior, Bureau of Mines, in the zinc oxide monthly report, during such quarter. The domestic consumption of zinc for any quarter shall be the amount of slab zinc consumed (both reported and estimated) in the United States as reported by the United States Department of the Interior, Bureau of Mines, in the zinc monthly report of the United States zinc industry, during such quarter.

(c) The amount of zinc metal which may be imported into the United States during any quarter shall not exceed 10 per centum of the total quarterly zinc import quota established under provisions of this section.

TITLE III—MANUFACTURED LEAD AND MANUFACTURED ZINC

SEC. 301. As used in this title—

(a) The term "manufactured lead article" means: lead pigments, litharge, orange mineral, red lead, white lead, all pigments containing lead, dry or in pulp, or ground in or mixed with water, not specifically provided for, which if imported into the United States are subject to duty under paragraph 72 of the Tariff Act of 1930, as amended; babbitt metal, solder, lead in sheets, pipe, shot, glazier's lead, and lead wire, which if imported into the United States are subject to duty under paragraph 392 of the Tariff Act of 1930, as amended; articles or wares not specifically provided for, if composed wholly or in chief value of lead, whether partly or wholly manufactured, which if imported into the United States are subject to duty under paragraph 397 of the Tariff Act of 1930, as amended; electric storage battery and parts thereof, storage battery plates, and storage battery plate material, partly or wholly manufactured, all the foregoing of the lead-acid type and not specifically provided for, which if imported into the United States are subject to duty under paragraph 320 of the Tariff Act of 1930, as amended; lead acetate white, lead acetate brown, gray, or yellow, lead nitrate, lead arsenate, lead resinate, and all other lead compounds not specifically provided for, which if imported into the United States are subject to duty under paragraph 46 of the Tariff Act of 1930, as amended.

(b) The term "manufactured zinc article" means: zinc oxide and leaded zinc oxides containing not more than 25 per centum of lead, in any form of dry powder, ground in or mixed with oil or water, lithopone and other combinations or mixtures of zinc sulphide and barium sulphate containing by weight

less than 30 per centum of zinc sulphide, which if imported into the United States are subject to duty under paragraph (77) of the Tariff Act of 1930, as amended; zinc dust, zinc in sheets, zinc in sheets coated or plated with nickel or other metal (except gold, silver, or platinum), which if imported into the United States are subject to duty under paragraph 394 of the Tariff Act of 1930, as amended; zinc wire, which if imported into the United States is subject to duty under paragraph 316 of the Tariff Act of 1930, as amended; articles or wares not specifically provided for, in composed wholly or in chief value of zinc, whether partly or wholly manufactured, which if imported into the United States are subject to duty under paragraph 397 of the Tariff Act of 1930, as amended; zinc chloride, zinc sulphate and zinc sulphide, which if imported into the United States are subject to duty under paragraph 93 of the Tariff Act of 1930, as amended.

(c) The term "imported into the United States" means entered, or withdrawn from warehouse, for consumption within the meaning of the Tariff Act of 1930, as amended.

(d) The term "quarter" means a calendar quarter.

Sec. 302. (a) No manufactured lead article shall be imported into the United States in any quarter, beginning with the first quarter which begins after the date of enactment of this Act, after the amount of such manufactured lead article imported into the United States during such quarter equals the quarterly import quota for such manufactured lead article established under section 303.

(b) No manufactured zinc article shall be imported into the United States in any quarter, beginning with the first quarter which begins after the date of enactment of this Act, after the amount of such manufactured zinc article imported into the United States during such quarter equals the quarterly import quota for such manufactured zinc article established under section 303.

Sec. 303. The quarterly import quota for each manufactured lead article and each manufactured zinc article shall be one-quarter of the average yearly amount of such article imported into the United States during the calendar years 1953 through 1957.

Sec. 304. Upon the expiration of the fourth quarter during which the restrictions imposed by section 302 are in effect, and annually thereafter, the Secretary of Interior shall make an investigation to determine whether the imports of manufactured lead articles and manufactured zinc articles bear approximately the same relationship to the consumption of such articles in the United States as the average imports during the calendar years 1953 through 1957 bore to the average consumption of such articles in such years, and shall make such adjustments in quotas as he finds necessary to maintain approximately the same relationship.

TITLE IV—GENERAL PROVISIONS

Sec. 401. The import quotas provided for in titles I, II, and III of this Act shall be determined by the Secretary of Interior. An initial determination of such quotas shall be made as promptly as possible after the date of enactment of this Act. The determination of quarterly import quotas provided for in section 103(a) and 203(a) of this Act for subsequent quarters shall be made as promptly as possible after the close of the second quarter preceding the quarter for which such quotas are determined.

Sec. 402. Notwithstanding any other provision of this Act, the Secretary of Interior may, in his discretion, establish classifications of manufactured lead articles and manufactured zinc articles, which classifications may but need not be the same as classifications established under the Tariff Act of 1930, as amended, and, in lieu of establishing a separate quota for each manufactured lead article or each manufactured zinc article within a classification, establish a single quota for all articles within such classification.

Sec. 403. The quotas provided in this Act as determined by the Secretary of Interior shall be administered by the Secretary of the Treasury.

Sec. 404. The Secretary of Interior and the Secretary of the Treasury are authorized to make such rules and regulations as may be necessary to carry out the provisions of this Act.

Sec. 405. Any person who knowingly violates any provision of this Act or any rule or regulation of the Secretary of Interior or the Secretary of the Treasury issued under this Act shall be fined not more than \$—, or imprisoned for not more than —, or both.

Sec. 406. The quotas provided for by Proclamation Numbered 3257 of September 22, 1958, shall be discontinued on the date that quotas established by this Act become effective.

U.S. DEPARTMENT OF THE INTERIOR,
OFFICE OF THE SECRETARY,
Washington, D.C., August 9, 1963.

HON. HENRY M. JACKSON,
Chairman, Committee on Interior and Insular Affairs,
U.S. Senate, Washington, D.C.

DEAR SENATOR JACKSON: Your committee has requested the views of this Department on S. 1534, a bill to protect the domestic economy, to promote the general welfare, and to assist in the national defense by stabilizing the domestic lead and zinc industry, and for other purposes.

We recommend against enactment of the bill.

S. 1534 would abolish the present import quotas for lead and zinc, established by Presidential proclamation of September 22, 1958, and impose new quotas.

The quotas prescribed by S. 1534 would limit imports of unmanufactured lead and zinc in any quarter as follows: During the first year 45,000 tons of lead and 80,000 tons of zinc, and after the first year 60,000 tons of lead and 100,000 tons of zinc provided that these quantities are less than the difference between domestic production and domestic consumption. S. 1534 further provides that whenever the price exceeds 13½ cents per pound, imports shall be limited only by the amount by which domestic consumption exceeds domestic production. Not more than 10 percent of the quota may be in the form of metal.

S. 1534 also imposes quotas on the imports of manufactured lead and zinc products. The quotas limit such imports to the amounts imported during the period 1953 to 1957. There are no quotas on such product imports at this time.

In the United States, lead and zinc import quotas were established in 1958 pursuant to "escape clause" provisions of the Trade Agreement Extension Act of 1951. Although industrial consumption of lead between 1958 and 1961 was 12 percent less than during 1953 to 1957, and zinc use declined by some 8 percent, the import quotas assisted the industry in maintaining most of the productive capacity of the domestic mines and smelters. In order to help small producers bridge the period of readjustment a stabilization program was put into effect, and will continue to December 1965.

A noticeable change in outlook has taken place during the past year and a half. A rise in consumption of the two metals, which began toward the end of 1961, is still continuing. Stocks which overhung the market are now down to manageable levels. Prices have risen in recent weeks both in the United States and in world markets. Domestic mine production is on the increase. In light of the present situation, the restrictions on trade provided in the bill do not seem warranted.

These restrictions could also prove to have a serious impact on the domestic market. Specifically, in the view of this Department, passage of the bill would create conditions of marked instability with respect to both price and availabilities of lead and zinc. The provisions in the bill would allow abrupt and substantial changes in import levels as prices rise or fall over narrow limits. Immediately upon enactment of this bill, this feature could be utilized by elements of the domestic industry to force the price up to the critical level by withholding domestic supplies from the market. At this point, imports could rise to levels above those permitted by existing quotas. Subsequently, sufficient metal and ore could be moved into the market to break the price below the trigger level, thus drying up imports. These price swings could have a long term detrimental effect on smaller producers with high cost structures. Consumers would react to the uncertainties with respect to price and availability by seeking alternatives to the use of lead and zinc.

The provisions of the bill limiting imports of metal to 10 percent of the quota would involve extensive readjustments in the patterns of trade in lead and zinc—especially lead. Lead metal now constitutes approximately 65 percent of the quota. In zinc, 30 percent of the quota is metal. If the bill is enacted, we question whether it would be possible quickly to increase ore imports in the event of a shortage such as that likely to be encountered during its early months of operation. Increasingly, countries which have mines are constructing smelters, and competition for ores is very keen.

The enactment of the bill would be contrary to national trade policy enunciated by the Congress in the Trade Expansion Act of 1962. The imposition of import quotas on lead and zinc manufactured products in the absence of finding of injury by the Tariff Commission, would cause a considerable problem in our

LEAD-ZINC STABILIZATION

international trade relations. For the above reasons, we are of the opinion that enactment of S. 1534 would not benefit the industry over the long term and would not be in the national interest.

The Bureau of the Budget has advised that there is no objection to the presentation of this report from the standpoint of the administration's program.

Sincerely yours,

JOHN M. KELLY,
Assistant Secretary of the Interior

EXECUTIVE OFFICE OF THE PRESIDENT,
BUREAU OF THE BUDGET,
Washington, D.C. August 12, 1963.

HON. HENRY M. JACKSON,
Chairman, Committee on Interior and Insular Affairs,
U.S. Senate, New State Office Building,
Washington, D.C.

DEAR MR. CHAIRMAN: This is in reply to your letter of May 24, inviting the Bureau of the Budget to comment on S. 1534, a bill to protect the domestic economy, to promote the general welfare, and to assist in the national defense by stabilizing the domestic lead and zinc industry, and for other purposes.

If enacted, the bill would substitute import quotas on unmanufactured lead and zinc more restrictive than those which have been in effect since the 1958 escape clause action, and would initiate quotas on manufactures of lead and zinc. The intent of the bill appears to be to raise domestic prices for lead and zinc to a minimum of 13½ cents, thereby providing incentives to rejuvenate domestic mining of lead and zinc.

The Departments of the Interior, Commerce, Treasury, and State, in separate reports to your committee, suggest that import quotas more restrictive than those now in effect are not warranted, and that enactment of S. 1534 would not serve the national interest.

The Bureau of the Budget believes that the more restrictive quotas resulting from this bill would run contrary to domestic and foreign policy objectives, and, therefore, joins with these agencies in recommending against enactment of S. 1534.

Sincerely yours,

PHILLIP S. HUGHES,
Assistant Director for Legislative Reference.

THE GENERAL COUNSEL OF THE TREASURY,
Washington, August 12, 1963.

HON. HENRY M. JACKSON,
Chairman, Committee on Interior and Insular Affairs,
U. S. Senate,
Washington, D.C.

DEAR MR. CHAIRMAN: Reference is made to your request for the views of this Department on S. 1534, to protect the domestic economy, to promote the general welfare, and to assist in the national defense by stabilizing the domestic lead and zinc industry, and for other purposes.

The proposed legislation would establish quarterly absolute quotas on lead and zinc and on manufactured lead and zinc articles, and would discontinue the present quotas established by Proclamation No. 3257. The quotas would be determined by the Secretary of the Interior and administered by the Secretary of the Treasury.

Because the international economic policies of the United States are dependent upon increased U.S. ability to compete in substantially expanding free world trade, the President recommended and Congress approved a program of trade expansion. This program looks toward the expansion of trade through the reciprocal reduction of tariffs and the elimination of indirect trade barriers. To deal with exceptional cases where American industries have difficulty in competing with imports, an expanded program of adjustment assistance (including, but not limited to restrictions upon imports) was authorized as a part of this program. It is the view of this Department that where possible, problems arising from foreign competition should be resolved within this framework.

The fact that existing import quotas upon unmanufactured lead and zinc imports have not (according to the annual reports of the Tariff Commission) restored the prosperity of U.S. lead and zinc producers suggests that what may be required now is a more basic readjustment and not simply greater restraints upon imports. We note, too, that the resulting burden of artificially high prices on domestic users leads now to a proposal to shelter producers of processed lead and zinc products behind restrictive import quotas as well, thus spreading the area of noncompetitive sheltered American production. In this connection, we have learned that important American exports, based on lead as a raw material, are being lost because of the noncompetitive domestic raw materials costs, illustrating the danger of removing a segment of the U.S. economy from world competition.

Manufactured lead and zinc articles are presently subjects of international concession agreements. Restrictive actions of the kind this proposed legislation would require might make it necessary for the United States either to offer compensation by concession on other commodities or to accept retaliatory action by foreign countries against U.S. exports. In either case, U.S. efforts to obtain greater markets for U.S. exports would suffer.

For the foregoing reasons, this Department is opposed to the enactment of S. 1534.

This Department has been advised by the Bureau of the Budget that there is no objection from the standpoint of the administration's program to the submission of this report to your committee.

Sincerely yours,

G. D'ANDELOT BELIN, *General Counsel*.

(Subsequent to the hearings the following report was received:)

DEPARTMENT OF STATE,
Washington, August 16, 1963.

HON. HENRY M. JACKSON,
U.S. Senate.

DEAR MR. CHAIRMAN: The Department of State has carefully considered S. 1534 designed to protect the domestic economy, to promote general welfare, and to assist in the national defense by stabilizing the domestic lead and zinc industry and for other purposes.

Relative stability in the lead and zinc industry has been achieved through measures which were taken in 1958. At that time, after investigation by the Tariff Commission and report to the President under section 7 of the Trade Agreements Extension Act of 1951, a Presidential proclamation modified the concessions on lead and zinc which had been granted under the General Agreement on Tariffs and Trade. Under the terms of the proclamation dated September 22, 1958, the U.S. import duties were not changed but the quantity of imports was limited to the average annual imports during the 5-year period 1953-57. These quotas still remain in effect. Since that time, the combined domestic price of lead and zinc has been virtually unchanged and domestic production of both metals has been relatively stable. Production of lead declined slightly by reason of extended work stoppages in the industry and production of zinc rose slightly. Stocks have declined and the industry, generally speaking, is now in a better position to take advantage of any increase in demand than it has been at any time in recent years.

The measures proposed in the legislation under review, apart from their effects on our foreign relations, would, in our judgment, upset the balances which have prevailed since 1958 by causing sharp price fluctuations and price increases to the extent where lead and zinc would be in danger of being permanently displaced by other materials.

Specifically, this legislation, if enacted, would create a crisis in our relations with a number of countries producing lead and zinc. The very introduction of this legislation has already provoked formal protests from two countries and others have indicated their intention of protesting at an early stage in the consideration of this legislation by the Congress. Such legislation would, moreover, be principally directed against our immediate neighbors, Canada and Mexico. These countries account for a large proportion of our lead and zinc supply and they must inevitably make an important long-range contribution to our total minerals requirements. They have already taken a severe cut in their exports to the U.S. market by virtue of our 1958 decision instituting quantitative restrictions on lead and zinc. They would, under the proposed legislation, now

be subject to even more severe quotas, and bear the full impact of a declining market while subject to an absolute ceiling as the market improved.

The legislation, if enacted, would also be contrary to the objectives of the Trade Expansion Act. Our announced intention to work for broad reductions of trade barriers and stimulation of trade under this act will be cast in doubt and the success of the forthcoming trade negotiations jeopardized. American manufacturers using lead and zinc who are now dependent on foreign markets and who are already handicapped by the existing quotas, would be placed at a more serious disadvantage. The enactment of this legislation would, moreover, expose us to sharp retaliation from the affected countries, with whom for the most part we maintain favorable trade balances. The resulting decline in exports would severely damage our payments position.

Apart from its political and economic disadvantages, such legislation would present difficult practical and technical administrative problems for both Government and industry which, in our judgment, could adversely affect the long-range prospects of the lead and zinc industry. Prices would largely be dependent upon which quota formula was effective during a particular calendar quarter. Uncertainty in lead and zinc markets would be created, forward planning by consumers would be impossible, and gradually, in our opinion, lead and zinc would be displaced wherever possible. The system proposed would, moreover, effectively place a floor of 13½ cents under domestic lead and zinc prices since the quotas which would prevail under sections 103(1) and 203(1), would be so restrictive as to create shortages forcing the price to 13½ cents or above. This price is considerably in excess of that prevailing in outside markets. The competitive position of domestic consumers would thus be seriously affected, trade patterns would be disrupted with long-range consequences damaging to the interests of the lead and zinc industry.

As to title III of the legislation, except for imports of litharge from Mexico, we are not aware of any import problem in lead and zinc manufactures. The Department of State is dealing with the subject of litharge imports from Mexico on a bilateral basis with the Mexican Government in an effort to find a solution to the existing situation. Therefore, we see no need for legislation designed to restrict imports of lead and zinc manufactures.

The Department of State, therefore, would recommend against the enactment of S. 1534 and, subject to the annual Tariff Commission review, suggest a continuation of the system which has given us relative stability since 1958.

The Bureau of the Budget advises that from the standpoint of the administration's program there is no objection to the submission of this report.

Sincerely yours,

FREDERICK G. DUTTON, *Assistant Secretary.*

Senator GRUENING. Other written statements and comments also will be printed after the agency reports. The distinguished junior Senator from New Mexico has submitted a brief written statement, and I will direct that it appear at the conclusion of the remarks any members of the committee may care to make in connection with this hearing.

Also, it should be noted that the House Committee on Interior and Insular Affairs has recently conducted hearings and has issued a report, dated August 7, 1963, on conditions in the lead and zinc mining industries.

This House report is not on a specific bill, but is informational and advisory to the House of Representatives. In the House, H.R. 6269, a measure similar to S. 1534 is pending before the Committee on Ways and Means, as are a number of identical House bills, and I am certain the Interior Committee's well considered report will be helpful to the Ways and Means Committee in its consideration of H.R. 6269 and its companion measures.

I will direct that the House Interior Committee's report on conditions in the lead and zinc industry, House Report No. 640, dated August 7, 1963, be incorporated, by reference, into these hearings.

S. 1534 brings up one of those relatively rare questions of concurrent or overlapping jurisdiction on the part of two or more committees of the Senate. Under section 101(m) of the Legislative Reorganization Act, the Committee on Interior and Insular Affairs has responsibility for—"mining interests generally"—as well as for the development of the mineral resources of the public lands where a substantial part of our lead and zinc reserves are to be found.

Senator Anderson's measure is most certainly in the interests of mining—of the mining of lead and zinc in particular—and hence clearly a matter for the Interior Committee to consider.

Yet a means of accomplishing the bill's purpose would be through the imposition of adjustable or flexible import quotas, based on domestic market prices. While there are no provisions relating to tariffs in S. 1534, import quotas are a part of the jurisdiction of the Committee on Finance, whose chairman is the distinguished senior Senator from Virginia, Senator Harry Byrd. Incidentally, Virginia is one of the substantial lead and zinc producing States of the country.

At the time of introducing S. 1534 on May 14, 1963, Senator Anderson took cognizance of this concurrent jurisdiction and obtained unanimous consent that the bill be referred first to the Interior Committee which has the underlying jurisdiction and then when we have completed consideration of the measure, that it be re-referred to the Committee on Finance for further consideration.

The Minerals, Materials, and Fuels Subcommittee is fortunate in having with it Senator Anderson, the sponsor of the bill, who is, as I have stated, perhaps the foremost authority in the Senate on the problem of the lead and zinc industry. Certainly, he is one of the industry's very best friends, having labored long and tirelessly to ameliorate conditions in it. The history of the lead and zinc industry's relations with Congress and with the executive branch is a long and complex one, and I hope Senator Anderson will outline some of the high spots in this history to us as well as present his measure.

Senator Anderson.

STATEMENT OF HON. CLINTON P. ANDERSON, A U.S. SENATOR FROM THE STATE OF NEW MEXICO

Senator ANDERSON. Thank you, Mr. Chairman. I appreciate your comments about lead and zinc and your very fine words about me. I only hope the results will be commensurate.

I want to say in the beginning, gentlemen, that things repeat themselves with great regularity.

I noticed in the Wall Street Journal of August 12 a headline reading, "Report of Decline in Lead and Zinc Spurs Talks of Further Price Rise This Fall."

Every time we have a hearing the price goes up about a half a cent and then goes down again as soon as the bill is successfully pigeonholed.

I hope to find a way to hold hearings every 3 or 4 weeks so that we can revise that old slogan. They used to say something about an apple a day keeps the doctor away.

Well, apparently a hearing a week gives a price rise. I hope something of that nature will happen.

They raised it about a half a cent about a month or so ago, and then a half cent about a week ago, in anticipation of these hearings.

I hope nobody is deluded by that because the same thing goes on each time we have a hearing.

I am glad indeed that these hearings are being held, because I am convinced that the only hope for the domestic lead and zinc industry is through legislative action, such as that set forth in S. 1534. It has been suggested by the executive branch that the industry should again be examined under provisions of section 332 of the Tariff Act of 1930 by appealing once again to the Tariff Commission.

They indicate that while previous studies—10 of them—have been most helpful, “they do not give us much insight into the economic impact upon communities * * *.” Such an approach would be a waste of time—a waste of the Tariff Commission’s time and a waste of the lead and zinc industry’s time. The loss of mines, employees, and production, plus boarded-up mining camp homes is direct evidence of the economic impact.

Time is fast running out for several of our natural resource industries, and it already is late where one is involved that is as important to our security and economy as is our domestic lead and zinc industry.

As the chairman suggests, there is a very long history of attempted legislative action as well as executive action with respect to efforts to keep alive the domestic lead and zinc industry. The members of the committee will recall that as recently as the last Congress, we held extensive public hearings on S. 1747, a bill which I had the honor of sponsoring for myself and on behalf of other Senators.

This bill combined permanent relief for the industry, in the way of reasonable tariff protection with a temporary subsidy from funds accruing from the tariffs. Most members of the industry agreed this was a reasonable, workable approach. Unfortunately, it was opposed by the administration agencies concerned because of what was then believed to be the “bigger picture” of our overall international trade relationships.

After the hearings, our committee reported the bill favorably to the Senate, but, because tariff increases were a part of the proposed program, the Committee on Finance insisted upon considering the bill also. We lost the measure in the Finance Committee and had to be content with a small lead-zinc producers bill, which aided only a few small producers in a few States. This was Public Law 87-347 of the 87th Congress, and already two legislative attempts have been made to amend this palliative measure.

May I say that as a member of the Finance Committee I know the reason why they turned it down.

The Finance chairman was informed that it would be vetoed. It was in there and it was of help to the citizens of Oklahoma, and he did not want the bill vetoed and, therefore, the chairman was persuaded to drop our portion of the bill in order that some little measure might get through, and I can understand and sympathize with that because the administration seemed to be determined to veto the bill which we had ready at that time.

Subsequent to our reporting favorably on S. 1747, the Subcommittee on Minerals, Materials, and Fuels issued a supplemental report setting forth, in some detail, a summary of the legislative and executive experience of the lead-zinc industry since 1950. I would like to ask, Mr. Chairman, that both the report on S. 1747 and the supplemental report on the history of the lead and zinc industry's relations with the Government be incorporated, by reference, into these hearings.

These are Senate Report No. 867, filed September 5, 1961, and Senate Report No. 1073, filed September 15, 1961, to accompany S. 1747, of the 87th Congress.

Senator GRUENING. That will be done.

(The documents referred to follow:)

Calendar No. 849

87TH CONGRESS }
1st Session }

SENATE

{
REPORT
No. 867

DOMESTIC LEAD AND ZINC PRODUCTION

SEPTEMBER 5, 1961.—Ordered to be printed

Mr. CARROLL, from the Committee on Interior and Insular Affairs,
submitted the following

REPORT

[To accompany S. 1747]

The Committee on Interior and Insular Affairs, to whom was referred the bill (S. 1747) to stabilize the mining of lead and zinc in the United States, and for other purposes, having considered the same, unanimously report favorably thereon with amendments and recommend that the bill as amended do pass.

PURPOSE

The purpose of S. 1747 is to preserve the lead-zinc mining industry of the United States so essential to our security and economic progress. The bill would accomplish this purpose by:

- (a) promoting a reasonable balance between foreign and domestic supplies of lead and zinc ores, concentrates, and metal;
- (b) restoring to a sound and stable condition the domestic lead and zinc mining industry; and
- (c) providing limited Federal financial assistance to domestic miners of the lead and zinc industry as (1) an aid to development of a profitable mine from a prospect, (2) economic assistance, to compensate for periodic cycles of low metal prices, to assure continued operation and exploration and development of new ore reserves, and (3) to assure recovery of metal that may be permanently lost by a mine closure.

COMMITTEE ACTION

The amendment adopted by the committee in executive session was a deletion of "Title II—Stabilization of Production From Domestic Mines" of S. 1747 and the substitution in lieu thereof of H.R. 84, the Edmondson small mine lead-zinc-subsidy bill.

The purpose of the amended subsidy provision is to stabilize the mining of lead and zinc by small producers and at the same time conserve domestic reserves of such minerals in order to insure that the Nation will have an adequate source of these metals so necessary in both peace and war.

After due consideration, the House having earlier in the day, August 24, approved H.R. 84, it was determined that the passage of S. 1747 would be expedited were the House-approved subsidy bill incorporated in lieu of the original subsidy provision of S. 1747. The subsidy features that were adopted provide that the Secretary of the Interior will pay small producers of lead 75 percent of the difference between 14½ cents per pound and the market price and 55 percent of the difference between 14½ cents per pound and the market price of zinc.

Subsidies shall be paid from a special Treasury fund into which are deposited all receipts resulting from the increased tariffs provided in title III of the bill. After payment of subsidies, funds remaining in the special fund at the end of the fiscal year shall be included in the general funds of the Treasury. In the event the fund is insufficient to pay the subsidy, appropriations are authorized.

The bill also defines a small domestic producer as one who has actually been engaged in producing ores within the United States or its possessions but has not produced or sold more than 3,000 tons of lead and zinc combined during any 12-month period between January 1, 1956, and the first day for which he seeks payment. In order further to assure the benefits of the bill for legitimate small producers and to protect the public interest, the bill includes the following additional limitations:

The maximum production eligible for stabilization payments would be 1,500 tons of each metal during calendar year 1962, 1,200 tons of each metal during calendar year 1963, 900 tons of each metal during calendar year 1964, and 600 tons of each metal during calendar year 1965.

No producer could be paid in any calendar year, however, for any tonnage in excess of his maximum production during any calendar year between January 1, 1950, and December 31, 1960.

Payments would be made only with respect to ores and concentrates produced from an operating unit that has been in actual operation sometime between January 1, 1956, and August 1, 1961.

Operators of properties obtained after August 1, 1961, would be ineligible for payments unless they had in fact produced ores or concentrates from a mine specified in a lease, permit, or contract sometime between January 1, 1956, and August 1, 1961.

Producers operating leased facilities could not obtain payment under the bill if the use of the facility was obtained after the effective date of the act from another producer of lead and zinc who has leased a greater portion of his mining properties to other producers than he had made available in that manner at his highest production level between January 1, 1956, and the effective date of the act.

TARIFFS

With respect to tariffs, S. 1747 provides:

(1) An import tax on lead and zinc concentrates and metal consisting of:

(a) A permanent tax of 2 cents per pound on lead and zinc metal and 70 percent of this or 1.4 cents per pound on ores and concentrates.

(b) A removable tax of the same amount on both metals that is applied if the domestic market price of either metal goes below the "peril point" of $13\frac{1}{2}$ cents per pound and is removed when the market prices rise above $14\frac{1}{2}$ cents per pound.

(2) A compensatory tax on the lead and zinc content of imported manufactured goods. This is 2 cents per pound in addition to present levies with an increased amount on two zinc items. Lead and zinc entering the United States as manufactured goods directly displace domestic mine production. These duty rates are proposed by the U.S. manufactures of lead-zinc products.

The following three features of this legislation are required to assure exploration, development, production, and continued growth of domestic lead-zinc mines:

1. A combination of market prices stabilized at a moderate level by the tariff plus a limited subsidy that will enable the domestic miner to produce a fair share of U.S. metal needs and continue exploration of new ore reserves.

2. Stable prices in the range of the "peril points" which control the removable tax will provide the consumer with a long-term supply at a price attractive for use in domestic manufacturing.

3. The United States needs to import approximately 50 percent of the newly mined lead and zinc ores and concentrates consumed each year. By observing this need and by not flooding our markets with an unneeded supply, the removable tariff will not be applied, and the importer will receive a much better price for his product.

The foregoing terms are needed based on past experience under current tariff rates of 1.0625 cents per pound on lead metal and 0.7 cents per pound on zinc metal. The committee is well aware that in 1957 and 1958 foreign producers invaded our markets at depressed domestic prices of 12 cents for lead and 10 cents for zinc. January 1961 ex-duty prices were 10 cents for lead and 10.8 cents for zinc. A combination permanent and removable tax totaling 4 cents is the minimum required to control excessive imports. It may be observed that the proposed permanent duty rates with one exception pertaining to zinc metal are lower than the statutory rates specified in the Tariff Act of 1930.

BACKGROUND

In addition to the subsidy provided in title II of S. 1747, title III thereof, by increasing the current rates of duty on imports of manufactured and unmanufactured lead and zinc, considers the basic causes of the depressed domestic markets, namely, excessive imports of these metals.

As all members of the committee are well aware, the industry has been plagued for many years with depressed prices resulting from unneeded imports to this country. On several occasions in the past

the problems of the domestic lead-zinc miner were discussed with representatives of the Government and industry. The committee also realizes that during World War II and the Korean emergency the domestic miners responded to their Government's call and made substantial investments to produce increased amounts of both lead and zinc for domestic consumption. While this condition was occurring, our Government, in an effort to assist the economy of certain foreign countries, encouraged more lead-zinc production and imports which had been negligible prior to war years. Following the cessation of hostilities in Korea, foreign imports flooded the U.S. markets and prices dropped radically from 35.5 cents per pound combined in 1951 to 24.3 cents in 1953.

In 1950 the industry initiated its long series of appeals for assistance to both the legislative and executive branches of Government and the Tariff Commission. On the last two occasions, May 1954 and April 1958, the Commission unanimously found that the industry was being injured by reason of excessive imports. When such findings were issued, the Commission, of course, recommended specific action including increased duties to control excessive imports to lead and zinc. Again in 1960 in a minority opinion the Commission found that excessive imports were causing serious harm to the industry. In the 1960 decision, four of the Commissioners deemed that they were without authority to recommend remedial action, the hearing being conducted pursuant to the provisions of section 332 of the Tariff Act of 1930. The efforts of the industry to obtain relief are set forth in detail in a summary of lead-zinc legislative and government experience since 1950, attached as an appendix to this report.

Unfortunately, when the Tariff Commission issued its unanimous findings of injury with accompanying recommendations to eliminate the problems created by excessive imports, the executive branch of Government failed to follow the recommended action. Instead of doing so, a temporary stockpile program was adopted which did bring relief to the industry by way of higher market prices. In addition, when metal stocks on an international basis became excessive, barter of surplus agricultural commodities for surplus metals was initiated. The two programs were of assistance, but when it was determined that national stockpiles of these particular metals were sufficient, the programs terminated. Again the industry was in economic trouble. In fairness, the committee recognizes that the administration did in 1957 propose a sliding scale import tax to aid this industry and in 1958 submitted a so-called minerals stabilization plan. Although the latter legislative proposal was approved by this body of the Congress, it failed of passage in the House of Representatives.

After the adoption and termination of the temporary programs previously mentioned, the President did in October of 1958 adopt a portion of the Tariff Commission's recommendation issued in April of that same year. Although the Tariff Commission recommended imposition of a quota limiting imports to 50 percent of the annual volume during the years 1953 to 1957, inclusive, the President's proclamation was based upon an amount equal to 80 percent of the annual imports during the base period. Unfortunately, this action, although of some help, is not sufficiently restrictive of imports and thus the industry continues to be depressed. Only recently the committee learned of the official announcement of the execution by our

Government and certain Australian and Canadian producers of the latest barter arrangement to dispose of stocks of the foreign miners.

Because of the unfortunate experience of the industry in being subjected to various temporary and half-hearted attempts to reach a solution of its problems, the committee is firmly convinced that the only way to afford it realistic relief is adoption of S. 1747. The legislation now being reported is applicable to all segments of the diverse lead-zinc industry which range in size from the small independent miner to large, integrated mining, smelting, and refining companies. It is submitted that S. 1747 will effectively aid all sectors of the industry. It should be stressed that the terms of what is hoped will become the Lead and Zinc Act of 1961 consider:

1. The market price required by the domestic miner for profitable operation and continued development of domestic mines.
2. A fair and stable price to the consumer assuring continued sales of lead and zinc and encouraging the expansion of the industry through new uses of these products.
3. Proposed rates for tariffs which are fair to the importer on quantities of lead and zinc imports required in the United States.

EFFECT ON FOREIGN PRODUCERS

In its report and in the oral testimony of its spokesmen at the hearings, the Department of State took the position that the tariff provisions of S. 1747 would have an adverse effect on the economies of certain of our foreign allies who are exporters of lead and zinc. The committee explored this subject painstakingly.

After full consideration of all of the facts and assertions presented to it, the committee is unable to agree with the State Department's contention. No convincing evidence was submitted to show that, in fact, the mild increases provided in title III would cause long-range damage to foreign producers and upset our foreign relations.

On the contrary, it appears to the committee that foreign producers would in the long run benefit from enactment of S. 1747. The measure would stabilize the lead and zinc industry, with consequent increase both in prices and consumption. Foreign exporters would receive these higher prices and enjoy market stability along with our own domestic producers.

In any event, in balancing the equities between virtual total loss of our domestic lead and zinc mining industry, the real and present dangers of which were incontrovertibly established, on the one hand, and possible damage to a few foreign producers on the other, the choice appears clear. The history of the postwar years shows that other approaches to solving the problem have failed, and that the approach provided by S. 1747 is the only one now possible that offers hope of success.

NO APPROPRIATION

The legislation does not call for an appropriation.

COMMITTEE RECOMMENDATION

The committee urges enactment of S. 1747.

ADMINISTRATION RECOMMENDATIONS

The reports of the Departments of Interior, Agriculture, Commerce, and Treasury and the Bureau of the Budget are set forth below.

U.S. DEPARTMENT OF THE INTERIOR,
OFFICE OF THE SECRETARY,
Washington, D.C., July 21, 1961.

Hon. CLINTON P. ANDERSON,
Chairman, Committee on Interior and Insular Affairs,
U.S. Senate, Washington, D.C.

DEAR SENATOR ANDERSON: Your committee has requested a report on S. 1747, a bill to stabilize the mining of lead and zinc in the United States, and for other purposes.

The bill provides for (1) a sliding scale tax on imports of lead and zinc ores, concentrates, and metals; (2) stabilization payments on 2,000 tons per year of lead and 2,000 tons per year of zinc produced from newly mined ores; and (3) termination of quotas on imports of lead and zinc.

The imports tax would be 4 cents per pound on lead or zinc metal (or 2.8 cents per pound on lead or zinc in ores or concentrates); if the market price is less than 13½ cents per pound, and would be reduced to 2 cents per pound on lead or zinc metal (1.4 cents per pound on lead or zinc in ores or concentrates), if the market price rises above 14½ cents per pound. Taxes are also imposed on the lead and zinc content of imported zinc wire and zinc sheets, respectively. The taxes would be imposed as excise taxes under the Internal Revenue Code.

The Department opposes the enactment of the bill.

The Department believes that the Government's objective with reference to lead and zinc should be to bring about conditions that would permit the lead and zinc industries of the United States to operate normally within our traditional concepts of private industry. We do not believe that such conditions can be achieved by a program of subsidies, such as proposed by S. 1747, nor by the prolonged use of the present import quotas, nor by manipulations of the tariffs in an effort to support prices.

The administration is opposed to any increase in the duties on lead and zinc, especially at this time when world conditions are such that we dare not weaken the friendship and support of friendly nations.

Especially objectionable are the provisions which would impose additional duties when prices fall below 13½ cents per pound and withdraw them when prices rise above 14½ cents per pound. The sudden imposition of a duty of 2 cents per pound because of a price movement, which could be as small as one-fourth cent per pound, in the domestic market could cause extremely abrupt fluctuations in market prices both inside and outside the United States. The alternation between the lower and the higher levels of duties would introduce speculative factors into the market which could be controlled only by measures more stringent than those provided in the bills. Furthermore, the duties imposed when prices fall below 13½ cents are higher than most duties on mineral commodities.

The Department believes that subsidies of the magnitude envisioned by S. 1747 would be seriously detrimental not only to national interests but to the welfare of the industry itself. These subsidies would

bring onto the market substantial additional tonnages of metal at a time when stocks are unusually large and are depressing prices. In addition, they would stimulate production by marginal mines which would be unable to survive the expiration of the subsidy program. Subsidies of this character would make it impossible for the industry to achieve an economically independent status.

We recognize that the Government was responsible in part for stimulating world production by its stockpiling program. For this reason, we have endorsed the temporary use of import quotas and have used international consultations to push for reductions in output by producers outside the United States.

The administration is supplementing these efforts to reduce production abroad and reduce the available supply of metal in the world by offering to barter surplus agricultural products in exchange for surplus lead stocks held outside of the United States. This barter program has been conditioned on the willingness of major producers to cut back mine and smelter output substantially below the levels of previous years and on the willingness of producers throughout the world to bring total production below anticipated levels of consumption. We believe this program will lift off the market a large part of stocks held abroad and help bring about a balance between new supply and demand.

Imports of unmanufactured lead and zinc have been controlled by quantitative quotas since October 1, 1958. These quotas have not been sufficiently restrictive to permit domestic mine production to rise in the face of sharply declining consumption of lead and zinc. Nor have the foreign producers, to date, sufficiently reduced output to make it safe to remove the quotas. While we should like to see the quotas removed at the earliest practical date, we strongly recommend that they be retained until surplus stocks accumulated outside of the United States are liquidated and world production is brought into line with consumption.

There remain, however, the problems of economic and human distress arising from the inability of depleted or uneconomic mines to continue to supply employment in a community. Measures to cope with such problems in all areas are now rapidly taking shape. The Congress has enacted the Area Redevelopment Act (Public Law 87-27), and the administration has moved promptly to implement it. In this connection, the administration expects to create a special task force to gather data and analyze the situations of depressed communities historically related to mining. The nation cannot afford erosion of human resources by the depletion of the particular natural resources upon which the economy of a community has been based.

This Department is engaged in an analysis of the whole range of problems affecting the production and utilization of metals and minerals. These problems are complex and do not lend themselves to ready and easy solution. We regard this review as a continuing function of the Department, and as we find deterrents to fuller realization of the Nation's mineral potential, we shall seek their removal.

In reporting on another measure, the Department has indicated its willingness to see a temporary program of limited subsidies to small producers as a relief measure pending the development of more fundamental economic opportunities in the depressed mining areas. The tonnages to be subsidized and the amounts of the subsidies in the

Department's proposal are much smaller than those of S. 1747. The increased production likely to result from the Department's proposal would not be large enough to affect the market significantly.

The Bureau of the Budget has advised that there is no objection to the presentation of this report from the standpoint of the administration's program.

Sincerely yours,

JOHN M. KELLY,
Assistant Secretary of the Interior.

DEPARTMENT OF AGRICULTURE,
Washington, D.C., July 26, 1961.

HON. CLINTON P. ANDERSON,
Chairman, Committee on Interior and Insular Affairs,
U.S. Senate.

DEAR SENATOR ANDERSON: This is in reply to your request of May 26, 1961, for a report on S. 1747, a bill to stabilize the mining of lead and zinc in the United States, and for other purposes. Stabilization would be accomplished through payments to domestic miners of lead and zinc ores and concentrates.

This Department is not making a recommendation for or against the passage of the bill.

The interest of this Department in the production of lead and zinc ores and concentrates is relatively minor except that these ores and concentrates produced abroad, and lead and zinc processed from them, may be involved in transactions for the barter of surplus agricultural commodities for materials for the supplemental stockpile. In considering transactions for barter, the Department entertains offers only for materials designated by the President as eligible for barter. Both lead and zinc (including ores and concentrates and metal) are presently on this eligible list. In determining quantities of eligible materials, if any, which may be acceptable for barter, we are guided by recommendations of the Supplemental Stockpile Advisory Committee for Barter.

The Bureau of the Budget advises that there is no objection to the presentation of this report from the standpoint of the administration's program.

Sincerely yours,

ORVILLE L. FREEMAN, *Secretary.*

THE SECRETARY OF COMMERCE,
Washington, D.C., July 25, 1961.

HON. CLINTON P. ANDERSON,
Chairman, Senate Interior and Insular Affairs Committee,
Washington, D.C.

DEAR MR. CHAIRMAN: In response to your request there is attached a report with respect to S. 1747, a bill to stabilize the mining of lead and zinc in the United States, and for other purposes.

For reasons developed in the report the Department of Commerce does not favor enactment of this bill. However, this Department would not object to the enactment of a limited and temporary subsidy measure which would assist the small lead and zinc mines. The basic features of the proposed plan are outlined at pages 2 and 3 of the attached report and also in our letter relating to S. 115.

We have been advised by the Bureau of the Budget that there would be no objection to the submission of this report from the standpoint of the administration's program.

Sincerely yours,

EDWARD GUDEMAN,
Acting Secretary of Commerce.

DEPARTMENT OF COMMERCE REPORT RELATING TO S. 1747

This report has been prepared in response to the request from the Senate Committee on Interior and Insular Affairs for the views of the Department of Commerce relative to S. 1747, a bill to stabilize the mining of lead and zinc in the United States, and for other purposes.

If enacted, this measure would (1) establish a system of stabilization payments to domestic producers of newly mined lead and zinc ores; (2) terminate the present quantitative quota plan relating to unmanufactured lead and zinc and, in lieu thereof, impose import taxes; and (3) impose import tax on the lead and zinc contained in a number of semimanufactured and manufactured articles.

Stabilization program and fund

The stabilization payments, provided for in title II of the bill, would be made to domestic producers of newly mined lead and zinc whenever the quarterly average market price of common lead in New York is below 16 cents a pound and whenever the quarterly average market price of prime western zinc in East St. Louis is below 16 cents a pound. Such payments would be equivalent to the difference between the amounts received from the sales of ores by domestic miners—after deducting smelting and related costs—and the amounts they would have received had the price of each metal been 16 cents a pound at the times the sales of ores were made. All domestic mine owners and operators—regardless of size, financial condition, and need—would be eligible to receive stabilization payments on the first 2,000 tons of recoverable lead output and the first 2,000 tons of recoverable zinc output.

Title II of the bill also would create a stabilization fund into which the Secretary of the Treasury would transfer all revenues collected from the import taxes provided for in title III of the bill. The Secretary of the Interior would be authorized to make payments from this fund in order to implement the stabilization program.

One of the purposes of S. 1747 is to restore the domestic lead and zinc mining industry to "a sound and stable condition." It is suggested that this condition cannot be achieved on basis of subsidy payments of the magnitude proposed in this bill. The increase in domestic supplies of lead and zinc stemming from such a subsidy program could depress prices further and result in major offsetting adjustments by the unsubsidized output of the domestic industry. In realistic terms, this could mean a decrease in the output of the unsubsidized segment and of employment therein.

The establishment of a lead and zinc subsidy program of the magnitude envisaged in S. 1747 would have an adverse effect upon the efforts of this Government and the governments of other important lead and zinc consuming and producing countries to deal with the problems relating to these two metals. Since May 1959 certain pro-

ducers in some foreign countries have voluntarily and independently reduced mine and smelter production and the exports of these two metals—especially lead.

Recent actions taken at the international level should have a substantial beneficial effect upon the domestic mining industry. At the Mexico City meeting of the International Lead and Zinc Study Group during March 1961 a number of foreign producers, through their respective government representatives, voluntarily and independently announced substantial reductions in lead mine and smelter output and in exports. As a result, for the first time since 1957 planned production of lead in the free world for 1961 is below estimated consumption for the year.

In addition to these efforts this Government has entered into barter arrangements whereby surplus agricultural products would be exchanged for surplus foreign lead accumulated prior to December 1, 1960. It is believed that the removal of these surplus lead stocks and the reductions in supplies of newly mined lead (including some zinc) will have a salutary effect upon the market.

In light of these international actions, to increase domestic lead and zinc production at this time through the payment of subsidies in the amount proposed in S. 1747 may be considered an inimical act by those countries whose producers have reduced output and exports in order to bring about a better balance between supply and demand for these two metals. Such action may result in the termination of these voluntary commitments and a collapse of international consultations.

Nevertheless, it is recognized that the depressed conditions among the small lead and zinc mines and their employees continue, and the market prices for both metals are low—due in major part to the decline in the consumption of these two metals in the United States. Accordingly, two alternative plans in lieu of the subsidy program envisaged in S. 1747 are proposed.

First, this administration would not object to the enactment of a limited and temporary measure which would assist a large number of small domestic lead and zinc mines without affecting adversely the overall industry and corrective actions taken already. Listed below are the basic features of this proposal:

The subsidy assistance would be limited to small lead and zinc mines and to a period of 3 years. During this time, effort would be made to resolve the problems of the small domestic mines on a more lasting basis. The assistance payments would be limited to 750 tons of each metal (recoverable basis) for the first year; 500 tons for the second year; and 250 tons for the last year. The subsidy payments would be made on basis of a combined price of 27½ cents for the two metals. The program would be limited to small producers. A small producer would be defined as one who actually mined lead and zinc ores at some time during the 1956–60 period, but whose output during any one year did not exceed more than 2,000 tons of recoverable lead and zinc metal. Producers of other metals who recover lead and/or zinc as byproducts would not be eligible for subsidy payments. Output from mines not previously operated or leased since January 1, 1961, would not be eligible to receive subsidies.

Second, the administration is developing plans to implement the recently enacted Area Redevelopment Act (Public Law 27). Under this legislation qualified firms in depressed mining areas may receive

assistance to effect economies and changes which would make them more competitive. The legislation also provides for vocational retraining for unemployed miners and subsistence payments to persons undergoing training.

Termination of quotas imposition of import taxes

Title I of the bill would terminate the present quantitative import quota plan applicable to unmanufactured lead and zinc which became effective on October 1, 1958, pursuant to Proclamation No. 3257 of September 22, 1958. In place of the quota plan, title III of the bill would impose an import tax of 2 cents a pound on lead and zinc metal and 1½ cents a pound on the lead and zinc contained in ores and concentrates, in zinc fume, and in zinc scrap when the quarterly average domestic prices for the two metals are at or above 14½ cents a pound. If the quarterly average market prices for the two metals are less than 13½ cents a pound, the import tax would be increased to 4 cents a pound on lead and zinc metal and to 2½ cents a pound on the lead and zinc contained in ores and concentrates, in zinc fume and in zinc scrap.

While this Department does not favor the permanent continuation of the important quota program, it believes that the termination of the quotas at this time and, in lieu thereof, the imposition of the import tax rates proposed in S. 1747 would prejudice the domestic and international steps taken and contemplated to resolve the lead and zinc problems. Such action probably would weaken our international relations and the support of friendly nations at a very critical time. This Department is of the view that the Executive has sufficient legislative authority to effect a change from quotas to competitive tariffs when such a change becomes appropriate.

Imposition of import taxes on lead and zinc articles

In addition to any other tax or duty imposed by law, title III of the bill also would impose import taxes on the lead content of some or all of the semimanufactured and manufactured articles enumerated in paragraphs 46, 47, 320, and 397 (relating primarily to lead) and in paragraphs 5, 72, 77, 93, 214, 316(a), 341, 353, 368, 369, 372, 380, 381, 394, 397, and 1634 (relating primarily to zinc) of the Tariff Act of 1930. In the case of most articles the increase would be 2 cents a pound on the lead and zinc contained therein; but in some instances the increase would be much higher. For example, in the case of zinc wire the increase would be 4 cents a pound and in the case of zinc sheet the increase would be 7 cents a pound.

There are certain manufactured and semimanufactured articles which are composed entirely or substantially of lead and zinc. Further, the fabricating costs of certain of these products are not substantial. Hence, their prices are not much higher than the prices of the lead and zinc contained therein. Since these articles are not subject to the quantitative import quota plan applicable to unmanufactured lead and zinc, there has been some concern—within the Government and industry—lest a substantial increase in the imports of such products might affect adversely the domestic lead and zinc mining industry and the domestic industries manufacturing lead and zinc products.

One objective of Senate Resolution No. 162 of the 86th Congress was to ascertain the facts in this allegation. In its March 31, 1960,

report made in response to the resolution, the Tariff Commission considered and reported at length on the foreign trade in, the domestic consumption and production of, and the customs treatment relating to a large number of lead and zinc products. The conclusion reached by the Tariff Commission was that while imports of lead and zinc products had increased after the quota plan became effective, the increases were not large enough to have any appreciable effect and that for many of these articles imports had been increasing for several years before the quota plan became effective.

The conditions which caused an upward trend in imports of these products existed "before the imposition of U.S. quotas, and the situation does not appear to have been greatly altered since then."¹ Even the minority members of the Tariff Commission who advocated the termination of the quota plan and the imposition of higher import duties stated, "imports of manufactured articles containing the two metals are not now sufficiently large to affect domestic mining operations, but they *might* [emphasis supplied] become so if higher rates of duty were applied to imports of unmanufactured lead and zinc."² It is for this reason that the bill under reference provides for increases in import taxes on lead and zinc articles. This Department is of the view that proposals to increase the import duties or taxes on lead and zinc articles on basis of hypothetical assumptions are unwarranted.

Primarily because of the possible impact upon domestic fabricators of lead and zinc products, the Department of Commerce has had under review the foreign trade in these articles since the quota plan became effective. On basis of this review, through April 1961, we have reached the same basic conclusion as the Tariff Commission; namely, imports of lead and zinc products are not sufficiently large to warrant additional restrictive action at this time. In this connection it should be noted that the total quantity of imports of lead and zinc articles during 1960 was less than during 1959—although the imports of a few articles, such as lead pigments, have increased. Should the imports of such products increase so as to threaten or cause serious injury, the affected domestic interests could request the Tariff Commission to institute an escape clause investigation.

In view of these considerations the Department of Commerce is opposed to the enactment of S. 1747, but would not object to the enactment of a subsidy measure designed to assist the small miners—the basic features of the proposal are outlined at pages 1 and 2 of this report.

THE GENERAL COUNSEL OF THE TREASURY,
Washington, July 24, 1961.

HON. CLINTON P. ANDERSON,
*Chairman, Committee on Interior and Insular Affairs,
U.S. Senate, Washington, D.C.*

DEAR MR. CHAIRMAN: Reference is made to your requests for the views of the Treasury Department on S. 115 and S. 1747, bills which would provide subsidy payments to producers of lead and zinc, and to your letter of July 10 inviting someone from the Treasury Department to appear at the hearings before your committee on S. 1747 which are to begin on July 25.

¹ U.S. Tariff Commission, "Lead and Zinc," report to the Congress, Mar. 31, 1960, p. 113.

² *Ibid.*, p. 155.

It is our understanding that the Department of the Interior, the executive branch agency with primary interest in conditions in the lead and zinc industry, has advised your committee that it does not believe that better conditions in the industry can be achieved by a continuing program of subsidies, nor by the prolonged use of import quotas, nor by manipulations of tariffs in an effort to support prices. The Treasury Department is in general opposed to Federal subsidies and believes that they should be used only when they can be justified by overriding considerations of national policy. Since the Department of the Interior does not believe that better conditions in the lead and zinc industry can be achieved by a continuing program of subsidies, the Treasury Department would be opposed to the subsidy programs envisioned by S. 115 and S. 1747. Moreover, the Treasury Department believes that the establishment of subsidy programs of this kind would have an adverse effect upon the efforts of this Government and the governments of other major lead and zinc consuming and producing countries to deal with the problems relating to these two metals on an international basis.

The Treasury Department is aware, however, as is the Department of the Interior, of the human problems of unemployment arising in communities which have depended on mines which have become uneconomic to operate. While the Congress and the administration are seeking through other means to solve this problem, the Treasury Department would not object to a temporary subsidy program designed to relieve human distress but so limited in duration and magnitude that it would not, in the opinion of the Department of the Interior, disrupt the entire lead and zinc industry.

We appreciate your invitation to appear at the hearings beginning on July 25. As arranged with your staff, Mr. W. E. Higman, Deputy Commissioner of Customs, will be available to answer technical questions which may arise on the provisions of S. 1747 relating to responsibilities of this Department. We do not believe that there would be anything further that we could add on matters of policy which would be helpful to the committee.

The Department has been advised by the Bureau of the Budget that there is no objection from the standpoint of the administration's program to the submission of this report to your committee.

Sincerely yours,

ROBERT H. KNIGHT, *General Counsel.*

EXECUTIVE OFFICE OF THE PRESIDENT,
BUREAU OF THE BUDGET,
Washington, D.C., July 24, 1961.

HON. CLINTON P. ANDERSON,
Chairman, Committee on Interior and Insular Affairs,
Washington, D.C.

DEAR MR. CHAIRMAN: This is in reply to your request for the views of the Bureau of the Budget on S. 1747, a bill to stabilize the mining of lead and zinc in the United States, and for other purposes.

The bill would provide limited subsidies to domestic miners of lead and zinc. It would also impose new taxes on imports of lead and zinc considerably higher than existing duties, which taxes would double if prices were below 13.5 cents per pound. The existing import quotas on these metals would be terminated.

If enacted, there would be an expansion of domestic production of these metals in the face of an already glutted supply situation, adversely affecting the international efforts to reduce production to levels commensurate with reasonable prices. The sharply increased disparity between foreign and domestic prices would encourage substitutions of other materials for these metals. Domestic fabricating industries which use these metals would be required to compete in both foreign and domestic markets with foreign products made with substantially lower priced lead and zinc. In addition, abrupt price fluctuations would occur as the flexible portion of the import taxes become effective, causing further distortions of foreign and domestic markets. The rate at which our domestic resources would be depleted would temporarily rise, but production from marginal domestic mines would not be able to continue at these levels if the subsidies were terminated.

The administration believes that it is important for American industry to adjust to long-term economic trends on a worldwide basis. Legislation has been recommended to alleviate the hardships of small domestic mines. In addition, a program of barter has been undertaken to help reduce the large stocks, and to curtail production in some foreign areas. A special task force is being established to gather data and analyze the situation of depressed communities historically related to mining, under the provisions of the Area Redevelopment Act (Public Law 87-27).

We believe that this program provides a basis for meeting the needs not only of our domestic mining industry, but also of consumers and friendly foreign nations. Enactment of S. 1747 would conflict with the general objectives of the program.

Accordingly, the Bureau of the Budget recommends against the enactment of S. 1747.

Sincerely yours,

PHILLIP S. HUGHES,
Assistant Director for Legislative Reference.

CHANGES IN EXISTING LAW

In compliance with subsection 4 of rule XXIX of the Standing Rules of the Senate, changes in existing law made by the bill, S. 1747, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italic, existing law in which no change is proposed is shown in roman):

INTERNAL REVENUE CODE OF 1954

* * * * *

CHAPTER 38—IMPORT TAXES

SUBCHAPTER A. Petroleum products.

SUBCHAPTER B. Coal.

SUBCHAPTER C. Copper.

SUBCHAPTER D. Lumber.

SUBCHAPTER E. Animal and vegetable oils and seeds.

SUBCHAPTER F. Oleomargarine.

SUBCHAPTER G. *Lead and Zinc.*

SUBCHAPTER [G.] H. Special provisions applicable to import taxes.

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Subchapter G—Lead and Zinc

Sec. 4601. Imposition of taxes on imported lead.

Sec. 4611. Imposition of taxes on imported zinc.

Sec. 4621. Price determinations.

Sec. 4622. General provisions.

SEC. 4601. IMPOSITION OF TAXES ON IMPORTED LEAD.

(a) There are hereby imposed upon the following articles, imported into the United States, taxes at the rates specified:

Article	Rate of Tax
Articles provided for in paragraph 391 of the Tariff Act of 1930, as amended: Lead-bearing ores, flue dust, and mattes of all kinds.	1.4 cents per pound on lead content, provided that such taxes shall not be applied to the lead contained in copper, gold, silver, or tin ores, or copper mattes, unless actually recovered.
Articles provided for in paragraph 392 of the Tariff Act of 1930, as amended: Lead bullion or base bullion, lead in bars and pigs, lead dross, reclaimed lead, scrap lead, antimonial lead, antimonial scrap lead, and all alloys or combinations of lead not specially provided for.	2.0 cents per pound on lead content.

(b) If the average market price of lead determined in accordance with section 4621 is less than $13\frac{1}{2}$ cents per pound, there shall be imposed on the following articles additional taxes at the rates specified beginning on the first day of the calendar quarter next following such determination: Provided, That when the said average price of lead so determined is $14\frac{1}{2}$ cents per pound or more, the said additional taxes shall cease to be imposed beginning on the first day of the calendar quarter next following such determination:

Article	Additional Tax
Articles provided for in paragraph 391 of the Tariff Act of 1930, as amended: Lead-bearing ores, flue dust, and mattes of all kinds.	1.4 cents per pound on lead content, provided that such taxes shall not be applied to the lead contained in copper, gold, silver, or tin ores, or copper mattes, unless actually recovered.
Articles provided for in paragraph 392 of the Tariff Act of 1930, as amended: Lead-bullion or base bullion, lead in bars and pigs, lead dross, reclaimed lead, scrap lead, antimonial lead, antimonial scrap lead, and all alloys or combinations of lead not specially provided for.	2.0 cents per pound on lead content.

(c) In addition to any other tax or duty imposed by law, there are hereby imposed upon the articles provided for in paragraphs 46, 72, 320, and 397 and lead in sheets, pipe, shot, glazier's lead, lead wire, babbitt metal, solder, and type metal under paragraph 392 of the Tariff Act of 1930, as amended, imported into the United States, taxes at the rate of 2.0 cents per pound on the lead contained therein.

SEC. 4611. IMPOSITION OF TAXES ON IMPORTED ZINC.

(a) There are hereby imposed upon the following articles, imported into the United States, taxes at the rates specified:

Article	Rate of Tax
Articles provided for in paragraph 214 of the Tariff Act of 1930, as amended: Zinc fume.	1.4 cents per pound on zinc content.
Articles provided for in paragraph 393 of the Tariff Act of 1930, as amended: Zinc-bearing ores of all kinds, except pyrites containing not more than 3 per centum of zinc.	1.4 cents per pound on zinc content, provided that such taxes shall not be applied to the zinc contained in lead, tin, or copper ores unless actually recovered.
Articles provided for in paragraph 394 of the Tariff Act of 1930, as amended: Zinc in blocks, pigs, or slabs-----	2.0 cents per pound.
Zinc, old and worn-out, fit only to be remanufactured, zinc dross and zinc skimmings.	1.4 cents per pound.

(b) If the average market price of zinc determined in accordance with section 4621 is less than $13\frac{1}{2}$ cents per pound, there shall be imposed upon the following articles additional taxes at the rates specified beginning on the first day of the calendar quarter next following such determination: Provided, That when the said average price of zinc so determined is $14\frac{1}{2}$ cents per pound or more, the said additional taxes shall cease to be imposed beginning on the first day of the calendar quarter next following such determination.

Article	Additional tax
Articles provided for in paragraph 214 of the Tariff Act of 1930, as amended: Zinc fume.	1.4 cents per pound on zinc content.
Articles provided for in paragraph 393 of the Tariff Act of 1930, as amended: Zinc-bearing ores of all kinds, except pyrites containing not more than 3 per centum of zinc.	1.4 cents per pound on zinc content, provided that such taxes shall not be applied to the zinc contained in lead, tin, or copper ores unless actually recovered.
Articles provided for in paragraph 394 of the Tariff Act of 1930, as amended: Zinc in blocks, pigs, or slabs-----	2.0 cents per pound.
Zinc, old and worn-out, fit only to be remanufactured, zinc dross, and zinc skimmings.	1.4 cents per pound.

(c) In addition to any other tax or duty imposed by law, there are hereby imposed upon the articles provided for in paragraphs 5, 77, 93, 214 other than zinc fume, 341, 380, 381, 1634, alloys of zinc, zinc strip, and other zinc mill products under paragraph 397, brass wire under paragraph 316(a), leaded zinc oxides containing over 25 per centum of lead under paragraph 72, zinc dust under paragraph 394, and parts whether partly or wholly manufactured from zinc, provided for in paragraphs 372, 369, 353, and 368 of the Tariff Act of 1930, as amended, imported into the United States, taxes at the rate of 2.0 cents per pound on the zinc contained therein and in addition to any other tax or duty imposed by law there is hereby imposed upon zinc wire under paragraph 316(a) of the Tariff Act of 1930, as amended, imported into the United States a tax at the rate of 4.0 cents per pound on the zinc content contained therein and in addition to any other tax or duty imposed by law there is hereby imposed upon zinc sheets under paragraph 394 of the

Tariff Act of 1930, as amended, imported into the United States a tax at the rate of 7.0 cents per pound on the zinc content contained therein.

SEC. 4621. PRICE DETERMINATIONS.

(a) For purposes of this subchapter, the terms "average market price for lead" and "average market price for zinc" mean, respectively, the average market price for common lead (in standard shapes and sizes delivered at New York City), and the average market price for slab zinc (prime western, free on board, East Saint Louis, Illinois), each determined for a period of three consecutive calendar months as hereinafter provided.

(b) As soon as practicable after the last day of the second month of each calendar quarter following the effective date of this Act, the Secretary of the Interior shall determine the average market price for lead and the average market price for zinc during the three consecutive calendar months immediately ending on the second month of each calendar quarter, shall notify the Secretary of the Treasury of each such determination and shall cause each such determination to be published in the Federal Register. The first such determination shall be made and published in the Federal Register as soon as practicable following the effective date of this Act and each such subsequent determination shall be made and published in the Federal Register not later than the last day of each such calendar quarter. The average market prices so determined and published shall be the average market prices governing the imposition and removal of the additional taxes set forth in section 4601(b) and in section 4611(b) of this subchapter as to articles provided for therein entered, or withdrawn from warehouse, for consumption during the calendar quarter following the calendar quarter in which such determination is made.

SEC. 4622. GENERAL PROVISIONS.

(a) The taxes specified in subsections (a) and (c) of section 4601 and in subsections (a) and (c) of section 4611 shall be applied on and after the date of the effective date of this Act; the taxes specified in subsection (b) of section 4601 and in subsection (b) of section 4611 shall be applied on the effective date of this Act as if the average market price for lead and the average market price for zinc had been determined, in accordance with section 4621, to be less than 13½ cents per pound, and thereafter shall be applied in accordance with the provisions of subsection (b) of section 4601 and of subsection (b) of section 4611.

(b) Notwithstanding the provisions contained in subsection (b) of section 4621 and in subsection (a) hereof, the provisions of subsections (a), (b), and (c) of section 4601 and of subsections (a), (b), and (c) of section 4611 shall not apply insofar as the imposition of taxes are concerned until the effective date of this Act: Provided, however, That any such taxes on any of the articles specified in sections 4601(a), 4601(b), 4611(a), or 4611(b), other than those included within paragraphs 392 and 394 of the Tariff Act of 1930, as amended, shall not be applicable to any such articles which were entered in bonded warehouse prior to the date of enactment of this subchapter, such products upon being withdrawn from bonded warehouse during the statutory period of the bond to be subject to the rates of duty which were applicable thereto prior to the enactment of this subchapter.

(c) On and after the date of enactment of this Act, the articles provided for or referred to in subsection (a) of section 4601 and subsection (a) of section 4611 may be duly entered for warehouse by the importer under

bond. Any such article may be withdrawn from warehouse and entered for consumption during a period when the tax imposed by section 4601(b) or section 4611(b), as the case may be, is applicable upon payment of such tax, and upon payment of the applicable duty; any such article may be withdrawn from warehouse and entered for consumption during a period when the tax imposed by section 4601(b) or section 4611(b), as the case may be, is not applicable only upon certification that the article has been sold for use. The term "sold for use" applied to any article means that the article has been sold or otherwise transferred, or is subject to a binding agreement for sale or transfer, to a purchaser or transferee who intends to process, manufacture, fabricate, or combine it to produce a different article.

(d) For purposes of this subchapter, the term "United States" includes Puerto Rico.

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Subchapter [G] H—Special Provisions Applicable to Import Taxes

Sec. [4601] 4631. Applicability of tariff provisions.

Sec. [4602] 4632. Certain taxes not to contravene trade agreements.

Sec. [4603] 4633. Cross references.

SEC. [4601.] 4631. APPLICABILITY OF TARIFF PROVISIONS.

The taxes imposed by this chapter (except subchapter F) shall be levied, assessed, collected and paid in the same manner as a duty imposed by the Tariff Act of 1930 (46 Stat. 590; 19 U.S.C., chapter 4) and shall be treated for the purposes of all provisions of law relating to the customs revenue as a duty imposed by such act, except that—

(1) **TAX BASE.**—The value on which such tax shall be based shall be the sum of (1) the dutiable value (under section 503 of such act; 46 Stat. 731; 19 U.S.C. 1503) of the article, plus (2) the customs duties, if any, imposed thereon under any provision of law;

(2) **ADDITIONAL DUTY AND FLEXIBLE TARIFF PROVISIONS.**—For the purposes of section 489 of such act (relating to additional duties in certain cases of undervaluation; 46 Stat. 725; 19 U.S.C. 1489), such tax shall not be considered an ad valorem rate of duty or a duty based upon or regulated in any manner by the value of the article, and for the purposes of section 336 of such act (the so-called flexible tariff provision; 46 Stat. 701; 19 U.S.C. 1336) such tax shall not be considered a duty; and

(3) The tax imposed under subchapter E except as specifically provided in section 4582(b) with reference to certain products of Guam and American Samoa shall be imposed in full notwithstanding any provision of law granting exemption from or reduction of duties to products of any possession of the United States.

Articles manufactured or produced with the use of articles upon the importation of which tax has been paid under subchapter A, B, C, or D of this chapter, if laden for use as supplies on vessels referred to in section 4221(d)(3), shall be held to be exported for purposes of this section.

SEC. [4602] 4632. CERTAIN TAXES NOT TO CONTRAVENE TRADE AGREEMENTS

Nothing in subchapter E shall be construed as imposing a tax in contravention of an obligation undertaken in any trade agreement entered into prior to August 21, 1936, under the authority of section 350 of the Tariff Act of 1930, as amended (c. 474, 48 Stat. 943; 19

U.S.C. 1351). Each reference to any provision of the Internal Revenue Code of 1939 in any agreement entered into, or in any proclamation of the President made, under the authority of such section shall be deemed also to refer to the corresponding provision of this title.

SEC. [4603] 4633. CROSS REFERENCES.

(1) See subtitle F for administrative provisions of general application to the taxes imposed under this chapter.

(2) See section 4501(b) for the import tax on sugar.

87TH CONGRESS
1st Session

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SENATE

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REPORT
No. 1073

DOMESTIC LEAD AND ZINC PRODUCTION

SEPTEMBER 15, 1961.—Ordered to be printed

Mr. CARROLL, from the Committee on Interior and Insular Affairs,
submitted the following

SUPPLEMENTAL REPORT

[To accompany S. 1747]

The Committee on Interior and Insular Affairs, to whom was referred the bill (S. 1747) to stabilize the mining of lead and zinc in the United States, and for other purposes, submitted on September 5, 1961, a favorable report on the proposed legislation, with amendments, and recommended that the bill as amended do pass (Rept. 867, to accompany S. 1747). The committee now makes the following supplemental report setting forth a summary of lead-zinc legislative and governmental experience since 1950, referred to in the middle of page 4 of the original report:

SUMMARY OF LEAD-ZINC LEGISLATIVE AND GOVERNMENTAL
EXPERIENCE SINCE 1950I. DETAILS OF EXPERIENCE OF LEAD-ZINC INDUSTRY UNDER VARIOUS
PROVISIONS AND PROCEDURES OF U.S. TRADE LAWS AND LEGISLATIVE
PROPOSALS

1. On May 10, 1950, the lead mining industry petitioned the Tariff Commission for "escape clause" action. This petition was filed in accordance with article XI of the trade agreement with Mexico (1943) and with the provisions of Executive Order 9832 (1947) which first established the Commission's "escape clause" procedures. On July 18, 1950, the Commission informed the industry that no consideration would be given to this "escape clause" petition because the Mexican agreement was being canceled by the United States effective December 31, 1950. The industry's petition was formally dismissed by the Commission on January 25, 1951. With the cancellation of the Mexican agreement, the 1930 duty on lead was temporarily restored.

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

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

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

5. Concurrent with this 1953-54 "escape clause" action, by resolution of the House Ways and Means Committee (July 29, 1953) and the Senate Finance Committee (July 27, 1953), the Commission also conducted a "general investigation" in accordance with the provisions of section 332 of the Tariff Act of 1930. This was transmitted to the Committee on Ways and Means and to the Committee on Finance on April 19, 1954, and is a 356-page volume with a detailed analysis of the economic conditions and pertinent statistics concerning the lead-zinc industry of the United States.

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

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

8. Testimony was also presented to the Committee on Ways and Means by Mr. Gray on August 1, 1957, and repeated on February 18,

1958, that the lead-zinc industry is not eligible to seek relief under the "national security amendment escape clause" (sec. 7(b)) of the Trade Agreements Extension Act of 1955. He stated the reason for his decision was the existence of very large stocks of both metals in the hands of the Government which were acquired by the two alternative programs instituted by the President when he declined to follow the recommendations of the Tariff Commission. It is estimated that there are now in excess of 1,250,000 tons of each of these metals in the defense and the supplemental stockpiles.

9. In his letter to the two congressional committees of August 20, 1954, the President concluded by stating that if the action he was taking, instead of following the Commission's recommendations, did not accomplish the objectives he sought that he "will be prepared early next year to consider even more far-reaching measures, and to make appropriate recommendations to the Congress." On June 19, 1957, Secretary of the Interior Seaton forwarded to the Congress a bill providing for the suspension of the present duties and substituting a series of import excise taxes which would be effective only if the price of lead was below 17 cents and the price of zinc below $14\frac{1}{2}$ cents.

10. Hearings were held August 1 and 2, 1957, before the Committee on Ways and Means on H.R. 8257 (and similar bills for an import excise tax on lead and zinc). Hearings were also held on a companion bill S. 2376, by the Committee on Finance on July 22-24, 1957. The U.S. lead-zinc mining industry concurred in the proposed "peril point" market prices of 17 cents lead and $14\frac{1}{2}$ cents zinc. It also pointed out, however, that the proposed schedule was wholly inadequate to sustain the "peril point" prices. The proposed schedule for zinc was, on an average, about 40 percent less than the Tariff Commission's 1954 recommendations; for lead, on an average, about 20 percent less. In only one instance was the proposed schedule greater than the Commission's recommendations—that was for lead, and then was only forty-five one-hundredths of a cent more than the Commission's report. In the President's letter of August 20, 1954, he cited as one of the reasons for not implementing the Commission's findings was that the maximum permissible increase in duty was insufficient to "reopen closed mines" and would have only a "minor effect" on U.S. prices.

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

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

13. On April 24, 1958, the Tariff Commission again unanimously found that the domestic lead-zinc industry was suffering serious injury. Three Commissioners recommended reimposition of the 1930 rate of

duty and three Commissioners recommended the maximum increase in duty (50 percent above the 1945 rates) and also recommended the imposition of absolute quotas, based on 50 percent of imports during the period 1953-57.

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

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

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

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

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

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

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

21. In May 1959, Wayne Aspinall introduced House Resolution 177 stating "that it is in the national interest to foster and encourage (a) the maintenance and development * * * (b) orderly discovery * * *, and (c) * * * research to promote the wise and efficient use of domestic metal and mineral reserves." Hearings were

held June 29 with ELZ representation. This was passed by the Congress, and while not having legislative force, it did call on the executive department to advise the Congress as to relief actions proposed.

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

23. ELZ planned to file another escape clause at the end of 1 market year under quotas. Tariff Commission counsel ruled that an industry operating under an escape clause proclamation was precluded from filing again for section 7 relief. In August 1959 mining State Senators introduced Senate Resolution 162, directing the Tariff Commission to review again the condition of the lead-zinc industry with findings of additional import restrictions needed for a sound and stable industry. Hearings were scheduled January 12, 1960, with ELZ presenting several witnesses to cover all phases of the problem. Fluorspar had a similar hearing under Senate Resolution 163 with the report issued February 29, 1960. Three of four Commissioners refused to make specific findings on the grounds that the Commission lacked authority to submit recommendations or findings. In the lead-zinc report, Commissioners Talbot, Overton, Jones, and Dowling maintained this position. Schriber and Sutton recommended increases in tariffs to 3 cents on lead and 2.5 cents on zinc metal, and 70 percent of this on ores and concentrates. In addition, compensatory duties were proposed on manufactured items.

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

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

26. Hearings were held by House Interior Committee in March on small mine subsidy bill. This passed the House prior to the political convention recess. It passed the Senate in the postconvention session and was pocket vetoed by the President as being difficult to administer, would establish an uneconomic precedent, production would adversely affect the market, and the present quota plan is still in effect.

27. On April 6, 1960, Congressman Howard Baker, of Tennessee, introduced H.R. 11584, sponsored by the "importing smelters"

proposing import taxes at the rates recommended by the minority in the March Tariff Commission report. The tariff rates of this legislation would not help the domestic miner.

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

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

30. The second session of the International Lead and Zinc Study Group was held in Geneva, September 1960. There was no action on restrictions of zinc offerings. Voluntary restrictions on commercial offerings of lead remained as per the February 1960 meeting. Concern was expressed that the United Kingdom would have sold 35,000 metric tons of slab zinc by September 30 from Government stockpiles.

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

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

33. The small mines subsidy bill, H.R. 84 (Edmondson, of Oklahoma), was reintroduced, and hearings have been held by the House Interior Committee on March 9 and 10, 1960. The administration

position was not presented at these hearings. The testimony and committee discussion indicated controversial opinions on effects of this legislation. The limited participation is discriminatory to larger producers, the added production could be detrimental to present markets and prices, and adoption of this type legislation could be detrimental to passage of long-term legislative solutions. Testimony by ELZ noted that domestic stocks of metal and ores and concentrates are at record highs, with domestic mines and plants posting substantial voluntary production restrictions as follows:

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

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

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

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

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

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

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

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

34. "Importing smelters" tax bill was again introduced in March 1961 by Congressman Baker as H.R. 5193, and by Senator Kerr as S. 1361. The tariff rates are the same as the Kerr-Baker bill of the 86th Congress, with a permanent tariff of 2 cents on lead metal, 1.8 cents on zinc metal, 70 percent of these rates on concentrates, and an additional 1 cent removable tax on each metal controlled by peril points of $13\frac{1}{2}$ and $14\frac{1}{2}$ cents on lead and $12\frac{1}{2}$ and $13\frac{1}{2}$ cents on zinc. A change in this bill divides the compensatory rates on manufactured goods to a 1-cent base tariff on lead products, 0.8-cent base tariff on zinc products, and 1 cent removable on each controlled by above peril points.

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

Summary of lead-zinc statistics since 1950
LEAD (IN SHORT TONS OF LEAD CONTENT)

Period	Production		Total	Stocks end period		Dutiable imports	Industrial consumption	Average price per pound	Employees at lead and zinc mines and mills	Total employees at primary smelters and refineries
	Primary (mine output)	Secondary		Producers'	Consumers'					
1950	430,827	482,275	913,102	137,669	139,884	514,984	1,237,981	13.296		
1951	388,164	518,110	906,274	124,080	102,760	191,449	1,184,793	17.500		
1952	390,161	471,294	861,455	149,778	122,530	179,690	1,130,795	16.467	24,777	17,928
1953	342,644	486,757	829,381	106,340	113,753	409,094	1,201,694	13.489	20,035	17,554
1954	325,419	480,925	806,344	201,850	124,644	460,197	1,094,871	14.054	16,640	
1955	338,025	502,051	840,076	150,822	117,458	424,413	1,212,644	15.138		
1956	352,826	506,755	859,581	150,259	123,995	420,065	1,209,717	16.014	16,737	16,969
1957	338,216	489,229	827,445	207,912	129,810	512,289	1,138,115	14.658	15,874	17,323
1958	267,577	401,787	669,364	303,316	122,000	361,263	986,387	12.102	10,768	13,856
1959	255,586	451,387	706,973	230,328	126,132	363,620	1,091,149	12.211	9,769	12,883
1960	245,586	1,460,000	706,973	303,841	97,246	334,213	1,026,300	11.95		

ZINC (IN SHORT TONS OF ZINC CONTENT)

Period	Production		Total	Stocks end period		Dutiable imports	Industrial consumption	Average price per pound	Employees at lead and zinc mines and mills	Total employees at primary smelters and refineries
	Primary (mine output)	Secondary		Producers'	Consumers'					
1950	623,375	326,030	949,405	8,884	64,206	394,163	1,350,501	13.866		
1951	681,189	314,277	995,466	21,901	50,071	236,618	1,326,082	18.000		
1952	660,001	310,423	970,424	87,100	92,579	99,074	1,211,648	16.215		
1953	547,430	294,678	842,108	180,843	84,863	663,832	1,342,389	10.855		
1954	473,471	271,774	745,245	124,277	100,991	630,488	1,180,692	10.681		
1955	514,671	304,775	819,446	40,979	123,544	669,639	1,499,080	12.269		
1956	542,540	281,365	823,905	63,622	104,094	627,071	1,323,022	13.494		
1957	581,735	294,104	875,839	166,660	83,342	881,953	1,231,593	11.399		
1958	412,005	230,332	642,337	190,237	93,609	887,189	1,142,165	10.309		
1959	425,303	276,284	701,587	154,419	102,195	570,868	1,278,518	11.448		
1960	452,442		701,587	190,810	66,111	501,597	1,165,825	12.950		

¹ Estimated.

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

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

COMMENTS ON LEAD-ZINC STATISTICS

April 1961

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

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

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

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

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

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

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

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

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

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

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

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

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

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

15. The 1961 zinc production curtailments by domestic producers may help reverse the trend of building excessive stocks. At the same time, the importing nations adopted a policy that zinc is surplus only in the United States, and it is our problem to solve alone. They agree the lead surplus is an international problem but look to the United States for a world solution through barter of approximately 100,000 tons of these foreign stocks.

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

Senator ANDERSON. The bill we are now considering, S. 1534, is still another approach to find a solution to a problem that informed persons consider perilous indeed. I refer to the threatened complete deterioration of our domestic lead and zinc industry.

There is consumed in the United States, annually, approximately 1 million tons of lead and 1 million tons of zinc. They are consumed in various forms, but principally in the form of metals or oxides. That is, it takes approximately 1 million tons of each metal to produce the numerous and varied products requiring lead and zinc which are used in industry.

At reasonable price levels that have a realistic relationship to costs of operation, the lead and zinc mines of the United States, using American labor, are capable of mining, on an efficient basis, quantities of ore that, when smelted, will be equivalent to approximately 35 to 40 percent of the amount of lead metal consumed in the United States, and approximately 60 to 65 percent of the amount of zinc metal consumed in the United States.

Reprocessed or secondary metal provides an additional lead-metal supply of 40 percent of annual consumption requirements. Secondary zinc metal production is negligible, amounting to only some 5 percent.

The balance of the supply for both metals, approximately 20 percent in the case of lead, and approximately 40 percent in the case of zinc, required for our domestic consumption must come from abroad, either in the form of metal or ores to be smelted here. Since 1950, actual imports of lead have been 38 percent, and zinc 60 percent of U.S. metal consumption. This imported surplus, nearly double what we need to import, accounts for the buildup of excessive stocks, low prices, decreased domestic production, and closed domestic mines. I understand that there is adequate smelting and refining capacity in the United States to meet all our needs.

For the past 10 years, foreign imports of both of these metals have exceeded domestic mine production. Thus, we have become dependent for more than half of our annual needs of newly mined metal upon ocean-borne supplies of these basic metals from distant sources in foreign countries that might not necessarily be accessible to us in time of need for one reason or another.

Because of these excessively high imports, our own lead and zinc mines have been closing, our skilled mineworkers thrown out of work and dispersed, and a most important segment of our economy has been suffering and is in danger of total extinction.

Not only are employees, mine operators, and stockholders all over our country directly affected by mine and plant closures, but the subsidiary business of many communities is eliminated. This includes all types of service personnel from the banker to the service station operator. Communities, States, and the United States lose the multiplying benefits from the production, processing, manufacturing, and sale of these natural resources that, after all, represent the only true contribution of new wealth to our national economy.

The statistical history for both metals includes a long period of depressed market prices due to excessive foreign imports that reflect not only in reduced mine production referred to above, but in a reduction of employment in lead and zinc mines and mills from 24,000 in 1952 to a little more than a third of that number, or 9,300, in 1961.

In 1948, we had over 1,300 domestic lead-zinc mines. In 1961, this number had shrunk to approximately 300. The industry has informed me that very few, if any, of the mines still operating, are doing so at a profit. Many are continuing to produce at a loss, depleting the ore reserves, but doing so only to maintain the property in operating conditions.

In most cases, it is not possible to close a mine, that is, stop production, and keep the mine workings in operating condition, as such costs are prohibitive. Their capital would be depleted. A complete shutdown, without maintenance, will generally mean that the property in question is a permanent loss—at least at the market price for any future need that we can now see.

This brings up an aspect of our security and a threat to our economy that is not grasped, or at any rate not faced, by our policymakers downtown. A mine is not akin to a grocery store, where a new inventory can be ordered at will. Ore reserves are bound by investment of large sums of money in the exploration, development, and preparation for mining of such reserves. It takes time, often a long time, and money, large amounts of money, plus luck to get a sizable lead and zinc property into production. Once closed down, the reserve often is lost forever through flooding and cave-ins. Our industrial security demands that we have a going mining industry. A potential one is not good enough.

During these past years of economic depression in the lead-zinc mines, the industry has been forced to reduce expenditures needed to replace its reserves. This again is a threat to our national economy and security, and must be corrected by providing the proper incentive that will include profits from mining for reinvestment in the location of new lead-zinc deposits.

There is no question in my mind, and I am sure for other members of this committee, that our lead-zinc mines have suffered from a long period of economic depression as supplies have exceeded our consumption, due to excessive, unneeded imports. Our problem is still, What are we going to do about it?

I'm always impressed as I review with industry representatives the long battle they have waged to correct this situation. I don't know of any other group that has tried so many, in fact all, to my knowledge, of the avenues available through the Tariff Commission.

In the past 10 years, there have been eight exhaustive studies and reviews with several public hearings to obtain all possible information and all available views of the industry situation. The Tariff Commission has twice found injury due to imports and recommended increased import controls. Unfortunately, the executive department has not seen fit to accept the full recommendations of the Commission, and the partial quota that was imposed was not effective. The statistics of all these studies indicated continuing import injury.

I can see no need for further investigation along these lines; in fact, we note that, under the new Trade Expansion Act, the definition of import injury has been changed, and the Tariff Commission this year has been forced to reject 11 applications of industries, firms, and workers who have applied for escape clause relief to alleviate injury from imports.

Those of us in Congress, past and present, with a particular interest in natural resources have presented several proposals to provide corrective legislation. These have generally been along the line of increased tariffs and have always met opposition from the executive department.

The bill we are considering today seems to me to be a very logical solution to equalizing an equitable share of mine production to domestic producers and at the same time recognizing that some imports are needed. It is essentially a workable and permanent adjustment to a present quota plan considered temporary by the State Department, and acknowledged by all concerned as not having been effective as originally planned as well as having some administrative problems.

S. 1534 will encourage the miner to produce his fair share of our needs at a profit, it will provide the smelter with the necessary ores and concentrates to strengthen his operation, and it will provide the consumer with an adequate supply of metal at a stable price. This measure has the broad support of my colleagues, particularly from the lead-zinc mining States and the lead-zinc mining industry will be here to present statements requesting your favorable consideration and action.

I agree with the industry that the only practical route left, the only hope for their future security is through constructive legislation such as you are considering today.

I urge your approval and pledge my efforts to see this enacted in this Congress.

May I say, Mr. Chairman, that I noticed that the Department of the Treasury has recommended against this bill.

That interests me because we are going to be hearing from the Department on the Finance Committee when I go down and change hats and sit there as a member of the Finance Committee.

I cannot quite understand how they are opposed to having a lead and zinc industry in the United States. Only a short time ago we were called upon to enact incentive legislation, tax incentives, and, in fact, a new tax bill.

We put in there investment credits that some of us did not like. That investment credit carried some \$400 million a year to the regulated utilities, who already have protection of virtually a monopoly.

It gave \$100 million a year to the American Telephone & Telegraph Co. which the American Telephone & Telegraph Co. did not request at any time, but which we fixed or put in the bill so that they had to take it whether they wanted it or not.

We can give \$100 million to give incentives to the telephone company and I do not object to them at all. They are fine people.

But we can give \$100 million of investment credit to American Telephone & Telegraph, with the blessings of the Treasury of the United States, but we cannot give 5 cents to a lead-zinc mine that has closed down.

In my own State I have visited many times the Hanover mine, the Ground Hog mine, and other lead-zinc mines.

These are closed now.

Now, as we keep on having hearings and get the price of a half a cent every time we have a hearing they may reopen, and I hope they do.

But it is too bad to think that we have to have hearings here on a bill in order to get a price structure to get these mines to operate. Yet here comes the Treasury and says, "You cannot do it this way."

The answer is that the administration, with regard to both parties, has always taken the position that nothing should be done with the lead and zinc mines except some tiny little palliative.

Now, we did do something for the Oklahoma situation and I am glad we did, but it is not across the country, and I hope when we get into this bill we will try to do something for lead and zinc this time that will be workable and will be fine.

I hope we can do something by merely staking out to these foreign exporters how much of the market they can have and reserving to the American producers a reasonable and fair share of that market.

I hope this bill will be favorably considered by our committee.

Senator GRUENING. Thank you very much, Senator Anderson.

I might say, in connection with your very mild comments on the Treasury Department, that we have an analogous paradox in connection with the gold industry.

The Treasury Department rejects all efforts, produced by this subcommittee and others, to do something to help our gold mining industry.

They have straitjacketed it by legislation which holds that industry where it was 29 years ago, and it is compelled to sell to the Government at that price.

It rejects any proposal that we make to relieve this situation and comes up with no alternative. At the same time it stresses great concern for the loss of our gold and our balance-of-payments situation.

And I think that strains our economy as in the lead and zinc industry and that, too, is apparently something which is done by both Republican and Democratic administrations.

They both seem to be oblivious to the needs of our mining industry, and I think it is time that we move actively to break down this resistance.

Senator ANDERSON. Mr. Chairman, may I suggest there, that since you mentioned the Department of Interior and——

Senator GRUENING. Treasury.

Senator ANDERSON. Well, the Department of Interior had much the same position or took much the same position, and they are going to be testifying on this in a few days.

I would hope that when the Department comes up if it rejects the bill, as I know it will, because they recommended against it, that they be required to submit a text indicating what they would like to support.

We keep hearing what they would like to do, but I hope the Department will come up with some language so that we can pick out the same faults with their language that they keep picking out with ours.

Senator GRUENING. I see the distinguished Assistant Secretary of Interior for Mining in the audience, and I hope he will take back the message of Senator Anderson, which is the "gospel."

We have another distinguished member of this committee who is also very knowledgeable in lead and zinc, and the next witness will be the Honorable Alan Bible, senior Senator of Nevada.

STATEMENT OF HON. ALAN BIBLE, A U.S. SENATOR FROM THE
STATE OF NEVADA

Senator BIBLE. Thank you, Mr. Chairman.

Might I first thoroughly and wholeheartedly associate myself with the presentation made by my distinguished colleague from New Mexico, Senator Anderson.

I thoroughly agree with what he has said.

I would amplify one request to our friends in the Interior Department, from reading their report.

I note, among other things, where, in recommending against enactment of S. 1534, they make a straight-up statement that is rather intriguing to me, and that is:

We are of the opinion that enactment of S. 1534 would not benefit the industry over the long term.

And I would like to have them be in a position to develop why this does not help it over the long term.

If this does not help it over the long term, in high heaven, what does?

Then your suggestion to bring in an alternative suggestion as to what does help the industry over a long time would be rather helpful.

I am rather surprised at that broad statement.

Mr. Chairman, I ask unanimous consent that my full statement be incorporated in the record, and I realize you have many industry witnesses here, and I do not want to trespass on their time.

I would just like to highlight my statement.

Senator GRUENING. It will be incorporated as written.

(The prepared statement of Senator Bible follows:)

PREPARED STATEMENT OF HON. ALAN BIBLE, A U.S. SENATOR FROM THE STATE OF
NEVADA

Mr. Chairman, as you and members of the committee realize, it is my privilege to represent a great mining State—a State which was explored, settled, and developed because of its variety and richness in mineral resources.

It was the bonanza-type deposit such as the famous Comstock lode which brought prominence to Nevada, and it was the wealth from Virginia City, Tonopah, Rawhide, Goldfield, and many other famous mining camps that furnished the backing and capital that set the stage for investments which assisted greatly in building the West. The city of San Francisco expanded by means of wealth from the Comstock lode. Financial institutions still exist in this famous city which were first started with the wealth brought forth from Nevada mines. Other parts of the Nation similarly benefited. The laying of the Atlantic cable was made possible. I could recall many other similar instances which were enhanced from the mining industry in Nevada.

Following bonanza days, the miners discovered and developed less exciting, but more stable, mining industries such as mercury, copper, iron ore, tungsten, as well as substantial lead-zinc deposits.

Nevada furnished the Nation with its needs for tungsten during a critical period during World War II. The mining of domestic tungsten is now an industry which has also practically gone out of existence due to cheaply mined imports.

Prospectors came forward with uranium when this Nation was in need and when it was believed there were but few, if any, uranium deposits in the United States. Now we are finding increasing uses for beryllium in our defense efforts, and while Nevada for years was believed to have insignificant amounts of this ore, not more than 3 years ago a large low-grade deposit was discovered and is being explored in our State by one of the large domestic mining companies.

Mining is our blood and has been and will continue to be a mainstay of Nevada's economy.

Several of the important mineral industries are now in a desperate economic position. This is the case of our lead-zinc miners as domestic market prices have plunged to low levels practically eliminating this industry in Nevada. Just this past week I had a letter from a longtime friend and miner, James Hulse, of the Pioche mining district. In this letter he reported the famous Caselton mine as being shut down and with only two men employed as caretakers. He stated the mine is slowly filling up with water.

Here is a man who has spent a lifetime in the mining industry. It is difficult for him, as well as me, to understand national policies which will not permit at least an even break for our domestic mining industry. We know it is necessary to import certain qualities of lead and zinc. A few years back, we furnished our domestic market with approximately 50 percent of its needs. The picture has been changing and is continuing to change as foreign mined ores are shipped to our Nation at greatly reduced prices. I quote in part from an article in the American Metal Market as late as Friday, August 9:

Entitled "Lead Stocks Up: First Time in 10 Months," the article goes on to say: "Receipts from domestic mines dropped to 22,205 tons from 25,040 tons but intake from foreign sources more than doubled to 22,730 tons from 11,049 tons earlier. The June ores' total was 44,935 tons against 36,089 tons in May."

The above graphically illustrates what is happening to our domestic lead-zinc industry. Actually, our domestic lead mining industry, along with our reprocessed secondary metal can meet the needs of 80 percent of the domestic consumption of lead within the United States. We can supply at least 60 percent of our domestic consumption of zinc. Yet we are reversing this trend and are accelerating imports of these two minerals to the complete collapse and demise of the domestic lead-zinc mining industry.

When import quotas were established under Executive Order 10401 on October 1, 1958, permitting imports at 80 percent of the base period 1953-57, Tariff Commission recommendations were 50 percent and increased tariffs. These have proven to be too liberal compared to U.S. needs. Lead mining production has decreased annually since 1956, and in 1962 was 236,956 tons, the lowest output reported since 1900.

Gentlemen, when I recently read that this Nation is concerned with the loss of an insignificant part of our chicken market to the European market because of increased poultry production among some of the Common Market nations and I see where our trade negotiators are pressing on such a matter, I wonder when the time will come that other than a handful of westerners in Congress will press for a rightful share of the minerals market, and I am not speaking of just lead and zinc. The loss to the domestic chicken industry in this instance is less than 5 percent of domestic production and involves approximately \$50 million annually in foreign trade.

It is time we joined forces with our friends in the mining industry and pressed for recognition for a larger share of the market instead of letting domestic mining die on the vine.

I know the value of foreign trade. I will back any program which will assist us in increasing our trade as long as it does not work to the detriment of this Nation. I think it is realistic to expect a larger share of our own domestic market in the lead and zinc industry and I hope others will feel likewise.

In the July issue of International Commerce, Secretary Hodges is quoted in a speech before the recent Governors' conference in Florida as stating: "Foreign commerce is vital to the vigor of our domestic economy. Our foreign trade (exports and imports) totals \$36 billion. It has been estimated that in 1961, 15 cents of every dollar of corporate profits recorded in the United States came from oversea operations."

The Secretary continues: "There is one further consideration of the greatest importance and seriousness about the status in foreign commerce—this is our balance of payments.

"Since World War II the U.S. dollar has been the dominant currency in world financial markets, and large dollar outflows were encouraged to allow war-ravaged economies to rebuild—to overcome what was known as the 'dollar gap.' These nations have now mended their economies and with substantial help from the United States have put up new plants and now contribute significantly to the defense of the free world. The competing industrialized nations, generally speaking, now have gold and dollar reserves that are more than adequate. Since 1950, the United States has been out of the red in its international accounts only once—1957, during the Suez crisis.

"A continuing and heavy dollar and gold loss at this point and in the future could result in a decline of confidence in the dollar and a serious problem for the international payments system and the economic progress of the free world."

Now the Secretary is talking my language. He is concerned as many of us have been for a number of years. I hope his concern will cause the Department of Commerce, as well as others, to take a sharp look at the mining industry.

In a story carried in the Washington Evening Star on August 9, 1963, I quote only the last paragraph: "The weekly statistic showed no change in the Nation's gold stockpile, which held at \$15,633 million, the lowest in 24 years."

Yes; it is time we realize what is happening. Better equipment overseas, constructed or purchased in many instances with our own dollars, is causing more than just the mining industry great concern. If foreign nations holding outstanding dollar credits called upon us today for gold, we could not now meet our obligations.

New wealth comes only from the development of natural resources, generating employment and associated economic benefits. It has been tabulated from a survey in one of our mining States that the average miner's family consists of 3.5 persons and for every man engaged in mining and allied industries $2\frac{1}{2}$ jobs were created in service industries. Each miner supported 12 local persons including merchants, mechanics, doctors, lawyers and other professional and tradesmen. The economics of these figures are evident that we desperately need a constructive national minerals policy.

We have over 5 million persons unemployed in the United States. Is it asking too much to regulate some of our industries and pass legislation, such as the bill before us, to assist in alleviating this nagging, nationwide responsibility?

The lead-zinc industry in Nevada is practically eliminated—the mines are filling up with water—another economic loss, one I have pointed out many times. This discourages the owners from reopening their mines, even when the ore price is more attractive. Costs and investment capital of reopening mines must be weighed against future profits. These are unnecessary economic losses, existing in mines throughout the entire Nation.

As the attached table of statistics will indicate, in the early 1950's our lead-zinc mines had a combined production value of \$8 to \$9 million. Last year this had dwindled to less than \$50,000. Where we used to have 145 substantial mines, we now have 9 small producers.

This situation has affected many of our communities relying solely on this income, and the lives of miners, their families, and associated service personnel are completely upset, and our State and Nation loses an important source of revenue.

The Pioche, Nev., area is a good example of our problem as this camp has for many years accounted for 75 to 90 percent or more of Nevada's lead-zinc output. The Caselton operation of Combined Metals Reduction Co. has included custom milling of all sulfide ores produced in the district. Experience of this property and district are discussed as fairly representing Nevada.

After a long period of shipping Pioche ores to Utah mills and smelters, the Caselton mill was built and commenced operation in the fall of 1941. The importance of Pioche operations to the community and to the State of Nevada is illustrated by the following tabulation:

Year	Tons produced	Dollar value concentrates, f.o.b. mill	Estimated district mine and mill employees
1942.....	126,000	\$1,100,000	210
1947.....	200,000	2,700,000	330
1952.....	227,000	3,700,000	380
1957 ¹	65,000	424,000	130
1961.....	None	None	6

¹ The Caselton mine operated only 7 months in 1957 when metal price deterioration forced closure.

In addition to the above production, Bristol Silver Mines Co. was shipping ore direct to Salt Lake smelters. In 1957, production was 10,300 tons with net mine value of \$414,000, and the mine employed around 35 men. Today their operation has also shrunk virtually to a standby basis.

For a community that has historically been dependent on the mines for its primary support, closing of the mines has created extreme hardship.

People who spent their lifetime building homes have had to move. Merchants have had to go out of business. The county has been sorely pressed to find sufficient tax revenue, and an important county in an important State has been hurt worse than some of the borderline "backward" countries where mines have been developed with loans and aid from our Government.

I have followed very carefully and have participated over the years in the efforts of this industry to correct the problem of excessive, unneeded foreign imports which have caused our domestic market prices to drop below economic levels.

I know that the industry has exhausted all possible avenues of relief through the Tariff Commission, and I note that under the new Trade Expansion Act, 11 industries, firms, and worker petitions for relief have been refused as new terminology does not permit favorable findings of action for relief from imports.

Mr. Chairman, it is quite apparent that legislation is the only solution to correct this continuing deterioration of an important industry. I was happy to cosponsor S. 1534 and believe that enactment of this legislation will provide a necessary, sensible, and workable solution to an otherwise impossible situation. I urge favorable action by this committee, and enactment by the Congress, and acceptance by the executive department.

In closing, may I repeat that Nevada produced lead and zinc valued at \$8 to \$9 million in the early 1950's, and now has an annual token production of less than \$50,000. The potential is still there is the miner is given the price incentive. The Nevada State mine inspector lists over 100 properties, potential lead-zinc producers, scattered throughout 12 counties in the State. All may not be large mines, but the operators typify the spirit of the miner and this State which helped build the strength of the West and will do so again if given a fair chance.

Production of lead and zinc in Nevada

Year	Number of mines, esti- mated by U.S. Bureau of Mines	Material treated	Lead pro- duced	Zinc pro- duced	Value of lead pro- duced	Value of zinc pro- duced	Average price, lead	Average price, zinc
		<i>Tons</i>	<i>Tons</i>	<i>Tons</i>	<i>Dollars</i>	<i>Dollars</i>	<i>Cents</i>	<i>Cents</i>
1948	129	265,008	9,020	19,947	3,229,392	5,306,102	17.9	13.3
1949	145	282,354	9,276	19,962	2,931,358	4,950,725	15.8	12.4
1950	108	283,421	8,736	21,404	2,358,734	6,078,849	13.5	14.2
1951	99	321,951	7,083	17,437	2,450,908	6,347,123	17.3	18.2
1952	70	303,732	6,732	15,179	2,167,720	5,039,544	16.1	16.6
1953	36	102,012	3,307	4,426	872,644	1,017,981	13.1	11.5
1954	29	31,682	2,109	679	577,880	146,708	13.7	10.8
1955	37	37,831	2,104	2,434	626,932	598,912	14.9	12.3
1956	45	102,845	3,460	7,284	1,086,550	1,996,008	15.7	13.7
1957	36	84,529	4,911	5,161	1,418,995	1,197,375	14.3	11.6
1958	21	25,032	3,679	88	861,015	18,054	11.7	10.2
1959	20	5,735	752	109	172,878	25,000	11.5	11.5
1960	26	11,914	854	323	199,731	83,399	11.7	12.9
1961	11	4,437	478	182	98,468	41,860	10.3	11.5
1962	9	622	46	147	8,464	33,810	9.2	11.5

Senator BIBLE. I first point out in my statement that I represent a great mining State, one which was explored, settled, and developed because of its variety and richness in mineral resources.

And I need not again detail the great contributions that were made by my State in areas of gold and silver and later in tungsten and, even more recently, in a very interesting new discovery of beryllium in eastern Nevada which offers great possibilities in the defense efforts.

Mining has long been our blood and has been, and will continue to be, a mainstay of Nevada's economy.

The story that was told by Senator Anderson was brought very vividly to my attention by a letter which I received from a lifelong friend, an old prospector, who has been prospecting all of his life.

He wrote me with great sadness in a letter which I received just a few days ago.

His name is James Hulse. He is a prospector in the Pioche mining district, which is located in the eastern part of our State and is the lead-zinc district of Nevada.

It probably is accountable and in the past has been accountable for some 75 to 90 percent of the combined lead-zinc production of our State.

And he reported in this letter that a mine in which former President Hoover has a very large interest, the famous Caselton Mine, is being shut down, with only two men employed as caretakers.

He stated that this was in operation for many years and it is very slowly filling up with water.

Here is a man who has spent a lifetime in the mining industry, and he writes to me, and it is difficult for him, as well as me, to understand national policies which will not permit at least an even break for our domestic mining industry.

We know it is necessary to import certain qualities of lead and zinc. A few years back we furnished our domestic market with approximately 50 percent of its needs.

The picture has been changing and is continuing to change as foreign mined ores are shipped to our Nation at greatly reduced prices.

Quoting in part from an article in the American Metal Market, as late as Friday, August 9, it is entitled "Lead Stocks Up: First Time in 10 Months," and the article goes on to say:

Receipts from domestic mines dropped to 22,205 tons from 25,040 tons but intake from foreign sources more than doubled to 22,730 tons from 11,049 tons earlier.

The June ores total was 44,935 tons against 36,089 tons in May.

The article from the American Metal Market graphically illustrates what is happening to our domestic lead-zinc industry.

Actually, our domestic lead mining industry, along with our re-processed secondary metal, can meet the needs of 80 percent of the domestic consumption of lead within the United States.

And it is estimated that we can supply at least 60 percent of our domestic consumption of zinc.

And when the import quotas were established under Executive Order 10401, on October 1, 1958, permitting imports at 80 percent of the base period in 1953-57, the Tariff Commission recommendations were 50 percent and increased tariffs.

These have proven to be too liberal compared to U.S. needs. Lead mining production has decreased annually since 1956, and in 1962 it was 236,956 tons, the lowest output reported since 1900.

Now, I think many of us have read of the present problem that some of our good friends have in the poultry production business, where they have lost some 5 years or 5 percent of their domestic production to some of the negotiations that are being carried on in the European market and the Common Market, and though I have great sympathy for their loss of a 5 percent market, we are in the position where we have lost to the imports somewhere in the neighborhood of 55 to 60 percent of the domestic market.

And this again is something that is most difficult to explain to our domestic miners.

I comment again on a point that the chairman of the subcommittee, Senator Gruening, is constantly pointing out and that is the imbalance in our trade, the fact that our Nation's gold stockpile, I think it is reported now, is the lowest in 24 years, and we know some of the reasons for this:

Some of our foreign aid programs, the fact that we have better equipment overseas; that many of the plants being constructed are with our own dollars, and if foreign nations, holding outstanding dollar credits, call upon us today for gold we would have great difficulty, if we could, to meet our obligations.

Now, Senator Anderson had developed the dependence of people upon money, and I think it is statistically established that the average miner's family consists of 3.5 persons and that for every man engaged in mining, and the allied industries, two and a third jobs are created in service industries.

This is pretty well statistically recognized, and each miner supports something in the range of 10 to 12 people, including the merchants, the mechanics, the doctors, and the lawyers, and the other professions and tradesmen.

And the economics of these figures are evidence that we desperately need a constructive national minerals policy.

Today, when there is much more unemployment than there should be—and we do have depressed areas—I can say this is certainly the most depressed area in the entire State of Nevada. Generally our economy is good, but in Nevada we are suffering a tremendous depression almost entirely because of the importations of these cheap products from overseas.

I then point out the effect that we have in Lincoln County, and I have incorporated here in my statement the figures that indicate that a modest mining district with a peak employment of some 400 employees, with a range of 10 people being dependent upon 400 employees—this gives you a community of 3,000 to 4,000 to 5,000 people—is now down, in 1961, to a total of 6 employees.

And this is the history of the lead-zinc industry of our State.

Mr. Chairman, I was happy to join Senator Anderson as a cosponsor on his legislation, S. 1534.

It certainly is a realistic approach to a very difficult problem. It is not a palliative. It is an attempt to work this out where people in the mining district can plan, with some degree of certainty, their future course of action.

I wholeheartedly support it. I would simply point out, in closing, that in the 1950's the lead-zinc industry in our State produced some \$9 or \$10 million.

Now it has a production of \$50,000, the last figure.

The Nevada State miner inspector lists over 100 properties, potential lead-zinc producers, scattered throughout 12 counties in the State. All may not be large mines, but the operators typify the spirit of the miner and this State which helped build the strength of the West and will do so again if given a fair chance. I think all they are asking is a fair share of the market.

It seems to me that the bill of Senator Anderson, cosponsored by many others, will do this.

Senator GRUENING. Thank you very much, Senator Bible.

I might say for the record that although there are many cosponsors to this bill, it is interesting to see what wide support this has.

This bill is cosponsored by Mr. Jackson of Washington; Mr. Jordan of Idaho; the late Mr. Kefauver of Tennessee; Mr. Long of Missouri; Mr. Magnuson of Washington; Mr. Mansfield of Montana; Mr. Mechem of New Mexico; Mr. Metcalf of Montana; Mr. Monroney of Oklahoma; Mr. Moss of Utah; Mr. Nelson of Wisconsin; Mr. Symington of Missouri; Mr. Allott of Colorado; Mr. Bartlett, my colleague, of Alaska; Mr. Bennett of Utah; Mr. Bible of Nevada; Mr. Cannon of Nevada; Mr. Carlson of Kansas; Mr. Church of Idaho; Mr. Dirksen of Illinois; Mr. Dominick of Colorado; Mr. Edmondson of Oklahoma; Mr. Engle of California; Mr. Hayden of Arizona; and myself.

I cannot imagine a more representative group of Senators, and they are not all from the Far West.

And it is an indication of the seriousness with which the Senate considers this.

Is Senator Bennett here?

Is Representative Edmondson here?

At this point we will include the statements of Senator Mechem of New Mexico and Senator Church of Idaho.

(The statements are as follows:)

STATEMENT OF HON. E. L. MECHEM, A U.S. SENATOR FROM THE STATE
OF NEW MEXICO

Excessive importation has virtually halted the mining of lead and zinc in New Mexico and 19 other States. Our ability to produce these important metals in time of national emergency has, as a result, been seriously hampered.

This proposal, by utilizing the flexible quota system, would assure our domestic lead and zinc mining industries a fair share of the domestic market, while continuing a reasonable price for lead and zinc users.

I urge, therefore, favorable committee consideration of S. 1534.

STATEMENT OF HON. FRANK CHURCH, A U.S. SENATOR FROM THE STATE OF IDAHO

Mr. Chairman, I am a cosponsor of the bill before us, S. 1534. Evidence presented before this committee proves conclusively that the domestic lead and zinc industry is in serious trouble. Because I believe that a strong lead-zinc industry is important to our economic well-being, I feel that strong measures must be taken to remedy the situation.

In the last 10 years, our domestic production of lead and zinc has suffered greatly. Our distinguished colleague, Senator Anderson, has pointed out that the annual direct value of lead and zinc production in the United States has slumped from \$375 million in 1950 to \$160 million in 1962. The number of lead-zinc mines in the United States has dropped from over 1,000 to 300, while employment in the lead-zinc industry has fallen from 24,000 to 9,500.

This situation is particularly apparent in my home State of Idaho. Idaho has always depended heavily upon its lead and zinc industry as a staple of its economy. Idaho has produced over 7 million tons of lead, at a value of over \$963 million. Lead and zinc production combined has exceeded \$1.43 billion. Idaho regularly produces one-fifth or more of the entire annual U.S. mine production of lead and 10 to 15 percent of the zinc.

In the last 10 years, however, the mining of lead and zinc in Idaho has suffered with the industry throughout the United States. In 1953, there were 100 lead and zinc mines in Idaho; today there are 21. Ten years ago, Idaho's mines produced lead and zinc valued at \$52.5 million; now they produce approximately \$30 million annually. Employment in the lead and zinc industry in Idaho is down 30 percent since 1953.

These are disturbing figures, Mr. Chairman. They are directly due to a situation which allows foreign imports of lead and zinc a larger share of the U.S. market than is available to domestic producers.

The bill before us, S. 1535, seeks to remedy this situation. As Mr. A. J. Teske, secretary of the Idaho Mining Association, has pointed out in his testimony, the bill seeks " * * * a reasonable share of the domestic market for domestic lead-zinc producers at prices that will sustain a domestic industry that is sufficiently healthy and aggressive to satisfy the requirements of congressional policy."

The Anderson bill, S. 1534, would accomplish this with a system of quotas. Until the price of lead and zinc reached 13½ cents per pound during a prescribed period, absolute quota restrictions would apply. When the price exceeded 13½ cents per pound during that period, the quota would be based on the difference between domestic consumption and domestic production in the United States.

This, as has been pointed out, would provide protection for the American miner and adequate supplies for consumers at reasonable prices, while still granting a fair share of the U.S. market for importers.

For these reasons, I support S. 1534.

Senator GRUENING. We will now proceed to the industry witnesses.

We will first have Mr. Clark Wilson, Chairman of the Emergency Lead-Zinc Committee; accompanied by Mr. William E. Darmitzel, executive director of the New Mexico Mining Association; Mr. Charles R. Ince, vice president of the St. Joseph Lead Co.; Mr. W. Roy Kopp, representing Wisconsin-Illinois & Iowa Lead & Zinc Producers Association; Mr. Miles P. Romney, manager of the Utah Mining Association; Mr. A. J. Teske, secretary of the Idaho Mining Association; and Mr. Thomas Kiser of the Tri-State Lead-Zinc Ore Producers Association.

Before we hear these witnesses, however, Senator Allott has something he would like to say.

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

Senator ALLOTT. Mr. Chairman, I appreciate this opportunity, because I am a cosponsor on this bill, but I am not a member of this subcommittee and I appreciate the indulgence of the members of the subcommittee.

I want to underscore what Senator Bible and Senator Anderson have both said.

I am sure my views are well known to this subcommittee and also to the industry, because I have repeated them over and over.

There are none so blind as those who will not see, and there are none who are so deaf as those who will not hear.

This bill, I think, is a step in the right direction. We have destroyed the lead and zinc industry in Colorado, for all practical purposes, although we still have one or two mines operating.

But we have destroyed it and we have destroyed the lead-zinc industry and we have destroyed the mining industry throughout the West.

In this day and age, when people are concerned about the balance of payments, it would not be unwise to regard the statistics of the Department of the Interior and particularly the Bureau of Mines in this document entitled "Minerals and Metals Commodities, Data Summaries."

Mr. Chairman, I would hope that at some time the data on lead and zinc in this "Minerals and Metals Commodities, Data Summaries" could be placed in the record.

Although I am not satisfied with the present issue of this year as showing the complete picture because, as you know, this document only goes back for 5 years and so the last year shown is 1958, but I think if a corresponding instrument or document could be obtained for the committee it would be of great help.

If not, I think I have it in my files and it would be for the year 1955 or 1956 which would then go back another 5 years and it would present the picture to this committee and to the people who studied it, and it will show how drastic the policies or the lack of policies of this Government have been in the field of minerals.

I may say at this time that I still hope that this subcommittee and the full committee will see fit to report the bill upon a national minerals' policy which, as I see it, is still the beginning place for the bill which we have all joined in here.

Senator GRUENING. Would the Senator like to have it incorporated by reference or actually put in the record?

Senator ANDERSON. May I make a suggestion?

The Senator from Colorado has done a lot of hard work on this, as many of us have.

I would like to suggest that he might consent that a table be prepared by the staff which will be inserted in the record at this point, and they could work up the figures that Senator Allott has, and the staff can also incorporate such figures from that as they see fit.

Senator ALLOTT. I request this, Mr. Chairman, because I believe the figures should be cumulative, showing clear from, say, 1950 on to the last year, which is 1962.

And that would give the committee a far clearer and, I say, dramatic picture of what has happened to the lead-zinc industry than the particular document to which I have referred.

Senator GRUENING. Is there an objection?

If not, this will be done.

Senator ALLOTT. Thank you very much, Mr. Chairman.

(The information referred to follows:)

Zinc salient statistics

[Short tons]

	1950	1951	1952	1952	1954	1955	1956
Mine production of recoverable zinc.....	623, 375	681, 189	666, 001	547, 430	473, 471	514, 671	542, 340
Slab zinc production:							
From domestic ore.....	588, 291	621, 826	575, 828	1 495, 436	1 380, 312	582, 913	1 470, 093
From foreign ore.....	255, 176	259, 807	1 328, 651	1 420, 669	1 422, 113	1 380, 591	1 513, 517
From secondary.....	66, 970	48, 657	55, 111	52, 875	68, 013	66, 042	72, 127
Total.....	910, 437	930, 290	959, 590	968, 980	870, 438	1, 029, 546	1, 055, 737
General imports:							
Ores and concentrates (zinc content).....	278, 573	302, 777	449, 636	513, 724	455, 427	478, 044	525, 350
Slab zinc.....	155, 974	88, 043	115, 705	234, 576	156, 858	195, 696	244, 978
Exports of slab zinc.....	12, 917	36, 510	57, 714	17, 969	24, 994	18, 069	8, 813
Consumption:							
Slab zinc.....	967, 134	933, 971	852, 783	985, 927	884, 299	1, 119, 812	1, 008, 790
Domestic ores for zinc oxide.....	96, 358	99, 169	73, 196	72, 422	64, 319	69, 082	66, 855
Foreign ores for zinc oxide.....	27, 601	22, 321	27, 022	36, 512	26, 522	39, 313	35, 193
Total ores.....	123, 959	121, 490	100, 218	108, 934	90, 841	108, 395	102, 048
Producer stocks of slab zinc, end of period.....	8, 884	21, 980	85, 021	179, 993	123, 396	39, 264	66, 875
Price, Prime Western, East St. Louis, cents per pound.....	13. 88	17. 99	16. 21	10. 86	10. 69	12. 30	13. 49
Constant dollar price, 1954, cents per pound.....	15. 51	18. 70	16. 52	10. 97	10. 69	12. 15	12. 90

	1957	1958	1959	1960	1961	1962
Mine production of recoverable zinc.....	531, 735	412, 005	425, 303	435, 427	464, 390	505, 491
Slab zinc production:						
From domestic ore.....	539, 692	346, 240	348, 443	334, 101	419, 206	-----
From foreign ore.....	446, 104	435, 006	450, 223	465, 415	427, 589	879, 395
From secondary.....	72, 481	46, 605	57, 818	68, 731	55, 237	58, 880
Total.....	1, 058, 277	2 827, 851	2 856, 484	2 868, 247	2 902, 032	2 938, 275
General imports:						
Ores and concentrates (zinc content).....	526, 014	461, 560	500, 115	457, 155	415, 700	467, 398
Slab zinc.....	269, 007	195, 199	156, 963	120, 767	127, 562	141, 957
Exports of slab zinc.....	10, 785	2, 073	11, 629	75, 144	50, 055	36, 102
Consumption:						
Slab zinc.....	935, 620	868, 327	956, 197	877, 884	931, 213	1, 031, 819
Domestic ores for zinc oxide.....	70, 968	69, 260	75, 946	63, 000	71, 537	-----
Foreign ores for zinc oxide.....	25, 634	13, 668	19, 137	15, 859	15, 057	98, 861
Total ores.....	96, 632	82, 928	95, 083	78, 859	86, 594	98, 861
Producer stocks of slab zinc, end of period.....	155, 833	184, 020	156, 210	185, 882	145, 540	149, 554
Price, Prime Western, East St. Louis, cents per pound.....	11. 40	10. 31	11. 46	12. 95	11. 55	11. 63
Constant dollar price, 1954, cents per pound.....	10. 52	9. 31	10. 18	11. 32	9. 97	9. 91

¹ Includes a small tonnage of slab zinc further refined into high-grade metal.² Includes production of zinc used directly in alloying operations.

Consumption of slab zinc in the United States by industry use

[Short tons]

Year	Galva- nizing	Brass and bronze	Zinc-base alloys	Rolled zinc	Zinc oxide	Other uses	Total
1950.....	441,686	139,373	289,527	68,444	18,187	9,917	967,134
1951.....	400,279	143,292	296,434	64,085	18,223	11,658	933,971
1952.....	377,688	155,608	236,689	51,318	17,205	14,275	852,783
1953.....	406,988	178,182	307,445	54,649	20,675	17,988	985,927
1954.....	403,463	108,268	290,846	47,486	18,701	15,535	884,299
1955.....	451,141	146,243	430,807	51,589	22,433	17,599	1,119,812
1956.....	439,146	124,004	360,507	47,359	19,160	18,614	1,008,790
1957.....	367,757	112,390	376,039	41,269	20,428	17,737	935,620
1958.....	381,229	101,375	316,830	40,616	13,331	14,946	868,327
1959.....	361,027	129,278	389,331	42,949	18,248	15,364	956,197
1960.....	371,589	99,023	338,373	38,696	15,593	14,610	877,884
1961.....	382,077	128,523	341,766	41,204	18,137	19,506	931,213
1962.....	388,570	129,805	423,608	42,233	18,517	29,086	1,031,819

LEAD-ZINC STABILIZATION

Mine production of recoverable lead and zinc in the United States, by States
[Short tons]

State	1950		1951		1952		1953		1954		1955		1956	
	Lead	Zinc	Lead	Zinc	Lead	Zinc	Lead	Zinc	Lead	Zinc	Lead	Zinc	Lead	Zinc
Alaska.....	149	6	21	52,999	1	47,143	9,428	27,530	8,385	21,461	9,817	22,684	11,989	26,580
Arizona.....	26,383	60,460	17,394	50	16,520	26	8,664	5,358	2,671	1,415	8,265	6,536	9,286	8,049
Arkansas.....	15,831	7,551	13,967	9,602	11,199	9,419	21,754	27,809	17,823	35,160	16,805	35,350	19,856	40,246
California.....	27,007	45,776	30,336	55,714	30,668	53,203	74,317	72,553	69,802	61,528	64,163	53,314	64,321	49,661
Colorado.....	100,025	87,890	76,713	78,171	73,719	74,317	74,610	72,553	69,802	61,528	64,163	53,314	64,321	49,661
Idaho.....	2,729	26,982	3,160	21,776	4,962	18,816	3,391	14,556	3,232	14,427	4,544	21,700	3,832	24,039
Illinois.....	9,487	27,176	8,947	28,904	5,916	23,982	8,347	15,516	4,033	19,110	5,498	27,611	7,635	28,665
Kansas.....	66	731	107	3,457	120,245	3,280	82	489	80	468	228	417	228	417
Kentucky.....	134,626	8,189	123,702	11,476	120,245	13,986	125,886	9,981	125,250	5,210	125,412	4,476	123,783	4,380
Missouri.....	19,617	67,678	21,302	85,551	21,279	82,185	19,949	80,271	14,820	60,952	17,028	68,588	18,642	70,520
Montana.....	9,408	21,606	7,148	17,443	6,790	15,357	4,371	5,812	3,041	1,035	3,291	2,670	6,384	7,488
Nevada.....	55,020	55,020	62,917	59,190	7,021	59,190	2,943	45,700	37,416	11,943	11,943	11,943	4,667	4,667
New Jersey.....	4,150	5,846	5,846	48,419	7,021	50,075	2,943	13,373	887	53,199	3,296	15,277	6,042	35,010
New Mexico.....	1,484	38,321	1,500	40,051	1,120	32,636	1,435	51,529	1,187	53,199	1,037	53,016	1,808	59,111
New York.....	20,724	46,739	16,575	53,450	15,137	54,916	9,304	33,413	14,204	43,171	14,126	41,543	12,350	27,515
North Carolina.....	17	21	2	3	1	1	5	5	5	5	3	5	5	5
Oklahoma.....	113	35,326	14	38,639	18	38,020	9	38,465	30,326	30,326	40,216	40,216	46,023	46,023
Oregon.....	129	56	43	24	50,210	3	41,522	29,184	44,972	34,031	50,452	43,556	49,555	42,374
Tennessee.....	44,755	31,078	50,461	34,317	3,762	32,947	2,788	16,676	4,324	16,738	2,999	18,329	3,035	19,196
Texas.....	3,254	12,396	1,508	7,332	3,762	13,409	2,788	16,676	4,324	16,738	2,999	18,329	3,035	19,196
Utah.....	10,334	14,807	8,002	18,189	11,744	20,102	11,064	32,786	9,938	22,301	10,340	29,536	11,657	25,609
Virginia.....	532	5,722	1,381	15,754	2,000	20,588	2,094	16,830	1,265	15,534	1,948	18,326	2,582	23,890
Washington.....	532	5,722	1,381	15,754	2,000	20,588	2,094	16,830	1,265	15,534	1,948	18,326	2,582	23,890
Wisconsin.....	532	5,722	1,381	15,754	2,000	20,588	2,094	16,830	1,265	15,534	1,948	18,326	2,582	23,890
Wyoming.....	532	5,722	1,381	15,754	2,000	20,588	2,094	16,830	1,265	15,534	1,948	18,326	2,582	23,890
Other States.....	430,827	623,375	388,164	681,189	390,162	666,001	342,644	547,430	325,419	473,471	338,025	514,671	352,826	542,340
Total.....	430,827	623,375	388,164	681,189	390,162	666,001	342,644	547,430	325,419	473,471	338,025	514,671	352,826	542,340

State	1957		1958		1959		1960		1961		1962 ¹	
	Lead	Zinc	Lead	Zinc	Lead	Zinc	Lead	Zinc	Lead	Zinc	Lead	Zinc
Alaska.....	9	33,905	2	28,532	3,999	37,325	8,495	35,811	5,937	29,585	7,000	33,200
Arizona.....	12,441		11,890		38		10		37			211
Arkansas.....	3,458		140	51	227	78	440	465	103	304	385	315
California.....	21,003	2,969	14,112	37,152	12,007	35,388	18,080	31,278	17,755	42,647	16,785	43,065
Colorado.....	71,637	57,941	53,693	49,725	63,395	55,690	42,907	36,801	71,476	58,295	84,248	62,951
Idaho.....	2,970	22,185	1,610	24,940	2,570	26,815	3,000	29,550	3,430	26,795	3,600	27,010
Illinois.....	4,257	15,859	1,299	4,421	481	1,017	781	2,117	1,449	2,446	1,500	4,400
Kansas.....	411	837	516	1,258	409	673	558	869	1,147	1,147	1,200	1,200
Kentucky.....	126,345	2,951	113,123	362	105,165	92	111,948	2,821	98,785	5,847	60,946	2,782
Missouri.....	13,300	50,520	8,434	33,238	7,672	27,848	4,879	12,551	2,643	10,262	6,556	38,830
Montana.....	5,979	5,292	4,150	91	1,357	217	987	420	1,791	453	280	100
Nevada.....		12,530		607								14,995
New Jersey.....		32,680	1,117	9,034	829	4,636	1,996	13,770	2,332	22,900	1,000	21,400
New Mexico.....	5,294		1,579	53,014	481	43,464	775	66,364	819	54,763	1,065	53,662
New York.....	1,697	64,659					424		318			
North Carolina.....												
Oklahoma.....	7,183	14,951	3,692	5,267	601	1,049	956	2,332	980	3,148	3,150	10,500
Oregon.....	5		1									
Pennsylvania.....				10,812		16,718		13,746		23,428		23,018
Tennessee.....		58,003		59,130		89,932		91,364		81,734		71,008
Texas.....												
Utah.....	44,471	40,836	40,355	44,982	38,630	35,223	39,398	36,470	40,894	37,239	38,400	35,100
Virginia.....	3,162	23,080	2,934	18,472	2,770	20,334	2,152	19,856	3,733	29,163	3,678	26,462
Washington.....	12,734	24,000	9,020	18,797	10,310	17,111	7,725	21,317	8,053	20,217	6,053	21,579
Wisconsin.....	1,900	21,565	9,800	12,140	745	11,635	1,165	18,410	680	13,865	1,395	13,260
Other States.....							23		27			
Total.....	338,216	531,735	267,377	412,005	255,586	425,303	246,669	435,427	261,921	464,380	237,386	505,648

¹ Preliminary.

Lead consumption by class of product

[Short tons]

Year	Metal products	Storage batteries	Pigments	Chemicals	Miscellaneous	Unclassified	Total
1950	515, 527	398, 409	166, 387	125, 526	17, 273	14, 859	1, 237, 981
1951	500, 009	375, 384	139, 504	135, 356	18, 186	16, 354	1, 184, 793
1952	476, 542	350, 930	122, 299	150, 719	15, 783	14, 522	1, 130, 795
1953	501, 482	367, 575	129, 590	169, 419	16, 540	16, 998	1, 201, 604
1954	442, 384	337, 272	116, 409	167, 184	15, 650	15, 972	1, 094, 871
1955	495, 320	380, 033	131, 435	170, 625	16, 893	18, 338	1, 212, 644
1956	489, 586	370, 771	120, 370	195, 136	15, 723	18, 131	1, 209, 717
1957	448, 948	361, 015	115, 361	180, 557	14, 867	17, 367	1, 138, 115
1958	382, 822	312, 725	95, 901	162, 645	14, 355	17, 939	986, 387
1959	407, 520	380, 732	103, 671	164, 505	15, 363	19, 358	1, 091, 149
1960	369, 731	353, 196	98, 541	166, 632	15, 799	17, 273	1, 021, 172
1961	359, 302	367, 998	95, 293	171, 921	15, 643	17, 059	1, 027, 216
1962	380, 623	419, 906	102, 968	171, 641	17, 018	17, 479	1, 109, 635

Salient lead statistics

[Thousands of short tons]

Year	Mine production recoverable	Smelter production (primary) ¹	Secondary recovery	Imports		Exports total	Consumption total	Stocks—producers refined and anti-monial ¹	Price, average quoted New York
				Metal	Ores and bullion				
1950	431	523	482	442	80	4	1, 238	35	13.30
1951	388	444	518	179	70	2	1, 185	25	17.49
1952	390	491	471	511	105	3	1, 131	42	16.47
1953	343	489	487	385	162	5	1, 202	79	13.48
1954	325	499	481	276	161	5	1, 095	92	14.05
1955	338	494	502	264	177	5	1, 213	31	15.14
1956	353	556	507	263	196	8	1, 210	41	16.01
1957	338	553	489	324	199	6	1, 138	86	14.66
1958	267	487	403	368	202	3	986	188	12.11
1959	256	353	451	263	139	4	1, 091	119	12.21
1960	247	385	470	206	146	6	1, 021	159	11.95
1961	262	475	453	257	148	12	1, 027	206	10.87
1962	237	409	439	257	143	7	1, 110	143	9.63

¹ Lead content.*Lead consumption by class of product*

[Short tons]

Year	Metal products	Storage batteries	Pigments	Chemicals	Miscellaneous	Unclassified	Total
1950	515, 527	398, 409	166, 387	125, 526	17, 273	14, 859	1, 237, 981
1951	500, 009	375, 384	139, 504	135, 356	18, 186	16, 354	1, 184, 793
1952	476, 542	350, 930	122, 299	150, 719	15, 783	14, 522	1, 130, 795
1953	501, 482	367, 575	129, 590	169, 419	16, 540	16, 998	1, 201, 604
1954	442, 384	337, 272	116, 409	167, 184	15, 650	15, 972	1, 094, 871
1955	495, 320	380, 033	131, 435	170, 625	16, 893	18, 338	1, 212, 644
1956	489, 586	370, 771	120, 370	195, 136	15, 723	18, 131	1, 209, 717
1957	448, 948	361, 015	115, 361	180, 557	14, 867	17, 367	1, 138, 115
1958	382, 822	312, 725	95, 901	162, 645	14, 355	17, 939	986, 387
1959	407, 520	380, 732	103, 671	164, 505	15, 363	19, 358	1, 091, 149
1960	369, 731	353, 196	98, 541	166, 632	15, 799	17, 273	1, 021, 172
1961	359, 302	367, 998	95, 293	171, 921	15, 643	17, 059	1, 027, 216
1962	380, 623	419, 906	102, 968	171, 641	17, 018	17, 479	1, 109, 635

Senator GRUENING. We are very happy to have the industry representatives here.

STATEMENT OF CLARK WILSON, CHAIRMAN, EMERGENCY LEAD-ZINC COMMITTEE, ACCOMPANIED BY WILLIAM E. DARMITZEL, EXECUTIVE DIRECTOR, NEW MEXICO MINING ASSOCIATION; CHARLES R. INCE, VICE PRESIDENT, ST. JOSEPH LEAD CO.; W. ROY KOPP, REPRESENTING WISCONSIN-ILLINOIS & IOWA LEAD & ZINC PRODUCERS ASSOCIATION; MILES P. ROMNEY, MANAGER, UTAH MINING ASSOCIATION; A. J. TESKE, SECRETARY, IDAHO MINING ASSOCIATION; AND THOMAS KISER, TRI-STATE LEAD-ZINC ORE PRODUCERS ASSOCIATION

Senator GRUENING. Mr. Wilson, will you proceed in whatever way you think best, please.

Mr. WILSON. Thank you, Mr. Chairman.

In the interest of time, I think each of our representatives would like to present their particular comments and then perhaps you would like to question us as a group so that the appropriate persons could answer the questions that might be directed toward us.

I might say in starting that we certainly again appreciate the opportunity to appear before you gentlemen.

You have been very patient and sympathetic with us for a good many years, and we are glad to see this kind of treatment continue, as we certainly need it.

Senator GRUENING. You may proceed in the manner you prefer.

Mr. WILSON. Fine. I would like to read the statement, Mr. Chairman.

I am Clark L. Wilson, Chairman of the Emergency Lead-Zinc Committee. I appear here today on behalf of the domestic lead-zinc mining industry.

Members of the committee for which I speak account for at least 90 percent of the domestic mine production of lead and about 50 percent of the primary domestic lead and zinc metal smelted and refined in this country.

Mr. Chairman, it was my privilege to appear and present a statement for our membership before your committee on May 10 of this year. At that time, we discussed in general terms the long history of the economic problems of the lead-zinc mining industry and the lack of interest and action by the executive departments to enact reasonable and logical plans to maintain a basic natural resource industry vital to the economy and defense of our Nation.

You and your committee members demonstrated your intimate knowledge of our industry in the discussion of our problems, and at the conclusion of my statement, we had a further discussion of what was then a legislative proposal and was subsequently introduced in the Senate by Senator Clinton P. Anderson as S. 1534, for himself and 25 other Senators, including all members of your subcommittee. This is the proposal we are considering today.

During the hearing on May 10, you personally, Mr. Chairman, together with several of your committee members, exhibited interest and approval of the legislative principle of calculating a flexible lead-zinc import quota, based on a reasonable market price, and representing the difference between our needs as determined by the U.S. consumption and the metal supply from domestic sources.

Speaking for the lead-zinc mining industry, I assure you of our deepest appreciation in this translation of "talk" into a specific legislative proposal, and the "followup" by the introduction of this legislation on May 14, 1963, and by the hearing here today.

We have had an overabundance of talk by the executive department and their agencies in the past 10 to 12 years, but the lack of effective action has resulted in continuing deterioration of our industry. You will recall that at the opening of the hearing last May, one of your colleagues summarized the "long-range Government minerals policy" over the past few years as "drifting—drifting—drifting."

With this, we are in complete agreement. I trust that these hearings will start action in the Senate that will result in legislation presented to the President.

I further trust that Congress will insist it be enacted to stabilize domestic lead-zinc mine production at a reasonable price beneficial to the miner, smelter, and consumer.

Mr. Chairman, I see no need to repeat the detailed information regarding our industry as contained in the May 10 statement. However, I do request that a copy of that statement and exhibits be included as a part of the record of this hearing, as it provides the background information and history of our experience that has determined the need for lead-zinc import legislation.

Mr. Chairman, I have a copy of that information here for the reporter, if that is agreeable with you, as the chairman of the committee.

Senator GRUENING. It will be received.

(The information referred to follows:)

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

Mr. Chairman and members of the committee, I am Clark L. Wilson, chairman of the Emergency Lead-Zinc Committee. My personal experience includes over 25 years in the exploration and operating phases of lead and zinc and other metal mining in the United States. I appear here today on behalf of the domestic lead-zinc mining industry. Members of the committee for which I speak account for at least 90 percent of domestic mine production of lead and about 80 percent of domestic mine production of zinc.

Mr. Chairman, representatives of the domestic lead-zinc mining industry have been making similar appearances and presenting similar statements over the past 12 years before committees of the Congress, the Tariff Commission, departments of Government, and public forums interested in our problems. We have consistently urged constructive action by the Government to limit excessive foreign imports of these two metals to reasonable levels that will provide only those supplies actually needed to supplement the materials obtained from our own domestic mine production. To date there has been no constructive action to maintain a necessary and healthy segment of our mining industry—this in spite of sympathetic acceptance of our story, a genuine realization and appreciation in some quarters of Government of our difficulties followed by sound recommendations for long-term permanent working plans. Unfortunately for us and for the country, constructive legislation proposed by the Congress and the recommendations of the Tariff Commission have not been acceptable to the executive department as their concern with respect to the lead-zinc mining industry lies to a much greater extent with maintaining the friendly image with foreign nations than in providing an incentive to American citizens and companies who would develop our own natural resources.

It is not possible to document here all the effort that has been expended in trying to impress our Government officials that all is not well with the lead-zinc miner. We have summarized the major events in our economic history since 1950 and submit a copy, exhibit A, as information for your committee. A statistical summary, included with this exhibit, will quickly demonstrate the attrition

to the domestic lead-zinc industry since 1950, as our mine production decreased, because foreign imports flowed in at excessively high levels. This has continued under present quota provisions as the importer has been guaranteed the largest share of new metal requirements, regardless of consumption, and the domestic producer allowed to provide the balance at prices established by the foreign competition. The results have been subnormal domestic market prices, excessive metal stocks, closed mines, reduced employment, and lost profits.

In spite of this, another congressional committee was recently told by a representative from the Department of the Interior that with regard to lead and zinc "On the whole, 1962 was a very good year statistically, except for price." Our industry would define a "good year" as one in which the miner can work, one in which our mines provide a fair share of our domestic lead-zinc requirements, and one in which the mining industry can prosper from a profitable operation based on a reasonable market price. A "good year" is not measured just on production and consumption statistics that may appear to some observers to be encouraging. The latter has resulted in profitless prosperity for the miner and if continued will eventually cause complete destruction of the domestic mining industry.

We find little appreciation from some of these Department staff representatives or little concern by them for development of new ore reserves or possibilities of the need for self-sufficiency in natural resource production. They apparently don't understand or at least are not concerned about the effort that must be expended in exploration, the time and investment involved in finding and developing an ore body, the expense of ore production operations, the problems of pumping water and maintaining workings, and the necessity for the continuation of this cycle if we are to replace the minerals that are produced in this process. There is no feeling for the miners and their families, and for the many service people and businesses that are supported and depend upon a lead-zinc mining operation. To them, we are just a statistic—so many tons of lead-zinc—to be juggled against imports in the game of international relations. This is not business in the American tradition.

Lead and zinc are mined in 20 of our States, exhibit B. In 1951, the combined value of lead and zinc produced from our mines in the United States was \$376 million—a very substantial quantity. The average annual production of both metals for the period 1957 through 1960 had slumped to \$170 million. This represents the direct loss of \$200 million per year to the economy of 20 States. The indirect loss in business that would be generated by maintaining higher production levels is many times that amount. Employment in lead-zinc mines during this same period dropped from 24,000 to 9,500, and the number of mines decreased from over 1,000 to 300. The maintenance of a healthy domestic lead-zinc mining industry is imperative to the economy of many towns, States, employees, and mining company stockholders scattered throughout the country. In a few words, it's good business for the United States. Unfortunately, there are feelings in some departments of our Government that it is more essential to import raw materials to keep neighbors friendly than it is to be concerned about domestic production; but in so doing, we export jobs of American labor, close mines, cripple communities, and lose the desire and the capital to explore, find, and develop the mineral resources at home that not only build our economy but are the basis of our national defense.

Lead and zinc are metals whose use dates back into ancient civilization. They have always been important industrial minerals and their use is continuing to grow through changes in the standard of living throughout the world, but also through new developments in the use of lead and zinc resulting from research sponsored and financed by our domestic industry.

The U.S. industry has greatly improved mining recovery and processing techniques in recent years in a determined effort to meet the competition of foreign countries, who have taken over a large part of our markets, but these foreign producers have economic advantages not available to our domestic miners. This is demonstrated in another summary, exhibit C, submitted with this statement, and particular emphasis is placed on the differential between the U.S. mining wage and that of foreign producers. Aside from Canada, whose rate we also exceed, most countries pay less than one-half the U.S. wage scale, and they all have the advantages of modern mining machinery and techniques developed in the United States. You will note that some other countries who criticize our tariffs have higher rates than ours, in order to protect particular segments of their lead-zinc industry—this while they preach free trade.

Other governments, in contrast to the treatment accorded our industry, try to encourage their natural resource development through more favorable tax treatment, and other miscellaneous benefits cited in this exhibit.

All this adds up to "subsidized" foreign competition that must be equalized through permanent, long-term, effective import control if the United States expects to maintain a mining industry and provide the incentive to find the new ore bodies needed for the future.

The United States consumes over 1 million tons of each metal each year. It is consumed in various forms but principally in the form of metal or oxides. At reasonable price levels that have a realistic relationship to costs of operation, the mines of the United States are capable of mining on an efficient basis; ores that, when smelted, will be equivalent to approximately 35 to 40 percent of the amount of lead metal consumed in the United States, and approximately 55 to 60 percent of the amount of zinc metal consumed in the United States. Reprocessed or secondary metal provides an additional lead metal supply of 40 percent of annual consumption requirements. Secondary zinc metal production is negligible (5 percent). The balance of the supply for both metals, approximately 20 percent in the case of lead and approximately 40 percent in the case of zinc, required for U.S. consumption, must come from abroad either in the form of metal or ores to be smelted here. Since 1950 actual imports of lead have been 38 percent and zinc 60 percent of U.S. metal consumption. This imported surplus, nearly double our needs, accounts for the buildup of excessive stocks, low prices, decreased domestic production, and closed domestic mines. There is adequate smelting and refining capacity in the United States to process from ores and concentrates the metal that we need.

Approximately 35 percent of our lead consumption is used in manufacturing batteries; 16 percent in gasoline antiknock additives; the remainder in many uses such as ammunition, cable covering, paints, and building materials. Approximately 40 percent of the U.S. slab zinc consumption is used in galvanizing steel, another 40 percent in producing all types of die castings, and the remainder in miscellaneous brass products, and pigments.

The use of lead and zinc will continue to develop worldwide. The present surplus of supply over consumption, both domestic (because of excessive foreign imports) and worldwide (because of excessive foreign production) will eventually change to a position of accelerated search for new deposits then needed to supply demand. Some advisers within our Government would like to use this method of letting nature solve our present industry problems rather than face up to the facts that imports have been and still are excessive. While we believe in the future, we have had to exist too many years under this policy of waiting for natural forces to solve our difficulties and while waiting for this good day of balanced supply and demand, our industry has continued to suffer each year with new fatalities amongst our domestic lead-zinc mines. We insist that appropriate action must be taken now by our Government to maintain a healthy, vigorous, domestic lead-zinc mining industry if we are to be in business and have the necessary ore reserves when and if that day of supply and demand equalization should ever arrive.

Mr. Chairman, as our legislative and statistical history will show, there is no question regarding our troubles and the cause. Our markets have been made too easily available to the surplus production of the world. Prior to June 1962, we did have recourse to investigation by the Tariff Commission with provisions that did provide our industry with constructive recommendations for relief on a finding of injury due to excessive imports. The Trade Expansion Act technically provides similar procedures, but new definitions of injury have effectively eliminated the possibility of relief under this new law. This has been proven already in 1963 with the rejection by the Tariff Commission for relief from imports under the escape clause, of applications from (1) the softwood lumber industry, (2) the hatters' fur industry, (3) household china, tableware, and kitchenware industry, (4) the whisky industry, (5) an adjustment assistance request from unemployed zinc miners affected by a mine and mill closure due to excessive foreign imports, and (6) an adjustment assistance request by a company producing household china dinnerware. This avenue of help, meager though it was, due to rejection of findings by the executive department, is now closed. I'm sure Congress did not intend it to be this way, but such is the interpretation.

Our Government has been holding out hope that we will benefit from participation in United Nations sponsored meetings of the International Lead-Zinc Study Group. These have been going on since 1958, and we are not as well off as when they were started.

True, there have been some promises of voluntary production controls, but these were of short duration, and only partially observed. Our State Department added 106,000 tons of lead through barter to the supplemental stockpile, in 1961 and 1962, at a time during which another Senate committee was labeling much of the lead already stockpiled as "surplus." Incidentally, our industry does not agree with this arbitrary determination that the lead and zinc in these stockpiles is surplus to our defense needs. These lead purchases were made on the promise that countries supplying the lead would reduce their own production by an equal amount during the purchase period. The lead was purchased from Canada and Australia, who now announce, following the completion of this deal, that their 1963 production will exceed all previous records. This is the thanks and cooperation we receive for trying to help solve the problem of the world lead-zinc surplus created by mining operations of other nations. The State Department still participates in talks on international agreements although admitting the practical impossibility of writing such a document for lead and zinc. This does lengthen the negotiating time with our foreign friends and puts off the day of decision when they must be told that the United States will maintain a necessary segment of its lead-zinc mines by permanently limiting imports to domestic needs. Meanwhile, our industry continues to deteriorate.

The International Lead-Zinc Study Group has noted the increase of new lead-zinc smelting capacity around the world that is in excess of actual need. A part of this expansion is a new lead smelter at the Tsumeb Mine in the Union of South Africa, to go on stream in 1963. South Africa presently has an annual import quota for lead ores and concentrates of 29,760 tons. There is no allowable import quota for lead metal. The operators of the South African mines would like their quota classification changed from concentrates to metal to accommodate this change in their product. The concentrates are presently treated at El Paso, Tex., and American Smelting & Refining Co., who treat these concentrates on a toll basis, applied to the U.S. Tariff Commission on March 8, 1963, to have the African concentrate quota reallocated to other countries producing lead concentrates to aid this one smelting installation. The Emergency Lead-Zinc Committee opposed any change in the quotas as presently constituted until an overall import control plan becomes effective to assist the entire lead-zinc mining and smelting industry; and we so advised the President, the Tariff Commission, and our friends in the Congress of our position on this matter. The smelter application for a change in the quota was denied by the Tariff Commission on March 27, 1963. The section of the law applicable to their petition provides for reductions or terminations of a trade concession, if it appears to the Commission that the duty or other import restriction proclaimed by the President may no longer be necessary to prevent serious injury to the industry. The Commission stated that an investigation was not warranted at this time. The interpretation is a recognition of continuing injury to the domestic lead-zinc mining industry as a result of excessive imports. There have been nine investigations of our industry by the Tariff Commission in the past 10 years, always showing an excess beyond domestic requirements of foreign imports of both metals.

Having heard a brief description of the mining industry experience and critical position, I would like to include as exhibit D a more detailed explanation that defines "the domestic lead-zinc industry," how we differ from operation of foreign mines, just how our business differs from that of the custom smelters, the type of relief justified for our industry, and general suggestions on how this can be obtained by legislation that will control imports to levels needed by the U.S. consumer. We hope this summary will be of assistance in the deliberations of this committee.

Mr. Chairman, it is time that Congress enacts import legislation to develop, maintain, and expand the natural resources of our country. We must rely on Congress to insist that the executive department accept the need for a domestic industry by approving such legislation. There is no other alternative for assistance to the lead-zinc mines but through congressional action. I trust you will recommend this action to the appropriate congressional committees and assist them and us in preparation of the appropriate terms for such legislation.

EXHIBIT A

SUMMARY OF LEAD-ZINC LEGISLATIVE AND GOVERNMENTAL EXPERIENCE SINCE 1950

Details of experience of lead-zinc industry under various provisions and procedures of U.S. trade laws and legislative proposals

1. On May 10, 1950, the lead mining industry petitioned the Tariff Commission for escape clause action. This petition was filed in accordance with article XI of the Trade Agreement with Mexico (1943) and with the provisions of Executive Order 9832 (1947) which first established the Commission's escape clause procedures. On July 18, 1950, the Commission informed the industry that no consideration would be given to this escape clause petition because the Mexican agreement was being canceled by the United States effective December 31, 1950. The industry's petition was formally dismissed by the Commission on January 25, 1951. With the cancellation of the Mexican agreement, the 1930 duty on lead was temporarily restored.

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

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

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

5. Concurrent with this 1953-54 escape clause action, by resolution of the House Ways and Means Committee (July 29, 1953) and the Senate Finance Committee (July 27, 1953), the Commission also conducted a general investigation in accordance with the provisions of section 332 of the Tariff Act of 1930. This was transmitted to the Committee on Ways and Means and to the Committee on Finance on April 19, 1954, and is a 356-page volume with a detailed analysis of the economic conditions and pertinent statistics concerning the lead-zinc industry of the United States.

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

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

8. Testimony was also presented to the Committee on Ways and Means by Mr. Gray on August 1, 1957, and repeated on February 18, 1958, that the lead-zinc industry is not eligible to seek relief under the national security amendment escape clause (sec. 7(b)) of the Trade Agreements Extension Act of 1955. He

stated the reason for his decision was the existence of very large stocks of both metals in the hands of the Government which were acquired by the two alternative programs instituted by the President when he declined to follow the recommendations of the Tariff Commission. It is estimated that there are now in excess of 1,250,000 tons of each of these metals in the defense and the supplemental stockpiles.

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

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

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

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

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

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

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

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

There was no change in basic tariff rates and no provision for quota control of manufactured items.

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

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

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

20. By mid-1959, the continued troubles of the mining industry prompted further congressional action with introduction of S. 2169 (Murray, Montana, and others), the 4-cent import tax bill with peril points of $15\frac{1}{2}$ cents for lead and $13\frac{1}{2}$ cents for zinc. Wayne Aspinall (Colorado) introduced H.R. 7721, the flexible quota bill.

21. In May 1959, Wayne Aspinall introduced House Resolution No. 177 stating "that it is in the national interest to foster and encourage (a) the maintenance and development * * * (b) orderly discovery * * *, and (c) * * * research to promote the wise and efficient use of domestic metal and mineral reserves." Hearings were held June 29 with Emergency Lead-Zinc representation. This was passed by the Congress, and while not having legislative force, it did call on the executive department to advise the Congress as to relief actions proposed.

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

23. Emergency Lead-Zinc planned to file another escape clause at the end of 1 market year under quotas. Tariff Commission counsel ruled that an industry operating under an escape clause proclamation was precluded from filing again for section 7 relief. In August 1959, mining State Senators introduced S. Res. 162, directing the Tariff Commission to review again the condition of the lead-zinc industry with findings of additional import restrictions needed for a sound and stable industry. Hearings were scheduled January 12, 1960, with Emergency Lead-Zinc presenting several witnesses to cover all phases of the problem. Fluorspar had a similar hearing under Senate Resolution 163, with the report issued February 29, 1960. Three of four Commissioners refused to make specific findings on the grounds that the Commission lacked authority to submit recommendations and findings. In the lead-zinc report, Commissioners Talbot, Overton, Jones, and Dowling maintained this position. Schriber and Sutton recommended increases in tariffs to 3 cents on lead and 2.5 cents on zinc metal, and 70 percent of this on ores and concentrates. In addition, compensatory duties were proposed on manufactured items.

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

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

26. Hearings were held by House Interior Committee in March on small mine subsidy bill. This passed the House prior to the political convention

recess. It passed the Senate in the postconvention session, and was pocket vetoed by the President as being difficult to administer, would establish an uneconomic precedent, production would adversely affect the market, and the present quota plan is still in effect.

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

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

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

30. The second session of the international lead and zinc study group was held in Geneva, September 1960. There was no action on restrictions of zinc offerings. Voluntary restrictions on commercial offerings of lead remained as per the February 1960 meeting. Concern was expressed that the United Kingdom would have sold 35,000 metric tons of slab zinc by September 30 from Government stockpiles.

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

32. Metal prices dropped in December as metal stocks built up, reaffirming need for legislative import controls. Mr. Wayne Aspinall, chairman of the House Interior Committee, introduced H.R. 3416, providing a base permanent tariff on lead and zinc metal of 2-cents per pound (70 percent on ores and concentrates) and a removable tax of 2 cents (applied below 13½-cent market and removed above 14½-cent market). It included compensatory tariffs on manufactured items, and a small subsidy to domestic miners financed from tariff collections. This would provide three advantages of (1) getting the miner to work, (2) stabilizing a reasonable price and supply for the consumer, and (3) still provide a portion of our market to the importer at a good price with reasonable tariff rates. This was assigned to the House Ways and Means Committee for hearing. The same bill was introduced in the Senate by Senator Anderson as S. 1747, and was assigned to the Interior and Insular Affairs Committee.

33. The small mines subsidy bill was reintroduced as H.R. 84 by Mr. Edmondson of Oklahoma, and hearings were held by the House Interior Committee in March, June, and July 1961. The administration opposed the bill as too expensive and stated that added mine production would be detrimental to the current market price. They recognized Government responsibility for encouraging the small mines during wartime and proposed a phaseout subsidy based on a combined price of 27½ cents per pound paid on 750 tons each of lead and zinc the first year, 500 tons the second year, and 250 tons the third and last year.

The Interior Committee reported out a compromise version based on 29 cents per pound combined price paid on 1,500 tons each of lead and zinc in 1962, 1,200 tons in 1963, 900 tons in 1964, and 600 tons in 1965, with total cost limited to \$16.5 million. Payments are further limited to domestic producers by past

production records. In this form, the bill passed the House on August 24, 1961, by a 196-to-172 vote. It passed the Senate by a voice vote on September 21, 1961, and was signed by the President on October 4, 1961. Operating funds will have to be provided by a supplemental appropriation in 1962.

34. "Importing smelters" tax bill was again introduced in March 1961 by Congressman Baker as H.R. 5193, and by Senator Kerr as S. 1361. The tariff rates are the same as the Kerr-Baker bill of the 86th Congress, with a permanent tariff of 2 cents on lead metal, 1.5 cents on zinc metal, 70 percent of these rates on concentrates, and an additional 1 cent removable tax on each metal controlled by peril points of $13\frac{1}{2}$ cents and $14\frac{1}{2}$ cents on lead and $12\frac{1}{2}$ cents and $13\frac{1}{2}$ cents on zinc. A change in this bill divides the compensatory rates on manufactured goods to a 1 cent base tariff on lead products, 0.8 cent base tariff on zinc products, and 1 cent removable on each controlled by above peril points. The Baker bill was reported out of the House Ways and Means Committee late in the 1st session of the 87th Congress with no action by the House or Senate.

35. The third session of the International Lead and Zinc Study Group was held in Mexico City March 20, 1961. Nations, other than the United States felt that their zinc stocks were normal and called for no controls. The U.S. delegate discussed our problems of stocks and reduced production, but no action was taken. Lead stock was acknowledged to be a world problem. The solution presented and accepted was a U.S. offer to barter surplus world stocks in return for reduced mine and metal production. LME metal prices at the time of this meeting were lead, 8 $\frac{3}{4}$ cents; zinc, 10 $\frac{1}{2}$ cents. Seven months later prices were lead, 7 $\frac{3}{8}$ cents; zinc, 9 cents.

The Senate Interior Committee held a hearing in May 1961 to study the general condition of the domestic lead-zinc industry, and a second hearing in July to consider the Anderson bill. Testimony by ELZ noted that domestic stocks of metal and ores and concentrates were at record highs with domestic mines and plants posting substantial voluntary production restrictions as follows:

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

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

(c) St. Joseph Lead Co. curtailed zinc smelter production 15 percent, zinc ore production 15 percent, lead ore production 10 percent, and postponed plans to increase lead smelter capacity. In June, they announced that the Bonne Terre mine would close because of low metal prices, after 94 years of operation.

(d) The New Jersey Zinc Co. curtailed production of slab zinc and alloy metal by 15 percent, followed by a second 15-percent cutback at Palmerton, Pa., and Depue, Ill., smelters. Also closed Flat Gap mine at Treadway, Tenn.

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

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

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

The Interior Committee reported out the Anderson bill (S. 1747) substituting provisions of H.R. 84 for the subsidy terms of S. 1747. The Senate Finance Committee requested jurisdiction of the bill because of its tariff provisions. A hearing was held to hear administration witnesses who opposed both the tariff and subsidy provision stating, "We believe that the program would prejudice the broader interests of the United States * * * in its political relations with other countries." The bill was amended in executive session of the Finance Committee eliminating all tariff provisions and reported out as a subsidy bill. At this point, Senator Anderson moved for Senate consideration of H.R. 84, with approval as reported in item 33 above.

37. The administration was under pressure all year for formulation of a lead-zinc minerals policy, and on June 23 proposed the following:

(a) A "barter" purchase of \$65 million of domestic lead-zinc stocks.

(b) A proposal for the Treasury Department to discontinue commercial sales of silver, permitting the market price to rise.

(c) Appointment of a mining task force to study local conditions in mining districts.

Adverse reaction from industry and Congress was immediate as the program had no long-term stability and would again subsidize foreign production. The proposal was shelved.

38. Following the State Department foreign lead barter announcement in Mexico City, negotiations proceeded with Consolidated Mining & Smelting Co. of Canada, Ltd., and Broken Hill Associated Smelters Proprietary, Ltd., of Australia. On August 24, 1961, the Department of Agriculture announced completion of arrangements for contracts totaling \$18 million to acquire for the U.S. supplemental stockpile 55,000 tons of Canadian lead and 45,000 tons of Australian lead. The U.S. lead-zinc industry was in accord and on record as opposing these barter deals.

39. On September 23, 1961, the Senate adopted Senate Resolution 206 requesting the Tariff Commission to bring up to date the investigation of the lead-zinc industry published in March 1960, under provisions of section 332 of the Tariff Act. A public hearing was held on January 16 and 17, 1962. Witnesses appeared for the domestic lead-zinc miners, to again prove that imports continue to injure our industry even under the quota system, that as presently constituted, provides insufficient controls on unneeded imports. Importing smelters urged a reasonable tariff in place of quotas. Canadians, Mexicans, and Peruvians urged cancellation of quotas and lowering of tariffs. A report is due May 15, 1962, and will be without specific recommendations for import controls.

40. On October 2, 1961, the Tariff Commission issued a lead-zinc report reviewing the industry experience after 3 years of quotas under Executive Order 10401. It informed the President that serious injury continued in the domestic industry due to imports, and quota controls should continue. The President accepted the Tariff Commission findings on February 9, 1962.

41. The fourth session of the International Lead-Zinc Study Group was held in Geneva during October 1961. A comparison of world metal (lead-zinc) production and consumption indicated a surplus still continued with stocks accumulating; however, there was optimism among the importing countries that the situation for the first half of 1962 might improve. The United States was purchasing lead under barter from Canada and Australia (105,000 tons total) with agreements from these countries to curtail their production. There was agreement that production should be reduced, but no effective action was taken to control contemplated metal surpluses. The United States continued to receive criticism for its import controls, even from the countries benefiting from the barter contracts.

42. Tariff legislation to protect the lead-zinc mining industry was again introduced in the second session of the 87th Congress by Congressman Wayne N. Aspinall, as H.R. 9965, and by Senator Clinton P. Anderson, as S. 2747. Eighteen other Congressmen introduced identical legislation, and 20 Senators cosponsored the Senate bill. This proposed the same tariff rate (2 cents permanent and 2 cents removable at peril points of 13½ cents and 14½ cents per pound) as included in similar bills of the first session, but eliminates provisions for a mine subsidy. This legislation would provide a metal price and supply favorable to the miner, consumer, and importer.

43. The fifth session of the International Lead-Zinc Study Group was held at Geneva in March 1962. The balance sheet for world metal production and consumption again showed a surplus for final 1961 figures and in the estimates for 1962. There was general agreement that reductions in production were needed, with offers by some countries to do so. The U. S. delegate offered reductions, subject to agreements to be negotiated between individual producers and government representatives. Some substantial producing countries were uncooperative, and the session adjourned until May 28 for further consideration of the problems.

44. The proposed Government-industry discussions were ruled by the Justice Department to be contrary to antitrust regulations. The U.S. delegate informed the Study Group Secretariat that U.S. reductions proposed during March could not be negotiated.

45. The fifth session of the Study Group was resumed in Geneva on May 28, 1962. New balance sheets of production and consumption were prepared for 1962. Following a restatement of voluntary reductions by several producing countries, there appeared to be an estimated world lead deficit for 1962 (consumption over supply) of 18,000 metric tons, and a zinc surplus of 87,000 metric tons. World metal stocks were still excessive, and U.S. and world prices had decreased since the first of the year.

46. The International Lead-Zinc Study Group has improved the collection of world statistical information, but it has not helped control excessive imports into the United States that continue to depress our domestic mining industry.

47. The Presidential announcement of the stockpile investigation reacted unfavorably on world metal markets. The price of lead in the United States and on the London Metal Exchange was depressed to new lows since price controls were removed following World War II. ELZ testified before the stockpile committee emphasizing that (a) the announced maximum objectives for lead and zinc in the stockpile appeared to be ridiculously low, (b) no disposals should be considered until objectives were reevaluated considering reconstruction needs in the United States and abroad, and (c) industry representatives should be consulted in estimating metal supply and demand during an emergency. In June 1962, the ELZ Committee offered services of industry experts to assist the OEP in determining stockpile goals (based on supply and demand statistics) for lead and zinc. This offer to the Director of the OEP was diverted to the Department of the Interior, that furnishes supply data. ELZ was assured that the industry offer of consultation regarding stockpile objectives would be used, but the services of mining industry representatives were never requested.

48. The Tariff Commission published Document 58 in May 1962, pursuant to Senate Resolution 206, directing a study of the lead-zinc industry. This is a factual report of industry conditions, complete with statistics. The figures again highlight the excessive imports that suppress domestic prices and mine production. This investigation, conducted under section 332 of the Tariff Act of 1930, could not consider import injury to the industry or recommend corrective import controls.

49. The ELZ Committee testified before both the House Ways and Means Committee and the Senate Finance Committee to discuss further complications to the security of our domestic lead-zinc mining industry that would develop from provisions of H.R. 11970, the Trade Expansion Act of 1962. Under the definition of an "industry," and according to new rules for determining injury, lead-zinc mining could not qualify for escape clause relief. Ours is presently the outstanding example of an industry injured by imports and has so been determined by the Tariff Commission. Adjustment assistance proposed in the legislation would not be effective help in our case. We proposed an effective escape clause and elimination of adjustment assistance.

50. The Trade Expansion Act was approved by Congress and enacted as Public Law 87-794 on October 11, 1962. An escape clause of sorts was included, requiring a Tariff Commission finding that "increased imports have been the major factor in causing or threatening to cause" serious injury to a domestic industry. In making such a finding, the Tariff Commission must "take into account all economic factors which it considers relevant, including idling of productive facilities, inability to operate at a level of reasonable profit, and unemployment or underemployment." Under a finding of injury, a firm could obtain a recommendation for import restriction. The President may accept this or recommend adjustment assistance (technical assistance, loans, tax carryback). Unemployed workers may obtain adjustment assistance as unemployment payments, retraining, and relocation allowances. The terms of the escape clause are so stringent that for all practical purposes, it will be inoperative for obtaining import relief, even for an industry such as lead-zinc mining with two previous findings of import injury and recommendations for import controls.

51. The sixth session of the International Lead-Zinc Study Group was convened October 24, 1962, in Geneva, Switzerland. This will be remembered as the U.S. stockpile meeting, as great concern was raised by many of the 23 participating countries who correctly fear the drastic effects of disposals or world markets. Foreign producers were quite insistent that the Study Group be consulted by the U.S. Government before any disposal of lead and zinc is arranged. From the U.S. lead-zinc industry standpoint, this was the only positive accomplishment of the meeting. World production of lead and zinc still showed a surplus to consumption. Canada and Australia estimated for 1963 the largest lead and zinc production in their history. This estimate followed the completion of a lead barter arrangement whereby the United States stockpiled during 1961 and 1962 50,474 tons from Australia and 55,547 tons from Canada. (This agreement, sponsored by the State Department, was opposed by the U.S. domestic industry and further aggravated the question of so-called surpluses in the supplemental stockpile.) The United States was still abused during the Study Group session for trying to maintain a "marginal lead-zinc mining industry" through tariffs, quotas, and subsidies. Voluntary production curtailments are no longer considered by the group. A special working party was assigned to study controls through international agreements. This, plus statistics, will no doubt continue extending negotiations within this group.

52. On October 1, 1962, the Tariff Commission issued a lead-zinc report under provisions of Executive Order 10401, reviewing the industry experience after 4 years of quotas. It informed the President that serious injury continued in the domestic industry due to imports, and quota controls should continue. The President accepted the Tariff Commission findings on January 9, 1963.

53. Small mines subsidy bill referred to in item 33 was financed for the calendar year 1962 through a supplemental appropriation of \$4,690,000, authorized July 25, 1962. Sixty producers were certified for 1962 participations. Fifty-five received payments amounting to approximately \$1,200,000 paid on approximately 20,000 tons of lead and zinc (8,000 tons was lead). The majority of the subsidy was paid to producers in the tristate mining district. No estimate is available on new production stimulated by the plan, but appears to be only a small percent of the total program.

54. 1962 market prices for lead and zinc remained at continuing low levels. High lead stocks resulted in a price drop to \$9.5 cents per pound, the lowest since price controls were relaxed following World War II. Lead mine production was the lowest since 1900, resulting from low prices and the shutdown of mines in Missouri by a prolonged strike. The zinc price at approximately 11.5 cents per pound also reflected excessive zinc stocks. Excessive import continued under the quota plan again exceeding domestic production. Since inception of the quota plan again exceeding domestic production. Since inception of the quota plan on October 1, 1958, through 1962, imports of lead have been 140 percent and zinc 110 percent of domestic production.

55. Yugoslavia has a lead metal import quota of 31,520 tons per year. Under provisions of the Trade Expansion Act, a trade concession should be suspended, "as soon as practicable," to any country dominated by communism, which is the situation in Yugoslavia. This means that the lead import duty should be doubled on Yugoslav imports and would be small additional protection to the U.S. domestic industry. The State Department recalls a treaty of commerce agreed with Serbia in 1881 that calls for a 1-year notice on intention to revoke a concession. No such notice has been given by the President.

56. The Hanover, N. Mex., zinc mine and mill was closed for economic reasons on December 1, 1962. An application was filed with the Tariff Commission by the union representing the unemployed workers requesting adjustment assistance provided under terms of the new Trade Expansion Act. As indicated in item 50, the new escape clause provisions required in this case that unemployment resulting from imports must be due in major part to a trade concession granted under

trade agreements. The Commission found (March 11, 1963) that competition from imports was a factor in the decision to close the property, but not the major factor. The petition was denied. It is doubtful that a natural resource industry can obtain a finding of injury under the escape clause of the new Trade Act and any assistance to curb excessive imports will have to come from congressional action.

57. The International Lead-Zinc Study Group has noted the increase of new lead-zinc smelting capacity around the world that is in excess of actual need. A part of this expansion is a new lead smelter at the Tsumeb mine in the Union of South Africa, to "go on stream" in 1963. South Africa presently has an annual import quota for lead ores and concentrates of 29,760 tons. There is no allowable import quota for lead metal. The operators of the South African mines would like their quota classification changed from concentrates to metal to accommodate this change in their product. The concentrates are presently treated at El Paso, Tex., and American Smelting & Refining Co., who treats these concentrates on a toll basis, applied to the U.S. Tariff Commission on March 8, 1963, to have the African concentrate quota reallocated to other countries producing lead concentrates to aid this one smelting installation. The Emergency Lead-Zinc Committee opposed any change in the quotas as presently constituted until an overall import control plan becomes effective to assist the entire lead-zinc mining and smelting industry; and we so advised the President, the Tariff Commission, and our friends in the Congress of our position on this matter. The smelter application for a change in the quota was denied by the Tariff Commission on March 27, 1963. The section of the law applicable to their petition provides for reductions or terminations of a trade concession, if it appears to the Commission that the duty or other import restriction proclaimed by the President may no longer be necessary to prevent serious injury to the industry. The Commission stated that an investigation was not warranted at this time. The interpretation is a recognition of continuing injury to the domestic lead-zinc mining industry as a result of excessive imports. There have been nine investigations of our industry by the Tariff Commission in the past 10 years, always showing an excess beyond domestic requirements of foreign imports of both metals.

58. A summary of the domestic lead-zinc mining industry efforts to survive and the need for constructive import legislation to maintain a segment of the industry was reviewed once again during May 1963 by the Emergency Lead-Zinc Committee before the Senate Subcommittee on Minerals, Materials, and Fuels.

Summary of lead-zinc statistics since 1950

LEAD

[In short tons of lead content]

Period	Production		Total lead metal	Stocks, end period		Durable imports	Industrial consumption	Employees at lead and zinc mines and mills	Total employees at primary smelter and refinery	Average price per pound
	Mine output	Secondary lead		Producers	Consumers					
1950	430,827	482,275	900,589	137,669	139,884	514,954	1,237,981	---	---	13,296
1951	388,164	518,110	935,803	124,080	102,760	191,649	1,184,793	---	---	17,500
1952	390,161	471,294	944,146	149,778	122,530	164,217	1,130,795	24,282	17,889	16,467
1953	342,644	486,737	954,628	196,340	113,753	409,604	1,201,694	---	---	13,489
1954	325,419	480,925	967,637	201,850	124,641	400,197	1,094,871	17,016	---	14,054
1955	338,025	502,051	981,208	150,822	117,658	424,413	1,212,644	---	---	15,138
1956	352,826	506,755	1,049,063	159,269	123,995	420,005	1,209,717	16,845	---	16,014
1957	338,316	489,229	1,092,762	207,912	129,310	512,989	1,138,115	---	17,156	14,658
1958	267,377	401,787	871,943	303,316	122,900	567,263	1,086,387	10,500	---	12,102
1959	255,886	451,387	792,318	290,328	126,496	347,117	1,091,149	9,893	13,641	12,211
1960	246,669	469,903	832,339	305,841	97,268	354,211	1,021,172	9,430	13,303	11,948
1961	261,921	452,792	902,357	312,402	90,140	354,714	1,027,216	9,312	13,333	10,871
1962 1	237,386	440,000	820,200	236,547	90,665	340,191	1,080,700	(4)	(4)	9,63

See footnotes at end of table, p. 74.

Summary of lead-zinc statistics since 1950—Continued

ZINC

[In short tons of zinc content]

Period	Production		Stocks, end period		Dutiable imports	Zinc consumption			Average price per pound
	Mine output	Secondary zinc	Total zinc metal	Producers	Consumers	Slab zinc	Ores consumed and secondary	Total	
1950	623,375	66,970	910,437	8,884	64,206	967,134	383,367	1,350,501	13.865
1951	631,189	48,657	930,200	21,901	59,071	933,971	392,111	1,326,082	18.000
1952	666,001	55,111	939,500	37,160	92,579	882,753	358,805	1,241,558	16.215
1953	547,430	52,875	938,980	180,843	84,863	985,927	356,462	1,342,389	10.855
1954	473,471	68,013	870,438	124,277	100,981	884,260	296,393	1,180,652	10.681
1955	514,671	66,042	1,029,549	40,579	123,514	1,110,819	349,288	1,460,107	12.209
1956	542,840	72,127	1,053,737	68,622	164,094	1,008,700	317,232	1,325,932	18.394
1957	531,735	72,481	827,851	106,690	183,342	1,035,690	256,973	1,292,663	11.369
1958	412,005	46,005	827,851	190,237	93,049	898,327	273,858	1,172,185	10.309
1959	425,303	57,818	856,484	154,419	102,428	950,477	322,179	1,272,656	11.448
1960	435,427	68,731	808,237	190,810	68,871	877,884	281,064	1,158,948	12.946
1961	466,576	55,237	902,032	172,586	93,782	861,213	276,266	1,207,469	11.542
1962 ¹	505,648	54,905	940,623	181,513	75,914	1,013,949	332,300	1,346,309	11.5

¹ Import duties suspended Feb. 12, 1952, to June 24, 1952. The dutiable import figure

includes 464,617 tons of lead and 599,435 tons of zinc on the free list.

² Quotas effective Oct. 1, 1938, permit maximum annual imports for consumption of 354,720 tons of lead and 520,960 tons of zinc.³ 1962 figures preliminary.⁴ Not available.

COMMENTS ON LEAD-ZINC STATISTICS

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

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

3. Varying U.S. market prices since 1950 have had very minor, if any, effect on U.S. industrial consumption of lead and zinc.

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

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

6. A sharp decline in U.S. mine production occurred in the second half of 1957 and early 1958. The annual rate was lower than the depression years of the mid-1930's and has continued at levels below the early 1950's.

7. Employment, in the lead-zinc mining industry by 1961 was 38 percent of the 1952 figure. The total loss of employment by 1961 within this industry since January 1952 was well over 15,000 jobs.

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

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

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

11. Lead mine production has decreased annually since 1956, and in 1962 was 237,386 tons, the lowest output reported since 1900. The 1962 zinc mine production of 505,648 tons was slightly higher than 1958 through 1961, but these 4 years were lower than prior years back to the early 1930's.

12. Stocks of lead and zinc were excessively high at the close of 1962. Zinc stocks were continuing to build in 1962. Lead stocks were reduced as primary lead production was affected by low prices and a lead mine strike.

13. Import levels were controlled by quotas, but lead imports in 1962 were 340,191 tons, or 144 percent of U.S. mine production; zinc imports were 510,121 tons, or 101 percent of mine production.

The result of continued excessive imports since 1958 with an accumulation of excessive stocks was low mine production and poor metal prices. When quotas became effective, these prices were 11.5 cents for lead and 10 cents for zinc. Prices during 1962 averaged 9.6 cents for lead and 11.5 cents for zinc, too low to maintain a domestic mining industry. Lead dropped to 9.5 cents in February 1962, the lowest level since price controls of World War II.

15. The 1962 zinc production curtailments by domestic producers helped reverse the trend of building excessive stocks; however, levels of stocks again increased during the year. At meetings of the International Lead-Zinc Study Group the importing nations adopted a policy that zinc is surplus only in the United States, and it is our problem to solve alone. They agreed that the lead surplus was an international problem but looked to the United States for a world solution through barter of approximately 106,000 tons of these foreign stocks. There were 33,050 tons acquired for the stockpile during 1961, and

77,971 tons during 1962. While this was being acquired by State Department direction, in opposition to industry opinion, the congressional Stockpile Investigating Committee was declaring it "surplus."

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

EXHIBIT B

DESCRIPTION AND STATISTICS OF THE DOMESTIC LEAD-ZINC MINING INDUSTRY— SUMMARY BY STATES

We are all aware that lead-zinc mining has long been an important industry in the United States, but the general information on mining in the various States and the yearly production and value is not so well known.

Information of this type is particularly important to these States and to their representation in Congress from the hometown standpoint as some economists in governmental departments, charged with formulating mineral policy, lump domestic production into one large total without regard for origin, forgetting that the mining industry helped found many of our States, and these mines and their production aren't just figures to consider on a national basis but represent business vital to the economy of States, communities, and families, together with stockholders scattered throughout every State of the Union.

New wealth comes only from development of natural resources, generating employment and associated economic benefits. A survey in one of our mining States found the average miner's family to be 3.5 persons and for every man engaged in mining and allied industries, $2\frac{1}{4}$ jobs were created in service industries. Each miner supported 12 local persons, including merchants, mechanics, doctors, lawyers, and other professional, trades, and service people. The economics of these figures are evident in our mining towns throughout the United States, and it's important that we have a constructive national minerals policy to recognize and provide for an orderly development and growth of all mining throughout our country.

To help understand the importance of lead-zinc mining in the United States, the Emergency Lead-Zinc Committee has compiled the attached information, providing a short résumé of industry activities in 20 of our States, together with some recent statistics from the U.S. Bureau of Mines on production of lead-zinc ores and metal and its dollar value at average market prices.

The summary sheet includes practically all production for the years shown. There is some small production from other States not included. Unfortunately, the trend in number of mines, tons of ore treated, tons and value of metal produced, and market prices all show a marked decrease to 1960, as excessive, unneeded foreign imports have depressed our domestic markets. This same trend is noted in practically all the individual State statistics.

We hope you will find this to be constructive information that will result in a better understanding of the economics and broad distribution of our domestic mining industry throughout the United States. We request your continued efforts for legislation that will provide effective control of imports, producing a sound and stable price and metal supply and resulting in a prosperous and expanding domestic lead-zinc mining industry.

1962 summary of U.S. production of lead and zinc

State	Number of mines estimated by U.S. Bureau of Mines	Material treated	Lead produced	Zinc produced	Value of lead produced	Value of zinc produced	Average price, lead	Average price, zinc
		<i>Tons</i>	<i>Tons</i>	<i>Tons</i>	<i>Dollars</i>	<i>Dollars</i>	<i>Cents</i>	<i>Cents</i>
Arizona-----	17	887,115	6,966	32,888	1,281,744	7,564,240	9.2	11.5
California-----	2	1,980	445	79	81,880	18,170	9.2	11.5
Colorado-----	19	836,668	17,411	43,351	3,203,624	9,970,730	9.2	11.5
Idaho-----	42	1,555,010	84,058	62,865	15,466,672	14,458,950	9.2	11.5
Illinois-----	17	970,900	3,610	27,413	664,240	6,304,990	9.2	11.5
Kansas-----	11	124,533	970	¹ 3,943	178,480	906,890	9.2	11.5
Kentucky-----	1	85,869	743	1,172	136,712	269,560	9.2	11.5
Missouri-----	6	2,991,463	² 60,982	2,792	11,220,688	642,160	9.2	11.5
Montana-----	40	1,039,437	6,121	³ 37,678	1,126,264	8,665,940	9.2	11.5
Nevada-----	9	622	46	147	8,464	33,810	9.2	11.5
New Jersey-----	1	105,758	-----	⁴ 15,309	-----	3,559,343	9.2	11.5
New Mexico-----	12	312,632	1,134	22,015	208,656	5,063,450	9.2	11.5
New York-----	2	596,452	1,063	53,654	195,592	12,340,420	9.2	11.5
Oklahoma-----	40	349,686	2,710	¹ 10,013	498,640	2,302,990	9.2	11.5
Pennsylvania-----	1	500,009	-----	24,308	-----	5,651,010	9.2	11.5
Tennessee-----	7	3,498,218	51	71,548	9,384	16,456,040	9.2	11.5
Utah-----	18	458,664	38,199	34,313	7,028,616	7,891,990	9.2	11.5
Virginia-----	2	873,411	4,059	26,479	746,856	6,140,705	9.2	11.5
Washington-----	15	835,875	6,033	21,644	1,110,072	4,978,120	9.2	11.5
Wisconsin-----	9	411,820	1,394	13,292	256,496	3,057,160	9.2	11.5
Total-----	271	16,436,122	235,995	504,903	43,423,080	116,277,268	-----	-----

¹ Oklahoma and Kansas production stimulated by small mines stabilization subsidy payments.

² St. Joseph Lead Co. mining operations closed by strike from July 27, 1962, to Apr. 2, 1963.

³ Anaconda Copper Co. reactivated zinc operations at Butte, Mont., during March 1962.

⁴ Sterling Hill Mine of the New Jersey Zinc Co. reopened, with 1st zinc production from New Jersey since 1958.

NOTE.—This summary was compiled from U.S. Bureau of Mines statistics and includes practically all production for the years shown. There is some small production from other States not included (Oregon, no breakdown available; Arkansas, 211 tons of zinc; and North Carolina, 219 tons of lead). Bureau of Mines tot. l figures for 1962 recoverable mine production are lead, 237,956 short tons; and zinc, 505,648 short tons. 1956 was the most recent year representing normal mine production and price levels for the overall lead-zinc mining industry in the United States. In comparison to this year, 1962 lead mine production decreased 33 percent, zinc mine production 7 percent, and total combined dollar value was down 38 percent, resulting from low market prices, caused by excessive U.S. metal stocks, accumulated from excessive, unneeded foreign imports.

Source: Emergency Lead-Zinc Committee, Washington, D.C.

LEAD-ZINC STABILIZATION

1961 summary of U.S. production of lead and zinc

State	Number of mines estimated by U.S. Bureau of Mines	Material treated	Lead produced	Zinc produced	Value of lead produced	Value of zinc produced	Average price, lead	Average price, zinc
		<i>Tons</i>	<i>Tons</i>	<i>Tons</i>	<i>Dollars</i>	<i>Dollars</i>	<i>Cents</i>	<i>Cents</i>
Arizona.....	24	434,265	5,937	29,585	1,223,022	6,804,550	10.3	11.5
California.....	14	1,789	77	17	15,862	3,910	10.3	11.5
Colorado.....	37	895,973	17,755	42,647	3,657,530	9,808,810	10.3	11.5
Idaho.....	39	1,446,741	70,651	58,184	14,554,106	13,382,320	10.3	11.5
Illinois.....	20	965,541	3,430	26,795	706,580	6,162,850	10.3	11.5
Kansas.....	9	100,099	1,449	2,446	298,494	562,580	10.3	11.5
Kentucky.....	1	89,994	656	1,147	135,136	263,810	10.3	11.5
Missouri.....	7	5,242,779	98,785	5,847	20,349,710	1,344,810	10.3	11.5
Montana.....	45	216,716	2,643	10,262	544,458	2,360,260	10.3	11.5
Nevada.....	11	4,437	478	182	98,468	41,860	10.3	11.5
New Jersey.....	1	1,745	-----	112	-----	25,854	10.3	11.5
New Mexico.....	18	364,284	2,332	22,900	480,392	5,267,000	10.3	11.5
New York.....	2	592,438	879	54,763	181,074	12,595,260	10.3	11.5
Oklahoma.....	22	80,232	980	3,148	201,880	724,040	10.3	11.5
Pennsylvania.....	1	434,917	-----	23,428	-----	5,408,120	10.3	11.5
Tennessee.....	7	3,663,844	-----	81,734	-----	18,798,820	10.3	11.5
Utah.....	28	556,616	40,894	37,239	8,424,164	8,564,970	10.3	11.5
Virginia.....	3	858,600	3,733	29,163	768,998	6,726,462	10.3	11.5
Washington.....	8	985,654	8,053	20,217	1,658,918	4,649,910	10.3	11.5
Wisconsin.....	9	465,506	680	13,865	140,080	3,188,950	10.3	11.5
Total.....	306	17,402,170	259,412	463,681	53,438,872	106,685,146	-----	-----

NOTE.—This summary was compiled from U.S. Bureau of Mines statistics and includes practically all production for the years shown. There is some small production from other States not included. Bureau of Mines total figures for 1961 recoverable mine production are lead, 261,921 short tons, and zinc, 464,390 short tons. 1956 was the most recent year representing normal mine production and price levels for the overall lead-zinc mining industry in the United States. In comparison to this year, 1961 lead mine production decreased 25 percent, zinc mine production 15 percent, and total combined dollar value was down 40 percent, resulting from low market prices, caused by excessive U.S. metal stocks, accumulated from excessive, unneeded foreign imports.

Source: Emergency Lead-Zinc Committee, Washington, D.C.

Summary of U.S. production of lead and zinc

Year	Number of mines estimated by U.S. Bureau of Mines	Material treated	Lead produced	Zinc produced	Value of lead produced	Value of zinc produced	Average price, lead	Average price, zinc
		<i>Tons</i>	<i>Tons</i>	<i>Tons</i>	<i>Dollars</i>	<i>Dollars</i>	<i>Cents</i>	<i>Cents</i>
1948.....	1,346	22,876,249	388,355	629,503	139,031,031	167,853,361	17.9	13.3
1949.....	1,238	22,120,182	408,340	592,713	129,035,321	148,649,123	15.8	12.4
1950.....	1,069	24,545,539	429,646	623,138	119,604,055	178,601,706	13.5	14.2
1951.....	1,080	32,236,847	387,481	680,780	134,068,692	242,154,619	17.3	18.2
1952.....	987	27,647,482	389,780	665,468	125,425,934	222,805,038	16.1	16.6
1953.....	693	22,436,409	341,430	545,866	89,460,693	124,961,074	13.1	11.5
1954.....	548	21,192,167	324,272	473,052	88,858,721	102,089,454	13.7	10.8
1955.....	529	23,485,084	336,717	513,966	90,341,640	126,538,144	14.9	12.3
1956.....	625	23,556,465	349,869	542,114	109,858,768	148,440,964	15.7	13.7
1957.....	517	21,831,333	337,161	531,494	96,426,952	123,220,346	14.3	11.6
1958.....	337	17,115,313	266,867	411,936	62,363,860	83,621,413	11.7	10.2
1959.....	254	17,032,825	254,938	425,143	58,635,938	97,750,121	11.5	11.5
1960.....	292	17,684,627	245,757	434,968	57,580,860	112,246,477	11.7	12.9

Production of lead and zinc in Arizona

Year	Number of mines, esti- mated by U.S. Bureau of Mines	Material treated	Lead pro- duced	Zinc pro- duced	Value of lead pro- duced	Value of zinc pro- duced	Average price, lead	Average price, zinc
		<i>Tons</i>	<i>Tons</i>	<i>Tons</i>	<i>Dollars</i>	<i>Dollars</i>	<i>Cents</i>	<i>Cents</i>
1948.....	189	797,292	29,899	54,478	10,703,842	14,491,148	17.9	13.3
1949.....	174	968,301	33,568	70,658	10,607,488	17,523,184	15.8	12.4
1950.....	139	888,099	26,383	60,480	7,123,410	17,176,320	13.5	14.2
1951.....	136	954,985	17,394	52,999	6,018,324	19,291,636	17.3	18.2
1952.....	112	819,752	16,520	47,143	5,319,440	15,651,476	16.1	16.6
1953.....	68	452,660	9,428	27,530	2,470,136	6,331,900	13.1	11.5
1954.....	45	346,313	8,385	21,461	2,297,490	4,635,576	13.7	10.8
1955.....	46	408,486	9,817	22,684	2,925,466	5,580,264	15.7	12.3
1956.....	46	452,191	11,999	25,580	3,767,686	7,008,920	14.3	13.7
1957.....	45	481,327	12,441	33,905	3,558,126	7,865,960	14.3	11.6
1958.....	31	388,987	11,890	28,532	2,782,260	5,820,528	11.7	10.2
1959.....	22	449,166	9,999	37,325	2,299,770	8,584,750	11.5	11.5
1960.....	22	515,075	8,495	35,811	1,987,830	9,239,238	11.7	12.9

THE LEAD-ZINC INDUSTRY IN ARIZONA

Arizona still has an important and valuable lead-zinc industry, but it is sickly compared to what it was in the period following World War II and before the flood of imports into the United States, which depressed prices and closed most of her lead-zinc mines.

Arizona in 1960 ranked fifth among the United States in value of lead production and third in zinc. A summarized tabulation of Arizona's production of lead and zinc to the end of 1960, is as follows:

609,000 tons of lead worth.....	\$118,526,000
851,000 tons of zinc worth.....	205,998,000
1,460,000 tons lead and zinc worth.....	324,524,000

The \$325 million total value is 4 percent of the estimated \$8 billion total of Arizona's mineral production to date. Copper has been the predominant mineral in Arizona, but lead and zinc comprise 25 percent of the total value of minerals produced other than copper.

The average lead-zinc industry employment of 1,200 to 1,400 men in 1945-52 dropped to as low as 320, of which 220 worked in 1 mine, the Iron King—the only lead-zinc mine able to operate continuously from 1952 to 1960, and that ability was due to its gold, silver, and copper byproducts. In 1949, 181 mines produced lead, zinc, or both. Six are now producing—three of them copper-zinc mines which resumed operations with the copper price recovery in 1959.

There are no lead or zinc smelters in Arizona and the metals leave the State in ores or concentrates. A minor amount of the metals comes back for use in Arizona manufacturing so that the balance of trade is very favorable to this State.

Based upon national statistics, it has been estimated that an average of 13.5 persons (including the miner and his family) are directly or indirectly dependent upon each miner's wages. It also has been estimated that over 50 percent of Arizona's gross mine production value is spent within the State for wages, supplies, power, taxes, and outside services. Therefore, even the reduced 1960 lead-zinc industry of Arizona contributed much to the State, with its nearly 500 employees and its gross output valued at \$11.4 million.

Nevertheless, it is difficult to accept the sacrifice of over half of one's lead-zinc industry to the production of low-cost foreign metals, especially when much of the foreign output was stimulated and financed by this country and when remaining domestic industry is in a deplorably weakened condition.

THE LEAD-ZINC INDUSTRY IN CALIFORNIA

California is noted for its history of gold production. However, the production of lead and zinc began to play a prominent role when California gold miners started spreading out, looking for new frontiers to fill the growing need of the prospectors' quest for fortune. Many lead-zinc mines were discovered and worked, especially in the desert areas, for most of them were rich in silver and gold. In later years, California's lead-zinc mines played an important part in supplying the Nation's needs for metal during World Wars I and II and the Korean emergency.

Few people realize that the lead-silver mining community of Darwin, Calif., was once the second largest city in California, second only to Yerba Buena (San Francisco), and that the development and operation of the rich and famous mines of Inyo County, during the early years of California's growth were responsible for Los Angeles becoming a city of importance. A book called "City Makers" by Remi A. Nadeau tells how his grandfather operated extensive freight lines from the Owens Valley to the seaports of the Los Angeles area in order to get lead-silver bullion from the Inyo County smelters to market and to bring back supplies for the people who operated the mines and the smelters. Although the old Cerro Gordo mine and smelters were closed years ago, the mine was reopened as a high grade oxide zinc operation and flourished shortly after World War I. Lead-zinc leaser-type operations have flourished periodically throughout the desert area until 1957, depending largely on metal prices and war needs.

During World War II and the Korean emergency, a fairly substantial number of mines were brought into operation, such as Darwin Mines, Santa Rosa, Zinc Hill, Minnietta, Modoc, Lippincott interests, Shoshone Mines, Defense Mines, and many other smaller operations. These mines, together with other small operations outside Inyo County, contributed a great deal of wealth and employment for segments of the California economy.

When lead prices began to drop below 16 cents during 1957, the mines began to close until today active lead-zinc mining operations are practically nonexistent. American Smelting & Refining Co. has a lead-zinc smelter on the seacoast near San Francisco. However, it now feeds primarily on foreign concentrates. A few small lead smelters in Los Angeles and other coastal cities process some lead ores mixed with scrap lead for making batteries.

From 1948 through 1956 California produced approximately 1.4 percent of U.S. domestic zinc production, and approximately 2.6 percent of U.S. domestic lead production. Today production is practically nil. From 1951 through 1956 the value of California zinc production averaged approximately \$2 million per year and the value of lead production averaged approximately \$2,800,000. Today the total value of both metals is less than \$150,000 per year. Loss in gold and silver production amounts to approximately \$3 million per year, since California ores are rich in these metals.

Closing of the lead-zinc mines has cost California millions of dollars in wages, tax revenue, freight revenue, and community support. This is a tragic loss of new wealth that cannot be made up through other means.

Production of lead and zinc in California

Year	Number of mines estimated by U.S. Bureau of Mines	Material treated	Lead produced	Zinc produced	Value of lead produced	Value of zinc produced	Average price, lead	Average price, zinc
		<i>Tons</i>	<i>Tons</i>	<i>Tons</i>	<i>Dollars</i>	<i>Dollars</i>	<i>Cents</i>	<i>Cents</i>
1948.....	42	102,347	8,290	5,274	2,967,529	1,402,710	17.9	13.3
1949.....	47	115,729	10,300	7,209	3,254,619	1,787,832	15.8	12.4
1950.....	31	159,841	15,739	7,551	4,249,151	2,144,484	13.5	14.2
1951.....	31	191,095	13,450	9,287	4,653,776	3,383,633	17.3	18.2
1952.....	33	188,718	10,939	9,094	3,439,116	3,019,222	16.1	16.6
1953.....	20	133,936	8,532	5,180	2,235,207	1,191,303	13.1	11.5
1954.....	18	26,302	2,579	1,352	706,605	292,008	13.7	10.8
1955.....	12	136,901	8,150	6,784	2,428,734	1,668,875	14.9	12.3
1956.....	24	174,030	9,279	8,027	2,913,398	2,199,250	15.7	13.7
1957.....	18	69,762	3,438	2,862	983,251	687,223	14.3	11.6
1958.....	9	1,643	104	39	24,429	7,965	11.7	10.2
1959.....	7	2,040	222	75	51,150	17,306	11.5	11.5
1960.....	12	5,381	423	153	99,099	39,551	11.7	12.9

THE LEAD-ZINC INDUSTRY IN COLORADO

For many years, Colorado has been a substantial producer of lead and zinc in the United States. Production of both metals expanded during the 1940's and reached an annual valuation of \$30 million in 1951 prior to the subsequent decrease in production during the late 1950's as metal prices dropped resulting from excessive, unneeded foreign imports. The attached statistical information indicates Colorado's lead production decreased from 30,336 tons, valued at \$10,496,256 in 1951, to 18,080 tons, valued at \$4,230,720 in 1960. Comparable figures for zinc are 55,714 tons, valued at \$20,279,896 produced in 1951, and reduced to 31,278 tons, valued at \$8,069,724 in 1960.

The larger mines in the State include the Eagle Mine of New Jersey Zinc Co. at Gilman in Eagle County; the Treasury Tunnel-Black Bear-Smuggler Union group of mines in San Miguel County, owned by Idarado Mining Co. and controlled by Newmont Mining Corp.; the Emperius Mine operated by the Emperius Mining Co. at Creede, Mineral County; and the Rico Argentine Mining Co. at Rico, Dolores County. The Standard Metals Corp. has recently developed a large lead-zinc ore reserve at Silverton in San Juan County but is postponing production until market prices justify a mining operation. The Bureau of Mines Minerals Yearbook lists other smaller mines throughout the State that have continued to produce even at current low market prices.

Some production in Colorado in 1958, 1959, and 1960 was made at a financial loss to the operators; but in view of the greater losses that would have been incurred through complete shutdowns, the operations were continued in order to provide employment for the primary mining communities and to prevent irreparable destruction to the heavy investments in mining properties.

Colorado's last lead smelter is being dismantled at Leadville due to lack of ore feed material, further indicating the deterioration of the mining industry that formerly had more than 40 smelters in the State. Arrangements have been made to provide markets for Colorado lead-zinc mines by shipping ores and concentrates to the El Paso, Tex., smelter of the American Smelting & Refining Co. The added freight is an additional cost to metal production.

Colorado's vast mineralized area extends in a southwesterly direction across the State from the Boulder area to La Plata County. In this area are known deposits of major proportion of the base and precious metals. These areas were formerly served by extensive milling and smelting operations; but with the exception of the major operations mentioned above, mining has for the most part been discontinued largely because of the high costs of operations and the low prices of metals.

In some instances where gold and/or silver are found in conjunction with the other metals, it has been possible to continue production by selective mining and careful management.

In other instances, gutting of the vein structure, or extracting the richer ore near the center of the vein, in other words, "high grading," has been resorted to in effort to meet the ever-increasing costs of mining experienced by the domestic industry.

Large investments made in uncovering extensive ore bodies in Colorado have proven the extent of mineralization, but under present market conditions, it would be impossible to recover primary investments.

Mining in Colorado is being discontinued in many sections of the State, and unless adequate legislation is passed to revive the industry, these destructive processes will continue.

Production of lead and zinc in Colorado

Year	Number of mines, estimated by U.S. Bureau of Mines	Material treated	Lead produced	Zinc produced	Value of lead produced	Value of zinc produced	Average price, lead	Average price, zinc
		<i>Tons</i>	<i>Tons</i>	<i>Tons</i>	<i>Dollars</i>	<i>Dollars</i>	<i>Cents</i>	<i>Cents</i>
1948.....	159	692,991	25,143	45,164	9,001,194	12,013,624	17.9	13.3
1949.....	151	584,193	26,853	47,703	8,485,548	11,830,344	15.8	12.4
1950.....	124	796,269	27,007	45,776	7,291,890	13,000,384	13.5	14.2
1951.....	116	1,167,507	30,336	55,714	10,496,256	20,279,896	17.3	18.2
1952.....	109	1,132,014	30,066	53,203	9,681,252	17,663,396	16.1	16.6
1953.....	57	906,321	21,754	37,809	5,699,548	8,696,070	13.1	11.5
1954.....	67	721,860	17,823	35,150	4,883,502	7,592,400	13.7	10.8
1955.....	72	708,907	15,805	35,350	4,709,890	8,696,100	14.9	12.3
1956.....	72	995,487	19,856	40,246	6,234,784	11,027,404	15.7	13.7
1957.....	55	948,128	21,003	47,000	6,006,858	10,904,000	14.3	11.6
1958.....	37	750,930	14,112	37,132	3,302,208	7,574,928	11.7	10.2
1959.....	27	671,699	12,907	35,388	2,968,610	8,139,240	11.5	11.5
1960.....	50	745,271	18,080	31,278	4,230,720	8,069,724	11.7	12.9

THE LEAD-ZINC INDUSTRY IN IDAHO

Historically the lead and zinc mining industry has been one of the major bulwarks of Idaho's economic structure. In the near-century of Idaho's identity as a territory and State, its mines have produced more than 7 million tons of lead with a value of \$963 million, for a combined value of \$1.43 billion.

For many years Idaho has consistently ranked second in the Nation in production of lead and among the top three States in zinc output. It regularly supplies about one-fifth of the country's annual mine production of lead and 10 to 15 percent of the zinc.

According to U.S. Bureau of Mines preliminary estimates, Idaho last year (1961) produced 70,010 tons of lead with a value of \$14,982,000 and 56,640 tons of zinc worth \$13,027,000, for a combined total of more than \$28 million. This represents about 40 percent of the State's total mineral production for the year. Byproduct gold and silver production from lead and zinc mines would boost this total by an estimated \$4 to \$5 million, to nearly 50 percent of the State's mineral total.

Throughout the years, Idaho's vast lead and zinc resources have contributed importantly to the State's and the Nation's economic welfare, particularly in supplying the mobilization demands of World War I and II.

In recent years, however, the contribution of the lead and zinc industry to the State's economy has been a declining one due to adverse market conditions which have resulted from a national foreign policy which stimulated worldwide overproduction of both metals and permitted the surplus output relatively free access to domestic markets. Under this policy, the combined price of lead and zinc has dropped from a high of 35.5 cents in 1951 to an average of less than 23 cents during the past 4 years.

The impact of this depressed market on Idaho's lead and zinc mining industry can be demonstrated by numerous statistical comparisons, but a few illustrations should suffice:

In 1961 lead production was only about 70 percent of the recent production peak of more than 100,000 tons in 1950. Zinc output last year was less than 65 percent of the 1950 figure.

Tonnage of ore mined last year was only 54 percent of the 1950 total. Since this represents a greater decline than is reflected in metal production, it is apparent that producers are being forced to "high-grade" their ore reserves in order to sustain their operations.

In terms of value of lead and zinc produced, in 1961 combined total of \$28 million was only slightly more than 50 percent of the \$55 million total of 1951.

Last year there were less than 40 lead and zinc mines in productive operation in Idaho as compared with 129 in 1948 and an average of 112 in the 5-year period from 1948 through 1952. The Coeur d' Alene district of Shoshone County, which produced 98.7 percent of the State's lead output and 99.7 percent of the zinc in 1961, had only 13 mines producing last year. This was nine less than in the previous year and only 25 percent of the average number of producers during the first 5 years of the 1950's.

It is estimated that employment in the industry has declined more than 30 percent in the past 10 years. Payrolls have decreased less than 8 percent, however, due to the steady upward trend of the wage scale for production workers. Daily

wages of mineworkers, including fringe benefits, have risen about 50 percent since 1952.

Shoshone County, center of Idaho's lead and zinc mining industry, suffered an 8.5 percent drop in population between 1950 and 1960, while the State as a whole was registering a 13.3 percent population increase.

From these comparisons, it is obvious that Idaho's lead and zinc mining industry is currently operating at least 25 to 35 percent below its production potential. Much of its milling and concentrating capacity is standing idle or in the process of dismantling and liquidation.

The State has one lead smelter and refinery which turns out high-purity refined ingot lead, corroding pig lead, antimonial lead, and leaded zinc oxide, as well as important byproducts including cadmium and silver. It also has an electrolytic zinc plant which produced special high-grade quality zinc of 0.9999-plus purity, several types of die-casting alloys and zinc anodes, along with byproduct cadmium and sulfuric acid.

Between 60 and 70 percent of Idaho's mine production of lead and zinc is processed in these plants. The balance, which represents a substantial tonnage of concentrates, is shipped out of the State for recovery of the contained metals. The Idaho plants also receive ore concentrates from outside the State and the country, and in recent years these sources have been supplying about 50 percent of the "feed" for the operations. The zinc plant has an annual capacity of 80,000 to 85,000 tons of refined metal, but for the past several years, production has been curtailed to 80 percent of capacity or less. Production at the lead smelter has been ranging upward of 90 percent of its 108,000-ton annual capacity.

Practically all of Idaho's lead and zinc production is marketed outside the State for final use and fabrication, since there are no industries in the State which use either metal in any significant amounts. As "export" products, however, these two metals sustain an important segment of the State's economy, and under more favorable market conditions could make a substantially greater contribution to Idaho's future.

Production of lead and zinc in Idaho

Year	Number of mines, estimated by U.S. Bureau of Mines	Material treated	Lead produced	Zinc produced	Value of lead produced	Value of zinc produced	Average price, lead	Average price, zinc
		<i>Tons</i>	<i>Tons</i>	<i>Tons</i>	<i>Dollars</i>	<i>Dollars</i>	<i>Cents</i>	<i>Cents</i>
1948-----	129	2,944,510	88,544	86,267	31,698,752	22,947,022	17.9	13.3
1949-----	107	2,418,605	79,299	76,555	25,058,484	18,905,640	15.8	12.4
1950-----	104	2,657,470	100,025	87,890	27,006,750	24,960,760	13.5	14.2
1951-----	110	2,542,078	76,713	78,121	26,542,698	28,436,044	17.3	18.2
1952-----	102	2,578,975	73,719	74,317	23,737,518	24,673,244	16.1	16.6
1953-----	74	1,655,301	74,610	72,153	19,547,820	16,595,190	13.1	11.5
1954-----	68	1,405,746	69,302	61,528	18,988,748	13,290,018	13.7	10.8
1955-----	69	1,773,113	64,163	53,314	19,120,574	13,115,214	14.9	12.3
1956-----	64	1,788,423	64,321	49,561	20,196,794	13,579,714	15.7	13.7
1957-----	48	1,823,110	71,637	57,831	20,488,182	13,416,792	14.3	11.6
1958-----	41	1,334,420	53,003	49,725	12,459,598	9,655,014	11.7	10.2
1959-----	32	1,453,367	62,395	55,699	14,350,850	12,810,770	11.5	11.5
1960-----	47	1,097,735	42,592	36,801	10,040,238	9,494,658	11.7	12.9

THE ZINC INDUSTRY IN ILLINOIS

All phases of the zinc industry are located in Illinois including mining, milling, smelting, conversion of zinc to chemicals, conversion to metallic products, utilization of byproducts, and recovery from scrap materials.

The areas of active mining are located in the northwest part of the State in Jo Daviess County adjacent to Galena and the southern most part of the State in the Rosiclare district of Hardin County. Current output of 30,000 tons per year of high grade zinc concentrates account for approximately 4 percent of the entire U.S. zinc production. There are three primary zinc smelters, with a combined capacity of approximately 130,000 tons of slab zinc per year. There are two plants that convert primary zinc sinter to zinc oxide and one plant converting zinc scrap to zinc oxide. These facilities have an annual capacity of 45,000 tons of lead free zinc oxide. There are also 18 smaller plants that produce slab zinc and other zinc products from byproduct materials, obtained from the galvanizing (zinc coating) of steel and from other retained scrap zinc articles. These facilities (listed in table I attached) represent an original investment in excess of \$400 million, based on current construction costs.

The value of mine concentrates and the products of manufacturing plants at capacity is equivalent to about \$85 million per year at 1960 average prices. In 1959, the last year for which data is available, Illinois produced for sale about 125,000 tons of zinc metal, 15 percent of the U.S. total, and about 30,000 tons of zinc oxide, 17 percent of the U.S. total. Other zinc products are listed in table II attached.

It is estimated that the Illinois zinc industry employs about 3,000 persons who receive wages and salaries totaling approximately \$15 million per year.

The primary smelters of the State consume on a 1959 basis, about 250,000 tons of zinc concentrates per year which is 14 percent of the total U.S. consumption and 28 percent of the U.S. mine production. Illinois consumed on a 1959 basis, 173,000 tons of zinc metal. This represents 18.1 percent of the zinc metal used in the United States. Comparable information on other zinc production is not available but can be assumed to be in the same order. Many of these products as listed in table II are typically utilized in making other products of a nature closer to the end consumer such as paint and die casting.

It is readily noted from this analysis that Illinois can be considered a major factor in the zinc industry. It is one of the few States that has maintained production levels at the low price levels of the past few years; however, it should be remembered that few if any mines are producing at a profit. Control of excessive imports to obtain better domestic prices is imperative for continuation and growth of this industry in Illinois.

TABLE I.—Zinc mines and manufacturing plants in Illinois

Mines:	
The Eagle-Picher Co.	Galena, Ill.
The American Zinc Co. of Illinois	Do.
Tri-State Mining Co.	Do.
The Minerva Co.	Rosiclare, Ill.
Ozark Mahoning Mining Co.	Do.
The Aluminum Co. of America	Do.
Primary smelters:	
American Zinc Co. of Illinois	Monsanto, Ill.
Matthiessen and Hegler Zinc Co.	LaSalle, Ill.
The New Jersey Zinc Co.	DePue, Ill.
Primary zinc oxide:	
The American Zinc Co. of Illinois	Hillsboro, Ill.
The Eagle-Picher Co.	Do.
Secondary zinc oxide: Sippi Metals	
	Chicago, Ill.
Secondary smelters:	
Federated Metals	Beckemeyer, Ill.
Sandoval Zinc Co.	Sandoval, Ill.
Illinois Zinc Co.	Peru, Ill.
Illinois Smelting	Chicago, Ill.
Allied Metal Co.	Do.
General Iron & Metal Co.	Do.
Imperial Smelting	Do.
Inland Metals Refining Co.	Do.
Lincoln Smelting & Refining Co.	Do.
Miller & Yoelin Co.	Do.
North Branch Metal Products	Do.
Peoples Iron & Metal Co.	Do.
Ideal Metal Co.	Do.
Grossman Metal	East St. Louis, Ill.
Shanfeld Metal Co.	Do.
Becker Iron & Metal Co.	Do.
Standard Metals	Chicago, Ill.
Apex Smelting Co.	Do.
Zinc compounds:	
Atlantic Chemical Co.	Do.
Chemical & Pigment, Inc.	Collinsville, Ill.
Chemicals, Inc.	Chicago, Ill.
The Midland Co.	Do.
Rolled zinc (ribbon, strip, sheet) producers:	
Burgess Battery Co.	Freeport, Ill.
Illinois Zinc Division, Hydro-Metals, Inc.	Chicago, Ill.
Illinois Zinc Division, Hydro-Metals, Inc.	Peru, Ill.
Matthiessen & Hegler Zinc Co.	LaSalle, Ill.

TABLE II.—Zinc products of Illinois

Slab zinc—all grades including chemically pure.
 Zinc alloys—all types including brasses and high zinc alloys for die casting and galvanizing.
 Rolled zinc—for dry batteries, lithograph plates, painting hardware and other uses.
 Zinc pigments—zinc oxide—for use in rubber, paint, floor coverings, and for production of other zinc compounds.
 Zinc dust—for use in paint and as a reagent in the chemical industry.
 Zinc powder and brass powder—for use in making hardware and for bronzing paints.

BYPRODUCTS OF ZINC SMELTERS

Sulfuric acid—used chiefly in the chemical industry.
 Spiegeleisen and iron manganese alloys—used in steel mills and foundries.
 Cadmium metal—used chiefly to plate hardware for corrosion resistance.

Production of lead and zinc in Illinois

Year	Number of mines, estimated by U.S. Bureau of Mines	Material treated	Lead produced	Zinc produced	Value of lead produced	Value of zinc produced	Average price, lead	Average price, zinc
		<i>Tons</i>	<i>Tons</i>	<i>Tons</i>	<i>Dollars</i>	<i>Dollars</i>	<i>Cents</i>	<i>Cents</i>
1948.....	23	388,517	3,695	12,980	1,322,810	3,452,680	17.9	13.3
1949.....	28	630,090	3,824	18,157	1,208,384	4,502,936	15.8	12.4
1950.....	17	756,010	2,729	26,982	736,830	7,662,888	13.5	14.2
1951.....	19	857,212	3,160	21,776	1,093,360	7,926,464	17.3	18.2
1952.....	21	930,526	4,262	18,816	1,372,364	6,246,912	16.1	16.6
1953.....	21	700,844	3,391	14,556	888,442	3,347,880	13.1	11.5
1954.....	21	603,675	3,232	14,427	885,568	3,116,232	13.7	10.8
1955.....	13	839,555	4,544	21,700	1,354,112	5,338,200	14.9	12.3
1956.....	23	851,285	3,832	24,039	1,203,248	6,586,686	15.7	13.7
1957.....	23	853,661	2,970	22,185	849,420	5,146,920	14.3	11.6
1958.....	19	1,003,020	1,610	24,940	376,740	5,087,760	11.7	10.2
1959.....	22	930,265	2,570	26,815	591,100	6,167,450	11.5	11.5
1960.....	22	1,015,581	3,000	29,550	702,000	7,623,900	11.7	12.9

THE LEAD-ZINC INDUSTRY IN KANSAS

The lead and zinc mining industry of Kansas produced an average annual value of \$8,800,000 during the 5-year period 1950-54 inclusive. The figure for 1959 was \$345,000, or a drop in values of lead and zinc produced of approximately \$8,500,000.

The mine production of lead concentrates averaged 8,335 tons during the 5-year period 1950-54, but was only 702 tons in 1959. Zinc concentrates produced by the Kansas mines averaged 43,700 tons in the 5-year period, but dropped down to only 1,971 tons in 1959.

Mine labor in 1954 was an estimated 621 employed directly in mining. In 1959 there were only approximately 11 people employed, mostly to keep the mines dewatered and to maintain them in a standby condition.

Cherryvale, Coffeyville, and Galena, Kans., have relatively small zinc oxide and/or lead oxide plants. These plants have had relatively steady employment for the past 6 years, estimated at approximately 350 personnel.

The value of these plants' output of lead/zinc production is hard to obtain, but it is estimated to be approximately \$5 million annually.

LEAD-ZINC STABILIZATION

Production of lead and zinc in Kansas

Year	Number of mines, estimated by U.S. Bureau of Mines	Material treated	Lead produced	Zinc produced	Value of lead produced	Value of zinc produced	Average price, lead	Average price, zinc
		<i>Tons</i>	<i>Tons</i>	<i>Tons</i>	<i>Dollars</i>	<i>Dollars</i>	<i>Cents</i>	<i>Cents</i>
1948.....	79	1,788,298	8,386	35,577	3,002,188	9,463,482	17.9	13.3
1949.....	70	1,602,976	9,772	29,433	3,087,952	7,299,384	15.8	12.4
1950.....	66	1,531,435	9,487	27,176	2,561,490	7,717,984	13.5	14.2
1951.....	78	6,733,827	8,947	28,904	3,095,662	10,521,056	17.3	18.2
1952.....	84	1,444,852	5,916	25,482	1,904,952	8,460,024	16.1	16.6
1953.....	58	881,254	3,347	15,515	876,914	3,568,450	13.1	11.5
1954.....	56	1,118,197	4,003	19,110	1,105,042	4,127,760	13.7	10.8
1955.....	58	1,543,530	5,498	27,611	1,638,404	6,792,306	14.9	12.3
1956.....	51	1,674,116	7,635	28,665	2,397,390	7,854,210	15.7	13.7
1957.....	43	933,569	4,257	15,859	1,218,000	3,679,000	14.3	11.6
1958.....	25	227,360	1,299	4,421	304,000	902,000	11.7	10.2
1959.....	11	16,385	481	1,017	111,000	234,000	11.5	11.5
1960.....	5	32,272	781	2,117	182,754	546,186	11.7	12.9

NOTE.—Materials treated pertain to crude ore (mine dirt) only; recoverable metal includes lead and zinc recovered from tailings retreatment.

Source: U.S. Bureau of Mines.

THE LEAD-ZINC INDUSTRY IN KENTUCKY

Lead and zinc are produced in Kentucky as a byproduct recovered from fluorspar milling principally in Livingston County in the western part of the State. Zinc values predominate compared to lead, and production since 1900 totals approximately 34,000 tons, valued at \$7 million.

Production of lead and zinc in Kentucky

Year	Number of mines, estimated by U.S. Bureau of Mines	Material treated	Lead produced	Zinc produced	Value of lead produced	Value of zinc produced	Average price, lead	Average price, zinc
		<i>Tons</i>	<i>Tons</i>	<i>Tons</i>	<i>Dollars</i>	<i>Dollars</i>	<i>Cents</i>	<i>Cents</i>
1948.....	3	(1)	216	639	77,328	169,974	17.9	13.3
1949.....	3	(1)	187	935	59,092	230,010	15.8	12.4
1950.....	3	(1)	66	731	17,820	207,604	13.5	14.2
1951.....	3	(1)	107	3,457	37,022	1,258,348	17.3	18.2
1952.....	3	(1)	60	3,280	19,320	1,088,960	16.1	16.6
1953.....	2	63,622	58	489	15,196	112,470	13.1	11.5
1954.....	2	21,160	-----	458	-----	98,928	13.7	10.8
1955.....	-----	-----	-----	-----	-----	-----	14.9	12.3
1956.....	1	17,056	228	417	71,592	114,258	15.7	13.7
1957.....	1	38,080	411	837	117,546	194,184	14.3	11.6
1958.....	1	46,264	516	1,258	120,744	256,632	11.7	10.2
1959.....	1	50,436	409	673	94,070	154,790	11.5	11.5
1960.....	1	68,922	558	869	130,572	224,202	11.7	12.9

THE LEAD INDUSTRY IN MISSOURI

Mines in the State of Missouri produce more lead than those of any other State in the Union. Missouri's annual production is approximately 125,000 tons of lead which represents about 40 percent of the output of mines in the United States in each of the past 10 years. The major part of this production comes from the mining areas in southeast Missouri, which contain a large number of mines and a lead smelter which has a capacity of about 115,000 tons of lead metal per year. The value of this output is approximately \$25 million. In addition, the mines in southeast Missouri produce about 5,600 tons of zinc concentrates annually as a byproduct.

The lead mining industry in Missouri employs about 2,700 persons who receive wages and salaries totaling about \$13 million. These employees are distributed among nearly a dozen communities, which therefore, have a direct interest in the degree of activity of the lead mining industry.

The mines, concentrating plants, and the smelter in Missouri represent investments that, at today's level of construction costs, would require more than \$100 million to reproduce.

Exploration activities in the last few years have developed a considerable lead mining potential in southeast Missouri. This includes the Viburnum project of St. Joseph Lead Co. that started production in July 1960 and the discoveries made by Kennecott Copper Corp., American Smelting & Refining Co., American Metal Climax, and National Lead Co. It will probably take higher lead prices than at present to bring these into production. Low lead prices forced the closure of the Bonne Terre mine during 1961 after nearly 94 years of operation. Ore reserves remain but are not economical at present market values.

The Joplin district of southwest Missouri (tristate district) contains substantial lead ore reserves, but production in that area is generally unprofitable at present price levels.

Production of lead and zinc in Missouri

Year	Number of mines, esti- mated by U.S. Bureau of Mines	Material treated	Lead pro- duced	Zinc pro- duced	Value of lead pro- duced	Value of zinc pro- duced	Average price, lead	Average price, zinc
		<i>Tons</i>	<i>Tons</i>	<i>Tons</i>	<i>Dollars</i>	<i>Dollars</i>	<i>Cents</i>	<i>Cents</i>
1948.....	90	4,520,103	102,288	6,463	36,619,104	1,719,158	17.9	13.3
1949.....	60	5,981,312	127,522	5,911	40,296,952	1,465,928	15.8	12.4
1950.....	68	6,384,138	134,626	8,189	36,349,020	2,325,676	13.5	14.2
1951.....	54	6,490,122	123,702	11,476	42,800,892	4,177,264	17.3	18.2
1952.....	67	7,128,550	129,245	13,986	41,616,890	4,643,352	16.1	16.6
1953.....	28	6,674,300	125,895	9,981	32,984,490	2,295,630	13.1	11.5
1954.....	16	6,598,647	125,250	5,210	34,318,500	1,125,360	13.7	10.8
1955.....	18	6,734,346	125,412	4,476	27,372,776	1,101,096	14.9	12.3
1956.....	19	6,996,696	123,783	4,380	38,867,862	1,200,120	15.7	13.7
1957.....	16	6,874,008	126,345	2,951	36,135,000	684,000	14.3	11.6
1958.....	9	5,945,836	113,123	362	26,471,000	74,000	11.7	10.2
1959.....	4	5,573,517	105,165	92	24,188,000	21,000	11.5	11.5
1960.....	5	5,897,813	111,948	2,821	26,195,832	727,818	11.7	12.9

NOTE.—Materials treated pertain to crude ore (mine dirt) only; recoverable metal includes lead and zinc recovered from tailings retreatment.

Source: U.S. Bureau of Mines.

THE LEAD-ZINC INDUSTRY IN MONTANA

Montana has long been one of the foremost producers and processors of both lead and zinc in the United States. However, current market conditions and other economic factors have sharply reduced the mining and treating of both metals below normal levels.

During the decade 1948-57, Montana's share of the total U.S. zinc production was never lower than 9 percent and ranged as high as 14.7 percent in 1953. Its average annual production during the years 1951-55 was 75,509 tons with an average annual value of more than \$21 million. But in 1960, Montana produced only 12,551 tons of zinc with a value of \$3,238,158. This was only 2.9 percent of U.S. zinc production.

The same decline has been experienced in lead production. During 1948-57, Montana's share of total U.S. production ranged from 4 percent to a high of 5.8 percent and its average annual mine production during 1951-55 was 18,876 tons worth \$5,717,000. In 1960, Montana mined only 4,879 tons of lead worth \$1,141,686. This was only 2 percent of domestic production.

Zinc and lead deposits are widely scattered throughout the State and a number of small mining operations produced limited amounts of both metals, usually in conjunction with silver or other types of mining. The marginal nature of these operations makes them highly dependent upon market conditions. In 1957, for instance, zinc was produced in 12 of Montana's 56 counties and lead was produced in 18 counties. However, the major producer of both lead and zinc is the Anaconda Co.'s properties in the Butte area. In 1957, these mines produced 85 percent of the State's zinc and 72 percent of its lead. At present, neither lead nor zinc is being mined in the Butte area, which largely accounts for Montana's decline in the production of both metals.

Two large zinc processing plants are maintained by the Anaconda Co. at Anaconda and Great Falls. The Anaconda plant, which has a capacity of some 15 million pounds of zinc a month, has been closed since January 1, 1961, and no resumption of operations is anticipated in the foreseeable future. The electrolytic zinc plant at Great Falls has a monthly capacity of 27 million pounds and is believed to be the largest U.S. plant of its type. It processes concentrates into zinc slabs for both the Anaconda Co. and various toll customers. At present, only six of the plant's eight units are in operation and this will be reduced to four units in July 1961. A return to six-unit operation is anticipated this October if market conditions are favorable.

Production schedules at the Great Falls plant calls for the processing of 94,500,000 pounds of finished zinc during the 6-month period from June through November 1961. Of this amount, 35,344,000 pounds will be processed for Anaconda Co. accounts and the balance will be processed from concentrates, both domestic and foreign, supplied by toll customers. As of June 1, 1961, there was on hand at Great Falls 43,054,476 pounds of finished zinc for the Anaconda Co. and 44,770,330 pounds for toll customers.

At East Helena, the America Smelting & Refining Co. operates a lead smelter with a capacity of 8,000 tons of lead bullion a month. At present, the plant's output is about 5,000 tons monthly. Due to curtailed lead mining operations in Montana, the plant's intake presently is 60 percent from Idaho, 35 percent from Canada, and only about 5 percent from Montana sources. Ore and concentrates received from Montana points include small monthly tonnages from mine operations at Philipsburg, Superior, Dillon, Lennep, Radersburg, and the Helena Valley, with occasional shipments from other isolated operations. The A.S. & R. plant also processes residues from the Anaconda Co.'s zinc plant at Great Falls. Production schedules call for the processing of 4,035,000 pounds of lead from these zinc plant residues during the 6-month period from June through November 1961.

The Anaconda Co. also operates a slag treating plant at East Helena which recovers zinc oxide fume from the hot and cold slag received from the A.S. & R. smelter. This zinc oxide is then returned to Great Falls for conversion into electrolytic zinc.

Reliable figures are not available to measure the loss of employment caused by the decline of lead-zinc mining and processing in Montana during recent years. However, where the Anaconda Co. employed 1,387 persons in its lead and zinc operations at Butte alone during 1956, the last year of normal production, its lead-zinc employment there is now limited to 59 maintenance workers. Presumably, a comparable job loss resulted in other areas from the closing of marginal mines and the curtailment of processing plants. Obviously, any improvement in market conditions which would allow resumption of normal lead-zinc mining operations and restore processing plants to full capacity would bring real and far-ranging benefits to Montana's economy.

Production of lead and zinc in Montana

Year	Number of mines, estimated by U.S. Bureau of Mines	Material treated	Lead produced	Zinc produced	Value of lead produced	Value of zinc produced	Average price, lead	Average price, zinc
		<i>Tons</i>	<i>Tons</i>	<i>Tons</i>	<i>Dollars</i>	<i>Dollars</i>	<i>Cents</i>	<i>Cents</i>
1948	167	2,820,236	18,411	59,095	6,591,138	15,719,270	17.9	13.3
1949	146	1,240,184	17,996	54,195	5,686,736	13,440,360	15.8	12.4
1950	141	2,351,490	19,617	67,678	5,296,590	19,220,552	13.5	14.2
1951	135	2,740,084	21,302	85,551	7,370,492	31,140,564	17.3	18.2
1952	121	2,127,369	21,279	82,185	6,851,838	27,285,420	16.1	16.6
1953	87	1,914,158	19,949	80,271	5,226,638	18,462,330	13.1	11.5
1954	69	1,313,354	14,820	60,952	4,060,680	13,165,632	13.7	10.8
1955	63	1,500,165	17,028	68,588	5,074,344	16,872,648	14.9	12.3
1956	95	1,587,170	18,642	70,520	5,853,588	19,322,480	15.7	13.7
1957	78	1,118,942	13,300	50,520	3,803,800	11,720,640	14.3	11.6
1958	48	727,319	8,434	33,238	1,973,556	6,780,552	11.7	10.2
1959	43	670,489	7,672	27,848	1,764,560	6,405,040	11.5	11.5
1960	58	300,218	4,879	12,551	1,141,686	3,238,158	11.7	12.9

THE LEAD-ZINC INDUSTRY IN NEVADA

The Pioche, Nev., area has for many years accounted for 75 to 90 percent or more of Nevada's lead-zinc output. The Caselton operation of Combined Metals Reduction Co. has included custom milling of all sulfide ores produced in the district. Experience of this property and district are discussed as fairly representing Nevada.

After a long period of shipping Pioche ores to Utah mills and smelters, the Caselton mill was built and commenced operation in the fall of 1941. The importance of Pioche operations to the community and to the State of Nevada is illustrated by the following tabulation:

Year	Tons produced	Dollar value concentrates f.o.b. mill	Estimated district mine and mill employees
1942-----	126,000	\$1,100,000	210
1947-----	200,000	2,700,000	330
1952-----	227,000	3,700,000	380
1957 ¹ -----	65,000	424,000	130
1961-----	(²)	(²)	6

¹ The Caselton mine operated only 7 months in 1957 when metal price deterioration forced closure.

² None.

In addition to the above production, Bristol Silver Mines Co. was shipping ore direct to Salt Lake smelters. In 1957, production was 10,300 tons with net mine value of \$414,000, and the mine employed around 35 men. Today their operation has also shrunk virtually to a standby basis.

For a community that has historically been dependent on the mines for its primary support, closing of the mines has created extreme hardship. People who spent their lifetime building homes have had to move. Merchants have had to go out of business. The county has been sorely pressed to find sufficient tax revenue and an important county in an important State has been hurt worse than some of the borderline "backward" countries whose good will our planners have tried to purchase.

A State that produced lead and zinc valued at \$8 to \$9 million in the early 1950's now has an annual token production of \$200,000 to \$300,000. The potential is still there if the miner is given the price incentive. The Nevada State mine inspector lists over 100 properties, potential lead-zinc producers, scattered throughout the 12 counties in the State. All may not be large mines, but the operators typify the spirit of the miner and this State that helped build the strength of the West and will do so again if given a fair chance.

Production of lead and zinc in Nevada

Year	Number of mines, estimated by U.S. Bureau of Mines	Material treated	Lead produced	Zinc produced	Value of lead produced	Value of zinc produced	Average price, lead	Average price, zinc
		<i>Tons</i>	<i>Tons</i>	<i>Tons</i>	<i>Dollars</i>	<i>Dollars</i>	<i>Cents</i>	<i>Cents</i>
1948-----	129	265,008	9,020	19,947	3,229,392	4,306,102	17.9	13.3
1949-----	145	282,354	9,276	19,962	2,931,358	4,950,725	15.8	12.4
1950-----	108	283,421	8,736	21,404	2,358,734	6,078,849	13.5	14.2
1951-----	99	321,951	7,083	17,437	2,450,908	6,347,123	17.3	18.2
1952-----	70	303,732	6,732	15,179	2,167,720	5,039,544	16.1	16.6
1953-----	36	102,012	3,307	4,426	872,644	1,017,981	13.1	11.5
1954-----	29	31,682	2,109	679	577,880	146,708	13.7	10.8
1955-----	37	37,831	2,104	2,434	626,932	598,912	14.9	12.3
1956-----	45	102,845	3,460	7,284	1,086,550	1,996,008	15.7	13.7
1957-----	36	84,529	4,911	5,161	1,418,995	1,197,375	14.3	11.6
1958-----	21	25,032	3,679	88	861,015	18,054	11.7	10.2
1959-----	20	5,735	752	109	172,878	25,000	11.5	11.5
1960-----	26	11,914	854	323	199,731	83,399	11.7	12.9

LEAD-ZINC STABILIZATION

THE ZINC INDUSTRY IN NEW JERSEY

For many years, New Jersey was one of the foremost zinc mining States, and the Franklin mine in Sussex County was the largest producer of recoverable zinc in the country.

In 1954, that mine was closed due to depletion of ore reserves after more than a century of operation; and its owner, the New Jersey Zinc Co., modernized and expanded operations at its nearby Ogdensburg mine. However, as a result of low market prices for zinc, that mine was closed in 1958 and has not since reopened.

At full capacity, the Ogdensburg mine would provide employment for about 400 men, and an annual payroll in excess of \$1,300,000.

Production of zinc in New Jersey

Year	Number of mines, estimated by U.S. Bureau of Mines	Material treated	Zinc produced	Value of zinc produced	Average price, lead	Average price, zinc
		<i>Tons</i>	<i>Tons</i>	<i>Dollars</i>	<i>Cents</i>	<i>Cents</i>
1948.....	2	488, 701	76, 332	20, 709, 849	17. 9	13. 3
1949.....	2	341, 058	50, 984	14, 443, 000	15. 8	12. 4
1950.....	2	376, 600	55, 029	17, 258, 637	13. 5	14. 2
1951.....	2	404, 424	62, 917	24, 279, 745	17. 3	18. 2
1952.....	2	397, 921	59, 190	21, 520, 612	16. 1	16. 6
1953.....	2	312, 884	45, 700	9, 922, 990	13. 1	11. 5
1954.....	1	252, 403	37, 416	7, 992, 058	13. 7	10. 8
1955.....	1	89, 704	11, 643	2, 863, 945	14. 9	12. 3
1956.....	1	34, 321	4, 667	1, 259, 530	15. 7	13. 7
1957.....	1	(1)	12, 530	2, 856, 840	14. 3	11. 6
1958.....	1	(1)	607	125, 151	11. 7	10. 2
1959.....		None			11. 5	11. 5
1960.....		None			11. 7	12. 9

¹ Cleanup.

THE LEAD-ZINC INDUSTRY IN NEW MEXICO

The lead-zinc industry in New Mexico consists of mine production and concentrating mills. There is no smelting or fabricating done in the States.

This industry, although still of considerable importance to the areas in which it is mined, has greatly declined in the relative position it held in the forties and early fifties. Although New Mexico still has good reserves of both metals, the industry has been caught between the squeeze of increased costs for both labor and material and the extremely low price which has prevailed for the last 10 years.

During 1951, lead-zinc mines employed slightly over 1,250 men and produced 7,331 tons of lead and 44,755 tons of zinc which had a combined value of over \$15 million. The severe drop in price in 1952 and again in 1953 resulted in a sharp curtailment of mining and eventually in 1959, production was down to 829 tons of lead and 4,636 tons of zinc, and employment was only 102 men. With an average wage of \$18 per day for miners, the impact of the wage loss alone to the mining communities was of major significance. In addition, each job in a basic industry supports from three to four jobs supplying material and material and services to the industry and its employees. Thus the loss of over 1,000 jobs in the mining areas has had serious effect on the economy of the communities and counties concerned.

In addition to the loss of wages, both direct and indirect, the taxes paid by this industry to the schools, counties, and the State have been reduced sharply, causing additional problems.

It is estimated that investment in mines and mills in the central mining district, the major lead-zinc area in New Mexico, is over \$15 million.

Production of lead and zinc in New Mexico

Year	Number of mines, esti- mated by U.S. Bureau of Mines	Material treated	Lead pro- duced	Zinc pro- duced	Value of lead pro- duced	Value of zinc pro- duced	Average price, lead	Average price, zinc
		<i>Tons</i>	<i>Tons</i>	<i>Tons</i>	<i>Dollars</i>	<i>Dollars</i>	<i>Cents</i>	<i>Cents</i>
1948.....	67	591,572	7,653	41,502	2,739,774	11,039,532	17.9	13.3
1949.....	53	428,800	4,652	29,346	1,470,032	7,277,808	15.8	12.4
1950.....	47	382,404	4,150	29,263	1,120,500	8,310,692	13.5	14.2
1951.....	69	633,716	5,846	45,419	2,022,716	16,532,516	17.3	18.2
1952.....	51	720,976	7,021	50,975	2,260,762	16,923,700	16.1	16.6
1953.....	26	200,973	2,943	13,373	771,066	3,075,790	13.1	11.5
1954.....	8	45,200	887	6	243,038	1,296	13.7	10.8
1955.....	20	159,307	3,296	15,277	982,208	3,758,142	14.9	12.3
1956.....	28	390,969	6,042	35,010	1,897,188	9,592,740	15.7	13.7
1957.....	24	445,972	5,350	32,679	1,514,084	7,581,760	14.3	11.6
1958.....	7	129,861	1,117	9,020	261,378	1,842,936	11.7	10.2
1959.....	6	78,052	829	4,636	190,670	1,066,280	11.5	11.5
1960.....	8	223,797	1,996	13,770	467,064	3,552,660	11.7	12.9

THE ZINC MINING INDUSTRY IN NEW YORK

For each of the past 8 years, zinc mines in the State of New York have produced approximately 10 percent of all of the zinc mined in the United States. The production of these mines has averaged over 50,000 tons of zinc content in the ore produced per year. Production comes from the Balmat and Edwards mines of the St. Joseph Lead Co. located in St. Lawrence County. The value of the zinc produced is approximately \$12 million per year.

The zinc mining industry of New York employs about 400 persons who receive wages and salaries totaling \$2 million. The zinc concentrates, and a minor quantity of lead concentrates from the mines of New York, are shipped to smelters outside the State. The mines and the associated milling plants in northern New York, now producing zinc concentrates, represent an investment that in terms of today's costs would require about \$16 million to reproduce.

Production of lead and zinc in New York

Year	Number of mines, esti- mated by U.S. Bureau of Mines	Material treated	Lead pro- duced	Zinc pro- duced	Value of lead pro- duced	Value of zinc pro- duced	Average price, lead	Average price, zinc
		<i>Tons</i>	<i>Tons</i>	<i>Tons</i>	<i>Dollars</i>	<i>Dollars</i>	<i>Cents</i>	<i>Cents</i>
1948.....	3	464,049	1,231	34,566	440,698	9,194,556	17.9	13.3
1949.....	3	504,105	1,317	37,973	416,000	9,417,000	15.8	12.4
1950.....	3	494,871	1,484	38,321	400,680	10,883,164	13.5	14.2
1951.....	2	500,490	1,500	40,051	519,000	14,578,564	17.3	18.2
1952.....	2	437,099	1,120	32,636	360,640	10,835,152	16.1	16.6
1953.....	2	646,041	1,435	51,529	375,970	11,851,670	13.1	11.5
1954.....	2	662,665	1,187	53,199	325,238	11,490,984	13.7	10.8
1955.....	2	650,877	1,037	53,016	309,026	13,041,936	14.9	12.3
1956.....	2	657,445	1,608	59,111	504,912	16,196,414	15.7	13.7
1957.....	2	660,638	1,667	64,659	476,762	15,000,888	14.3	11.6
1958.....	2	563,644	579	53,014	135,486	10,814,856	11.7	10.2
1959.....	2	438,769	481	43,464	110,630	9,996,720	11.5	11.5
1960.....	2	701,197	775	66,364	181,350	17,121,912	11.7	12.9

THE LEAD-ZINC INDUSTRY IN OKLAHOMA

The lead and zinc mining industry of Oklahoma produced metallic values of over \$18 million annually for the 5-year period 1950-1954, inclusive. For the year 1959, the lead-zinc mines produced only \$379,000 of metallic values. An estimate for 1960 would indicate values of approximately \$500,000, a loss of approximately 97 percent in the values of products mined in Oklahoma in the last 6 years.

Mine production of lead concentrates dropped from 20,300 tons in 1950-1954 average to only 900 tons in 1959. Zinc concentrate production from Oklahoma mines dropped from 86,900 tons in 1950-1954 to only 2,100 tons in 1959.

Direct mining employment in 1954 in Oklahoma was 985, and the 1959 figure is approximately 115, basically employed to keep mines dewatered and in standby condition.

Zinc smelting in Oklahoma, consisting of three large smelters, has fared much better than has the mining aspects of the lead-zinc industry. Perhaps one of the reasons for the better production from the smelters is the fact that two of the three smelters depend to a large extent on receipt of foreign ores as a source of supply for their production of slab zinc. Regardless of the ability of these smelters to receive foreign ore, the value of shipments of slab zinc from Oklahoma smelters has dropped materially. The value of slab zinc shipped for the average of the 5-year period, 1950-1954, inclusive, was \$43 million. The value of slab zinc shipments from the three smelters in 1959 was only \$34,900,000 or a drop of approximately 20 percent. The present annual capacity of the three Oklahoma smelters is approximately 200,000 tons of slab zinc, and with the 1959 shipments amounting to only 152,000 tons, only approximately 76 percent of smelter capacity was used.

Smelter employment for the year 1954 was about 2,200, and in 1960, the figure is reduced to approximately 1,900 employees at the three smelters combined.

Production of lead and zinc in Oklahoma

Year	Number of mines, estimated by U.S. Bureau of Mines	Material treated	Lead produced	Zinc produced	Value of lead produced	Value of zinc produced	Average price, lead	Average price, zinc
		<i>Tons</i>	<i>Tons</i>	<i>Tons</i>	<i>Dollars</i>	<i>Dollars</i>	<i>Cents</i>	<i>Cents</i>
1948.....	116	2,228,294	16,918	43,821	6,056,644	11,656,386	17.9	13.3
1949.....	115	2,543,835	19,858	44,033	6,275,128	10,920,184	15.8	12.4
1950.....	117	2,850,880	20,724	46,739	5,595,480	13,273,876	13.5	14.2
1951.....	119	3,542,213	16,575	53,450	5,734,950	19,455,800	17.3	18.2
1952.....	118	3,715,329	15,137	54,916	4,874,114	18,232,112	16.1	16.6
1953.....	124	2,090,760	9,304	33,413	2,437,648	7,684,990	13.1	11.5
1954.....	82	2,754,373	14,204	43,171	3,891,896	9,324,936	13.7	10.8
1955.....	63	3,007,235	14,126	41,543	4,209,548	10,219,578	14.9	12.3
1956.....	81	1,755,607	12,350	27,515	3,877,900	7,539,110	15.7	13.7
1957.....	56	899,973	7,183	14,951	2,054,000	3,469,000	14.3	11.6
1958.....	31	384,196	3,692	5,267	864,000	1,074,000	11.7	10.2
1959.....	9	15,365	601	1,049	138,000	241,000	11.5	11.5
1960.....	3	19,700	936	2,332	219,024	601,656	11.7	12.9

NOTE.—Materials treated pertain to crude ore (mine dirt) only; recoverable metal includes lead and zinc recovered from tailings retreatment.

Source: U.S. Bureau of Mines.

THE ZINC INDUSTRY IN PENNSYLVANIA

Pennsylvania is a major factor in the zinc industry of the United States. Near Bethlehem is one of the largest zinc mines in the country. Current output of 40,000 tons per year of high-grade zinc concentrates is scheduled to increase to 60,000 tons, around 7 percent of the entire U.S. zinc mine production. There are 2 "primary" zinc smelters, the combined capacity of which amounts to about 240,000 tons of slab zinc and about 115,000 tons of "lead-free" zinc oxide. There are also five smaller plants which produce slab zinc and other zinc products from by-product materials which are generated in the galvanizing (zinc coating) of steel, and from other reclaimed scrap zinc articles. One plant produces zinc oxide as a byproduct from the manufacture of a chemical used in the textile industry. These enterprises (listed in table I attached) represent an original investment which, in terms of today's construction costs, would probably be in excess of \$360 million.

The value of the mine concentrates and the products of the manufacturing plants (at capacity) is equivalent to about \$120 million per year at 1960 average prices. In 1959 (the last year for which data is available) Pennsylvania produced for sale about 186,000 tons of zinc metal, 23 percent of the U.S. total, and about 100,000 tons of pigment zinc oxide, 58 percent of the U.S. total. Other zinc products are listed in table II attached.

It is estimated that the Pennsylvania zinc industry employs about 3,800 persons who receive wages and salaries totaling about \$20 million per year.

The primary smelters of the State consume (1959 basis) about 535,000 tons of zinc concentrates per year, which is about 30 percent of the total U.S. consumption, and about 60 percent of the U.S. mine production. Pennsylvania consumes about 12 percent of the zinc metal used in the United States. Similar information as to other zinc products is not available but is probably of the same order. These products, as listed in table II, are typically utilized in making other products of a nature closer to the ultimate consumer, such as die casting and paint.

Pennsylvania's production of zinc products far exceeds its consumption, with a resulting significantly favorable balance of trade in this regard.

TABLE I.—Zinc mines and manufacturing plants in Pennsylvania

Mine: The New Jersey Zinc Co.....	Friedensville, Lehigh County.
Primary smelters:	
The New Jersey Zinc Co.....	Palmerton, Carbon County.
The St. Joseph Lead Co.....	Josephtown, Beaver County.
Secondary smelters:	
Superior Zinc Co.....	Bristol, Bucks County.
General Smelting Co.....	Philadelphia.
George Sall Metals.....	Do.
Colonial Smelting.....	Columbia, Lancaster County.
Keystone Metals.....	Pittsburgh.
Chemical plant producing secondary zinc oxide: Rohm & Haas.....	Bristol, Bucks County.
Rolled zinc (ribbon, strip, sheets) producers:	
The New Jersey Zinc Co.....	Palmerton, Carbon County.
Imperial Type Metal Co.....	Philadelphia.

TABLE II.—Zinc products of Pennsylvania

Slab zinc—All grades including chemically pure.

Zinc alloys—All types, including brasses and high-zinc alloys for diecasting and galvanizing.

Rolled zinc—For dry batteries, lithograph plates, building hardware and other uses.

Zinc pigments, zinc oxide—For use in rubber, paint, floor coverings and for production of other zinc compounds.

Zinc dust—For use in making hardware and for bronzing paints.

Byproducts of zinc smelters:

 Sulfuric acid—Some 400,000 tons per year, used chiefly in the chemical industry.

 Spiegeleisen—An iron-manganese alloy used in steel mills and foundries.

 Cadmium metal—Used chiefly to plate hardware for corrosion resistance.

Production of zinc in Pennsylvania

Year ¹	Number of mines estimated by U.S. Bureau of Mines	Material treated	Zinc produced	Value of zinc produced	Average price, lead	Average price, zinc
		<i>Tons</i>	<i>Tons</i>	<i>Dollars</i>	<i>Cents</i>	<i>Cents</i>
1958.....	1	191,839	10,812	2,229,218	11.7	10.2
1959.....	1	327,145	16,718	3,827,753	11.5	11.5
1960.....	1	261,724	13,746	3,559,114	11.7	12.9

¹ Nothing prior to 1958.

THE ZINC INDUSTRY IN TENNESSEE

Tennessee is the largest zinc-mining State in the country, and also the fastest growing. This position is a result of developments since 1955, when Tennessee produced 40,216 tons of recoverable zinc. In that year it ranked sixth in size, behind Montana, Idaho, New York, New Mexico, and Oklahoma.

In 1959, Tennessee produced 87,079 tons of recoverable zinc (21 percent of the U.S. total), with a value of \$20 million. The tonnage produced in 1959 was 117 percent larger than in 1955, and was substantially more than the output of the second largest State, Idaho, which produced 53,530 tons.

This increase in zinc ore output in Tennessee has been due principally to extensive exploration, the discovery of new ore bodies, and their development into efficient mines. Two concerns most prominent in these activities have been the New Jersey Zinc Co. and the American Zinc, Lead & Smelting Co.

The New Jersey Zinc Co. opened its first Tennessee mine in 1956 in Jefferson County, and this was followed in 1959 by one in Hancock County. In 1956, that concern also installed a 1,000 ton/day ore-dressing mill in Jefferson County and doubled its capacity 2 years later.

In the First Congressional District, the New Jersey Zinc Co. has had property under investigation for zinc deposits in almost every county, and has extensive holdings in Hawkins, Hancock, Grainger, Claiborne, and Jefferson Counties, and is actively prospecting for zinc deposits.

In the Second Congressional District that company has conducted many investigations for zinc deposits in London and Knox Counties, and currently has holdings in Union County which are being prospected for zinc ore.

In the Third Congressional District, the New Jersey Zinc Co. has numerous zinc, lead, and barite prospects. It has investigated some of them and plans to investigate others in the future.

American Zinc, Lead & Smelting Co. operates four mines in the First Congressional District, and one mine and an ore-dressing mill in the Second Congressional District. Two of the mines were opened since 1955.

United States Steel Corp. operates a mine in the First Congressional District.

Tennessee Corp. operates an integrated mine, mill, and smelter in the Third Congressional District. This operation produces zinc concentrates, copper, and sulfuric acid.

These operations provide employment for more than 1,500 men, and an annual payroll in excess of \$5 million.

In spite of all the favorable activities, the mining industry has serious problems resulting from depressed metal prices. This is reflected in four mine closures this year—three of these were announced by the American Zinc, Lead & Smelting Co. early in the year (Cov, Grasselli, & North Friends Mines in Jefferson County, Tenn.) and the Flat Gap Mine of New Jersey Zinc at Treadway, Tenn., closed in April of this year.

Zinc mines and mills in Tennessee

	Mines	Ore dressing mills
1st Congressional District:		
Hancock County: The New Jersey Zinc Co.	1	1
Jefferson County:		
American Zinc, Lead & Smelting Co.	4	-----
The New Jersey Zinc Co.	1	1
United States Steel Corp.	1	1
2d Congressional District: Knox County: American Zinc, Lead & Smelting Co.	1	1
3d Congressional District: Polk County: Tennessee Corp.	1	1

Production of lead and zinc in Tennessee

Year	Number of mines, estimated by U.S. Bureau of Mines	Material treated	Lead produced	Zinc produced	Value of lead produced	Value of zinc produced	Average price, lead	Average price, zinc
		<i>Tons</i>	<i>Tons</i>	<i>Tons</i>	<i>Dollars</i>	<i>Dollars</i>	<i>Cents</i>	<i>Cents</i>
1948.	6	2,165,166	-----	29,524	-----	7,853,384	17.9	13.3
1949.	8	2,179,108	257	29,788	81,212	7,327,848	15.8	12.4
1950.	7	2,255,977	-----	35,326	-----	10,032,584	13.5	14.2
1951.	7	2,514,074	14	38,629	4,844	7,030,478	17.3	18.2
1952.	9	2,553,215	18	38,020	5,796	12,622,640	16.1	16.6
1953.	7	2,517,694	9	38,465	2,358	8,846,950	13.1	11.5
1954.	7	2,155,126	-----	30,326	-----	6,550,416	13.7	10.8
1955.	7	2,465,575	-----	40,216	-----	9,893,136	14.9	12.3
1956.	9	2,803,681	5	46,023	1,570	12,610,302	15.7	13.7
1957.	8	3,108,602	-----	58,063	-----	13,470,616	14.3	11.6
1958.	7	2,921,488	-----	59,130	-----	12,062,520	11.7	10.2
1959.	8	3,892,035	-----	89,932	-----	20,684,360	11.5	11.5
1960.	9	4,006,687	-----	91,394	-----	23,579,652	11.7	12.9

THE LEAD-ZINC INDUSTRY IN THE TRI-STATE DISTRICT

The tri-State district consists of Cherokee County, Kans., Jasper County, Mo., and Ottawa County, Okla. For many years this district was the principal zinc-lead mining area of the United States; however, production has dropped considerably from the district's peak to an all-time low of practically no production in 1959 or 1960.

The 1950-54 average annual production of recoverable lead amounted to 23,401 tons and recoverable zinc amounted to 76,535 tons for a total recoverable metallic value of \$29,598,000. The figures for 1959, as tabulated by the Bureau of Mines, indicated the recoverable metal content of lead produced was only 1,982 tons and recoverable zinc metal was only 2,066 tons, with a total metallic value of \$724,000. The above figures indicate quite clearly what has happened during the past few years to this district.

Employment figures of those directly employed in the mining operations in the district dropped from 1,630 in 1954 to approximately 126 in 1959, with a large percentage of the 1959 employment being used to just keep the mines in standby condition—mainly for pumping and maintenance work.

The following table indicates the major drop in production from this field occurred in 1957, with further drops in 1958 and practically no values in 1959.

Mine production tristate district recoverable metal content and value

Year	Lead tons produced	Zinc tons produced	Metallic value
1950-54 (average).....	23,401	76,535	\$29,598,000
1955.....	19,679	69,696	23,009,000
1956.....	20,373	57,215	22,064,000
1957.....	11,462	30,895	10,446,000
1958.....	4,991	9,688	3,144,000
1959.....	1,082	2,066	724,000

THE LEAD-ZINC INDUSTRY IN UTAH

Although Utah's lead-zinc industry had dwindled to about one-third of what it was in the "roaring twenties," it is still an important factor in the State's economy.

In 1960, Utah produced, as metal content of zinc concentrates, zinc oxides and lead bullion, 37,400 tons of lead, valued at \$8,677,000, and 34,100 tons of zinc, with a value of \$8,798,000. The State's lead output was 15.3 percent of the national total, and zinc 7.9 percent. Utah ranked third among the lead-producing States of the United States and was fourth in production of zinc.

There were eight active mines in the State during 1960—three large (50,000 or more tons of ore), one medium (10,000 to 50,000 tons), and five very small producers, all under 1,000 tons.

Utah lead and zinc ores are complex in their nature. They are always found in association with other metals. During 1960, the byproducts of lead-zinc mining in Utah were: gold, 23,922 ounces; silver, 2,156,544 ounces; and copper, 6,163,620 pounds—the total byproduct value amounting to \$4,764,000. Thus, lead-zinc and byproduct metals from Utah mines were valued at about \$22 million.

Before 1950 the Salt Lake-Tooele County area was considered the greatest nonferrous smelting center in the United States. Since 1950 the American Smelting & Refining Co.'s smelter at Murray and the U.S. Smelting Refining & Mining Co.'s smelter at Midvale—both in Salt Lake County—have closed down. Only one smelter remains—the International Smelting & Refining Co.'s plant at Tooele.

The only lead-zinc mill in the State is the U.S. Smelting's plant at Midvale, Salt Lake County. Lead concentrates from this concentrator move to I.S. & R.'s Tooele, Utah, smelter for further processing. Zinc concentrates are shipped out of the State.

The products of Utah's lead-zinc mining and processing industry are: (1) sulfide zinc concentrates, shipped to Great Falls, Mont., for smelting; (2) zinc oxides, which move to Great Falls, Bartlesville, Okla., and Fort Smith, Ark., for further reduction; (3) lead bullion in anodes, which goes to East Chicago for refining, and (4) lead bullion in 4-ton pigs, which is refined at Omaha, Nebr.

Average employment in Utah's lead-zinc mining and milling industry during 1960 was 981, and the total payroll for the year was \$5,499,442.

In addition to Utah-mined lead and zinc, the mill at Midvale and the smelter at Tooele produced, during 1960, about 12,700 tons of lead and 13,000 tons of zinc from ores produced in surrounding States and shipped to Utah for reduction. This is a drop from about 50,000 tons total for the two metals produced from out-of-State ores and concentrates in 1949.

TABLE I.—*Lead-zinc mines, mills, and smelters in Utah, 1960*

	District or location	County
Mining companies:		
Cardiff Industrial, Inc.	Big and Little Cottonwood	Salt Lake.
Deer Trail Mines	Mount Baldy	Piute.
Empire Mines Co.	Tintic	Juab.
Mecca Mining Co.	Dry Canyon	Tooele.
New Park Mining Co.	Blue Ledge	Wasatch.
Tintic Standard Mining Co.	Tintic	Utah.
United Park City Mines Co.	Uintah, Blue Ledge, Snake Creek	Wasatch, Summit.
U.S. Smelting, Refining & Mining Co.	West Mountain, Ophir	Salt Lake, Tooele.
Mill: U.S. Smelting, Refining & Mining Co.	Midvale	Salt Lake.
Smelter: International Smelting & Refining Co.	Tooele	Tooele.

TABLE II

Lead-zinc products of Utah:
Sulfide zinc concentrates.
Zinc oxides.
Lead bullion in anodes.
Lead bullion in 4-ton pigs.

Production of lead and zinc in Utah

Year	Number of mines, estimated by U.S. Bureau of Mines	Material treated	Lead produced	Zinc produced	Value of lead produced	Value of zinc produced	Average price, lead	Average price, zinc
		<i>Tons</i>	<i>Tons</i>	<i>Tons</i>	<i>Dollars</i>	<i>Dollars</i>	<i>Cents</i>	<i>Cents</i>
1948	81	1,033,331	55,950	41,490	20,030,100	11,036,340	17.9	13.3
1949	59	759,471	53,072	40,670	16,770,752	10,086,160	15.8	12.4
1950	61	605,613	44,753	31,678	12,083,310	8,996,552	13.5	14.2
1951	61	710,923	50,451	34,317	17,456,046	12,491,388	17.3	18.2
1952	38	679,942	50,210	32,947	16,167,620	10,938,404	16.1	16.6
1953	28	532,039	41,522	29,184	10,878,764	6,712,320	13.1	11.5
1954	30	553,477	44,972	34,031	12,322,328	7,350,696	13.7	10.8
1955	28	618,483	50,452	43,556	15,034,696	10,714,776	14.9	12.3
1956	41	596,880	49,555	42,374	15,560,270	11,610,476	15.7	13.7
1957	34	578,277	44,471	40,846	12,718,706	9,476,272	14.3	11.6
1958	36	511,050	40,355	44,942	9,443,070	9,176,328	11.7	10.2
1959	21	470,985	36,630	35,223	8,424,900	8,101,290	11.5	11.5
1960	15	486,482	39,398	35,476	9,219,132	9,152,808	11.7	12.9

THE ZINC INDUSTRY IN VIRGINIA

Virginia is a major zinc mining State, ranking ninth in size in the country, and in 1959 produced 19,734 tons of recoverable zinc, approximately 5 percent of the U.S. total that year, valued at \$4,500,000.

Annual production in recent years has ranged between 13,409 tons (1952) and 23,080 tons (1957). This variation, resulting in periods of unemployment for workers, has been due to economic conditions. This was particularly evident in 1958 when the price of zinc metal dropped to 10.31 cents per pound from 13.49 cents in 1956, due in large measure to an influx of imports. As a result, output of recoverable zinc declined to 18,472 tons in 1958 and has remained near that level since that time.

The New Jersey Zinc Co. is the principal producer of zinc ore and concentrates in Virginia, having started operations there over half a century ago. Its activities are centered in Wythe County where it operates a mine and ore-dressing mill at Austinville and a mine at Ivanhoe. In 1957, the Austinville mine was the fifth largest producer of recoverable zinc in the country.

In 1957, two new mines were opened. One was the above Ivanhoe mine by the New Jersey Zinc Co. The other was developed at Timberville in Rockingham County by the Tri-State Zinc Co. Both mines were closed during most of 1958 due to adverse economic conditions, but have since reopened at least on a moderate scale of operations.

Current operations provide employment for 400 men, and an annual payroll approaching \$1,300,000.

Production of lead and zinc in Virginia

Year	Number of mines, estimated by U.S. Bureau of Mines	Material treated	Lead produced	Zinc produced	Value of lead produced	Value of zinc produced	Average price, lead	Average price, zinc
		<i>Tons</i>	<i>Tons</i>	<i>Tons</i>	<i>Dollars</i>	<i>Dollars</i>	<i>Cents</i>	<i>Cents</i>
1948.....	1	519,899	4,703	15,882	1,683,674	4,224,612	17.9	13.3
1949.....	1	431,843	3,313	13,166	1,047,000	3,265,000	15.8	12.4
1950.....	2	426,432	3,254	12,396	878,580	3,520,464	13.5	14.2
1951.....	1	239,088	1,508	7,332	521,768	2,668,845	17.3	18.2
1952.....	1	509,055	3,792	13,409	1,221,024	4,451,788	16.1	16.6
1953.....	1	526,816	2,788	16,676	730,456	3,835,480	13.1	11.5
1954.....	1	617,480	4,320	16,738	1,183,680	3,615,408	13.7	10.8
1955.....	1	647,210	2,967	18,329	893,106	4,508,934	14.9	12.3
1956.....	1	737,892	3,035	19,196	952,990	5,180,616	15.7	13.7
1957.....	3	848,138	3,143	23,080	898,898	5,277,476	14.3	11.6
1958.....	3	653,971	2,934	18,472	686,556	3,807,853	11.7	10.2
1959.....	3	666,277	2,770	20,334	637,100	4,661,792	11.5	11.5
1960.....	3	648,951	2,152	19,885	503,568	5,142,275	11.7	12.9

THE LEAD-ZINC INDUSTRY IN WASHINGTON

Virtually all of the small lead and zinc mining operations in Washington have been eliminated from the production picture by the depressed price situation that has prevailed for the past several years.

Production in 1961 of 7,968 tons of lead at \$1.7 million and 22,597 tons of zinc worth \$5.2 million came almost entirely from three mines in Pend Oreille County. A small amount of lead was contributed to the lead total by a mine in Stevens County.

In terms of both tonnage and value, Washington's lead and zinc mining industry last year operated at about two-thirds of production potential, as measured by recent highs of 12,734 tons of lead in 1957, 32,786 tons of zinc in 1953, and a combined value of \$10.7 million for both metals in 1956.

Lead and zinc production last year represented only about 10 percent of the State's 1961 mineral production value, as compared with 15 percent as recently as 1955.

Washington has substantial milling and concentrating capacity for lead-zinc ores that is not currently in use. There are no primary smelting or refining facilities for these metals in the State, however, and all production must be shipped to other States for processing into refined metal.

The Bunker Hill Co., which has its principal mining, smelting, and refining operations in Idaho, operates a secondary lead smelter in Washington as well as lead fabrication, battery breaking, and lead oxide plants. Products marketed include various forms of fabricated lead, such as solder, wool, pipe, sheet, type metal, and various alloys, as well as red lead, litharge, battery oxides, and zinc and antimony oxides.

Production of lead and zinc in Washington

Year	Number of mines, esti- mated by U.S. Bureau of Mines	Material treated	Lead pro- duced	Zinc pro- duced	Value of lead pro- duced	Value of zinc pro- duced	Average price, lead	Average price, zinc
		<i>Tons</i>	<i>Tons</i>	<i>Tons</i>	<i>Dollars</i>	<i>Dollars</i>	<i>Cents</i>	<i>Cents</i>
1948.....	21	903,462	7,147	12,638	2,558,626	3,361,709	17.9	13.3
1949.....	21	942,256	6,417	10,740	2,027,772	2,663,520	15.8	12.4
1950.....	18	1,158,506	10,334	14,807	2,790,180	4,205,188	13.5	14.2
1951.....	16	1,184,087	8,002	18,189	2,768,692	6,620,796	17.3	18.2
1952.....	20	1,309,114	11,744	20,102	3,781,568	6,673,864	16.1	16.6
1953.....	23	1,589,912	11,064	32,776	2,898,768	7,540,780	13.1	11.5
1954.....	19	1,440,752	9,938	22,305	2,723,012	4,817,664	13.7	10.8
1955.....	9	1,580,128	10,340	29,536	3,081,320	7,265,856	14.9	12.3
1956.....	8	1,110,892	11,657	25,609	3,660,298	7,016,866	15.7	13.7
1957.....	10	1,353,841	12,734	24,000	3,641,924	5,568,000	14.3	11.6
1958.....	6	839,631	9,020	18,797	2,110,680	3,834,588	11.7	10.2
1959.....	9	856,708	10,310	17,111	2,371,300	3,935,530	11.5	11.5
1960.....	3	959,822	7,725	21,317	1,807,650	5,499,786	11.7	12.9

THE ZINC INDUSTRY IN WISCONSIN

Wisconsin is one of the 12 most important zinc-mining States in the country. During the past 10 years, its annual output of recoverable zinc has varied between 11,400 and 23,890 tons, depending upon economic conditions in the industry:

Year	Recoverable zinc (tons)	Year	Recoverable zinc (tons)
1951.....	15,754	1956.....	23,890
1952.....	20,588	1957.....	21,575
1953.....	16,830	1958.....	12,140
1954.....	15,534	1959.....	11,400
1955.....	18,326	1960.....	19,200

The 19,200 tons of recoverable zinc produced in 1960 had a value of \$4,700,000.

The marked decline in output from 23,890 tons in 1956 to 12,140 tons in 1958 reflected the reduction in price of prime western zinc from 13.49 cents to 10.31 cents. The increase in production in 1960 was stimulated by a price of 12.95 cents.

Zinc mining and ore dressing in Wisconsin is largely concentrated in Grant, Iowa, and Lafayette Counties in the Third Congressional District. A number of operators of various sizes are represented.

Despite the present unsatisfactory economic situation, prospecting continues. The New Jersey Zinc Co., for example, with holdings in excess of 11,000 acres in the Third Congressional District, has prospected over the past several years and located a number of ore bodies of sufficient size to warrant development and perhaps mining, provided metal prices improve. One in the vicinity of Elmo (7 miles south of Platteville) is now under development, and a 600-ton-per-day ore dressing mill will be constructed in 1962.

Current zinc-mining operations in Wisconsin provide employment for more than 200 men, and an annual payroll in excess of \$500,000.

Production of lead and zinc in Wisconsin

Year	Number of mines, esti- mated by U.S. Bureau of Mines	Material treated	Lead pro- duced	Zinc pro- duced	Value of lead pro- duced	Value of zinc pro- duced	Average price, lead	Average price, zinc
		<i>Tons</i>	<i>Tons</i>	<i>Tons</i>	<i>Dollars</i>	<i>Dollars</i>	<i>Cents</i>	<i>Cents</i>
1948-----	39	162,473	861	7,864	308,283	2,091,824	17.9	13.3
1949-----	45	165,962	857	5,295	270,812	1,313,160	15.8	12.4
1950-----	11	186,083	532	5,722	143,640	1,625,048	13.5	14.2
1951-----	22	499,971	1,391	15,754	481,286	5,734,456	17.3	18.2
1952-----	24	670,322	2,000	20,588	644,000	6,835,216	16.1	16.6
1953-----	29	534,882	2,094	16,830	584,628	3,870,900	13.1	11.5
1954-----	7	523,755	1,261	15,534	345,514	3,355,344	13.7	10.8
1955-----	10	583,731	1,948	18,326	580,504	4,508,196	14.9	12.3
1956-----	14	828,579	2,582	23,890	810,748	6,545,860	15.7	13.7
1957-----	16	710,776	1,900	21,575	543,400	5,005,400	14.3	11.6
1958-----	2	468,822	800	12,140	187,200	2,476,560	11.7	10.2
1959-----	6	464,390	745	11,635	171,350	2,676,050	11.5	11.5
1960-----	8	686,085	1,165	18,410	272,610	4,749,780	11.7	12.9

EXHIBIT C

A SUMMARY OF SELECTED ECONOMIC DATA RELATING TO DIRECT AND INDIRECT ADVANTAGES AVAILABLE TO FOREIGN LEAD AND ZINC PRODUCERS

Recently much publicity has been given to the Common Market and the effect that its external tariff barrier will have on international trade. To some lesser extent, the public has been made aware of tariffs and other protective devices adopted by the Government of Japan. Conversely, relatively little information has been made available on the multitude of advantages enjoyed by companies operating in many other foreign countries whose laws are designed to encourage their natural resource industries. The following will spotlight some of these factors as they apply to foreign producers of lead and zinc. It is felt that examination of these facts will portray strongly the comparative disadvantages under which U.S. producers are forced to compete in the domestic metal markets and in the foreign ore markets.

Average earnings or wage rates in mining industries of foreign countries compared to the United States (based on information from Department of Labor)

Country	Date	Wage rates based on a 40-hour week	Social benefits
Australia-----	September 1961----	\$48.00	(1).
Belgium-----	October 1959-----	32.00	30 percent of earnings.
Canada-----	September 1961----	88.00	23 percent of earnings.
France-----	April 1961-----	21.00	45 percent of earnings.
Germany (Federal Republic)-----	May 1961-----	32.00	25 percent of earnings.
Italy-----	June 1960-----	19.00	75 percent of earnings.
Yugoslavia-----	1959-----	5.00	(1).
United Kingdom-----	April 1961-----	37.00	10 percent of earnings.
Japan-----	1960-----	20.00	(1).
Mexico-----	1959-----	15.00	(1).
Peru-----	1960-----	7.00	60 percent of earnings.
United States-----	1960-----	92.29	25 percent of earnings.

¹ Not available.

Lead and zinc ad valorem import duties (April 1961) (United States compared with foreign countries having U.S. import quotas)

[Percent]

Country	Lead		Zinc	
	Ores	Metal	Ores	Metal
Australia.....	<i>Exempt</i>	<i>Exempt</i>	7.5	11.8
Belgian Congo.....	12.0	10.0	<i>Exempt</i>	5.0
Belgium.....	<i>Exempt</i>	±1.8	<i>Exempt</i>	±1.5
Bolivia.....	10.0	10.0	10.0	10.0
Canada.....	<i>Exempt</i>	±10.0	<i>Exempt</i>	±8.0
Italy.....	2.8	±30.0	2.8	17.4
Mexico.....	2.0	±15.2	2.0	±21.7
Peru.....	19.8	23.5	22.4	22.4
South Africa.....	(1)	<i>Exempt</i>	(1)	<i>Exempt</i>
Yugoslavia.....	(2)	(2)	(2)	(2)
United States.....	±7.0	±10.0	±5.0	±6.0

Italic indicates item is assigned U.S. import quota.

±Indicates approximate percentage based on conversion of specific duty rate to ad valorem at "local" values.

¹ Article not included in the tariff.

² Not available.

NOTE.—The countries that "exempt" lead or zinc from import duties or have relatively low duty schedules are either (a) major exporters of the ore and metal and therefore immune from import competition (e.g., Australia, Canada, and South Africa), or (b) in need of imported ore for their smelters which have a high level of protection against imported metal (e.g., Italy and Mexico).

OTHER ECONOMIC ADVANTAGES AVAILABLE TO LEAD AND ZINC PRODUCERS OPERATING IN FOREIGN COUNTRIES

ARGENTINA

The Government effectively prohibits the importation of lead and zinc items which are produced within Argentina in quantities adequate to satisfy local consumption requirements.

AUSTRALIA

1. *Labor costs.*—State agencies prescribe employment policies and pay scales for employees of lead and zinc producers. The pay rates are based on formula involving costs of production, transportation sales price, and custom duty imposed by foreign consuming countries.

2. *Loan funds.*—State funds are held available for improvements such as roads, harbors, and railroads in support of mines and mineral resources.

3. *Income tax.*—Australian resident companies pay a 35-percent income tax on income up to £5,000 and 40 percent on the balance above that level.

4. *Sales tax.*—Metal mining industries are exempt from sales tax payment on machinery, implements, and apparatus used in carrying out mining or treatment operations.

5. *Imported equipment.*—If mining equipment and machinery is made in the United Kingdom but is not made in Australia, it may be imported duty free. If made neither in United Kingdom or Australia, it may be imported duty free from the United States.

6. *Import taxes.*—In addition to duties previously cited, there are substantial ad valorem import duties levied on manufactured products.

7. *Export incentives.*—In the new drive for exports, a rebate system has been devised on the payroll tax for companies increasing their exports. An increase of 8 percent in value, above the base period, gives complete payroll tax rebate.

BOLIVIA

The central government supports the Bolivian mining industry, including lead and zinc, by subsidy with funds supplied directly or indirectly by the United States.

CANADA

1. *Initial production 3-year tax exemption.*—Profits from operation during the first 36 months of operating a new mine are exempt from Dominion income tax.

2. *Exploration and development costs.*—Income tax exemption is granted to individuals, partnerships, etc., and corporations for mine exploration and development expenditures, with no limitation as contrasted with the \$400,000 limit in the United States.

3. *Depreciation allowances.*—Canada permits a deduction of 30 percent per annum on mining machinery and equipment compared to the U.S. composite depreciation rate of around 5 percent.

4. *Comparison of corporate income tax rates*

[Percent]

	Canadian, including 3 percent old-age security	United States without old-age benefits
First \$25,000 of taxable income.....	21	30
Next \$10,000 of taxable income.....	21	52
Over \$35,000 of taxable income.....	50	52

5. *Sales tax exemptions.*—The 10-percent Federal sales tax is waived on many items of mining machinery and supplies.

6. *Customs tariff exemptions.*—Many specified machinery and supply items (flotation chemicals and drilling bort for example) are allowed duty-free entry.

7. *Prospecting and mining claim system.*—Throughout Canada, legal policies make it possible for any person (individual or corporate, citizen or foreign) to hold, develop, or negotiate mineral prospects at a very modest cost. Free use of the surface, timber, water is provided. Provincial or Federal funds are available for trails, roads, and in some cases railroad construction; for example, the \$85 million railroad expenditure to the new Pine Point area, as well as willingness to develop harbors, as was offered to Brunswick Mining & Smelting at Bathurst, which was estimated at around \$4 million. Provinces of Newfoundland and New Brunswick have offered to guarantee as to principal and interest, issues of bonds for major mining and smelting operations.

8. *Prospectors tax benefits.*—Bona fide prospectors and the persons who employ them or provide the financial backing for their prospecting activities are exempt from tax on amounts received from the sale of all or any part of an interest in a mining property acquired as a result of the prospector's efforts.

MEXICO

The Mexican law of February 6, 1961, "Regulating Article 27 of the Constitution," initiated a policy of "Mexicanization" of the mining industry whereby future mining activities are to be controlled by Mexican capital and operated primarily for the advancement of Mexican economic development. No new mining concessions will be given any company with less than 51-percent Mexican ownership; foreign-controlled companies are given 25 years in which to dispose of their controlling interest, but without interim benefits granted their Mexican competitors. Chief benefit is an automatic 50-percent reduction in the produc-

tion and export tax liabilities of companies wholly or predominately owned by Mexicans. Predating and unchanged by the new law, the Comision de Fomento Minero regular provides technological, financial, and ore-processing services to the Mexican mining industry as a whole. The new law proposes to extend these services through Fomento Minero and various other Government agencies, and to add geological and exploration services.

PERU

The present mining code of Peru, effective since July 1, 1950, was designed to discourage monopolies and to encourage the investment of domestic as well as foreign capital in mining. The field of small and medium mining is assisted financially, technologically, and by Government-owned beneficiation plants through the Banco Minero del Peru. Profit taxes are applied on a sliding scale ranging from 7 to 20 percent and, only after 25 years of operation, an additional progressive scale of taxes from 10 to 20 percent on excess profits above 10 percent of the resources of the company. In the case of marginal operations, the Government authorizes the amortization of capital at rates sufficiently high to preclude the showing of profits during the first few years; once all the capital has been amortized, a special low rate of profit tax is applied.

In 1957, the lead-zinc industry specifically was granted additional support by waiver of the 4-percent export tax on those metals and their concentrates.

YUGOSLAVIA

Yugoslavia subsidizes mineral production by control of the internal price structure, as well as the rate of exchange paid individual enterprises for foreign currencies received from exports.

FOREIGN MINERAL DEVELOPMENT FINANCING BY AGENCIES OF THE U.S. GOVERNMENT

There have been several programs for acquisition and development of lead and zinc from foreign sources under financing agreements with agencies of the U.S. Government, such as the International Cooperation Administration, the Economic Cooperation Administration, the Development Loan Fund, and the mutual security program.

Financing is also available for foreign mineral development through loans with the Export-Import Bank (that obtains its funds through the U.S. Treasury). From the date of the Bank's organization in 1934 through December 31, 1960, loans totaling \$556.2 million have been authorized for mining development in foreign countries.

The World Bank receives substantial financing backing from the United States. From 1944 through December 1960, this institution loaned \$159 million for various foreign mining projects.

The following exhibit is a partial list of contracts indicating those administered by the General Services Administration for the acquisition and development of lead and zinc from foreign sources.

Statement of ICA and DPA contracts administered by General Services Administration for the acquisition and development of lead and zinc from foreign sources

[In U.S. dollar equivalents]

Country	Commodity	Date of contract	Disbursement	Repayments including interest		
				In kind	Cash	
				Short Tons	Value in U.S. dollars	
France.....	Lead.....	Apr. 15, 1953	\$680,000	Lead..... 2,286.3	\$628,826	\$100,059
Do.....	Lead/zinc.....	May 31, 1952	8,571,429	Lead..... 37,994.7	9,540,662	0
Do.....	do.....	July 28, 1950	4,000,000	Lead..... 13,994.0	4,628,363	0
Germany.....	Lead.....	Nov. 1, 1951	118,571	Zinc..... 4,390.0	0	5,785
Do.....	Lead/zinc.....	May 14, 1953	119,048	0	0	23,588
Greece.....	do.....	Dec. 4, 1950	1,227,007	0	0	184,000
Italy.....	do.....	Nov. 5, 1951	784,000	0	0	0
Do.....	Lead/zinc/cadmium.....	July 11, 1950	1,494,180	Zinc..... 2,921.0	686,828	0
Portugal.....	Lead.....	June 22, 1953	89,792	Cadmium..... 5,512.9	1,594,040	0
United Kingdom.....	Copper/lead.....	Jan. 30, 1952	560,000	0	771,414	0
Do.....	do.....	June 22, 1953	1,640,000	Lead..... 542.4	0	1,429,322
Portugal.....	Lead.....	do.....	15,103	0	0	0
Greece.....	Lead/zinc.....	Dec. 4, 1950	102,147	Lead..... 12,007.0	0	0
Do.....	do.....	Dec. 7, 1949	4,175,000	Zinc..... 5,748.0	4,604,233	0
Do.....	Lead/zinc/copper.....	Sept. 19, 1951	274,800	0	0	41,522
Do.....	do.....	Jan. 24, 1951	276,000	0	0	49,577
Greece.....	Lead/zinc.....	May 24, 1951	38,259	0	0	0
France.....	do.....	May 31, 1950	1,500,000	Lead..... 413.3	1,497,799	2,201
Germany.....	do.....	Dec. 19, 1950	571,429	Zinc..... 3,664.0	412,623	158,806
Total ICA contracts.....			26,236,765	Lead..... 1,503.1		
Guatemala.....	Lead.....	Feb. 5, 1952	4,232,000	Lead..... 10,512.3		0
Mexico.....	Zinc.....		5,679,000	Zinc..... 16,773.0		0
Peru.....	do.....		5,145,000	Zinc..... 13,680.0		0
Total DPA contracts.....			15,056,000			
Total ICA and DPA contracts.....			41,292,765			

EXHIBIT D

RECOMMENDATIONS FOR LEGISLATION TO MAINTAIN THE DOMESTIC LEAD-ZINC MINING INDUSTRY

What is the domestic lead-zinc industry

The lead-zinc industry in the United States divides itself into two distinct parts: (a) One is the mining of domestic lead and zinc ores, (b) the other is the production of metal by smelting and refining lead and zinc ores of either domestic or foreign origin.

There is consumed in the United States annually approximately 1 million tons of lead and 1 million tons of zinc. It is consumed in various forms but principally in the form of metal or oxides, but it takes approximately 1 million tons of each metal to produce the various products in which it is sold to the consumer.

At reasonable price levels that have a realistic relationship to costs of operation, the mines of the United States are capable of mining on an efficient basis, ores that when smelted, will be equivalent to approximately 35 to 40 percent of the amount of lead metal consumed in the United States and approximately 55 to 60 percent of the amount of zinc metal consumed in the United States. Reprocessed or secondary metal provides an additional lead metal supply of 40 percent of annual consumption requirements. Secondary zinc metal production is negligible (5 percent). The balance of the supply for both metals, approximately 20 percent in the case of lead and approximately 40 percent in the case of zinc, required for U.S. consumption must come from abroad either in the form of metal or ores to be smelted here. Since 1950, actual imports of lead have been 38 percent and zinc 60 percent of U.S. metal consumption. This imported surplus, nearly double our needs, accounts for the buildup of excessive stocks, low prices, decreased domestic production, and closed domestic mines. There is adequate smelting and refining capacity in the United States to meet all our needs.¹

Several of the mines in the United States are owned by companies that also have smelters. Other mines are independently operated. Companies operating approximately 50 percent of the domestic smelting capacity own mines of their own which supply the major portion of their needs.

Some smelters in the United States have no mines of their own and must rely upon others for their ores and concentrates. They are known as custom smelters and they buy their ores or concentrates from domestic mines but principally from foreign sources.

It follows from what has been said that (a) custom smelters who rely principally on foreign ores and concentrates have little interest, if any, in maintaining a healthy domestic mining industry, while (b) the paramount interest of those who own domestic mines is to protect them from crippling imports from abroad.

How custom smelters do business

It is important to know how the custom smelters buy their ore in order to understand their lack of interest in domestic mine production and their relative unconcern about the price at which their products sell in the market.

Custom smelters operate essentially on a "toll basis." They buy ores and concentrates based upon the current market price of the metal. There is built into each contract their costs in smelting and refining plus a margin of profit. So that whatever the price of the metal may be—whether high or low—the custom smelter realizes a margin of profit. If the price is high, the amount of profit is somewhat greater—but in all events, they make a profit.

To put it another way, the cost of the raw material they smelt is directly related to and fluctuates with the selling price of metal. If as sometimes happens the custom smelters find that their intake of ore is at a greater rate than their sales of metal and their inventories are building up, they naturally would like to be relieved of buying more ore under their contracts. In that event, all they need to do is to cut the price on their products so that the one supplying the ores cannot afford to produce them; and thus the flow is retarded or stopped. And this has been done over and over again in the market place.

¹ The facts relative to lead and zinc are so comparable and the distress in which each finds itself is so parallel that hereafter we will not differentiate between the two unless specifically mentioned.

Thus the custom smelters are always able to make a profit and to protect themselves against taking ores if the market is not absorbing the products they make. The only one that gets really hurt under these contracts is the miner.

A very different situation prevails with respect to mines in the United States owned by a company that also does smelting and refining when selling prices of metal are forced to a low level by the impact of excessive imports at low prices or the cutting of prices by custom smelters. The cost of mining in the United States remains constant regardless of the selling price of metal, and unlike the case of the custom smelters the cost of raw materials smelted by companies who draw their raw material from their own U.S. mines is not related to nor does it fluctuate with the selling price of metal. Having regard for their obligation to their employees, the miners, such companies are very slow indeed to close down their mines. Thus they continue to operate their mines, often at a loss, rather than throw hundreds of men out of work and incur the standby expense of a closed mine.

Prime western zinc is selling today (April 1963) at $11\frac{1}{2}$ cents a pound. At this price many mines in the United States have had to close because $11\frac{1}{2}$ leaves no margin above operating costs. All other domestic mines that are operating are doing so either at a loss or they are simply trading dollars. Lead is selling today at $10\frac{1}{2}$ cents a pound, and same conditions prevail in the domestic lead mines that we find in the domestic zinc mines.

Mines abroad are producing more than they have ever produced before and can continue to produce even if the price of metal in this country were much lower than $11\frac{1}{2}$ cents a pound for zinc and $10\frac{1}{2}$ cents a pound for lead.

Differences in domestic and foreign mines

The question arises as to how it is possible for foreign mines to continue operating profitably when domestic mines cannot. The answer is found largely in the character of the ores found in domestic and foreign mines. In domestic mines, lead and zinc are practically the entire profitable element found in the ores being mined. There are sometimes small amounts of other metal values that are recovered, but basically the U.S. mines are operated for their lead or zinc content. In the mines abroad, however, lead and zinc are found commingled with substantial amounts of copper, silver, and sometimes gold. The result is that the profitable operation of the mines does not depend upon the cost of producing lead and zinc alone. As a matter of fact, with the present price of copper, some foreign mine operators can consider that their lead and zinc cost them practically nothing and thus sell those two metals in a very low market. It is largely a bookkeeping problem for many of them. In addition, the foreign mines, except those of Canada, have much lower labor costs with equally efficient mining equipment and technique. But the principal difference lies in the character of the ores themselves.

The domestic mining industry as distinct from the custom smelters

The domestic mining industry is quite obviously interested primarily in protecting the mining industry of the United States. The custom smelter has no such interest. It has only one interest and that is in getting ores, and it makes no difference that they come from abroad.

The emergency lead-zinc committee represents approximately 90 percent of the mines in the United States and 50 percent of the smelting capacity. The smelter group, on the other hand, represents less than 10 percent of the domestic mines and 50 percent of the smelting capacity.

If the custom smelters were completely candid, they would tell you that they prefer no restrictions on the importation of lead and zinc ores. Since the end products of the U.S. lead-zinc mines are lead and zinc ores, this means that the custom smelters prefer no restrictions that would protect the U.S. mines. They would, however, like some restriction on the importation of metal, the end product of their operations. In fact, this is basically the position they took before the Tariff Commission in 1957. They have, however, withdrawn from that extreme position because they think that politically it is impossible to maintain and are now prepared to consider some protection for the mines as well as themselves in order to be relieved of existing quotas.

There is only one point on which the domestic mining industry and the custom smelters are in agreement: Large quantities of manufactured materials containing substantial amounts of lead and zinc are being imported into the United States. Such products, among others, are litharge and zinc oxide. To the extent that these products are imported, it means that the smelting ca-

capacity as well as mine production of the United States has been displaced. Therefore, we would all like to see this part of the invasion of our market brought under control.

But the custom smelter has little concern, if any, about the domestic mining industry.

What relief is justified

The emergency lead-zinc committee proceeds on the basis that a sound, reasonable, and workable plan to protect the domestic mining industry should be adopted. A plan can be adopted which does not unreasonably injure any branch of the industry in the United States. And a plan should be approved or disapproved on its merits. It is on this basis that we submit the suggestions which follow in the belief that they (a) are entirely reasonable, (b) will give the domestic mining industry an opportunity to operate on a reasonably profitable basis, (c) will not really hurt the U.S. custom smelter, but on the other hand will afford it protection, and finally (d) will protect both branches of the industry against unreasonable imports of fabricated products.

Before discussing the types of relief which we think are justified, we should make it clear that the domestic mining industry opposes any form of relief which is of a transitory nature and which falls short of providing the protection which the industry must have to operate on a reasonably profitable basis. Our mining industry has struggled too long under present unfavorable conditions to accept relief which fails to meet in a reasonable way its basic problems. If the industry is to struggle for existence under a revised program, it may as well struggle for existence under the present program. In either case, the domestic mining industry may well be faced with extinction. It is for this reason that something worthwhile must be done to protect it against unreasonable imports if we are to have a mining industry in this country.

Types of relief

There have been two approaches designed to provide relief for the domestic mining industry: (a) through flexible import excise taxes on ores, concentrates and metal, and (b) through adjustable quotas on ores, concentrates and metal. Either approach is workable provided it contains the criteria necessary to give reasonable protection.

The lead-zinc mining industry, in the past has proposed several tariff formulas to preserve our industry, and in recent years the custom smelting industry has agreed on the tariff principle but preferred lower rates than those required to keep domestic mines operating. We have thus been faced with the comment in Congress that the "industry needs to get together" on one formula before trying to obtain legislation.

As pointed out previously, the custom smelters operate largely from imported ores and concentrates with little reliance on domestic production. With the current surge of industrialism that is sweeping the world, we note the erection of a new electrolytic zinc smelter in Canada and a second one in the planning stage; a small smelter is being built in Brazil; the West Germans are planning a new Imperial smelting furnace of the latest type; Greece is giving priority to erection of a new smelter; construction began in India in 1962 on a new electrolytic zinc refinery; Italy is expanding smelting capacity as are Japan, Mexico, and Northern Rhodesia. The list is long and continues to expand. The point of all this is quite apparent. Foreign lead-zinc producers no longer want to be just miners of ores (to be treated in the United States) but are industrializing to produce metal. This metal is in direct competition with the product of U.S. custom smelters and also eliminates the present supply of concentrates used by U.S. custom smelters. It is therefore a double blow.

The plain facts are that U.S. smelters are now facing the same serious trouble that the U.S. miner has lived with since 1950. It is now logical that legislative interests and proposals of the custom smelters, with regard to import controls, should now be at the same levels as proposed by the mining industry.

Relief through flexible import excise taxes

Senator Anderson introduced S. 2747 on January 25, 1962, designed to protect the domestic mining industry through the imposition of flexible excise taxes on imports. Congressman Aspinall of Colorado introduced a similar bill on January 30, 1963, as H.R. 9965. The domestic mining industry still agrees that provisions of this legislation would—

1. Provide a domestic price sufficient to produce a minimum of 50 percent of our needs from our own mines.
2. Maintain the metal price and metal stocks at levels favorable to the needs of the consumer.
3. Provide a price to exporters to this country that would maintain a favorable cash flow for foreign producers and a continued opportunity to participate in our market on a reasonable basis.

Relief through flexible import quotas

The same results can be accomplished with proper import quota controls. Based on quota experience of the past 5 years, an effective quota plan is considered a more practical method of import control at the present time, by the lead-zinc mining industry. Such a plan would provide our actual needs of imported lead and zinc at a reasonable price to all concerned (domestic miners—smelters—consumers) without applying an increased “tax” on the foreign importer.

Quota experience

The lead-zinc mining industry outlined a quota plan during the 1957 escape clause hearing before the U.S. Tariff Commission. This was the basis of a bill, H.R. 7721, introduced by Mr. Aspinall in 1959.

Following this hearing, the Tariff Commission made a unanimous finding of injury based on representations of the lead-zinc mining industry and three Commissioners recommended maximum allowable tariffs and an absolute quota restricting imports to 50 percent of those during the base period 1953–57. Absolute quotas were imposed by Executive order on October 1, 1958, but at 80 percent of the base period level, favoring the importer, and there was no increase in tariff rates. The industry has continued to deteriorate as this quota was not sufficiently restrictive and did not adjust to changes in domestic consumption.

From this quota experience, we now present the following suggestion for a bill patterned after the one introduced in 1959, but with some improvements which will provide effective, practical protection to the domestic mines and importing smelters.

Summary of provisions

1. Import quotas would be established independently for lead and for zinc by one of two methods on a quarterly basis, using the smaller figure determined as follows:

(a) Whenever the market price of the metal concerned, during a prescribed period was less than $13\frac{1}{2}$ cents per pound, an absolute quota restriction would apply.

(b) Whenever the domestic market price of the metal concerned exceeded $13\frac{1}{2}$ cents per pound during a prescribed period, the quarterly import quota would be an amount equal to the difference between the U.S. domestic consumption and domestic production of that particular metal during a previous quarter used as a base period for this calculation. Production and consumption figures would be based on official U.S. Bureau of Mines reports.

2. Quotas shall be on a global basis eliminating the U.S. governmental problems of allocation amongst friendly nations. It would also eliminate the future needs for adjustment of quotas amongst nations caused by changes in supplies of concentrates and metal as new mines and plants come into production.

3. The allowable imports of metal (pig lead and slab zinc) could not exceed 10 percent of the total allowable lead and zinc quota. This is an additional restriction compared to the present quota regulations and would provide additional protection to the importing custom smelters, by limiting metal imports—their direct competition—and providing the necessary supply of concentrates to maintain the operation of their plants.

4. The lead absolute quota has two figures: 45,000 tons per quarter the first year, and 60,000 tons thereafter (providing the price is under $13\frac{1}{2}$ cents. Similar figures for zinc are 80,000 and 100,000 tons per quarter. The lower figure for the first year is required to expedite the liquidation of present excessive metal stocks and permit prices to rise to a level at which domestic lead and zinc mining would be profitable.

5. Manufactured items containing lead and zinc are not presently restricted by quotas. Excessive imports of these goods effectively displace domestic production, and imports of most items have increased since quotas went into effect.

This plan would place a quarterly import quota on lead-zinc manufactured items in an amount not to exceed the average imports during the calendar year 1953-57, the base year for the present quota regulations.

6. Quotas would be determined by the Secretary of the Interior and administered by the Secretary of the Treasury.

7. The present quotas established by Proclamation No. 3257 would be discontinued as this act becomes effective.

The flexible quota legislation referred to above will solve the problems of both the domestic miner and the custom smelter. First, the quotas, by limiting imports to needs, will result in a market price that will encourage additional domestic mine production (approximately 100,000 tons per year) to be smelted in the United States. Second, the quota will favor a greater percentage of ore imports and conversely limit the percentage of metal imports as compared to the present import quota system—this is a direct protection for the custom smelter. And third, our price, protected by a sensible quota, will be substantially higher than the world metal price and will attract allowable concentrate imports under the quotas as the foreign producer will seek this additional income for his product.

This type of adjustable quota, sensitive to needs and adequate supply, will protect the U.S. miner, will provide the custom smelters and consumers with needed supplies at a reasonable price, and will provide the importer with a fair share of our markets at prices more beneficial to his business.

It is important that the executive department realize that this legislation is essentially an adjustment of a present quota system that does give the foreign producer access to our markets but on a controlled basis, reflecting U.S. consumption and needs. It is not discriminating and does not tax our foreign friends.

The domestic mining industry can prosper with permanent provisions of this proposed legislation, introduced as S. 1534 by Senator Clinton P. Anderson for himself and 25 other Senators.

Mr. WILSON. Before discussing the provisions and effects of S. 1534, I would like to present a brief résumé of our industry efforts, since 1950, to stabilize the domestic lead-zinc mine production on a basis that is profitable to the miner, smelter, and consumer.

Tariff Commission actions: First, let us consider the long series of actions before the Tariff Commission under provisions of the Trade Agreements Act.

1. 1950. On May 10, the lead mining industry appealed for a reinstatement of 1930 lead tariff rates (reduced 50 percent in 1943 under provisions of the new trade agreement with Mexico) plus an allowable increase of 50 percent. This request was filed with the Tariff Commission under escape clause provisions included in the trade agreement with Mexico. The Mexican trade agreement was canceled December 31, 1950 (as Mexico took a number of steps to restrict imports), and the industry petition was dismissed by the Commission with lead tariff rates returning to 1930 levels.

2. 1951. In February, the lead mining industry applied for an investigation under provisions of section 336 of the Tariff Act of 1930 for a determination of the "differences in the cost of production" of lead in the United States and foreign countries—as a means of obtaining increased tariff protection. With the Torquay negotiations for tariff reductions announced on May 8, 1951, and since duty rates cannot be changed under provisions of section 336, the Tariff Commission dismissed the proceedings.

3. 1951. During the trade agreement negotiations at Torquay, referred to above, the duty on both lead and zinc was cut 50 percent—June 6, 1951. This was done in spite of industry representations that rates were already too low to maintain our domestic mining industry. These reduced rates are still in effect today.

4. 1953. On September 14, the lead-zinc mining industry petitioned the Tariff Commission for escape clause action under section 7

of the Trade Agreements Act and concurrently a general investigation was ordered by Congress under section 332 of the Tariff Act. This resulted in the first unanimous finding of injury to the industry due to imports with recommendations for maximum permissible increase in duties. These recommendations were not followed by the executive department.

5. 1957. On September 27, the Emergency Lead-Zinc Committee again filed for escape clause action under provisions of section 7 of the Trade Agreements Act, and on April 24, 1958, the Tariff Commission, for the second time, unanimously found injury to the industry due to imports, with three Commissioners recommending the maximum increase in duty and establishing a quota based on 50 percent of imports during 1953-57.

6. 1960. Senate Resolution 162 ordered the Tariff Commission to submit a supplemental report under section 332 of the Tariff Act of 1930 with appropriate recommendations for additional import restrictions that may be needed to correct import injury to the industry.

Senator DOMINICK. Mr. Chairman, may I interrupt there?

Senator GRUENING. Yes.

Senator DOMINICK. I do not mean to interrupt your presentation, sir, but under No. 5, for the purposes of the record, what happened to the recommendations of the Tariff Commission?

Mr. WILSON. I mention a little later, Senator, that the President did not wish to accept this particular plan of the Commission and the executive departments proposed the "Seaton plan," providing stabilization payments on domestic production of lead and zinc. This legislation passed the Senate but was defeated in the House in August 1958.

Senator DOMINICK. In short then, the recommendations of the Tariff Commission, under item No. 5 here, did not go into effect?

Mr. WILSON. That is right. That is right.

Senator ANDERSON. I was going to suggest, Mr. Wilson, when he asked what happened to the Tariff Commission findings, that the short answer would be "nothing."

Is that not right?

Mr. WILSON. That is right.

Senator DOMINICK. I knew that, Mr. Chairman, but I just wanted to put it in the record.

Mr. WILSON. I would like to mention that after the rejection of the Seaton plan the executive department authorized the 80-percent quotas that we are operating under at the present time, of course, at a much lower rate than the 50-percent quota recommended by the Tariff Commission.

The Tariff Commission declined to make the findings requested under Senate Resolution 162 as being contrary to provisions of section 332, although the statistical summary of the study confirmed the continuing injury due to imports.

7. 1960. On September 30, the Tariff Commission issued its first review under Executive Order 10401 of the limited lead-zinc import quotas that become effective on October 1, 1958. The report stated that conditions in the industry had not changed (meaning improved) sufficiently to warrant a full investigation that would be directed to reduction or elimination of the quota plan.

8. 1961. On September 23, the Senate adopted Senate Resolution 206 requesting the Tariff Commission to update the section 332 investigation of the lead-zinc mining industry published in 1960. This report was issued in May 1962, with no recommendations but with statistics still indicating import injury to the industry.

9. 1961. On September 30, the Tariff Commission issued a second review of quota experience with conclusions identical to item 7 above.

10. 1962. On September 30, the Tariff Commission issued a third review of quota experience and again conclusions were identical to item 7 above.

Mr. Chairman, during the past 13 years, we have had 10 applications before the Tariff Commission for reviews of our industry; 2 under the escape clause, and on both occasions with a unanimous finding of injury due to imports; 3 comprehensive studies under section 332, and another 3 annual reviews of industry conditions under Executive Order 10401, a request for a review under section 336, and the request for an escape-clause hearing provided in the Mexican agreement. The statistics of all these studies have uniformly shown import injury. The only action from all this effort was the imposition of present quotas at levels much more favorable to the importer than recommended by the Tariff Commission.

You can appreciate our reaction, when 2 months ago today, at a similar lead-zinc hearing in the House of Representatives, an official of the Department of the Interior recommended another Tariff Commission hearing as a means of solving our industry problems.

From the record cited above, I am sure you will agree that absolutely the last and most useless solution needed now or in the future is another study. We need action—based on 13 years of concerted effort to improve the economy of the U.S. lead-zinc miner.

Senator GRUENING. If you do not mind my interrupting you here, sir—

Mr. WILSON. No, Senator, not at all.

Senator GRUENING. What is your view of the reason for this constant resistance to improving the situation with regard to imports in favor of our domestic industry?

How would you explain that?

Mr. WILSON. Well, unfortunately our State Department has the attitude that any attempt to control imports to a point where our own industry would have or, say, be in a healthy position would alienate our friends, particularly the ones to the north and south, as well as some in South America, Australia, and other areas around the world.

In other words, we are being sacrificed to our friends.

Senator GRUENING. In other words, you feel that the State Department favors the relationships with foreign countries in the belief that it is more important to favor them even if you sacrifice the domestic industry?

Mr. WILSON. That is right, sir.

We have been told successively that first, we could produce all the lead we need from Missouri, all the zinc we need from Tennessee, and that statement has even progressed to the point where we have been told by one of our State Department representatives that in a decade we should be able to import all the lead and zinc we need, indicating that there is little concern by certain people in certain quarters for the production of any lead and zinc in our country.

Senator GRUENING. Well, speaking for myself, I think it is a most regrettable attitude.

The State Department seems to favor the foreign interests at the expense of the domestic interests, and I think it is a very regrettable situation.

It seems to extend to both Republican and Democratic administrations, and I think it is something that we have to combat with all the vigor that we are capable of.

I have the narrow, old-fashioned view that our first duty is to the folks at home.

Mr. WILSON. I certainly share that attitude, Mr. Chairman.

Senator ANDERSON. If I may break in, Mr. Chairman?

Senator GRUENING. Certainly.

Senator ANDERSON. I never realized before how tragic it was that the South lost the War Between the States.

If they had won their independence and were a separate group, all they would have to do is entertain one visiting Communist and we would have rushed down there with all kinds of aid.

But because it is part of the country we have to cut down on cotton and we have to take care of foreign imports of cotton because some other parts of the country that I belong to would like to have a little lead and zinc, and the feeling is that we must not let it come from New Mexico; we must let it come from old Mexico.

It is too bad.

Mr. WILSON. Fortunately, Senator Anderson, your colleague, Senator Bible, mined enough silver so that we could win the war, and we hope that that will help us in this war right now.

Senator ANDERSON. I hope before you get through you will comment on what the Department of the Interior had to say.

I hope your witnesses, before they get through, will answer that question also.

Mr. Kelly says:

For the above reasons we are of the opinion that enactment of S. 1534 would not benefit the industry over the long term.

I think all of your people, who are producers, and who represent the industry, would have something to say about that, and we would like to hear what they think about it and whether or not it will help us over the long term.

Mr. WILSON. Senator Anderson, that is our flag that we wave. It is the long term that we are interested in.

All of these palliatives that have been used over the last few years have been short term.

We feel that S. 1534 is a long-term solution.

Senator ANDERSON. Well, I think so precisely, and that is why I was so happy that Senator Bible brought it up, because we do want to know what is going to happen over the long term, and here is the flat statement by Interior that this would not benefit the industry over the long term.

And I think that since you have the industry representatives right here, that it would be wise for each one of them to say whether he did or did not subscribe to that statement by the Department of the Interior.

Mr. WILSON. Fine. We will do that, Senator.

Executive department alternatives: We have reviewed, in previous hearings, the alternatives suggested by the executive department to avoid acting on Tariff Commission findings. These included the sliding scale tariff proposal of 1957 that the Ways and Means Committee would not accept, the Seaton stabilization subsidy program of 1958 that Congress would not accept, and prior to these the increased purchase of domestic lead and zinc and the barter of foreign supplies for the Government stockpiles that further aggravated a bad situation and only put off the day of an effective executive department decision to aid the industry. These purchases were used in lieu of accepting the Tariff Commission findings and recommendations resulting from the 1953-54 study mentioned in item 4 above.

The executive department has also encouraged solution of our domestic problems on a world basis through participation of our Government in meetings of the international lead-zinc study group. The U.S. delegation is led by a State Department representative with a member from the Departments of the Interior and Commerce.

Industry representatives can attend as observers, but the U.S. delegation policy represents State Department philosophy.

The first preliminary session of the study group was held in September 1958, with formal organization in January 1960. There have been 10 meetings to date, with numerous additional committee sessions.

"Accomplishments" are (1) improved collection and reporting of world lead-zinc production and consumption statistics, (2) short-term voluntary promises of production restrictions that have been partially observed but without appreciable or lasting effect on the world surplus lead-zinc balance, (3) barter by the United States of surplus grains for 106,021 tons of lead, during 1961 and 1962, 50,474 tons from Canada and 55,547 tons from Australia.

This was placed in the supplemental stockpile, while another Senate committee was studying so-called surpluses of strategic and critical materials. We of the lead-zinc industry do not agree with the label of "surplus" on this material; also, we did not agree with the State Department action to acquire for our stockpile this overproduction of foreign lead as a solution to our domestic problems of low prices and low production. Our objections to this policy received no effective consideration from the State Department whatsoever.

Canada and Australia agreed to some curtailment of production during the barter acquisition, but later announced expanded production goals for 1963, exceeding any previous year. Activities of the study group, other than gathering statistics, have now dwindled to consideration of an international commodity agreement for lead and zinc as proposed by the Mexican Government.

Industry is agreed, and I believe our Government will concur, together with some other countries, that this is an "exercise in futility."

The complexities of such an agreement from the standpoint of the industry complications and Government regulations make this type of arrangement impossible.

In summary, we can see no possible solution to domestic lead-zinc mining industry problems through international negotiations. Our industry has continued to deteriorate under all types of executive department alternatives; conceived to push into the future an inevita-

ble decision that imports must be effectively controlled to meet our needs—rather than admitted to please our “friends.”

Mr. Chairman, for the past 10 years, the industry has attempted to live under these Government-sponsored alternatives used in place of the miners' proposals to long-term solutions for our difficulties. They include barter, stockpiling, ineffective quotas, and negotiations for international controls suggested by members of the international lead-zinc study group. None of these have provided the necessary import control, and we note a gradual and continuing deterioration within the industry. During this period of time, we have consistently worked with the Members of Congress to obtain effective legislation that would limit excessive foreign imports of these two metals to reasonable levels that will provide only those supplies actually needed to supplement the materials obtained from our own domestic mine production.

As you know, during Tariff Commission hearings, we have proposed fixed and flexible tariffs and flexible quotas. These industry suggestions have been included in several constructive proposals of import control legislation introduced by Members of both the Senate and the House.

The lead-zinc mining industry is particularly appreciative of the actions of Members of Congress in introducing the flexible quota import control legislation in the 88th Congress, and we sincerely hope that this hearing will result in committee approval, followed by any other necessary favorable committee action, leading to enactment of this legislation by the Senate.

I would like to discuss the terms of this legislation as (1) it will increase domestic lead-zinc mine production, (2) operations can be profitable and encourage exploration for and development of new ore bodies, (3) the consumer will be provided with an adequate supply of both metals at a reasonable price, and (4) the increased supply of ores and concentrates in the United States will aid the operation of the lead-zinc smelting industry.

Before proceeding with this discussion, I would like to list, for the record, the Senators who cosponsored S. 1534, the flexible quota bill:

Senator Clinton P. Anderson, New Mexico.

Senator Gordon Allott, Colorado.

Senator E. L. Bartlett, Alaska.

Senator Wallace F. Bennett, Utah.

Senator Alan Bible, Nevada.

Senator Howard W. Cannon, Nevada.

Senator Frank Carlson, Kansas.

Senator Frank Church, Idaho.

Senator Everett M. Dirksen, Illinois.

Senator Peter H. Dominick, Colorado.

Senator J. Howard Edmondson, Oklahoma.

Senator Clair Engle, California.

Senator Ernest Gruening, Alaska.

Senator Carl Hayden, Arizona.

Senator Henry M. Jackson, Washington.

Senator Len B. Jordan, Idaho.

Senator Estes Kefauver, Tennessee.

Senator Edward V. Long, Missouri.

Senator Warren G. Magnuson, Washington.

Senator E. L. Mechem, New Mexico.

Senator Lee Metcalf, Montana.

Senator A. S. Monroney, Oklahoma.

Senator Frank E. Moss, Utah.

Senator Gaylord Nelson, Wisconsin.

Senator Stuart Symington, Missouri.

We firmly believe that the purpose of the bill as stated in the introductory statement correctly summarizes our industry objectives. We do believe that the domestic economy of many people, including miners, their families, the service industries in mining communities, the towns themselves, together with State governments and stockholders throughout the country are benefited by a strong domestic mining industry.

It is good business for the United States. We know our industry is indispensable to national defense. In each emergency the lead-zinc miner has been asked to immediately increase his output.

This will always be the case and can only be done if we are in business and have been in business to develop and maintain the ore reserves and technical know-how for adequate mineral production.

Here is how the flexible quota will achieve these goals.

For several years the U.S. and world market prices have been depressed by excessive stocks of metal, resulting from overproduction by mines and smelters in foreign countries. Under the present lead-zinc import quota system established on October 1, 1958, the importer has had and still has a guaranteed tonnage allowance that has consistently exceeded our import needs for domestic consumption.

This tonnage has also always exceeded our own mine production and produced the excessive domestic metal stocks that depressed our U.S. price. The result has been and is a sick domestic mining industry. At the same time foreign manufacturers have been producing articles from cheap metal and increasing their imports of these items as an "end-run" around the quotas, as the quotas placed no restrictions on manufactured materials. This, of course, displaced additional domestic lead and zinc production and further aggravated our problem.

As a first step in adequate import control the legislation under consideration recognizes that any abnormal metal stocks must be eliminated immediately to obtain a reasonable metal price. In the case of both metals this can be done by applying a stringent, absolute quota to effectively reduce imports and eliminate excessive stocks present at the time of enactment, provided that the market price is below the reasonable level, referred to above.

(1) The lead quota for the first year would be 45,000 tons per quarter compared to 88,680 tons under present regulations. Comparable figures for zinc are 80,000 and 130,240 tons.

(2) The lead quota for succeeding years would be liberalized to 60,000 tons per quarter and the comparable zinc figure is 100,000 tons, still provided that the market price is below 13.5 cents per pound.

(3) Realizing from present experience that it is impossible to establish an absolute quota figure that will work effectively on a long-term basis, the legislation provides a flexible quota to apply and replace (1) and (2) above whenever the market price for either lead or zinc rises to or exceeds 13.5 cents per pound for any one of the first 3 of the 4

calendar months preceding a calendar quarter in which a flexible quota is to be established.

The allowable import quota will then be the difference between the total domestic supply of those metals and U.S. consumption as determined from U.S. Bureau of Mines figures.

To understand this more fully, let us presume that quotas under (1) or (2) above have reduced stocks and the average Engineering and Mining Journal price of lead for the month of March (first calendar quarter) or April or May in the second calendar quarter exceeds 13.5 cents per pound. This initiates the calculation of a flexible quota.

The lead supply figures for the first quarter, consisting of mine production, secondary lead production, and any lead released for consumption from the U.S. stockpiles, together with the total first quarter lead metal consumption figures will be available from U.S. Bureau of Mines reports during the month of May (second quarter).

The difference between these supply and demand totals will be the total lead import quota for the third quarter and will be the material needed to supply our consumers without creating the troublesome excessive stocks of past years.

This type of quota calculation is for unmanufactured lead or zinc, meaning controls on lead ores, concentrates and pig lead, and zinc ores, concentrates, zinc fume, and slab zinc. At present the lead import quota is prorated 63 percent to metal, and the remainder to ores or concentrates. Similar figures for zinc are 27 percent to metal and the remainder to ores and concentrates.

Zinc fume was not included in the present quota and has been a source of additional, excessive zinc imports. These metal percentages were calculated on actual import experience during the quota base period of 1953-57.

The mining industry has objected to the present absolute quotas as not being sufficiently restrictive to encourage our domestic mine production.

Custom smelters have objected to those quotas as limiting the imports of ores and concentrates at levels too low to maintain smelter operations; this, of course, has been aggravated by the loss of domestic mine production during the past few years.

A second important feature of the proposed legislation is a provision to aid the custom smelter. First, domestic production of ores will increase. Second, the allowable metal imports (the direct competition of the custom smelter) are limited to 10 percent of the total quota, thus favoring imports of ores and concentrates to be treated in U.S. smelters.

A third item of this legislation that will eliminate current criticism of present quotas is a proposed change from country by country quota allocation to a global quota basis. As mentioned previously the present import figures were based on 1953-57 experience. There have naturally been some changes in foreign ore reserves, with both new and abandoned mining operations and additions to smelting capacity.

This upsets the flow of ores, concentrates, and metals as planned in the original quota proclamation. Under the proposed quota plan any country can place its material in a U.S. bonded warehouse and at the opening of a quota period, its pro rata share of material in warehouse compared to all proposed entries will be its allowable quota for that period.

This should be particularly attractive to those in our Government departments charged with deciding the ticklish problem of just who is to share in our markets and will automatically compensate for changes in the foreign ore and metal producing industry.

A fourth and equally important control included in this legislation is the provision to establish import quotas for manufactured items such as pigments, chemicals and lead and zinc sheet, pipe, et cetera.

As explained previously, these are not presently controlled and imports have increased substantially to the detriment of the domestic miner. For instance litharge, the lead oxide used in automobile batteries, has increased from 2,765 tons during the quota base period to 15,590 tons in 1962 and is currently entering at a projected rate of 25,000 tons in 1963.

May I say that for 1 year the people interested in domestic litharge production have been negotiating through the State Department to try and get these litharge imports from Mexico limited to a reasonable amount.

We find that we have had to do quite a job of educating the various echelons both here in the State Department offices and also in the Mexican Embassy and, incidentally, it is Mexico that is importing the largest part of this litharge, to let State Department officials know that this is actually an end run around the quota.

This is an increase in the allowable Mexican quota that was never intended when the quotas were established.

We now find that apparently dumping is actually occurring as far as litharge is concerned in the United States from Mexico.

An antidumping action has been instituted and is now being processed.

We hope that through these activities we will get this litharge control pushed back to a level where our own industry can live and not be eliminated.

This legislation proposes an import quota on lead and zinc manufactured items (approximately 15 general categories) limiting these items to our import experience during the present quota base period of 1953-57.

A special provision allows the Secretary of the Interior to adjust these quotas to reflect currently the same relationship as were the import and domestic consumption percentages experienced during the quota base period. New product classifications can also be established if this is found to be necessary. The following tabulation includes combined lead-zinc tonnage and value figures for imports of 15 categories of manufactured items to illustrate the growth from 1953, the first year of the quota base period, through 1962:

Year	Combined lead-zinc (tons)	Dollar value
1953.....	9,364	\$4,079,170
1958.....	32,622	9,880,028
1962.....	49,267	13,591,666

The 1962 tonnage represents approximately 2.5 percent of our total annual lead-zinc consumption and 7 percent of the combined 1962 mine production. It is obvious that our markets are attractive to the

importer, particularly as the differential between our U.S. price and that of the world increases beyond the normal total of U.S. import tariffs, freight, and insurance required to bring foreign metal into our country.

This differential would no doubt increase with a flexible quota as our price could be stabilized at or above 13.5 cents per pound and should be appreciably above the world price level, making our markets even more profitable to the importer than at present. It would be imperative that manufactured goods be controlled by quotas to protect not only our metal manufacturers but also the domestic mining industry.

In summary, perhaps a statistical example would help explain the overall advantages of this legislation to the domestic miner and the lead-zinc industry generally. For convenience, we will use 1962 rounded consumption figures and supply figures as per the definitions in the quota bill.

Assuming a 13.5-cent price for both metals, the U.S. mines should produce a minimum of 350,000 tons of lead and 600,000 tons of zinc.

		Tons
Lead:		
Mine ore production.....		350,000
Secondary metal production.....		450,000
Total domestic production.....		800,000
Metal consumption.....		1,100,000
Difference (quota).....		300,000
Zinc:		
Mine ore production.....		600,000
Secondary metal production.....		55,000
Total domestic production.....		655,000
Less ores used directly (example, oxide).....		95,000
Domestic metal available.....		560,000
Slab zinc consumption.....		1,000,000
Difference (quota).....		440,000

	Lead		Zinc	
	Annual present lead quota	Annual quota calculated on flexible basis	Annual present zinc quota	Annual quota calculated on flexible basis
	Tons	Tons	Tons	Tons
Ore.....	132,320	270,000	379,840	396,000
Metal.....	222,400	130,000	141,120	144,000
Total.....	354,720	300,000	520,960	440,000
	1962 ore supply		Ore supply with flexible quota and 13.5-cent price	
	Lead	Zinc	Lead	Zinc
Domestic.....	237,386	505,648	350,000	600,000
Imported.....	129,729	375,967	270,000	396,000
Total.....	367,115	881,615	620,000	996,000

¹ At 10 percent of total.

Now, in discussing this set of figures I would like to say that the upper set of figures on lead would indicate how this quota would be calculated under the provisions of the bill.

In other words, in the case of lead we would have mine ore production of 350,000 tons.

Secondary metal production, we estimate at 450,000. So our total domestic production would be 800,000 tons.

Now we are looking at metal consumption of about 1,100,000. So the difference is 300,000 tons, which would be the quota.

In the case of zinc we have mine ore production, we have secondary metal production, and we have to deduct some ores that are used directly in process or primarily to make zinc oxide, but our total domestic metal available would be 560,000 tons, and the consumption would give us a quota of 440,000 tons.

Now, the second set of figures in the case of lead, our annual present lead quota is indicated as ore and metal, totaling about 354,000 tons. Compared to the quota calculated above there would be a restriction down to 300,000 tons.

This third set of figures on zinc, again, we have shown the actual quota to be 520,000 tons.

The flexible calculation would reduce this to 440,000 tons.

Looking at the 1962 ore supply we have 237,000 tons of domestic lead and 129,000 tons imported, and the total is 367,000 tons.

In the case of zinc the 1962 ore supply is 881,000 tons. If we had used the flexible quota and produced our 350,000 tons of lead, and imported 270,000 tons, there would have been 620,000 tons of ore available for smelting in this country, an appreciable increase.

In the case of zinc it would have been 996,000, also an increase.

We think this demonstrates that a flexible quota would have been very beneficial to the domestic mining and custom smelting industries.

The broad advantages are obvious:

1. The miner can anticipate a long-term, stable price that will maintain a reasonable segment of the domestic industry, producing a fair portion of our needs, maintaining ore reserves, and operating at a profit.
2. The consumer can likewise anticipate an adequate metal supply at a long-term, stable price.
3. Metal imports will be limited to 10 percent of the total quota. The supply of imported concentrates in addition to increased domestic production will stabilize operation of custom smelters.
4. We have already demonstrated that the miner and manufacturer would have the necessary control on imported manufactured items.
5. The entire plan will adjust itself to the normal economic cycles of our economy. If the rosy future so often pictured during hearings such as these doesn't develop, our industry will be maintained and be ready for the better days. If our business improves and lead-zinc consumption increases, as we hope it will do, all phases of the industry will benefit proportionately.

Mr. Chairman, since the introduction of S. 1534, it has been suggested by individuals from both the Congress and industry that while 13.5 cents per pound may be the realistic market price to use as a "peril point," at the present time, in initiating an adjustable quota for either

lead or zinc—the same price might very well be too low if production costs continue to rise, as they have during the past decade.

We agree that it is a logical suggestion to tie this price to an index that will accurately reflect the changes in mining costs. Mining labor is the largest single cost item of our industry and is also a substantial part of the cost of producing the supplies we use. Changes in labor costs for producing supplies utilized in mining operations, eventually are reflected in the mine wage, so it seems quite logical to relate the 13.5 cents price to a U.S. Department of Labor index published monthly that quotes the gross average weekly earnings for the mining industry based on current dollars.

We have proposed two additional sections numbered 104 and 204 that will provide for an annual adjustment of the peril point price based on this Labor Department index, and I submit these as recommended amendments to S. 1534. An explanation of the operation of the index accompanies the amendments.

I might say that this index or in connection with this index, based on 1957-59, from that time to now this wage has increased about 13 to 14 percent. So it certainly proves our point that a provision for escalation of the "peril point" is needed.

Other industry witnesses will discuss the specific situation in some of our lead-zinc producing States. Amidst the general depression that has prevailed within our industry economics for years, we have had some cycles of optimism that have been welcome but short lived.

This cycling is one item that we would like to replace with long-term stability. Increased production of automobiles in 1963, with a corresponding rise in lead and zinc consumption, is currently encouraging, but without controls regulated by supply and demand, we cannot count on future stability.

The present situation of local encouragement is reflected in an announcement that a new lead mine operation is planned in southeast Missouri. These deposits lend themselves to low cost, high-volume production, with resultant economy of mining operations.

Even under those most favorable of domestic mining conditions, the Wall Street Journal of July 19, 1963, quotes Mr. Andrew Fletcher, chairman of the board of St. Joseph Lead Co. as follows:

Mr. Fletcher, however, cautioned that if market conditions and the price for lead "in the future do not justify the increased production, then St. Joe will be forced to close some of its older, low-grade, high-cost mines in the lead belt of southeast Missouri. This would entail laying off a large number of workers."

In spite of adverse economic conditions and executive department rebuffs, a segment of the lead-zinc mining industry has shown that the United States does have natural resource potential. All we need is a change in attitude and action that will permit the domestic miner to operate U.S. ore deposits.

Mr. Chairman, it is time that Congress enacts import legislation to develop, maintain, and expand the natural resources of our country. We must rely on Congress to insist that the executive department accept the need for a domestic industry by approving such legislation. There is no other alternative for assistance to the lead-zinc mines but through congressional action.

I trust you will recommend this action to the Senate and assist our other friends in Congress and the lead-zinc mining industry in the enactment of this important legislation.

Senator GRUENING. Thank you very much, Mr. Wilson, for your very excellent and comprehensive statement.

Senator ANDERSON, do you have any questions?

Senator ANDERSON. No.

Are the other members of your panel going to make comments?

Mr. WILSON. We would like to have them give their statements, Senator, first, if this is agreeable.

Senator ANDERSON. Well, I think I will reserve my questions until then.

I wish to thank you for a very fine statement which we all appreciate.

I think I should state to the industry representatives here that we have all been very much helped by Mr. Wilson by the very fine work that he has done here, and I want to commend him for the very fine work which he has done and is doing.

Mr. WILSON. Thank you, Senator.

As an old lead and zinc man from the West, I appreciate your courtesy.

Senator GRUENING. Senator Bible, have you any questions?

Senator BIBLE. No.

Senator GRUENING. Senator Dominick?

Senator DOMINICK. Mr. Chairman, I just thought I would make a couple of comments and maybe ask one question.

I remember, during the hearings in the House committee on the so-called stabilization bill, stating at that time that that subsidy bill simply was not going to work.

All it was going to do was to create perhaps a little adrenalin to keep a few small miners going, but what we needed was some kind of legislation that would restrict the imports of foreign metals.

Of course, it seems obvious to me that one of our great problems is overproduction, and I had great difficulty in determining why we could not use a system which would be similar to our sugar system.

I noticed here that you have put in a global quota as opposed to trying to put quotas in on specific countries.

I wondered if you could give the committee some explanation of why you thought it was better to put it in on a global picture?

Mr. WILSON. I was indicating in the general statement that there have been some changes in foreign mine reserves and also in the erection of foreign smelting facilities that have upset the situation as they were currently in 1953-57.

One good example of this is a new smelter in South Africa and the present South African quota of imports is for ores and concentrates.

When this smelter finally gets developed they will be producing metal. South Africa has no import quota for metal.

This is just one example.

If you look at the list of smelters that are being built you will notice that this is being expanded every year, which, of course, tightens up the supply of concentrates and increases the imports of metal.

On a global basis, changes such as these would automatically be accommodated.

Senator DOMINICK. Do you know whether any of the importations of either ores or metals come from Soviet bloc countries?

Mr. WILSON. Well, we have an import quota from Yugoslavia. Other than that, the quotas are pretty well prorated to those nations that are considered friendly to the United States.

Senator DOMINICK. That is all, Mr. Chairman.

Senator GRUENING. I suppose, following up on your question, Senator Dominick, the answer is that if it were a global quota it would give the Federal Government a little more flexibility in determining from which country or where the changes should be made.

Is that not one reason?

Senator DOMINICK. Well, I would hope that that would be true but, based on past policy, I would be somewhat concerned that perhaps some of the import quotas, which might be granted, would be benefiting countries which are of no assistance to us in our overall fight at all because certainly we have been more lenient with our enemies to date.

Senator GRUENING. I share your views.

Thank you very much.

Mr. Darmitzel?

Mr. DARMITZEL. Mr. Chairman, I appreciate the opportunity to give a very short statement.

Mr. Chairman, members of the committee, I am William F. Darmitzel, executive director of the New Mexico Mining Association, and in this capacity I appear here to express the support of our members for the passage of S. 1534.

On behalf of the members of the New Mexico Mining Association, I would like to take this opportunity to recognize the help and assistance the lead-zinc industry has received from Senator Anderson. He has, in the past, done much to present lead-zinc's problems to the Tariff Commission and in the Senate. His continuing help is always appreciated by the New Mexico lead-zinc mining industry.

I would also like to thank Senator Mechem, who is also a sponsor of S. 1534. His concern for the mining industry has always been apparent during his terms as Governor of the State of New Mexico. We are also very pleased that Senator Mechem has been named to the Senate Interior Committee and the Subcommittee on Minerals, Materials, and Fuels.

The situation facing the lead-zinc industry has been so well documented so many times that I will point out only the present condition of the New Mexico lead-zinc industry compared to the condition in 1952.

In 1952, there were approximately 1,200 men employed in some 51 mines that produced 7,021 tons of lead and 50,975 tons of zinc, with a combined value of slightly over \$19 million. We now have one active lead-zinc operation—American-Peru Mining Co. at Hanover, N. Mex.—with about 128 hourly employees. This company is continuing to operate at the present time by high grading, with the hope that the situation will improve.

The lead-zinc members of our association support S. 1534 because we believe that it presents a solution to the problem the industry has been facing for so many years. While past actions such as the stockpile purchases, the subsidy for small lead-zinc mines, and the quotas imposed in 1958 have, to varying degrees, had some effect on the condition of the industry, none has truly gone to the heart of the problem.

Appeals to the Tariff Commission have resulted in numerous studies which showed that the industry is being injured by imports. Additional studies could be made and could update the findings

previously made, but without action to correct the cause of the injury, the injury will remain.

We know we are being hurt, without more studies to tell us. What we would like is to quit hurting, and S. 1534 looks like a prescription which will do the job.

Passage of S. 1534 will give the lead-zinc industry—miners and operators—an opportunity to share some of the prosperity for which our country is so well known.

We believe that this bill will help the miners in New Mexico, in answer to the question which we were asked to comment on.

Thank you.

Senator GRUENING. Thank you very much.

In other words, you prefer "treatment" to further "diagnosis"?

Mr. DARMITZEL. Yes, sir; we do.

Senator GRUENING. Senator Anderson?

Senator ANDERSON. Let me say that Mr. Darmitzel is well known to many of us in that State.

He has been a great friend of the veterans for many long years, and it is a pleasure to have one of my personal friends here, and we appreciate his testimony very much.

Mr. DARMITZEL. Thank you, Senator, and we appreciate being here.

Senator GRUENING. Senator Dominick?

Senator DOMINICK. I have no questions. I am just delighted to see the industry of the South behind this bill.

Senator GRUENING. Mr. Ince?

Mr. INCE. Mr. Chairman, and members of the committee, I am Charles R. Ince, vice president of St. Joseph Lead Co., the largest lead mining company in the United States and a very sizable producer of zinc.

I would like to discuss the feature of the present quota bill which is not often given consideration.

The current situation in lead and zinc is a good example of the inflexibility of the present quota system and its impact on the markets for the metals. Due to a major strike in lead mining and a cyclical improvement in the consumption of both metals, we have been able to absorb the allowable quotas during the last two quarters and reduce smelter stocks of refined metal. As a consequence, there has been some improvement in prices with lead moving from 10 to 11.25 cents per pound and zinc from 11.5 to 12.5 cents thus far this year, but in the case of both metals, prices are still below previous highs recorded prior to the establishment of quotas.

How long the present rate of business activity and the consumption of lead and zinc, which naturally is alined with it, will continue remains to be seen. If industrial production should abate or go through one of its periodic adjustments, we may very well again be confronted with an oversupply of metal due to more than necessary imports from abroad. This has happened before.

The present quota system was implemented in the last quarter of 1958. In the intervening 4 years we have had 36 months when zinc imports exceeded this country's requirements and 40 months when lead import quotas were in excess.

The result has been considerable fluctuations in the lead and zinc markets and, since the periods of oversupply exceed the periods of

undersupply, the net result to the miners of the United States has been depressed prices which have closed many properties which could be operating today if we had a more flexible quota system.

It should be realized that the mining industry did not ask for quotas. In all our appeals to Congress and the executive department, the emphasis has been on adequate tariff protection to equalize our costs of production, mainly labor, with the producers abroad.

Import quotas have been the panacea offered in response to our efforts but at such high levels that rather than stimulate domestic mining, have stifled it. In the last 4 years domestic mine production of lead has fallen to 255,000 tons and zinc to 425,000.

No recounting of our problems with imports would be complete without reference to a time, not too far in the past, when this country did not receive even its normal requirements of imports. I refer to the Korean crisis in the early 1950's. In 1950, 442,000 tons of lead and 156,000 tons of zinc were shipped into this country from abroad.

In the succeeding year, at the height of the Korean war need, these imports dropped to 178,000 tons of lead and 88,000 tons of zinc when foreign producers diverted shipments to more attractive markets abroad. At that time, the price of zinc in this country rose to 19.50 cents per pound and lead to 19 cents. It is regrettable but true that even our good neighbors to the north and south of us did not provide their usual tonnages and many domestic consumers who had depended to varying extents on these sources of supply, had to turn to the Government and domestic producers for aid.

I note in the comments of the Department of the Interior reporting on S. 1534 that objections have been raised to the feature of the flexible quota. In their opinion "elements of the domestic industry would force the price up to the critical level by withholding supplies from the market" and that subsequently the increased imports would break the market. The validity of this position can be questioned on several bases—among them:

1. Domestic producers are as much interested as the consumer in maintaining stable prices and would not indulge in such tactics in their own self-interest.

2. A domestic producer could not hope to hold a position with the consuming industries very long if he were to periodically withhold his production from the market.

3. There is always sufficient raw material in the pipelines to cushion the transition from the lower to higher rate of imports at the critical level.

I have attached some charts here showing the fluctuations in prices during the past 5 years in which the quota system has been implemented.

As can be seen from the attached charts, in the last 4 calendar years during which the present rigid quota system has been in effect, there have been fluctuations in the price of zinc from a high of 13 cents to a low of 11 cents—a variation of 15 percent, with 10 price changes in the period and no marked or sustained price improvement.

In the case of lead, you will note that the fluctuations have been even wider, ranging from a low of 9.5 cents to a high of 13 cents—a variation of 30 percent, and during the period there have been no less than 18 changes in the price of the metal. It may also be noted that

the level of the lead price declined steadily since 1958 and last year hit the lowest point since World War II.

These gyrations in the markets caused by periodic excesses or shortages in supply, are harmful not only to the producer but also the consumer who depends on stability in pricing his products. One way to correct this situation, if we are to pursue the quota route, is to automatically control imports to meet our needs as is proposed in the present legislation, rather than to continue to provide a dumping ground for the excess production from abroad.

I urge your approval and enactment of the provisions of S. 1534.

Thank you very much.

Senator GRUENING. Thank you very much, Mr. Ince.

Senator Anderson?

Senator ANDERSON. On the top of page 3 you quote from this comment of the Department of the Interior that in their opinion "elements of the domestic industry would force the price up to the critical level by withholding supplies from the market."

You mentioned what happened in the Korean situation.

Was it the domestic producers who withheld their production and, therefore, forced the price up?

Mr. INCE. No, during that period domestic production reached one of the highest points during the fifties, and it was an all-out effort made by the domestic industry to increase their production.

Senator ANDERSON. But the domestic mines did their share?

Mr. INCE. Exactly.

Senator ANDERSON. And the people in the other parts of the world withheld their share?

Mr. INCE. Or diverted it.

Senator ANDERSON. Have there been any recent price changes in the price of lead and zinc?

Mr. INCE. Yes, there have, and I commented on that in the early part of my statement.

Since June we have had two price changes in the price of zinc and three in the price of lead.

In both cases, however, we are still below 13 cents, which was the price we had in 1960.

Senator ANDERSON. When were those two price increases?

Mr. INCE. Well, let's say some of them took place right after the first of June.

There was one price increase in zinc, but the price of zinc has moved up a cent, and lead, three-quarters of a cent, since June.

Senator ANDERSON. Since June of this year?

Mr. INCE. That is right.

Senator ANDERSON. Since setting the date for this hearing, for example?

Mr. INCE. I beg your pardon?

Senator ANDERSON. Since setting the date for this hearing or the announcement of it?

Mr. INCE. Well, there was another hearing before the House committee.

Some of those changes took place just prior to that one.

Senator ANDERSON. Some of us fear it may move back again if the Congress adjourns without passing a bill.

It generally does.

Mr. INCE. I have here a record of the recent price changes.

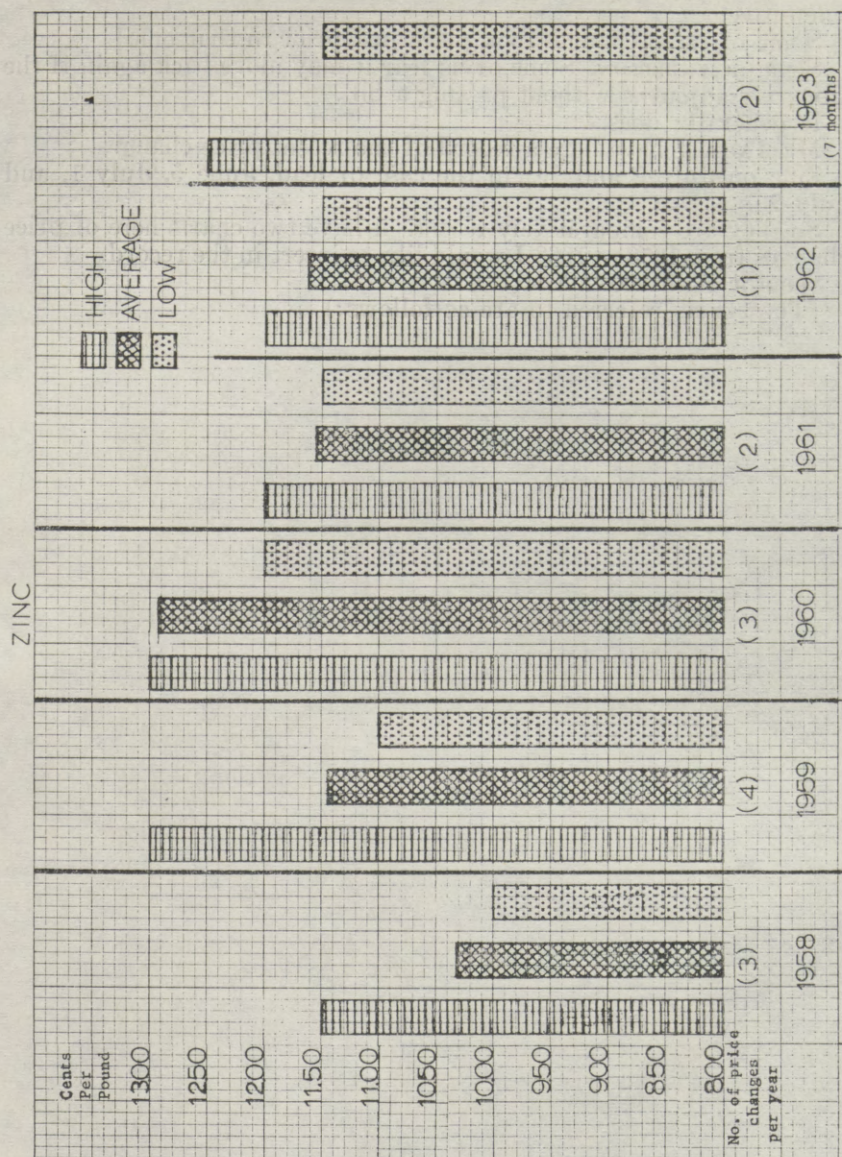
Zinc on July 2 and 29; in the case of lead, June 5, July 1, and July 23.

So they are comparatively recent. I have two charts here of price changes from 1958 to 1963 I would like to insert in the record.

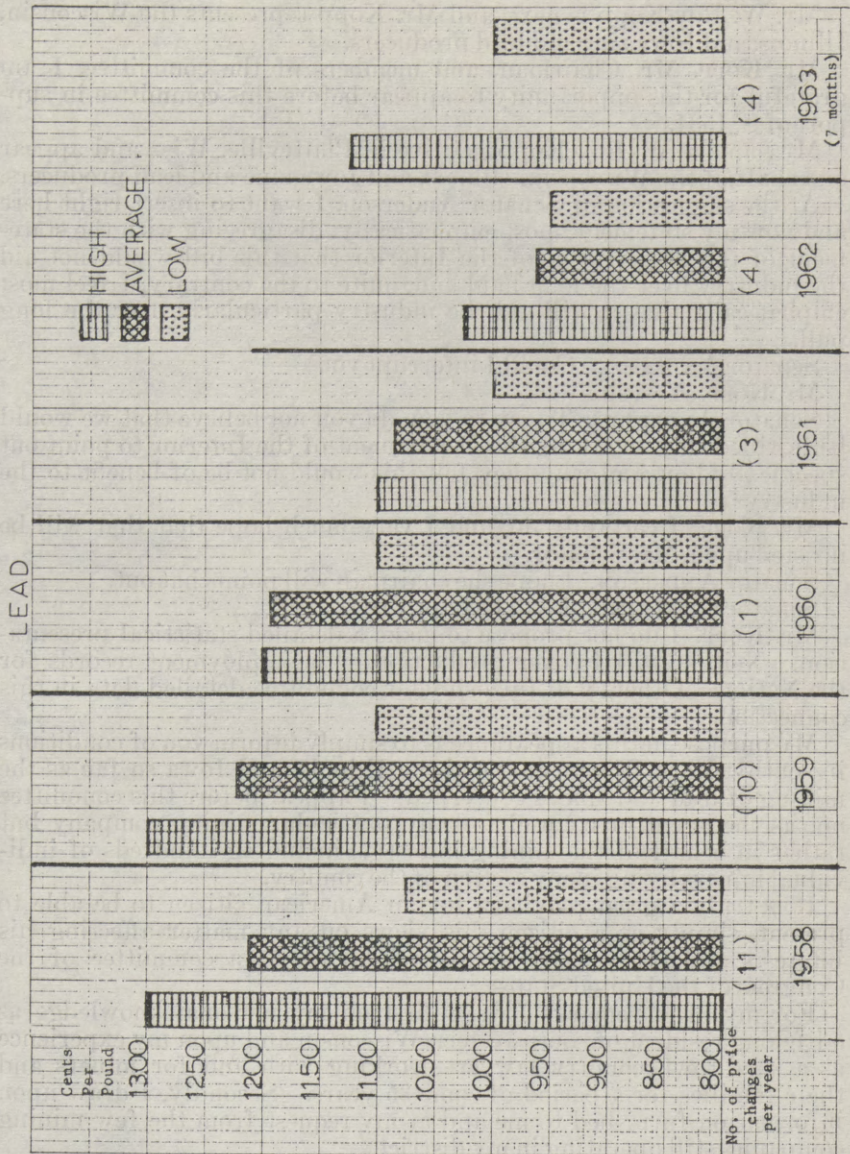
Senator ANDERSON. Yes.

(The charts referred to are as follows:)

GRAPHICAL PRESENTATION OF ZINC PRICE CHANGES 1958-1963



GRAPHICAL PRESENTATION OF LEAD PRICE CHANGES 1958-1963



Senator GRUENING. Well, thank you very much, Mr. Ince.

Mr. W. Roy Kopp is next, and Mr. Kopp represents the Wisconsin, Illinois, and Iowa zinc and lead producers.

Mr. KOPP. Mr. Chairman, and members of the committee, I am grateful for this opportunity to appear before this committee in support of S. 1534.

My name is W. Roy Kopp. I live in Platteville, Wis., and appear on behalf of the Wisconsin, Illinois, and Iowa zinc and lead producers.

At the suggestion of Senator Anderson, I want to insert right here and now my statement, most emphatically, disagreeing with the statement of the Department of the Interior that this bill would not aid the industry over the long haul and, quite to the contrary, I feel most emphatically that it will aid the industry particularly over the long pull.

Senator ANDERSON. Could I interrupt you—

Mr. KOPP. Yes, sir.

Senator ANDERSON. To say to you, do you not believe that we would be justified then in asking the Department of the Interior to point out specifically how and why they felt this would not be of benefit to the industry?

Mr. KOPP. I certainly do, and I very much hope that that will be insisted upon, Mr. Senator.

Senator ANDERSON. I hope the chairman will point that out.

Senator GRUENING. I will be happy to.

Mr. KOPP. I do not propose to make a detailed statistical presentation. Neither will I cover production or unemployment records for the Nation. Others will furnish your committee detailed data in this connection.

My purpose in this appearance is to simply inform you of conditions in southwestern Wisconsin, northern Illinois, and Iowa so far as the mining of lead and zinc is concerned. I appear before this committee not as the agent or counsel for any particular mining company but rather in behalf of the mining industry, including hundreds of individual miners living in my section of the country.

It is truly a great privilege for an American citizen to be able to present, simply as a citizen, his views on any matter affecting his interests and the welfare of his neighbors—to a committee of the Congress of the United States.

For my brief remarks I draw first on my personal knowledge as a lifelong resident of southwestern Wisconsin and upon my experience as a smalltown country lawyer—working with and for miners and their families for a period of some 35 years. Secondly, I draw upon information furnished to me and at my request from the few mining companies still operating in my district.

Past appeals for help: This is not the first opportunity I have had to present the problems in the upper Mississippi Valley district. I have appeared before the Tariff Commission and appeared before and filed statements with several House and Senate committees—in 1953, 1957, and 1960—all in an effort to call attention to the declining activity in my district and what now appears to be the courageous but certain death of zinc and lead mining in this area. We have repeatedly asked for help to save this important industry but our pleas have been almost ignored.

Past emergencies: Any true understanding of the problems of the Wisconsin miner and those in the adjoining States of Illinois and Iowa would be impossible without a brief review of his experiences during the years. The markets for lead and zinc have, of course, fluctuated through the past years but regardless of the state of the market at the time, the Government has several times found it necessary to call upon every zinc and lead mine in my district—yes, and in the Nation—to supply the needs of the national economy in time of war and preparation for defense. Financial assistance was offered to producers of these strategic metals during World War I, World War II, the Korean emergency, and during the period of preparation covered by the Defense Production Act.

We have had the premium price plan, we have had the offer of RFC loans, we have been tendered floor contracts and exploration contracts and appeals have been made even on the basis of patriotism—to mine operators and to mine laborers—to cooperate in the program to step up production.

I am not speaking upon the basis of published reports and statistics alone but upon the basis of practical experience as well because I personally participated, representing various mining interests—and most of them very small companies—in an effort to increase production during some of these various periods of emergency.

I want to state parenthetically at this point a fact which is well known to the miner but which may not be appreciated by all of the members of this committee.

The mining of lead and zinc in Wisconsin and Illinois (all mining activity has long since ceased in Iowa, although there is a great potential there) ordinarily involves the sinking of a shaft or an incline at great expense and the constant pumping of water—24 hours of each day—in order to maintain the underground tunnels sufficiently dry to permit the extraction of ore. When the pumps are turned off, these mines fill up completely with water in a very short time and cannot be reactivated except at tremendous expense and, in some cases, the cost of reactivation is prohibitive.

The general assumption of people not familiar with this type of mining is that metal production can be started or stopped more or less at will; that it is possible during unfavorable periods marketwise to shut down and save the metal for more profitable periods; that when lead and zinc can be imported at favorable prices we stop and send everybody home and when enemy submarines keep the ore ships from our shores we call all the miners back and open up again. The mining of lead and zinc cannot be started and stopped and then started again as a water faucet is turned on and off.

Testimony has been offered time and again before the Tariff Commission during the last 10 years or so as to conditions in the various parts of the Nation where lead and zinc are mined. The conditions of which I and other witnesses speaking for other areas are testifying at this hearing are not based on mere idle talk.

The Tariff Commission and congressional committees have repeatedly submitted findings indicating a tremendous decline in production and employment and recommending definite corrective measures. Speaking generally, however, none of these have been employed but rather we have been told that an effort would be made to voluntarily

persuade foreign producers to reduce their exports to this country and we have been implored to be patient since the State Department did not want to offend any of our friendly foreign powers. We are now appealing to the Congress—perhaps for the last time, so far as Wisconsin and Illinois and Iowa are concerned.

Present conditions in Wisconsin-Illinois-Iowa district: I come now to a brief discussion of the deplorable conditions existing in the district in which I live. A simple table will illustrate the trend which has been in progress for some years:

	1952	1956	1960	1963 (July 1)
Number of men employed.....	701	570	439	217
Number of mining operations.....	30	12	8	3
Price of zinc.....	\$0. 18½	\$0. 13½	\$0. 13	\$0. 12

In June of 1952, before the first price decline, there were 45 separate drilling operations in progress in our district. Today there are two. Mining companies cannot now afford to carry on expensive drilling.

This trend is by no means due to the exhaustion of the reserves and potential resources of my area. Local geologists inform me that many potentially valuable mines could be opened if the price outlook was better.

The brief period from 1946 to 1952, in Wisconsin alone, approximately 8 million tons of zinc-lead ores were discovered through drilling and other exploratory operations. At reasonable price levels, consistent with the historic trend of nonferrous metal prices, say 13½ cents or more for zinc, the Wisconsin mines are capable of supplying ores to the present nine Mississippi Valley lead and zinc smelters on an efficient and continuous long-term basis. But at the present price levels the existing mines will be depleted and closed very soon and the mining of lead and zinc may well be a thing of the past and forever abandoned in the area known as the Wisconsin-Illinois-Iowa district.

Proposed legislation: The legislation under consideration is designed to improve the economic outlook of all zinc and lead mines in the United States and also smelters.

Now, specifically as to my district, what would be the effect of the proposed legislation on the mining of these strategic metals? Engineers and geologists familiar with the district estimate that 10 new mines or groups of mines formerly under development would be opened if the price of zinc was expected to return to at least 13½ cent per pound and stay there for say at least a 10-year period.

These new mines would double the present employment of mine workers. Admittedly, the mines would be small, but in past years the district has accounted for 7 to 10 percent of U.S. production and is capable of a greatly expanded production.

Such a change would be more helpful to the local communities than the simple employment figures would indicate. The mines produce byproducts such as low-cost agricultural limestone distributed to farmers, tailings used in road and construction projects and, at some smelters, sulfuric acid used in the fertilizer and chemical indus-

tries. The mine products are hauled by truck or rail through several States. These accessory industries generate more employment than the mines themselves.

We can see a definite economic gain for our district from the quotas considered in the bill and the restoration of zinc and lead prices to normal figures. From the larger national point of view, the quotas will not operate to restrict or lessen trade because our own smelters have abundant capacity to meet the present demand for metal by using a combination of domestic and foreign ores. Also, this small increase in price, so vital to domestic miners, should not lessen this demand because the materials that normally compete with zinc and lead are now far above them in price.

Conclusion: Finally, just a word about the present mining operations. There are 3, from 30 to 3. Two large mining companies with extensive operations elsewhere. Their Wisconsin and Illinois mines would develop substantial losses if not connected with smelters and manufacturing plants in other States and would probably have been closed some time ago if independent single mining ventures.

I refer to the American Zinc, Lead, & Smelting Co. and the Eagle-Picher Co. The third is a very small company known as Rock Excavators, Inc., and was opened very recently and could not exist except for a Government subsidy.

Recently, Tri-State Zinc, a large mining operation, closed and will not reopen. The New Jersey Zinc Co. made extensive preparations for mining and milling in our district and spent over a million dollars in that connection. Because of present markets they have withdrawn competely and suspended indefinitely and perhaps permanently all activity in our area.

We are at the crossroads. It must be decided, it seems to me, whether we want in this country to keep our healthy mines operating, supplying the great bulk of our domestic needs in normal times and available in case of emergency for stepped-up production, or whether we want to concern ourselves more with the economy of the foreign countries in which these metals are produced and "let the chips fall where they may," so far as our own mines and mine operators and mine laborers are concerned. If we are to pump millions of dollars abroad, as we have done, to enable foreign operators to open up and maintain their mines, with lower wages and operating costs, it would seem that we should be at least equally concerned with the needs of our mine operators at home.

There are still in Wisconsin and Illinois and Iowa—in the great Midwest, where I live—a great many people who hold to the old-fashioned view that we in these United States have a first obligation and a first duty—always and without exception—to the American citizen, and this includes, I hope, the American miner.

Senator GRUENING. Do you think that those people who hold this old-fashioned view live only in Wisconsin, Illinois, and Iowa?

Mr. KOPP. I hope not.

Senator GRUENING. I hope that is universal in the 50 States, and I think it is.

Mr. KOPP. I, perhaps, am much more familiar with those States.

And so we feel, most emphatically, that it is high time for the Congress to concern itself with the plight and the needs of our own

miners—first and foremost—when viewing the mining needs of the world.

We no longer wish to rely on recommendations not implemented by the executive branch of the Government. We no longer wish to rely on persuasion of operators abroad to reduce exports to the United States and various schemes and proposals of the State Department for remedying our problems.

Finally, we must remember that if in time of emergency foreign shipments are not available we may have to rely almost exclusively and perhaps entirely on home production. Not only that, but our needs in case of war might increase most rapidly and if practically all of the lead and zinc mines of the Nation were then closed and the miners absorbed in other industries, as is the case in my area, it would be well-nigh impossible to step up our production herein any time less than a period of many, many critical months.

For the reasons which I have discussed, the Wisconsin, Illinois, and Iowa zinc and lead producers, including mine operators and former operators and hundreds of individuals trained through the years as miners, for all of whom I speak, urge the passage of S. 1534. They cannot survive much longer.

Thank you.

Senator GRUENING. Thank you very much, Mr. Kopp, for an excellent statement.

Senator Anderson?

Senator ANDERSON. I only want to refer to page 6, the middle paragraph, where you say:

Such a change would be more helpful to the local communities than the simple employment figures would indicate.

Now, we spend a lot of money and a lot of legislative time on the Small Business Administration to help small businesses that get into trouble.

Would not your people up there prefer to have the mines working actively again, so they would not have to have so much help from the Small Business Administration?

Mr. Kopp. Very much.

Senator ANDERSON. We spend some money on area redevelopment.

Would not the people up there rather have the money spent for the mines rather than for redevelopment?

Although I voted for it. But in my own area we used to have some very nice mines, but they are trying to find new area redevelopment projects to work now.

People looking for employment would prefer to work in the lead and zinc mines, I think.

Do you not think it is just as valuable to be employed in the lead and zinc mines?

Mr. Kopp. Far more so.

Senator ANDERSON. There is a bill now called the youth employment services or something, because young people cannot find something to do.

Would you not prefer to have them finding something to do even in the mines?

Mr. Kopp. Very much so, because these other programs are not practical in my area.

Senator ANDERSON. I am going to have to reserve judgment on that, because I vote for some of them, but I would like to see the mining industry helped because I think it would help a lot of these problems.

Mr. KOPP. It would be much more helpful.

Senator ANDERSON. I have seen some areas in my State where I know what the opening of those mines would do.

I have seen them under good conditions and I have seen them under bad conditions.

I have seen them under conditions where the stores are prosperous and the shops are prosperous and everybody is getting along fine, and the miners do not mind working.

Mr. KOPP. I have lived with this situation 35 years and these miners have come to me repeatedly and told me of their problems, and I know of exactly what you say, and it is true in my area, also.

Senator ANDERSON. Thank you.

Senator GRUENING. Senator Dominick?

Senator DOMINICK. I want to comment just a little bit.

I gather in your Wisconsin and Illinois area you have some 8 to 10 smelters still in operation.

In June of 1961 the last smelter in Colorado closed. There is not a single one in operation at this point any more because of the very situation that we have been talking about here.

So it is helpful to me to see your clear evidence here, first of all, that you cannot turn on and off mining.

This is something that I think we have ignored far too long in the general debate on these problems.

Secondly, I want to say here, and reaffirm, that I think all members of this committee and most of the members of the House Interior Committee, particularly the Subcommittee on Mining, have been actively trying to get legislation through Congress which would be of assistance in solving these problems.

We do have problems on getting it through and it is not going to be easy, as I think the chairman will tell you, because we are dealing with a lot of areas far more interested in getting cheap metal than they are in determining whether or not our mines are still going to stay in existence.

How many additional smelters do you believe would crop up, if any, if this bill were passed in your own area?

Mr. KOPP. Senator, I am not an expert on the smelting industry because, in my own particular area, we have just mines.

The smelters are farther south. But certainly in my area, there would be no more smelters.

Just a matter of supplying ore for the smelters presently existing, which are well able, in the opinion of those who have advised me, to handle all the ore that we have produced.

Senator DOMINICK. Fine. That is what I wanted to find out.

Mr. KOPP. Yes, sir.

Senator DOMINICK. That is all, Mr. Chairman.

Senator GRUENING. Thank you very much.

Mr. Miles P. Romney, manager of the Utah Mining Association.

Mr. Romney, we will be glad to hear from you.

Mr. ROMNEY. Thank you, Mr. Chairman, and gentlemen of the committee.

It is a real pleasure to be here with you and with my fine colleagues, and in response to the question, concerning the long-range effect of this legislation on the lead and zinc industry, and the question that is raised as to there being a long-range value, I would like to refer Senator Anderson to the conversations that we had with respect to the uranium industry in the Joint Committee hearings on atomic energy.

I think the principles which concerned the industry and the committee over the last number of years have been to establish policy far enough in the future to furnish stability which would permit or, let us say, stimulate the replacement of reserves of that valuable material.

I have been in the mining business for the past 25 years in exploration and in operations and, more recently, in public relations.

The thing that concerns me the most is the lack of incentive at the present time to replace the reserves that are being mined out in this country and particularly in lead and zinc.

If conditions stay as they are or should they improve moderately, without some long-range range stability which this bill proposes, we will mine out our reserves and be out of business no matter what happens by way of palliatives and subsidies and other things to give short-range support to the industry.

The industry desperately needs some reasonable assurance of long-range stability to get back into the exploration field and to replace the reserves that are being mined out substantially at a loss among, at least, our western operators at the present time.

I could go on and get more involved and a little more heated about this, but I feel that this is vital to providing the long-range stability that is necessary for the survival of the industry.

To get into my statement, I have been increasingly conscious of the fact that we live and work in a highly complex environment.

Our economy functions at its high level through the use of a great variety of machines and equipment composed basically of metals. Many of those metals are combined to form complex alloys which perform very exacting functions in the articles in which they are incorporated.

A shortage or loss of one or more of the metals would jeopardize the further production of the article. Lack of availability of several metals could be disastrous.

Transition from an "oxen and prairie schooner" economy to our "jet age" has occurred in the last 100 years. I was reminded of this by an account of August 6, 1963, in a Salt Lake paper telling about a jet-propelled car racing on the salt flats of Great Salt Lake at a speed of 438 miles per hour.

Just over 100 years ago, the Donner party, California bound, started across the same flats with oxen and wagons. They spent two slow, agonizing days and nights crawling over that bone dry, desolate area at a snail's pace, during which time most of their oxen, wagons, and equipment were lost.

The modern car was constructed of complex, highly specialized metal products. The Donner party had very little metal. That which they had consisted principally of wagon tires and irons, oxen shoes, hand tools, cooking utensils, guns, bullets, and knives. At best, they had but a few hundred pounds per outfit.

I think this illustrates the transition from that day to this, and our very highly dependency on metals.

Continued availability of all the metals and minerals which we now use and on which we critically depend is vital to our economy and to our defense. Our enemies would like nothing better than to have that availability threatened or lost.

Mine production of lead and zinc in the United States has been progressively reduced in the last decade. The statistics of the decline have been presented to this committee many times. The cause of the decline in domestic mine production has been thoroughly studied and documented by the Tariff Commission and has been attributed by that body to the adverse effect or reduced import duties and result in excessive importations.

A most serious threat to western lead-zinc mines and particularly to Utah is the decreased tonnage of lead-zinc ore available to the custom mills and smelters, without the services of which all lead-zinc mining would stop.

Since January 1959, Utah has had but one lead-zinc custom mill and one lead smelter. These plants have depended upon shipments of lead-zinc ore and lead concentrates from Arizona, Nevada, Idaho, Colorado, and Montana to provide sufficient tonnage for economic operation.

Those shipments for the most part came from independent mines. Tonnage from those sources has progressively declined in the past decade. The following data on tonnage of lead and zinc metal recovered by Utah mills and smelters from out-of-State shipments will illustrate that decline:

1948-52, 39,582 tons of lead-zinc, annual average.

1953-57, 14,567 tons of lead-zinc, annual average.

1958-62, 3,252 tons of lead-zinc, annual average.

I checked with the International Smelting & Refining Co. and the U.S. Smelting, Refining & Mining Co., operators of the custom lead-zinc milling and smelting plants in Utah, concerning the number of lead-zinc mines making shipments to their plants. The following summarized data was received:

Number of mines shipping lead-zinc ore to custom plants for treatment

	International Smelting & Refining Co. plants ¹	U.S. Smelting, Refining & Mining Co. plants ²
1951-----	144	63
1961-----	67	34
1962-----	36	22
1st 5 months 1963-----	28	5

¹ Mill and smelter to January 1959; smelter only since that date.

² Mill and smelter to January 1959; mill only since that date.

The United States Co., reports excluded those shippers who shipped less than 26 tons during any calendar year. The statistics for each company are therefore not fully comparable, but each shows the trend of closed, independent lead-zinc mines in Utah and in the surrounding States which have supplied the feed material to the mills and smelters.

Lead smelting is a most critical facility with respect to continuity of lead-zinc mining in Utah and the adjacent areas dependent upon that facility. According to data given in a Tariff Commission report dated April 1958, the one operating Utah lead smelter has an annual lead-producing capacity of about 90,000 tons.

The actual average tonnage of lead available to that smelter from Utah and out-of-State mines for the years 1958 to 1962 was just under 42,000 tons, less than one-half of the tonnage needed for capacity production.

I do not presume to discuss the economics of the operation of that smelter, but it is obvious that a plant running at less than 50 percent of its rated capacity has real problems in making operations balance in both operating efficiency and financial areas.

Lead smelter employment has dropped from 886 men in 1957 to 363 men in 1962, according to the Utah Department of Employment Security.

Lead-zinc mine and mill employment has dropped from 2,275 men in 1951 to 1,349 in 1957 and to 1,006 in 1962.

Only a few Utah mines, principally the larger ones, have survived the economic price versus cost squeeze of the past decade. This is evidenced by data available from Utah State Tax Commission records, to which agency all operating metal mines of the State are required to report.

(The data referred to follows:)

Data from State tax commission records, lead-zinc mines of Utah

Year	Number of operators	Total tons of ore	Number of operators in annual tonnage groups			
			10,000 tons or more	5,000 to 9,999 tons	1,000 to 4,999 tons	999 tons or less
1949	23	827,650	9	1	5	8
1952	13	787,696	7		1	5
1955	9	698,861	5		1	3
1958	9	655,733	6			3
1961	8	646,340	4			4
1962	7	726,121	3			4

Mr. ROMNEY. And I might say that those last four mines produced not over 10,000 tons in total. So our mining operations are held up by three operators who produced 10,000 tons or more.

The amount of money received from ore sales and the cost of operations are also reported. The latter does not represent full cost because of certain statutory exclusions in the reporting provisions.

The total receipts and reportable costs for the above reporting mines, and this is all the mines, are shown below for the same years:

Year	Total receipts from ore sales	Total reportable costs	Difference in total receipts and reportable costs
1949	\$19,354,689	\$15,659,176	\$3,695,513
1952	17,009,850	13,976,746	3,033,104
1955	11,213,250	9,959,292	1,253,958
1958	10,638,780	10,169,729	469,051
1961	7,871,408	7,750,288	121,120
1962	6,201,914	8,909,364	(2,707,450)

There were some large capital investments made during 1962 but without those capital investments it would be in the same range as the figures for 1958 and 1961.

The mining industry, I repeat, in the State of Utah has operated overall at a loss at least since 1957.

Not only does the above record reflect serious losses of income to the operators, but as a result of the shrinking value of Utah lead-zinc mine values the State of Utah and mining communities have suffered serious reductions in tax income.

Assessed valuation of occupation or severance tax

Year	Utah lead-zinc mines	Paid by Utah lead-zinc mines
1949.....	\$10,257,418	\$183,878
1952.....	7,831,620	163,813
1955.....	6,596,207	107,938
1958.....	6,987,402	102,166
1961.....	2,295,327	75,055
1962.....	2,213,388	59,318

Obviously, Utah's lead-zinc mining industry is operating, and has operated over the past several years, at an overall loss. Its returns from ore sales in 1962, due to depressed prices, which averaged only 9.631 cents for lead and 11.625 cents for zinc, were only about one-third of receipts in 1949.

Costs, however, have been reduced by only about half in the same period, even though most long-range development and exploration have been eliminated and employment has been restricted to ore production and vitally necessary maintenance. As Utah produced 15.6 percent of the Nation's newly mined lead and 8.0 percent of the newly mined zinc in 1961, the critical economic conditions of Utah's lead smelter and lead-zinc mines poses a real threat to continuity of that portion of the Nation's metal supplies. Utah is not alone for other lead-zinc producing areas are similarly affected.

The mining industry of Utah urges favorable consideration of S. 1534 as a means providing a reasonable share of the domestic lead-zinc market for domestic lead-zinc miners at prices which will permit healthy continuity of operation. Such an objective is also in the national interest to assure continuity of domestic supplies of these important metals for our jet-age economy.

Thank you very much, gentlemen.

Senator GRUENING. Thank you very much, Mr. Romney.

That was a very fine statement.

Senator Anderson?

Senator ANDERSON. No questions.

Senator GRUENING. Senator Dominick?

Senator DOMINICK. No questions.

Senator GRUENING. Next we have Mr. A. J. Teske, secretary of the Idaho Mining Association.

Go ahead, Mr. Teske.

Mr. TESKE. My name is A. J. Teske. I reside in Boise, Idaho, and I am secretary of the Idaho Mining Association, which represents

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Senator GRUENING. Thank you very much, Mr. Romney.

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Senator ANDERSON. No questions.

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Senator DOMINICK. No questions.

Senator GRUENING. Next we have Mr. A. J. Teske, secretary of the Idaho Mining Association.

Go ahead, Mr. Teske.

Mr. TESKE. My name is A. J. Teske. I reside in Boise, Idaho, and I am secretary of the Idaho Mining Association, which represents

virtually all the producing lead-zinc mines in the State as well as most of the other metallic and nonmetallic mining operations.

It is an honor and a privilege to appear before this distinguished committee today to endorse and support a legislative proposal designed to stabilize the domestic lead and zinc mining industry.

As many of you gentlemen are aware, Idaho is a primary party of interest to any legislation with such an objective. Our State's preeminence in production of these two basic and essential metals has been documented many times, before this committee, as well as before its counterpart in the House and numerous other Government and educational forums.

For the benefit of the new members of the committee, perhaps just a few facts from that documentation will suffice to establish our State's interest and concern in the bill under consideration here today.

Historically the mining of lead and zinc has been one of the basic pillars in our State's economic structure. Gold brought the first rush of settlers to Idaho and led to its establishment as a territory just 100 years ago this year, but it was the discovery and development of our vast lead and silver resources some 10 to 20 years later that provided the economic base for statehood in 1890.

Senator DOMINICK. I suspect that your gold industry has gone down the drain, too, as well as the lead and zinc?

Mr. TESKE. It practically has. We have nothing left but a very small amount of gold production in the State of Idaho at the present time.

Zinc resources were of little economic importance until World War I but subsequently achieved a rank with lead and silver as the "big three" in Idaho's mineral industry.

As of this territorial centennial year, Idaho has produced nearly \$1½ billion worth of lead and zinc. Two-thirds of this total represents lead production—nearly 7 million tons. The remainder is zinc—about 2½ million tons.

At the present time and for many years past, Idaho has ranked second in the Nation in production of lead among the top three in zinc output. It regularly supplied from 20 to 25 percent of the Nation's annual production of lead (last year it was more than 35 percent) and from 10 to 15 percent of the zinc.

Thus, it is clear that Idaho has a very substantial stake in this proposal to stabilize our domestic lead-zinc mining industry by establishing more effective and equitable management of foreign imports of the two metals. And if Idaho's stake is great, so is the Nation's because Idaho's resources of lead and zinc have been a basic supply source upon which the Nation's industrial economy and military preparedness has depended in at least two recent national emergencies.

For the past several years, it has been official congressional policy—and I quote this from the resolution back in 1959—that—

the maintenance and development of a sound and stable domestic mining and minerals industry, without critical dependence upon foreign sources, is essential to national security and the welfare of the consuming public.

That our domestic lead and zinc mining industry does not measure up to the specifications of this policy has been conclusively proven

to the satisfaction of the U.S. Tariff Commission on at least eight occasions in the past 10 years.

You have already heard from previous witnesses about the progressive deterioration this industry has suffered over the past 15 years due to the flooding of the domestic market with unneeded foreign imports.

The damage which Idaho's lead-zinc mining industry has sustained need not be dwelt upon at length at this time. Just a few rather dramatic comparisons should suffice to bring the problem in proper focus.

Ten years ago, Idaho had nearly 100 lead and zinc mines in production. Last year there were only 21 still operating and shipping. During the 3-year period, 1950 to 1952, the value of Idaho's lead and zinc output averaged about \$52.5 million annually. The annual average for the past 3 years, 1960 to 1962, has been less than \$30 million.

Employment in Idaho's lead-zinc mining and processing industry has declined more than 30 percent in the past 10 years. Lead-zinc payrolls, on the other hand, have decreased less than 8 percent, due to the steady upward trend of the wage scale for production workers. The burden imposed by such proportionately increased costs in the face of sharply declining sales revenues is self-evident.

The adverse impact on mining communities is clearly evident in the fact that Shoshone County, where virtually all of Idaho's lead and zinc production is centered, suffered an 8.5 percent drop in population between 1950 and 1960, while the State as a whole was registering a 13.3 percent population increase.

Startling as these figures may be, they do not present the entire picture. They do not measure, for example, the loss of the technical skills of experienced production workers who are forced to seek their livelihood in other forms of endeavor. Nor do they measure the sharp curtailment in exploration activity that has taken place—not only by producing companies, but by the many small prospecting outfits that formerly scanned the hills and back country for mineralized vein structures which held promise of developing into producing ore bodies.

Just a few weeks ago, I was talking with a salesman who has had many years experience selling mining equipment and supplies in the Coeur d'Alene district of Shoshone County in north Idaho.

He vividly recalled the numerous exploration enterprises he called on routinely in the late 1940's and early 1950's and estimated that these operations provided jobs for a minimum of 500 men in the district and an annual market for hundreds of thousands of dollars worth of supplies and equipment.

This loss is not reflected in any way in the decline in lead and zinc production and yet it represents a vital facet of any minerals economy because it is upon this type of prospecting and exploration that the industry depends for the new ore reserves that must be found to replace the deposits that are currently being depleted. When this type of activity stops, as it has almost entirely in Idaho, this Nation has entered the first stages of the liquidation of its lead-zinc mining industry.

For more than 10 years now, the Idaho lead-zinc mining industry has joined eagerly and actively in efforts to resolve the basic problem of excessive foreign imports. This exercise in frustration over more than a decade has been thoroughly reviewed by a previous speaker, and requires no further elaboration.

It is interesting to note, however, that all the legislative proposals for solution of the problem have been developed by the industry or by its friends in Congress, particularly from this committee, and its House counterpart.

The executive department has been surprisingly sterile of new ideas. While concurring somewhat reluctantly in the policy that a sound and stable domestic mining industry is essential to national welfare, the executive branch has confined its role largely to opposition to industry proposals and the offering of temporary palliatives which the industry has actively opposed or accepted with reluctance and reservation.

Apparently the legislation now before this committee is encountering the same negative approach. In testimony before the House Interior Subcommittee on Mining, spokesmen for the administration, from the State and Interior Departments, have endeavored to sidetrack the flexible quota plan embodied in S. 1534 on a variety of highly questionable grounds.

In addition to the usual arguments that this type of legislation is a violation to our free trade policy and will alienate some of our important friends and allies, the executive branch has also expressed opposition on the basis of some recent indications that conditions in the domestic lead-zinc industry are improving.

An Interior Department official has been quoted as telling another congressional committee earlier this year with regard to lead and zinc that "On the whole, 1962 was a very good year statistically, except for price."

To a lead-zinc producer that's like telling the bereaved widow that the operation on her husband was technically a huge success, except that he died.

With respect to Idaho production, it is true that 1962 was a good year statistically. Production of lead was up 18 percent from 1961 to 84,058 tons, the highest level since 1950. And zinc production of 62,865 tons was 8 percent above the previous year and a 10-year high.

But that's only a small part of the statistical story. Because of the decline in the lead price last year to the lowest level since 1946, the value of lead production increased less than 5 percent over the previous year, and the combined value of lead and zinc was only about 7 percent above 1961.

Furthermore, the higher 1962 tonnage was produced from a considerably smaller number of mines—21 as compared with 31 in 1961—and the tonnage of one from which the metals were recovered was proportionately less—only 6 percent above the previous year.

These statistical facts clearly indicate that, because of the lower lead price, Idaho producers had to confine their mining to the richer portions of their reserves in order to get enough sales revenues to sustain their operations.

The mining industry has a word for it. It is known as high grading, and is not recommended practice in the best mining circles. Furthermore, it violates all sound principles of mineral resource conservation.

Certainly such conditions in Idaho's lead and zinc mining industry are not indicative of any progress toward soundness and stability.

The executive department has also sought to lend credence to and maintain as a basis for opposition to S. 1534 the popular belief that the sharp increase in the price of silver since late 1961 has been of substantial benefit to the lead and zinc mining industry generally.

Like most generalizations, this is only partly true—and in small part at that.

Unquestionably the higher silver price has improved the overall mining picture in Idaho more than in any other State, since Idaho is by a wide margin the Nation's leading producer of silver. However, most of the benefit so far has accrued to those mines which produce silver as their principal product and they account for more than 60 percent of the State total. This is almost the reverse of the national pattern (including Idaho) or roughly one-third production from silver mines to two-thirds as a byproduct from ores mined primarily for other metals, chiefly copper, lead, and zinc.

Insofar as lead and zinc mines are concerned, the impact of the increased silver price has been and will continue to be extremely mixed and spotty, depending upon the type of ore being mined.

Normally in western lead-zinc mines, the silver values are associated with the lead content, so those in which lead values predominate run considerably higher in silver than the ores that are predominantly zinc.

This point is well illustrated in the 1962 production figures for Idaho compiled by the U.S. Bureau of Mines. They show that for the 21 producers of lead and zinc as a whole, the increase in the silver price last year was not sufficient to offset the decrease in income resulting from the drop in the price of lead.

However, the 10 mines classified as lead producers got about \$100,000 more from the silver price advance than they lost from the lead drop. On the other hand, the seven lead-zinc mines, which accounted for more than 70 percent of the State's production of the two metals, came out with a net loss of some \$800,000. For the four mines with predominantly zinc values the loss was even greater proportionately, but relatively minor, dollarwise, because of their small total production.

These figures should put to rest any unfortunate misconceptions or indiscriminate generalizations about the benefits accruing to lead and zinc mines from the higher silver price.

In any event, the silver price has apparently encountered another ceiling at somewhat below the \$1.29 level and this ceiling will remain effective for several years to come unless the Government abandons its policy of making Treasury stocks available for industrial usage at not less than the monetary value.

It is clear, therefore, that the recovery of the domestic lead-zinc industry from its present dire straits to a condition of economic soundness and stability is almost entirely dependent upon higher lead and zinc prices. That is one of the basic objectives of the bill under discussion here today.

It seeks only a reasonable share of the domestic market for domestic lead-zinc producers, at prices that will sustain a domestic industry that is sufficiently healthy and aggressive to satisfy the requirements of congressional policy. At the same time, it will assure the custom lead-zinc smelting industry and consumers an adequate supply of

both metals at reasonable prices and offers importers excellent prospects for a higher price for their imports.

Legislation that is fairer and more equitable to all parties involved would be difficult to devise.

In the national interest as well as in the interest of the industry it represents, the Idaho Mining Association strongly supports this legislation and urges its enactment.

Senator GRUENING. Thank you very much, Mr. Teske.

We welcome Senator Jordan here, from the State of Idaho.

The secretary of the Idaho Mining Association has just finished making an excellent presentation here, Senator Jordan.

Senator JORDAN. Yes, Mr. Chairman, and I wish I could have gotten here to pay my respects to our secretary.

He has done a splendid job for us out there.

I have been delayed in executive session in another committee, but I read his statement, and I think it is a very fine statement.

Senator GRUENING. Thank you very much.

Senator Dominick?

Senator DOMINICK. No questions.

Senator GRUENING. It being now 12:30 we will have to suspend until 2 o'clock this afternoon, when we will hear the remaining witnesses.

(Whereupon, at 12:30 o'clock the committee was recessed, to reconvene at 2 p.m. on the same day.)

AFTERNOON SESSION

Present: Senators Anderson and Jordan of Idaho.

Senator JORDAN of Idaho (presiding). The subcommittee will come to order, please.

As we concluded the morning session we had just heard from Mr. Teske, secretary of the Idaho Mining Association.

The next witness scheduled to appear is Thomas Kiser, president of the Tri-State Zinc-Lead Ore Producers Association.

Mr. Kiser?

STATEMENT OF THOMAS KISER, PRESIDENT, TRI-STATE ZINC-LEAD ORE PRODUCERS ASSOCIATION

Mr. KISER. Thank you, Mr. Chairman and members of the committee. My name is Thomas Kiser and I am president of the Tri-State Zinc-Lead Ore Producers Association.

I am indeed very grateful for the opportunity to appear before this subcommittee in support of the domestic lead and zinc industry.

We of the Tri-State Zinc-Lead Ore Producers Association realize that the witnesses, statements, and facts, presented here today are repetition of the many hearings you have so courageously held in the past and want to go on record by supporting your committee in every way possible to obtain this legislation.

The Stabilization Act of October 3, 1961, has been a great help to our small mines and miners of the Tri-State district; it has also provided some work for the larger companies who smelt our ores and serv-

ice the small mines. There was at last count 23 participants in the small mines bill, operating in our district, sharing in the overall pumping cost and providing crude ore for the larger companies' treatment plants. This additional tonnage of crude ore from the small producers makes it possible for one of our producers (who does not participate in the small producers bill) to operate three of their better mines.

Even though the small producers bill has been a great help to our small producers and some indirect assistance to our larger companies of the Tri-State district, we fully realize and acknowledge—that it is not a complete solution to all the problems of the domestic lead and zinc industry.

We are also aware that the small producers bill was designed as a stopgap program that will phase out soon, and that our industry will phase out, or die, with the small producers' bill, unless it is supplemented with better legislation, or we experience a great upturn in the American economy.

With these plain and real facts facing us today, let me say again, Mr. Chairman and members of this subcommittee, we of the Tri-State Zinc-Lead Ore Producers Association want to join you in your efforts and support it in every way possible on S. 1534.

Senator JORDAN of Idaho. Mr. Kiser, thank you for that very fine statement. We appreciate your contribution to the day's hearings.

Senator ANDERSON, do you have any questions of Mr. Kiser?

Senator ANDERSON. None, except to thank Mr. Kiser for his very fine statement, and to apologize for my not getting here before.

Mr. KISER. Thank you very much. We are very grateful for this opportunity.

Senator ANDERSON. I appreciate my kind friend from Idaho stepping in and presiding.

Mr. KISER. Thank you again.

Senator ANDERSON (presiding). May I say that I appreciate all of these people from the industry being here to testify and we appreciate having your counsel.

Our next witness is Mr. Jones of the Du Pont Co.

STATEMENT OF H. F. JONES, MANAGER, BASIC MATERIALS DIVISION, PURCHASING DEPARTMENT, E. I. du PONT de NEMOURS & CO.

Mr. JONES. Mr. Chairman and members of the subcommittee, my name is Harold F. Jones. I am the manager of the basic materials division of the purchasing department of E. I. du Pont de Nemours & Co. I have been engaged in purchasing activities for Du Pont since 1935, and have been in my present position since 1956.

We should like at this time to bring to the committee's attention a serious problem that we face as American manufacturers competing in export markets, and to suggest a solution to that export problem which the domestic lead producers have indicated is acceptable to them. We are not here to discuss the merits of the bill, but only to call the committee's attention to what we regard as a serious export problem which can be solved without in any way impairing the bill's objectives.

One of Du Pont's important products is tetraethyl lead (hereinafter referred to as "TEL") which, as you know, is an antiknock compound. It is added to gasoline to boost its octane rating which thereby reduces engine knock.

Lead metal, as such, is the most important and most costly of the several ingredients of TEL. Du Pont produces TEL at plants located at Deepwater, N.J., and at Antioch, Calif. We also have a blending plant located at Beaumont, Tex. Du Pont purchases all of its ingredients for TEL from American suppliers, including lead metal which is the subject of the legislation being considered by this committee. At Du Pont I am responsible for purchases of lead metal for TEL. Our plants provide employment for more than 2,100 persons. In addition to Du Pont, TEL is produced by the Ethyl Corp. with plants located at Baton Rouge, La., Houston, Tex., and Pittsburg, Calif., and by Houston Chemical Co. of Houston, Tex. The total 1962 domestic production of TEL compound totaled about 838 million pounds, of which about 750 million pounds are sold in the U.S. market and about 88 million pounds goes into export sales. In 1962 this industry consumed about 170,000 tons of lead metal, none of which, I might add, finds its way to the secondary market since it is consumed when an engine fires. Since, as we understand, about 90 percent of lead in non-TEL uses comes back into the market as secondary lead, the fact that the lead in TEL is completely consumed makes this use of particular significance to the American lead producers.

TEL is an additive to gasoline to increase its octane number. There are other means of achieving an increase in the octane number of gasoline, such as a change in refining methods. This means that TEL will be used only so long as it is the least expensive way to get this result. With this economic factor in mind, the cost of TEL limits the market for this material, particularly in the export trade where foreign producers buy low-cost world market lead and offer TEL at correspondingly low prices.

As I said earlier, lead is the most important ingredient and is the major item of raw material cost in the production of TEL. Our problem goes back to September of 1958, when absolute import quotas were established for lead and zinc. When quotas were established, there was an immediate effect on the United States and world market prices of the two metals. In the case of lead, the world price had been running about 2 cents per pound below the U.S. price. After the quotas were imposed, this differential rose to as high as 4 cents per pound. As a result, U.S. producers of TEL were placed at a substantial cost disadvantage when competing with foreign producers in the world markets, including those countries in which there is no TEL production.

In short, the foreign producers, who have capacity not only to supply their home market but also to supply foreign markets are in a position to utilize this cost advantage, and in fact have offered TEL in foreign markets at very low prices reflecting their low-cost lead.

Senator ANDERSON. May I interrupt to be sure that I understand. The quota differential rose to as high as 4 cents per pound—that is above the American price?

Mr. JONES. Below the American price. The world market price went to 4 cents a pound—you are talking about the differential, but the world price declined.

Senator ANDERSON. The word "high" got me confused. The differential rose to as high.

Mr. JONES. The differential between the U.S. price, sir, and the world price.

Senator ANDERSON. That was 4 cents?

Mr. JONES. It was as much as—

Senator ANDERSON. The world price was 4 cents below?

Mr. JONES. Yes.

Senator ANDERSON. Thank you. The word "high" got me—I was not sure which way it went.

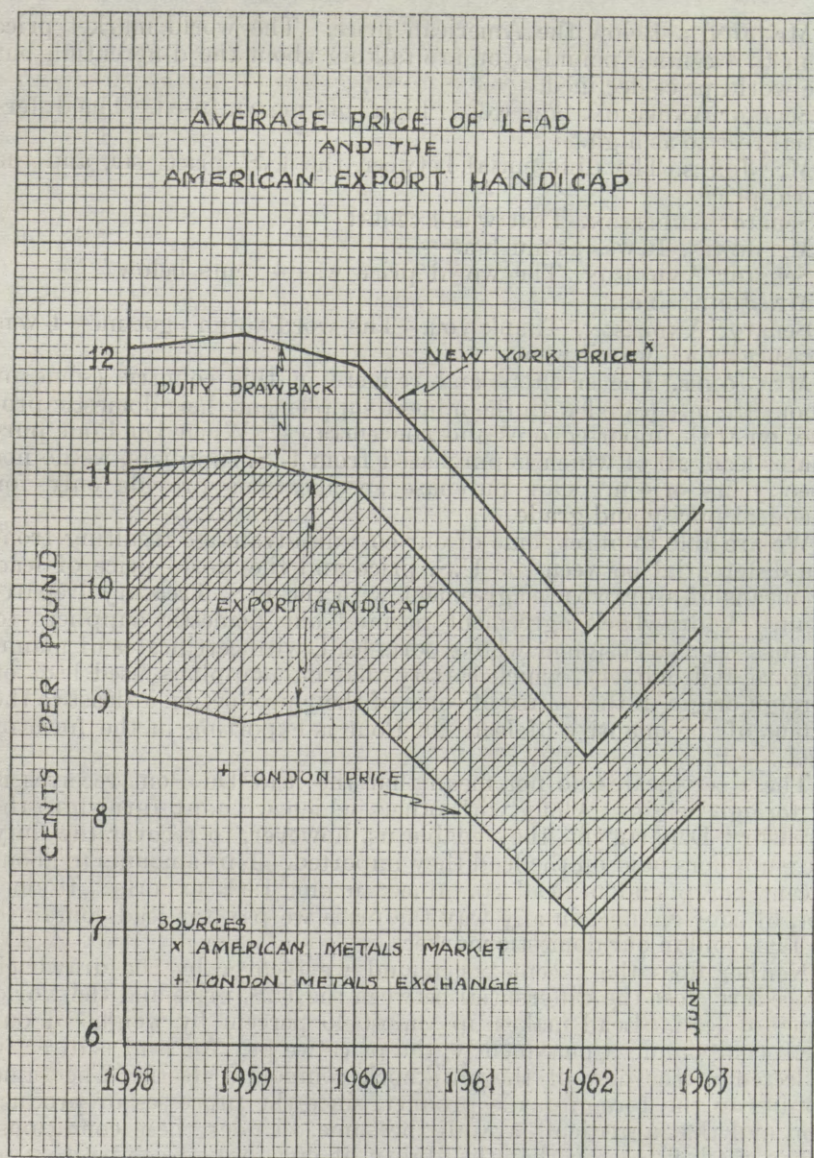
Mr. JONES. The smelters and refiners in this country (some of whom are integrated with the mines) supplement their domestic production with imported ores and concentrates. When Du Pont purchases lead, all of which is purchased from U.S. suppliers, we do not specify its origin. Our purchase specifications provide only for chemical purity and grade.

We are able to offset some of our cost disadvantage resulting from the differential between the U.S. price and the world price of lead by means of a drawback agreement with the U.S. Treasury Department. A drawback agreement permits our domestic suppliers to furnish us, as a customer who exports lead, with certificates of manufacture and delivery, which certify that our suppliers used lead of foreign origin in the course of some of their production at least to the extent of the quantity of lead Du Pont is exporting in the form of TEL.

These certificates do not mean that the lead Du Pont receives is of foreign origin. Along with others which we must furnish to the Treasury Department, they enable us, however, to recover the duty our suppliers paid on the lead they imported. This amounts to about 1 cent per pound of lead contained in our TEL exports. It does not, of course, affect in any way the price we pay for lead contained in TEL sold in our domestic market.

Neither does the 1 cent per pound we recover by the drawback procedure close the differential between the U.S. price and the world price of lead. Lead makes up almost 40 percent by weight of our TEL compound. Consequently, the price we pay for lead is directly reflected in the cost of the antiknock compound itself. The same applies to the foreign-made product, since the processes of production and the ingredients are all the same. Under these conditions, it can readily be seen that the ability of our foreign competitors to buy lead supplies at the so-called world price places us at a serious competitive disadvantage in the world markets.

(The chart referred to follows:)



The price differentials which we are calling to your attention are illustrated in the attached chart.

The top line of the chart shows the average price per pound of lead in New York, starting with the fourth quarter of 1958, when lead quotas were first imposed. The bottom line is the average price in London during the same time. This is the world price, at which our foreign competitors buy their requirements of lead.

The second line from the top represents our cost of lead, after we subtract the duty drawback of about 1 cent per pound.

The spread between this line and the London price is shaded on the chart, and represents the American manufacturers' "export handicap" in the foreign markets.

Senator ANDERSON. You were better off in 1962 than you were in 1959?

Mr. JONES. Yes. This differential has varied, depending on the relative price between the U.S. price and the world price. It has gone as high as 4 cents and it has gone below 2 cents.

Senator ANDERSON. Then you are in relatively a better position—you were in a better position in 1962 than you were in 1959?

Mr. JONES. In 1959 we show better than a 2-cent price and about a cent and a half in 1963—in 1962 about a cent and a half, yes.

Senator ANDERSON. Thank you.

Mr. JONES. This export handicap, the chart shows, has been very significant throughout the time quotas have been in effect. Over the period, it has averaged 2 cents per pound. This is a handicap of about 25 percent in lead costs.

An obvious question is "Why don't we buy lead abroad at world market prices?" The answer is that "Foreign producers, knowing that they can sell to U.S. purchasers only the specified amount of quota lead naturally charge the U.S. price." The problem is not shortage of lead in the world market, but the fact that we can as a practical matter buy for export only at the U.S. price. If we could purchase ex-quota for export, as we are proposing, we would then be in the same position as our foreign competitors and would be able to buy at the world price. Our discussions with our American suppliers confirm the fact that a change in the law would make it possible for them to supply us at world prices for the export market.

The differential between the U.S. price and world price of lead is now so great (at times, almost 4 cents per pound) that the drawback we receive on import duties (approximately 1 cent per pound) no longer suffices to offset most of the difference. As a result, our lead cost per unit of product has risen well above that of our foreign competitors.

Under S. 1534 as it is now written this situation might well be perpetuated. Yet there is no need for it to be, since our basic problem could be solved, without affecting the objectives of the bill, by permitting us to purchase lead outside the quota—in effect, excluding from the quota an amount of lead equivalent to that which is exported by American manufacturers.

Duty drawbacks on exports do not impair the protection that duties afford to American producers, and ex-quota lead for exports would not impair the protection afforded by quotas. The American lead producers, in fact, have indicated in their testimony in the House hear-

ings that they would not object to such a provision. It would not increase domestic consumption of foreign lead, because it would not permit ex-quota importation for domestic use, only for export.

Such a provision would undoubtedly have been included in the quotas that were imposed in 1958 had this export problem been brought to their attention at that time. The failure to include it placed American manufacturers of antiknock compounds at a substantial disadvantage in foreign markets. When coupled with the fact that we also suffer from an ocean freight rate disadvantage, our ability to compete effectively has been greatly impaired.

The way to solve our problem has already been shown by another major American industry, the sugar industry, which operates, as you know, with country import quotas. Substantial amounts of this raw material are also used by American companies for manufacturing export products. But American exporters of sugar products are able to get their sugar needs outside the import quotas. Thus, they can buy in effect at world prices, the same as their competitors abroad.

We ask, Mr. Chairman, that a similar provision be made in S. 1534.

Antiknock compounds accounted for about \$26 million of U.S. exports in 1962. This is a very significant amount of exports, particularly at a time when we are trying to improve our balance-of-payments position.

In the past American producers have been able to remain in the foreign markets as a result of insufficient production capacity abroad, plus a slight edge in production technology. These two advantages are now disappearing. Producers abroad are improving and expanding their capacity. This enables them not only to supply their own domestic markets, but to export even more to other foreign markets in competition with us.

Experience under the sugar quota provisions demonstrates that a quota program is fully effective without covering those imports which are converted into export products. Thus, the export problem is really quite independent of domestic lead and zinc policies.

We urge you, therefore, to recommend an end to the export handicap imposed on American lead product manufacturers. Our industry has been making representations about our handicap to various Government departments ever since 1959, but without success at any administrative level. The only way to correct this situation, as we see it, is through legislation.

As a means to achieve this, we would suggest that the ex-quota import allowance procedures which has worked so well for sugar be adopted for lead imports used in export products. Customs officials have assured us that adapting the sugar regulations to lead would present no administrative problems.

To make it possible to use procedures in the case of lead similar to those used for sugar, we would suggest that the following provision paralleling the one in the Sugar Act be included in S. 1534:

Notwithstanding any provision of this act, lead contained in material exported from the United States under the provisions of section 1313 of title 19 shall not be charged against any quota established pursuant to this act.

Government officials are concerned about our adverse balance of payments and are exhorting U.S. businessmen to expand their export trade. One of the principal goals of the forthcoming round of tariff

negotiations is to remove trade barriers abroad. We respectfully call your attention to a foreign trade handicap created right here in the United States which so far as we know is the only one of this type. We urgently request consideration by the committee to include in its report a recommendation that this trade barrier be eliminated.

I thank you, Mr. Chairman, and your subcommittee for your courtesy and the privilege of submitting our views.

Senator ANDERSON. I am sure that Senator Gruening will join with me in saying that the suggested amendment will have the consideration of the subcommittee.

Mr. JONES. Thank you.

Senator ANDERSON. That was a bell for a vote. We will take a recess.

(Short recess.)

Senator ANDERSON. Our next witness is Mr. Koenig of the Cerro Corp.

All right, Mr. Koenig.

**STATEMENT OF ROBERT P. KOENIG, PRESIDENT, CERRO CORP.;
ACCOMPANIED BY ALFRED OGDEN, ATTORNEY, NEW YORK, N.Y.**

Mr. KOENIG. Mr. Chairman and members of the committee, I greatly appreciate the courtesy of Senator Jackson, chairman, and the other members of the Senate Interior and Insular Affairs Committee for the privilege of presenting my views on Senate bill No. 1534.

My name is Robert P. Koenig—spelled K-o-e-n-i-g. I live in Oyster Bay, Long Island, and I am president and chief executive officer of Cerro Corp., formerly called Cerro de Pasco Corp., and various subsidiary corporations which I will refer to as simply Cerro Corp. or the Cerro enterprise.

Cerro Corp., itself, is a New York corporation with offices in New York City, having approximately 14,000 registered shareholders, 95 percent of whom are American residents. The Cerro enterprises are engaged in the manufacture and sale of fabricated metal products in the United States, principally copper wire, cable, tube, brass rod and wire, and aluminum sheet. A wholly owned subsidiary, which is a substantial factor in the economy of Peru, is also engaged in the production and sale of nonferrous metals including zinc, lead, copper, and silver products from Peruvian mines, a substantial portion of which are owned by us. As an American company, in a realistic sense it can be said that our Peruvian production is American production overseas.

Thus the Cerro enterprise is both a foreign producer of raw materials and a consumer of raw materials of domestic and foreign origin used in the domestic fabrication of metal products.

In late 1960 the corporation, then known as Cerro de Pasco Corp., changed its name to its present style, Cerro Corp., to reflect a major trend in its operations which had been going on since 1955. Prior to that time, its activities and its assets were almost wholly centered in the Peruvian operations referred to above but since then, almost half of its assets and two-thirds of its sales are centered in the metal fabricating business in the United States.

We are opposed to the drastic measures proposed by Senate bill No. 1534. The economic interest of our 14,000 shareholders lies on

the one hand in importing into the United States lead and zinc, both in the form of concentrates and particularly metal, at prices competitive with the domestic industry and on the other hand, in being able to manufacture metal products competitively.

Senator ANDERSON. May I interrupt you?

Mr. KOENIG. Yes.

Senator ANDERSON. Did you hear the previous witness?

Mr. KOENIG. Yes, sir.

Senator ANDERSON. He testified that the world price seemed to be under the U.S. price.

Mr. KOENIG. Yes, sir.

Senator ANDERSON. Do you agree with that?

Mr. KOENIG. Yes, sir.

Senator ANDERSON. Can you not import into the United States?

Mr. KOENIG. We can import only to the extent of the quota provisions which were passed in 1958 by Executive order which will permit us to import into this country.

We currently do not export them from the United States since the cost of the raw material here, as the result of tariffs and quotas, does not allow us to be competitive in foreign markets.

It seems to me that the crux of this matter lies in the statements made by the domestic lead and zinc mining industry spokesmen, and their adherents, to the effect that the United States needs a healthy lead and zinc mining industry. With only a few exceptions, no one has attempted to define what is meant by a healthy industry. The closest that anyone has come to it is the statement by Mr. Clark L. Wilson, chairman of the so-called emergency lead-zinc committee, that we will have a healthy industry if the domestic miners annually produce 350,000 tons of lead and 550,000 tons of zinc, and that these goals will be accomplished at 131½ cents per pound for each metal. But every time the industry fails to meet them Congress will have to set a new price; in other words healthy is merely a quantitative yardstick irrespective of the economic factors of cost, grade of ore, et cetera. This procedure is unrealistic. No industry can exist by demanding high, artificial prices in order to maintain production goals unless it wishes to hasten the use of substitutes and its own demise.

Definitions of this sort, it seems to me, need further refinement. First of all, and I would hope that you would all agree, the word "healthy" includes "profitable." If we believe in the competitive system under which our country has prospered, "profitable" does not mean made so by grants from the Public Treasury or imposing by Government edict an artificial price paid for by the consumer. "Healthy," therefore, introduces economic factors into the definition we are seeking. An economic factor is the cost of production. The advocates of Senate bill No. 1534 would probably agree that a "healthy" industry must be an industry that is seeking to reduce its costs by better management, the application of the newest techniques, automation, et cetera. Costs, however, are so constantly spiralling, that the 131½-cent figure of today will give way to a consistently higher figure if costs increase, as we all expect them to do. The domestic industry will not have the incentive to reduce costs if market prices are artificially supported. Congress will have to come to the rescue periodically with a new price base, even upwards.

The other major economic factor is one that is hardly whispered—the fact that the United States has exhausted many of our older domestic mines. Those still in operation are confronted with consistently dropping grades of ore, which is a standard phenomenon in the extractive industries. Thus, with spiralling costs and lower grades of ore, the older domestic lead-zinc mines cannot be made healthy even should they receive an ever-increasing amount of protection in one form or another from the U.S. Government and at the expense of the ultimate consumer; even S. 1534 will not bring most of these mines back to life.

It is perhaps significant to note that as a result of the present tariffs on lead and zinc, coupled with the existing import quota system, that the prices of these metals to the U.S. consumer are constantly of the order of 2 cents per pound or 15 or 20 percent higher than the prices paid by consumers in the other highly industrialized parts of the world, as Western Europe and Japan, and yet many of our older mines are not healthy.

To illustrate, representatives of the domestic mining industry have in fact admitted that the Joplin area has been worked out and to bring the tristate area even back to its 1948 level of zinc production, would require a price at which there is no market because the remaining ore in the ground at any reasonable price level is just so much rock.

What I am trying to say is that ore mines do become uneconomic because of a variety of factors which interplay: price, cost of production, and grade of ore; not just price alone. The only realistic definition of a "healthy" industry is, therefore, one which must constantly adjust itself to these and other factors without crutches supplied by Uncle Sam and paid for by the consumer. If we have low-cost producers we will have a healthy industry.

I have been speaking of old domestic mines because much concern has been voiced for the old mines which have become marginal for one reason or another. These reasons run the gamut as I have pointed out and they cannot be realistically summarized by the words "import competition." I would like to note that very little has been said about the new large and extraordinarily efficient domestic lead and zinc mines that have come or are coming into production in the past few years and that are profitable because the grade of ore in the light of its own economic factors is sufficient to make them competitive on the world markets and therefore healthy.

The U.S. lead mining industry shows remarkable vitality in bringing in new production. In July 1963, St. Joseph Lead Co. announced that it would bring into production within 3 years a new lead mine in Reynolds County, southwest Missouri, which will have an estimated capacity of 60,000 tons of lead a year. In addition, a third mine at Viburnum, Mo., will bring into production in 1964 new production adding 20,000 tons annually. This will bring St. Joseph's lead capacity up to more than 200,000 tons a year, a 66-percent increase over the present rate of 120,000. Thus, St. Joseph alone would be in a position to supply 57-percent of the 350,000 tons of lead which the emergency lead-zinc committee defines as necessary to a "healthy" industry.

Now let us take an example of new zinc production. In September of this year, the American Zinc, Lead & Smelting Co. will bring in a new zinc mine in Tennessee which will produce between 25,000 and

30,000 tons of zinc metal, and in another year and a half that same company will bring in still another mine with approximately the same capacity, thereby increasing domestic production of zinc between 50,000 and 60,000 tons of zinc metal annually.

Let me, as one who has spent his life in the mining industry, try and portray to you its natural evolution. I will have to get a bit technical on this point, but I shall try to keep the jargon of my trade to a minimum. In the now fondly remembered pioneering days of the opening of the U.S. western mining areas, the types of lead-zinc mineralization which were accepted were largely the so-called narrow fissure veins or underground discontinuous and pockety deposits. In those days underground miners were paid relatively low wages as compared to today and were accustomed to doing continuous and hard work. In this way, the narrow veins and heavy ground could be coped with particularly as the grade of ore was generally good. Many mines even in those days, of course, failed and many were depleted as the small high-grade ore bodies were mined out. But the industry was generally a viable one.

Then as wages went up grade of ore went down and as the mines got deeper and generally more difficult they began to falter in an economic sense. With the discovery of and subsequent development of the larger scale, high-capacity mines, both underground and open-cast in the copper and iron ore industries the nature of the mining industry changed to that of a highly automated industry. In other words, the advent of present-day modern dirt moving machinery adopted for both underground and surface mining has radically changed the nature of the industry. This change has descended upon the old type lead and zinc business.

Senator ANDERSON. Do you mine in countries other than the United States?

Mr. KOENIG. Yes, we mine in South America.

Senator ANDERSON. Do you use this new and modern machinery down there?

Mr. KOENIG. To the point that we can. I will touch on that point later in my statement.

Senator ANDERSON. Is most of the machinery modern?

Mr. KOENIG. The ultimate success, the absolute success with which we can use modern machinery we do.

Senator ANDERSON. But is most of it being done with modern machinery or is it being done with the old-style methods?

Mr. KOENIG. Most of it is being done in such a manner that it is not subject to the adaptation of the high production modern machinery, because of the nature of the deposits which do not permit it. It cannot be with those deposits which we have found underground, deposits of lead and zinc that have been found in South America, to which this modern machinery cannot be adapted.

Senator ANDERSON. So you do not do it in South America and you agree that you do not do it in North America.

Mr. KOENIG. The ones that I am referring who are using these very high production methods are the new producers. They have found deposits to which these methods are eminently, satisfactorily adaptable. These would be the new deposits. It is an entirely new method of mining.

The romantic days of mining in the United States are largely over. The picture remembered from what we now think of as the halcyon days of mining when the small high grade narrow veins or rich discontinuous underground pockets of ore could be exhausted at a profit can be forgotten. Since World War II we are now in the day of the large lower grade continuous ore bodies that can be mined pushbutton style with phenomenal outputs of ore per man-day. They are generally located close to the market with consequent low transportation costs. They are viable. They are "healthy" and they can compete without assistance. These mines need no help, no subsidy, no support. The U.S. mining industry is to be congratulated that these deposits have been found by their competent geologists and are in a position to supply lead and zinc at world competitive prices.

Senator ANDERSON. Idaho used to be a large zinc-producing State?

Mr. KOENIG. Yes, sir.

Senator ANDERSON. Are any of these mines in Idaho?

Mr. KOENIG. Yes.

Senator ANDERSON. Are there any in Colorado?

Mr. KOENIG. No.

Senator ANDERSON. Are any of them in New Mexico?

Mr. KOENIG. No, sir.

Senator ANDERSON. All right.

Mr. KOENIG. It has been urged that the Government should "prop-up" mines in the interest of national defense. Senate bill 1534 states that one of the purposes of the bill is "to assist in the national defense by stabilizing the domestic lead and zinc industry." I hope my own patriotism will not be questioned if I say that the national security issue is a "red herring." I will just mention a few of the points which appear to me to eliminate the national security argument as a serious matter for consideration:

(1) The domestic mine production of primary lead of about 260,000 tons a year and secondary recovery of about 440,000 tons indicate that there is a minimum production of lead in this country of about 700,000 tons a year and a domestic mine production of zinc of about 500,000 tons a year. Because of our conspicuous consumption there is constantly being generated an increasing amount of lead and zinc from secondary sources, which are available when an emergency arises. One major domestic producer estimates that our annual rate of primary production alone could be built up in 6 to 9 months to 400,000 tons of lead and 625,000 tons of zinc. Some mines that are shut down today may take more time to reopen in case of emergency but they represent the exception and not the rule. I have had personal experience in reopening and unwatering flooded mines even as many others have in the industry and, contrary to popular folklore, the unwatering of mines that have been shut down is neither time consuming nor technologically difficult.

(2) Canadian and Mexican mines, both nearby neighbors, produced in 1962, an aggregate of about 425,000 tons of lead and 775,000 tons of zinc. These mines will respond to price increases in an emergency. The profit motive alone would bring this about, even if they were not motivated to make common cause with us in that emergency. Peru, which produced 138,000 tons of lead and 177,000 tons of zinc in 1962, is linked, I believe, by a destiny in common with us.

In World War II, Mr. Simon Strauss, now vice president of American Smelting & Refining Co., but then vice president of Metals Reserve Co., testified—more than 20 years ago—that Mexico, Peru, and Canada “are the sources that are available to us in wartime.” These sources are more available to us now than they were in World War II.

(3) During the Korean war, lead in fact was in such supply that the United States was not required to make allocations between industry and consumer and while it did so with zinc it was even then able significantly to add to our strategic stockpile during the period of that war.

Senator ANDERSON. You heard that testimony given by Mr. Ince of St. Joseph Lead—he made the statement that, actually, during the Korean war we did not get this help from Canada and Mexico and elsewhere and that the prices went up to 19 cents, did he not?

Mr. KOENIG. I am very pleased that you asked me that question. During the Korean war several things happened. There were in the United States controls. There was a fixed ceiling price, and the price which the Europeans were willing to pay for lead and zinc was higher than the price that was being paid in the United States.

Senator ANDERSON. I do not recall. I do not recall that we had price control at this time.

Mr. KOENIG. We had it at that time. This went as high as 30 cents, when it was selling for 19 cents here.

Senator ANDERSON. Would that not sort of scare you if you did not depend upon that market? You are trying to say that this is a stable, viable market, yet you say that in the Korean war they wanted 30 cents.

Mr. KOENIG. That was a problem beyond my province. I am only responsible for the operation of this company. I have to get for my shareholders the highest possible price I can get and, also, for the country in which I operate in Peru, in order that we may pay our income taxes.

Senator ANDERSON. I have had a little experience. I was in other responsibilities at one time. And I tried to buy some sugar at one time. I know what happened to the price of sugar. We had quite a time.

Mr. KOENIG. Notwithstanding all of these things, Senator Anderson, the stockpile did increase during that period of time.

Senator ANDERSON. During the Korean war?

Mr. KOENIG. Yes, sir. No one was ever deprived of having lead and zinc to conduct their industrial activities and those of this country.

(4) Even as far back as 1957 the Director of the Office of Defense Mobilization testified he was not able to make a finding that imports of lead and zinc affect national security.

(5) Last, but by no means last, our Government, acting with the approval of the high military authorities, has acquired a vast stockpile of lead and zinc; so vast, indeed, that in July 1963 it announced that the entire stockpile of 1,400,000 tons of lead and 1,600,000 tons of zinc were now surplus to our military requirements under conventional war objectives. Moreover, Senators Mansfield, Hayden, and Metcalf met in July 1963 with Edward A. McDermott, Director of

the Office of Emergency Planning, and were reassured that the Government did not plan to dispose of the surplus lead and zinc. Any disposition of these stockpiles for direct Government use, e.g., zinc for use in the U.S. Mint, will require congressional approval, according to Mr. McDermott. Thus, Congress has within its control enormous quantities of lead and zinc already to go to war on a minute's notice.

Protectionists have one more weapon in their arsenal. Besides urging the nurturing of a "healthy" lead and zinc industry, and then defining "healthy" in their own limited terms, and relying on the phantom defense and national security argument, they also present the specter of an enormous unemployment problem as being peculiar to the lead and zinc industry.

You, as Senators of this great Nation, are naturally concerned over the employment picture. As with many industries in the United States, the employment picture has been affected not only by the closing of uneconomic mines or smelters but by automation. The unemployment problem is not one which should single out the lead and zinc industry for special treatment. The huge numbers of unemployed in the United States amounting to 4,322,000, represent a growing national problem of the first magnitude. But a Government spokesman, in hearings before the House, has correctly observed that enough information has not been developed as to the extent of unemployment among lead-zinc mines.

The total number of people employed in the lead-zinc mining and milling industry in the United States, according to the latest estimates of the Department of Labor, amounted to an average of 8,351 persons during 1962, and during 1954 the average was 13,592. In 1954 the production worker's average wage was \$1.89 an hour. In 1961, the latest year for which statistics are available, the average hourly wage was \$2.44. It is a fair assumption that this figure was somewhat higher for 1962.

Senator ANDERSON. To take your figures, employment had gone from 13,592 down to 8,351. Is that roughly 40 percent?

Mr. KOENIG. Yes.

Senator ANDERSON. What is our national figure, about 5 percent?

Mr. KOENIG. Yes.

Senator ANDERSON. So that would be eight times greater than the rest of the country?

Mr. KOENIG. I am sure that other things have gone down, too.

Many of you, I am sure, feel that a domestic mining industry is at a disadvantage because the average hourly earnings are much lower for operations in the principal foreign countries furnishing lead and zinc to the United States; namely, Peru, Canada, Mexico, and Australia. It has been stated that the American producer cannot be thrown to the law of supply and demand when he has to compete with foreign labor. This is not so, at least in the case of Peru. While the average total cost of labor in a country such as Peru is lower than the comparable cost paid in the United States, yet the productivity in these foreign countries is so inferior, that the labor cost in mining a ton of ore is substantially higher in Peru, for example, than it is in the United States. The mines in Peru are equipped with modern machinery to the extent that the nature of the ore deposits permit. These are not pushbutton-type mines.

I would now like, with your indulgence, to point out what the effect of further restrictions on the importation of lead and zinc into the United States will mean to Peru.

Senator ANDERSON. How much is your production in Peru?

Mr. KOENIG. All of our production from mines is in Peru, Senator Anderson.

As a preliminary matter, I wish to state that I have just returned from a trip to Peru where I was present, along with Senator Morse, at the inauguration of Fernando Belaunde Terry as President of that Republic on July 28 just passed. In his inaugural address he said in part, "the ridiculously low prices paid for Latin America's raw materials are the direct cause of our backwardness and misery." He went on to say that a new international philosophy of prices was necessary.

Senator ANDERSON. And he seemed to hold that prices were low?

Mr. KOENIG. Yes.

Senator ANDERSON. And you seem to think they are high?

Mr. KOENIG. Oh, no.

Senator ANDERSON. Well, you say that the cost of mining a ton of ore is substantially higher in Peru than it is in the United States.

Mr. KOENIG. The cost—the labor cost.

Senator ANDERSON. Is not labor cost a pretty large proportion of the total cost?

Mr. KOENIG. Not all of it.

Senator ANDERSON. I know that it is not all of it, but in the old type mine that you testified about, labor is a very large share of it, is it not?

Mr. KOENIG. It would be the single largest item, but it is not 50 percent of the total cost of producing lead.

Senator ANDERSON. I do not know what goes into the cost, but a very large volume is, certainly, labor.

Mr. KOENIG. It is the largest single item, but by no means more than 50 percent.

Senator ANDERSON. I mined a little coal at one time and I thought that labor was a pretty big part of the cost.

Mr. KOENIG. Gentlemen, as citizens of the political leaders of the free world and its most conspicuous consumer of lead and zinc, we cannot discuss the issues presented by S. 1534 apart from the effect it will have upon our friends and allies—Peru, Canada, and Australia, for example. We are dealing with a worldwide product that has a worldwide value and worldwide international implications. If Senate bill 1534 is enacted into law, Peru's lead and zinc must almost necessarily go to markets outside of the United States. This bill, while rigidly protecting the domestic price of lead and zinc will, in my judgment, in normal circumstances significantly depress the so-called free world price of these metals.

All our efforts at cultivating good will with our friendly neighbors to the north and to the south and all our efforts to improve their standards of living, in enlightened self-interest of our own, will have been for nought and we will increase the dependence of such countries as Peru not on us but upon others. What will be the meaning of the Alliance for Progress if we enact S. 1534 into law. We will add a sorry note, indeed, to the meaning of President Belaunde's inauguration address because free world prices as a result of S. 1534

becoming law will, in my opinion, become substantially lower. We concur, therefore, as far as Peru is concerned, in the statement made by the representative from the Department of State at the House hearings in June 1963 with reference to H.R. 6269, the companion to S. 1534, that "the existence of quotas and their application has aroused resentment in a number of affected countries."

First of all, let us see how this import control legislation works from the standpoint of the United States. The first year of operations under the bill is treated differently from the other years by imposing far more stringent limitations on imports in order to eliminate stocks presently on hand.

If the market price does not exceed 13.5 cents per pound in any one of the first 3 of the 4 calendar months preceding the quarter, then the proposed quota for that quarter is the lesser of either the absolute quota or the flexible quota effective if the market price exceeds 13.5 cents per pound.

Absolute quota (quarterly figures)

	Present quota	Proposed quotas S. 1534	
		1st year	Subsequent years
Lead.....	88,680	45,000	60,000
Zinc.....	130,240	80,000	100,000

Under the bill, only 10 percent of the proposed quotas can be filled by metal, the other 90 percent is available to metal in concentrates. This is in contrast to the present quota which in the case of lead permits 63 percent to be filled by metal and 37 percent by concentrates; for zinc the comparable figures are 27 percent by metal and 73 percent by concentrates.

If the market price exceeds 13.5 cents per pound during the given period, then it is always necessary to employ the flexible quota which is determined by formula.

Let us assume that the E. & M.J. average for lead or zinc for either March, April or May 1964 exceeds 13.5 cents. This leads to the imposition of the "flexible quota" for the third quarter of 1964, as follows:

I. Take the sum of (a) U.S. mine production, first quarter, 1964; (b) U.S. secondary production, first quarter, 1964; and (c) metal released from stockpile, first quarter, 1964.

II. Deduct the sum arrived at in I from U.S. consumption first quarter, 1964;

III. Quota for third quarter 1964 equals consumption minus "production," that is excess of consumption over production.

Now let us turn to the specific effect the enactment of this bill will have upon Peru. I have annexed to my prepared statement exhibits A-1 and A-2 for lead and exhibits B-1 and B-2 for zinc. These show, first of all, how serious is the matter of the curtailment brought about by the present quota system for Peru. For example, for the quarter July-September 1958—just before the present quota went into effect on October 1, 1958—Peru sent to this country about 28,000 tons of

lead in concentrates and 12,000 tons of lead metal and 29,000 tons of zinc in concentrates and 2,200 tons of zinc metal. In the first quarter following the imposition of the present quota in October 1958, Peru was restricted to 8,080 tons of lead contained in concentrates and 6,440 tons of metal. The similar figures for zinc are 17,500 tons of zinc in concentrates and 1,880 tons of zinc metal.

This combined drop of some 25,500 tons in lead in concentrates and metals sent by Peru to this country does not, of course, mean that these quantities were not sent elsewhere (in all probability to Europe) but it does mean that the more advantageous prices that have been obtained in America, the world's largest consuming market, were unavailable on this tonnage. The average difference in price per pound of lead between the LME price (European price) and the American price during the particular quarter in question amounted to 3.64 cents and in the case of zinc was 2.07 cents. This average loss has to be related to actual statistics showing the value of Peru's exports of lead and zinc ores and metals to the United States before (1957) and after (1959) the year in which the quota was established. In the case of lead the total dollar value of such exports in 1957 was \$22,779,953 and in 1959 it had been reduced to \$13,537,288. In the case of zinc the comparable figures for those years, respectively, were \$28,080,125 and \$10,184,012. The combined loss to Peru over this period was approximately \$27 million. Such a loss might not seem much to a country such as ours which has a gross national product of \$600 billion, but it represents an important loss to a country whose gross national product is a little over \$2 billion. So much for the effect of the present quota on Peruvian exports to the United States.

The attached exhibits not only show the quantitative effect of the present quota on a quarterly basis, but also show what would have happened had the proposed quotas of Senate bill 1534 been imposed during the period from October 1, 1958, to date.

The effect is clear in the case of zinc. Peru would have been permitted a quarterly quota of about 13,300 tons of metal contained in concentrates and only 426 tons of zinc metal. Thus, from the period from July to September 1958, when Peru exported 29,000 tons of zinc metal contained in concentrates and 2,200 tons of zinc metal and bearing in mind that the 1958 quota caused an actual reduction in these figures to 17,500 tons in the case of metal contained in concentrates and 1,880 tons of zinc metal, we would have had in the next quarter from October to December 1958 a further reduction for this quarter under Senate bill 1534 to 13,300 tons of metal contained in concentrates and 426 tons of zinc metal. The same picture of further drastic cut-backs obtains in the case of lead except for a negligible increase over the present quota in the allowable importation of lead metal contained in concentrates under the proposed quota.

Senate bill 1534 makes no specific provision for its implementation but appears to leave these questions up to the Secretary of Interior and Secretary of the Treasury.

However, at the House hearings in June 1963, it was indicated by Mr. Clark L. Wilson, chairman of the Emergency Lead-Zinc Commit-

tee, that the quarterly proposed quotas would be on a global basis, not a country-to-country basis as under the present quota system. Thus, lead and zinc metal and concentrates might be imported and stored in bonded warehouses in this country to any extent that the importer wished and could finance. At the beginning of each quarterly quota, a determination would be made as to the aggregate on hand in all warehouses, regardless of country of origin, and licenses to bring out of bond would be issued on a basis pro rata to the allowable quota.

Obviously the incentive to build up warehouse stocks would be great but the major limiting factor would be the ability of the importer to finance stocks, 90 percent of them being concentrates and 10 percent metal.

The present quota system has not proved to be entirely equitable and perhaps no quota system can be devised but the proposed allocation under this new bill will lead to a mad scramble or a catch-as-catch-can warehouse basis and to inequities that defy imagination. I can only hope that Mr. Wilson's idea was a figment of his imagination. In any event, if the bill is to be passed, it should be amended to make it clear that the administration should administer it on a country-to-country basis.

Against this background of drastic, forced reduction of imports, it is no wonder the Peruvian Ambassador, His Excellency Fernando Berckemeyer, on May 23, 1963, was compelled to protest to our Government that the enactment of S. 1534 or its companion in the House of Representatives, H.R. 6269, would work a grievous hardship on the Republic of Peru contrary to the trade policy recently established in the U.S. Trade Expansion Act and contrary to the recommendations of the lead-zinc study group of the United Nations.

As you gentlemen know, there is today under our present tariff schedules a preferential differential in favor of metal imported in the form of concentrates over the importation of the metal itself. In the case of lead, the tariff on lead contained in concentrates is only 70 percent of the tariff on the metal itself; therefore, the preferential differential favors imports of lead in ores by 30 percent. The tariff on zinc contained in concentrates is 86 percent of the tariff on the zinc metal itself, so that the preferential differential is theoretically 14 percent but in fact is perhaps somewhat less as there is some metallurgical loss of zinc in the processing of zinc concentrates to metal which is not true to the same extent in the case of the processing of lead concentrates to metal.

So that even before consideration of S. 1534, the smelting industry in this country enjoys the protection of a difference in duties. This difference, of course, has the practical effect of making it possible for domestic smelters to bid a higher price for concentrates in competition with others.

As previously stated, of the total quota that would be established under S. 1534, only 10 percent could come in in the form of metal, the other 90 percent coming into the United States in the form of concentrates. This is an advantage which will compound the preferential

differential already in existence through the operation of the present tariffs.

The effect of the preferential differential so compounded will bear directly and heavily upon foreign smelters, such as ours which are located in Peru. It is not very palatable to have to tell the Peruvians that if they wish to participate in the market afforded by the United States for their ore production, that their ore must be smelted or refined to an amount of 90 percent within the United States. As I have said in previous testimony, we make twice as apparent, if not twice as valid, the charge that the United States is proposing to keep Peruvian industry in servitude to U.S. industry which, of course, leads to the charge that we are guilty of "economic colonialism." Why should Peru (or, for that fact, any other country smelting its own ores) be denied 90 percent of its quota of the U.S. market unless it agrees that the smelting process should be conducted in the United States.

Senator ANDERSON. Do you happen to know what the situation is on sugar?

Mr. KOENIG. No, sir; I do not. I am not familiar with sugar.

Senator ANDERSON. Do we not protect the American refineries pretty well?

Mr. KOENIG. I believe so, but I do not know of my own knowledge.

Senator ANDERSON. We do not take much offshore whites, do we?

Mr. KOENIG. No; I do not think so.

The day when England could take raw materials from India and other parts of the world, bring them to the United Kingdom, refine and fabricate them and then ship them out to the world markets is largely a day of the past. And we, too, shall decline, as they have declined, if we cannot be competitive in the world markets. Nor, in fact, can we keep the faith to help our South American friends to industrialize for a better standard of living for all of their peoples.

Testimony before the Tariff Commission in 1960 left little doubt that consumers of lead and zinc products will not pay the domestic industry's idea of what is required to produce a healthy industry unless the price of lead and zinc is competitive with other metals that can be used as substitutes. As president of Cerro Corp. that not only produces lead and zinc but also produces copper and aluminum products, I know how competitive the various metals can be with the other. If, as I suspect, the market price of lead and zinc within the United States will have a further substantial rise and, conversely, the market price in Europe will have a substantial decline if S. 1534 becomes law, then I believe that copper, aluminum, other metals and plastics will constantly make inroads on lead and zinc products since the market price of the raw material will have been artificially supported.

Gentlemen, the bill before you is not a simple piece of protective legislation. I assume it is your duty to determine that there is a real domestic need for such a Draconian enactment aimed at keeping the marginal mines in this country in operation and reopening up

mines that are submarginal—mines that by an economic test are unhealthy.

What this bill does is to impose quotas on what really amounts, in certain instances, to American production overseas and what, in many cases, is the foreign production of American capital. Furthermore, tampering with the laws of supply and demand has not really solved all problems in the past in this industry; even the present quotas instituted contrary to our trade policy and objectives have not been satisfactory; and further legislation might very well lead us to the same situation as confronts the Nation in the field of agriculture. Artificially pegging the price per pound of lead and zinc by assessing the amount of production needed to create a healthy industry creates endless problems covering the field of international politics, our import and export trade, the cost position of our manufacturers, continuing right down to the practical question of periodic appraisal by the Congress of this price per pound.

Representatives of the Departments of State and Interior have testified 2 months ago in reference to H.R. 6269 that we in this country do not need this bill at this time based upon present knowledge and that recent months have witnessed a substantial improvement in the market for and price of both lead and zinc. At the same time I wish to point out that this unnecessary additional protection in the form of further import restrictions would impose heavy burdens upon the economies of friendly nations.

Thank you very much.

(The attachments to Mr. Koenig's statement are as follows:)

SCHEDULE A-1. LEAD.—*Assuming imposition of S. 1534 in place of existing import quota, effective Oct. 1, 1958, and assuming Peru retains thereunder quota allocation in proportion to existing quotas*

Calendar quarter	Prevailing EMJ	Imports permitted			
		Total ores	Total metal	Peruvian ores	Peruvian metal
	<i>Cents</i>	<i>Short tons</i>	<i>Short tons</i>	<i>Short tons</i>	<i>Short tons</i>
1958—October–December.....	12.88	40,500	4,500	9,882	522
1959—January–March.....	11.88	40,500	4,500	9,882	522
April–June.....	11.70	40,500	4,500	9,882	522
July–September.....	12.43	40,500	4,500	9,882	522
October–December.....	12.84	54,000	6,000	13,176	696
1960—January–March.....	12.0	54,000	6,000	13,176	696
April–June.....	12.0	54,000	6,000	13,176	696
July–September.....	12.0	54,000	6,000	13,176	696
October–December.....	11.79	54,000	6,000	13,176	696
1961—January–March.....	11.0	54,000	6,000	13,176	696
April–June.....	11.0	54,000	6,000	13,176	696
July–September.....	11.0	54,000	6,000	13,176	696
October–December.....	10.48	54,000	6,000	13,176	696
1962—January–March.....	9.71	54,000	6,000	13,176	696
April–June.....	9.50	54,000	6,000	13,176	696
July–September.....	9.50	54,000	6,000	13,176	696
October–December.....	9.82	54,000	6,000	13,176	696
1963—January–March.....	10.43	54,000	6,000	13,176	696
April–June.....	10.57	54,000	6,000	13,176	696

SCHEDULE A-2. LEAD.—*U.S. production and consumption, as defined in S. 1534, compared with lead ores and metals imported from worldwide sources and in particular from Peru for 19 calendar quarters prior to and following imposition of quotas effective Oct. 1, 1958*

[In short tons]

Calendar quarter	Production	Consumption	Excess consumption over production	Ores imported		Metals imported	
				Free world-wide	Peru	Free world-wide	Peru
Prior to imposition of import quotas							
1954—January-March	205,611	273,750	68,139	40,315	9,684	69,900	5,065
April-June	205,611	273,750	68,139	40,315	9,684	69,900	5,065
July-September	205,611	273,750	68,139	40,315	9,684	69,900	5,065
October-December	205,611	273,750	68,139	40,315	9,684	69,900	5,065
1955—January-March	213,666	303,161	89,495	39,108	10,570	66,102	6,140
April-June	213,666	303,161	89,495	39,108	10,570	66,102	6,140
July-September	213,666	303,161	89,495	39,108	10,570	66,102	6,140
October-December	213,666	303,161	89,495	39,108	10,570	66,102	6,140
1956—January-March	218,310	302,429	84,119	47,826	14,591	65,708	8,460
April-June	218,310	302,429	84,119	47,826	14,591	65,708	8,460
July-September	218,310	302,429	84,119	47,826	14,591	65,708	8,460
October-December	218,310	302,429	84,119	47,826	14,591	65,708	8,460
1957—January-March	211,829	284,529	72,700	58,654	12,627	80,441	8,750
April-June	211,829	284,529	72,700	58,654	12,627	80,441	8,750
July-September	211,829	284,529	72,700	58,654	12,627	80,441	8,750
October-December	211,829	284,529	72,700	58,654	12,627	80,441	8,750
1958—January-March	171,403	246,597	75,194	68,182	27,982	99,987	12,122
April-June	171,403	246,597	75,194	68,182	27,982	99,987	12,122
July-September	171,403	246,597	75,194	68,182	27,982	99,987	12,122
Following imposition of import quotas							
Quota follows							
1958—October-December	171,403	246,597	75,194	33,080	8,080	55,600	6,440
1959—January-March	179,845	272,787	92,942	33,080	8,080	55,600	6,439
April-June	179,845	272,787	92,942	33,080	8,080	55,600	6,440
July-September	179,845	272,787	92,942	33,080	8,080	55,600	6,437
October-December	179,845	272,787	92,942	33,080	8,080	55,600	6,440
1960—January-March	179,739	255,293	75,554	33,080	8,080	55,600	6,440
April-June	179,739	255,293	75,554	33,080	8,080	55,600	6,440
July-September	179,739	255,293	75,554	33,080	8,080	55,600	6,439
October-December	179,739	255,293	75,554	33,080	8,080	55,600	6,439
1961—January-March	186,975	256,804	69,829	33,080	8,080	55,600	6,439
April-June	186,975	256,804	69,829	33,080	8,080	55,600	6,439
July-September	186,975	256,804	69,829	33,080	8,080	55,600	6,438
October-December	186,975	256,804	69,829	33,080	8,080	55,600	6,438
1962—January-March	178,617	270,175	91,558	33,080	8,080	55,600	3,700
April-June	178,617	270,175	91,558	33,080	8,080	55,600	6,439
July-September	178,617	270,175	91,558	33,080	8,080	55,600	6,438
October-December	178,617	270,175	91,558	33,080	8,080	55,600	6,436
1963—January-March	163,065	286,609	123,544	33,080	8,080	55,600	6,432
April-June				33,080	8,080	55,600	6,439

SCHEDULE B-1.—ZINC.—Assuming imposition of S. 1534 in place of existing import quota effective Oct. 1, 1958, and assuming Peru retains thereunder quota allocation in proportion to existing quotas

Calendar quarter	Prevailing EMJ	Imports permitted			
		Total ores	Total metal	Peruvian ores	Peruvian metal
	<i>Cents</i>	<i>Short tons</i>	<i>Short tons</i>	<i>Short tons</i>	<i>Short tons</i>
1958—October–December.....	11.24	72,000	8,000	13,313	426
1959—January–March.....	11.31	72,000	8,000	13,313	426
April–June.....	11	72,000	8,000	13,313	426
July–September.....	11.11	72,000	8,000	13,313	426
October–December.....	12.40	86,762	9,640	17,824	514
1960—January–March.....	12.96	68,265	7,585	14,025	404
April–June.....	13	68,265	7,585	14,025	404
July–September.....	13	68,265	7,585	14,025	404
October–December.....	12.83	68,265	7,585	14,025	404
1961—January–March.....	11.51	75,917	8,435	14,037	450
April–June.....	11.5	75,917	8,435	14,037	450
July–September.....	11.5	75,917	8,435	14,037	450
October–December.....	11.66	75,917	8,435	14,037	450
1962—January–March.....	12	73,165	8,129	13,528	433
April–June.....	11.5	73,165	8,129	13,528	433
July–September.....	11.5	73,165	8,129	13,528	433
October–December.....	11.5	73,165	8,129	13,528	433
1963—January–March.....	11.5	81,596	9,066	15,087	483

SCHEDULE B-2.—ZINC.—U.S. production and consumption, as defined in S. 1534, compared with zinc ores and metals imported from worldwide sources and in particular from Peru for 19 calendar quarters prior to and following imposition of quotas effective Oct. 1, 1958

[In short tons]

Calendar quarter	Production	Consumption	Excess consumption over production	Ores imported		Metals imported	
				Free world-wide	Peru	Free world-wide	Peru
Prior to imposition of import quotas							
1954—January–March.....	145,689	221,075	75,386	112,601	23,304	39,215	1,689
April–June.....	145,689	221,075	75,386	112,601	23,304	39,215	1,689
July–September.....	145,689	221,075	75,386	112,601	23,304	39,215	1,689
October–December.....	145,689	221,075	75,386	112,601	23,304	39,215	1,689
1955—January–March.....	168,349	279,953	111,604	96,162	14,364	48,765	2,442
April–June.....	168,349	279,953	111,604	96,162	14,364	48,765	2,442
July–September.....	168,349	279,953	111,604	96,162	14,364	48,765	2,442
October–December.....	168,349	279,953	111,604	96,162	14,364	48,765	2,442
1956—January–March.....	175,405	252,198	76,793	115,595	22,923	61,182	1,648
April–June.....	175,405	252,198	76,793	115,595	22,923	61,182	1,648
July–September.....	175,405	252,198	76,793	115,595	22,923	61,182	1,648
October–December.....	175,405	252,198	76,793	115,595	22,923	61,182	1,648
1957—January–March.....	171,214	233,905	62,691	169,854	36,768	67,206	5,737
April–June.....	171,214	233,905	62,691	169,854	36,768	67,206	5,737
July–September.....	171,214	233,905	62,691	169,854	36,768	67,206	5,737
October–December.....	171,214	233,905	62,691	169,854	36,768	67,206	5,737
1958—January–March.....	131,868	217,082	85,214	141,201	28,937	36,072	2,218
April–June.....	131,868	217,082	85,214	141,201	28,937	36,072	2,218
July–September.....	131,868	217,082	85,214	141,201	28,937	36,072	2,218

SCHEDULE B-2.—ZINC.—U.S. production and consumption, as defined in S. 1534, compared with zinc ores and metals imported from worldwide sources and in particular from Peru for 19 calendar quarters prior to and following imposition of quotas effective Oct. 1, 1958—Continued

[In short tons]

Calendar quarter	Production	Consumption	Excess consumption over production	Ores imported		Metals imported	
				Free world-wide	Peru	Free world-wide	Peru
Quota follows				Following imposition of import quotas			
1958—October—December	131,868	217,082	85,214	94,057	17,560	35,280	1,880
1959—January—March	142,647	239,049	96,402	94,960	17,560	35,279	1,879
April—June	142,647	239,049	96,402	94,960	17,560	35,280	1,880
July—September	142,647	239,049	96,402	94,960	17,560	34,695	1,879
October—December	142,647	239,049	96,402	94,960	17,560	29,020	1,879
1960—January—March	143,621	219,471	75,850	94,960	17,560	33,507	1,880
April—June	143,621	219,471	75,850	94,960	17,560	30,109	1,880
July—September	143,621	219,471	75,850	94,960	17,560	28,297	1,879
October—December	143,621	219,471	75,850	94,960	17,560	29,849	1,879
1961—January—March	148,451	232,803	84,352	89,994	17,560	31,166	1,879
April—June	148,451	232,803	84,352	87,341	17,560	28,572	1,880
July—September	148,451	232,803	84,352	84,959	14,855	32,997	1,879
October—December	148,451	232,803	84,352	94,960	17,560	32,821	1,879
1962—January—March	160,343	241,637	81,294	94,729	17,560	33,447	1,879
April—June	160,343	241,637	81,294	94,960	17,560	34,029	1,880
July—September	160,343	241,637	81,294	94,960	17,560	33,174	1,878
October—December	160,343	241,637	81,294	91,318	13,918	33,478	1,879
1963—January—March	161,916	252,578	90,662	94,346	16,946	33,312	1,880
April—June				93,483	16,093	33,469	1,879

Senator ANDERSON. Mr. Koenig, you refer at the last to the place where you say that in recent months we have witnessed a substantial improvement in the market in both prices of lead and of zinc?

Mr. KOENIG. Yes, sir.

Senator ANDERSON. You have been in the business for many years?

Mr. KOENIG. Yes, sir.

Senator ANDERSON. You know that always happens when Congress is considering a lead and zinc bill, do you not?

Mr. KOENIG. No, sir.

Senator ANDERSON. Well, I have a chart I must show you sometime.

Mr. KOENIG. It must be coincidental.

Senator ANDERSON. Well, maybe. You would be surprised how well it works out.

Mr. KOENIG. Well, those of us in business would not be inclined to agree with you on that conclusion, Senator.

Senator ANDERSON. I realize, Mr. Koenig, that a man has a right to protect his own business, and I assume that is what you are doing here today.

I call your attention to the Wall Street Journal story, which you undoubtedly read with much pride and gratification. I say that because I was for 25 years president of a small insurance company, and every time the financial statement was real good, I took personal pride in the amount. But I notice this Wall Street Journal headline that Cerro's net income, before depletion, rose 79 percent in first 6 months of this year. Is that a reflection of what is happening to the American producer?

Mr. KOENIG. No, sir. I think this, Senator: This is a reflection of what is happening to Cerro. We have put a great deal of capital, a great deal of effort, and if I may say so, myself, a certain degree of imagination into the management of our business.

Any investments we have made are now beginning to return something for this very patient activity.

Senator ANDERSON. I wondered why you are so opposed to this bill, and I read the first paragraph:

Cerro Corp. reported net income before depletion rose to \$5,227,932, or \$1.46 a share, for the first 6 months this year, up 79 percent from \$2,915,150, or 81 cents a share, for the 1961 period.

This is a time when the price got down to 9 cents, yet profits were being paid for importation into this country; Cerro did pretty well, did it not?

Mr. KOENIG. Well, sir, in the past, we feel that Cerro did quite poorly. The way to have a good year in business is to have it follow a bad year, as you know, sir.

Senator ANDERSON. Or keep the law so you get a little favoritism.

Mr. KOENIG. Yes, sir, and we have other things besides mining of lead and zinc.

Senator ANDERSON. That is right. It says, "Cerro mines copper, silver, lead and zinc in Peru and fabricates copper, brass and aluminum products in the United States."

Do you fabricate lead in the United States?

Mr. KOENIG. No, sir.

Senator ANDERSON. It says you "attributed improved earnings to 'greater shipments of primary metals and fabricated metal products, increased selling prices and further reductions in various production costs.'"

I noticed a figure here somewhere as I read it through:

"Cerro's sales in the first half rose by a more modest 9 percent to \$115,149,010, from \$105,997,377 in the 1962 period, the company reported."

So your sales went up 9 percent, and profits went 79 percent.

Mr. KOENIG. Yes, sir.

Senator ANDERSON. You must have had something in that besides just good management, did you not?

Mr. KOENIG. I would be very glad if somebody would tell me what it is, sir.

Senator ANDERSON. Why, it is the destruction of the American lead and zinc producer, and a drop in the world market.

Mr. KOENIG. No, sir.

Senator ANDERSON. Every time a mine in Mexico closed, you rang up another dollar on the cash register.

Mr. KOENIG. Perhaps.

Senator ANDERSON. I am not complaining about that. I have great admiration for a successful businessman. I was trying to figure out why you are so worried about this bill, and you are trying to protect this \$1.79 for 6 months rather than 79 cents for 6 months.

That is legitimate and proper.

Mr. KOENIG. We are worried about the bill, sir, because if it establishes a price for these metals higher in the United States than outside in the world market, it will deprive Peru of a sale of large tonnage of metals and concentrates which it now sells into this country, and we feel that it is an artificial and specious device, and we maintain furthermore that the mining industry in this country, the United States, is a valuable industry, is an aggressive industry.

They have found new pushbutton-type ore deposits in the past. The chances are very good that they will be found, that more will be found in the future. There are some of these mines, deposits have been found by other companies that have not yet been developed, that are ready for being developed. So that the nature of the industry in this country is changing on the one hand into being an industry in which only these mines of very high productive capacity, of 40, 50, 60 tons of ore produced per man per day, can exist and should exist. This is the rule of the road for the future of the mining business in this country and in other parts of the world, too.

That is the trend of the times.

We have no quarrel with that. We think that the American mining companies that have taken the risks and have the energy, the imagination to locate, develop, and finance these mines are courageous, well-managed people. They should be congratulated.

Senator ANDERSON. The only trouble is, they do not seem to exist. They are going to come in next year, 5 years from now?

Mr. KOENIG. They are here. They were here in this room today—one of them, at least.

Senator ANDERSON. Well, I go out and see these miners at Hanover Mine and Groundhog Mine, which I have been familiar with for the last 30 years. They are on relief, if they can get on relief, and they are on various jobs if they can get on jobs. They have not worked for a long time, the mines are closed down. I say, "You people should not be discouraged; you should not worry about being on relief. After all, look at Cerro. Their profits went up 79 per cent. You ought to rejoice in the welfare of this Peruvian company that has taken away your market."

But they do not seem, somehow, to respond to this. You would be surprised how cold they are to this remark.

Mr. KOENIG. I am quite convinced that in parts of the West and the Southwest, these people are in the wrong business, Senator.

Senator ANDERSON. We would be happy to have you have a reasonable share of the market.

Mr. KOENIG. That is what we would like to have, but, because of the quota, we feel we have a less than reasonable share.

Under this bill, we shall have even less of a lesser amount.

Senator ANDERSON. That is the intention of the bill; there is no question about that.

Mr. KOENIG. Yes, sir. I am fully aware of it.

Senator ANDERSON. I thank you for your feelings. If you do not mind, I am going to put this table of earnings, of which you should be very proud, in the record at the close of your argument.

Mr. KOENIG. Thank you very much, sir.

I appreciate the fact that you think there is nothing immoral in making a profit.

Senator ANDERSON. No, I want to tell you, the years in which I made good money were the finest years of my life.

(The article referred to follows:)

[From Wall Street Journal, Aug. 9, 1963]

CERRO'S NET INCOME, BEFORE DEPLETION, ROSE 79 PERCENT IN FIRST 6 MONTHS
Indicated Profit for Second Quarter Registered 158-Percent Improvement From Corresponding 1962 Period

NEW YORK.—Cerro Corp. reported net income before depletion rose to \$5,227,932, or \$1.46 a share, for the first 6 months this year, up 79 percent from \$2,915,150, or 81 cents a share, for the 1962 period.

Indicated net income before depletion for the second quarter rose even more sharply to \$3,494,139, or 98 cents a share, up 158 percent from \$1,351,424, or 37 cents a share, in 1962. Figures indicating second quarter earnings in the 2 years are obtained by subtracting published first quarter results from those reported for the 6 months. The company doesn't report depletion quarterly. For all 1962, net income was \$5,534,360, or \$1.79 a share, after allowing \$878,605 for depletion.

Cerro's sales in the first half rose by a more modest 9 percent to \$115,149,010 from \$105,997,377 in the 1962 period, the company reported. Indicated sales in the second quarter rose to \$60,061,001, up 8.3 percent from indicated sales of \$55,449,820 in the second quarter last year.

Cerro mines copper, silver, lead, and zinc in Peru and fabricates copper, brass, and aluminum products in the United States. Robert P. Keenig, president, attributed improved earnings to "greater shipments of primary metals and fabricated metal products, increased selling prices, and further reductions in various production costs." He said the higher prices for some of Cerro's copper, brass, and aluminum fabricated products weren't reflected fully in first half operating results, and should further boost earnings from fabricating operations in the year's second half.

Mr. Keenig said the company is now benefiting from investments made in recent years to improve operations and reduce costs at various mines and plants. He noted also that Peruvian mining, smelting, and refining operations were uninterrupted in the first half this year. Strikes in the 1962 period lost the company about 18 days' metal production.

Cerro Corp. and subsidiaries report for 6 months ended June 30:

	1963	1962	1961
Earned per share ¹	\$1.46	\$0.81	¹ \$0.85
Sales.....	115,149,010	105,997,377	94,274,679
Net before income taxes, etc.....	8,471,974	4,909,693	4,675,496
Income taxes.....	3,244,042	1,994,543	1,940,000
Net income before depletion.....	5,227,932	2,915,150	2,735,496
Depletion.....	355,906	419,827	525,603
Net income after depletion ²	4,872,026	2,495,323	2,209,893
Capital shares.....	3,578,462	3,578,462	³ 3,207,462

¹ Based on net income before depletion.

² Equal to \$1.26 a share in 1963, 70 cents a share in 1962, and 69 cents a share in 1961.

³ Adjusted to reflect 6-percent stock dividend in February 1962.

NOTE.—For the quarter ended March 31, net income before depletion was \$1,733,793, equal to 48 cents a share, compared with \$1,563,726, or 44 cents a share, in the like period of the preceding year.

Senator ANDERSON. We are adjourned until next Tuesday at 10 o'clock.

(Whereupon, at 3:45 p.m., the hearing was recessed, to reconvene at 10 a.m., Tuesday, August 20, 1963.)

LEAD-ZINC STABILIZATION

TUESDAY, AUGUST 20, 1963

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

The subcommittee met, pursuant to recess, at 10:05 a.m., in room 3110, New Senate Office Building, Senator Ernest Gruening (chairman of the subcommittee) presiding.

Present: Senators Gruening, Anderson, Moss, Metcalf, and Jordan of Idaho.

Senator GRUENING. The subcommittee will please come to order.

I have a preliminary statement that I should like to make.

This is a continuation of the open, public hearing of the Subcommittee on Minerals, Materials, and Fuels of the Senate Interior Committee which began on August 14 in connection with its consideration of S. 1534, the lead-zinc stabilization bill. S. 1534 was introduced by the distinguished senior Senator from New Mexico, Senator Anderson, for himself and 25 other Senators of both political parties. The text of the bill, with the names of the sponsors, already has been put into the record, as have the reports of the several executive agencies to which the bill was referred for comment in accordance with standing operating procedures of committees of Congress.

I regret that uniformly all of these executive reports have been opposed to the measure. They have, in fact, been negative in the truest sense of the word in that they are against Senator Anderson's measure but do not come up with anything affirmative or positive. At last Wednesday's hearing at which Secretary Kelly was personally present, Senator Anderson and several of us made public requests of the Secretary that he suggest an alternative to the flexible quota proposal set forth in S. 1534.

It is appropriately timely that on the front page of the Washington Post this morning we have a story which is headed "U.S. Gold Outgo Tops \$1 Billion" and continues, "deficit in balance of payments rises in second quarter."

And the gold reserve, according to the U.S. Treasury's latest report, August 14, states that the gold reserve dropped still lower, \$15,583,042,247.

Secretary Kelly is with us today, and it is my hope that he has complied with the committee's publicly made request.

It is the committee's hope that the administration recognizes the dilemma into which it has put itself. There can, of course be no question but that adequate supplies of lead and zinc are basic to our security and industrial needs. Furthermore, there can be no

question but that dependence upon oceanborne sources from foreign nations on whom we have learned we cannot necessarily count in time of need is perilous. Last Wednesday's hearing established beyond question that the domestic lead and zinc industry is in a bad way indeed and is in danger of extinction except for a very few large integrated producers.

Even the most articulate opponent of S. 1534, Mr. Robert Koenig of the Cerro Corp., accepted as a premise in his presentation that the domestic lead and zinc industry is dying. His thesis seems to be that it should just be quiet about it and accept its fate manfully. It is my hope that the administration will not share Mr. Koenig's view that death is inevitable and that the industry should just relax, even if it does not enjoy it.

Yet, so far all the administration has been able to do is to say no to the various proposals that those of us who are attempting to fulfill our responsibilities are putting forward. Clearly, something more than a "you can't do that" is called for from responsible public officials. The administration must realize that as the philosopher, Will James, expressed it, "Inaction is a form of action." That is, by refusing, or failing to come up with an affirmative program, the administration is in fact taking action to destroy our domestic lead and zinc industry. Whether such action is through inadvertence or not is not as important as the end result.

(The Washington Post article follows:)

[From the Washington Post, Aug. 20, 1963]

U.S. GOLD OUTGO TOPS \$1 BILLION—DEFICIT IN BALANCE OF PAYMENTS RISES IN SECOND QUARTER

This country's deficit in the international balance of payments ran considerably more than \$1 billion in the second quarter of this year, the Department of Commerce announced yesterday.

The Department's figures could add up to an annual deficit of \$4.2 billion for 1963 if the large second-quarter deficit continues for the rest of 1963. Such a deficit would result in the loss of more dollars than the record \$3.9 billion outflow in 1960.

The deficit increased sharply despite a strong showing in the commercial trade balance—an excess of exports over imports.

Factors that ran up the deficit were increased bank loans, a large increase in the amount of new foreign securities sold in this country, and a rise in U.S. grants and loans to foreign countries.

The administration previously had reported a worsening of the balance of payments, primarily due to the outflow of private funds, and has proposed an interest equalization pact as a partial remedy. This puts a tax on any foreign stocks or bonds sold in this country.

Both Treasury and Commerce officials said the second quarter probably was a very unusual one and that the picture probably would be distorted if the second-quarter figure were multiplied by four in computing the annual total.

The Government has been concerned for some time about the long-term loss of dollars. The large deficits of the past decade have placed many billions of dollars in the hands of foreign central banks. Although not directly related, the loss of dollars frequently results in an eventual loss from the U.S. gold stockpile.

After the record \$3.9-billion mark in both 1959 and 1960, the deficit dropped to \$2.4 billion in 1961 and \$2.2 billion in 1962.

The deficit for the first 6 months of 1963 can be calculated at an annual rate of either \$4.2 or \$3.2 billion.

The first figure is the one used by the Commerce Department and does not take into account the hundreds of millions of dollars in U.S. convertible bonds that were bought by foreign central banks in the first half of the year.

The Treasury subtracts these bonds from the deficit and thus comes up with a different figure.

Using the Commerce system, the deficit increased from \$800 million in the first quarter of 1963 to about \$1.3 billion in the second quarter or \$2.1 billion for the first 6 months. According to the other method, the deficit jumped from \$450 million to about \$1.15 billion. In both cases the figures are seasonally adjusted.

Senator GRUENING. This morning we are fortunate in having with us as our first witness the able senior Senator from the State of Utah, which is an important producer of lead and zinc. Senator Bennett, the committee is happy to hear you.

You may proceed, Senator Bennett.

**STATEMENT OF HON. WALLACE F. BENNETT, A U.S. SENATOR FROM
THE STATE OF UTAH**

Senator BENNETT. Mr. Chairman and members of the committee, I appreciate this courtesy, and the opportunity to appear this morning to discuss S. 1534.

The time has come for Congress to reassert itself and stop permitting the State Department to dictate our domestic minerals policies. If our domestic lead-zinc mining industry is to survive, particularly in the Western States, the flexible lead-zinc import quota bill, S. 1534, of which I have the honor to be a cosponsor, must be passed.

And the opening statement of the chairman is a little discouraging.

There is no administration domestic minerals policy except that dictated by the Department of State to assist and benefit foreign countries. Little or no concern is evidenced by those officials for the welfare of our own American miners, smelter workers, and mine operators. The only prescription offered is a palliative called the small producers' subsidy bill which does not come to grips with the basic overall problem and indeed may well be aggravating it by stimulating production by small mines when there is already a glut on the market.

The second ingredient in this purported prescription is a faint hope that foreign countries will, with the United States, enter into a system of international production controls. The utter futility of this second approach is dramatically evidenced by the third ingredient; I refer to the State Department barter agreements which added 106,000 tons of lead to our supplemental stockpile in 1961 and 1962. Incidentally I filed strong protest to these agreements before they were negotiated. It seemed to me to be utter folly for our Government to be acquiring lead at the very time the Senate Armed Services Committee made a charge that there was already too much lead in the stockpile.

The lead barter purchases were made on the promise that foreign lead suppliers would reduce their own production by an equal amount during the purchase period. The result of these ill-fated negotiations is that Canada and Australia, from which we purchased the lead, have now announced that their 1963 production will exceed all previous records. So much for international controls and so much for what passes as an administration lead-zinc program.

Present quota system is a failure. The present import quota levels were set at an unrealistically high level by the Eisenhower admin-

istration, the last in a series of uninspiring policies. The quota system has resulted in an excessive shipment of foreign lead-zinc surpluses to our shores, thus depressing the price of these two metals to our mine operators while throwing miners and smelter workers out of work. Adoption of S. 1534 with its flexible quotas would assure an adequate supply of lead and zinc from both domestic and foreign sources at a price which would permit profitable operation of our mines.

Our domestic industry is operating at a loss. Many of our mines have been for years and are now operating at an overall loss. This is true of Utah's lead-zinc mining industry. Its returns from ore sales in 1962 were only about one-third of receipts in 1959. Costs however have been reduced by only about one-half in the same period even though long-range development and exploration have been eliminated and employment sharply restricted. Our domestic miners are entitled to a fair share of the American market and they are not getting it at the present time.

Actual imports of zinc since 1960 have been 60 percent and lead 38 percent of U.S. metal consumption. This is nearly twice what we need to import which means that we are importing a surplus at the expense of our domestic producers. For nearly a decade now domestic mine production has lagged behind foreign imports.

Our national security requires a solid operating domestic lead-zinc mining base. This was demonstrated conclusively as late as the Korean war as well as in the two great World Wars. Our mines are expected to be available to produce in times of crisis; yet our Government's policies are assuring the death of most of the industry as it existed during the Korean war. This is a threat to our national security, for once the mines are shut down they will be lost through flooding and cave-ins in great part. Moreover, our miners cannot even afford to develop reserves to insure continued production of the few remaining mines because of the depressed conditions in the industry.

The situation in my State of Utah is critical as it is in many other mining States. One of the most serious threats is the decreased tonnage of lead-zinc ore available to Utah's one remaining lead-zinc custom mill and one lead smelter. Without the services of this mill and smelter all lead-zinc mining in Utah will stop. Shipments to these plants come from Arizona, Nevada, Idaho, Colorado, and Montana in order to provide the necessary tonnage. Yet out-of-State shipments to mills in Utah have declined from a 1948-52 annual average of 39,582 tons to the 1958-62 annual average of 3,252 tons; less than one-tenth. The lead smelter has less than one-half of the tonnage needed for full capacity production.

Utah lead smelting employment has dropped from a 1957 level of 886 men to 363 men in 1962. Similarly lead-zinc mine and mill employment has dropped from 2,275 in 1951 to 1,349 and to 1,006 in 1962.

Utah's mines have shut down at a shockingly rapid level. In 1949 there were 23 operators, while today there are only 7. Total receipts from ore sales have dropped from over \$19 million a year to \$6 million during that same period. Meanwhile, total receipts after reportable costs have dropped from nearly \$3,700,000 in 1949 to a loss of

\$2,700,000 in 1962. In short, Utah's lead-zinc mining industry is depressed; and we need action now, not later.

The industry has been studied to death. The Tariff Commission has undertaken eight studies all of which revealed serious injury to the domestic industry caused by the flood of foreign imports. Yet the executive branch now proposes yet another study.

I fully agree with the former chairman of this committee and still a member, who is here this morning, Senator Clinton Anderson, who said last week that "such an approach would be a waste of time."

We must pass S. 1534 now and by so doing show at least a small degree of the solicitude which we repeatedly manifest for foreign countries.

Senator GRUENING. Thank you very much for your very effective statement.

Senator ANDERSON. I want to commend the Senator from Utah for his constant devotion to this subject. It has been very encouraging at times. He has never given up. I appreciate the time that he has given to this subject.

Senator GRUENING. Senator Jordan?

Senator JORDAN of Idaho. I appreciate the statement of the gentleman from Utah. I think it reflects pretty well the conditions throughout the entire mining region of the West.

Senator GRUENING. Senator Moss?

Senator MOSS. I want to add my commendation to the statement of my colleagues on this situation. I agree most heartily with the thought that the time for action is now. We have had study after study, yet we have never provided a solution for this decline in the production of our mines and the loss of employment of our miners. We are now almost to the point where we are seeing the extinction of the mining industry in lead and zinc, and I think it is time that we moved. I appreciate your statement very much.

Senator BENNETT. I would like to make one more brief comment.

When the small lead-zinc bill was before the Senate, I was inclined to oppose it on the ground that it was inadequate. Its proponents came to me to say, "Wait and take your turn—let us get this much done and then we will take care of your problem later."

The small lead-zinc bill did become law. And whatever benefits it could provide are being provided for those who are affected by it.

Thank you. I appreciate the opportunity to be here.

Senator GRUENING. Thank you very much for appearing before the committee.

At this point in the record we will include the statements of two other Senators, my colleague from Alaska, Senator Bartlett, and Senator Cannon of Nevada. Also, two communications supporting the bill.

(The statements and communications follow:)

STATEMENT OF HON. E. L. BARTLETT, A U.S. SENATOR FROM THE STATE OF
ALASKA

Mr. Chairman, the bill, S. 1534, to establish a lead and zinc flexible quota program, is most important. I am pleased to be a cosponsor of it and I am pleased that your subcommittee is holding hearings upon it.

The American mining industry has served this country well in peace or war. Vast sections of our country owe their initial settlement and develop-

ment to this industry. A section of our population is still dependent for its economic livelihood upon domestic mining. Mining has been of continuing help to our Nation; now it is the mining industry itself which needs help.

We found in the last war how truly vital to our national security a domestic lead and zinc mining industry was. The importance of lead and zinc to our national security is no less today and yet our domestic industry is in danger of total extinction.

In the 4 years 1954-58, employment in the lead and zinc mining industry was cut in half. From 1951 through 1958 the ratio of dutiable lead imports to U.S. mine production increased from 49 to 210 percent; in the case of zinc imports, increased from 42 to 166 percent.

Even though import quotas were established in 1958, lead imports in 1960 were 148 percent of U.S. mine production; zinc imports were 118 percent of mine production.

It is clear from these figures and from the extensive record developed by the House Interior and Insular Affairs Committee in its study of conditions in the lead and zinc mining industries, that if the domestic lead and zinc industry is to survive, there must be additional import legislation to eliminate the uncertainties caused by the severe cyclical variations in the American metals marketplace.

I believe that S. 1534 can provide this stability. The establishment of flexible quotas for lead and zinc based on market prices and the difference between domestic production and consumption within the United States offers a sensible means of assuring a proper share of sales for domestically produced metals.

I would appreciate your making this letter a part of the hearing record.

STATEMENT OF HON. HOWARD W. CANNON, A U.S. SENATOR FROM THE STATE OF NEVADA

Mr. Chairman, the plight of the lead-zinc industry in my State is of such serious proportions as to make it imperative that I support measures which realistically approach the problem. It is a pleasure, therefore, to appear before this subcommittee to add my endorsement to S. 1534, a bill which will provide a just solution to the problems which have long confronted lead and zinc producers in Nevada and throughout the West.

As members of this subcommittee know, the U.S. Tariff Commission has repeatedly found during the last decade that the domestic lead-zinc industry is suffering serious injuries. Yet, during this period, no satisfactory action has been forthcoming. Meanwhile, the industry has been virtually eliminated in many parts of the Nation.

In Nevada, for instance, lead production from 1949-53 averaged 7,669 short tons annually. Total production dropped to 4,150 short tons in 1958, and in 1959 the output declined to 1,370 short tons.

Zinc, though slightly recovered in 1959 over the 1958 production, had fallen from 16,132 short tons annual average for the 1949-53 period to only 91 short tons in 1958.

It does not take much imagination to know what such a situation does to the community whose economy is dependent, directly or indirectly, on the lead-zinc industry.

The flexible quota this subcommittee is considering will save our lead-zinc industry from extinction. It will provide our producers with an equitable share of the market that is now in the hands of foreign competitors. It will provide, at a reasonable price, needed supplies for the smelter and the consumer. It will protect the American miners who are finding that they must leave the depressed mining communities which have been their homes and seek to begin anew in a new community and in a new endeavor for which they have no qualifications or training.

For those who refuse to feel alarm for such a situation because it is local, may I suggest that the importance of the lead-zinc industry to the total national economy and national security cannot be overestimated. We must be alert to the need for a vigorous and responsible domestic metals industry. Mines with the tunnels collapsed or flooded with water cannot respond to the national need in times of emergency. It is far safer to keep them operating, and in the long run it is less expensive.

It is vital, Mr. Chairman, that this subcommittee approves this bill to provide adjustable import quotas to protect our lead and zinc producers from foreign competitors when market prices are low.

Such action will bolster our lead and zinc industry, and, concurrently, will have a marked effect on our national economy and security. I am pleased to add my endorsement to S. 1534. Thank you.

CITIZENS COMMITTEE FOR STABILIZATION,
LEAD-ZINC INDUSTRY,
Flat River, Mo., August 5, 1963.

Senator ERNEST GRUENING,
Washington, D.C.

DEAR SENATOR GRUENING: This committee representing the citizens of the largest lead-producing area in the Nation sees the urgent need for control of the flood of imports of lead and zinc that has already closed numerous operations and threatens the closing of the remainder. During the past 5 years unemployment in this area has at times risen to 17.5 percent and has fluctuated between that figure and 8.3 percent.

Flat River, the center of the lead-mining area of southeast Missouri, lost 14.9 percent of its population between the 1950 and 1960 census, the largest loss in the State of Missouri. Dwelling vacancies are numerous and there are many vacant stores and offices in this area.

There remains good deposits of minerals but the lower cost of foreign-produced lead and zinc makes it difficult for the domestic mines to compete. While we recognize the need for imports they should be controlled to the extent that U.S. mines can continue to produce, safeguarding ourselves against a time when we might have to depend solely on domestic production.

As matters now stand we are exporting the jobs of our own people without any warranty that foreign produced minerals will continue to be available in event of conflict.

We urge the passage of S. 1534 or similar legislation that will control imports and permit a flow of minerals into this country based on realistic need. If we can supply data or additional information please tell us.

Yours very truly,

T. J. WATKINS, *Chairman.*

STANDARD METALS CORP.,
Moab, Utah, August 7, 1963.

HON. HENRY M. JACKSON,
Chairman, Senate Interior and Insular Affairs Committee,
HON. ERNEST GRUENING,
Chairman, Subcommittee on Minerals, Materials, and Fuels,
U.S. Senate, Washington, D.C.

GENTLEMEN: We urge the passage of S. 1534, sponsored by Senator Anderson, of New Mexico.

Information contained in Senator Jackson's statement announcing the hearings on this bill for August 13 and 14, 1963, the House Concurrent Resolution 177 of the 86th Congress, and the address of Mr. Clark L. Wilson, chairman of the Emergency Lead-Zinc Committee, before the Idaho Mining Association on July 18, 1963—all, express the feelings of this company in regard to the condition of the lead-zinc economic position.

Seldom has a domestic industry been so deliberately hampered by political expediency and so callously ignored.

It is time that citizens enjoy at least as much benefit from their country as foreigners do.

Respectfully yours,

WM. R. MCCORMICK, *President.*

Senator GRUENING. Our next witness is Mr. John M. Kelly, Assistant Secretary of Interior.

We are very happy to have you here. Mr. Kelly is accompanied by Joseph C. McCaskill, staff assistant; Edwin M. Weiss, staff assistant, and Paul S. Yopes, Chief of the Branch of Nonferrous Metals, Bureau of Mines.

STATEMENT OF JOHN M. KELLY, ASSISTANT SECRETARY OF INTERIOR—MINERAL RESOURCES; ACCOMPANIED BY JOSEPH C. McCASKILL, STAFF ASSISTANT; EDWIN M. WEISS, STAFF ASSISTANT; AND PAUL S. YOPES, CHIEF, BRANCH OF NONFERROUS METALS, BUREAU OF MINES, DEPARTMENT OF THE INTERIOR

Mr. KELLY. Mr. Chairman and members of the committee, it is a very real pleasure to appear before this committee again.

I have been asked to present the Department's views on S. 1534, introduced by Senator Anderson and some 25 other Senators. I am pleased that so many have an interest in the development of the Nation's mineral resources.

Senator, the price of lead went up a quarter cent yesterday.

Senator ANDERSON. I am glad to hear that.

Mr. KELLY. I guess that if we have a hearing each week, we can get the price up a quarter of a cent each week.

Senator ANDERSON. I am in hopes of that.

Mr. KELLY. Two years ago in the previous Congress this committee had before it a bill similar in purpose to the present one. The Department at that time felt it necessary to oppose the bill. Conditions confronting the industry then were much less favorable than at the present time.

The proposed legislation before you today seeks to establish a floor price for the two metals, as did the measure considered in the previous Congress. The earlier bill sought to achieve a price between 13½ cents and 14½ cents per pound by increasing the duties when prices dropped below this level and lowering them when prices again rose. The present bill seeks to establish a price above 13½ cents by regulating the volume of imports rather than by raising and lowering the duties.

The bill now under consideration introduces a new feature not previously included in proposed lead and zinc legislation. This provision of the measure, which could limit imports to the quantities needed to meet the deficit between domestic production and consumption, in effect guarantees a market for any domestic production regardless of its costs provided the consumer is willing to pay the price.

The proposed bill also imposes limitations upon the imports of manufactured products valued chiefly as lead or zinc.

The Department is of the opinion that legislation designed to support prices for lead and zinc is not in the public interest; that the controls over trade prescribed by the bill are contrary to our trade policy and would cause international repercussions; and that the guaranteeing of a market to a producer not only runs counter to our basic concept of private enterprise but would over the long term push costs of production of the metals to the point that substitute materials would capture a significant part of their present markets.

We do not believe that conditions within the industry, or in the communities which normally produce lead and zinc, are such as to warrant the treatment prescribed by S. 1534.

Representatives of mining associations and those segments of the industry which support the measure seek to justify enactment of S. 1534 on the grounds of a national emergency. They compare

prices, production, and employment in the industries in 1962 with their performance in 1952 and contend that lead and zinc mining is disappearing, that the security of the Nation is at stake, and that drastic legislation—S. 1534—must be enacted to prevent a national disaster.

Mr. Chairman, I think we all realize that prices today are well below the levels of 1952—in the midst of the Korean emergency. Most producers hope we do not go back to those prices in the foreseeable future. Certainly many mines operated at those prices, which we cannot expect to operate at prices which are competitive with substitute materials. And increased mechanization and improved labor productivity have further reduced employment.

Comparisons with 1952 are neither helpful nor meaningful. Even comparisons with 1955 and 1956 are not too meaningful, for in those years stockpile acquisitions served to drain off surplus production and keep prices at artificially high levels.

We do know that 1955 and 1956 represented peak levels of industrial consumption in recent history and that following these years consumption declined sharply, stockpile buying came to an end, and the industry went into a long period of lessened demand and depressed prices.

The lead and zinc industries are now embarked upon what appears to be a significant comeback. Industrial consumption of both metals is showing amazing strength. 1962 was one of the best years in recent history and the first 7 months of 1963 are running ahead of the comparable period of 1962. In fact zinc consumption in the first 7 months was a new record. We have seen a sustained rise in consumption of both metals extending over a period of some 21 months. During this period of time new supplies have been less than demand and stocks have been drawn upon. In lead, producers' stocks of metal were in excess of 200,000 tons (205,554) at the end of 1961. As of the end of July they were down to 93,000 tons.

Statistics published recently by the American Zinc Institute showed producers' stocks of zinc the lowest in 7 years and equivalent to some 3 weeks' consumption.

For the first time since 1957 stocks of lead and zinc are down to levels where they no longer constitute a damper on the market.

Lead prices have risen six times since last November, and twice since the first of July. The price of zinc rose twice in July.

Mine production of zinc is currently running at an annual rate of about 520,000 tons, up 3 percent from a year ago.

Mine production of lead is currently running at an annual rate of 290,000 tons, up 3 percent from the level prevailing last year before the Missouri mines were closed down by strikes.

That this present growth pattern will continue to prevail is not a certainty, but the outlook is good. We expect the overall economy to continue its steady growth. An excellent program of research and development is being carried on by the industries to widen the industrial uses of these metals. Both lead and zinc are closely tied to the automotive industry and activity in this field is at a record high. There has also been a heavy demand for zinc in the construction industry where it is used in galvanized sheet and other building materials.

Certainly there are signs that there are basic improvements in conditions affecting the lead-zinc industries. I have mentioned the expanded research program which the industries are pushing. This program is expanding the markets for the metals and developing potential new uses. Studies by such authorities as Resources for the Future estimate that consumption of lead and zinc will rise steadily during the next 20 years.

As you know, Mr. Chairman, one of the most reliable yardsticks for measuring the long-term durability of a trend in mineral resources is to turn to the attitude of industry toward exploration and mine development. Because of the time lag between the finding of a property and the production of a mineral from that property, mining men must carefully assess the long-term market for the commodity before investing the sizable amounts of hard cash necessary for development.

An article in the July issue of *Mining Engineering*, an official publication of the AIME, described the lead exploration going on in southeast Missouri. The article states that it has, and I quote: "All the excitement associated with historic mining rushes."

Recently a major lead-zinc producer announced that it will spend \$11.5 million in the United States over the next 3 years to bring new lead projects into production. When completed in 1966, these properties will have a capacity of 60,000 tons of refined lead a year. This same company is also expanding its present facilities, which will increase production in 1964 by approximately 20,000 tons more per year.

Mr. Chairman, I am not attempting to say that the lead and zinc industries have completely weathered the storms of the past 5 years and are now on smooth seas, but I think we can no longer talk realistically about their continued deterioration. We feel that the committee expects the Department, in considering a measure designed to provide special assistance to a minerals-producing industry, to look at the measure in the broadest terms and to make a judgment as to whether its enactment would be in the public interest. The paramount concern of the Department is in the development of the Nation's resources in such a manner as to contribute most to the Nation's welfare over the longest period of time. We must, therefore, weigh carefully the implications of a measure which departs so radically from our traditional concept of the role of Government in the regulation of trade and commerce. It is our judgment that the present conditions do not warrant the type of treatment prescribed by S. 1534.

There is apparent in much of the testimony previously presented a feeling that the Government is under obligation to support and maintain profitable production for most, if not all, of the potential lead-zinc properties of the various mining States.

The mining industry of this country never achieved its greatness under a Government shelter. Nor do I believe that the long-term interests of any segment of the industry will be served by blunting the sharp edge of competition with a program of price supports and assured markets.

If I may I should like to review the main provisions of the bill. S. 1534, if enacted, would terminate the present system of quotas. Members of the committee may recall that these were imposed in late

1958, by the President, acting in response to an escape clause investigation by the Tariff Commission. These quotas have limited imports of lead and zinc ores and metal to 80 percent of the commercial imports during the base period 1953-57.

S. 1534 substitutes for the existing quotas a new arrangement which is complicated and calls for some explanation and analysis.

The present quarterly import quota for lead is 88,680 tons, 55,600 of which is metal and 33,080 is concentrate.

During the first year following enactment of the bill, imports of lead would be limited to 45,000 tons a quarter, only 10 percent of which could be metal—the remaining 90 percent must be ores and concentrates. This severe overall reduction during the first year is of course intended to draw down existing stocks—stocks which have already been drawn down.

For zinc, the first year's quota under the proposed bill is 80,000 tons quarterly—compared with the current quarterly quota of 130,240 tons. Again 10 percent only may come in the form of metal as against 27 percent under the existing quota.

The bill provides increases in the quotas for subsequent years to 60,000 tons of lead and 100,000 tons of zinc quarterly—provided, however—and this is important—that imports shall never exceed the deficit between domestic production and consumption as calculated on the performance of the second preceding quarter. This proviso is in essence complete protection of domestic production against imports.

Sections 103 and 203, provide that whenever the price shall exceed 12½ cents per pound, the absolute quantities I have talked about above shall not apply but instead imports shall be reckoned as the difference between domestic production and the consumption during the second preceding quarter.

This proviso is, of course, intended to serve as a price support mechanism. My Department is of the opinion that it is neither in the public interest nor in the interest of the minerals industries for the Government to embark upon a program designed to assure or support prices of mineral production.

In the industrial world today many materials are so interchangeable that Government interference in the marketplace to fix a price level for some mineral or metal could readily restrict its uses and retard the growth of the industries producing that mineral.

In order to achieve the two objectives of guaranteed price and market for domestic production, the bill would place all of the burden of adjustments to the market upon imports. Initially total imports of lead and zinc would be sharply restricted. Subsequently imports would be permitted only if domestic production is unable to meet demand.

This treatment of international trade runs counter to the national trade policy of the United States enunciated by the Congress as recently as a year ago in the Trade Expansion Act of 1962. The impact of the bill would fall most heavily upon our neighbors, Canada and Mexico, who between them supply more than half of our zinc imports and a significant part of our lead imports.

We should, of course, subject ourselves to possible retaliatory action by the affected countries.

We have tried in our Department, Mr. Chairman, to analyze these somewhat complicated provisions and assess their impact upon the domestic lead and zinc industries and upon the overall economy. Staff members have made a detailed study of the bill and have attempted to project the possible consequences which might flow from its enactment. These are at best judgments, but they do not give us some pause.

In the immediate future we should expect a period of instability and uncertainty. S. 1534, if enacted, would drastically reduce the imports of lead and zinc metal by limiting such imports to 10 percent of the total quota. At the same time increases would be permitted in the imports of ores and concentrates.

There is a real question as to whether enough ores and concentrates could be obtained in the world by U.S. smelters to meet actual requirements. Producing countries increasingly are smelting and refining their own mine production instead of shipping concentrates. Smelters in the United States and in Europe, which do not have their own mines, are finding it difficult to obtain ores in world markets. Furthermore, smelters must make long-term contracts for fixed amounts if they are to be assured of supplies. S. 1534 with its fluctuations in quotas would, we feel, make it very difficult for smelters to maintain adequate supplies of raw materials.

Foreign producers, in order to meet the demand for concentrates in the United States, would have one of two alternatives: either to divert their present metal output to other markets and increase mine output to provide concentrates for U.S. smelters, or reduce or eliminate their smelting and ship concentrates instead. Either of these alternatives would create serious disruptions in the entire world industry.

The uncertainty of supplies and the possible fluctuations in price would both encourage users to turn to other materials.

The short-term outlook then is for a period of instability and uncertainty. The long-range view points up even more serious problems.

The enactment of S. 1534 would, in our judgment, exercise a continuing upward pressure on production costs of lead and zinc in the United States.

The bill provides that any increase in domestic production or decline in consumption shall be subtracted from imports. This would have the effect of removing imports as a competitive element and assuring the domestic producer of a market for his production so long as domestic output is less than consumption. This is an invitation to a continuing increase in production at rising costs.

The amendment proposed by the emergency lead-zinc committee in their testimony last week if adopted would still further dull the incentive to cut costs. This amendment is an escalation clause tying the 13.5 cent floor price to wage rates.

I cannot believe, Mr. Chairman, that the lead and zinc industry, which has gone through a long period of adjustment and is now finding its legs, so to speak, really wants to see this kind of Government program prescribed for them.

I should like, Mr. Chairman, to make a comment or two on the provisions of the bill regarding imports of manufactured products. These products are such things as zinc oxide, zinc sheets, zinc wire, lead pigments, litharge, babbitt metal, solder, lead sheets and lead

pipe, and batteries. Imports of these products are currently dutiable but are not subject to quantitative quotas. The bill provides that the Secretary of the Interior shall establish quotas on the imports of these products limiting them to the levels of the years 1953 through 1957.

Our Department considers the Department of Commerce as the agency of Government primarily interested in imports of manufactured lead and zinc products. The Interior Department has been concerned lest the imports of such products defeat the intent of the quotas on unmanufactured lead and zinc. While there have been some increases in the imports of products, they still constitute a relatively small percentage of the total supply of lead and zinc.

Mr. Chairman, this concludes my prepared statement. Again I should like to express my gratitude to the members of the committee and especially to the sponsors of the bill for their interest in the development of the Nation's mineral resources, to compliment the lead and zinc producing industries on their achievements, and to voice my faith in their ability under our system of private enterprise to continue the improvement without further Government interference.

The vitality of the domestic lead and zinc industries in August 1963 is not to be measured by such criteria as whether there were or were not more or fewer employees than there were in 1952, or more or fewer mines, or whether gross sales for a given State were greater in 1952 than today. The vitality of the industry must be measured by its ability continually to cut costs, to maintain and increase its reserves, to find new uses for its products and expand the present markets, to compete effectively with production anywhere in the world.

The evidence is that the domestic lead and zinc industries are moving in all of these directions.

For the Government to step in at this time and change the whole character of initiative and competition and embark upon a program of price and market guarantees and 100-percent protection from imports could have far-reaching implications in our whole mineral producing industries. I do hope that those industries now supporting the bill will ask themselves seriously whether this is really in their long-term interests.

Thank you, Mr. Chairman.

Senator GRUENING. Thank you very much, Mr. Kelly.

You seem to have developed a very considerable amount of optimism about the zinc and lead industry which did not appear in your earlier testimony. At the same time, you also say there is great fear of uncertainty here. Are you not a little bit contradictory in some of your statements?

Mr. KELLY. I think that I indicated, Senator, that the uncertainty would result with the enactment of S. 1534; that if a free play of the marketplace is continued as it has in the past 21 months that the industry can look forward to sizable gains in production and a more stable and, perhaps, better price.

Senator GRUENING. You also state that any such legislation would cause international repercussions and would result in retaliatory measures from other countries.

Do you think it is a function of the Interior Department to discuss this from the foreign relations standpoint—is that not a function of the State Department?

Mr. KELLY. It is a function of the State Department.

Senator GRUENING. Is it not a function of the Interior Department in this case to be concerned about the welfare of the domestic industry?

Mr. KELLY. That is right. And the part of my statement calling that to the attention of the committee as to the international consequences, Mr. Chairman, is due to the fact that part of our domestic industry is dependent upon a portion of their supply from the international marketplace, and a disruption of these supplies will perhaps force some of the independent smelters out of business which would, in effect, have serious repercussions on our domestic producers, because they would not have the material to smelt.

Senator GRUENING. Thank you very much. I have no further questions.

Senator Anderson?

Senator ANDERSON. The question I had hoped to have answered the other day was what the Department of Interior proposes to do about the situation. I have listened to your statement and the answer seems to be to fold your hands, sit down quietly and wait for death to come.

Do you feel there is anything else in the report? You do not recommend anything, do you?

Mr. KELLY. My answer, Senator, was that the industry appears to have weathered the storms that they have been in in the past 4 or 5 years. They are seeing some light ahead. And for the Government to step in at this time and to change the character of the competition would not be in the best interests of both the national interests and the interests of the industry at this time.

I think the industry has recovered a good part of the ground that they lost after the years 1956-57.

Senator ANDERSON. Well, as Senator Bennett just stated, the Utah lead-zinc mining industry, that is, their sales in 1962 were about one-third of what they were in 1959. Do you think that is a wholesome situation?

Mr. KELLY. Senator, we have to think or to look toward the character of the changes, the character of the industry from, let us say, 1959 or 1962.

Senator ANDERSON. I am saying 1959. I am not talking about 1962.

Mr. KELLY. Or even in 1959.

Senator ANDERSON. You did not have much to say about that. What was it in 1959? It was not so good. There was not anything unusual in 1959; 1959 was not a very good year. And yet Senator Bennett said that the lead industry sales were about one-third of that in 1962. Does that encourage you? It did not seem to encourage Senator Bennett. I do not think it will encourage any Senator. Senator Moss, how does it encourage you?

Mr. KELLY. Senator, my figures show that in 1959 Utah produced 36,600 tons of lead; in 1962 they produced 38,400 tons of lead.

In 1959 they produced 35,223 tons of zinc; and in 1962 they produced 35,100 tons of zinc.

It appears that the Utah lead-zinc industry, compared just to the year 1959, or to compare the years 1959 to 1962 have about maintained their position.

Senator ANDERSON. At one period they were selling at 13 cents and in the other at 9½ cents. That would make some difference, would it not?

Mr. KELLY. I would say that their profit has been changed.

Senator ANDERSON. Page 2 of your statement, you say:

representatives of mining associations and those segments of the industry which support the measure seek to justify enactment of S. 1534 on the grounds of a national emergency.

Which witness testified that there was a national emergency?

Mr. KELLY. Mr. McCaskill was at the meeting of last week after I left and he thought that it was the tenor of the statement of Mr. Wilson.

Senator ANDERSON. I do not know whether tenor or soprano or whatnot. I thought that the statements were on the basis of a very fixed, sensitive basis of need and not on national emergency. They have said that we should have a supply of lead and zinc, but that was a sort of collateral argument. It seemed to me that their main contention was that the lead and zinc industry was in distress. Certainly, I heard them say that over and over again, and not a national emergency.

Is that not true, Mr. Kelly—is that not true, that they kept talking about the fact that there was trouble in the industry, and that sales were off? Mr. Romney, who spoke, gave figures and figures and figures. And if he mentioned the term “national emergency” I do not remember it at all. I remember the figures. Did you not hear those?

Mr. McCASKILL. I think, Senator, that the interpretation there was that it could be in such terms that it was the national security that was at issue, with regard to the disappearance of the lead-zinc mining.

Senator ANDERSON. Well, only to the extent as, for example, if all of the wheat farmers in America should die, and all of the farm families should die, all of the hog raisers should die, that does affect national security. That was not the main point. He had figures about the Utah industry, very detailed figures, which were quite interesting. I was listening to him, because he was very interesting. Did you not hear him?

Mr. McCASKILL. Yes, sir. I was present.

Senator ANDERSON. Did he keep talking about a national emergency?

Mr. McCASKILL. Well, I think that we have not said in this statement, Senator, that the entire representation was couched in the form of a national emergency.

Senator ANDERSON. You state:

representatives of mining associations and those segments of the industry which support the measure seek to justify enactment of S. 1534 on the grounds of a national emergency.

Can language be plainer than that?

Mr. McCASKILL. I think that you are taking that out of context. I do not think that was intended to mean that.

Senator ANDERSON. I am not reading it out of context. I am reading the English. Is that not good enough for you?

Mr. KELLY. I think, perhaps, there is one other point, the reason that this statement appears in my testimony is because of the title of the bill which is, to protect the domestic economy, to promote the general welfare, and to assist in the national defense by stabilizing the domestic lead and zinc industry, and for other purposes.

Senator ANDERSON. You have still not read “national emergency” in that.

Mr. KELLY. Perhaps the word "emergency" should be changed to "defense."

Senator ANDERSON. At the bottom of page 2 you say :

industrial consumption of both metals is showing amazing strength; 1962 was one of the best years in recent history and the first 7 months of 1963 are running ahead of the comparable period of 1962.

Can you supply us with figures to show that 1962 was one of the best years in recent history?

Mr. KELLY. Yes.

Senator ANDERSON. For the record?

Mr. KELLY. Yes, we can supply those for the record.

(The information follows:)

LEAD

Consumption

In 1962, consumption of lead was the largest since 1957, an increase of 8 percent over the previous year. Battery shipments were at a record high. The improvement shown in 1962 has continued through the first 7 months of 1963. A number of new uses of lead developed by the expanded research program are beginning to receive commercial recognition.

Stocks

Stocks of lead metal held by producers have been so burdensome since 1957 that prices have been depressed and no sustained rise has been possible. It has been recognized by most of the industry that these stocks had to be drawn down before any continued improvement in price and in production could be achieved.

This occurred in 1962, and is continuing into 1963.

The increased consumption mentioned above was accompanied during the last quarter by reduced operations of a major smelter affected by a strike.

Producers' stocks of lead metal at primary smelter and refineries were 205,500 tons on January 1, 1962. At year's end these had been drawn down to 142,500. By July 31, 1963 they were down to 93,000 tons.

Prices

This drawdown of stocks finally permitted the price of lead to rise on November 1, 1962. A further price rise was recorded in January 1963.

The resumption of operations in Missouri failed to stop the drawdown of stocks and price rises were recorded in June and three in July.

ZINC

Consumption

Consumption of zinc metal in 1962 was the second highest on record, topped only by 1955 which presently is viewed by the industry as an abnormal year.

As with lead the improvement has continued into 1963. Zinc consumption during the first 7 months of 1963 set a new record.

Stocks

Producers' stocks of zinc were largely unchanged during 1962; consumers' stocks were drawn down by 16,000 tons. Since January 1, 1963 producers' stocks have been substantially reduced and at the end of July were the lowest in 7 years.

Production

Despite strikes which closed mines in Missouri and Montana, mine production of zinc in the United States in 1962 (505,500 tons of recoverable zinc) increased by 9 percent over the previous year and was the highest annual output since 1957.

Smelter output of slab zinc in 1962 (938,300 tons) was also the highest for any year since 1957.

Senator ANDERSON. On page three you say:

lead prices have risen five times since last November, and twice since the first of July.

Mr. KELLY. Six times.

Senator ANDERSON. Yes, counting yesterday it is six times. The hearing was scheduled again for today. We understand that—every time the hearing is on, that happens. I am going to suggest to the very able chairman of this subcommittee, Senator Gruening, of Alaska, who is interested in mines and minerals in his own State, that he had better start having hearings perhaps at least once a week until he gets the price up to a reasonable figure.

I think the important thing to remember is what the price was just before the introduction of this bill. It was down to about 9½ cents.

My attention has been called to something in Mr. Wilson's statement. And it is to the effect that the legislation to develop and maintain the natural resources of our country and natural resources are somewhat different from national emergencies.

You mentioned something about the reduction in stocks.

It is at the top of page 3 where you state:

As of the end of July they were down to 93,000 tons and that is from 200,000 tons at the end of 1961.

Is there any unusual factor in that—was it not the strike that reduced the lead stocks by 40,000 tons in 1962 and 30,000 tons in 1963? Has there been any other contribution to that reduction in stocks?

Mr. KELLY. That had something to do with it.

Senator ANDERSON. There was not some magic revival of the industry, was there?

Mr. KELLY. Even making an adjustment for the strike, there has been an increase in the production in the industry, and the drawdown of stocks over and above those which would have been attributed to it.

Senator ANDERSON. You say on page 4, in the fourth paragraph:

We feel that the committee expects the Department, in considering a measure designed to provide special assistance to a minerals producing industry, to look at the measure in the broadest terms, and to make a judgment as to whether its enactment would be in the public interest.

And when you mention "public interest," do you mean the public interest of this country or the public interest of Canada and Mexico?

Mr. KELLY. I mean the public interest of the United States.

Senator ANDERSON. You do not believe in the enactment of this legislation except as it would be in the public interest, regardless of what might happen to other countries that might be interested in this, is it just this country?

Mr. KELLY. I do not think it would be of long-range benefit to the industry; no, sir.

Senator ANDERSON. At the bottom of that page you say:

There is apparent in much of the testimony previously presented a feeling that the Government is under obligation to support and maintain profitable production for most, if not all, of the potential lead-zinc properties of the various mining States.

Do you really find that in the bill?

Mr. KELLY. No; Senator, that again is from talking to some of the industry representatives.

Senator ANDERSON. No, no, no; this testimony has to be on the bill, not on conversations, not from that. You say;

There is apparent in much of the testimony previously presented a feeling that the Government is under obligation to support and maintain profitable production for most, if not all, of the potential lead-zinc properties of the various mining States.

I do not find that at all in the bill. Where do you find it?

Mr. KELLY. In reading the record, not only on this bill, Senator, but on the previous legislation, throughout the record there has been an attempt made that there has been a shutting down of the mines because of unprofitableness, that if only a price of x cents could be maintained, these mines would not shut down, and this keeps running through all of the testimony of previous hearings.

Senator ANDERSON. Well, I would plead guilty to what you have said, because I have said many, many times that it has something to do with the operation of mining; that is, that price has something to do with that, profitableness is ruled by the price level. It has always been that way—that was said some 10 or 12 years ago by myself. I do not believe that we have come out with a support program, “to support and maintain profitable production for most, if not all, of the potential lead-zinc properties of the various mining States.”

I have mentioned what discussions I have had with the Ground Hog mine in my State and the Hanover mine, which is closed down, which announced yesterday that they might reopen if these prices were increased. That has something to do with operations, but I have not asked them to take all of the potential lead and zinc properties in the Southwest and make them all profitable.

I think that is an indictment of the bill that hardly is justified.

And I do not think it is justified to say, as you do, at the top of page 5:

Nor do I believe that the long-term interests of any segment of the industry will be served by blunting the sharp edge of competition with the program of price supports and assured markets.

I do not think that is justified.

I do not know about the blunting of the sharp edge of competition. I do not think there is anything in the bill that would blunt competition. I believe it would bring competition, quite a bit of it, to the market.

And you say in the third paragraph on page 5:

by the President, acting in response to an escape clause investigation by the Tariff Commission.

You recognize that he did not act in full accordance with what the Commission recommended. He gave a very meager response to the recommendation. But that is the same as the fire department acting in response to a fire by remaining in the station, and the fire continues to burn. I am not complaining over President Eisenhower's action. He did all that the State Department would tolerate, but it was not very helpful to the American industry.

In the next to the last paragraph on page 5 you state:

The bill provides increases in the quotas for subsequent years to 60,000 tons of lead and 100,000 tons of zinc quarterly, provided, however—

and this is important—

that imports shall never exceed the deficit between domestic production and consumption as calculated on the performance of the second preceding quota. This proviso is in essence a complete protection of domestic production against imports.

Do you really think it is?

Mr. KELLY. That is the conclusion they came to.

Senator ANDERSON. What makes you think that the automobile industry is going to start paying 15 or 17 or 18 cents for American lead if it can buy it for 12½ cents?

Mr. KELLY. They would not be able to buy it for 12½ cents.

Senator ANDERSON. They could buy it for about 13½ cents.

Mr. KELLY. Even at that.

Senator ANDERSON. On page 6 you state:

There is a real question as to whether enough ores and concentrates could be obtained in the world by U.S. smelters to meet actual requirements.

I thought that Canada and Mexico were going to be severely damaged by the passage or enactment of this bill, but now I find that if it passes that the United States cannot find enough ores and concentrates over the world to take care of their needs. If that is true, then Canada and Mexico would not be so badly hurt, because they would be shipping all they had.

Mr. KELLY. Not necessarily to us, though.

Senator ANDERSON. Well, yes; to us. You state:

S. 1354, if enacted would drastically reduce the imports of lead and zinc and metal by limiting such imports to 10 percent of the total quota. At the same time increases would be permitted in the imports of ores and concentrates.

And then you say:

There is a real question as to whether enough ores and concentrates could be obtained in the world by U.S. smelters to meet actual requirements.

Mr. KELLY. That is right. Competition for the ores and the concentrates is quite keen right now. Concentrates in Japan, for instance. And the European smelters, the custom smelters, are looking for ores and concentrates.

They want to do their own smelting and ship out the lead metal. This would, I think, have a damaging effect upon our domestic smelters.

Senator ANDERSON. Well, the final thing that I want to mention is this, on page 7, in the last paragraph you state:

I cannot believe, Mr. Chairman, that the lead and zinc industry, which has gone through a long period of adjustment and is now finding its legs, so to speak, really wants to see this kind of Government program prescribed for them.

Do you think they have been kidding the Senators here to introduce this bill? We introduced this at their request, at the suggestion of the American lead and zinc industry. Do you think they are kidding or that they just want us to go through the formalities of this when they really do not want it? That is an awful charge to make. I want to know what you think of the people I have been dealing with.

Mr. KELLY. Senator, in my contacts with a good segment of the industry I do not get the feeling that the industry is behind this bill.

The emergency lead-zinc committee chairman might be, representing the industry, but the industry, industrywide, I do not get that feeling from them.

Senator ANDERSON. You do not get that feeling?

Mr. KELLY. Not industrywide; no, sir.

Senator ANDERSON. I do not say all of them. I remember we tried to put through a farm program and some farmers voted for it and some farmers voted against it.

Are you saying that a majority of this industry feels the way as you state?

Mr. KELLY. I feel that the majority of the industry does not favor it.

Senator ANDERSON. Does not favor it?

Mr. KELLY. Yes, sir.

Senator ANDERSON. They did not testify that way.

Mr. KELLY. That is what amazes me; that they did not come forward to testify.

Senator ANDERSON. Are you trying to say that they talked one way to you, and one way to me, or do you mean that they do not talk at all?

Mr. KELLY. I was amazed when I read the industry representatives who wanted to testify on the bill and I only saw one mining company that wanted to testify for the bill—I only saw one.

Senator ANDERSON. I think that some of them must have been represented by the Emergency Lead-Zinc Committee. If we are being kidded by the industry I would like to know it.

I have no more questions.

I have said over and over again that if the Department of the Interior feels that the lead-zinc industry is troubled I would like to see it come up with a remedy. They have never been able to do that, but now here you are coming to us with this suggestion that this is not the time, they are just doing well, they say. I do not find that to be the fact.

Mr. KELLY. Senator, a recent copy of the American Metal Market, dated July 29, 1963, contains information on the lead-zinc industry and its prospects. This tells the story of the galvanizing markets growing, new products, lead batteries—another big year in the automotive industry, more lead, lead-zinc price turns upward, zinc die casting, that is throughout the entire magazine. This is a trade magazine. I think it is a very reputable one. I was interested in going through it and reading some of the articles, and noticing, for instance, that galvanized sheet from 1950 to the present date is up, just in the past few years, has risen 30 percent in the United States.

Senator ANDERSON. How about the manufacture of it domestically? You are referring to the use of it.

Mr. KELLY. How about what?

Senator ANDERSON. The manufacture of it domestically.

Mr. KELLY. Well—

Senator ANDERSON. Are not our mills as well as our mines feeling the competition of foreign mills?

Mr. KELLY. They are in competition, but—

Senator ANDERSON. Are they not feeling it?

Mr. KELLY. Are they not feeling it?

Senator ANDERSON. Yes.

Mr. KELLY. They have felt it, but I think that they have been increasing their capacity to compete and are competing better today than they were 4 or 5 years ago.

Senator ANDERSON. Somehow I thought that limiting the importation of metals in favor of the ores and concentrates might be of some benefit to the American industry and to American labor. I thought that would be true. I would be very happy to look at my figures again.

I have no further questions.

Senator GRUENING. Senator Moss?

Senator MOSS. Mr. Kelly, I think along this same line, on page 2 of your statement, you say, "1962 was one of the best years in recent history." You were talking about the consumption of lead and zinc, but I would point out to you that on page 4 of Senator Bennett's statement he says:

Meanwhile, total receipts after reportable costs have dropped from nearly \$3,700,000 in 1949 to a loss of \$2,700,000 in 1962.

So even though we might have been having one of our best years in consumption the mines and the smelters here were not participating in profits. Would that be correct?

Mr. KELLY. I think, Senator, so far as Utah is concerned, that is correct, but industrywide I do not think that is quite correct. I think that the profit-and-loss statements of the lead and zinc companies show increased profits, especially in 1962, as compared to the previous 5 years. Almost without exception each company has shown an increase in profits.

Senator MOSS. Are you saying then that this loss is just in Utah and is not elsewhere?

Mr. KELLY. No; I think the part of the industry that has not felt the upturn is in the Rocky Mountain States—not only in Utah, it is in the States of New Mexico, Colorado, Montana. But, again, it is the measure of the change in the mining pattern. We have surface-type mines, they are deep mines, too, they are wet mines and they do not lend themselves to automation such as the mines in Missouri. Last year 34 mines produced 87 percent of the total lead-zinc production in the United States.

Senator MOSS. Are you saying that the upturn then is in Missouri and the tristate areas?

Mr. KELLY. Not in the tristate areas—but in Missouri, Tennessee, mainly.

Senator MOSS. Missouri and Tennessee?

Mr. KELLY. Yes.

Senator MOSS. And the tristate area is where most of the funds went that we provided for the subsidies, is that not right?

Mr. KELLY. The tristate area, I think, is No. 1 on the list; yes, in receiving payments.

Senator MOSS. Because of the depressed condition of the mines there in Utah and in the mountain country we have been paying a subsidy to the miners, is that right?

Mr. KELLY. Yes, sir.

Senator Moss. What is the price of lead and zinc today?

Mr. KELLY. Zinc 12 cents and lead 12½ cents.

Senator Moss. 12½ cents for lead?

Mr. KELLY. Yes.

Senator Moss. So this is within a cent and a half to 2 cents of the price that this bill talks about being the governing point as to whether or not there would be a restriction of imports?

Mr. KELLY. Yes.

Senator Moss. If it has been climbing?

Mr. KELLY. There will be a restriction of imports in either case.

Senator Moss. But when the price goes to 13½ cents—

Mr. KELLY. There will be an adjustment then.

Senator Moss (continuing). There will be an adjustment?

Mr. KELLY. An adjustment.

Senator Moss. The restriction will be relaxed on imports if it goes to 13½ cents. If it has climbed six times, as your statement says, in the last 2 years—I do not have the exact time period.

Senator ANDERSON. Since 1962.

Senator Moss. Since 1962, are we not in just over a year's time pretty fast approaching that 13½-cent point?

Mr. KELLY. We could be.

Senator Moss. At which time under this bill we would no longer curtail severely the importation. That would be the point where you would have real competition between the foreign importer and the domestic producer.

Mr. KELLY. No. This bill would just allow the imports to make up the deficit between the domestic production and consumption.

Senator ANDERSON. May I interrupt there to say this?

Senator Moss. Yes.

Senator ANDERSON. What some of us think about is the fact, Mr. Kelly, that when the Congress voted not to take up this type of bill in May or June of 1962 but instead to take up the Missouri and the Oklahoma bill and nothing else, the price of lead and zinc dropped down and remained down until we got into this session, and then the lead price rose one-half a cent, as in last November, another half a cent on January 24, on June 5, July 1, July 23, and then yesterday, so that I would hope that we can keep the session going and have hearings the rest of the year to bring the price up.

Senator Moss. To return to this importation subject, in line 12 on page 3 of this bill it says—

provided, that subsection (a) (1)—

that is the one that limits it to 45,000 tons—

shall not apply for a quarter if for any one of the first 3 of the 4 calendar months preceding the quarter the average price of common pig lead on board New York, as reported in the engineering and mining journal Metal and Mineral Markets exceeds 13½ cents per pound.

Does that not limit or nullify that limitation of 45,000 tons?

Mr. KELLY. You will have to read section (b), too, I think, Senator.

Senator Moss (reading):

(b) 60,000 tons, in the case of a calendar quarter thereafter; or

(2) the amount by which the domestic consumption of lead in the second quarter preceding such quarter exceeded the domestic production of lead in such preceding quarter.

Mr. KELLY. You would have to read sections (a) and (b) to get it.

Senator ANDERSON. Is it not the provision for all of item (1), (a) and (b), both?

Mr. KELLY. Then the imports would be the difference between the domestic consumption and the domestic production—the amount they would be allowed to import.

Senator MOSS. Then what we are talking about is whether we are going to allow lead and zinc to flow into this country without reasonable restrictions when the price is depressed below 13½ cents. If we reach that 13½-cent mark then we are really on a competitive basis—if lead and zinc reached that price level—that is the purpose of the legislation?

Mr. KELLY. That is right. One thing that probably would happen, Senator, if the price went substantially above the 13½ cents is that you would have a substitution coming into play—you would have a lessening of the domestic consumption and the possibility then that the triggering would then fall back again into below, down below the 13½ cents, and you would come back in with the quotas once again, but the industry would have lost a portion of its market. It does not take too much to have the lead industry, except the tetraethyl part, which is the second greatest market at the present time—batteries being first and tetraethyl lead being the second—to effect that, and if they lost that market the domestic industry would really suffer.

Senator MOSS. Of course, there is always the hazard of a substitution or other developments taking over a commodity. At the present time with the price as it is—depressed as it is—going broke, anyway—it could not be any “broker” than it seems to be going now in the Mountain States.

Mr. KELLY. I cannot agree with you that we are going broke. I think that the lead-zinc industry is getting healthier all the time. Their profit margins look pretty good to me.

Senator MOSS. My view may be a little parochial—I am just looking at my State and the States around me, and I can assure you that they are going broke.

Senator ANDERSON. The Senator has to realize that we are not going broke—we are just suffering from a policy of stagnation.

Senator MOSS. Thank you, Mr. Chairman.

Senator GRUENING. I have just one more thought. On page 4 you say:

we must, therefore, weigh carefully the implications of a measure which departs so radically from our traditional concept of the role of Government in the regulation of trade and commerce. It is our judgment that the present conditions do not warrant the type of treatment prescribed by S. 1534.

And then at the top of page 6 you say:

this provision is, of course, intended to serve as a price support mechanism. My Department is of the opinion that it is neither in the public interest nor in the interest of the minerals industries for the Government to embark upon a program designed to assure or support prices of mineral production.

Do you think that we should always have to be bound by tradition, no matter what the change in circumstances are? Are we not going in on something new?

Mr. KELLY. This could be something new. I think that the industry is doing something new when they embarked upon the standard research program, to try to find new uses for the material.

Price support is certainly nothing new. We have had this in agriculture. I am not an expert on agriculture. The former Secretary of Agriculture is sitting here and I think—

Senator GRUENING. Why is it all right to do it for one segment of our economy and not to do it for minerals? The precedent has been established. It may not be working perfectly, but it has been pretty well tested by now. Are we going to stand still and nail our flag to the status quo?

It seems to me that what is lacking in the Department of Interior is a lack of imagination. This administration is supposed to be dedicated to the New Frontier, something new, but it seems to me that it is harking back to the old frontier when circumstances are changing, that they are doing that. I wish that you would keep that thought in mind when you come to some of our other problems.

The same is true with gold. It is going down the drain and you say that nothing can be done about it.

Thank you very much, Mr. Kelly.

Mr. KELLY. Thank you, Senator.

Senator GRUENING. Our next witness is Mr. Philip H. Trezise, Deputy Assistant Secretary of State for Economic Affairs, and he is accompanied by Edmund E. Getzin, Chief of Industrial and Strategic Materials Division of the Department of State.

Senator ANDERSON. I hope that you will call attention of the Department to the fact that the Reorganization Act requires the submission of this testimony 24 hours in advance. It has become a habit of the bureaus to hold it back so that nobody has a chance to study it, let alone a chance to read it. I hope in the future you will follow the Reorganization Act which does require that it be submitted 24 hours in advance.

STATEMENT OF PHILIP H. TREZISE, DEPUTY ASSISTANT SECRETARY OF STATE FOR ECONOMIC AFFAIRS; ACCOMPANIED BY EDMUND E. GETZIN, CHIEF, INDUSTRIAL AND STRATEGIC MATERIALS DIVISION, DEPARTMENT OF STATE

Mr. TREZISE. Mr. Chairman and members, Senator, without wishing to disagree, and we have submitted our formal report on the legislation, a document I have asked to pass out is only a preliminary remark for this morning and not a formal statement.

Senator ANDERSON. I am not trying to discredit you. All of the departments do this. It is one thing I have talked about many times before, to give us these statements in advance. I think that if we have it, we can go over it. The law is pretty plain that we should have it before.

Mr. TREZISE. The Department is aware of the point you make and I must express my regrets that we did not do it.

Senator ANDERSON. The legislative report on this bill just arrived now and this was requested months ago.

Mr. TREZISE. Yes, sir.

Senator GRUENING. Go ahead, the legislative report will be made a part of the record.

(The document referred to follows:)

DEPARTMENT OF STATE,
August 16, 1963.

HON. HENRY M. JACKSON,
U.S. Senate.

DEAR MR. CHAIRMAN: The Department of State has carefully considered S. 1534, designed to protect the domestic economy, to promote general welfare, and to assist in the national defense by stabilizing the domestic lead and zinc industry, and for other purposes.

Relative stability in the lead and zinc industry has been achieved through measures which were taken in 1958. At that time, after investigation by the Tariff Commission and report to the President under section 7 of the Trade Agreements Extension Act of 1951, a Presidential proclamation modified the concessions on lead and zinc which had been granted under the General Agreement on Tariffs and Trade. Under the terms of the proclamation dated September 22, 1958, the U.S. import duties were not changed but the quantity of imports was limited to the average annual imports during the 5-year period 1953-57. These quotas still remain in effect. Since that time, the combined domestic price of lead and zinc has been virtually unchanged and domestic production of both metals has been relatively stable. Production of lead declined slightly by reason of extended work stoppages in the industry and production of zinc rose slightly. Stocks have declined and the industry, generally speaking, is now in a better position to take advantage of any increase in demand than it has been at any time in recent years.

The measures proposed in the legislation under review, apart from their effects on our foreign relations, would, in our judgment, upset the balances which have prevailed since 1958 by causing sharp price fluctuations and price increases to the extent where lead and zinc would be in danger of being permanently displaced by other materials.

Specifically, this legislation, if enacted, would create a crisis in our relations with a number of countries producing lead and zinc. The very introduction of this legislation has already provoked formal protests from two countries and others have indicated their intention of protesting at an early stage in the consideration of this legislation by the Congress. Such legislation would, moreover, be principally directed against our immediate neighbors, Canada and Mexico. These countries account for a large proportion of our lead and zinc supply and they must inevitably make an important long-range contribution to our total minerals requirements. They have already taken a severe cut in their exports to the U.S. market by virtue of our 1958 decision instituting quantitative restrictions on lead and zinc. They would, under the proposed legislation, now be subject to even more severe quotas, and bear the full impact of a declining market while subject to an absolute ceiling as the market improved.

The legislation, if enacted, would also be contrary to the objectives of the Trade Expansion Act. Our announced intention to work for broad reductions of trade barriers and stimulation of trade under this act will be cast in doubt and the success of the forthcoming trade negotiations jeopardized. American manufacturers using lead and zinc who are now dependent on foreign markets and who are already handicapped by the existing quotas, would be placed at a more serious disadvantage. The enactment of this legislation would, moreover, expose us to sharp retaliation from the affected countries, with whom for the most part we maintain favorable trade balances. The resulting decline in exports would severely damage our payments position.

Apart from its political and economic disadvantages, such legislation would present difficult practical, and technical administrative problems for both Government and industry, which, in our judgment, could adversely affect the long-range prospects of the lead and zinc industry. Prices would largely be dependent upon which quota formula was effective during a particular calendar quarter. Uncertainty in lead and zinc markets would be created, forward planning by consumers would be impossible, and gradually, in our opinion, lead and zinc would be displaced wherever possible. The system proposed would, moreover, effectively place a floor of 13½ cents under domestic lead and zinc prices since the quotas which would prevail under section 103(1) and 203(1) would be so

restrictive as to create shortages forcing the price to 13½ cents or above. This price is considerably in excess of that prevailing in outside markets. The competitive position of domestic consumers would thus be seriously affected, trade patterns would be disrupted with long-range consequences damaging to the interests of the lead and zinc industry.

As to title III of the legislation, except for imports of litharge from Mexico, we are not aware of any import problem in lead and zinc manufactures. The Department of State is dealing with the subject of litharge imports from Mexico on a bilateral basis with the Mexican Government in an effort to find a solution to the existing situation. Therefore, we see no need for legislation designed to restrict imports of lead and zinc manufactures.

The Department of State, therefore, would recommend against the enactment of S. 1534 and, subject to the annual Tariff Commission review, suggest a continuation of the system which has given us relative stability since 1958.

The Bureau of the Budget advises that from the standpoint of the administration's program there is no objection to the submission of this report.

Sincerely yours,

FREDERICK G. DUTTON, *Assistant Secretary.*

Mr. TREZISE. Mr. Chairman, the Department of State appreciates this opportunity to appear before the Minerals and Fuels Subcommittee of the Committee on Interior and Insular Affairs to discuss S. 1534.

I do not have a formal statement. The Department's views have been submitted to the committee through customary channels following upon Senator Jackson's request of May 24. I will limit my remarks to a few supplementary comments. Thereafter my colleague, Mr. Getzin, and I will be happy to respond to your questions.

In the Department's formal statement on S. 1534, we opposed the legislation.

The enactment of S. 1534 would create serious problems in our relations with a number of countries, particularly with Canada and certain of the Latin American States. Our position with respect to Latin America and the Alliance for Progress would come into question. The possibility of new and more restrictive action by the United States in respect of lead and zinc imports has already caused concern among exporting countries. The Department has received formal protests from most of the nations now supplying us with these metals.

Furthermore, in the views of the Department, this proposed legislation would be contrary to the purposes and objectives of the Trade Expansion Act. At this time, when we are looking forward to actions under the Trade Expansion Act designed to stimulate economic growth at home, it would be unfortunate and damaging if we took an action which would be likely to expose us to sharp retaliation and which would, in any event, react unfavorably on our export trade. It is pertinent to mention in this connection, Mr. Chairman, that we have for the most part large surpluses with the major suppliers of lead and zinc.

It appears to the Department that the adoption of a more restrictive system for lead and zinc, and one that certainly would have adverse foreign relations and trade consequences would be particularly unfortunate at a time when the domestic lead and zinc industry seems to be showing a considerable improvement. The current price of lead at 11¼ cents per pound and 11½ cents this morning, is up more than 18 percent over prices prevailing last year. Zinc, at 12½ cents per pound is up 8 percent. Excess stocks have been absorbed and the industry, generally speaking, is in a better position to take advantage of rising demand than it has been at any time in recent years.

Demand for both lead and zinc is strong. As for lead, Mr. R. Ziegfeld, executive vice president of the Lead Industries Association, recently pointed out that U.S. consumption in 1962 was 1,100,000 tons as against 1,027,000 in 1961, an increase of 8 percent. Consumption in 1963 is running ahead of 1962. In the case of zinc, 1962 consumption was the second highest on record. Growth in demand for zinc promises to continue, with important increases in consumption of this material, for diecasting and galvanizing being recorded.

We believe, therefore, that the restrictive changes in existing import policy for lead and zinc are not needed and, in fact, would be likely to have the effect of discouraging demand for the two metals. There would inevitably be uncertainties introduced into the lead and zinc market which would complicate forward planning by consumers and which would have a negative effect on consumption. Further, an increase in the disparity between U.S. and world market prices, which would follow from the proposed legislation, would affect the competitive position of domestic consumers of lead and zinc metals and would accelerate the search for substitutes with the end result that there would be damage to our own lead and zinc producers.

Enactment of S. 1534 would also disrupt existing trade patterns. In this connection, the provision limiting imports of lead and zinc metal to 10 percent of quotas would be particularly disruptive and would penalize several countries with smelting industries, industries which in many cases are based on U.S. investments.

The Department recognizes that the domestic lead and zinc industries still face important problems, although we believe that a considerable measure of stability has been achieved since 1958. We believe, however, that the problems of our domestic industry are also present in other producing countries and that remedies should be considered in global terms. The international lead and zinc study group has sought to facilitate the collection of information about world supply and demand conditions for lead and zinc and has provided a forum for intergovernmental consultation on problems related to the two metals. We believe that the existing system of quota controls on imports has served to stabilize the domestic industry and to permit the improvements that have recently taken place in the lead and zinc markets in the United States. It is the Department's view that the work of the lead and zinc study group will help to bring about a better balance between supply and demand in the world as a whole, with a consequent general improvement in prices and in the well-being of the producing industries.

The Department, therefore, Mr. Chairman, recommends strongly against the passage of S. 1534.

Thank you.

Senator GRUENING. Thank you. I have no questions.

Senator Anderson?

Senator ANDERSON. You talk about the U.S. investments that are in these Latin American countries and in other countries. You are worried about those, but you do not worry about the U.S. investments in the United States. I had hoped that some day the State Department would recognize that part of the money that they put into the Alliance for Progress, for instance, comes from these people in the

United States and from the lead and zinc industry as well. You are pouring it out of the spigot to these countries. That has to come from somewhere. Maybe they will be happy to get it killed off.

Senator GRUENING. Thank you.

Mr. TREZISE. Thank you.

Senator GRUENING. Our next witness is Mr. Daniel L. Goldy, Deputy Assistant Secretary of Commerce for Business Development. We shall be glad to hear from you now.

STATEMENT OF DANIEL L. GOLDY, DEPUTY ASSISTANT SECRETARY FOR BUSINESS DEVELOPMENT, DEPARTMENT OF COMMERCE; ACCOMPANIED BY JONATHAN B. RINTELS, OFFICE OF GENERAL COUNSEL; AND JACOB LEVIN, ECONOMIST, OFFICE OF METALS AND MINERALS, BUSINESS AND DEFENSE SERVICES ADMINISTRATION, U.S. DEPARTMENT OF COMMERCE

Mr. GOLDY. Thank you.

Senator GRUENING. We are very happy to have you with us today.

Mr. GOLDY. Mr. Chairman and members, I have with me, Mr. Chairman, two members of my staff: Mr. Rintels from the General Counsel's Office, and Mr. Levin, who is the Chief Economist of the Office of Metals and Minerals. I have asked them to accompany me to the table with your permission.

Senator GRUENING. We are glad to have them here. You may proceed in your own way.

Mr. GOLDY. I am Daniel L. Goldy, Deputy Assistant Secretary for Business Development. I appreciate this opportunity to appear before you as the representative of the Department of Commerce to present its views on S. 1534.

The concern of the Department of Commerce for the lead and zinc industries stems from its interest in all industrial sectors of our economy, in domestic and international trade, and in the economic growth and welfare of the Nation as a whole. While the Department of the Interior has principal responsibility in the Government with respect to the mining, smelting, and refining of lead and zinc ores, this Department's principal interest is in those industries which use these two metals in the manufacture of lead and zinc products.

In substance, S. 1534 would terminate the present import quotas on unmanufactured lead and zinc (ores, concentrate, and metal) which were imposed pursuant to Presidential Proclamation No. 3257 of September 22, 1958, and substitute new import quotas related in part to the domestic price of lead and zinc metal. The proposed quotas would be on a global rather than on a country basis.

For lead, the quota would be 45,000 tons per quarter for the first year after enactment and 60,000 tons per quarter thereafter, or a small quantity equal to the excess of consumption over production when the price is 13½ cents per pound or less. For zinc, the basic quotas would be 80,000 tons per quarter the first year and 100,000 tons per quarter thereafter, with comparable limitations based upon price as in the case of lead.

For both lead and zinc, if the price exceeds 13½ cents per pound, the quota would be equal to the difference between production and consumption as defined in the bill.

Quotas would be applied both to metal, including the metallic content of ores, and to manufactured articles containing lead or zinc. Imports of metals would be limited to 10 percent of the available quotas for lead and zinc metals and ores, while quarterly imports of manufactured products would be restricted to one-quarter of the average imports of such products during a base period 1953-57.

For comparison purposes, the present quarterly quota on lead is 55,600 tons of metal and 33,080 tons of ores, flue dust and mattes. The total of these, 88,680 tons, is substantially in excess of the 45,000 tons—of which only 4,500 tons may be metal—permitted quarterly as a maximum during the first year of S. 1534. During subsequent years the maximum quarterly allowable imports of lead under S. 1534 would be 60,000 tons—6,000 metal.

Comparable figures for zinc show a present quarterly quota of 35,280 tons of metal and 94,960 tons of ores, in sinter, and so forth. The total of 130,160 tons compares with a maximum quota of 80,000 tons per quarter during the first year under S. 1534, of which 8,000 tons may be metal. After the first year the quarterly maximum zinc figures would be 100,000 tons and 10,000 tons.

The smaller allowance for the first year would presumably reduce stocks and enhance prices. The manufactured lead articles covered by the bill are chemical products, including litharge, orange mineral, red lead, white lead, tetraethyl lead, lead acetate, lead nitrate, lead arsenate, and lead resinates; and metallic products, including babbitt metal, solder, sheets, pipe, glazier's lead, wire, and other articles composed wholly or in chief value of lead. The manufactured zinc articles covered by the bill are chemical products, including zinc oxide, leaded zinc oxide, lithopone, zinc chloride, zinc sulfate, and zinc sulfide; and metallic products including zinc dust, sheets, wire and other articles composed wholly or in chief value of zinc.

At the present time, imports of unmanufactured lead and zinc are subject to quotas imposed by the President pursuant to the escape clause procedures under section 7 of the Trade Agreements Extension Act of 1951. Import restrictions imposed under that section or under section 351 of the Trade Expansion Act of 1962, the escape clause section, are required to be under review by the Tariff Commission. The next annual report of the Commission to the President on unmanufactured lead and zinc is due on October 1, 1963. There are no import quotas on manufactured lead and zinc articles.

The Trade Expansion Act of 1962 provides administrative measures of relief for domestic industries competing with imports. Title III of the act provides in chapters 1 through 3 for assistance in appropriate cases to firms and workers affected by import competition resulting from trade concessions; and chapter 4 provides for tariff adjustment in accordance with familiar principles.

In examining the bill, we have asked ourselves the question whether the lead and zinc industries need additional legislative assistance at this time. As Mr. Kelly has pointed out, the economic situation with respect to unmanufactured lead and zinc has improved over the past year and a half—in terms of price, consumption, production, and stocks. The current prices for both metals are higher than the annual averages of any year since 1960. Due primarily to a higher level of overall economic activity, the consumption of lead and zinc during

1962 increased significantly over 1961, and so far in 1963 has exceeded the corresponding months of 1962.

Zinc mine production during 1962 was the highest since 1957 and the level of production so far this year is averaging higher than for the corresponding period in 1962. While lead mine production during 1962 was lower than in 1961, this was due primarily to the labor-management difficulties of one major producer during the latter part of 1962 and early 1963. However, since the settlement of this strike, lead production has again increased. Producers' stocks, which had depressed the market for several years, have been reduced to reasonable levels. Considering current estimates of population trends, the buoyant condition of the automobile industry, the demand for housing, current investment programs and prospects in the lead-zinc industries, an optimistic forecast of lead-zinc consumption for the years immediately ahead seems fully warranted.

I turn now to the situation with respect to the manufactured lead and zinc articles on which S. 1534 would impose quotas for the first time. Although imports of these articles have increased over the past 10 years, even at their peak, imports of manufactured lead and zinc constitute a very small fraction of total domestic production and consumption of lead and zinc products. The finding that the total amount of lead and zinc product imports is very small also was the conclusion of the Tariff Commission in its section 332 reports to the Congress in March 1960 and May 1962 pursuant to Senate Resolutions No. 162 of the 86th Congress and No. 206 of the 87th Congress.

In the case of lead, during 1962 the total amount of lead imported in the products included in title III was 26,218 tons, whereas the total amount of lead consumed domestically in these articles was 808,816 tons. It should be noted that during 1962, the total amount of lead exported in these products was 19,562 tons. Not quite a draw, in that the import was a little more than the export, but not too far out of balance.

In the case of zinc, during 1962 the total gross weight of zinc imported in the products included in title II was 17,500 tons, whereas the total gross weight of zinc products made domestically was 349,500 tons. As in the case of lead, we also export zinc products and in 1962 these exports amounted to 5,400 tons.

While the total imports of lead and zinc products are small, the imports of certain products are relatively large compared with the average ratio of imports to domestic production. A major example is litharge. During 1962 the imports of this product were 15,596 tons or about 18 percent of total domestic consumption. During the first 6 months of 1963 litharge imports have run at an annual rate of 22,000 tons. Virtually all litharge is imported from Mexico. Discussions on this matter have taken place between the Government of this country and the Government of Mexico. I understand the State Department has reported to this subcommittee on this matter. Additionally, I want to call to the attention of this subcommittee that on July 12, six domestic litharge producers filed with the Department of the Treasury an antidumping complaint against Mexico. The Treasury Department is currently conducting its investigation of this case.

In summary, the lead and zinc industries as a whole have shown substantial improvement and the indications are favorable for the

future; imports of manufactured articles are, in general, relatively small; and in the major case of litharge the United States is having discussions with Mexico. We conclude there is no clear justification at this time for additional legislative assistance in the form of import quotas.

We have some doubt moreover that S. 1534 would actually help the industries which produce unmanufactured lead and zinc. The apparent intention of the bill is to raise the domestic price of lead and zinc. A price rise could well have the effect of decreasing the market for lead and zinc, since users might turn to substitutes. The relatively high price of lead during the early fifties undoubtedly was a significant factor leading to the substitution of polyethylene for lead as sheathing for low-voltage cable. This shift resulted in a decrease in the use of lead for this purpose from 134,000 tons in 1956 to 55,000 tons in 1962. Although the price of lead has since declined, this market has thus far not been regained.

We also cannot overlook the fundamental fact that the welfare of the lead and zinc industries is strongly dependent upon the expansion of other industries and the growth of the Nation's economy. From this viewpoint, the imposition of additional quota restrictions is subject to serious objections.

The provisions of the bill are inconsistent with our country's program for export expansion and encouraging the reduction or elimination of nontariff barriers to trade. The modification of the existing escape clause action with respect to lead and zinc may jeopardize our position in the forthcoming trade negotiations under the Trade Expansion Act of 1962. The Trade Expansion Act was passed in recognition of the dangers of the United States being frozen out of the market of the six members of the EEC by reason of the progressive reduction of their internal tariffs and the establishment of a common external tariff.

Additional, this Government might be subject to claims for compensation by other members of the GATT. If such claims were to be upheld, those countries exporting lead and zinc to the United States would be compensated by decreases in the duties on other commodities they export to us. In the event that the compensation offered by us is unacceptable, foreign countries would probably retaliate by increasing their import duties on products which they import from the United States. In either case the enactment of this bill probably would have direct adverse effects upon other segments of domestic industry.

It has not yet been necessary to make compensatory payments as a result of present quotas primarily because we have represented that they are temporary. However, the imposition of statutory import quotas would make it extremely difficult to continue the claim that such restrictions were temporary.

Although as I have indicated, conditions have improved in the lead and zinc industries and prospects appear bright for continued improvement, the industry has gone through a difficult period of adjustment since the termination of Federal stockpiling activities. In addition to the present quotas, and the enactment of the Lead-Zinc Small Producers Stabilization Act in 1961, there are some other governmental programs of note which seek to be of assistance to the industry.

A particularly vexatious problem has been high rail transportation costs. Rail rates constitute an important factor in the delivered price of lead and zinc concentrates, which travel long distances to smelters. Lower rail rates on lead and zinc concentrates would certainly help the lead and zinc mining industries. The President's transportation message has proposed such changes in rail rates by advocating the elimination of Interstate Commerce Commission control over minimum rates on bulk cargoes, such as lead and zinc concentrates, and the retention of maximum rate control only, in accordance with the traditional criterion for public utility regulation.

A further aid in overcoming the problem of high transportation costs of ores and lead and zinc concentrates delivered long distances to smelters is a technical assistance project financed by the Area Redevelopment Administration of the Department of Commerce. This ARA project is now providing for the testing of the so-called imperial smelting process as applied to complex lead and zinc ores in the United States. This process, which has been perfected in recent years in England and is now in commercial production in England, France, and Australia, has capabilities of utilizing complex ores, including ores that are low grade, and is amenable to operation in relatively small units that can reduce the need for transporting bulk ores and concentrates long distances to refining centers. These are the conditions of some lead and zinc operations in the United States; that is, this transportation long distances. Thorough tests are being made of the ores from various counties in Colorado. If the process is technically and economically feasible for U.S. ores, it may have promising possibilities for application to other lead-zinc areas throughout the country, and thus might be able to make a major contribution to strengthening the domestic industry. There is unanimity of opinion by Federal agencies on the worthwhileness of this project, which is scheduled for completion in about 8 months.

I might add, if I may, to this written testimony, I understand, Mr. Chairman, there are some private companies who, since this project has been undertaken by ARA, have become interested in it and are themselves now privately testing this process in other areas of the country, in the Colorado ores.

Senator ANDERSON. Where is this being tested now?

Mr. GOLDY. Ore samples are being collected in Colorado for shipment to England to be tested in the smelter that exists over there.

Senator ANDERSON. To England? I thought you said this was an area redevelopment program.

Mr. GOLDY. Yes, sir.

Senator ANDERSON. How does it develop our smelters to smelt it in England?

Mr. GOLDY. The imperial smelting process was developed in England and there is a smelter which is capable of doing it there. We don't have one in the United States at the present time.

Senator ANDERSON. And the ARA project is to gather up ores in this country and sent them to England for smelting?

Mr. GOLDY. Just to test, to see if the ores are capable of being economically refined through that process. If it is found to be economically feasible then, as in other ARA projects, further studies will be made of the economic feasibility of locating a smelter of that kind in various parts of the United States.

Senator ANDERSON. How much does this cost?

Mr. GOLDY. The total cost of the project is, I believe—let me ask Mr. Fritz, who is here from ARA, what the total cost of the project is.

Senator GRUENING. Would you give your name for the record, please, sir?

Mr. FRITZ. Wilbert G. Fritz, Area Redevelopment Administration, Department of Commerce.

The total cost of the project is \$57,000. The cost to the Federal Government has been computed at \$54,000 and local interests \$3,000.

Senator GRUENING. Thank you very much.

Mr. GOLDY. Aside from technical assistance projects of the sort just outlined, the assistance provided by the Area Redevelopment Act is directed primarily at alleviating, largely through the development of alternative payrolls, the distress of unemployment in communities in which major industries have declined.

There are approximately 100 counties in the United States that have been in recent years significant producers of lead or zinc. Of these lead and zinc counties, 33 counties, and Indian reservations in 5 additional counties, were designated by Area Redevelopment Administration as redevelopment areas, as of June 30, 1963. Up to June 30, the ARA had approved seven loan and grant projects in the designated lead-zinc counties. Those projects involve Federal funds amounting to \$3,282,000 and will create additional jobs in these distressed areas. The jobs will ordinarily not be in mining, but these new job opportunities should be of general benefit to the economy of the counties and neighboring areas.

Up to the end of June a total of 180 projects had been approved for the accelerated public works program in 41 of the 48 lead-zinc counties eligible under this program. Federal financing for these projects amounts to \$13,320,000. It is estimated that the projects will provide 14,054 on-site man-months of work. This employment figure, of course, does not include the employment that may be generated by new industry and by trade, service, and other secondary economic activities resulting from the projects.

In addition to the Area Redevelopment Act programs, there are general technological, industrial, marketing, and economic services of the Department which provide direct and indirect help to the lead and zinc industries by fostering the growth of industries which are consumers of these metals.

Many of the programs of the National Bureau of Standards are basic to the technological advance of the minerals industries. For example, NBS calibrates standard measuring instruments of industry and develops new measurement techniques ranging from chemical analysis suitable for application to ore identification problems to methods for determining the thickness of plated coatings on finished metal products. The Bureau also develops methods for measuring at extreme ranges of temperature and pressure as industrial requirements move into these new regions. The Bureau's work in metallurgy is aimed at increasing our understanding of the properties of metals in order to encourage the optimum use of existing metals and alloys and to stimulate the development of new ones having desirable properties. Crystal structure, the role of dislocations and point defects, electron energy distribution, metal fatigue, electrodeposition, and corrosion are important areas of interest. Corrosion research is par-

ticularly noteworthy, in view of the annual loss of billions of dollars in the country due to corrosion.

Reports and studies of specific industries using lead and zinc, published by the Business and Defense Services Administration, provide a better understanding of their problems and prospects. Included in the industries scheduled for study in depth—in what we call industry growth studies—are the motor vehicle industry, which is a major market for lead and zinc, and the steel industry, which uses large quantities of zinc in galvanizing sheet, wire, and pipe. Included as subjects of industry outlook reports, usually made annually, are not only the lead and zinc producing industries, but most other major manufacturing industries, many of which, in addition to those mentioned above, use lead and zinc in various products and in varying quantities.

Export promotion activities conducted by the Bureau of International Commerce and by BDSA likewise can provide benefits to the lead and zinc industries through increasing trade in manufactured products containing these metals. These operations include the dissemination of information on specific trade and sales opportunities, the preparation of export potential studies on particular end products, the displaying of U.S.-made products at trade fairs and trade centers abroad, and sending trade missions abroad to stimulate sales of U.S. products.

The removal of foreign tariff and nontariff trade barriers has been the subject of intensive work by BDSA and BIC. Meetings are being held with many industries to identify the most significant tariff and nontariff barriers for subsequent intergovernmental negotiations aimed at their removal. Among the industries consuming lead and zinc which have been consulted to date are the automotive, appliance, and brass industries—and we will be meeting with the steel industry tomorrow downtown in our office.

The welfare of the lead and zinc industries is essentially dependent on the total industrial expansion of our economy. While the research, technical assistance, and economic programs I have described generally do not provide dramatic nor immediate benefits to particular industries, these programs are helping to strengthen the Nation's economy and to stimulate its economic growth. In view of the doubts we have as to the need for additional legislative assistance to the lead and zinc industries at this time, the serious disadvantages of additional quota restrictions on international trade, and the threat which the imposition of such additional quotas might pose to the success of the forthcoming GATT negotiations, the Department of Commerce cannot support the provisions of S. 1534.

Thank you, Mr. Chairman.

Senator GRUENING. Thank you very much, Mr. Goldy.

I am going to ask the counsel of the committee to communicate with the Treasury Department and get the information which you mention on page 6 about the six domestic litharge producers having filed antidumping complaints against Mexico. We would like to get those facts.

I think your statement shows a great deal of research and thought. I just have an inquiry which has nothing to do with the content, but the manner in which this decision was arrived at.

When a bill comes down to your department, do you call a meeting with the other members, or do representatives of other departments have a general meetings of minds as to whether you are going to report adversely or favorably?

Mr. GOLDY. We do not call a meeting, but there are times when a meeting of that sort does take place in the Bureau of the Budget, Mr. Chairman.

Senator GRUENING. Was there such a meeting on this bill?

Mr. GOLDY. If there was, I was not in it. I am not personally aware that a meeting actually took place. I am quite certain that the Bureau of the Budget has been aware of the reports, the official reports which the committees have asked the departments to submit, and they have been familiar with the testimony and the preparation of it, and they have seen the drafts.

I do not think they saw every word of this statement we prepared, but they knew in advance the substance of what we had prepared, and they indicated in advance that it would not be adverse to the President's wishes.

Senator GRUENING. Then the Bureau had a sort of supervision over its departments and indicated what their report would be?

Mr. GOLDY. I think it would be one or two roles of coordinating what was being said and letting everybody know, and also indicating the views of the President. But there have been situations—there was one recently—where a bill was pending and we did not agree with the State Department. The Bureau of the Budget was the agency that obtained our comments and those of the State Department. We knew that they were not in agreement with the State Department. We were permitted to submit our views to the committee and the State Department was permitted to state their views.

Senator GRUENING. That would be a refreshing novelty, for one department to disagree with the other. It would show a certain independence of thought.

You were familiar with the report the Interior Department submitted, were you not?

Mr. GOLDY. Yes. As a matter of fact, I read it yesterday for the first time.

Senator GRUENING. You read it before you compiled your report?

Mr. GOLDY. Before preparing my final statement, I read theirs, yes. I knew what Assistant Secretary Kelly was going to say here. We did this in large part because we didn't want to duplicate what he was going to say.

Senator GRUENING. You did not duplicate. You produced a lot of interesting other material, although your conclusion came out the same way.

I have nothing else to say.

Senator Anderson?

Senator ANDERSON. You mentioned the Trade Expansion Act of 1962. Are you familiar with the fact that the first words in it are "to stimulate the economic growth of the United States"?

Mr. GOLDY. Yes, sir.

Senator ANDERSON. Do you think shipping these ores to England will stimulate the economic growth of the United States?

Mr. GOLDY. May I make clear, Senator, we are not shipping the ores to be processed in England for the purpose of having any value

added to the manufacturing in England. We are only using an existing facility in England to test something which we think would stimulate the economic growth of the United States. We do not have such a facility here.

My answer is yes, we think that shipping those ores for test purposes to England to test in that unique facility would help us if the project turns out to be successful, stimulate the economic growth in the United States and production of lead and zinc in the United States.

Senator ANDERSON. You are Director of the Department of Business Development. What has your business experience been?

Mr. GOLDY. I have been in the lumber business for 13 years before I came to Washington. I was a consultant to various businesses in Commerce.

Senator ANDERSON. This is an interesting discussion of things the Department of Commerce might do, but it does not have much to do with this bill and the plight of these people who want some help. It would be refreshing if the Department of Commerce did not always take its line from some other group, and decided that it would like to help business in the United States. That is too much to hope for, but it is interesting to think about.

Senator GRUENING. Thank you very much, Mr. Goldy. We appreciate your coming. Thank you for your complete statement.

(Subsequent to the hearing the counsel submitted the following report in accordance with the instruction of the chairman:)

With respect to the dumping matter, please be advised that it was filed with the Bureau of Customs on July 12, 1963, on behalf of the following domestic companies: (a) Bunker Hill Co., (b) the Eagle Picher Co., (c) Hammond Lead Products, Inc., (d) National Lead Co.

The gentleman handling the matter in the Bureau of Customs is Mr. Neil Marsh.

Senator GRUENING. Our next witness is Mr. James E. Mack, managing secretary and general counsel of the Rolled Zinc Manufacturers Association.

STATEMENT OF JAMES E. MACK, MANAGING SECRETARY AND GENERAL COUNSEL, ROLLED ZINC MANUFACTURERS ASSOCIATION

Mr. MACK. Mr. Chairman, my name is James E. Mack. I am managing secretary and general counsel of the Rolled Zinc Manufacturers Association, which is a national trade association composed of the seven rolled zinc manufacturers who produce 100 percent of the zinc rolling mill products manufactured for sale in the United States. These products include zinc sheet, strip, rod, wire, and engraver plates.

This appearance is entered in support of S. 1534. For years the ruinous import competition problem of the lead and zinc industries, including the mining operation, smelting, and the manufacturing of products has been well known; and for years there have been various weak administrative efforts to improve the situation. There has also been much talk at all levels of industry and government, but there has not been any effective action to correct the situation. The situation and the difficulties of the industry will be rectified only if and

when there is a direct facing up to the problem. The problem will not be solved by a small mine subsidy, by international meetings, or even an international agreement. Stockpiling and bartering will not solve the import competition problem. It cannot be solved without firm and meaningful restriction on imports, including concentrate, slab, and manufactured products.

Our costs of production in this country are much higher than abroad, and if there is to be fair competition either there must be meaningful import duties or effective quotas. We have favored legislation of recent years which would impose higher but nevertheless reasonable import duties. S. 1534 and the many other companion bills introduced recently both in the House and in the Senate would take the quota approach. Just as we thought an increase in the import duties would be of material help, we also look with favor on the quota approach as provided in S. 1534.

As to specific provisions of the bill, I shall confine my statement to those provisions which would cover rolled zinc products. If the bill were enacted, importation of rolled zinc products still would be permissible, but such imports would be held to a reasonable level.

Section 402 of the bill would permit the Secretary of the Interior to group zinc manufactured products into one or more classifications rather than to establish a separate quota for each manufactured article. We believe there should be a separate quota for each manufactured article. If this is not feasible, we strongly urge that rolled zinc products not be grouped with other group products. Therefore it is important that section 402 be amended either to require a separate quota for each product or for the bill to specify various maximum classifications. Possibly the language permitting grouping was inserted inasmuch as certain zinc manufactured products are in basket clauses in the tariff classification schedule and therefore the amount of imports during the base period 1953 through 1957 might not be determined precisely. To prevent such a situation from creating a problem, the bill could provide that the Secretary should estimate the imports for the years 1953 through 1957 and from this determination establish the quota.

I have already mentioned to you the various rolled zinc products. The domestic zinc sheet industry already has been ruined by import competition. In 1952 zinc sheet imports were a quantity equivalent to only 1 percent of domestic industry production. Ten years later for 1962, imports of zinc sheet represented a quantity equivalent to 48 percent of domestic industry production. Imports from Communist Yugoslavia have risen from zero in 1956 until in 1962 imports from Yugoslavia were well over half of all zinc sheet imports. It is easy to understand why this occurs. During most of last year our rolled zinc manufacturers had to pay approximately 12 cents per pound for slab zinc—that is 11½ cents per pound f.o.b. East St. Louis, plus freight. Yet according to the Bureau of the Census the average declared foreign value of all zinc sheet—not slab, but sheet—imported from Yugoslavia in 1962 was only 12.1 cents per pound. Thus American manufacturers must pay for the slab with which to begin their manufacturing operations a price which is the same as that for which Yugoslavia is in a position to export the manufactured product to the United States. Please understand we are not protesting the price we must pay for slab zinc, but merely pointing out that our foreign competition, particularly Yugoslavia, is able to export the manufac-

tured product for the price we must pay for the raw materials with which to commence the manufacturing operation. Our wages in the rolled zinc industry are approximately eight times those paid in the metal industries in Yugoslavia.

Our import competition problems are not confined to zinc sheet or to Yugoslavia. The problem is present in the case of other rolled zinc products. Zinc sheet has been mentioned because it is the only rolled zinc item for which the Bureau of the Census maintains separate import statistics, and Yugoslavia is mentioned because it is the country which provides us with the most ruinous import competition.

We urge favorable consideration of S. 1534 after amendment in accordance with our suggestion.

Thank you.

Senator GRUENING. Thank you very much, Mr. Mack. Your amendment will have full consideration when the subcommittee goes into executive session.

Let me ask you this—are you in favor of the bill as it is now written?

Mr. MACK. Yes, sir. We would prefer it to be amended, but we are in favor of the bill as now written; very strongly in favor of it, Senator.

Senator GRUENING. You heard the testimony of Mr. Kelly that the industry was probably not in favor of this bill, which, of course, runs contrary to the information which we have received from other witnesses. What is your opinion?

Mr. MACK. Well, there is no doubt in my mind, sir, that the industry is strongly behind this bill.

Senator GRUENING. Thank you very much, Mr. Mack.

Senator Moss?

Senator Moss. No questions, but I am glad to have the testimony of Mr. Mack. I am glad to have somebody speaking up for the bill here again today, and I can see the rationale behind the proposed amendment. We shall be very happy to discuss this when we get into executive session.

Senator GRUENING. Thank you, Mr. Mack.

Is Mr. Clark Wilson here?

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

Mr. WILSON. Yes, sir.

Senator GRUENING. Mr. Wilson, as chairman of the Emergency Lead-Zinc Committee, I wonder whether you would like to reply to the allegations of the executive agencies?

Mr. WILSON. I believe that would be very appropriate, Mr. Chairman. This last question which was asked regarding the support of the industry would be one which we would like to reply to.

Senator GRUENING. Sit down. You may either make the statement extemporaneously, or, if you would prefer, you may prepare it for the record, which would give you a little more time to study the various allegations, and we can hold the record open, to give you time, for a week.

Mr. WILSON. I would prefer the latter, sir. In fact, we would like to submit a list of the people who do support the legislation.

Senator GRUENING. We shall be happy to give you that time. Will a week's time be sufficient?

Mr. WILSON. That will be fine, sir.

Senator GRUENING. We shall hold the record open for a week and give you time, and any other people you think would be pertinent, to tell us how the industry feels about it.

Mr. WILSON. In fact, I think your committee files already show quite a bit of support.

Senator GRUENING. I think they do, but in view of the statements to the contrary by some of the other witnesses, especially Secretary Kelly, I think it might be useful to have a further statement.

Mr. WILSON. One reason we did not identify ourselves too fully this trip, Senator, is because we have been here so many times. We know that a lot of Senators know who we represent, but we shall certainly be happy to supply the information.

Senator GRUENING. Thank you very much.

We shall be adjourned until further call of the Chair.

(Whereupon, at 12 o'clock, noon, the subcommittee was in recess, to reconvene subject to the call of the Chair.)

(Under previous authority the statement of Mr. Wilson and other communications follow:)

EMERGENCY LEAD-ZINC COMMITTEE,
Washington, D.C., August 23, 1963.

HON. ERNEST GRUENING,
Chairman, Subcommittee on Minerals, Materials, and Fuels, Senate Committee on Interior and Insular Affairs, U.S. Senate, Washington, D.C.

DEAR SENATOR GRUENING: At the close of the hearing held by your subcommittee on Tuesday, August 20, to hear further testimony on S. 1534, you very kindly offered to hold the record open for 1 week to provide the mining industry and other interested parties, an opportunity to comment further on statements presented in regard to the lead-zinc flexible quota bill.

We were particularly disappointed that the Department of the Interior, who are supposedly our "voice" in the executive department, not only did not support the position of the domestic lead-zinc mining industry, but in effect attempted to discredit the statements of our several competent witnesses regarding the state of our mines and opposed our suggested remedies. The effective questioning of the members of your subcommittee demonstrated the dominance of the State Department in the position and statements from Interior and their lack of action in our behalf.

I do not believe that the status of the Department of the Interior was improved by Mr. Kelly's statement "I do not get the feeling that the industry is behind this bill." As explained to you as the hearing concluded, my statement did not include a detailed explanation of Emergency Lead-Zinc Committee representation, as this has been done repeatedly before congressional hearings and the Tariff Commission, but for the benefit of the Department of the Interior, I will repeat this definition using some information from Interior publications.

The Emergency Lead-Zinc Committee represents those domestic producers who mine approximately 90 percent of the lead and 80 percent of the zinc in the United States and in addition we represent domestic companies who smelt and refine about 50 percent of the domestic production of lead and zinc metal.

The individual company members of the committee fall in three general descriptive classifications:

1. Companies that own mines only.
2. Companies that own mines and concentrating mills.
3. Companies that own mines, concentrating mills, smelters, and refineries.

Operations of these companies are located in 19 States that account for the majority of U.S. lead-zinc mine production.

Enclosed is a two-page listing of names of individual mines, companies, and associations representing this broad cross section of the lead-zinc industry referred to above. It is quite apparent that many of these mines are not contributing, presently, to the lead-zinc ore production totals listed above in the

definition of our committee representation. However, in spite of their operating status, these mines and organization are represented by the Emergency Lead-Zinc Committee, and they do endorse our objectives and the provisions of S. 1534.

In fact, in most instances, there is double representation, both through us and through the local State mining associations that were represented and spoke on behalf of S. 1534 at your subcommittee hearings, as well as by the other associations listed on the attached exhibit.

With these names in mind, I would like to refer to Department of Interior exhibits.

On June 14, Mr. Kelly testified before the House Interior and Insular Affairs Committee during background hearings on the lead-zinc mining industry considering bills identical to S. 1534. At the specific request of Congressman Compton I. White, Jr., of Idaho, Mr. Kelly furnished for the record a short résumé of domestic lead and zinc producers. A copy of this material is enclosed, and I have underlined those mines and refineries represented by the Emergency Lead-Zinc Committee. It would appear that we do represent a substantial part of the industry.

As an additional exhibit, I submit two reproductions from the 1961 U.S. Department of Interior, Bureau of Mines, Minerals Yearbook: Volume I, listing the 25 leading lead-producing mines and zinc-producing mines in the United States in the order of output and have checked those represented by our committee. Again, I believe this appears to be a substantial part of the lead-zinc mining industry.

Moving to another subject, reference should also be made at this time to a statement on page 2, second paragraph of the August 9, 1963 letter from Mr. Kelly addressed to Senator Jackson. This discusses at length an interpretation by Interior of market instability under provisions of S. 1534 and presents the following implied accusation: "Immediately upon enactment of this bill, this feature could be utilized by elements of the domestic industry to force the price up to the critical level by withholding domestic supplies from the market." I am not familiar with their market expert, but would refer Mr. Kelly to page 3 of the statement presented before your committee on August 14, 1963, by Mr. Ince, vice president of St. Joseph Lead Co., who has many years of experience in metal sales, who is thoroughly familiar with customer relations, who supported the provisions of S. 1534, and who refuted the implications of Mr. Kelly's statement as being most illogical as contrasted with normal and sensible business practices.

In the 4th paragraph on page 2 of Mr. Kelly's letter, he suggests that a "finding of injury" by the Tariff Commission would be needed to close the loophole of limiting imports of manufactured lead-zinc items and remain within national trade policy. We would remind him again that our industry has been investigated 8 times in 10 years by the Tariff Commission, always with statistics showing import injury and is the only industry to have received two unanimous findings of injury under the provisions of the escape clause of the Trade Agreements Act. Since the Trade Expansion Act of 1962 was passed, there have been 11 escape clause requests for assistance, and 11 unanimous rejections of these requests due to new definition of injury. To send us down this road is just a polite way of saying, "Let's again put off the evil day for the executive department to face the making of a decision in favor of domestic industry."

There are other flaws in the Interior Department statements, but as you so well stated, Mr. Chairman, "What is lacking in the Department of Interior is a lack of imagination." It would be most refreshing for them to have a positive approach to assist Congress and the industry in making S. 1534 a workable piece of legislation.

I am inclined to comment on the statements from the Department of State and from the General Counsel of the Treasury, but their lack of interest for domestic natural resource industry problems is so apparent, it is a waste of your time and mine to prolong the discussion.

I do wish to make one comment on the statement by Mr. Goldy for the Department of Commerce. I found only one constructive paragraph, that on page 9, referring to an ARA project for testing U.S. lead-zinc ores, in this case from Colorado, to determine amendability for treatment by the Imperial Smelting process. Even this suggestion is not practical as it involves several difficulties and does not solve our problems.

First of all, the process will still require the present practice of separating lead and zinc into two separate lead and zinc concentrates. Our information is that such an installation is most expensive, requiring a substantial licensing fee and a continuing royalty payment on production. Unfortunately, the zinc product from present installations has not been well received due to impurities that cause discoloration in use. Several investigations have been made for potential installations, and due to the uncertainties of operation, have been turned down. In summary, this is a new and unproven process. It seems that U.S. Government money could well be spent along more profitable lines.

There is one item that should be corrected in the statement of Mr. Jones of E. I. du Pont Nemours & Co., regarding recovery of secondary lead. This is one very important source of supply of annual U.S. requirements. He estimated that "about 90 percent of lead in nontetraethyl lead uses comes back into the market as secondary lead * * *." The actual figure from Bureau of Mines estimates is probably less than 60 percent resulting from secondary lead recoveries from the following sources: Storage batteries, 85 percent; cable coverings, 90 percent; building, 15 percent; bearing metal, 60 percent; type metal, 90 percent; and other, 32 percent.

One final observation—Mr. Koenig's statement was a masterful effort to write off the domestic industry except for the pushbutton mines, and in general, I felt he took a bit of an advantage in his interpretation of the actual facts and conditions within our domestic industry. I have seen some of this pushbutton mining of which he speaks and am equally impressed with its future, but must observe that he uses pushbutton without definition. It was not the pushbuttons that were on strike in Missouri last year for 8 months. Experienced manpower is still required to operate the ever-increasing investment in expensive equipment to keep even the best of mines competitive, or even operating for that matter, at the prices we have experienced during the past year.

Again, on behalf of the domestic lead-zinc mining industry, for which we speak, may I thank you and members of your committee for your sympathetic understanding of our problems and your desire and effort to affect a remedy.

Very truly yours,

CLARK L. WILSON, *Chairman.*

EXHIBIT

EMERGENCY LEAD-ZINC COMMITTEE

MEMBERS OF THE DOMESTIC LEAD-ZINC MINING INDUSTRY REPRESENTED BY THE EMERGENCY LEAD-ZINC COMMITTEE

Marget Ann Mine	Shattuck-Denn Mining Corp.
The Anaconda Co.	Park City Consolidated Mines Co.
The Eagle-Picher Co.	King Lease, Inc.
Mifflin Mining Co.	The New Jersey Zinc Co.
Piquette Mining & Milling Co.	Callahan Mining Corp.
Vulcan Silver-Lead Corp.	Camp Bird, Ltd.
Zanetti Bros.	Rico Argentine Mining Co.
Highland-Surprise Consolidated Mining Co.	Jordan Mines
Nabob Silver Lead Co.	Emperius Mining Co.
The Bunker Hill Co.	Shenandoah Dives Mining Co.
Sunshine Mines	Argyle Mining & Milling Corp.
Frank N. Marr Lease	Superior Mines Corp.
Sidney Mining Co.	Mile High Mining Co.
Lincoln Mining Co.	Silver Bell
Smith Kersage Lease	Mountain View Mining Co.
Hecla Mining Co.	Tintic Standard Mining Co.
Mascot Mines, Inc.	International Smelting & Refining Co.
Golconda Lead Mines	Eagle & Blue Bell Mining Co.
Lucky Friday Silver Lead Mines Co.	ElDorado Mining Co.
Day Mines, Inc.	Machinery Center, Inc.
Clayton Silver Mines	Mecca Mining Co.
Sunshine Consolidated, Inc.	Mountain Minerals Investment Co.
Silver Syndicate, Inc.	Ophir Mine
Vindicator Mine	Silver King Western Mining Co.
St. Joseph Lead Co.	Silver Lake Mining Co.
McFarland & Hullinger	Temple Mountain Uranium Co.
	Standard Metals Mining Co.

Wasatch Mines Co.
 Cardiff Mining & Milling Co.
 Katie Lode Mining Co.
 Mountain View Mining Co.
 National Resources Corp.
Yankee Consolidated Mining Co.
 Silver Sun Mines, Inc.
 C. C. Mining Co.
 Alta United Mines Co.
 Utah Minerals Co.
 Rainbo Gold Mines Corp.
 Heinecke Bros.
 Prince Construction Co.
 Alta Venture
 Continental Exploration Co.
 Dry Gulch Mining Co.
 Edwards & Perkins
 Metcalfe Mining Co.
Seccee Mining & Development Co.
 New Quincy Mine
 Bueno Mining Co.
 Tintic Ophir Mining Co.
 Revelator Mine
 Peru Mining Co.
 Empire Zinc Co.
 L. A. Patton & Associates
 Gene Galassini
U.S. Smelting, Refining & Mining Co.
 United Park City Mines Co.
 New Park Mining Co.
 Godiva
 Arundel
 Peter Martin
 Combined Metals Reduction Co.
 Pend Oreille Mines & Metals Co.
 Consolidated Eureka Mining Co.
 Centennial Development Co.
 Argent Mine
 Centennial Beck Mine
 Pine Creek
 Hand Mines
 Trout Mining Co.
 Taylor-Knapp Co.
 Lively Mining Co.
 Stratch All & Silver Hill Mines
 Nancy Lee Mines
 St. Paul Lead Co.
 Governor Tilden Mine
 Silver Buckle Mining Co.
 Argentina Mine
 Duplex & Quartette Mines

Lead King Mine
 Sultan Mine
 Three Kids Mine
 Yellow Pine Mine
 Cleveland Mine
 Kelly Mine
 Spruce Standard Mining Co.
 Nevada Monarch Consolidated Mines
 Rip Van Winkle Mine
 Index & Copper Tunnells
 Harmill & Monitor Mines
 Mount View or Lone Mount Mine
 Pelmont Mine
 Flux Mine
 Nash Mining Co.
 Seventy-Nine Mine
 Spring Canyon Mine
 Larsen & Reed
 Marvel Mining Co.
 Privateer
 Empire
 Drill Steel Mining Co.
 Chief Consolidated Mining Co.
 Richmond-Eureka Mine
 Mount Hope Mine
 Mill Canyon Mine
 Diamond-Excelsior Mine
 Cortez Mine
 West Coast Mine
 Copper Canyon
 Groom Mine
 Prince Mine
 Apex Mine
 Susan Duster Mine
 Lincoln Mine
 Mount Lion Mine
 Bristol Silver Mine
 Caselton & No. 1 Mines
 Ely Valley Mine
 Comet Mine
 Simon Silver Lead Mine
 San Rafael Mine
 Henrietta Mine
 Union Lode Mine
 Mount Wheeler Mines
 Ward Mine
 Grand Deposit Mine
 Adler Mine
 Compadre Mines
 LeRoi Mine
 Tiajuana Mine

ASSOCIATIONS

Arizona Small Mines Operators Association
 Clear Creek County Metal Mining Association
 Colorado Mining Association
 Idaho Mining Association
 Montana Mining Association
 Nevada Mining Association
 New Mexico Mining Association
 Northwest Mining Association
 Utah Mining Association
 Wisconsin, Illinois & Iowa Lead & Zinc Producers Association
 Tri-State Zinc-Lead Ore Producers Association

LEADING DOMESTIC LEAD MINE PRODUCERS*

The three leading domestic mining companies produced 66 percent of total U.S. mine output of lead in 1961 and according to production, rank in the following order: *St. Joseph Lead Co.*, *Bunker Hill Co.*, and *United States Smelting, Refining & Mining Co.*

Eight additional mining companies produced an additional 23 percent of mine output of lead in 1961, and in order of production, rank as follows: *Lucky Friday Silver-Lead Mines Co.*, *New Jersey Zinc Co.*, *Idarado Mining Co.*, *American Smelting & Refining Co.*, *Pend Oreille Mines & Metal Co.*, *New Park Mining Co.*, *Shattuck-Denn Mining Corp.*, and *Camp Bird Colorado, Inc.* The 11 mining companies listed above plus 6 other smaller companies, making a total of 17, accounted for 92.4 percent of domestic lead mine production in 1961.

LEADING DOMESTIC PRIMARY REFINED LEAD PRODUCERS*

Five companies produce primary refined lead in the United States. In ranking order of their production they are *American Smelting & Refining Co.*, *St. Joseph Lead Co.*, *Bunker Hill Co.*, *United States Smelting, Refining & Mining Co.*, and *Schuykill Products Co.* The largest refined lead producer, *American Smelting & Refining Co.*, owns 57 percent of the domestic primary lead refining capacity; *St. Joseph Lead Co.* owns 20 percent; *Bunker Hill Co.*, 16 percent; and *United States Smelting, Refining & Mining Co.*, 7 percent. *Schuykill Products Co.* is largely a secondary lead producer, but does produce some primary refined lead.

LEADING DOMESTIC MINE PRODUCERS OF ZINC*

The five largest mine producers of zinc in 1961 represent 59 percent of the total U.S. mine output. The companies in ranking order of production are as follows: *The New Jersey Zinc Co.*, *St. Joseph Lead Co.*, *American Zinc Lead & Smelting Co.*, the *Bunker Hill Co.*, and *United States Smelting, Refining & Mining Co.*

An additional 12 companies produced 28 percent of the mine production. Listed in ranking order of production these companies are: *Shattuck-Denn Mining Corp.*; *Tri-State Zinc*, the *Eagle-Picher Co.*; *United States Steel Corp.*, *Tennessee Coal & Iron Division*; *American Smelting & Refining Co.*; *Pend Oreille Mines & Metals Co.*; *Idarado Mining Co.*; *Hydrometals, Inc.*; *Tennessee Copper Corp.*; *United Park City Mines Co.*; *Cyprus Mines Corp.*, and *Ozark Mahoning Co.* Six more firms with 1961 outputs of between 2,000 and 3,000 tons complete an accounting of 91 percent of U.S. mine production of zinc.

LEADING DOMESTIC PRIMARY SLAB ZINC PRODUCERS*

Eleven companies produce primary slab zinc in the United States. The three largest producers account for approximately 44 percent of the total output. The companies in ranking order of production in 1961 were: *American Smelting & Refining Co.*, the *New Jersey Zinc Co.*, and *St. Joseph Lead Co.*

An additional six companies represent 49 percent of the slab zinc output. In ranking order of production these companies are: *The Anaconda Co.*, *American Zinc Lead & Smelting Co.*, *Blackwell Zinc Co.* (a subsidiary of *American Metal Climax Inc.*), the *Bunker Hill Co.*, the *Eagle-Picher Co.*, and *National Zinc Co.*

U.S. lead and zinc mine production data

	Number of mines producing lead and zinc	Percent of total production from the 25 largest mines		Total production, short tons	
		Lead	Zinc	Lead	Zinc
1956.....	627	76	69	352,826	542,340
1957.....	526	79	71	338,216	531,735
1958.....	364	89	84	267,377	412,005
1959.....	250	93	82	255,586	425,303
1960.....	315	93	80	246,669	435,427
1961.....	313	92	81	261,921	464,390

*Companies in italic are members of the Emergency Lead-Zinc Committee.

TABLE 5.—25 leading zinc-producing mines¹ in the United States in 1961 in order of output

Rank	Mine	District or region	State	Operator	Source of zinc
1	Balmat*	St. Lawrence County	New York	St. Joseph Lead Co.	Lead-zinc ore.
2	Eagle*	Red Cliff (Battle Mountain)	Colorado	The New Jersey Zinc Co.	Do.
3	Star*	Coeur d'Alene	Idaho	The Bunker Hill Co.	Do.
4	Austinville & Ivanhoe*	Austinville	Virginia	The New Jersey Zinc Co.	Do.
5	Friedensville*	Lehigh County	Pennsylvania	do	Zinc ore.
6	Jefferson City*	Eastern Tennessee	Tennessee	do	Do.
7	United States & Lark*	West Mountain (Bingham)	Utah	United States Smelting, Refining & Mining Co.	Gold-silver-lead-zinc ore.
8	Young	Eastern Tennessee	Tennessee	American Zinc Co. of Tennessee	Zinc ore.
9	Iron King*	Big Bug	Arizona	Shattuck Perm Mining Corp.	Lead-zinc ore.
10	Bunker Hill*	Coeur d'Alene	Idaho	The Bunker Hill Co.	Do.
11	Zinc Mine Works.	Eastern Tennessee	Tennessee	United States Steel Corp., Tennessee Coal & Iron Division.	Zinc ore.
12	Page	Coeur d'Alene	Idaho	American Smelting & Refining Co.	Lead-zinc ore.
13	Mosart No. 2	Eastern Tennessee	Tennessee	American Zinc Co. of Tennessee	Zinc ore.
14	Pend Oreille*	Metalline	Washington	Pend Oreille Mines & Metals Co.	Lead-zinc ore.
15	Idarado ²	Eureka (Red Mountain) and Upper San Miguel	Colorado	Idarado Mining Co.	Copper-lead-zinc ore.
16	Hanover*	Central	New Mexico	The New Jersey Zinc Co.	Zinc ore.
17	Edwards*	St. Lawrence County	New York	St. Joseph Lead Co.	Do.
18	Kearney	Central	New Mexico	Hydrometals, Inc., American Peru Mining Co.	Do.
19	Boyd, Calloway, Eureka, and Mary.	Eastern Tennessee	Tennessee	Tennessee Copper Co.	Copper-zinc ore.
20	Gray	Upper Tennessee Valley	Illinois	Tri-State Zinc, Inc.	Zinc ore.
21	United Park City*	Park City Region	Utah	United Park City Mines Co.	Silver-lead-zinc ore.
22	Bowers-Campbell	Rockingham County	Virginia	Tri-State Zinc, Inc.	Zinc ore.
23	Old Dick	Eureka	Arizona	Cyprus Mines Corp.	Copper-zinc ore.
24	Shullsburg	Upper Mississippi Valley	Wisconsin	The Eagle-Picher Co.	Zinc ore.
25	Bonne Terre, Leadwood & Federal*	Tri-State	Missouri	St. Joseph Lead Co.	Lead-zinc ore.

¹ Excludes old slag dumps.² Formerly Treasury Tunnel—Black Bear—Smuggler Union.

* Mine operations represented by the Emergency Lead-Zinc Committee.

TABLE 5.—25 leading lead-producing mines in the United States in 1961, in order of output

Rank	Mine	District or region	State	Operator	Source of lead
1	Federal*	Southeastern Missouri	Missouri	St. Joseph Lead Co.	Lead ore.
2	Bunker Hill*	Coeur d'Alene	Idaho	The Bunker Hill Co.	Lead-zinc ore.
3	United States & Lark*	West Mountain (Bingham)	Utah	United States Smelting, Refining & Mining Co.	Lead-zinc, gold-silver ore.
4	Leadwood*	Southeastern Missouri	Missouri	St. Joseph Lead Co.	Lead ore.
5	Viburnum	do	do	do	Do.
6	Indian Creek*	do	do	do	Lead-copper ore.
7	Lucky Friday*	Coeur d'Alene	Idaho	Lucky Friday Silver-Lead Mines Co.	Lead ore.
8	Star*	Upper San Miguel	Idaho	The Bunker Hill Co.	Lead-zinc ore.
9	Idarado	Coeur d'Alene	Idaho	Idarado Mining Co.	Copper-lead-zinc ore.
10	Pago	Metalline	Colorado	American Smelting & Refining Co.	Lead-zinc ore.
11	Pend Oreille*	do	Washington	Pend Oreille Mines & Metals Co.	Do.
12	Bonne Terre*	Southeastern Missouri	Missouri	St. Joseph Lead Co.	Lead ore.
13	United Park City*	Blue Ledge	Utah	United Park City Mines Co.	Lead-zinc ore.
14	Iron King	Big Bug	Arizona	Shattuck-Denn Mining Corp.	Do.
15	Eagle*	Red Cliff (Battle Mountain)	Colorado	The New Jersey Zinc Co.	Copper, lead-zinc ore.
16	Austinville & Ivanhoe Mines*	Austinville	Colorado	do	Zinc-lead ore.
17	Mayflower Unit*	Blue Ledge	Utah	New Park Mining Co.	Lead-zinc ore.
18	Camp Bird*	Sueffels	Idaho	Camp Bird Colorado, Inc.	Copper-lead-zinc ore.
19	Sunshine*	Coeur d'Alene	Idaho	Sunshine Mining Co.	Silver ore.
20	Empertus*	Creede	Colorado	Empertus Mining Co.	Lead-zinc ore.
21	Grandview	Metalline	Washington	American Zinc, Lead & Smelting Co.	Do.
22	Lynchburg Group*	Magdalena	New Mexico	The New Jersey Zinc Co.	Do.
23	Gray	Upper Mississippi Valley	Illinois	Tri-State Zinc Co.	Zinc ore.
24	Three Kids	Las Vegas	Nevada	Manganese, Inc.	Lead residue.
25	Ophir Unit*	Ophir	Utah	United States Smelting, Refining & Mining Co.	Lead-zinc, silver ore.

* Mines represented by the Emergency Lead-Zinc Committee.

FORD, LARSON, GREENE & HORAN,
Washington, D.C., August 23, 1963.

Senator ERNEST GRUENING,
*Chairman of the Subcommittee on Minerals, Materials, and Fuels, New Senate
Office Building, Washington, D.C.*

DEAR SENATOR: I am herewith submitting a statement by a group of manufacturers of lead products in connection with the hearings held by your subcommittee on August 13 and 20.

Sincerely,

ALBERT H. GREENE.

[Enclosure]

AUGUST 22, 1963.

Senator ERNEST GRUENING,
*Chairman of the Subcommittee on Minerals, Materials, and Fuels, New Senate
Office Building, Washington, D.C.*

DEAR SENATOR: In connection with the hearings conducted by your subcommittee on August 13 and 20 relative to S. 1534, a bill to stabilize the domestic lead and zinc industry, the following producers of approximately 80 percent of all the lead products manufactured in the United States would like the record to reflect their support of S. 1534.

Without going into detail, manufactured lead products include pipe, sheet, shot, traps and bends and other fabricated products made by casting, rolling, or extruding. The aforementioned lead products are 100 percent or almost 100 percent lead. Manufactured lead products also include the lead chemical products such as a litharge, red lead, white lead, and silicates. These lead chemical products contain approximately 90 percent primary lead and are generally manufactured by the simple process of furnacing lead metal.

The manufacturers of lead products have been conversant with the problems of the domestic lead mining industry. As you undoubtedly know, this group supporting the domestic lead industry appeared before the Tariff Commission on several occasions. In each of our appearances before the Tariff Commission our group tried to illustrate to the Commission that restrictive measures for lead in the hope of stimulating domestic production can be thwarted or entirely nullified by increased imports or manufactured articles containing large amounts of lead.

Recently the Mexicans have increased their exportations into the United States of litharge, a chemical lead product which can only be produced from virgin metal, to the extent that the exportations are circumventing and nullifying the lead quotas which were established by the U.S. Government and have been in effect since 1958.

The producers of lead manufactured products are pleased to see that in S. 1534 there are provisions made for a quota for each manufactured lead article based on the average yearly amount of such article imported into the United States during the calendar years 1953 through 1957.

Sincerely,

Alpha Metals, Inc., Bunker Hill Co., the Eagle-Picher Co., Evans Metal Co., the Flemm Lead Co., Gardiner Metal Co., Hammond Lead Products, Inc., Lead Products Co., National Lead Co., Reddi-Wipe Co., Southern Lead Co.

ETHYL CORP.,
New York, N.Y., August 21, 1963.

Re S. 1534.

Hon. HENRY M. JACKSON,
*Chairman, Committee on Interior and Insular Affairs, U.S. Senate Office Building,
Washington, D.C.*

MY DEAR SENATOR JACKSON: Ethyl Corp., a major consumer of lead, is submitting in this brief certain basic reasons for opposing S. 1534. We respectfully request earnest consideration of the following negative aspects of the proposed legislation:

In general, S. 1534 would undermine the economic attractiveness of lead. If the metal cannot provide products and services to the ultimate consumer more inexpensively than competitive products and methods, then there is no sense in taking it out of the ground.

More specifically, by its price-boosting impact, S. 1534 would weaken the second largest market for lead in the United States: oil industry application of leaded antiknock compounds used as additives to improve the quality of some 98 percent of all gasolines for motor vehicles and other internal combustion engines. Antiknock compound manufacturers currently consume about 170,000 tons of lead per year in meeting the oil industry's antiknock compound requirements.

As one of the Nation's two largest producers of leaded antiknock agents, Ethyl Corp. is vitally interested in the continuing use of gasoline as a motor fuel and in the use of these compounds as gasoline quality improvers.

Other means of improving the quality of gasolines are presently available to the oil industry. Furthermore, a great deal of research effort is being expended by automobile companies on the development of engines which do not use gasoline as fuel.

Any unilateral increase in the cost of leaded antiknock compounds, which would make them unattractive in comparison with the cost of other ways and means of improving gasoline quality, would greatly increase the likelihood of pricing leaded antiknock compounds out of gasoline markets. There can be no doubt that an increase in the cost of lead—inevitable if S. 1534 is enacted into law—will substantially reduce the competitive position of leaded gasoline as the Nation's principal vehicular fuel.

If the turbine engine replaces the piston engine in automobiles, leaded antiknock compounds will not be needed at all, inasmuch as turbines require only low quality jet fuels for their operation. In other words, the lead industry is already faced with the prospect of losing another of its principal markets. The extent of this loss will be hastened and increased in direct proportion to any unnecessary increase in the cost of high quality gasoline.

We constantly wonder at the blindness of lead producers in failing to see what the metal's price tag means to its attractiveness in competitive fields. It is a fact of life that producers have almost completely lost two major outlets for the metal within the past 30 years because lead became too expensive.

In 1929, the paint industry consumed 119,700 tons of metallic lead in the production of white lead pigments. Cable sheathing manufacturers used 220,000 tons of metallic lead—a total of 339,700 tons. By 1962, however, these two uses together required only 58,875 tons—a loss of 280,000 tons per year.

Ten years ago, when white lead pigment loss was already a fact but cable manufacturers were still using some 140,000 tons of lead a year for sheathing, the accelerating cost advantage of polyethylene for similar purposes was pointed out at a meeting of the Lead Industries Association by Mr. T. G. Stover of Western Electric. He warned that unless the price of lead could be kept competitive with polyethylene, lead sheathing on low voltage wire (then 75 percent of the cable industry's output) would become a thing of the past. What Mr. Stover predicted has become true to a large extent.

And what about the picture today?

In addition to the vulnerability of the 170,000-ton-per-year demand for lead to make antiknock compounds, further sizable losses threaten the lead industry. The most critical situation involves storage batteries, for which more lead is consumed than for any other purpose—some 400,000 tons a year.

Battery manufacturers use about half of this tonnage for lead oxides required to produce electric power. The other half goes into antimonial lead grids used solely as mechanical supports for the power-producing oxides. The purchaser of a battery is not buying lead—he is buying electricity. It means nothing to him whether a metal or a cereal produces the current he wants.

Although there is no competitor for lead oxides on the battery industry's horizon, aggressive research is underway to find a less expensive substitute for antimonial lead in grids. In fact one or more promising materials have been discovered and are undergoing evaluations.

This means that a 200,000-ton-per-year decrease in the battery industry's lead requirements is a very real possibility. Coupled with the threat of losing the antiknock compound market of 170,000 tons annually as well, lead producers face the bleak prospect of an annual market reduced by 370,000 tons. Nor is this all. In the not too distant future, the fuel cell could conceivably replace the storage battery. Without going into detail, it is true that every one of the 26 principal end uses of lead is vulnerable competitively at some price level.

Another reason for opposition to S. 1534 is that the bill's provisions will result in costs to lead consumers running three to four times more than benefits to miners.

To justify this conclusion, certain assumptions must be made regarding probable developments in case the bill is passed. Let's begin by saying that yearly consumption of lead for all purposes in this country continues at its 1962 level—1,100,000 tons. This total will have to come from these sources: U.S. mines, recovered scrap, imports, and the U.S. national stockpile.

In this case, the following pattern of supply is in prospect. If U.S. miners can increase their production from the current 240,000 tons annually to 320,000 tons and some 500,000 tons are recovered from scrap, then some 280,000 tons will have to come from imports or releases from the national stockpile. From these figures it can be seen that lead originating in domestic mines will account for only 29 percent of the Nation's requirements.

In our opinion, the bill would bring about a price rise from the current 11.25 cents a pound (August 2) to perhaps 15 cents—an increase of 3.75 cents a pound or \$75 ton. The additional \$75-per-ton cost would apply, of course, to what consumers pay for the entire 1,100,000 tons of lead used annually—not just for what is obtained from U.S. mines. All this means that the Nation's bill for lead would jump \$82,500,000 per year if S. 1534 is enacted.

And who would benefit from this huge and unnecessary burden on the consumer? First of all, 45 percent, or more than \$37 million, would go to the secondary smelters in this country who recover lead from scrap. Their business is sound today and most of them are making reasonable profits. Miners would get 29 percent, or close to \$25 million—with a bonus of better than \$20 million to importer.

Comparing the \$25 million proposed as additional income to miners with the \$82,500,000 additional cost for lead which consumers would have to pay if S. 1534 is enacted shows the bill's distorted sense of values. It would penalize millions and benefit only a few. More specifically, the cost to lead consumers would be three to four times more than what miners would receive.

Furthermore, not all miners need economic help. Ethyl Corp. has valid reasons to believe that during the 10-year period between 1953 and 1963, more than 60 percent of U.S. lead was mined at a profit.

We are also convinced that provisions of S. 1534 would unsettle rather than stabilize the lead market. In fact we conclude that the proposed legislation would have a chaotically disrupting influence. To illustrate its effect on market logistics, estimates of probable variations from one calendar quarter to another (1963) are contained in the table below.

	Metal	Concentrates	Total
Quota for quarter preceding passage of bill.....	55,600	33,080	88,680
Quota for 1st quarter after passage of bill.....	4,500	40,500	45,000
Quota for 2d quarter after passage of bill.....	12,234	111,190	123,424

NOTE.—See app. A.

For these reasons, we urge your committee to kill S. 1534.

Respectfully yours,

E. R. ANDERSON,

Special Assistant to Vice President, Purchasing and Traffic Department.

APPENDIX A

1963 lead data (Bureau of Mines) (in tons), 1st quarter 1963

Mine production.....	43,540
Antimonial lead (primary refiners).....	7,926
Recovery from scrap.....	111,599
Stockpile releases.....	None
Total.....	163,065
Consumption in 1st quarter.....	286,609
Excess over supply.....	123,544

3d-quarter hypothetical quota :	
10 percent metal-----	12, 354
90 percent ores and concentrates-----	111, 190
Total-----	123, 544

Comparison of quotas	Ores and concentrates	Metal
Current quota-----	33, 080	55, 600
Estimate, 1st quarter after passage of bill-----	40, 500	4, 500
Estimate, 2d quarter after passage of bill-----	111, 190	12, 354

EMERGENCY LEAD-ZINC COMMITTEE,
Washington, D.C., August 27, 1963.

HON. ERNEST GRUENING,
*Chairman, Subcommittee on Minerals, Materials, and Fuels, Senate Committee
on Interior and Insular Affairs, U.S. Senate, Washington, D.C.*

DEAR SENATOR GRUENING: I have received a copy of a letter commenting on provisions of S. 1534 written by Mr. Anderson of the Ethyl Corp. and addressed to Senator Henry M. Jackson.

In view of the discussion in this letter of opinions of Ethyl Corp., and as a representative of the domestic lead-zinc mining industry, I believe it important to emphasize once again for the benefit of all concerned that the provisions of S. 1534 are designed to stabilize market prices for both metals at levels that will not only stimulate a reasonable domestic mine production, produced at a profit, but provide adequate metal supply at a reasonable and stable market price for the consumer, and in so doing, will also supply additional domestic ores and concentrates to the U.S. custom smelting industry.

Mr. Anderson states that S. 1534 would undermine the economic attractiveness of lead. The Emergency Lead-Zinc Committee membership was defined in a previous letter to you and includes companies producing and marketing a substantial portion of our domestic lead consumption. These companies are very sensitive to consumer needs and any potential problem that might arise from competitive prices. Mr. Anderson has not substantiated his statement, and we do not agree with it.

We are interested in the statement that S. 1534 will weaken the market use of lead in antiknock compounds. I am informed that tetraethyl lead sells for 55 cents per pound (the current lead metal price is only 11.5 cents per pound) and there is approximately five-eighths of a pound of lead in 1 pound of TEL. A cent or two rise in the price of lead metal will be a relatively insignificant factor in the TEL market price.

"If the turbine engine replaces the piston engine in automobiles, leaded anti-knock compounds will not be needed at all, inasmuch as turbines require only low quality jet fuels for their operation." I feel this statement has little if any reference to enactment of S. 1534 and the price of lead that we anticipate under provisions of this bill. Differences in engine mechanics and efficiencies are involved in such a change in automobile engines, and initial experiments indicate it will be some time before such a substitution will be an actual possibility or any "threat." If the engine does prove to be practical, the change-over, in my estimation, will be made regardless of the lead price in view of the cost figures given in the preceding paragraph. Apparently the TEL producers are not too concerned with this "turbine threat," as I understand they are still investing capital in plant improvements that will increase TEL productive capacity.

In view of further comments by Mr. Anderson, I'm forced to repeat that our producers are not "blind" regarding the lead price and its competitive position. Some people apparently like cheap products and will accept substitutes. My house is presently being painted, and I want a job that will not only be attractive but will have the longest possible life, as labor is a large part of the cost. For these reasons, I specified a lead-base paint. The research program sponsored and financed by the industry is further evidence of their interest in improving paints and remaining competitive.

As regards cable sheathing, I believe an inquiry with cable producers would indicate that substitutions for lead occurred during wartime lead shortages. It wasn't the price, it was the question of availability of material that required the change.

I'm interested in the Ethyl Corp. discussion of the battery market. I attend the industry meetings where new developments are discussed and am always encouraged with the reports on new developments in improving life and efficiency of lead batteries. True, there is some talk of substitutes, but the present and projected future of this market will not be upset by provisions of S. 1534.

Regarding the economics of lead supply figures cited by Mr. Anderson, I would like to mention that in 1950 at prices in the range anticipated under S. 1534, our industry produced newly mined lead and zinc valued at approximately \$300 million. The 1962 figure was one-half this amount. This loss is substantial in itself, but the loss to subsidiary business is many times this amount. We think the lead-zinc mining industry is a good business to rejuvenate in the United States.

I won't argue Mr. Anderson's hypothetical quota figures, as his mathematics as such are correct; but the quota situation at the time of S. 1534 enactment will depend on the market prices then, and their relationship to stocks, supply, and consumption. We will hope that with a continued improvement in present prices, domestic mine production and domestic consumption, that the quota can be calculated on the supply-consumption basis. This would provide a stable profitable condition for the miner, the consumer, and the smelter. As we stated originally—these are our objectives.

After reviewing once again the statement presented by Assistant Secretary of the Interior, Mr. John M. Kelly, I have one more comment that was briefly mentioned in my discussion before your committee, but apparently needs further interpretation. Mr. Kelly's statement places considerable emphasis on new developments in exploration for lead in Missouri, and projected investment in new plants.

His comments refer largely to the activities of St. Joseph Lead Co., yet the inference might be drawn that several companies are involved. St. Joe is proceeding with the announced development in Reynolds County, Mo., at this time, because they believe that with the present level and outlook for lead prices, they cannot count on indefinitely maintaining profitable production from the presently operating mines in the old Lead Belt area in St. Francois County. This new production will largely replace production which they are now obtaining from older mines. When this transition takes place, employment will be drastically reduced and St. Joe will have to write off and scrap plants and facilities which still have many years of useful life ahead of them. Needless to say, they will be leaving—and the Nation will probably be losing—unmined reserves of lead ore which can be counted in the millions of tons. This sequence of events has been precipitated by the continued low price of lead metal over the last few years, and by the uncertainty of the future, so long as imports in unneeded quantities are permitted to invade our domestic markets.

I do hope these added comments will present a balanced viewpoint of some of the opinions that have been submitted for consideration by your committee in its study of the provision of S. 1534, and will further emphasize the need for enactment of this legislation.

Very truly yours,

CLARK L. WILSON, *Chairman.*

ALLEN-STEVENSON CORP.,
Woodside, N.Y., September 13, 1963.

Mr. DANIEL L. GOLDY,
Deputy Assistant Secretary of Commerce,
Department of Commerce, Washington, D.C.

DEAR DAN: I have read lately in the trade papers that you have testified against S. 1534, a new tariff quota bill for zinc. Obviously the administration opposes it.

I oppose it too. I don't know if I ever told you but we use only one raw material here—zinc—300 to 400 tons per month. We are probably the third largest consumer of zinc on the eastern seaboard. In the last 2 months the price has gone up over 20 percent and it's killing us. In many cases, we are unable to pass this increase on.

Now the mining interests are proposing a law to raise the price permanently another 10 percent or so. I see no reason why they have to ruin my business to help theirs. (And they'll probably end by ruining theirs too. Zinc competes with other materials.)

All this leads up to an offer to testify on this subject if anyone is interested and if you can direct me to the right place.

Give my regards to Rusty. Why don't you both come up some weekend? Edith and I would be very happy to see you.

Best wishes,

ALBERT M. SANDERS.

ALLEN-STEVENS CORP.,
Woodside, N.Y., October 2, 1963.

SUBCOMMITTEE ON MINERALS, MATERIALS, AND FUEL,
SENATE COMMITTEE ON INTERIOR AND INSULAR AFFAIRS,
New Senate Office Building, Washington, D.C.
(Attention of Mr. Stewart French.)

GENTLEMEN: I am the president of Allen-Stevens Corp., of New York City. This firm has been a zinc diecaster for 17 years. Starting in 1946, we have grown to be one of the top half-dozen users of zinc alloy on the eastern seaboard. We now consume up to 4,000 tons per year. Zinc is the only material we purchase. We employ almost 300 persons.

We have pioneered in the creation of a major market for zinc where none existed before—in the field of electrical hardware. This is a stable market which goes on without regard for season, year in and year out. We have competed successfully in this field with cast iron producers whose obsolete products have been displaced. Foreign competition, even in the zinc die-cast field, has been successfully dealt with.

But this market increase was largely made possible by the years when the price of zinc (Prime Western, East St. Louis) did not go much over 11.5 cents per pound and was frequently under. If, as a result of S. 1534, the price of zinc is permanently increased, I predict the usage of zinc will substantially decline. This will be a disaster to us as well as to the miners and producers of zinc.

Every working day designers are making decisions whether to use die-cast zinc or some other material such as stamped steel, molded plastic, or die-cast aluminum. Fabricating and tooling costs vary for different methods but a primary factor is the cost of the material itself, often half or more of the total cost of a component. It is absolutely certain that the higher zinc is in price the less it will be used. I have seen it myself. I speak from personal experience.

An anecdote may serve to make clearer the predicament of zinc. Several years ago I was told by a sales engineer for Du Pont that their specific sales goal was the replacement of die-cast zinc by their then-new plastic "Delrin." Delrin was competitive then. Since that time the price of Delrin has gone down several times and the price of zinc has gone up several times.

In the long-term interest of miners, producers, and diecasters, I recommend that S. 1534 be dropped and the price of zinc not be forced to an artificially high and economically prohibitive level.

Very truly yours,

ALBERT M. SANDERS.

APPENDIX

(The following reprint from the Federal Register of July 28, 1963, gives the rules and regulations for stabilization of the lead-zinc industry.)

Title 30—MINERAL RESOURCES

Chapter V—General Services Administration

PART 501—STABILIZATION PAYMENTS TO SMALL DOMESTIC PRODUCERS OF LEAD AND ZINC ORES AND CONCENTRATES

Chapter V, including Part 501, is added to Title 30 of the Code of Federal Regulations, reading as follows:

Sec.	
501.1	Basis and purpose
501.2	Definitions.
501.3	Duration of program.
501.4	Participation in program.
501.5	Stabilization payments.
501.6	Limitations on individual producers and properties.
501.7	General limitations.
501.8	Reports and inspections.
501.9	Access to books and records.
501.10	Modification of benefits.
501.11	Criminal and civil penalties.

AUTHORITY: §§ 501.1 to 501.11 issued under secs. 4, 5, 75 Stat. 767, 768; 30 U.S.C. 684, 685. Delegation of the Secretary of the Interior, 27 F.R. 3822.

§ 501.1 Basis and purpose.

The purpose of the regulations in this part is to implement the Act of Congress approved October 3, 1961, Public Law 87-347, 75 Stat. 766, which authorizes the establishment and maintenance of a program of stabilization payments to small domestic producers of lead and zinc ores and concentrates in order to stabilize the mining of lead and zinc by such producers on public, Indian, and other lands. Pursuant to this Act and the delegation of authority from the Secretary of Interior dated April 19, 1962, and published in the FEDERAL REGISTER (27 F.R. 3822), on April 20, 1962, the Administrator of General Services is authorized to make stabilization payments and to establish and promulgate such regulations and to require such reports as he deems necessary to carry out the purposes of the Act and to assure equitable distribution of the benefits provided for by the Act among the small domestic producers affected. The Administrator of General Services will make such stabilization payments in accordance with the Act and the regulations in this part.

§ 501.2 Definitions.

As used in the regulations in this part:

(a) "Administrator" means the Administrator of General Services or his duly authorized representative.

(b) "Act" means the Act of Congress approved October 3, 1961, Public Law 87-347, 75 Stat. 766.

(c) "Small domestic producer" means any person or firm engaged in producing ores or concentrates from mines located within the United States or its possessions and in selling the material so produced in normal commercial channels who, during any twelve-month period between January 1, 1956, and the first day of the first period for which he seeks a payment under the Act, has not produced or sold ores or concentrates the recoverable content of which is more than three thousand tons of lead and zinc combined.

(d) The term "normal commercial channels" means the use of beneficiating plants, smelters, refineries, or other processing plants which purchase and process lead or zinc ores or concentrates as a usual part of their business.

(e) "Recoverable content" means 95 percent of the lead content of ores or concentrates, and 85 percent of the zinc content of ores or concentrates, as determined by assay.

(f) "Ton" means 2,000 pounds avoirdupois net dry weight.

(g) "Sale" means a bona fide transfer for value of ores or concentrates from a producer to a processor, which shall be deemed to have occurred not later than the date of receipt of the material by the processor. If a producer smelts or refines his own ores or concentrates, a sale shall be deemed to have occurred when such ores or concentrates are received at his smelter or refinery. A sale of concentrates produced from ores sold to a processing plant by a small domestic producer in accordance with the regulations in this part shall not be considered as a sale by the owner of the processing plant, but shall be considered as a sale by such producer.

(h) "Newly mined ores or concentrates" means domestic ores severed from the land, or concentrates produced from such domestic ores, subsequent to October 3, 1961, including a normal inventory of crude ore as defined in paragraph (i) of this section. The term does not refer to material recovered from mine dumps, mill tailings, smelter slags, or residues, derived from ore mined prior to October 3, 1961, or to secondary or salvage material, or to any ores or concentrates which have been commingled with such materials.

(i) A "normal inventory of crude ore" means the quantity of broken ore on hand at the surface of a mine on October 3, 1961, but not in excess of a quantity which bears a reasonable relation to the quantities of such material customarily maintained during the calendar year, between January 1, 1950, and December 31, 1960, in which the producer attained his maximum production.

(j) "Operating unit" means a mine or group of mines, or portions of either, which the Administrator determines, on the basis of cost and operating records or other available data, is being operated as a single unit separate and apart from other units in the same area.

(k) "Quarter" means a three-month period commencing on the first day of January, April, July, or October.

§501.3 Duration of the program.

The program shall terminate with respect to each calendar year upon the happening of either of the following events, whichever occurs first:

(a) The closing of the calendar year, or

(b) When the amounts of stabilization payments for the calendar years 1962, 1963, 1964, and 1965 total \$4,500,000, \$4,500,000, \$4,000,000, and \$3,500,000, respectively.

§501.4 Participation in the program.

(a) Any small domestic producer desiring to participate in the program shall apply on GSA Form 1776 to General Services Administration, Defense Materials Service, General Services Building, Washington 25, D.C. The application should state that the applicant has read the regulations in this part and accepts their terms and conditions. The Administrator may request such additional information as may be necessary and will issue to each applicant found by him to be qualified a certificate of participation on GSA Form 1777, authorizing the applicant to apply for stabilization payments under the regulations in this part to the extent he is eligible and qualified to receive such payments. The issuance of such a certificate shall not entitle the applicant to any stabilization payments to which he would not otherwise be entitled under the terms and conditions of the Act and the regulations in this part.

(b) To obtain stabilization payments a certified producer shall submit to General Services Administration a request for payment on GSA Form 1778.

(c) Notwithstanding the fact that all requirements of the regulations in this part may have been met, a small domestic producer shall not be entitled to any stabilization payments if funds are not available therefor under the program.

(d) The rights under a certificate of participation cannot be acquired by assignment through a sale, lease, permit or other similar transaction, but may be acquired by succession in interest other than by such an assignment.

(e) No person or firm may succeed to the rights under a certificate of participation unless an amended application on GSA Form 1776 is made to the above

address giving all the facts relating to such succession in interest. If a valid succession in interest is shown to have occurred and the successor in interest is otherwise eligible, an amended certificate of participation on GSA Form 1777 will be issued entitling the successor in interest to continue the rights under the original certificate.

§ 501.5 Stabilization payments.

Stabilization payments will be made to small domestic producers upon the following terms and conditions:

(a) Presentation of evidence satisfactory to the Administrator of the sale by such applicant of his production of newly mined ore, or concentrates produced therefrom, as provided for in the regulations in this part.

(b) Payment shall be made only with respect to the lead or zinc metal content as determined by assay in accordance with paragraphs (c) and (d) of this section.

(c) When the producer sells ore to a processing plant, the assays for lead and zinc shown on the certified assay report issued by the processing plant shall be used. When the producer ships ore to his own processing plant, or ships ores to a toll processing plant, and sells the concentrates therefrom, the assays shown on the certified assay report issued by the smelter or refinery purchasing the concentrates shall be used. Such assays shall be furnished without cost to General Services Administration. Prior to the issuance of a certificate of participation to an applicant, the applicant shall agree that a representative of the Administrator may be present at the weighing, sampling and assaying of the material upon which stabilization payments are claimed; that a representative portion of the sample shall be packaged, sealed, and identified as the Government's sample; that the Government's sample shall be set aside and held for the Government; and that the Government may have its sample assayed, in which event the Government's assays shall be accepted as establishing the metal content of the material sampled for the purpose of determining the amount of stabilization payments which the applicant may claim against the sales of such material. The cost of the Government's assays shall be for the Government's account.

(d) Lead or zinc metal content shall be calculated on the basis of the dry weights of the ores or concentrates sold multiplied by the percentages of contained lead or zinc metal shown in the assays issued in accordance with paragraph (c) of this section. No stabilization payments shall be made for zinc metal contained in a lead ore or concentrate, or for lead metal contained in a zinc ore or concentrate, unless both metals are sold. If, however, the processor is the same person as the producer, such payments will be made only if such ore or concentrate is to be primarily processed for the recovery of both metals.

(e) For lead, such payments shall be made, subject to the availability of funds therefor, on sales made at times when the market price for common lead at New York, New York, as determined by the Administrator, is below $14\frac{1}{2}$ cents per pound, and such payments shall be 75 percent of the difference between $14\frac{1}{2}$ cents per pound and the average market price for the month in which the sales occurred as determined by the Administrator.

(f) For zinc, such payments shall be made, subject to the availability of funds therefor, on sales made at times when the market price for prime western zinc at East Saint Louis, Illinois, as determined by the Administrator, is below $14\frac{1}{2}$ cents per pound, and such payment shall be 55 percent of the difference between $14\frac{1}{2}$ cents per pound and the average market price for the month in which the sales occurred as determined by the Administrator.

(g) The Administrator's market price determinations shall be based upon trade publications and such other sources of market information as he deems relevant.

(h) Each small domestic producer shall submit one request for payment, on GSA Form 1778, covering all sales for each month. Each such request should be submitted by the 15th day after the end of the month in which the sales covered by such request are made, except that requests with respect to sales made between January 1, 1962, and the last day of the month in which the participant receives his certification of participation are to be submitted by the 15th day of the following month. Request shall be submitted to: Office of Comptroller, General Service Administration, Washington 25, D.C. Unless justifiable cause beyond the reasonable control of the applicant is shown, requests for payment received after the applicable date will not be paid until the month following their receipt, and in no event will payments be made on requests received

after March 31 of the year following the year of the sale. Late requests run the risk of the exhaustion of funds through the payment of timely requests.

(i) Except for applications for participation received during the first three quarters of 1962, an applicant may be eligible for payments under the regulations in this part only with respect to sales in a quarter commencing after the date of the receipt of his application.

§ 501.6 Limitations on individual producers and properties.

Stabilization payments otherwise authorized under the regulations in this part shall be subject to the following limitations and restrictions:

(a) (1) No stabilization payments shall be made to any small domestic producer on sales, or further processing in lieu of sales, of newly mined ores or concentrates produced therefrom, in excess of the following quantities:

Calendar year:	Tons (metal content)	
	Lead	Zinc
1962	1,500	1,500
1963	1,200	1,200
1964	900	900
1965	600	600

(2) No small domestic producer may receive stabilization payments on lead in any one of the above calendar years based upon production in excess of his maximum production (recoverable content) of lead during any calendar year between January 1, 1950, and December 31, 1960.

(3) No small domestic producer may receive stabilization payments on zinc in any one of the above calendar years based upon production in excess of his maximum production (recoverable content) of zinc during any calendar year between January 1, 1950, and December 31, 1960.

(4) No stabilization payments shall be made on any domestically produced material which is sold to or eligible for sale to the United States Government, or any agency thereof pursuant to a contract made under the provisions of the Defense Production Act of 1950, as amended, or the Strategic and Critical Materials Stock Piling Act. The amounts of such material shall be applied to reduce the annual maximum quantities specified in subparagraph (1) of this paragraph (a) and the applicable quarterly limitations and quotas fixed by the Administrator pursuant to § 501.7.

(b) Stabilization payments shall be made only with respect to lead or zinc ores and concentrates produced from an operating unit which was also operated during the whole or some part of the period January 1, 1956, to August 1, 1961.

(c) No stabilization payments shall be made on any production from any property acquired by the applicant by sale, lease, permit, or otherwise (except devise or inheritance) subsequent to August 1, 1961. However, any person or firm acquiring a property by sale, lease, permit, or otherwise after August 1, 1961, and otherwise meeting the requirements for a small domestic producer, may qualify as a small domestic producer if such person or firm produced lead or zinc ores or concentrates from a mine specified in a lease, permit, or contract during the whole or some part of the period January 1, 1956, to August 1, 1961, but not if his production during such period was from a mine owned by him.

(d) The Administrator may determine what constitutes a single operating unit producing ores. If more than one producer claims payment for sales from production of a single operating unit, the Administrator may determine the quantity of sales for each such producer to which the limitations set forth in the regulations in this part apply.

(e) No producer shall be eligible for payments under the regulations in this part if he is operating under a lease, contract, or permit obtained after October 3, 1961, from another producer of lead or zinc who has placed a larger portion of his lead and zinc mining properties under lease, contract, or permit to other producers than he had placed at his highest production level of lead and zinc since January 1, 1956, to October 3, 1961.

§ 501.7 General limitations.

(a) Notwithstanding any other provisions of the regulations in this part, the maximum amounts of stabilization payments which may be made on account of

sales of newly mined ores or concentrates produced therefrom shall not exceed the following amounts or the amounts appropriated therefor, whichever is less:

During the calendar year:	<i>Not to exceed</i>
1962-----	\$4, 500, 000
1963-----	\$4, 500, 000
1964-----	\$4, 000, 000
1965-----	\$3, 500, 000

(b) For the purpose of achieving stabilization in the annual rates of production, the Administrator will fix limitations each quarter on the total amounts of lead and zinc on which stabilization payments will be made. The Administrator will assign quotas to individual producers within such quarterly limitations to the extent necessary and in a manner designed to assure equitable distribution of the benefits of the programs. The limitations and quotas so fixed and assigned will not be subject to adjustment except in the event of changes in market prices having such substantial impact upon amounts payable on sales during the quarter as the Administrator determines to require adjustments to avoid defeating the statutory purposes of stabilizing production and making equitable distribution of benefits. The sum of the quarterly limitations, or the sum of all producers' quarterly quotas for a calendar year may be less than the total eligible tonnage if funds are not available to cover the full eligible tonnage. Shortfalls in meeting quarterly quotas for any of the first three quarters may be made up by sales in excess of the individual producer's quota for the following quarter only. Shortfalls in the fourth quarter cannot be made up by sales in the first quarter of the following year. Sales made in any quarter in excess of the quota for that quarter may not be carried forward for payment during subsequent quarters.

§ 501.8 Reports and inspections.

(a) Applicants shall furnish the Administrator from time to time reports showing production and disposition of ores or concentrates, together with such other reports and information as the Administrator may require for the administration of the regulations in this part. This reporting requirement has been approved by the Bureau of the Budget in accordance with the Federal Reports Act of 1942, and any requirements subsequently prescribed will be subject to such approval.

(b) Authorized representatives of the United States Government may enter the applicant's property at all reasonable times for inspection of the operations of the applicant. The applicant shall provide such authorized representatives with all reasonable means of access for such inspections.

§ 501.9 Access to books and records.

Until three (3) years after the termination of the program established under the regulations in this part, authorized representatives of the United States Government shall have access to and the right to examine any pertinent books, documents, papers and records of any participant involving transactions related to the program.

§ 501.10 Modification of benefits.

The regulations in this part may be amended or revised by the Administrator from time to time whether or not such amendment or revision increases or decreases any of the benefits provided for by the regulations in this part or affects the distribution of benefits among small domestic producers.

§ 501.11 Criminal and civil penalties.

As provided in section 9 (a) and (b) of the Act—

(a) Whoever, for the purpose of procuring a payment to which he is not entitled under the Act or the regulations in this part or for the purpose of assisting another to procure a payment to which the other is not entitled under the Act or the regulations in this part, misrepresents any material fact, knowing the same to be false, fictitious, or fraudulent, shall be guilty of an offense against the United States and shall be fined not more than \$5,000 or imprisoned not more than two years, or both, and shall thenceforth be entitled to no benefits under the Act or the regulations in this part.

(b) Whoever accepts a payment under the Act or the regulations in this part to which, or any portion of which, he is not entitled, knowing that he is not entitled thereto or whoever, having accepted a payment under the Act or the regulations in this part to which, or any portion of which, he is not entitled, retains the same, knowing that he is not entitled thereto, shall be required, in a civil action instituted by the Attorney General, to refund treble the amount accepted or retained by him. The acceptance or retention of any payment as aforesaid shall also constitute an offense against the United States punishable by a fine of not more than \$5,000 or imprisonment for not more than two years, or both, and any person who shall be convicted of such offense shall thenceforth be entitled to no benefits under the Act or the regulations in this part.

Dated: April 26, 1962.

BERNARD L. BOUTIN,
Administrator of General Services.

Concurred in by:

STEWART L. UDALL,
Secretary of the Interior.

[F.R. Doc. 62-7518; Filed, July 27, 1962; 8:55 a.m.]



