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# SPOSALS FROM NATIONAL STOCKPILE

GOVERNMENT

Storage

## HEARING BEFORE A SUBCOMMITTEE OF THE COMMITTEE ON ARMED SERVICES UNITED STATES SENATE

EIGHTY-NINTH CONGRESS

FIRST SESSION

ON

### H. Con. Res. 453

SPOSAL OF MAGNESIUM FROM THE NATIONAL STOCKPILE

### H. Con. Res. 454

ISPOSAL OF DIAMOND DIES AND NONSTOCKPILE GRADE  
BISMUTH ALLOYS FROM THE NATIONAL STOCKPILE

### H. Con. Res. 455

SPOSAL OF HYOSCINE FROM THE NATIONAL STOCKPILE

### H.R. 9544

DISPOSAL OF RUBBER FROM THE NATIONAL STOCKPILE

### H.R. 10305

DISPOSAL OF NICKEL FROM THE NATIONAL STOCKPILE

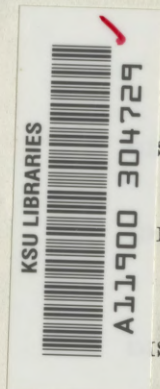
AUGUST 19, 1965

Printed for the use of the Committee on Armed Services



U.S. GOVERNMENT PRINTING OFFICE

WASHINGTON : 1965



DISPOSALS FROM NATIONAL STOCKPILE

HEARING

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## DISPOSALS FROM NATIONAL STOCKPILE

THURSDAY, AUGUST 19, 1965

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

The subcommittee (composed of Senators Symington (chairman), Cannon, Young of Ohio, Inouye, Miller, and Tower) met, pursuant to notice, in room 212, Old Senate Office Building, at 9:30 a.m.

Present: Senators Symington (presiding), Cannon, and Miller.

Also present: William H. Darden, chief of staff; Charles B. Kirbow, chief clerk; and H. S. Atkinson, assistant chief clerk.

Senator SYMINGTON. We will call the meeting to order.

The subcommittee is meeting this morning to consider five resolutions and bills authorizing disposals from the national stockpile. These are:

(1) House Concurrent Resolution 453, which would authorize the disposal of about 21,500 short tons of magnesium;

(2) House Concurrent Resolution 454, which would authorize the disposal of 36,580 pounds of bismuth and 8,734 pieces of subgrade diamond dies;

(3) House Concurrent Resolution 455, which relates to 2,100 ounces of hyoscine;

(4) H.R. 9544, which would authorize the disposal of 620,000 long tons of natural rubber and waive the normal 6-month waiting period; and

(5) H.R. 10305, which would authorize the disposal of 124,200,000 pounds of nickel and waive the 6-month waiting period.

(The bills, H. Con. Res. 453, H. Con. Res. 454, H. Con. Res. 455, H.R. 9544, and H.R. 10305, referred to, follow:)

[H. Con. Res. 453, 89th Cong., 1st sess.]

### CONCURRENT RESOLUTION

*Resolved by the House of Representatives (the Senate concurring),* That the Congress expressly approves, pursuant to section 3(e) of the Strategic and Critical Materials Stock Piling Act (50 U.S.C. 98b(e)), the disposal from the national stockpile of approximately twenty-one thousand five hundred short tons of magnesium contained in primary pigs and alloys.

Passed the House of Representatives August 16, 1965.

Attest:

RALPH R. ROBERTS,  
*Clerk.*

## DISPOSALS FROM NATIONAL STOCKPILE

[H. Con. Res. 454, 89th Cong., 1st sess.]

## CONCURRENT RESOLUTION

*Resolved by the House of Representatives (the Senate concurring), That the Congress expressly approves, pursuant to section 3(e) of the Strategic and Critical Materials Stock Piling Act (50 U.S.C. 98b(e)), the disposal from the national stockpile of approximately eight thousand three hundred seventy-four pieces of subgrade small diamond dies and approximately thirty-six thousand five hundred eighty pounds of nonstockpile grade bismuth alloys.*

Passed the House of Representatives August 16, 1965.

Attest:

RALPH R. ROBERTS,  
Clerk.

[H. Con. Res. 455, 89th Cong., 1st sess.]

## CONCURRENT RESOLUTION

*Resolved by the House of Representatives (the Senate concurring), That the Congress expressly approves, pursuant to section 3(e) of the Strategic and Critical Materials Stock Piling Act (50 U.S.C. 98b(e)), the disposal of approximately two thousand one hundred ounces of hyoscine from the national stockpile.*

Passed the House of Representatives August 16, 1965.

Attest:

RALPH R. ROBERTS,  
Clerk.

[H.R. 9544, 89th Cong., 1st sess.]

AN ACT To authorize the disposal, without regard to the prescribed six-month waiting period, of approximately six hundred and twenty thousand long tons of natural rubber from the national stockpile

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the Administrator of General Services is hereby authorized to dispose of approximately six hundred and twenty thousand long tons of natural rubber now held in the national stockpile. Such disposal may be made without regard to the provision of section 3(e) of the Strategic and Critical Materials Stock Piling Act (50 U.S.C. 98b(e)) that no disposition of materials held in the national stockpile shall be made prior to the expiration of six months after the publication in the Federal Register and the transmission to the Congress and to the Armed Services Committee of each House thereof of the notice of the proposed disposition required by said section 3(e).*

Passed the House of Representatives August 16, 1965.

Attest:

RALPH R. ROBERTS,  
Clerk.

[H.R. 10305, 89th Cong., 1st sess.]

AN ACT To authorize the disposal, without regard to the prescribed six-month waiting period, of approximately one hundred and twenty-four million two hundred thousand pounds of nickel from the national stockpile

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the Administrator of General Services is hereby authorized to dispose of approximately one hundred and twenty-four million two hundred thousand pounds of nickel now held in the national stockpile. Such disposal may be made without regard to the provision of section 3(e) of the Strategic and Critical Materials Stock Piling Act (50 U.S.C. 98b(e)) that no disposition of materials held in the national stockpile shall be made prior to the expiration of six months after the publication in the Federal Register and the transmission to the Congress and to the Armed Services Committee of each House thereof of the notice of the proposed disposition required by said section 3(e).*

Passed the House of Representatives August 16, 1965.

Attest:

RALPH R. ROBERTS,  
Clerk.

Senator SYMINGTON. Mr. Maurice J. Connell, Commissioner of the Defense Materials Service in the General Services Administration, is present to testify on these measures.

Mr. Connell, we are glad to have you here. You may proceed with your testimony.

### HOUSE CONCURRENT RESOLUTION 453

#### STATEMENT OF MAURICE J. CONNELL, COMMISSIONER, DEFENSE MATERIALS SERVICE, GENERAL SERVICES ADMINISTRATION; ACCOMPANIED BY JOHN G. HARLAN, JR., DEPUTY COMMISSIONER

Mr. CONNELL. Mr. Chairman, I have with me members of my staff and my Deputy Commissioner, Mr. John Harlan, and we are here to testify on the bill which you specify we should take up first.

Senator SYMINGTON. You might start off with the magnesium bill (H. Con. Res. 453), inasmuch as there is no controversy about that, and you may wish just to file your statement for the record.

Mr. CONNELL. That is what we had in mind, Mr. Chairman. I will file my statement for the record. We favor House Concurrent Resolution 453 for the disposal of magnesium, inasmuch as there is no controversy about this disposal.

(The statement referred to follows:)

Mr. Chairman and members of the subcommittee, I am Maurice J. Connell, Commissioner, Defense Materials Service, General Services Administration. I have with me Mr. John G. Harlan, Jr., Deputy Commissioner, and other staff members of GSA who are knowledgeable concerning the Government's stockpile program.

On behalf of the Administrator, Mr. Lawson B. Knott, Jr., who asked me to represent him at the hearings this morning, I want to thank you for the opportunity to appear before your subcommittee for the purpose of expressing the views of GSA on House Concurrent Resolution 453.

This concurrent resolution would, as you know, approve the disposal by GSA of approximately 21,500 short tons of magnesium contained in primary pigs and alloys in the national stockpile. GSA strongly urges approval of this disposal.

The revised stockpile objective for magnesium, which was established by the Office of Emergency Planning on February 28, 1964, is 145,000 short tons. The 21,500 short tons of magnesium proposed for disposal are the total excess in the national stockpile which is not covered by previously authorized disposal programs.

Prior to 1963, consumption of primary magnesium in the United States was at a level of 35,000 to 45,000 short tons per year. However, starting in 1963, U.S. consumption increased markedly with consumption for 1963 reaching 51,000 short tons and consumption for 1964 reaching 55,000 short tons.

Continued growth in demand, both domestically and abroad, is expected as a result of the increased use of magnesium castings, the increased use of aluminum alloys, and the shortage of high-quality magnesium scrap.

GSA has been disposing of surplus magnesium and magnesium bearing materials from the stockpile since 1960.

During the period 1960-62, approximately 2,722 short tons of nonstockpile grade alloy bomb scrap, containing about 95-percent magnesium, were sold from the national stockpile. In February 1961, GSA sold 4,413 short tons of cadmium-magnesium alloy bomb scrap, with deliveries spread over a 3-year period. This material contained about 2,780 short tons of recoverable magnesium.

Beginning in November 1962, GSA has sold 9,135 short tons under a program for the disposal of a total of 12,500 short tons of excess magnesium from the national stockpile.

All of these disposals have been made with minimum impact on the market.

It is proposed to dispose of the total excess of magnesium including any portion remaining unsold from the prior authorization over a period of from 4 to 5 years.

The sales rate the first year would not exceed 5,000 short tons. The annual rate is subject to modification, if market or other conditions warrant.

This concludes my prepared statement, Mr. Chairman. However, if you or members of your subcommittee have any questions you may wish to ask, we shall be happy to answer them at this time or furnish the desired information for the record.

(Subsequently in executive session, the committee voted to report H. Con. Res. 453, without amendment, as covered by S. Rept. 628).

### HOUSE CONCURRENT RESOLUTION 454

Senator SYMINGTON. We will next take up House Concurrent Resolution 454, the disposal of bismuth alloys and diamond dies.

Mr. CONNELL. We also submit our statement for the record. The disposal is for 36,580 pounds of bismuth alloys and 8,374 pieces of diamond dies. There is no controversy on these particular disposals and we favor House Concurrent Resolution 454.

Senator SYMINGTON. Very well.

(The statement referred to follows:)

Mr. Chairman and members of the subcommittee, I am Maurice J. Connell, Commissioner, Defense Materials Service, General Services Administration. I have with me Mr. John G. Harlan, Jr., Deputy Commissioner, and other staff members of GSA who are knowledgeable concerning the Government's stockpile program.

On behalf of the Administrator, Mr. Lawson B. Knott, Jr., who asked me to represent him at the hearings this morning, I want to thank you for the opportunity to appear before your subcommittee for the purpose of expressing the views of GSA on House Concurrent Resolution 454.

This concurrent resolution would, as you know, approve the disposal by GSA of 36,580 pounds of nonstockpile grade bismuth alloys and 8,371 pieces of subgrade small diamond dies now held in the national stockpile. GSA favors approval of these disposals.

These materials are not required for stockpile objectives. They were acquired through transfer from other agencies in the early days of stockpiling, and are in grades or forms that do not meet current stockpile requirements for either bismuth or small diamond dies.

Stockpile specifications call for 99.99 percent pure bismuth metal, whereas the alloys proposed for disposal contain only 56 to 58 percent bismuth, with the remainder consisting of lead and zinc. There is an excess of some 235,000 pounds of stockpile grade bismuth to the 3.6-million-pound stockpile objective.

Bismuth is stockpiled for use in the production of all types of alloys, or for conversion to salts for pharmaceutical and other purposes.

Diamond dies are industrial stones that have been drilled to permit their use for drawing wire to extreme degrees of fineness. At this time, the stockpile objective for small diamond dies is 25,000 pieces and is only about half fulfilled. However, the quality of the 8,371 dies proposed for disposal is unsatisfactory for stockpiling. Some have physical defects, such as fractures or chipped surfaces, and others are worn or "out of round." Many also have too large a diameter or weigh less per unit than required by stockpile specifications. It is expected that, in many cases, their value may be limited to the salvage of the diamonds for use as crushing bort.

The total acquisition cost of the two materials was approximately \$234,000.

As to the rate of disposal for the materials, the small quantity of bismuth involved will be made available for disposal at one time after the statutory requirements have been met. It is expected that the diamond dies will be disposed of within a year after the statutory requirements have been met.

This concludes my prepared statement, Mr. Chairman. However, if you or members of your subcommittee have any questions you may wish to ask, we shall be happy to answer them at this time or furnish the desired information for the record.

(Subsequently, in executive session, the committee voted to report H. Con. Res. 454, without amendment, as covered by S. Rept. 627.)

**HOUSE CONCURRENT RESOLUTION 455**

Senator SYMINGTON. The next will be House Concurrent Resolution 455.

Mr. CONNELL. House Concurrent Resolution 455 is for the disposal of 2,100 ounces of hyoscine, declared obsolete because it is no longer on the stockpile list.

We will file our statement. We favor House Concurrent Resolution 455.

(The statement referred to follows:)

Mr. Chairman and members of the subcommittee, I am Maurice J. Connell, Commissioner, Defense Materials Service, General Services Administration. I have with me Mr. John G. Harlan, Jr., Deputy Commissioner, and other staff members of GSA who are knowledgeable concerning the Government's stockpile program.

On behalf of the Administrator, Mr. Lawson B. Knott, Jr., who asked me to represent him at the hearings this morning, I want to thank you for the opportunity to appear before your subcommittee for the purpose of expressing the views of GSA on House Concurrent Resolution 455.

This concurrent resolution would, as you know, approve the proposed disposal by GSA of approximately 2,100 ounces of hyoscine from the national stockpile. GSA favors approval of this disposal.

All of the hyoscine is excess to stockpile requirements.

Hyoscine is an extremely poisonous botanical drug. Its primary applications have been for the treatment of Parkinson's disease and for the control of motion sickness. As the result of the development of synthetic medicinals as substitutes, the Office of Emergency Planning removed hyoscine from the list of strategic and critical materials on March 19, 1964, whereupon the 2,100 ounces of hyoscine remaining in inventory became excess.

Previously, between May 1960 and May 1962, GSA disposed of approximately 5,500 ounces of hyoscine excess to the then existing stockpile objective. These sales, which covered quantities ranging from 1,012 to 1,835 ounces, were made without materially affecting the market.

We have informally consulted affected industry concerning the disposal of the small quantity presently involved, and no objections were raised. Notice of the proposed disposal was published in the Federal Register on November 4, 1964.

In light of our past sales experience, we propose to make the entire quantity available for disposal after statutory requirements have been met.

This concludes my prepared statement, Mr. Chairman. However, if you or members of your subcommittee have any questions you may wish to ask, we shall be happy to answer them at this time or furnish the desired information for the record.

(Subsequently, in executive session, the committee voted to report H. Con. Res. 455, without amendment, as covered by S. Rept. 629.)

**H.R. 9544**

Senator SYMINGTON. The next item is H.R. 9544 on rubber.

Mr. CONNELL. GSA will file its statement on H.R. 9544 on the entire excess of rubber. As the chairman knows, synthetics are in this field, and have been taking over for some time. We would like authorization to continue our long-range program on rubber, and we are asking for the total excesses of 630,000 tons.

Senator SYMINGTON. You may file your statement on that without objection.

(The statement referred to follows:)

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

Mr. Chairman and members of the subcommittee, I am Maurice J. Connell, Commissioner, Defense Materials Service of the General Services Administration. I have with me Mr. John G. Harlan, Jr., Deputy Commissioner, and other staff members of GSA who are knowledgeable regarding the Government's rubber program.

On behalf of the Administrator, Mr. Lawson B. Knott, Jr., who asked me to represent him at the hearings this morning, I want to thank you for the privilege of appearing before your subcommittee to express the views of the General Services Administration on H.R. 9544, a bill to authorize the disposal, without regard to the prescribed 6-month waiting period, of approximately 620,000 long tons of natural rubber from the national stockpile.

GSA strongly urges the early enactment of H.R. 9544 to permit the uninterrupted continuation of the program for disposing of excess natural rubber from the stockpile.

This excess of 620,000 long tons of natural rubber stems from a reduction of the stockpile objective from 750,000 to 130,000 long tons by the Office of Emergency Planning on March 5, 1964.

Though production and consumption of synthetic rubber continue to climb to new heights yearly, demand for natural rubber remains firm. Consumption of natural rubber worldwide is in the area of 2 million long tons annually. About 500,000 long tons of this yearly total are consumed in the United States.

General Services Administration has been engaged in the disposal of surplus natural rubber for more than 5 years under prior congressional authorization which was granted in May of 1960 and covered 470,000 long tons. At that time it was believed that the disposal of that quantity of rubber would require about 9 years. However, the annual disposal rate has increased steadily due to favorable market conditions until it now appears that we will complete disposition of the entire quantity previously authorized by the end of October of this year.

Through July 27, 1965, cumulative sales under the existing program total approximately 437,500 long tons with 32,500 long tons remaining for sale. Revenues through the date indicated amount to approximately \$273.3 million.

General Services Administration has consulted with other departments and agencies of Government concerned with the proposed disposal of the additional 620,000 long tons of surplus rubber under consideration here. Affected sources in industry have also been consulted. A notice concerning the proposed disposal was published in the Federal Register on March 26, 1965.

Upon congressional approval we will add the 620,000 long tons authorized to the balance remaining to be sold under existing authorization. We would then dispose of the total quantity under the disposal procedures presently in effect for natural rubber.

Under these procedures, GSA operates two separate disposal programs designated as commercial sales and transfers to Government agencies with reimbursement at market value. Commercial sales are currently being made at a rate of 72,000 long tons a year. Government transfers are presently taking place at a rate of about 40,000 long tons a year.

We plan no change in present disposal methods at this time. Sales made in accordance with these procedures have not materially affected the markets of producers, processors, or consumers. At the same time, the Government's interests have been protected.

The orderly disposal of the entire quantity of excess rubber that would be available for disposal is expected to take approximately 6 years; however, the actual time required will depend upon market conditions and developments as the program progresses. It may be necessary to make adjustments in the disposal program if experience indicates any changes are warranted.

This concludes my prepared statement, Mr. Chairman. However, if you or members of your subcommittee have any questions you may wish to ask, we shall be happy to answer them at this time or furnish the desired information for the record.

Senator SYMINGTON. There is no opposition to disposal of this rubber, is there?

Mr. CONNELL. No, sir; there is no opposition.

(Subsequently, in executive session, the committee voted to report H.R. 9544, without amendment, as covered by S. Rept. 626.)

### H.R. 10305

Senator SYMINGTON. H.R. 10305, the disposal of nickel, is the next bill to be considered. Perhaps it would be well to read your statement on that because we have a witness who opposes your position.

Mr. CONNELL. Yes, sir. It is a rather long statement, Mr. Chairman, but I will be glad to summarize the pertinent points or be glad to read it verbatim, whichever you decide.

Senator SYMINGTON. It is not too long. I suggest you read it.

Mr. CONNELL. All right, sir.

I am Maurice J. Connell, Commissioner, Defense Materials Service, General Services Administration. I have with me Mr. John G. Harlan, Jr., Deputy Commissioner, and other staff members of GSA who are knowledgeable concerning the Government's stockpile program.

On behalf of the Administrator, Mr. Lawson B. Knott, Jr., who asked me to represent him at the hearings this morning, I want to thank you for the opportunity to appear before your subcommittee for the purpose of expressing the views of GSA on H.R. 10305.

This bill would, as you know, authorize disposal by GSA of approximately 124,200,000 pounds of nickel from the national stockpile.

Before discussing the bill, Mr. Chairman, I believe it would be helpful if we reviewed the long-range disposal plans which we have developed on nickel, as well as the actual surplus disposals which have been made thereunder in recent months.

The stockpile objective that has been established for nickel by the Office of Emergency Planning is 100 million pounds. In November 1964, GSA announced completion of the development phases of a long-range disposal program for all surplus nickel, which, at that time, consisted of approximately 106 million pounds held in the Defense Production Act inventory, 10 million pounds of oxide powder in the national stockpile—disposal of which was previously approved by the Congress—and 224 million pounds of nickel held in the national stockpile for which congressional approval must still be secured.

In developing the details of the nickel disposal methods, GSA consulted extensively with all segments of the nickel producing and consuming industries. The plan adopted and now in effect provides for the establishment of a fixed annual quantity limit, and for offerings to be made for about one-fourth of such quantity every 90 days by sealed bid. The plan also provides for a set-aside sale to facilitate the participation by small business firms.

In November of 1964, sales offerings were initiated for the first part of the long-range program consisting of the 106 million pounds in the DPA inventory for which congressional approval was not required and the 10 million pounds of oxide powder previously authorized by Congress. The initial disposal rate for the first year was set at 15 million pounds with specific limitations fixed on the various types of nickel; that is, electrolytic cathodes, ferronickel, and nickel oxide powder. Three quarterly offerings have been made to date, and participation has been better than initially expected.

Total disposals during the first 7 months of operation of the first part of the long-range program have amounted to 13,956,697 pounds.

Since the adoption of the 15-million-pound disposal rate, markets for nickel have strengthened considerably. After a series of meetings were held with the other Government agencies and industry segments involved, the disposal rate was raised to 25 million pounds for the program year beginning July 1.

Authority to dispose of nickel from the surpluses in the national stockpile is needed to round out offerings starting with the second quarter of the new program year. In addition, the demands of the Bureau of the Mint for electrolytic cathodes are expected to increase substantially under the new coinage act. The disposal plan for the current program year restricts sales of ferronickel to approximately 6 million pounds per year, and the yearly sales of oxide powder are expected to be at the rate of about 2 million pounds. The balance of about 17 million pounds to be disposed of this program year is expected to be made up principally of nickel in the form of electrolytic cathodes. However, only 5 million pounds of the remaining nickel currently authorized for disposal are in the form of electrolytic cathodes.

Turning now, Mr. Chairman, to H.R. 10305, the bill would authorize disposal of only a portion of the present stockpile surpluses of nickel. As indicated earlier, all of the disposal planning which has taken place on nickel, and on which industry and other affected governments have been consulted, addressed itself to the total surpluses of nickel held by General Services Administration. This is consistent with the principle that the Government should lay out its plans on the total stockpile surpluses so that the affected industry may in turn adjust its plans in light of the Government's program.

The rates and conditions of disposal of nickel will continue to be established with due regard to the protection of producers, processors, and consumers against avoidable disruption of their usual markets, as well as the protection of the United States against avoidable loss. The entire program will be reviewed annually or, if necessary, more frequently by GSA in consultation with other interested departments and agencies, and any significant program changes will be discussed with the industry. The plan makes provision for satisfaction of defense rated orders. Moreover, since the plan is long range in nature, with disposal of the total surpluses to be carried out over a period of approximately 12 years, there is ample opportunity to shut off the disposal program in later years should it be determined that any portion of the surpluses is required by the Government through any change in plans.

With the foregoing safeguards, there would appear, in our opinion, to be no compelling reason for the authorization of only a limited portion of the surpluses.

For the foregoing reasons, Mr. Chairman, GSA recommends amendment of H.R. 10305 to provide authorization for the disposal of approximately 224,200,000 pounds of nickel in lieu of 124,200,000 as presently reflected in the bill.

This concludes my prepared statement, Mr. Chairman. However, if you or members of your subcommittee have any questions you may wish to ask, I shall be happy to answer them at this time or furnish the desired information for the record.

I do have something further I would like to say on this 224 million pounds of nickel, Mr. Chairman.

When the late President asked the chairman of this subcommittee to look into the stockpile, at the same time an Executive Stockpile Committee was appointed at a Cabinet level. In the past, or before this operation began, this stockpile disposal operation was hit and miss, and a rather hectic situation. The Executive Stockpile Committee recommended that we should set our sights on long-range disposals.

Now, many of the people from industry have come into our office and asked us, "What are you going to do with this surplus that is hanging over our heads? How do you wish to dispose of it?"

Many of the people that came in, including the International Nickel people that called on us said that if the Government only had a long-range plan, and industry knew how much the Government was going to sell, it would seem to fit industry needs better.

Consequently, we took upon the other agencies and GSA to set out a very workable plan under the mandate of the present laws, which protects the processors and consumers from disruption of markets. We thought we had a reasonable plan where we can go in a very orderly manner, and go into the market and have the flexibility that the Government requires.

Now, in my opinion, this subcommittee and its House counterpart gave us the guidelines which we are following.

The 224 million pounds, which is the total excess, will put into the Treasury several million dollars.

Senator SYMINGTON. Several million dollars?

Mr. CONNELL. Several million dollars.

In the fiscal year of 1965, due to the efforts of this and the House subcommittee, and the executive branch of the Government, we were able to put \$432 million into the Treasury. To contrast that to 1961, for instance, we put only \$69 million into the Treasury. Moreover, out of the \$432 million, the Government showed a profit of \$50 million.

Now, this, I think, is a good operation because we count acquisition cost and market value on its true facts. So we feel very strongly that we need this total excess of nickel to keep our plan in order, and so that we can do a good service for the taxpayers of this country.

Senator SYMINGTON. When you said several million dollars, if you have 224 million pounds of nickel and dispose of it at 80 cents a pound it is more than several million dollars.

Mr. CONNELL. Yes, sir; \$174 million.

Senator SYMINGTON. That is why I questioned it.

Mr. CONNELL. Yes, sir.

Senator SYMINGTON. Thank you, Mr. Connell.

So you have increased your sale of the surplus materials out of the stockpile about 800 percent?

Mr. CONNELL. Yes, sir.

Senator SYMINGTON. In the last few months; is that correct?

Mr. CONNELL. Yes, sir.

Senator SYMINGTON. In the last year.

Mr. CONNELL. Yes, sir.

Senator SYMINGTON. At least we have gotten that far with our program and effort to dispose of these surpluses.

Senator Cannon, have you any questions?

Senator CANNON. You say you have had consultation with the industry. Do they agree with you generally on this proposal?

Mr. CONNELL. Senator, the Department of State and the Department of Commerce have carried on extensive consultations with the industry. I, myself, held one industry meeting on the increase of the yearly rate from 15 to 25 million pounds. Throughout all of these consultations it was my understanding that we were talking about the total excesses.

Now, 28 people were consulted on this particular plan. I know of no one that objects to it except the one company, and that is the only knowledge I have. The consultations were carried on, in my opinion, all through the plan.

Senator CANNON. Is the objection that is made now to the amount or to the plan?

Mr. CONNELL. Mr. Cabell is here, Senator, to testify, as to why he objects to this plan. If the committee would care to hear me after he makes his statement, I would be glad to testify.

Senator CANNON. All right.

Now, since you started your releases, what has happened to the price?

Mr. CONNELL. The price of nickel has been one of the most stable prices over the years, Senator. It has stayed stable. In fact, now is the best market of nickel that I can recall since I have been with GSA.

Senator CANNON. In other words, the price is up now rather than—

Mr. CONNELL. Yes, sir.

Senator CANNON. It hasn't had any deteriorating effect on price, the action you have already taken?

Mr. CONNELL. None whatsoever, Senator.

Senator CANNON. Now, would you propose that this plan be continued for the entire disposition period?

Mr. CONNELL. No, sir. We have agreed to consult annually on the long-range plan. If we agree with the industry, and the Government makes the decision, that 25 million is what we should sell, the next year or any time during that year we feel we can put more nickel into the market we reconsult and consider a larger amount. This is why I think long-range planning gives us the flexibility that we need.

Senator CANNON. And you indicated that a number of people have wanted to know what your plans are.

Mr. CONNELL. Yes, sir.

Senator CANNON. Do you think that indefiniteness would satisfy these people, the fact that you say, "This is our plan now, but we may change it." As a matter of fact, you have already changed it once.

Mr. CONNELL. You will remember, Senator, I said we must, we are committed to consult with the industry before we change our present plan. We listen to what they have to say and then we make the decision.

Senator SYMINGTON. And you are careful to make your disposals on the basis of no material effect on the market?

Mr. CONNELL. Absolutely, Senator, and under the basic law producers are protected, as well as processors and consumers. The Administrator must protect them under the basic law.

Senator CANNON. That is all I have.

Senator SYMINGTON. Thank you, Mr. Connell. It is always a privilege to see you.

We will hear now Mr. Cabell of International Nickel.

I would appreciate your staying, Mr. Connell. Perhaps we will not discuss the position today, but we are anxious to hear from Mr. Cabell.

I might say before you start, Mr. Cabell, that your company individually and as a corporation has been most cooperative with this committee, and we appreciate it, and therefore we have special respect for your views on this matter.

Mr. CABELL. Thank you very much, Senator.

I also want to thank you very much for letting me appear here this morning.

Senator SYMINGTON. It is a privilege to see you, sir.

Mr. CABELL. As I promised, Senator, I have a very brief statement which I will read, if I may.

Senator SYMINGTON. Will you read it?

#### STATEMENT OF RICHARD A. CABELL, EXECUTIVE VICE PRESIDENT OF THE INTERNATIONAL NICKEL CO.

Mr. CABELL. My name is Richard A. Cabell. I am executive vice president of the International Nickel Co., Inc., 67 Wall Street, New York City, and vice president of its parent firm, the International Nickel Co. of Canada, Ltd.

As you may recall from my testimony before you in November 1962, Inco has played a constructive role both in supplying nickel to the stockpile and in buying back surplus nickel from the stockpile. Since 1958, we have bought back more nickel than we originally sold to the stockpile, and the price per pound that we have paid the Government for surplus nickel has been higher, on the average, than the price that the Government paid us. We are also proud of the fact that when we testified on the nickel stockpile in 1962, members of this subcommittee praised our record and our position on nickel deposits.

In this connection, I want to thank you for what you have said this morning.

This morning I want to call your attention to the fact that the bill before you presents an issue of substantial strategic importance to the Government, which we believe merits the close attention of Congress.

The GSA has asked Congress to authorize the sale of 224 million pounds of nickel from the national stockpile. It is important to realize that this 224 million pounds would be in addition to approximately 86 million pounds of nickel which the GSA is already authorized to sell. The total amount of nickel proposed to be sold, approximating 310 million pounds, represents the Government's entire holding in nickel stores, excepting only 100 million pounds which is the current stockpile objective for nickel. The 100 million pound objective was established in 1963, based on the assumption of a 3-year conventional war.

During the House hearings on this bill, it was brought out that OEP is now restudying conventional war objectives in the light of the current Vietnam crisis.

Furthermore, it was brought out that the nuclear war objective would not be determined for nearly another year. Accordingly, there is a real likelihood that the current 100 million pound objective for nickel may be increased. This conclusion is underscored by the history of the stockpile objectives for nickel in recent years, as is shown by the following table:

*U.S. Government stockpile objectives for nickel*

	<i>Pounds</i>
Nov. 20, 1944.....	236, 000, 000
July 27, 1950.....	548, 000, 000
Nov. 9, 1950.....	580, 000, 000
Oct. 9, 1952.....	900, 000, 000
Feb. 8, 1955.....	675, 000, 000
June 30, 1958.....	323, 000, 000
July 19, 1963.....	100, 000, 000

The current 100-million-pound stockpile objective is less than one-half the pre-Korea objective and only one-ninth the objective which was in effect a decade ago. In the light of future uncertainties and the fact that both nuclear and conventional war stockpile objectives are now under study, we suggested before the House subcommittee that Congress might not want to authorize the sale of the entire nickel surplus based upon the 1963 objective for a 3-year conventional war.

The House subcommittee agreed with this position, and authorized the sale of only approximately 124 million pounds—leaving approximately 200 million pounds in the national stockpile, or approximately 100 million pounds in excess of the current stockpile objective. As the House report on H.R. 10305 states:

The subcommittee concluded that there should be a reduction in the amount authorized at the present time, and that the General Services Administration could come back to the Congress and request an additional authorization of nickel at a subsequent time \* \* \*. It is believed that this action will in no way impair constructive planning for a long-range disposal program and yet at the same time will give Congress an opportunity to review this matter in approximately 5 years \* \* \*.

Mr. Chairman, I want to emphasize that our company is prepared to cooperate fully with the Government in its sales of surplus nickel under a long-range plan. However, as the House subcommittee indicated, it is not necessary for Congress to authorize the sale of the entire Government nickel holdings now deemed surplus in order for GSA to carry out such a long-range plan. As a matter of fact, the GSA, as Mr. Connell has testified, is currently selling surplus nickel with Inco's active cooperation. During fiscal 1965, the first year of the GSA's program, the Government sold nickel at the rate of approximately 15 million pounds per year; in fiscal 1966, GSA will sell at a 25-million-pound rate. Under the bill approved by the House, these sales could continue unhampered for at least 5 more years, even if the rates were increased to 30 to 35 million pounds per year, as GSA anticipated.

Thus, there is no necessity from the standpoint of orderly, long-range disposal procedures for Congress to authorize the sale of more than 124 million pounds of nickel from the national stockpile at this time. Moreover, as I have said, there are compelling strategic reasons—particularly in light of the current world situation—why Congress might want to avoid releasing the full 224 million pounds requested by GSA.

Even under the House bill, which would retain only 200 million pounds, the nickel stockpile would be at its lowest level in recent history. Nickel is, of course, one of the most strategic materials in the national stockpile. It would be most unfortunate if, after selling the bulk of its nickel, the Government were to find itself compelled to repeat the post-Korean history of massive purchases to build up the stockpile, on top of large military and civilian requirements.

Accordingly, Mr. Chairman, we believe that the Senate should adopt H.R. 10305 as approved by the House, thus guarding against the possibility that strategic requirements for nickel will increase in the future, but at the same time permitting nickel disposals to progress unhampered for the next several years.

Thank you, Mr. Chairman.

Senator SYMINGTON. Thank you, Mr. Cabell.

There is a difference of opinion here as to whether we should authorize 124 or 224 million. The House agreed with your position when GSA asked for the additional 100 million.

Mr. Connell, this is an impressive statement. It has points in it that I want to have cleared up. If you would study and give us your position on it, we will have another meeting of the subcommittee and make a decision.

Naturally we would like to accede to the Government's wishes in the matter, but we would like to get these points cleared up. Then we will decide whether we will accept the House bill or go to conference.

Mr. CONNELL. Yes, sir.

Senator SYMINGTON. Senator Cannon, you went out for a minute. Do you have any questions?

Senator CANNON. I am sorry. Has the testimony been completed on this?

Senator SYMINGTON. Yes.

Senator Miller, do you have any questions?

Senator MILLER. I haven't any. I am sorry I was not able to be here earlier, but I will read the testimony.

Senator CANNON. I would like to ask this, and maybe you have already answered it in your testimony.

If the proposed action so far has not affected price, and the indications are that it will not, and it has been with consultation of industry, why is it specifically that you are opposed to it?

Mr. CABELL. Senator Cannon, we congratulate the GSA. They have cooperated with us very well. We have no objections of any kind to the disposal program that the GSA is following either last year or that it is following this year.

The only question we raise is in view of the strategic importance of nickel, and the fact that they already have enough nickel to carry out their program for at least 5 years, we question whether it is desirable to release for sale all of the nickel that they have except for the 100 million current objective. We are not questioning at all the current disposal program about which we were consulted and with which we are in agreement.

Senator CANNON. But you are trying to put them right in the position that they have already been criticized for by the industry, that is, that the industry doesn't know what their overall plans are and they say, "Why keep this ax hanging over our heads?"

Mr. CABELL. No, we are not criticizing the GSA for failure to consult us. The present plan initially was 15 million pounds per year, with which the industry certainly agreed. They then upped it to 25 million pounds, with which we agreed for the current year. That does not mean that we would agree to 25 million pounds 3 years from now if the market is in bad shape. But Mr. Connell has said—and I am sure he will—he will consult with us each year, or with the industry each year, and we are not questioning that at all.

We are only questioning the desirability from the U.S. strategic interests of authorizing the sale of all of the Government's nickel except the 100 million pounds which meets its current objective, which, as I testified, is only one-ninth of what it was a decade ago.

Senator CANNON. Then what you are essentially saying is that you don't agree with the stockpile levels that have been set now. You are saying you fear that the level perhaps should be higher in the stockpile than it is; is that it?

Mr. CABELL. No, sir. We feel that the record indicates that there is every likelihood that the objective will be increased, maybe next year, maybe 5 years from now. We say in that event why authorize the sale of all of this nickel when they have got enough nickel under the House bill to carry out their disposal plan for at least 5 years, and still reserve an extra 100 million pounds of nickel in the stockpile on top of the current objective to meet the contingency that later on that objective will be increased.

Senator CANNON. Don't you think it would be just as well, assuming all of these facts, they certainly could cut off at any time, in view of what they have said, and they have indicated that they would so cut off if they, in consultation with industry, determined that they should. Wouldn't it be better to give them the authority to go ahead on this basis, and not have to come back to Congress again and go through this exercise again at some time in the future, so that if there is no necessity for an increase in the stockpile, over the stockpile levels as of now, that they could continue with their disposal program?

Mr. CABELL. It might work out that way, I would agree. I have to say only that our suggestion is that it seems wrong to us to authorize the sale of all of this nickel when the record indicates that some years from now the Government may wish they had not sold it and not authorized its sale or that it had not been sold.

Senator CANNON. On that point, does the record indicate that? I don't think it does other than the fact that you have said maybe they will find this out. I don't think the record supports you.

Mr. CABELL. As I testified, when you look at the record of the stockpile objective, pre-Korea it was 236 million pounds. Mind you, it is 100 million pounds now. Pre-Korea it was 236 million.

In the 1950's it went to 580 million. In 1952 it went to 900 million. Then it started going down in 1955 to 675 million. Then in 1958 to 323 million; then in 1963 to 100 million.

Furthermore it has been testified before the House committee that the OEP is restudying the objectives in the light of the Vietnam situation. The Korean war objective has not even been determined. Our point is why release this finally for sale when with the amount released by the House bill it already provides them with enough nickel to carryout their disposal program for over 5 years.

Senator CANNON. Thank you.

Senator MILLER. Mr. Chairman?

Senator SYMINGTON. Yes.

I just want to say I went over this with Mr. Cabell a bit informally yesterday when he came to my office and wanted to testify.

I think your points are very well taken, Senator. There are a great many different reasons why the stockpile requirements in the past were high, and they aren't as high today. For example, we had about 1 million tons of lead, as I remember it, that were acquired for the stockpile requirements 10 years ago and today there is not 1 pound of lead requirement.

Senator CANNON. For an entirely different purpose.

Senator SYMINGTON. That is right, and to the best of my knowledge, and I would like to be corrected by GSA, Mr. Connell, or by Mr. Cabell, there has been no complaint of any kind from industry about any sales that the GSA has made as to it hurting their developments.

The problem here, therefore, is not one of what the International Nickel Co. feels, as I understand Mr. Cabell, might happen to his company under the GSA activities. It is just his difference of opinion with the Joint Chiefs of Staff and with the Secretary of Defense and with the Office of Emergency Planning and with the General Services Administration. And although we respect his company as one of the great corporations in the field of military strategy, I cannot personally feel that he is better informed than the Joint Chiefs and the other Government people that I refer to.

I don't say that in any sarcastic fashion. I mean it sincerely.

And, as the Senator from Nevada points out, the fact that this is authorized for sale doesn't mean that it would be sold, and especially because of the fine cooperative attitude that your company has taken in this whole question of sale. In the last year we sold about eight times more out of the surplus stockpile than ever before in previous years, and we made a \$50 million profit in those sales. So I think the best thing for us to do is to study this and get the answers and then we will be very glad to discuss it again.

Mr. CABELL. May I make just one comment on what you said?

Senator SYMINGTON. Yes, indeed.

Mr. CABELL. I only want to point out, Senator, that we are the last people to push forward our views as to what the stockpile objectives and military requirements should be. We don't really have any. We are not qualified at all. The whole purpose of my testimony is to merely suggest that when you look at what the actual facts have been in the past and what is going on right now, whether it might not be desirable to look it over.

Senator SYMINGTON. Yes, but if you look at the facts you have to look at all the facts.

The reason we are stuck with tremendous quantities of aluminum and nickel has to do with the fact that we built the Willow Run plant to build 600 of our largest bombers a month, and yet the total number of B-70's that was ever considered at any time, to the best of my knowledge, was 150 all told. That was the total amount that was ever considered. And so, as you know, one airplane now can drop more than both sides dropped against each other, about three times more, than in World War II.

So therefore you have a tremendous contraction in the demand for aluminum and nickel as against what previous demand was in the aviation industry alone.

Would you excuse me? I have a Foreign Relations Committee hearing at 10 o'clock, and then I am going to try to get back here for a full committee meeting at 10:30.

Senator Cannon, will you take the chair?

Senator Cannon has just told me I said the Willow Run was built for B-70's. I meant B-24's. The total number of B-70's was 150, whereas the B-24 was 600 a month.

Senator CANNON. Senator Miller?

Senator MILLER. Mr. Chairman, if I understand the position that is now before us, the chairman and also the Senator from Nevada have pointed out that whereas GSA has asked for authority to dispose of 224 million pounds, the witness suggests that only 124 million pounds be authorized as the House has done.

Mr. CABELL. That is correct.

Senator MILLER. Now, I understand further the position of the witness is that the authorization of additional 100 million pounds would in effect be premature because there is a restudy going on regarding our stockpile objectives which may indicate a higher objective than the present 100 million pounds. But is there another aspect to this which could be important, and which ought to be considered? That is, that if GSA has the authority to dispose of 224 million pounds instead of only 124 million pounds, granted that GSA would probably not dispose of this additional amount except in what they consider to be defense needs, the very fact that they have the authority as distinguished from not having the authority and requiring congressional action might have a depressing effect on the market price. I would like to have your comment on that aspect.

Mr. CABELL. I have said nothing about the commercial interests of my company involved in this at all.

Senator MILLER. I am not referring to your company or any other company.

Mr. CABELL. Of the industry.

Senator MILLER. I am just talking about the market price.

Mr. CABELL. I would say that the authorization of the full 224 instead of 124 would have some effect upon the industry's plans and other things, but I would not say that it would have a major impact.

Senator MILLER. But it could have some impact?

Mr. CABELL. It could have some impact.

Senator MILLER. Is this not another point that you think the committee ought to consider on this matter?

Mr. CABELL. Yes, sir; I think it is. But I do not think it is as important a point as the one that I mentioned of the strategic interests of the United States in not letting go of all of its nickel because of a stockpile objective which is the lowest in the history of the country.

Senator MILLER. Of course, the one possible answer to that—I think Senator Cannon evidenced that—is that we have got to have the trust and confidence in GSA that they are not going to dispose of this contrary to the national interests, and I would hope that GSA, in fact I personally would have some confidence in GSA that they would check the disposal of the extra 100 million pounds very closely with all of the people concerned about our national interests, on the

governmental side, at least. And if you go ahead on that assumption, then there is a point to be said, well, why worry about the 224 million authorization instead of only 124 million authorization when GSA is not going to act contrary to our national interests?

But if Congress authorizes that, regardless of what GSA has to say, if the fact that they have that power could have a depressing effect on the market, which would not be there if the market understands that the Congress has to authorize the disposal of the extra 100 million, I think that this is a valid fact to consider.

Mr. CABELL. There is no question about it, Senator.

Senator MILLER. Thank you. I have no further questions.

Senator CANNON. Further on that, Mr. Cabell, if the authorization here were granted for the additional amount, in view of the fact that the plan of disposal has already been outlined, it doesn't seem to me that it really would have much effect on the market price, simply because you say we are going to release 200 million versus 100 million, using round figures now, when we have actually already said that we are going to follow this plan. We are only going to release so much per year.

Don't you believe, in view of that plan outlined, that there would be little likelihood of the difference in total amount of authorization affecting the current market price?

Mr. CABELL. Well, Senator, the problem so far as I am concerned is the plan. Mr. Connell refers to a plan going on 12 years. We have been consulted about the first year and we have been consulted about the second year. The amount to be disposed of the third year is solely in the minds of GSA. We have no idea what it is going to be. So when you talk about a plan, they talk in terms of going up from 25 million to 30 million or 35 million per year, but they don't say what would happen if the market falls off rapidly for nickel. So we—the industry does not really know what amount will be sold in the future. Therefore, there is a difference between 124 million and 224 million.

Senator CANNON. You are saying because of that uncertainty that in the third year they might make a very marked change from the current plan. In the third year it might conceivably affect the market price, for example, if they said, "Here we have got twice as much authorization as is in the House bill, and if they were to double the amount, for example, to be released that year, that conceivably could affect the market price then."

Mr. CABELL. I am not suggesting that GSA would do anything about doubling the amount. All I am saying is, the fact that they have the authority to do it would mean something.

Senator CANNON. But the difference in authorization probably would not affect the price this year or next year in carrying out the plan that has already been announced, do you think?

Mr. CABELL. I would doubt it very seriously.

Senator CANNON. Thank you very much. Your testimony has been very helpful to the committee.

Do you have anything else you would like to add, Mr. Connell?

Mr. CONNELL. Yes, sir, Senator.

The chairman suggested that we get hold of the statement and study it. But the whole theory on long-range planning and 224 million pounds of nickel, and I think Mr. Cabell would agree with this, is to stabilize the market, not to affect the market price. That

is a very well-known fact. And, also, we have committed ourselves to the industry to consult each year or when we thought the thing should be increased or decreased. I don't think they need any more assurance than that.

Senator CANNON. That is as it should be and it is certainly not fair to the industry for them to not know where they are going and where you are going in the program.

Mr. CONNELL. Under the basic law we are required to do this.

Senator CANNON. And I would suggest, therefore, that you take Mr. Cabell's statement here today and then submit an additional statement for the record if you desire over and beyond what you have already said, and we will hold the record open for that purpose before we take action on the bill now before us.

Senator MILLER. Will the chairman yield?

Senator CANNON. Yes.

Senator MILLER. In that connection, if there is some way you could check with OEP and any other interested agency regarding this plan as to how soon their plans might be firmed up, I think it might be helpful.

Mr. CONNELL. We have, Senator, consulted with all the agencies including OEP and this plan is agreed to by all the governmental agencies.

Now, the only thing that is left in the total excesses is to consult with the industry when there is a change in the plan upward or downward.

Senator MILLER. I am sorry I was not present when you were testifying, but in looking at Mr. Cabell's testimony, he does mention the fact that there is apparently a restudy going on by OEP.

Mr. CONNELL. Yes, sir.

Senator MILLER. Now, how soon that restudy is going to be firmed up I surely don't know, but I think it might be helpful for you to try to ascertain something on that, and we might even get a statement from OEP.

Senator CANNON. I think that we already have generally that information. I understand there is a restudy underway. We do not expect any results of that certainly until some time next year as to the overall objectives.

Is that correct?

Mr. CONNELL. That is correct. It is a continuous study, and as the Senator asked Mr. Cabell, wouldn't it be better to have the authorization because we can cut this off at any time rather than coming back up and going through this again. As to the study—I am sure OEP will be glad to give you a statement as to when it may be completed.

Senator MILLER. Yes.

Mr. CONNELL. But it wouldn't affect the authorization.

Senator MILLER. I can appreciate how in your own mind you certainly don't want to do anything that is going to jeopardize the market, and if anything your policy is to firm it. But it is a funny thing, sometimes some people outside of the Government are concerned about authority of administrative agencies. I am not saying this with respect to you, but frequently they do not feel that they are as privy to the plans as they would like to be, and then there is an uncertainty which could have an impact, a psychological impact

on the market, and that was the purpose of my questioning, to develop that as a possibility.

Now, I think Mr. Cabell was fair in his answer. He didn't see this as being really a serious thing and it is certainly not as serious as the overall possible impact on our requirements for nickel, but it is there, and I suppose you could come out with front page stories assuring the industry that everything is going to be worked out between the industry and the Government in the most intimate fashion, and there would still be the doubters and the doubters frequently have an impact on the market.

Mr. CONNELL. With the cooperation that we receive from industry, including the good cooperation from International Nickel, and including the Senate subcommittee and the House subcommittee, this program is really organized, and I think administered, in an orderly manner. Without the cooperation of the industry I don't think we would have done as well.

Senator MILLER. Yes.

Mr. CONNELL. But I do think that everybody in the industry that we deal with has the confidence that we are asking the Senate for, and I think Mr. Cabell does, too. He just has a different opinion on the total excesses.

Senator MILLER. One further aspect. What about the international market?

Mr. CONNELL. In what form would you mean, Senator?

Senator MILLER. While you are working closely with our own stateside industry, is there an international market aspect to this which might have an effect because they are not as privy to the Government here as our own industry?

Mr. CONNELL. The State Department—of course the major nickel producers are in Canada—the State Department has done consultation in depth. Right now I think the nickel market is stronger than at any time since I have been with the GSA, which is 4 years, and I think that Mr. Cabell would agree with that.

But they have consulted with the foreign producers of nickel in depth, I should say the foreign governments.

Senator MILLER. Yes.

Senator CANNON. If the Senator will yield, perhaps we can lend a little light here.

Isn't it a fact, Mr. Cabell, that the market is actually the international market that is involved?

Mr. CABELL. Generally speaking, leaving aside questions of freight, transportation, things like that, the international price is the same as the U.S. price except for the U.S. duty.

Senator CANNON. Mr. Cabell is vice president of the International Nickel of Canada so he is well qualified to speak on this overall situation.

Mr. CABELL. May I make a statement in connection with Mr. Connell's remarks?

Senator CANNON. Yes, sir.

Mr. CABELL. We are in complete agreement that the demand for nickel is very high and this is an excellent time to dispose of whatever nickel is considered surplus. Of course we can't forget, however, that 2 years from now, 3 years from now the situation may be quite

different, in which event, the GSA as a major seller of surplus nickel could have adverse effects upon the market.

Senator CANNON. Thank you very much, both of you, for appearing.

The committee will resolve into executive session now and the record will be held open for you to submit an additional statement in response to Mr. Cabell's point, if you so desire.

Mr. CABELL. Thank you, Senator.

Mr. CONNELL. Thank you, Senator.

(The statement previously referred to and subsequently submitted by General Services Administration, follows:)

GENERAL SERVICES ADMINISTRATION,  
Washington, D.C., August 25, 1965.

HON. STUART SYMINGTON,  
*Chairman, Subcommittee on the National Stockpile and Naval Petroleum Reserves,  
Committee on Armed Services, U.S. Senate, Washington, D.C.*

DEAR SENATOR SYMINGTON: At the hearings held by your subcommittee on August 19, you asked that we submit additional information concerning H.R. 10305, particularly with reference to the different positions taken by the General Services Administration and the International Nickel Co. at such hearings concerning the quantity of nickel to be covered by the bill.

Essentially, the International Nickel Co.'s view is that a portion of the surpluses should be retained in the stockpile to provide for the possibility that stockpile objectives for nickel may be raised in the future. The position of GSA in the matter is that the bill should address itself to the total surpluses of nickel not heretofore approved for disposal.

The following is submitted in accordance with your request:

(1) On January 30, 1963, President Kennedy laid down certain policies and principles concerning the disposal of surpluses of strategic and critical materials. As you know, these policies stem from the recommendations made by the Executive Stockpile Committee which had earlier undertaken an intensive review and study of the disposal problem, in concert with related hearings and investigations held by your subcommittee. Considerable data and information gathered during the course of these studies indicated that the uncertainties brought on by the failure of the Government to clearly outline its plans with respect to the surpluses might in some cases have a depressing effect upon the industries involved, and that the Government should clearly lay out its program on the total surpluses so that the industries may make their plans in light of the Government's program. The policies adopted by the President thus embraced the principle that disposal of stockpile surpluses should be approached from the standpoint of total surpluses rather than on a piecemeal basis, and that the disposal programs should be undertaken only after complete consultation with the industries and Governments affected.

(2) The policies laid down on January 30, 1963, also took into consideration the problems associated with disposal of surpluses before completion of nuclear war objectives or the updating of objectives for conventional war. The principle which was adopted provides for the preparation of disposal plans on the basis of current objectives pending the completion of the new stockpile studies. This was based on data which indicated that, with few exceptions, present stockpile objectives contained numerous safety factors which resulted in the retention of quantities well beyond those in many cases that would be required to meet any contemplated emergency. It was concluded that disposal plans could be developed without incurring any real risk that new objectives would reflect new requirements for which new purchases would have to be made. In the unusual event that stockpile objectives might be raised, the disposal program could be shut off and the material retained to meet the new requirements.

(3) In keeping with the above principles, GSA and the other affected agencies in Government have, since late 1963, been involved in the development of long-range programs for the total surpluses of each commodity in the stockpile. Many of these have already been completed and have been approved by the Congress with disposal actually in process. The program on nickel, therefore, is but one of a series of commodities on which the disposal planning addresses itself to the total surplus on hand under existing objective determinations. We see no reason why an exception should be made on nickel, since none has been made on other major commodities such as tin and rubber, which are being subjected to the same reviews and studies for future nuclear and conventional war requirements.

(4) Notwithstanding the fact that the nickel disposal program has already been in operation almost 1 year, the nickel surpluses held by GSA at this time are approximately 310 million pounds. As indicated in our testimony on August 19, the disposal rate for the forthcoming year is now expected to be approximately 25 million pounds. Thus, the nickel surpluses on hand at the close of 1966, or 2 years after the start of the disposal program, will still be 285 million pounds—almost three times the present stockpile objective of 100 million pounds. This surplus appears quite ample to take care of any upward revision in the objective which might take place in the interim and graphically demonstrates the built-in safeguards discussed in (2) above.

(5) The long-term disposal plans which have been developed on the commodities having substantial surpluses provide for specific releases for the first year of the disposal program, along with an overall goal as to the total period of time over which the Government expects to dispose of the entire surplus. The plans also provide that the specific quantities to be disposed of in each of the subsequent years will be determined on the basis of program reviews conducted by the Administrator of General Services in consultation with affected agencies of Government and industry, and that no major changes in the program will be made without such consultation and public announcement. Although the final decision must be reserved to the Government, this latter provision assures the industry of a forum through which it can advise the Government of any interim developments which might have taken place since the initial development of the plan and which might have some bearing on the original assumptions which were made. The affected industries have been assured that such views will be fully considered by the Government in the decisionmaking process. As indicated in our testimony of August 19, GSA has a mandate under the Strategic and Critical Materials Stock Piling Act to avoid disruption of markets.

(6) In June 1964, during the course of consultations which the Government held on the disposal of the total nickel surpluses, the International Nickel Co. presented a proposed disposal plan, which was not materially different from the plan ultimately adopted by the Government as to the overall goal of disposal. It is pertinent to note that the plan submitted by Inco addressed itself to the total surplus of 340 million pounds existing at that time.

(7) In November 1964, after extensive consultations had been held with interested agencies of Government, appropriate foreign governments, and the industries affected, General Services Administration announced its intentions concerning the disposal of nickel. All of the consultations addressed themselves to the total surpluses of nickel. The announcement indicated that GSA would start the program immediately from the quantities available in the Defense Production Act inventory and the limited quantity of nickel oxide powder which had previously been approved by the Congress, and that disposal of the total surpluses of 340 million pounds was expected over a period of about 12 years.

The published price of nickel at the time the disposal program was announced in November 1964 was 79 cents per pound. The Government has sold 14 million pounds of nickel commercially since the start of the disposal program. The published price remains 79 cents per pound at this time. Moreover, the undertone of the market is firmer today than at the start of the Government's disposal program, so much so that, with the complete concurrence of the industry, GSA has revised its sales expectancy from the first-year rate of 15 million pounds to the rate of 25 million pounds for the forthcoming year.

We believe this history refutes the view that the mere announcement that the Government plans to sell the total surpluses, rather than a limited portion, might have depressing economic effects on markets. To the contrary, it supports the view discussed in (1) above that once the industry is apprised of the Government's intentions on the total surpluses, unfounded fears and uncertainties are eliminated and the industry can proceed with its plans.

In light of the foregoing and in accordance with our testimony on August 19, General Services Administration recommends that H.R. 10305 be amended to provide for the disposal of approximately 224,200,000 pounds of nickel rather than 124,200,000 pounds, as presently reflected in the bill.

Sincerely yours,

LAWSON B. KNOTT, Jr., *Administrator.*

(Whereupon, at 10:20 a.m., the subcommittee proceeded in executive session.)

(In executive session on September 23 the Committee voted to report H.R. 10305, with amendments, as covered by Senate Report 780.)

The first of these is the fact that the disease is not confined to any particular region or climate. It has been reported from all parts of the world, and from all seasons of the year. This is in marked contrast to many other infectious diseases, which are limited to certain geographical areas or to certain seasons. The second point is that the disease is not transmitted by any particular mode of infection. It is not spread by direct contact with the patient, nor by contact with his clothing or bedding, nor by contact with his food or drink. It is not spread by insects or animals. It is not spread by the air. It is not spread by the water supply. It is not spread by the sewage disposal system. It is not spread by any of the usual modes of infection. The third point is that the disease is not caused by any particular micro-organism. It is not caused by any of the bacteria, viruses, or fungi which are known to cause infectious diseases. It is not caused by any of the parasites which are known to cause infectious diseases. It is not caused by any of the toxins which are known to cause infectious diseases. It is not caused by any of the other factors which are known to cause infectious diseases. The fourth point is that the disease is not prevented by any particular measure. It is not prevented by isolation of the patient, nor by disinfection of his clothing or bedding, nor by disinfection of his food or drink. It is not prevented by the use of insecticides, nor by the use of vaccines, nor by the use of any of the other measures which are known to prevent infectious diseases. The fifth point is that the disease is not cured by any particular measure. It is not cured by any of the drugs which are known to cure infectious diseases. It is not cured by any of the other measures which are known to cure infectious diseases. It is not cured by any of the measures which are known to cure infectious diseases.

The sixth point is that the disease is not fatal. It is not fatal in any of the cases which have been reported. It is not fatal in any of the cases which have been reported. It is not fatal in any of the cases which have been reported. The seventh point is that the disease is not of long duration. It is not of long duration in any of the cases which have been reported. It is not of long duration in any of the cases which have been reported. It is not of long duration in any of the cases which have been reported. The eighth point is that the disease is not of great severity. It is not of great severity in any of the cases which have been reported. It is not of great severity in any of the cases which have been reported. It is not of great severity in any of the cases which have been reported. The ninth point is that the disease is not of frequent occurrence. It is not of frequent occurrence in any of the cases which have been reported. It is not of frequent occurrence in any of the cases which have been reported. It is not of frequent occurrence in any of the cases which have been reported. The tenth point is that the disease is not of common occurrence. It is not of common occurrence in any of the cases which have been reported. It is not of common occurrence in any of the cases which have been reported. It is not of common occurrence in any of the cases which have been reported.

The eleventh point is that the disease is not of unusual occurrence. It is not of unusual occurrence in any of the cases which have been reported. It is not of unusual occurrence in any of the cases which have been reported. It is not of unusual occurrence in any of the cases which have been reported. The twelfth point is that the disease is not of rare occurrence. It is not of rare occurrence in any of the cases which have been reported. It is not of rare occurrence in any of the cases which have been reported. It is not of rare occurrence in any of the cases which have been reported. The thirteenth point is that the disease is not of very rare occurrence. It is not of very rare occurrence in any of the cases which have been reported. It is not of very rare occurrence in any of the cases which have been reported. It is not of very rare occurrence in any of the cases which have been reported. The fourteenth point is that the disease is not of extremely rare occurrence. It is not of extremely rare occurrence in any of the cases which have been reported. It is not of extremely rare occurrence in any of the cases which have been reported. It is not of extremely rare occurrence in any of the cases which have been reported.

The fifteenth point is that the disease is not of unknown occurrence. It is not of unknown occurrence in any of the cases which have been reported. It is not of unknown occurrence in any of the cases which have been reported. It is not of unknown occurrence in any of the cases which have been reported.

