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GOVERNMENT

Storage

NATIONAL STOCKPILE DISPOSAL BILLS

HEARING

BEFORE A

SUBCOMMITTEE OF THE COMMITTEE ON ARMED SERVICES UNITED STATES SENATE EIGHTY-NINTH CONGRESS

FIRST SESSION

ON

H.R. 6852

DISPOSAL OF ABACA

H.R. 9047

RELEASE OF ZINC

H.R. 10516

DISPOSAL OF VEGETABLE TANNIN EXTRACTS

H.R. 10714

DISPOSAL OF COLEMANITE

H.R. 10715

DISPOSAL OF CHEMICAL GRADE CHROMITE

H.R. 10748

TRANSFER OF COPPER FROM THE NATIONAL STOCKPILE TO THE
BUREAU OF THE MINT

H.J. Res. 330

DISPOSAL OF CHROMIUM METAL, ACID GRADE FLUORSPAR,
AND SILICON CARBIDE



SEPTEMBER 22, 1965

Printed for the use of the Committee on Armed Services

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HEARING

STOCKPILE DISPOSAL

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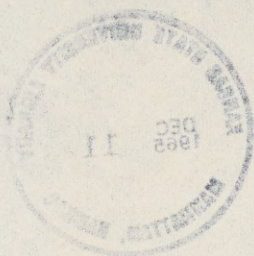
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OUTLINE

1. The first part of the outline is the title of the paper. This is usually a statement of the problem or the question being asked. It should be clear, concise, and to the point.

2. The second part is the introduction. This is where you provide background information on the topic, state the purpose of the study, and outline the structure of the paper.

3. The third part is the body of the paper. This is where you present your arguments, evidence, and analysis. It should be organized into logical sections, with each section focusing on a specific aspect of the topic.

4. The fourth part is the conclusion. This is where you summarize your findings, restate your main points, and provide a final statement on the topic.

5. The fifth part is the bibliography. This is where you list all the sources you used in your research. It should be formatted according to the requirements of your institution or publisher.

NATIONAL STOCKPILE DISPOSAL BILLS

WEDNESDAY, SEPTEMBER 22, 1965

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

The National Stockpile Subcommittee (composed of Senators Symington (chairman), Cannon, Young of Ohio, Inouye, Miller, and Tower) appointed to hold such meetings and briefings as are necessary to maintain familiarity with the operation of the program for the stockpiling of strategic and critical materials necessary for the common defense, met, pursuant to notice, in room 212, Old Senate Office Building, at 10 a.m.

Present: Senators Symington and Inouye.

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

Senator SYMINGTON. The committee will come to order.

The subcommittee is meeting this morning to consider seven House-passed measures authorizing disposal of materials from the national stockpile or the supplemental stockpile. Almost all these bills appear to be noncontroversial. The Chair hopes that our meeting may be as brief as is consistent with the disclosure of full information covering the disposals.

The witness on these disposals is Mr. Maurice J. Connell, Commissioner of Defense Materials Service, General Services Administration.

Mr. Connell, we will ask you to cover each of the seven bills in the order that you select. Members of the subcommittee may have questions as you move from one subject to the next. Will you please move up here and you may proceed with your presentation.

STATEMENT OF MAURICE J. CONNELL, COMMISSIONER OF DEFENSE MATERIALS SERVICE, GENERAL SERVICE ADMINIS- TRATION; ACCOMPANIED BY JOHN HARLAN, DEPUTY COM- MISSIONER

Mr. CONNELL. As you have already observed I have the Deputy Commissioner, Mr. John Harlan, with me. We have formal statements for each of these bills but we have them summarized and I would suggest, if it is all right with the Chair, to consider them in summary form, and submit the formal statements for the record.

H.R. 10516

Senator SYMINGTON. We will now take up H.R. 10516.

Mr. CONNELL. The first bill we would like to comment on is H.R. 10516, vegetable tannins, 15,000 long tons of chestnut, 111,457 long tons of quebracho, and 23,962 long tons of wattle.

These are long-term programs, which we would like to start as soon as possible. We have disposed of prior tannin surpluses very successfully in the past under Government-use programs. These were with the old Quartermaster General—now the Defense Supply Agency. We also have sold tannins "off-the-shelf." We would continue these sales methods on the surpluses covered by H.R. 10516. We strongly favor enactment of H.R. 10516.

(H.R. 10516 follows:)

[H.R. 10516, 89th Cong., 1st sess.]

AN ACT Authorizing the disposal of vegetable tannin extracts 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 the following quantities of vegetable tannin extracts now held in the national stockpile: fifteen thousand long tons of chestnut, one hundred eleven thousand four hundred and fifty-seven long tons of quebracho, and twenty-three thousand nine hundred and sixty-two long tons of wattle. Such disposal may be made without regard to the provisions 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.

Passed the House of Representatives September 20, 1965.

Attest:

RALPH R. ROBERTS, *Clerk*.

(The prepared statement of Mr. Connell follows:)

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 vegetable tannin extract disposal 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. 10516, a bill which would authorize the sale of the excesses of three vegetable tannin extracts from the national stockpile and would waive the 6-month waiting period prescribed by the Stock Piling Act.

General Services Administration has prepared long-range disposal plans for approximately 15,000 long tons of chestnut tannin extract, approximately 111,457 long tons of quebracho tannin extract, and approximately 23,962 long tons of wattle tannin extract, which represent the total excess quantities.

The other departments and agencies of the Government concerned with the proposed disposal were consulted and each has concurred in the plan. Affected sources in industry have also been consulted.

Chestnut, quebracho, and wattle extracts are used in the tanning of hides and skins. Quebracho is also used as an additive for controlling the viscosity of oil well drilling muds.

There is no U.S. production of vegetable tannins. Chestnut extract comes from Italy and France. Quebracho extract comes from Argentina and Paraguay. Wattle extract comes mainly from Africa.

General Services Administration has had some experience in the sale of all three of these vegetable tannin extracts. Under prior congressional actions, a total of 15,618 long tons, consisting of 12,895 long tons of chestnut, 2,100 long tons of quebracho, and 623 long tons of wattle, was authorized. As of August 31, 1965, only 3,544 tons of this material, all of which is chestnut extract, remain

unsold. Disposals have been made both by direct commercial sale and under Government use programs worked out by General Services Administration and the Department of Defense.

Upon approval of H.R. 10516, we propose to continue existing sales methods on the additional quantities of vegetable tannins which would become available for sale.

Commercial supplies of chestnut have been temporarily interrupted due to conversion of production facilities in Italy and France. Therefore, no disposal rate is being established now for chestnut extract pending the time when normal supplies become available from usual production sources. The quantities of chestnut to be made available for disposal will be consistent with market requirements.

For the first disposal year, the rate for quebracho has been established at 3,000 long tons, and that for wattle at 1,500 long tons.

The rates of disposal in subsequent years will be determined after an evaluation of prior sales and prevailing market conditions, in consultation with other governments which may be affected, and industry.

General Services Administration recommends enactment of H.R. 10516.

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.

(In executive session on September 23 the full committee voted to report H.R. 10516 without amendment, as covered by S. Rept. 778.)

H.R. 10714

Senator SYMINGTON. What is the next bill?

Mr. CONNELL. The next one is H.R. 10714, 67,600 long dry tons of colemanite. This is a boron-bearing material acquired by the Commodity Credit Corporation through barter of surplus agricultural products and placed into the supplemental stockpile. We will have to develop markets for the material and will work closely with industry in all phases of the program. We strongly recommend passage of H.R. 10714.

(H.R. 10714 follows:)

[H.R. 10714, 89th Cong., 1st sess.]

AN ACT To authorize the disposal of colemanite from the supplemental 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, by negotiation or otherwise, approximately sixty-seven thousand six hundred long dry tons (gross weight) of colemanite now held in the supplemental stockpile established pursuant to section 104(b) of the Agricultural Trade Development and Assistance Act of 1954, as amended (7 U.S.C. 1704(b)). Such disposition may be made without regard to the provisions of section 3 of the Strategic and Critical Materials Stock Piling Act (50 U.S.C. 98b): *Provided*, That the time and method of disposition shall be fixed with due regard to the protection of the United States against avoidable loss and the protection of producers, processors, and consumers against avoidable disruption of their usual markets.

Passed the House of Representatives September 20, 1965.

Attest:

RALPH R. ROBERTS, *Clerk*.

(The prepared statement of Mr. Connell follows:)

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 colemanite disposal 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. 10714, a bill "To authorize the disposal of approximately 67,600 long dry tons (gross weight) of colemanite now held in the supplemental stockpile."

A stockpile objective never was established for colemanite (calcium borate). It was acquired through barter of surplus agricultural products and placed in the supplemental stockpile under the authority of section 206 of the Agricultural Act of 1956, as amended. General Services Administration has prepared a long-range disposal plan for the 67,600 tons of colemanite. The other departments and agencies of the Government concerned with the proposed disposal were consulted and each has concurred in the plan. Affected sources in industry have also been consulted.

Only in Turkey is there important production of colemanite (calcium borate). U.S. mine production of colemanite supplies less than 1 percent of the total boron minerals produced domestically. The boron needs of the United States are now supplied mainly by kernite, a sodium salt of boron.

There are three known possibilities for domestic use of colemanite: as a fertilizer additive (subject to increased demand by farmers), in the production of fiberglass (subject to improvement in technology), and for boric acid production (subject to construction of facilities designed for the use of colemanite). Small quantities may also be utilized for industrial research and development purposes as well as for testing. It appears that even under favorable marketing conditions the rate of sale for this use may be less than 5,000 long dry tons per year.

Since U.S. industry is geared to the use of more easily processed kernite, the disposal of the colemanite will depend upon future development of markets for this material. For this reason, the long-range program must be kept flexible in order to adjust to future developments. Before an initial release, consultation with interested industries and others will take place. The rate and conditions of sale will be determined by GSA in consultation with the executive agencies concerned and with industry and foreign governments.

The General Services Administration recommends enactment of H.R. 10714.

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.

(In executive session on Sept. 23 the full committee voted to report H.R. 10714, without amendment, as covered by S. Rept. 777.)

H.R. 10715

Senator SYMINGTON. We will next take up H.R. 10715.

Mr. CONNELL. H.R. 10715; 659,100 short tons of chemical grade chromite.

This is an ore which is principally used to obtain chrome for plating. The ore proposed for sale was also acquired through CCC barter and is in the supplemental stockpile. This is also a long-term program which we would like to start as soon as possible. GSA strongly recommends passage of H.R. 10715.

(H.R. 10715 follows:)

[H.R. 10715, 89th Cong., 1st sess.]

AN ACT To authorize the disposal of chemical grade chromite from the supplemental 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, by negotiation or otherwise, approximately six hundred and fifty-nine thousand one hundred short tons of chemical grade chromite now held in the supplemental stockpile established pursuant to section 104(b) of the Agricultural Trade Development and Assistance Act of 1954, as amended (7 U.S.C. 1704(b)). Such disposition may be made without regard to the provisions of section 3 of the Strategic and Critical Materials Stock Piling Act (50 U.S.C. 98b): *Provided*, That the time and method of disposition shall

be fixed with due regard to the protection of the United States against avoidable loss and the protection of producers, processors, and consumers against avoidable disruption of their usual markets.

Passed the House of Representatives September 20, 1965.

Attest:

RALPH R. ROBERTS, *Clerk.*

(The prepared statement of Mr. Connell follows:)

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 chromite 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. 10715, a bill to authorize the disposal of approximately 659,100 short tons of chemical grade chromite now held in the supplemental stockpile, but not needed for stockpile purposes.

General Services Administration has prepared a long-range disposal plan on the 659,100 short tons of chromite. The other departments and agencies of the Government concerned with the proposed disposal were consulted and each has concurred in the plan. Consultations were held with the South African Government and with industry.

There is no U.S. production of chemical grade chromite. It is exclusively a South African ore insofar as the domestic chemical industry is concerned.

Production of the South African ore in 1960 was estimated at 510,000 short tons, and it has grown steadily to an estimated 650,000 short tons.

The ore is converted into sodium bichromate, from which other chrome chemicals are derived. These chemicals are used in a wide variety of applications, the principal ones being plating and anodizing for metal protection. Other applications include paint pigments, the tanning of leather, and miscellaneous uses in the textile and chemical industries.

U.S. consumption for all uses is believed to be on the order of 265,000 short tons annually.

Under the provisions of the long-range program developed by GSA, disposals will start at an annual rate of approximately 20,000 short tons for the first disposal year. Succeeding offers after the initial offering will be made at intervals and in quantities to be determined after a careful evaluation of the experience with preceding offers. The program will be under continuing review and will be subject to change should market conditions warrant.

The General Services Administration recommends enactment of H.R. 10715.

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.

(In executive session on September 23 the full committee voted to report H.R. 10715, without amendment, as covered by S. Rept. 776.)

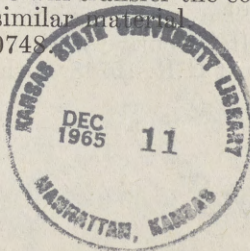
H.R. 10748

Senator SYMINGTON. We will next take up H.R. 10748.

Mr. CONNELL. H.R. 10748; 110,000 short tons of copper. The new coinage program of the mint places heavy demands on copper. It is fortunate that we have this surplus to take care of the mint for the next few years, otherwise they would have to compete with industry for supplies in an already tight market. We will transfer the copper to the mint at current market prices for similar material.

We strongly favor the enactment of H.R. 10748.

(H.R. 10748 follows:)



[H.R. 10748, 89th Cong., 1st sess.]

AN ACT To authorize the transfer of copper from the national stockpile to the Bureau of the Mint

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 transfer to the Bureau of the Mint approximately one hundred ten thousand short tons of copper now held in the national stockpile. Such transfer 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 September 20, 1965.

Attest:

RALPH R. ROBERTS, *Clerk.*

(The prepared statement of Mr. Connell 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 H.R. 10748.

This legislation would, as you know, authorize the proposed transfer by GSA of approximately 110,000 short tons of copper from the national stockpile to the Bureau of the Mint. GSA strongly urges approval of H.R. 10748.

The stockpile objective for copper established by the Office of Emergency Planning is 775,000 short tons. The present inventory of copper exceeds this objective by approximately 156,000 short tons of copper.

The particular material which will be made available from the stockpile under this disposal legislation must be further refined before it can be used for coinage purposes. This will take some time and the material should be made available as soon as possible so that the necessary refining may proceed.

Therefore, the legislation waives the 6-month waiting period described in section 3(e) of the Stock Piling Act.

The copper requirements of the mint have been heavy in recent years. Until now the bulk of these requirements has been satisfied from excesses contained in the Defense Production Act inventory maintained by GSA. However, all the material remaining in the latter inventory has now been committed for mint use, and an additional 110,000 short tons are needed to meet planned requirements of the mint. The transfer would be made at fair market value.

Satisfaction of the mint requirements for copper from stockpile excesses is in the Government interests since it not only avoids dollar disbursement by the Government; as a whole, of approximately \$80 million, but also results in an ultimate savings in storage and maintenance costs.

Use of the Government material for this purpose will also avoid pressures upon already strained industry supply lines. Because of short supply in our copper industry, and to avoid plant shutdowns in a vital segment of our national economy, the Congress, through Public Law 89-9, authorized the disposal of 100,000 tons of copper from the stockpile. The satisfaction of mint copper needs from the additional stockpile surplus would eliminate any possibility of negotiation of the intent of the Congress in the passage of Public Law 89-9 through any heavy new demands for copper made upon commercial markets by the mint.

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.

(In executive session on September 23, the full committee voted to report H.R. 10748, without amendment, as covered by S. Rept. 775.)

H.J. RES. 330

Senator SYMINGTON. We will now take up House Joint Resolution 330.

Mr. CONNELL. House Joint Resolution 330. This resolution covers 33,552 pounds of chromium metal, 4,548 short dry tons of acid grade flourspar, and 56 short tons of silicon carbide. These also were acquired through CCC barter, and are in the supplemental stockpile. Each represents only a small part of similar specification-grade material which we carry in the stockpile. The resolution is designed to clear the stockpile of these small excesses of offgrade materials. GSA strongly favors the passage of House Joint Resolution 330.

(H.J. Res. 330 follows:)

[H.J. RES. 330, 89th Cong., 1st sess.]

JOINT RESOLUTION To authorize the disposal of chromium metal, acid grade flourspar, and silicon carbide from the supplemental stockpile

Resolved 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, by negotiation or otherwise, the following materials, in approximately the following quantities, now held in the supplemental stockpile established pursuant to section 104(b) of the Agricultural Trade Development and Assistance Act of 1954, as amended (7 U.S.C. 1704(b)):

(1) thirty-three thousand five hundred and fifty-two pounds of chromium metal;

(2) four thousand five hundred and forty-eight short dry tons of acid grade flourspar; and

(3) fifty-six short tons of silicon carbide.

Such disposition may be made without regard to the provisions of section 3 of the Strategic and Critical Materials Stock Piling Act (50 U.S.C. 98b): *Provided*, That the time and method of disposition shall be fixed with due regard to the protection of the United States against avoidable loss and the protection of producers, processors, and consumers against avoidable disruption of their usual markets.

Passed the House of Representatives April 26, 1965.

Attest:

RALPH R. ROBERTS, *Clerk*.

(The prepared statement of Mr. Connell 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 of the Government 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 Joint Resolution 330.

This resolution would, as you know, authorize the disposal of the following material in approximately the following quantities which are now held in the supplemental stockpile:

(1) 33,552 pounds of chromium metal;

(2) 4,548 short dry tons of acid grade flourspar; and

(3) 56 short tons of silicon carbide.

The three items covered by House Joint Resolution 330 are subspecification materials. They represent only a fractional part of similar specification materials which are carried in the stockpile.

The total acquisition cost of the three items is approximately \$270,000. Notwithstanding the relatively small value of these materials as compared to the total market of the specification grades, affected Government agencies and even industry sources, to the extent deemed appropriate, were consulted during the disposal planning. No objections have been raised to the disposal of any of the materials involved.

The materials covered by House Joint Resolution 330 are not needed for stockpile purposes and should be removed from inventory. Though storage and other costs on them are minimal, their removal will eliminate the necessity to maintain and account for them.

House Joint Resolution 330 covers an item which is in the legislative program of General Services Administration for the 89th Congress, 1st session. For this and the foregoing reasons, this agency strongly recommends enactment of House Joint Resolution 330.

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.

(In executive session on September 23 the full committee voted to report H.J. Res. 330, without amendment, as covered by S. Rept. 774.)

H.R. 6852

Senator SYMINGTON. We will now consider H.R. 6852 as amended.

Mr. CONNELL. H.R. 6852, as amended—97 million pounds of abaca. The original bill provided for 47 million pounds, but this was amended by the House to include the new excess of 50 million pounds created after introduction of H.R. 6852. GSA favors the amendment because it ties in with our policy of addressing long-range planning to total surpluses. In recommending passage of the amended bill, the House Armed Services Committee suggested that because of the position taken by representatives of the Philippines, the first-year rate of disposal be limited to 5½ million pounds, and that the rate for subsequent years be fixed after consultation with the Philippine Government and industry. GSA has no problems with these limitations, and if the Senate agrees, we do not object to H.R. 6852, as amended. (H.R. 6852 follows:)

[H.R. 6852, 89th Cong., 1st sess]

AN ACT To authorize the disposal, without regard to the prescribed six-month waiting period of approximately forty-seven million pounds of abaca 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 ninety-seven million pounds of abaca 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 Committees of each House thereof of notice of the proposed disposition. Passed the House of Representatives September 20, 1965.

Attest:

RALPH R. ROBERTS, *Clerk.*

(The prepared statement of Mr. Connell follows:)

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 abaca 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. 6852, as amended, a bill which, as you know, would authorize the sale of 97 million pounds of excess abaca from the stockpile.

The principal use for abaca fiber is for the manufacture of rope for marine, industrial, and farm purposes. Some quantities of the fiber are also used in the manufacture of various paper products.

At the present time, world production of abaca is running at a rate of about 250 million pounds per year. The Philippines account for over 95 percent of this production.

The United States, Canada, Japan, Europe, and the United Kingdom are the major consumers of abaca fiber. Consumption in the United States and Canada seems to have settled at a rate of about 70 million pounds per year. This is almost half the size of the markets which existed in North America before the advent of synthetic fibers some 10 years ago.

General Service Administration has had some experience in the sale of abaca fiber under these reduced market conditions. Under prior congressional authority, we sold approximately 5 million pounds between July and September of 1962, and about 16 million pounds between September 1959 and June 1960. Consumption levels in the United States and Canada were not materially different in the years in which these disposals were carried out from what they are now. We made these sales with no adverse effect upon markets, and we feel we can successfully dispose of the present surpluses without causing serious disruptive influences in current markets.

It had been our original plan to start disposal of the abaca surpluses under a program looking to sales of about 9½ million pounds in the first year, with the quantities and timing of subsequent offerings to be determined after an evaluation of prior sales and then current market conditions.

In testimony at hearings held by Subcommittee No. 1 of the Armed Services Committee of the House of Representatives, officials of the Philippine Government stated that it would be preferable if disposals the first year were confined to approximately 5½ million pounds, so that the industry would have time to adjust to the disposal program.

In light of the Philippine position, the House Armed Services Committee recommended passage of H.R. 6852, as amended, with the following suggestions:

(1) That in the first year, disposals be limited to 5½ million pounds.

(2) That after the initial disposal, General Services Administration consult with industry, and through the Department of State, representatives of the Philippine Government, on each subsequent amount proposed for disposal, and that the effects of the disposal would be considered not only on American industry, but also on the Philippine economy.

We do not find these suggestions unreasonable, and if the Senate agrees, we can and will comply with them without serious impairment to the disposal program.

GSA strongly recommends enactment of H.R. 6852, as amended, so that disposal of this perishable commodity may start as soon as possible.

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.

(In executive session on September 23 the full committee voted to report H.R. 6852, with an amendment to the title, as covered by S. Rept. 779.)

H.R. 9047

Senator SYMINGTON. We will now take up H.R. 9047, as amended.

Mr. CONNELL. H.R. 9047, as amended, 150,000 short tons of zinc. The original bill provided for 300,000 short tons of zinc plus 50,000 short tons for Government use. GSA held a meeting on August 24 with the zinc industry. The industry felt that 150,000 short tons were adequate for the next 6 months. A House amendment reduced the quantity to 150,000 short tons. The amended bill also eliminated the Government-use provision, but this is no problem, because we still have 47,780 short tons left under Public Law 89-9.

In the interest of getting on with a sales program to supply at least the quantity which industry says it needs, GSA does not object to H.R. 9047, as amended.

(H.R. 9047 follows:)

[H.R. 9047, 89th Cong., 1st sess.]

AN ACT TO authorize the release of certain quantities of zinc from either the national stockpile or the supplemental stockpile, or both

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, by negotiation or otherwise, from either the national stockpile established pursuant to the Strategic and Critical Materials Stock Piling Act (50 U.S.C. 98-98h) or the supplemental stockpile established pursuant to section 104(b) of the Agricultural Trade Development and Assistance Act of 1954 (7 U.S.C. 1704(b)), or from both such stockpiles (1) approximately one hundred and fifty thousand short tons of zinc. The disposals authorized by this section may be made without regard to the provisions of section 3 of the Strategic and Critical Materials Stock Piling Act, but the time and method of the disposals shall be fixed with due regard to the protection of the United States against avoidable loss and the protection of producers, processors, and consumers against avoidable disruption of their usual markets.

Passed the House of Representatives September 20, 1965.

Attest:

RALPH R. ROBERTS, *Clerk.*

(The prepared statement of Mr. Connell follows:)

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 zinc 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 for the purpose of expressing the views of the General Services Administration on H.R. 9047, as amended, a bill "To authorize the release of certain quantities of zinc from either the national stockpile or the supplemental stockpile, or both."

Presently there are about 1.3 million short tons of zinc in the inventories of strategic and critical materials maintained by GSA which have not previously been authorized for disposal. All of such zinc is excess to stockpile requirements.

During the past year, 225,000 short tons of zinc have been released from our stockpile inventories and sold to industry for domestic consumption.

These releases have been made under Public Law 88-374, approved by the President on July 14, 1964, authorizing the disposal of 75,000 short tons, and Public Law 89-9, approved by the President on April 2, 1965, authorizing the disposal of 150,000 short tons of zinc to industry and 50,000 short tons for the direct use of Federal agencies.

These disposals not only have helped relieve the apparent tight zinc supply situation, but also have reduced the Government's excess inventories of zinc.

Turning specifically to the provisions of the bill as originally written, Mr. Chairman, H.R. 9047 would have authorized the disposal of 300,000 short tons of zinc, along with 50,000 short tons for direct use by agencies of the U.S. Government. The amended bill limits disposals to 150,000 short tons, and eliminates the 50,000 short tons intended for Government use.

General Services Administration has submitted a separate report to the chairman of the Senate Armed Services Committee detailing its position on the H.R. 9047, as amended.

In summary, it is our position that while we would have preferred the larger quantity, in the interests of getting on with release of at least the quantity which industry indicates is needed, we have no objection to limitation of disposal to 150,000 short tons.

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. What is the amendment again, from what to what?

Mr. CONNELL. From 300,000 to 150,000 short tones of zinc.

Senator SYMINGTON. Why do you do that?

Mr. CONNELL. We had an industry meeting. As you know we consult with the industry on all the commodities that we sell and that is the best deal we could work out with everybody's agreement.

Senator SYMINGTON. Has a law been passed for 300,000?

Mr. CONNELL. No, sir; the bill was amended to 150,000 in the House.

Senator SYMINGTON. In the House, but you originally asked for 300,000?

Mr. CONNELL. Yes, sir; it was a private bill. It was introduced as 300,000 and we supported it, but in the industry meeting we could only get an agreement for 150,000.

Senator SYMINGTON. Agreement with whom?

Mr. CONNELL. The industry.

Senator SYMINGTON. Does the industry dictate what you sell out of the GSA?

Mr. CONNELL. The industry doesn't dictate. The Government makes the decision, but this is a private bill and at the request of the House subcommittee we had a meeting. As I say, this is the best deal I could work out. To get any zinc at all, this is what we had to come up with.

Senator SYMINGTON. But you have the zinc, haven't you?

Mr. CONNELL. We have all kinds of zinc; yes, sir.

Senator SYMINGTON. Because the industry only wants you to sell 150,000 tons of zinc instead of 300,000 tons you have agreed. Is that right?

Mr. CONNELL. I agreed to do it only on the basis that is all I could work out. I would rather have had the 300,000 tons or I would rather have the total excesses to sell.

Senator SYMINGTON. How much zinc in the stockpile is excess to objectives?

Mr. CONNELL. I think we have 1,200,000 tons excess.

Senator SYMINGTON. Surplus?

Mr. CONNELL. Yes, sir. It is 1,277,000 short tons.

Senator SYMINGTON. Senator Inouye, have you any questions?

Senator INOUE. Yes, Mr. Chairman.

May I go back to H.R. 6852, the bill for disposal of abaca?

Senator SYMINGTON. Yes, indeed.

Senator INOUE. Mr. Connell, I notice that under this arrangement we are called upon to confer with the Government of the Philippines.

Mr. CONNELL. Yes, sir.

Senator INOUE. Is this a precedent? This is something new to me. Do we generally confer with foreign countries on the disposal of surplus materials?

Mr. CONNELL. Yes, sir. The State Department are our experts on consultation in the foreign countries, and they did consult with the Philippine Government on the abaca. We do this generally through the State Department. They then advise us as to how they have come out with their consultations.

Senator INOUE. Is this part of a treaty?

Mr. CONNELL. No, sir. It is done in compliance with our basic law, the Strategic and Critical Material Stock Piling Act. We must not disrupt the market and must avoid a loss to the Government. So we are required to consult with domestic industry and the foreign industry on that basis.

Senator INOUE. I see.

Thank you very much.

Thank you, Mr. Chairman.

Senator SYMINGTON. As I understand it, when you had this meeting on zinc the industry felt you might disrupt the market if you were allowed more than 150,000 tons. Is that correct?

Mr. CONNELL. Yes, sir; that was their opinion.

Senator SYMINGTON. Do you agree?

Mr. CONNELL. I agree we ought to have 300,000 tons, but that is the best deal I could work out.

Senator SYMINGTON. Did they tell you why they thought that 300,000 tons would disrupt the market?

Mr. CONNELL. They talked about several things, Senator, at the industry meeting. We had about 90 people there. They said the two reasons were (1) the coming quota problem and (2) that in the next 6 months they felt that their production might catch up with the tight supply, and we have the 150,000, which has been going that way for about a year and a half. However, we had to come up and get additional zinc.

Senator SYMINGTON. My point is that we have to go through all this rigamarole for each small release. This is the third or fourth time in the last 12 months we have been asked to dribble out some zinc. Why don't we just authorize a sufficient amount so that as the need arises, it can be sold. You won't sell it in a way that would disrupt the market. It seems eminently more sensible to do that instead of having to go through all this business in the House and all through the Senate each time and then take the President's time to sign every one of these bills. GSA wouldn't move the zinc if it disrupted the market; you couldn't do that under the law. I don't see why we don't give you the authority to sell 300,000 tons and then you apply the law in the actual operation of the sale. Otherwise we go through this again and again and again.

Mr. CONNELL. Yes, sir.

Senator SYMINGTON. Especially when it comes to zinc.

Mr. CONNELL. I agree with you 100 percent. I think that the bill that is pending in the House, S. 28, would give us what we require. We would like to have total excesses on every material so we could put them into the market without losing the market before it is too late. By the time we get our material in the market there might not be any market left. I am trying to do the same thing on nickel where I get the total excesses so that the executive branch of Government can determine when to put that into the market so we don't go through this rigamarole all the time.

And I certainly agree with you that I would like to have total excesses all the time.

Senator SYMINGTON. Are there any other bills to be considered today?

Mr. CONNELL. No, sir.

Senator SYMINGTON. Any further comments, suggestions, or questions?

Mr. CONNELL. No, sir. I always appreciate coming up to your committee and want to thank you for your prompt action.

Senator SYMINGTON. Thank you, Mr. Connell, we look forward to seeing you, sir. It is always a pleasure to see you.

I have a letter from the American Mining Congress asking that the zinc bill releasing 150,000 short tons be approved, which we will make part of the record.

(The letter referred to follows:)

AMERICAN MINING CONGRESS,
September 21, 1965.

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

DEAR MR. CHAIRMAN: We are advised that hearings are scheduled for September 22 at 10 a.m. with regard to H.R. 9047, a bill authorizing the release of 150,000 short tons of zinc from the national and supplemental stockpiles.

The American Mining Congress urges favorable consideration and passage of this bill.

Prior to final action by the House Armed Services Committee, there was a Government-industry consultative meeting with respect to this release, held under the chairmanship of Maurice J. Connell, Commissioner of Defense Materials Service, General Services Administration, which meeting was attended by some 90 representatives of producers, consumers, dealers, and other interested Government agencies. Substantially all parties in attendance, including the mining industry, recommended that authorization for the release of 150,000 short tons of zinc as authorized in H.R. 9047 in its amended form, would be appropriate on the basis that such release would not disrupt commercial markets. This recommendation was adopted by the Administration and the American Mining Congress advised the House Committee of its support of this view.

We would be very appreciative if this letter could be made part of the record of the hearings before your subcommittee on H.R. 9047. If there is any further way in which we can be of assistance to you, please do not hesitate to call upon us.

With warmest regards, I am

Sincerely,

J. ALLEN OVERTON, Jr., *Executive Vice President.*

Senator SYMINGTON. If there are no further witnesses to be heard, we will have an executive session.

(Whereupon, at 10:15 a.m., the subcommittee went into executive session.)

(In executive session on September 30, the full committee voted to report H.R. 9047, with an amendment, as covered by S. Rept. 803.)



