DISPOSAL OF NICKEL FROM THE NATIONAL STOCKPILE

HEARINGS

BEFORE A

SUBCOMMITTEE OF THE COMMITTEE ON ARMED SERVICES UNITED STATES SENATE

NINETIETH CONGRESS

FIRST SESSION

ON

H.R. 5786

AUTHORIZING THE DISPOSAL OF NICKEL FROM THE NATIONAL STOCKPILE

MAY 15, 1967

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CONTENTS

DISPOSAL OF NICKEL FROM THE NATIONAL STOCKPILE

MONDAY, MAY 15, 1967

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, Tower, and Dominick) 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 in open session, pursuant to notice, in room 212, Old Senate Office Building, at 2:30 p.m.

Present: Senator Symington (chairman), Cannon, Young of Ohio, and Tower.

Also present: Gordon A. Nease, professional staff member; Charles B. Kirbow, chief clerk; and Herbert S. Atkinson, assistant chief clerk.

Senator SYMINGTON. The meeting will come to order. The purpose of our meeting this afternoon is to give consideration to the bill H.R. 5786, which would authorize the disposal of 60 million pounds of nickel now held in the national stockpile. This material is supposedly surplus to the stockpile requirements and is brought about through the reduction in the stockpile objective from 50,000 tons to 20,000 tons. I am sure that each of us is aware of the shortage of nickel now existing among the consuming industries which, as I understand it, is due in part at least to labor disputes occurring during the past year which disrupted production. A serious question arises, however, as to whether this further reduction in the stockpile inventory is in the interest of our national defense.

I should like to review briefly the history of the nickel stockpile inventory. The nickel stockpile was first established in November 1944 at which time we had no inventory. The objective was set at 118,000 tons and steadily increased to 450,000 tons in October of 1952.

At that time we had an inventory of only 58,089 tons. The inventory continued to increase to a peak of 219,479 tons in July 1963, but during this same period we lowered our objective periodically to 50,000 tons. Then, in January of this year, the objective was again reduced to 20,000 tons which created the surplus which the bill under consideration would authorize the disposal of. Since 1960 and through calendar year 1966, a total of 122,582 tons of nickel has been disposed of from the national stockpile inventory, most of which was authorized by the Congress based upon representations that the material was surplus to

our requirements. In addition, disposals have been made from the Defense Production Act stockpile which require no specific authorization from the Congress and over the years beginning with 1953, a total of 222,408 tons of nickel has been disposed of from this stockpile which, I believe, has now been completely depleted. In total, there has been released 344,990 tons of nickel from the Government inventories, over 17 times what is now considered the right requirement.

According to information compiled by the Bureau of Mines, Department of Interior, the domestic consumption of nickel has been steadily increasing for the past several years. The long-range cause of the nickel supply problem was a depletion of producer stocks to meet free world demand which has exceeded production since 1963. They further point out that the immediate cause of consumer problems was a walkout of International Nickel Co. miners, smelters, and refinery workers in Canada last July and still another strike halted mine output in New Caledonia for a shorter period of time.

Considering the demand and production situation, the fact that we have steadily decreased our reserve and that our consumption for defense-rated orders now amounts to around 8 million pounds per month, a serious question is raised as to the advisability of a further reduction in our remaining reserve. It should be kept in mind that if the bill before us is approved, the 20,000 tons remaining in the national stockpile is sufficient to provide for defense needs for only a 5-month period.

(H.R. 5786 follows:)

[H.R. 5786, 90th Cong., first sess.]

AN ACT To authorize the disposal 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, by negotiation or otherwise, approximately sixty million pounds of nickel now held in the national stockpile established pursuant to the Strategic and Critical Materials Stock Piling Act (50 U.S.C. 98–98h). Such disposition may be made without regard to the provisions of section 3 of the Strategic and Critical Materials Stock Piling Act: *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 20, 1967.

Attest:

W. PAT JENNINGS,
Clerk.

Senator SYMINGTON. I received a letter from the Director of Office of Emergency Planning. He writes:

DEAR SENATOR SYMINGTON: I am advised that your subcommittee plans to meet in the near future to consider the proposed legislation which would authorize the disposal of 60 million pounds of excess stockpile nickel. It is my understanding that the subcommittee has expressed some concern as to the sufficiency of the recently revised stockpile objective for nickel which was set at 40 million pounds. While I expect the Office of Emergency Planning to be represented at your meeting, I nevertheless wish to provide you and the members of your subcommittee with my personal assurance regarding the stockpile objective for nickel.

Stockpile objectives are, of course, fixed for the purpose of setting inventory quantities for the several stockpiled materials at levels sufficient to assure that such stockpiles, together with other supplies which would be available, will be adequate to meet essential needs during the period of national emergency. To assure the appropriateness of such objectives, they are subjected to continuing

review as an integral part of the continuing review of mobilization requirements. Changes in the objectives for stockpiled materials have been made many times in the past, and they will continue to be made as our studies indicate that reductions or increases are necessary to conform with changing conditions of supply availability, technological development, and military programing.

I have made it my business, since assuming this responsibility, to assure myself that the procedures for determining stockpile objectives are logical, the assumptions valid, the data as reliable as can reasonably be achieved, and the consultations with appropriate responsible Federal authorities adequate.

In my letter to Mr. Gordon A. Nease, of your Committee, dated February 23, 1967, I attempted to outline our reasons for reducing the conventional war objective for nickel to the level of 40 million pounds. I want to assure you that this decision was taken only after a careful and complete review of all pertinent factors. I am personally satisfied that this decision was proper and that the nickel stockpile level of 40 million pounds together with supplies which will be available to the United States from other sources will be adequate to provide for essential emergency needs.

It has been suggested that stockpile levels are adjusted for the purpose of meeting market shortages, or for satisfying budgetary needs. They are not. Our responsibility for determining the appropriate level of inventories requires, for the national security, that they be not too low, and for the general national welfare that they be not too high. The former might endanger us in time of emergency. The latter would impose upon our Nation an unnecessary economic burden. Believing as I do that our objectives are validly determined, it is incumbent upon me to acquire the respective materials to fulfill the objective, and to dispose of materials in excess of the objective, consistent with the restraints upon each action imposed by appropriate Congressional expressions.

I am mindful of the fact that at the present time there is an urgent industrial need for additional nickel—a need which apparently will not be overcome until sometime in 1968. Sixty million pounds of nickel has been determined to be excess to our needs, it will do much to bridge the supply-demand gap, its sale will reduce the economic burden upon the Nation, and I urge therefore that your Subcommittee give early and favorable consideration to the proposed legislation authorizing its disposal.

I received that letter a couple of days ago, and replied as follows:

Dear Director Bryant:

This acknowledges receipt of your letter of May 12 re your proposal to sell down to 20,000 tons of nickel retained in the Defense Stockpile.

In 1954 the nickel stockpile objective was 450,000 tons. Since that time the Government has disposed of 344,990 tons—over 17 times the amount you now believe is the proper reserve in the interest of national defense.

Your letter does not give us any details, however, as to why you now believe it is wise to still further reduce this estimated nickel requirement over 95 percent from the estimate of a few years ago.

This Subcommittee srongly desires to promote the well-being of the economy; but it does not want to do so at the expense of national security.

May we respectfully request, therefore, that you furnish the Subcommittee with the details which justified your arriving at the conclusion in question.

Mr. Harlan, we welcome you back before the subcommittee. Have you a prepared statement?

Mr. HARLAN. I do, sir.

Senator SYMINGTON. Would you care to read it?

Mr. HARLAN. Yes, sir.

Senator SYMINGTON. Would you proceed.

STATEMENT OF JOHN G. HARLAN, JR., COMMISSIONER OF PROPERTY MANAGEMENT AND DISPOSAL SERVICE, GENERAL SERVICES ADMINISTRATION

Mr. HARLAN. Mr. Chairman and members of the subcommittee, I am John G. Harlan, Jr., Commissioner, Property Management and

Disposal Service, General Services Administration. I have with me other staff members of GSA who are familiar with the Government's stockpile program.

On behalf of the Administrator, Mr. Lawson B. Knott, Jr., who has asked me to represent him at the hearing today, I want to thank you for the opportunity of appearing before your subcommittee for the purpose of expressing the views of GSA on H.R. 6786.

This bill would authorize GSA to dispose of approximately 60 million pounds of nickel now held in the national stockpile. The Office of Emergency Planning has determined that this quantity is no longer needed to meet stockpile requirements.

The change in the war emergency planning base from 5 years to 3 years which took place in 1958 brought about a sharp decrease in the stockpile objectives for nickel and created the first nickel excesses. Since that time the rapid improvement in the nickel supply availability has made possible additional excesses. Over these years and acting under several different authorizations, GSA has been actively disposing of nickel almost continuously. Since early 1960 when actual sales efforts really got underway, we have moved more than 400 million pounds of excess nickel into the market with no adverse market impact. Our last nickel sales took place in March of this year when we completed the disposal of the 24.5 million pounds of excess nickel under authority granted in November of last year by enactment of Public Law 89–740.

The nickel producing and consuming industry has experienced phenomenal growth over the past 15 years. Increasing use of the metal in a variety of applications such as steel, alloying, plating, and catalysts, has pushed demand for the metal to all-time highs. Responding to this demand, nickel producers have taken giant strides in the expansion of production capability, and output of the metal is now taking place at unprecedented levels.

As the world's largest producer and traditionally the major U.S. supplier, Canada has led the way to this expansion, with its total capacity now reportedly well above a level of 550 million pounds per year, or more than double the capacity existing 15 years ago. Over the same period, U.S. productive capability, though still relatively small, has nevertheless grown from virtually zero to a yearly rate of around 30 million pounds. Moreover, Canadian firms are actively continuing additional exploration and development programs, some within the United States, which will increase supplies still further in the near future.

As a result of these expansion programs, it is expected that by early 1968 demand and supply of nickel will be in much closer balance. A serious shortage presently exists, however, brought on mainly by the loss of an estimated 80 million pounds in Canadian production last year because of strikes and slowdowns at the facilities of major producers.

Mr. Chairman, as managers of the Nation's stockpiles of strategic materials, it is GSA's responsibility to remove unneeded materials from inventory as rapidly as possible, consistent with the ability of the market to absorb them without disruption. Excesses are an economic burden and the Government should divest itself of these unneeded materials, whenever it is presented with the opportunity to do so.

The current shortage situation, viewed in context with the more abundant supply situation foreseen in the future, points to the present as the ideal time to remove the nickel excesses from inventory. Disposal now will serve an immediate need to domestic consumers. At the same time, the excesses will be funnelled into the market at a time when there is ample room for additional supplies, rather than at some later date when supplies from regular commercial sources are more plentiful and the possibility of impact upon suppliers' markets may be of concern.

As to the sales procedure which will be used in distribution of the nickel if H.R. 5786 is enacted, we discussed this matter at some length with affected sources in Government and industry at a joint meeting January 26, 1967. At that meeting all were in agreement that there is a shortage of nickel; that this shortage will continue to the latter part of 1967; and that we should request, as soon as possible, authorization from the Congress to dispose of the excess of 60 million pounds so that this quantity can be available to help relieve the existing supply imbalance. There was also agreement with the Government's proposed plan to earmark 50 million pounds of the excess for defense-rated order holders and 10 million pounds to be set aside for hardship cases primarily for small business, with all the nickel to be allocated by BDSA under essentially the same procedures as those followed in the disposal of the 24.5 million pounds authorized by Public Law 89–740. The industry representatives expressed their appreciation for the past actions of the legislative and executive branches of Government for the timely and effective manner in which past releases of excess stockpile nickel have been made.

In view of the foregoing, Mr. Chairman, this agency strongly recommends the enactment of H.R. 5786.

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

Senator SYMINGTON. Thank you, Mr. Harlan.

First I would make this comment.

The Senate felt this problem was largely one of an administrative manner, and passed a bill unanimously in the subcommittee, unanimously in the full committee, and unanimously in the Senate itself, to leave this matter in the hands of the executive branch, subject only to review by the Congress. But the House did not see fit to approve that bill; naturally it is our obligation to look into this matter.

What percent of nickel used in the United States is produced in the United States. Ten percent or less?

Mr. HARLAN. Let's see. It is 30 million pounds out of an annual use of 400 million—yes—less than 10 percent, 8 percent.

Senator SYMINGTON. Presumably we would ask the OEP as to how they arrived at their decision. That is a matter of policy, which checks back to war plans, does it not?

Mr. HARLAN. Yes, sir.

Senator SYMINGTON. Those are details on which we would like to have more knowledge.

Mr. HARLAN. Yes.

Senator SYMINGTON. I have a letter from a user of nickel who says one reason they want to reduce the stockpile is to have more nickel to supply to other countries.

Would you know about that?

Mr. HARLAN. No, sir. As far as I know, there is no particular pressure to increase shipments to other foreign countries.

Senator SYMINGTON. Well, if over 90 percent of the nickel used in the United States is produced in foreign countries, and if our economy demands an increasing amount of nickel, with countries in Europe now undergoing unprecedented prosperity, would it not be logical to assume that they, too, need nickel badly?

Mr. HARLAN. Excepting, Senator, as near as I can determine—excepting for the temporary setback which took place during the strike situation last year—production has been pretty well keeping up with the increase in demand.

Senator SYMINGTON. Is it correct, to the best of your knowledge, that if we agreed to this latest request for reduction, we would have only 5 months' supply left?

Mr. HARLAN. Five months' supplemental supply, yes, sir.

Senator SYMINGTON. Is not the concept of the stockpile a 3-year supply?

Mr. HARLAN. Yes.

Senator SYMINGTON. Senator Cannon, have you any questions?

Senator CANNON. Just on that last statement—is it that we change from a 5 years' supply to a 3 years' supply, or that we changed our objectives from a 5-year possible requirement to a 3-year requirement, which would not necessarily mean a 3-year supply?

Mr. HARLAN. No. It is the difference between what would be available from sources which we determine would be available to us under emergency circumstances and what the demand is estimated to be under those conditions. And the latest OEP determination is that the 20,000 tons would be adequate to take care of that 3-year war emergency situation.

Senator CANNON. Are they in effect saying, then, with this 5 months' supply, that there is a 2-year-and-6-month supply available from other sources in the event there was an emergency?

Mr. HARLAN. That is correct, sir.

Senator CANNON. Do you agree with that position?

Mr. HARLAN. Yes, sir. I do.

Senator CANNON. What is the price that you are talking about?

Mr. HARLAN. Well, the price for this disposal would be the current producers' market price of 85¼ cents a pound.

Senator CANNON. What has happened to the price as a result of this shortage, since the labor difficulties last year?

Mr. HARLAN. There has been one price increase which took place about November of last year.

Senator CANNON. What was the previous price?

Mr. HARLAN. The previous price was 77¾ cents. Now, there are three different types of nickel involved in this proposed disposal. The nickel oxide powder, produced at Nicaro, in Cuba, would probably be priced at around 78 to 80 cents, Senator.

Senator CANNON. Mechanically, how would you actually go about disposing of this. Ten million you said set aside for hardship cases, primarily for small business. How about the other 50?

Mr. HARLAN. The Business and Defense Services Administration of the Commerce Department would allocate that against the holders of defense-rated orders. In other words, the industrial establishments who have a need for nickel and whose contracts carry a defense rating, apply for priority consideration under the defense-rated-order system. Those orders would be referred to use for the full 50 million pounds. In other words, we would fill it directly with defense contractors.

Senator CANNON. Do you foresee that release of this 50 million pounds, or 50 plus 10, whichever way you want to consider it, would have any effect on the current market price at all?

Mr. HARLAN. No, sir. I think it is going to take some of the pressure off the current market price. There is a great deal of pressure on now. I understand some of the people, particularly on the west coast, are paying outrageous prices and still unable to obtain nickel. To the extent we could relieve this situation, it would take some of the pressure off. But I do not believe it would have an effect on the basic producer price levels.

Senator CANNON. Does that mean there is a black market in it now?

Mr. HARLAN. Apparently. Yes, I guess black market is probably the best way to put it.

Senator CANNON. Do you know what the price is on that type of market?

Mr. HARLAN. I think the latest price I heard was as high as $3 a pound. That is against 85 cents. Now, there is also a good deal of Russian material coming into the country at $1.25 a pound.

Senator CANNON. That is all I have, Mr. Chairman.

Senator SYMINGTON. Senator Tower?

Senator TOWER. You say that our productive capability, though still relatively small, has grown from virtually zero to a yearly rate of 30 million pounds, and you sound the optimistic note there is current exploration and development going on in this country that will increase our productive capacity, I suppose.

Mr. HARLAN. Yes, sir.

Senator TOWER. Can you tell me a little bit more of the nature of the exploration and development, which are two different things as we understand it in the oil community.

Mr. HARLAN. That is right.

Senator TOWER. Exploration means you are looking for it.

Mr. HARLAN. The International Nickel Co. has found nickel deposits in Minnesota. They have arranged leases with the Department of the Interior and plan to get into the production of nickel and copper from these Minnesota deposits, probably around 1973 or 1974.

Senator TOWER. What kind of a potential do we have. Can you give us some kind of reasonable projection of what we can expect over and above the 30 million?

Mr. HARLAN. Yes. I think they are planning to bring in 125 million pounds a year of copper and nickel combined. There will be a gentleman here from International Nickel who can give you more details. As

I recall it it is a split of 40–60 in favor of copper. Forty percent of that would be nickel, and 60 percent copper.

So that is roughly another 50 million pounds a year.

Senator TOWER. This is what we can reasonably expect over the next few years?

Mr. HARLAN. In this country, yes.

Senator TOWER. That is what I am talking about.

Mr. HARLAN. Yes, sir. They are also carrying on—well, I think they are in the stages of beginning production in Guatemala. Again the International Nickel Co.—and that should be available to us for emergency purposes.

Senator TOWER. These deposits in Minnesota are the only known mineral deposits now?

Mr. HARLAN. Yes, sir.

Senator TOWER. Is Canadian capacity expected to go beyond the 50 million pounds?

Mr. HARLAN. Yes, sir—585 million, I think it is.

Senator TOWER. Thank you. Thank you, Mr. Chairman.

Senator SYMINGTON. Senator Young?

Senator YOUNG. No, I have questions.

Senator SYMINGTON. Thank you, Mr. Harlan.

Our next witness is Mr. William Lawrence of the Office of Emergency Planning.

Mr. Lawrence, have you a prepared statement?

Mr. LAWRENCE. Yes, sir.

Senator SYMINGTON. Would you read it?

Mr. LAWRENCE. Yes, sir.

STATEMENT OF WILLIAM N. LAWRENCE, STOCKPILE MANAGEMENT, NATIONAL RESOURCE ANALYSIS CENTER, OFFICE OF EMERGENCY PLANNING

Mr. LAWRENCE. Mr. Chairman and members of the subcommittee, the Office of Emergency Planning appreciates the opportunity to appear before this committee to support H.R. 5786, a bill authorizing the disposal of approximately 60 million pounds of nickel from the national stockpile. This excess quantity in our inventory results from a determination by Director Bryant on January 13, 1967, that the stockpile objective should be reduced from 50,000 to 20,000 short tons.

In the assumed emergency period which the revised objective is designed to cover, the years 1968–70, our projected estimates indicate that nickel supplies, including the amounts stockpiled, should be quite ample to meet demand. To the extent that defense and essential civilian requirements might be larger than we have forecast, and if production could not be increased proportionally, it would be necessary for the Government to tighten up the allocation and conservation measures that have been assumed in our computations. However, I am confident that our estimates are good and the possible margins of error are small.

In the period following our previous supply-requirements review in mid-1963, domestic consumption of nickel has risen more rapidly than supply. This situation, plus the effect of last summer's extended strike at the principal facilities of the International Nickel Co., the largest producer, are responsible for the extremely tight nickel market

which has existed for the past 18 months. A reasonably good market balance was maintained in 1966 and through the first quarter of this year by the release of surpluses from Government inventories. These surpluses are now exhausted except for the 60 million pounds presently under consideration for disposal approval.

Industry and Government estimates indicate that for the balance of this year nickel demand will exceed supply by 7 to 9 million pounds a month. The additional output from the new mines and facilities now under construction will not become available until early next year. In view of the current favorable market conditions, it is most desirable that the excess of 60 million pounds be authorized for disposal now, particularly since almost 25 percent of this year's consumption, or more than 100 million pounds, will go into defense production.

While most of the assumptions and considerations used in our recent review of the nickel stockpile objectives were virtually the same as in our last full review, about 3½ years ago, there were three differences which resulted in revision of the objective. First, the percentage of Canadian output coming to the United States has been rising slowly in recent years and our recent review assumed a somewhat higher share of Canadian production being shipped here in an emergency period than was assumed in our previous review. This represents an improved supply outlook.

Secondly, conservation and use limitations were imposed more severely in our latest review than in the previous one. This step, which was taken only after discussions with industry technicians, represents a deduction on the requirement side of our balance.

Thirdly, and most importantly, we did not provide, as previously was done, a reserve against what we term a "concentration hazard." Such reserves have been included in our studies of 18 stockpiled materials. This "concentration hazard" adjustment is applied in those instances where as plant or supply source in the United States or Canada accounts for 25 percent or more of the estimated requirement of a material in the first mobilization year.

The theory behind this reserve is that there is an undue risk involved in relying on output from a large plant that might as a result of sabotage, fire, or some natural disaster to it or to its power sources be unable to operate. We have in these instances increased the deficit, otherwise calculated, by the amount of the plant's production for the estimated period of time it would take to rebuild the lost facilities.

Almost a year ago Director Bryant became concerned about the use of this discount and, on August 10, 1966, requested the National Academy of Sciences to establish an ad hoc committee to examine its validity.

The committee was composed of the following:

Dr. Charles E. Reed, chairman, General Electric Co., Bridgeport, Conn.

Mr. Clay P. Bedford, Kaiser Aerospace & Electronics Corp., Oakland, Calif.

Dr. Carl F. Prutton, Food Machinery & Chemical Corp., New York, N.Y.

Dr. Walter L. Finlay, Cooper Range Co., New York, N.Y.

Mr. Gilbert H. Glee, McKinsey & Co., Inc., New York, N.Y.

Mr. Lewis A. Vincent, Continental Insurance Co., New York, N.Y. This committee, in its report to him on October 31, 1966, stated that the general idea of employing discount factors to reflect geographic and/or production concentrations was valid. However, the committee recommended that CEP, before applying the discount, should determine whether the company owning the plant or plants had substitute capacity which could take its place in event the plant was destroyed.

In the case of nickel, the projected supply from the major refinery of the International Nickel Co., located at Port-Colborne, Canada, had previously been discounted for the first year of the 3-year emergency planning period because of its size and its dependence on electric power from the Niagara power complex. Upon inquiry of the International Nickel Co., we personally determined that the company had sufficient refining or sintering capacity located at its Copper Cliff, Ontario, and Thompson, Manitoba, plants to almost compensate for the loss of the Port Colborne capacity. Accordingly, we have substituted the capacity at Copper Cliff, and established the new objective at 20,000 short tons.

In computing the new objective, we have also, as in all our reviews, considered changes in the usage of nickel and revisions in military emergency period requirements as furnished by the Department of Defense.

The nuclear war stockpile objective of 17,500 short tons has no relation to the conventional war objective which I have been discussing. It is established on the basis of probable nuclear attack hazards on the United States and reflects possible losses of capacity resulting from the attack. No discount for concentration of capacity were used in the nuclear war studies.

The Office of Emergency Planning strongly recommends your approval of this disposal of 60 million pounds of nickel.

Senator SYMINGTON. Thank you, Mr. Lawrence.

Do you think we are in an emergency period at this time?

Mr. LAWRENCE. Yes, sir, I do.

Senator SYMINGTON. Your report did not sound as if you thought we were.

Mr. LAWRENCE. Well, I do not think that we are in—as far as military requirements are concerned, we are not in a period where the requirements are as high as the ones that are used in determining the stockpile objective. But I would certainly say we are in an emergency period.

Senator SYMINGTON. Is it not true that we are using 8 million pounds a month in defense?

Mr. LAWRENCE. That is right, sir.

Senator SYMINGTON. That would mean we would have 5 months' supply in the stockpile; correct?

Mr. LAWRENCE. I would say you could characterize it that way, Senator, if that were all the nickel we had available to us; yes, sir.

Senator SYMINGTON. We just had testimony that less than 10 percent of the stockpile of nickel was produced in the United States.

Mr. LAWRENCE. That is correct, sir.

Senator SYMINGTON. I quote from the declaration of policy as set forth in paragraph 98, title 10, United States Code:

It is the policy of the Congress to provide for the acquisition and retention of stocks of these materials within the United States, and thereby decrease and prevent wherever possible a dangerous and costly dependence of the United States upon foreign nations for supplies of these materials in time of national emergency.

Do you believe the disposal of additional nickel, as proposed by this current bill, is consistent with the above stated policy of the Congress?

Mr. LAWRENCE. I do, sir.

Senator SYMINGTON. As I understand it, we originally decided 13 years ago that we needed 450,000 tons, based on the formula established as to the possible use of nickel in times of emergency.

Mr. LAWRENCE. That is correct, sir.

Senator SYMINGTON. That originates in the estimates of the Joint Chiefs of Staff, does it not?

Mr. LAWRENCE. That is correct, sir.

Senator SYMINGTON. Will you furnish the committee the details of the changes in the estimates of the Joint Chiefs and Defense officials which result in your believing we can go from the 1954 figure of 450,000 pounds down now to 20,000? That would be quite voluminous but you might give us the justification from a military standpoint of this further reduction down to 20,000 tons.

Mr. LAWRENCE. Well, November 20, 1944——

Senator SYMINGTON. For the record, if you could tell us how this all originated—yours is the policy agency, and the operating agency, the General Services Administration carries out your policies; correct?

Mr. LAWRENCE. That is correct, sir.

Senator SYMINGTON. But your policies, under the law, originate and change based on information, the Defense Department gives you; correct?

Mr. LAWRENCE. That is correct.

Senator SYMINGTON. As I remember the law.

Mr. LAWRENCE. That is correct.

Senator SYMINGTON. Would you give us the details as to how, say, for the last three reductions, including correspondence or suggestions from the Defense Department, to OEP; your analysis, and then your instructions to the General Services Administration. Will you do that?

Mr. LAWRENCE. Yes, sir.

(The information, subsequently submitted, follows:)

EXECUTIVE OFFICE OF THE PRESIDENT,
OFFICE OF EMERGENCY PLANNING,
Washington, D.C., May 18, 1967.

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

DEAR MR. CHAIRMAN: At your hearings on H.R. 5786 on May 15, 1967, you requested Mr. William N. Lawrence of the Office of Emergency Planning to provide you with a history of the changes in the stockpile objectives for nickel and the reasons therefor. You also requested that he furnish you will copies of the instructions that have been sent to the General Services Administration on the various nickel disposals. These are attached.

The first stockpile objective for nickel was established on November 20, 1944, at 118,000 short tons. This objective was obtained by multiplying the 1943 consumption by a five-year war emergency and subtracting the expected supplies from Canada and New Caledonia.

On July 27, 1950, the conventional war stockpile objective for nickel was established at 274,000 short tons. The increase in the objective was due to an increase in the mobilization requirements for high-velocity armor piercing ammunition and the requirements of a new Mobilization Aircraft Production Schedule No. 3 which had a sizable increase in the number of aircraft jet engines which would be required in an emergency. This was the first calculated supply-requirements study as compared with the previous method of taking the highest year's consumption in World War II and multiplying it by five.

On November 9, 1950, the objective was increased to 290,000 short tons due to a greater discount in overseas supplies which had been introduced by the Joint Chiefs of Staff. There was no change in requirements.

The next change in the stockpile objective was made on October 9, 1952, when the Munitions Board set the objective at 450,000 short tons. The calculated deficit in nickel supply, based largely on the requirements of a new mobilization aircraft schedule, MA–5 (the highest airframe weight production ever projected in history by the U. S. Air Force), was 1,345 million pounds of nickel.

The size of this deficit was so great that immediate action was instigated by the Munitions Board, the National Production Authority, the Defense Production Administration, and the Office of Defense Mobilization to (1) increase supplies of nickel, (2) reduce the requirements for civilian end-items, and (3) increase conservation efforts in the use of nickel.

Following a rephasing of the aircraft production schedules and a better calculation of unit weights of nickel for airframes and engines by the U.S.A.F., the total requirement was reduced to a calculated deficit of 902,000,000 pounds which was rounded off to 900,000,000 pounds or 450,000 short tons.

On February 8, 1955, the stockpile objective was reduced to 337,500 short tons. This objective was established by the Office of Defense Mobilization after the transfer of the National Stockpile from the Munitions Board.

The reduction was due, in part, to a decrease in the requirements for jet engines. At this time, there was a trend to substitute cobalt-based alloys for nickel alloys. (This was reversed early in 1958.) The remainder of the decrease in the calculated deficit was due to an increase in the estimated supply that would be forthcoming from Cuba, Canada, and the United States.

On June 30, 1958, the stockpile objective for nickel was reduced to 161,500 short tons by a decision of the Joint Chiefs of Staff, concurred in by the Secretary of Defense and subsequently by the National Security Council and the President that the emergency planning period for the National Stockpile would be reduced from five to three years.

On January 18, 1960, the Interdepartmental Materials Advisory Committee (IMAC) met to consider a new supply-requirements study of nickel. This study eliminated the possibility of any supplies of nickel from the Government-owned plant at Nicaro, Cuba. Despite this elimination, the study indicated that the stockpile objective could be reduced to zero (0).

Because of the trouble with Castro, the Chairman of IMAC decided, after the meeting, not to recommend any change in the objective to the Director of OCDM.

On July 18, 1963, a new supply-requirements study showed a deficit of 50,000 short tons which became the objective. A good part of this deficit was brought about by a discount of the Port Colborne, Ontario, refinery of the International Nickel Co. because of the concentration of refining capacity and the dependence of the plant on electric power from the Niagara power complex.

This discount, first established in 1955 and based on the theory of sabotage or accident, stated that when any plant in the U.S. or Canada produced more than 25% of U.S. requirements of stockpile material for the first year of mobilization, its capacity would be discounted for the time it would take to rebuild it.

In the fall of 1966, I requested an Ad Hoc Committee of the National Academy of Sciences to examine the validity of this discount. It reported back to me that the discount was valid, but OEP had not determined if there was alternative production capacity in the event of disaster.

In making our latest supply-requirements study of nickel, we asked the International Nickel Co. if there were alternatve refining capacities available in its other plants. We were informed that there was refining capacity available at Copper Cliff, Ontario, and Thompson, Manitoba, that would almost duplicate the capacity of Port Colborne. This data led to the establishment of the stockpile objective at 20,000 short tons on January 13, 1967.

I trust the above information will fulfill your needs, but if I can be of further assistance, please call upon me.

Sincerely,

FARRIS BRYANT, *Director.*

Enclosures.[1]

EXECUTIVE OFFICE OF THE PRESIDENT,
OFFICE OF EMERGENCY PLANNING,
Washington, D.C., May 22, 1967.

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

DEAR MR. CHAIRMAN: On Friday, May 19, 1967, Mr. Gordon Nease of your staff requested Mr. Lawrence to furnish you additional information on military requirements for nickel for the period October 9, 1952, through January 13, 1967.

The attached table provides the military requirements for nickel as set forth in the various supply-requirements studies which have led to the establishment of stockpile objectives.

With regard to your inquiry as to the participation of the Joint Chiefs of Staff in the determination of requirements of nickel, I am enclosing a letter I received on April 25, 1967, from Assistant Secretary of Defense (Installations and Logistics) Paul R. Ignatius, which sets forth the official position of the Department of Defense on this subject.

I trust the enclosed information will meet your needs, but if I can be of further service, please call upon me.

Sincerely,

FARRIS BRYANT, *Director.*

Enclosures.[1]

ASSISTANT SECRETARY OF DEFENSE,
Washington, D.C., April 25, 1967.

Hon. FARRIS BRYANT,
Director, Office of Emergency Planning,
Washington, D.C.

DEAR GOVERNOR BRYANT: This is in reply to your letter of April 12 concerning HR 5786, a bill "to authorize the release of 60,000,000 pounds of nickel from the National Stockpile."

The Department of Defense concurs in the disposal of this material on the basis that it represents inventory in excess of the stockpile objective of 40,000,000 pounds established by you on January 13, 1967. The objective previously had been 100,000,000 pounds.

The Department of Defense concurred in this revision of the nickel stockpile objective. The revised objective was based on a review of potential wartime requirements and supplies available from United States production and imports. The requirements data included the military requirements which had been computed by logistics elements of the Services and submitted to you by this office.

The Joint Chiefs of Staff do not directly participate in the individual stockpile commodity studies. Department of Defense participation in that phase of the stockpiling program is assigned to my office. The Joint Chiefs of Staff do participate in formulating the Department of Defense position regarding basic stockpile planning assumptions, such as the probable nature and duration of a future war emergency and the degree of accessibility of normal foreign sources of supply.

Sincerely,

PAUL R. IGNATIUS,
Assistant Secretary of Defense.

Senator SYMINGTON. Back to that letter received, the reason for the desire to have a further reduction is because of the heavy demand on Canada for nickel from other countries.

Is Canada a member of the sterling bloc?

Mr. LAWRENCE. Yes, sir, I think so; yes.

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[1] The enclosures, part of which are classified, are retained in the committee files.

Senator SYMINGTON. Is the United States?

Mr. LAWRENCE. No, sir.

Senator SYMINGTON. Great Britain is the leader of the sterling bloc, is it not?

Mr. LAWRENCE. That is correct, sir.

Senator SYMINGTON. They have applied for entrance into the Common Market, have they not, the British?

Mr. LAWRENCE. Yes, sir.

Senator SYMINGTON. Would you not say if it was a question of who got Canadian nickel, there would be other countries besides the United States who would have as good a reason for demanding nickel from Canada as we do?

Mr. LAWRENCE. No, sir. I could not agree with that, Senator, because historically the United States has been the biggest market for all three of the big producers in Canada. I cannot see any reason why they would turn around and cut us off in favor of someone else.

Senator SYMINGTON. Senator Cannon?

Senator CANNON. Thank you, Mr. Chairman.

You say that most of the assumptions and considerations used in your recent review were virtually the same as that in your last full review about 3½ years ago; is that right?

Mr. LAWRENCE. That is correct.

Senator CANNON. And that was how much, then?

Mr. LAWRENCE. Sir?

Senator CANNON. What was that objective at that time?

Mr. LAWRENCE. It was set July 18, 1963.

Senator CANNON. What was the amount at that time?

Mr. LAWRENCE. 50,000 tons.

Senator CANNON. Now, you say that the percentage of Canadian output coming to the United States has been rising slowly in recent years, and your recent review assumed a somewhat higher share of Canadian production being shipped here in an emergency period.

What is the increase in percentage or increase——

Mr. LAWRENCE. We raised it from 55 to 60 percent.

Senator CANNON. Fifty-five to 60. And what did that amount to in increased tonnage over that period of 3½ years?

Mr. LAWRENCE. It would result in about an additional 40,000 tons annually.

Senator CANNON. And you say secondly that conservation and use limitations were imposed more severely in your latest review than the previous one. Why is that? Is that because you had a shortage developing?

Mr. LAWRENCE. No. We thought when we considered some of the previous reviews that we perhaps had not been as conservative as we should have. For example, in the review in 1963, where we reduced the requirement for plating about 10 percent—this last review we reduced the requirement for plating about 15 percent below the 1966 consumption level. By contrast, though, during Korea we reduced the use of nickel for plating 65 percent. We caused hardship, but we cut it back that far.

Senator CANNON. So you are just, in effect, saying you can cut it back more, and therefore lower your objective?

Mr. LAWRENCE. No, sir. I think we have been quite reasonable here. I think we can reduce plating 15 percent below 1966 consumption and not hurt anyone.

Senator CANNON. You say that the second plant in Canada produces substantially as much as the first one that you relied on.

What is the difference there?

Mr. LAWRENCE. Well, the Copper Cliffs plant, in the western portion of Ontario—we had previously counted on receiving only 80 million pounds of nickel sinter from that plant annually. When we made inquiry of International Nickel Co., we found that they actually had the capacity in this plant to produce 212 million pounds of nickel sinter annually. It had never been counted in any previous stockpile calculation. Although a good portion of it, I might add, has recently been completed. The only other capacity we added was in the third year, 1970, when new refining capacity will come into being in the Thompson Refinery, in Manitoba.

Senator CANNON. You also say here that Director Bryant became concerned about the discount procedure and requested the National Academy of Sciences to establish an ad hoc committee to examine its validity.

Now, did you apply that to all of the stockpile resources?

Mr. LAWRENCE. No; just to the 18 materials.

Senator CANNON. Eighteen materials. And was the finding of that committee that the discount procedure was valid with respect to all of them?

Mr. LAWRENCE. For all 18, yes sir; they said this was correct. We have completed two other studies where this has been used—molybdenum and platinum. The others are under study at the present time.

Senator CANNON. That is all I have, Mr. Chairman.

Senator SYMINGTON. Senator Tower?

Senator TOWER. I will pass this round.

Senator SYMINGTON. Senator Young?

Senator YOUNG. Thank you, Mr. Chairman, I have a few questions, I believe.

You are strongly recommending the disposal of 60 million pounds of nickel in stockpile?

Mr. LAWRENCE. Yes, sir.

Senator YOUNG. And that is 30,000 short tons, is that correct?

Mr. LAWRENCE. Yes, sir.

Senator YOUNG. Now, you have said in your judgment we are living in an emergency period. Is that correct?

Mr. LAWRENCE. Yes, sir.

Senator YOUNG. Now, you do not mean from that that we are living in a period of probable nuclear attack on us from the Soviet Union, do you?

Mr. LAWRENCE. That is a difficult question to answer, Senator. I don't have the military intelligence to be able to answer that one.

Senator YOUNG. Well, I would agree that we are living in an emergency period, but I feel that—and I am asking you—do you not feel that we are in an emergency period because we are presently engaged in the longest war, whether you call it a police action or not—it is the longest war that the United States has ever been engaged in, with the sole exception of the Revolutionary War. Isn't that a fact?

Mr. LAWRENCE. Yes, sir.

Senator YOUNG. And we have more than 500,000 men, fine young men, involved in that?

Mr. LAWRENCE. Yes, sir.

Senator YOUNG. Right at the present time we have more than a third of our naval forces committed to it. We have approximately one-third of our combat ready divisions. And we have committed to it probably 50 percent of our airpower. Is that not a fact?

Mr. LAWRENCE. That is right.

Senator YOUNG. Now, to me that makes it that we are living in an emergency period. But when you refer in your statement that "it is established on the basis of a probable nuclear attack hazard on the United States, and reflects possible losses of capacity resulting from the attack," I cannot go along with you on that—if you are referring to the probability that the Soviet Union is going to attack us with nuclear weapons.

Mr. LAWRENCE. Well, we have here two studies, Senator. Maybe I should not have added that paragraph. It is probably confusing.

I was trying to illustrate that in our establishment of a nuclear war stockpile objective, we do not use this concentration hazard discount. We only use the probability of damage analyses that we receive from the Joint Chiefs.

Senator YOUNG. Fortunately, the Fathers who rammed down the throats of the makers of our Constitution the first 10 amendments, thought we provided in this country that civilian authority must always be supreme over military, is that not correct?

Mr. LAWRENCE. That is correct.

Senator YOUNG. Now, the Joint Chiefs may talk about nuclear attack on us from the Soviet Union. But is it not a fact that the Communist world as represented by the Soviet Union and Red China is sort of breaking up?

Mr. LAWRENCE. Well it certainly would appear so from the news, yes, sir.

Senator YOUNG. And that they are very antagonistic toward each other. And apparently is not the Soviet Union veering toward capitalism and away from communism?

Mr. LAWRENCE. That is so, too, sir.

Senator YOUNG. And it has become a have nation instead of a have-not nation as it was under Stalin—that is true, is it not?

Mr. LAWRENCE. Yes, sir.

Senator YOUNG. And going back to an authority that I did not place any credibility in in 1964, in October 1964, when this distinguished Senator, Barry Goldwater, was speaking in my State of Ohio—he said, "I foresee that within 10 years if the United States is engaged in war with Red China, the Soviet Union will be fighting in that war on the side of the United States as our allies." Now, that seems more credible now than it did at a time when I was saying that I believed it was silly for us to send American boys to solve Asiatic problems. I was echoing our candidate for President then.

Thoughtfully now—you may agree, and I will agree, that we are living in hazardous times, and in an emergency situation. But you do not think it is factually correct to say that we are facing a probable nuclear attack hazard?

Mr. LAWRENCE. No. We planned for both eventualities—one that we are considering now is conventional war. But we also planned in case we had a nuclear war to see if we had sufficient material for that purpose.

Senator YOUNG. Yes.

Now, I am handing three telegrams to the reporter that I received the latter part of April. They are similar in form. One impressed me very much, because I know the gentleman who sent it—

Continued employment of 120 employees of Cleveland Union Carbide Plant manufacturing nickel, cadmium, rechargeable batteries, seriously depends upon availability of nickel. Strongly request your support in release of nickel from Government stockpile.

That is signed by Ralph Krueger, manager of the Union Carbide Corp. at Cleveland.

I have another one from Ashtabula—

Nickel being so important to many industries in Ohio, I urge you support of Government stockpile release. Outages of nickel by those industries would not only reduce productivity but effect employment significantly.

And then I will read the third one. This is from another plant manager—

Recommend that you support release of nickel from Government stockpiles. Nickel is vital to our chemical, metal, and electronics operations in the State of Ohio. Lack of this material threatens to curtail both our employment and productivity.

(The telegrams quoted above follow:)

CLEVELAND, OHIO, *April 28, 1967.*

Senator STEPHEN M. YOUNG,
Senate Armed Services Committee,
Senate Office Building, Washington, D.C.:

Recommend that you support release of nickel from Government stockpiles. Nickel is vital to our chemical, metal, and electronics operations in the State of Ohio. Lack of this material threatens to curtail both our employment and productivity.

G. E. WACHTLER.
Plant Manager, Carbon Products Division, Union Carbide Corp.

ASHTABULA, OHIO, *April 28, 1967.*

Hon. STEPHEN M. YOUNG,
New Senate Office Building,
Washington, D.C.:

Nickel being so important to many industries in Ohio, I urge your support of Government stockpile release. Outages of nickel by those industries would not only reduce productivity but effect employment significantly.

R. D. SUTTON,
Linde Division, Union Carbide Corp.

CLEVELAND, OHIO, *April 28, 1967.*

Senator STEPHEN M. YOUNG,
Senate Office Building,
Washington, D.C.:

Continued employment of 120 employees in Cleveland Union Carbide plant manufacturing nickel-cadmium rechargeable batteries seriously depends upon availability of nickel. Strongly request your support in release of nickel from Government stockpile.

RALPH W. KRUEGER,
Manager Manufacturing, Union Carbide Corp., Consumer Products Div.

Senator YOUNG. I have not received any messages contrary to those. And feeling as I do—and it is a fact, is it not, that this nickel was stockpiled just for such a time as now, when we are in an emergency. Is that not correct?

Mr. LAWRENCE. Well, that is not entirely true, sir. I mean we have covered ourselves, I think, with the stockpile objective for any all-out war that we have, or conventional war.

This that is surplus, though, should certainly be used for this purpose.

Senator YOUNG. I mean this is surplus at the present time.

Mr. LAWRENCE. Yes, sir.

Senator YOUNG. It can be used without jeopardizing our safety, is that not a fact?

Mr. LAWRENCE. That is right. I feel so, yes.

Senator YOUNG. I support your view, sir.

Senator CANNON. I would like to comment on the Senator's question to Mr. Lawrence, there. A letter from Director Bryant was read into the record earlier, and he says that this is not the case, that the stockpile levels are adjusted for the purpose of meeting market shortages, as the Senator suggests. Mr. Bryant, the head of the Office of Emergency Planning, says that that is not the case. And I think I would agree with him—that should not be the case.

Mr. LAWRENCE. I think I would agree with what the Director said. I agree we should not use the stockpile material that is retained against the objectives for any purpose, except for national security, and in an emergency. But the surpluses, I feel, should be used to alleviate shortages and hardship now, if we have such surplus.

Senator YOUNG. Is there any question but that we do have this surplus? That is agreed, is it?

Mr. LAWRENCE. Sir?

Senator YOUNG. Is it not agreed we do have a surplus at the present time?

Mr. LAWRENCE. I feel so; yes, sir.

Senator YOUNG. I have no other questions.

Senator SYMINGTON. Some years ago I held the same position Director Bryant holds now—we then called it NSRB.

This is why some of us with experience in this field were anxious to get out of it, and leave up to the executive branch the responsibility, because of the tremendous amount of detail involved in estimates on each of these materials. As you know shortages are by no means limited to nickel. But the American Mining Congress lobbied this Congress very successfully. They were frank about it.

You say we are using 8 million pounds a month, and you now want the total stockpile down to 40 million pounds. Before this subcommittee agrees to that, I think we ought to see the details of the formula set up so we do not bear the responsibility of possible shortages without more complete information.

I well remember what had to be done to produce aluminum in the United States, also what had to be done with respect to rubber. This stockpile was not created to promote industry. I wish it had been. If the law read that way, we would have no problem in agreeing to this latest proposed reduction.

You say the percentage of Canadian output coming to the United States has been rising slowly in recent years.

We are in an emergency, and our problem is we cannot get enough nickel.

Mr. LAWRENCE. We have no shortage, Senator, for defense purposes. Every pound of defense rated orders are being met in full. No one who has a defense rated order is going short of nickel.

Senator SYMINGTON. I understand. But you only have 5 months of what the Defense Department currently needs now; correct?

Mr. LAWRENCE. As I said earlier—this is the difference between what we feel that we would get in wartime from Canada, and the requirements.

Senator SYMINGTON. Thank you, Mr. Lawrence.

Our next witness is Mr. Anthony Bertsch, Assistant Administrator for Industrial Mobilization, Department of Commerce.

Mr. Bertsch, I see you have a prepared statement. Will you read it?

Mr. BERTSCH. Yes, sir.

STATEMENT OF A. A. BERTSCH, ASSISTANT ADMINISTRATOR FOR INDUSTRIAL MOBILIZATION, BUSINESS AND DEFENSE SERVICES ADMINISTRATION, DEPARTMENT OF COMMERCE

Mr. BERTSCH. Mr. Chairman and members of the committee, I appreciate this opportunity to discuss with you the administration's request for congressional authorization to sell from the national stockpile 60 million pounds of surplus nickel. This request has already been approved by the House of Representatives as H.R. 5786, and is now before your committee.

Under the terms of the proposed disposal plan, as agreed to in general by the agencies concerned and by industry, the Business and Defense Services Administration of the Department of Commerce would provide the General Services Administration with guidance regarding the allocation of this material to defense orders and allotments to hardship cases. Because of the significance of our participation in this aspect of the plan, I would like to direct my remarks primarily to this area.

Before discussing in detail our procedure for determining allocations and allotments, I think a few comments on the nickel supply-demand situation would be useful in considering the rationale for the proposed method of distribution. As you know, the free world and domestic demand for nickel reached new high levels in 1966.

Present indications are that this situation is continuing. Estimated free world consumption for last year approximated 830 million pounds, 70 million pounds above 1965, which was itself a record year. According to the U.S. Bureau of Mines domestic consumption rose from a record 344 million pounds in 1965, to almost 371 million pounds in 1966 and might have been still higher if nickel had been freely available. This increased domestic demand stemmed in part from growing Vietnam war requirements and in part from a rate of domestic economic activity which reached a new high level during the past year.

Substantial releases of surplus nickel from Government inventories early in 1966 provided a cushion for this growth in demand but a

serious strike last summer at a number of plants of the major nickel producer, the International Nickel Co., resulted in a production loss of 80 million pounds. Because of the strike and its effect on the supply-demand balance, the President requested and obtained the approval of Congress in October 1966, for the release and sale of the then remaining stockpile surplus of 24.5 million pounds.

When arrangements for the distribution of this nickel were under consideration, it was clear to the agencies concerned and to industry that this limited quantity could not begin to meet the pent-up demand. Accordingly, with interagency assistance, the General Services Administration developed a disposal plan which allocated 90 percent for defense orders and 10 percent for hardship cases, primarily those involving small business consumers. The plan also required that the nickel be consumed domestically. This plan, which was approved by the Office of Emergency Planning and which received general acceptance by industry, was put into effect in December 1966, following congressional authorization of the release.

By direction of OEP, the Business and Defense Services Administration of the Department of Commerce developed for GSA an allocation pattern for hardship cases based on an evaluation of applications submitted by nickel consumers. Nickel consumers for this purpose were defined as producers of end items such as mill and foundry products, plated products, catalysts and similar products.

The tightness of the supply situation was demonstrated in applications submitted to us. It was necessary to cut back the actual allotment for each hardship case substantially from the quantity of nickel to which it was presumptively entitled under the established criteria. Thus when OEP determined early in January of this year that the stockpile objective for nickel should be revised to 40 million pounds, thereby generating a new surplus of 60 million pounds, Congress was immediately asked to authorize the release of this material.

Prior to the submission of the request, the General Services Administration, the Department of Interior and the Department of Commerce discussed with industry representatives a plan of disposal for this nickel. It was generally agreed that continuation of the tight supply situation and the proven appropriateness and acceptability of the prior plan covering the 24.5 million pounds warranted the use of a substantially similar arrangement for the 60 million pounds. As recommended by these agencies, therefore, OEP approved a plan which would reserve 50 million pounds for defense orders and 10 million pounds for hardship cases, with a proviso that all material must be domestically consumed. As in the previous case, OEP would direct BDSA to give to GSA a pattern of allocations for defense orders and allotments to hardship cases.

The form of nickel which would be released under the plan, however, raise certain problems of distribution. Twenty-seven million pounds consist of electrolytic cathode square which normally can be used for almost all purposes. However, a large portion of the squares are full size and arrangements may have to be made to have some cut into smaller pieces for special uses or shaped into anodes, if required for use by certain platers. Sixteen million pounds are in the form of briquettes which are also generally usable except for plating purposes. The remainder of 17 million pounds consists of nickel oxide powder

obtained from the U.S. Government's Nicargo plant in Cuba prior to 1960. Except in limited cases, this material cannot be used readily as is, and may have to undergo further processing before it is distributed. Under present planning the powder would be sold for conversion into a type or types of nickel which could be used to fulfill defense-rated orders under BDSA allocation.

Currently about 8 million pounds of nickel per month are being used for defense. The 50 million pounds reserved for this purpose would at the present rate cover total defense requirements for at least 6 months. It may be advisable, however, to utilize a smaller quantity for defense each month thereby stretching out the supply to cover a longer period of time; for example, 5 million pounds each month for a 10 month period.

Flexibility in this regard would appear to be most desirable in view of the uncertainties of defense demands. Because of present needs, the 10 million pounds reserved for hardship cases should be distributed over a 3 to 5 month period with a large portion being allotted in the earlier months.

The proposed operational methods and the techniques for determining allotment would closely follow those used for the distribution of the 24.5 million pounds. Requests for nickel to fulfill an applicant's defense-rated orders for 50,000 pounds or more for the month for which the nickel is required would be received and processed by BDSA and forwarded to GSA for fulfillment. Requests for nickel to fulfill defense-rated orders in quantities of less than 50,000 pounds would be directed to the consumers' suppliers who would fill the defense orders in accordance with the priorities system.

The criteria for determining hardship cases and the extent to which they should be helped would also be similar to those previously used. As a general rule, first consideration would be given to those consumers who for lack of nickel would be in danger of imminent shutdown or curtailment of operations with attendant reduction in work force or reduction in hours of work and those being severely delayed in meeting contract commitments because of inability to obtain an adequate supply of nickel.

In all instances we would require the submission of detailed applications showing recent inventory positions, estimates of supply availability and scheduled production for the applicable month. Upon receipt of this information our formula for determining the amount of the allotment would involve the following steps:

1. Estimate the applicant's inventory at the end of the allotment month.

2. Subtract the estimated month-end inventory from the higher of the inventories reported for March 31 or June 30, 1966, or from the average monthly consumption during the January-June 1966 period, whichever is the lower; and

3. Establish the difference as the quantity to be allotted. In practice, if the total of all potential allotments for the month exceeds the quantity of nickel set aside for hardship distribution in that month, each allotment would be reduced pro rata so as to bring total allotments into balance with the availability. This procedure is obviously complex and requires much work for proper administration, but its fairness is attested by the general acceptance and success of its use in the recent

disposal program. In fact the procedure outlined above was widely praised by industry.

However, there have been complaints from some processors and remelters of nickel alloys and nickel additives that they should have been entitled to receive nickel under the program.

It should be noted that such processors and remelters can share in the disposal program. To the extent the processor or remelter supplies nickel for defense rated orders, GSA would provide them with the quantities of nickel necessary to fill the defense orders. Similarly, if a consumer to whom hardship allotments are made designates a certain processor or remelter as his supplier, the consumers' allotment would also be shipped to that processor for processing. Some processors and remelters proposed as an alternative that nickel be shipped to them for processing and redistribution to hardship cases among their own customers. If this were done we would not be in a position to assure Congress or industry regarding the fairness of the distribution, the participation of small business in acquiring the surplus nickel, or the possibility that a single company did not receive stockpile nickel from more than one source.

We feel we cannot delegate to private persons our responsibility for assuring equality of treatment in connection with Government stockpile disposals. It appears that the only practical way to provide fair distribution with a high degree of certainty is to continue to limit applicants to the stated end-use categories.

Mr. Chairman, this concludes my statement. I shall be happy to answer questions on any aspects of this subject.

Senator SYMINGTON. Thank you, Mr. Bertsch.

You indicated that OEP has approved a plan which would reserve 50 million pounds of nickel to be disposed of for defense-rated orders and 10 million pounds for hardship cases; is that correct?

Mr. BERTSCH. That is correct, sir.

Senator SYMINGTON. You are requiring 25 percent of current shipments to be set aside for defense-rated orders?

Mr. BERTSCH. We are at the present time setting aside 25 percent for defense-rated orders.

Senator SYMINGTON. Then this means you are making more of the current production of nickel available to industry, does it not?

Mr. BERTSCH. Approximately the rate of 8 million pounds a month, yes, sir.

Senator SYMINGTON. The answer is yes?

Mr. BERTSCH. Yes, sir.

Senator SYMINGTON. Under present law, could not the administration make our current stockpile of nickel available for defense-rated orders, without any legislation at this time?

Mr. BERTSCH. They have that power under the Stockpiling Act, yes, sir.

Senator SYMINGTON. Why do they not use it, then? Why do we have to come down here and get into all this detail, one group saying: "We want the nickel to keep our business going"; another group says, "We need the nickel for defense"; and a third group says, "It is against the law to put the nickel out because of present military requirements"?

If the executive branch has the right, why does it have to come up here at all?

Mr. BERTSCH. Well, I would not presume to speak for the administration, Mr. Chairman. But I believe they would be justified in releasing this under the Stockpiling Act, as a section 5 release, sir.

Senator SYMINGTON. Without any legislation from the Congress?

Mr. BERTSCH. It is my personal opinion that he would be justified.

Senator SYMINGTON. I am delighted to hear you say that—because we just do not have adequate staff to run down all details incident to the formulas involved in this heavy and continuous cutting of stockpile requirements. Not just nickel. I can think of another metal that worries me more than nickel, specifically, copper.

On page 4 of your statement you indicate some 17 million pounds of nickel oxide powder may have to undergo further processing before being distributed.

Mr. BERTSCH. Yes, sir.

Senator SYMINGTON. Does that mean the Government must go to additional expense to process this material further before seeing the demands of industry for nickel?

Mr. BERTSCH. I think Mr. Harlan alluded to this. I do not think it will cost the Government any money to process this nickel. The nickel will be sold as nickel oxide powder, and it will be sold at a certain price, with the stipulation that the resulting usable form of nickel will be sold only on defense-rated orders.

Senator SYMINGTON. Is your answer "No"?

Mr. BERTSCH. The Government will not lose any money.

Senator SYMINGTON. Will not have to put up any more money?

Mr. BERTSCH. No, sir.

Senator SYMINGTON. Does this nickel oxide comes from the Nicaro plant in Cuba?

Mr. BERTSCH. Yes, sir.

Senator SYMINGTON. And in 1954, the stockpile estimated requirement of nickel was 450,000 tons?

Mr. BERTSCH. Yes, sir.

Senator SYMINGTON. We spent a good many million dollars in Cuba on nickel, did we not?

Mr. BERTSCH. Yes, sir.

Senator SYMINGTON. Castro came to power in 1959?

Mr. BERTSCH. Correct.

Senator SYMINGTON. And shortly after he came to power, that source for nickel, as far as we were concerned, dried up?

Mr. BERTSCH. Yes, sir.

Senator SYMINGTON. Wouldn't that under normal conditions make you feel you would need to increase your stockpile requirements instead of reducing them—Cuba was the second largest source.

Mr. BERTSCH. Well, our major source has continued to be Canada.

Senator SYMINGTON. I understand, but the second largest source at that time was Cuba, was it not?

Mr. BERTSCH. Yes, sir.

Senator SYMINGTON. Senator Cannon?

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

Senator SYMINGTON. Senator Young?

Senator YOUNG. Thank you, Mr. Chairman. I have no questions at this time.

Senator SYMINGTON. The next witness is Mr. John Page, vice president of the International Nickel Co.

Senator YOUNG. I wish to compliment Mr. Bertsch on a very fine statement.

Senator SYMINGTON. I would associate myself with that remark.

Senator YOUNG. I think his entire statement was very informative and very frank and honest.

Senator SYMINGTON. Mr. Page, we are glad to have you here.

You have a prepared statement, I see.

Mr. PAGE. Yes, sir.

Senator SYMINGTON. Would you read it?

STATEMENT OF JOHN H. PAGE, VICE PRESIDENT OF THE INTERNATIONAL NICKEL CO., INC.

Mr. PAGE. Mr. Chairman, my name is John H. Page. I am vice president of the International Nickel Co., Inc.

I appreciate the opportunity you have given us to testify on H.R. 5786. In order to save the committee's time, I will not repeat several of the points which were made in my testimony before the House Armed Services Committee on this bill, because I presume the transcript of that proceeding is available to you. Instead, I will keep these remarks brief and still confine them to aspects of the problem which we believe are of primary interest to you.

We are fully aware that some members o fthis commitee are troubled by the recent lowering of the nickel stockpile objective at a time when the United States is engaged in military hostilities and when there is a shortage of nickel for civilian production.

I want to make it perfectly clear that we do not believe that the needs of the civilian economy should be placed ahead of the national security. If the new stockpile objective announced by the OEP in January is too low, then you should not approve this bill.

I want to make it clear also that we do not and cannot express any opinions on whether the current objective is realistic because we do not have, nor should we have, access to the requirements data which fit into one side of the stockpile equation. All we know about the requirements assumption is a statement by Mr. William Lawrence of OEP before the House committee to the effect that in the most recent calculations, defense requirements for nickel in event of all-out war were assumed to be "very much higher" than in the previous calculations. Mr. Lawrence stated that the objective was lowered in the face of larger requirements because of increases in nickel supplies that would be available for vital production in wartime.

We do have a substantial amount of information about the supply picture for nickel, and this information tends to support the OEP's conclusion in three major respects. I would like to discuss these with you today.

First, OEP testified in the House that one factor underlying the new stockpile objective relates to the so-called concentration hazard—a discount levied against supply in cases where a single facility accounts for 25 percent or more of the estimated requirements in the

first mobilization year. At the time of the previous nickel stockpile calculation, International Nickel's principal refinery at Port Colborne, Ontario, was discounted because of the concentration hazard. All production facilities are owned by our parent company, The International Nickel Co. of Canada, Ltd.—International Nickel.

When OEP asked us late last year for current data on our refining capacity, we informed them that International Nickel would now be able to process at its facilities in Copper Cliff, Ontario, about three-quarters of the feed which is normally refined at Port Colborne. Additional production flexibility developed since 1963 would permit an increase of production of nickel oxide sinter at Copper Cliff by about 135 million pounds—from its current level of 80 million pounds to a total of 215 million pounds. Nickel oxide sinter is a substitute for refined electrolytic nickel in many applications.

Furthermore, we informed OEP that International Nickel will have additional output available from its refinery at Thompson, Manitoba, which now produces approximately 110 million pounds of electrolytic nickel annually and by the end of 1969 is scheduled for a capacity of 170 million pounds annually. As Mr. Lawrence explained in the House hearings, the new stockpile calculation continues to discount production at Port Colborne but allows for the fact that a substantial part of the lost production would be regained from the alternative facilities at Copper Cliff. We believe this is a reasonable assumption, in line with the actual situation today.

A second set of data tending to substantiate OEP's conclusion is shown in the attached.

(The table referred to follows:)

Estimated free world nickel production capability

[In millions of pounds]

	International nickel	Free world total
1950	240	275
1955	280	420
1960	310	535
1965	450	710
1967	470	765
1970	550-600	1,000

NOTES

Figures are estimates by International Nickel. Free world total includes Cuba prior to seizure by the Castro government.

International Nickel is developing properties in Guatemala and Minnesota and is actively exploring in Australia.

Falconbridge is doing work in the Dominican Republic and Ungava, Quebec.

The French Government has announced its intention to allow a non-Societe Le Nickel operation in New Caledonia; negotiations are underway with a number of companies to develop these ores.

Societe Le Nickel has announced exploration and development plans in Venezuela and the Philippines.

Mr. PAGE. Compared with the Korean period, it can be seen that International Nickel's production capacity has virtually doubled. Total free world capacity during the past 17 years has come close to tripling. In fact, during the past seven years alone, International Nickel's production capacity has increased by 160 million pounds, or more than 50 percent, while total free world capacity has grown by 230 million pounds, or some 45 percent, despite the loss of expected Cuban production. So there can be no doubt that there has been a huge

growth in nickel production capacity in recent years—indeed, nickel output has grown more rapidly than almost any other major metal.

The table also shows projected production capacity figures in 1970, which reflect the fact that the growth in nickel output is expected to continue. By the end of 1970, International Nickel's capacity is expected to increase to between 550 and 600 million pounds, and free world capability is expected to reach about one billion pounds.

These estimates are based on activity currently underway. The table does not take into account projects in various stages of development by International Nickel and others in Minnesota, Guatemala, Australia, the Dominican Republic, Quebec, New Caledonia, Venezuela, and the Philippines. It is most likely that nickel from one or more of these sources may also begin to make its way into the market in the early 1970's.

Thus, we believe OEP is correct when it states that nickel supplies have been and will continue to increase sharply.

Third, while nickel is now in tight supply, the shortage is strictly a civilian problem. The supply of nickel coming into the United States is three to four times the level of existing defense requirements. In event of full mobilization, with allocation controls limiting non-essential civilian production, we believe that a very large proportion of the nickel now going to civilian uses would be available for defense production.

Total U.S. consumption of nickel is now about twice what it was during World War II and the Korean war. With mobilization controls, the quantity of nickel available for defense production and essential civilian needs would be very much larger today than it has ever been before.

For all of these reasons, we think it is entirely logical for OEP to have utilized larger nickel supply factors in its calculations than had been the case in its earlier computations. The increases in supply that have been and will be available to the U.S. are very appreciable. Whether these supply increases are large enough to more than offset the higher war-time requirements—thus justifying a lowered stockpile objective—is something that only those with access to the requirements figures can ascertain. But from where we sit, with knowledge of the supply side of the picture, such a conclusion certainly appears to be a real possibility.

Inco's position on H.R. 5786 is that if the Government stocks of nickel actually contain a surplus over mobilization requirements then this is clearly the time to release it. Many civilian consumers—particularly small platers and foundries—are being severely pinched.

With the completion in March of the 24½ million pounds authorized for disposal last fall, civilian supply has been sharply curtailed because the full brunt of the 25 percent defense set-aside must now be borne by Inco and other nickel suppliers. Small consumers, who generally do not carry substantial inventories and who in many cases do not have the flexibility to substitute other metals or to shift to other lines of production, are now facing serious difficulties, as the committee no doubt knows.

This disposal would substantially ease the situation. Nickel production is increasing monthly. A year from now the industry hopes to have closed the gap substantially between supply and demand. So

this bill would do more than just postpone the crisis; it would avoid much of the hardship.

If the committee approves this legislation, Inco could not acquire any of the nickel for resale to its customers, so our interest is not related to our profits. Rather, we are here today primarily because we have an interest in preventing unnecessary difficulties for nickel consumers.

Thank you again, Mr. Chairman, for permitting us to testify.

Senator SYMINGTON. Thank you, Mr. Page.

We fully sympathize with the problem you have in supplying nickel to your customers, and we are certainly anxious to get the nickel out to the customers, providing it does not affect national security.

Were you surprised to have the Department of Commerce agree that the administration can make these—make this nickel available for defense orders without any special legislation?

Mr. PAGE. No, sir, I was aware of section 5.

Senator SYMINGTON. Do you know why, then, they bother to come up here?

Mr. PAGE. No, sir. If Mr. Bertsch cannot talk for the President, I certainly could not.

Senator SYMINGTON. I do not think it is the President. It is the people in OEP and GSA. If they can ship this nickel out without congressional approval, why should we have the responsibility—why should they come up here and ask our permission for something they have?

Mr. PAGE. Well, I really cannot comment on that.

Senator SYMINGTON. I think that's a fair question.

What percent of total world production of nickel does your company do?

Mr. PAGE. Oh, in the neighborhood of 65, 70 percent, sir.

Senator SYMINGTON. What percent of your business today is with the United States?

Mr. PAGE. Over 50 percent, sir.

Senator SYMINGTON. Does that mean about 15 goes to other countries?

Mr. PAGE. No. Over 50 percent of our total production comes to the United States.

Senator SYMINGTON. Then another 50 percent goes to other countries?

Mr. PAGE. The rest of the free world, yes.

Senator SYMINGTON. Has that been increasing in recent years, or decreasing?

Mr. PAGE. Sir, I would say with the exception of wartime periods, like Korea and World War II, when the percentages that came here were very, very high, that our deliveries to the United States have been increasing on the average. Of course, in the free market years, some years the percentage was high and some years it was low. But it is on the high side now.

Senator SYMINGTON. We have more people in Vietnam now than we ever had in Korea, haven't we?

Mr. PAGE. Yes, sir, we have.

Senator SYMINGTON. Now, you point out that one reason for reduction in the stockpile objective is the change in the procedure of

OEP in discussing the production of your Port Colborne, Ontario, refinery, which might be offset by the production of your Copper Cliff facility. Wasn't this information available to officials of this Government, particularly the OEP, prior to January of this year, when the most current change in stockpile requirements for nickel was announced?

Mr. PAGE. These facilities, sir, were completed in 1963–64, and we were asked for the information in the fall of last year, and provided it.

Senator SYMINGTON. It was generally known in the trade, was it not?

Mr. PAGE. I would assume so. I do not really know, sir. I cannot really answer whether it was or not.

Senator SYMINGTON. The way your statement reads—it is interesting, but something we have known about for some years, is it not?

Mr. PAGE. Well, we have always had some sintering capacity in Copper Cliff. But the degree of it may not have been well known to people.

Senator SYMINGTON. We had hearings on nickel 4 or 5 years ago. Did it come up at that time?

Mr. PAGE. I do not believe so.

Senator SYMINGTON. Additional capacity?

Mr. PAGE. I read those over the weekend, and I do not believe that was part of it.

Senator SYMINGTON. What would be the results if both your Port Colborne and Copper Cliff facilities were incapacitated?

Mr. PAGE. Totally, sir?

Senator SYMINGTON. Yes.

Mr. PAGE. We would rely on our Thompson, Manitoba, facility.

Senator SYMINGTON. And what is the production there?

Mr. PAGE. Today it is roughly 110 million—it will be 170 million—move progressively up to that by the end of 1969.

Senator SYMINGTON. You paint a rather encouraging picture of increased production of nickel, but I note that much of this will reach a maturity around the year 1970. If this is true, would it not be wise for the Government to retain its current inventory of nickel until such time as this increased production becomes a reality, the way the world is today?

Mr. PAGE. Sir, the picture that is shown in the table here perhaps is a little distorted by the fact that we did not put in each year because detailed predictions year by year are very difficult.

But we are currently at 470 million pounds and moving to 550 million pounds—this will progressively move up. We do have coming on-stream at the end of this year and in the early part of next year new mines in Thompson, Manitoba. So some of that will be rather immediate. It will not all come in 1970.

Senator SYMINGTON. You have the production figures. There is another figure just as important, the consumption figure. Have you the consumption of nickel by these years?

Mr. PAGE. Sir, I do not really know—we have estimates of what consumption would be. Looking at the figures in the total free world, we would expect consumption to be less than a billion in 1970.

Senator SYMINGTON. What is the consumption of nickel in 1950?

Mr. PAGE. I don't have those with me, sir. I see what you mean.

Senator SYMINGTON. I think consumption——

Mr. PAGE. We have got those figures. I can provide them.

Senator SYMINGTON. Would you supply those for the record?

Mr. PAGE. Yes.

Senator SYMINGTON. It seems to me production is only important in relation to demand.

Mr. PAGE. That is right.

Senator SYMINGTON. That is correct; is it not?

Mr. PAGE. It certainly is.

(The information requested by Senator Symington, subsequently supplied by Mr. Page, follows:)

THE INTERNATIONAL NICKEL CO., INC.,
New York, N.Y., May 18, 1967.

Hon. STUART SYMINGTON,
U.S. Senate, Washington, D.C.

DEAR SENATOR SYMINGTON: This is in response to your request (page 61 of the Transcript) for U.S. and Free World nickel consumption figures comparable to the nickel production capability estimates which accompanied my statement before the Subcommittee. The consumption figures for 1967 and 1970 are, of course, only estimates.

Nickel consumption—United States and free world

[In millions of pounds]

	United States	Free world
1950	195	290
1955	215	360
1960	220	510
1965	370	760
1967 [1]		
1970	[2] 450–500	[2] 900–1,000

[1] Will depend on availability. United States will probably be about 400,000,000 pounds, world consumption about 800,000,000 pounds.
[2] Estimate

These consumption estimates are based on International Nickel statistics.

While consumption currently exceeds production capability, scheduled increases in production capacity are expected to narrow the gap substantially during the next year. As I indicated in my testimony, the release of an additional 60 million pounds of nickel from the stockpile would substantially ease hardship to U.S. industry during the interval.

In an all-out war, as Mr. Lawrence explained during his testimony, civilian consumption of nickel would be severely restricted, and defense users would have a priority claim on the available supply. At the present time defense production accounts for only 25 per cent of the total nickel consumed in the United States. A very substantial increase in military requirements could be accommodated at present levels of nickel production, assuming allocation to civilian users who are now consuming about three-fourths of all supplies. We presume that this is part of the rationale behind the OEP's decision to lower the stockpile objective in spite of the present supply situation, and this would seem to be quite logical.

Sincerely,

JOHN H. PAGE.

Senator SYMINGTON. I notice in 1960, out of a Free World total of 275 million, International Nickel produced 240 million. And in 1967, out of a Free World total of 765 million, you produce 470 million, is that correct, sir?

Mr. PAGE. Well, that is the estimate for this year.

Senator SYMINGTON. Would you tie in for the two figures I have mentioned in consumption?

Mr. PAGE. Will do.

Senator SYMINGTON. Senator Cannon?

Senator CANNON. Thank you, Mr. Chairman.

What was your production in 1966?

Mr. PAGE. It is on the sheet here; 310, sir.

Senator SYMINGTON. No; that is 1960.

Mr. PAGE. I thought that is what you asked.

Senator CANNON. 1966.

Mr. PAGE. Our deliveries in 1966 were almost exactly 500 million. And you must understand that is the year of the strike, and that included nickel which we purchased from surplus here and resold.

Senator CANNON. Well, now, that was more than your production?

Mr. PAGE. Yes, sir.

Senator CANNON. What was your production in 1966?

Mr. PAGE. I can give you that figure, but it is hard for me to give it to you highly accurately.

Senator CANNON. Was it below 1965?

Mr. PAGE. Yes, sir.

Senator CANNON. Did you have strikes in all of your plants then?

Mr. PAGE. Just one.

Senator CANNON. Just one plant?

Mr. PAGE. Just our Ontario division.

Senator CANNON. How long did it last?

Mr. PAGE. Approximately 6 weeks. It was off and on. But say 6 weeks.

Senator CANNON. And that affected you to the extent of about 80 million?

Mr. PAGE. That, and correlated matters before and after it; yes, sir. Getting back in production, and so on.

Senator CANNON. Because if you should have another strike situation, and they are depending on your supply, with a 5-month stockpile here, that could very materially affect the supplies available; could it not?

Mr. PAGE. Yes. I would point out that during the strike of our Ontario facilities, our Manitoba production facilities were operating normally.

Senator CANNON. Have you had other labor difficulties like that in recent years?

Mr . PAGE. No, sir; we have not. And we have now concluded two separate 3-year contracts with the United Steel workers in Canada.

Senator CANNON. Thank you, Mr. Chairman.

Senator SYMINGTON. Senator Young?

Senator YOUNG. Thank you, Mr. Chairman. I have no questions at this time.

Senator SYMINGTON. Mr. Page, our staff has given me more figures which show why we are interested in consumption.

1965 was a better year for production than 1966—was it not?

Mr. PAGE. Yes; 1966 was distorted because of the strikes that took place.

Senator SYMINGTON. You went, in 1950, from 240 million pounds to 450 in 1965. That would be a little less than a hundred percent increase, right?

Mr. PAGE. Yes.

Senator SYMINGTON. But in the period from 1959 to 1966, the consumption of nickel increased more?

I am not criticizing. You are with one of the world's great companies, one that for many years I had the pleasure of doing business with in private industry.

What worries us is that if we agree to cutting down this nickel stockpile now to almost nothing, and something else pops around the world, we could find ourselves very short of nickel, for one of many different reasons. That would be our responsibility. Try to put yourself in our position, and you can see what causes us apprehension. The very history of the nickel industry in recent years, as you well know, has been one long series of industry and administration requests to further reduce the stockpile. At the same time we have further heavily increased our military commitments abroad.

Thank you, Mr. Page. We appreciate your coming here.

(The following communication was subsequently submitted:)

THE INTERNATIONAL NICKEL CO. INC.,
New York, N.Y., May 18, 1967.

Hon. STUART SYMINGTON,
U.S. Senate,
Washington, D.C.

DEAR SENATOR SYMINGTON: In reviewing the Transcript of your Subcommittee's hearing on pages 5–7, and as I indicated to you following the meeting, I am embarrassed at my incapacity to clear the confusion that arose regarding the increase in nickel consumption vs. production capability.

The facts are that the chart showing consumption employed the average of 1957 to 1959 of each metal as a base of 100 percent in order to facilitatae comparisons. Thus the scale on the chart ranged from 100 percent to 200 percent. Actually, nickel consumption in 1966 was approximately twice the 1957 to 1959 average which, of course, is an increase of 100 percent rather than 200 percent.

Although production capability has not increased as rapidly as consumption, it is important to remember that deliveries from Nicaro, Cuba and anticipated production at Moa Bay, Cuba were lost to the Free World after 1960. The nickel industry, and in particular the Canadian industry, had to make up these losses at the same time it was trying to cope with unparalleled growth in industrial demand for nickel. Even so, if there had been no strikes in the industry in 1966, the chances are that the present shortage of nickel might well have been avoided, and we feel that unless demand rises beyond what we now anticipate that there is a very strong possibility that supply-demand will come into balance within the near future.

I would appreciate it if this explanatory letter is placed in the Transcript at the conclusion of that part of the testimony.

Sincerely,

JOHN H. PAGE.

Senator SYMINGTON. The next witness is Mr. Joel Hunter, chairman of the Crucible Steel Co.

Mr. Hunter, it is a pleasure to see you.

STATEMENT OF JOEL HUNTER, CHAIRMAN OF THE CRUCIBLE STEEL CO.

Mr. HUNTER. Thank you, sir.

Mr. Chairman, members of the committee, I have a short written statement which I would like to read. Before I do, let me emphasize this is strictly from the private sector. Anything I might say must be overriden by considerations of national defense, if they control.

My name is Joel Hunter. I am chairman of the Crucible Steel Co., on behalf of which I appear before you today in support of bill H.R. 5786 which proposed the release of 60 million pounds of stockpile nickel.

The Crucible Steel Co. is one of the largest nickel consumers in the world. This stems from the fact that Crucible is a leading producer of each of the following four major high nickel content materials:

Product category	*Percent of total composition represented by nicket content*
Construction alloys	0.5 to 3
Austenitic stainless steels	4 to 20
Alnico magnets	10 to 25
Superalloys, nickel base	40 to 80

Crucible's current consumption of nickel (including virgin nickel and that derived from scrap) approximates 20 million pounds per year. We are currently unable to secure from our suppliers of nickel the quantity required to sustain a normal operating rate. At the current rate of consumption, we will soon have exhausted our reserves, unless we drastically reduce our production for non-defense purposes.

It is not for me to comment on the validity of the recommendation made by the Office of Emergency Planning. I can only point out that, fortunately, a very substantial portion of the nickel ore reserves of the free world are located on the North American Continent. Plans of the producers for expansion of production from these reserves are well known, but their implementation will take time. I understand it will be more than a year before we can expect much in the way of results from the first of these plans, with steady and substantial improvements beginning late next year.

Needless to say, this expanded production base, so necessary for the continued healthy growth of the nickel consuming industries, of which the specialty steel business is a vital part, would be available in the event of a national emergency.

Release of the 60 million pounds of nickel covered by H.R. 5786 would be an important factor in bridging the shortage gap until planned expansion comes on stream.

Speaking specifically on behalf of the Crucible Steel Co., the proposed release is sorely required to enable us to maintain a satisfactory level of operations for a group of products which represent the backbone of the activities of our company and the jobs of our people.

We consider that the shortage of available nickel will disrupt our activity with obvious effects on the economy. I am not authorized to speak for other companies, but I understand from another statement to be filed on behalf of the "Tool and Stainless Steel Industry Committee" that the speicalty steel industry as a whole is similarly situated. We respectfully, request, Mr. Chairman and Members of the Committee, that you approve the stockpile release covered by H.R. 5786.

Senator SYMINGTON. Thank you, Mr. Hunter. What happened to 18–8?

Mr. HUNTER. That is principally the Austenitic Stainless.

Senator SYMINGTON. Do you know Mr. Christie?

Mr. HUNTER. Yes, sir.
Senator SYMINGTON. We were friends.
Senator Cannon?
Senator CANNON. I have no questions.
Senator YOUNG. No questions.
Senator SYMINGTON. Thank you, Mr. Hunter.
Is Mr. Walter Turner here?
Mr. Turner, I see you have a prepared statement. Will you read it.
Mr. TURNER. Thank you, Senator.

STATEMENT OF WALTER V. TURNER, SECRETARY OF ERIC S. TURNER & CO., NEW ROCHELLE, N.Y., FIRST VICE PRESIDENT OF NATIONAL ASSOCIATION OF METAL FINISHERS, ACCOMPANIED BY P. PETER KOVATIS, EXECUTIVE DIRECTOR, AND ALFRED T. MARINARO, METAL FINISHING CONSULTANT OF THE METROPOLITAN NEW YORK AREA

Mr. TURNER. Mr. Chairman and distinguished members of this committee: I am Walter V. Turner, secretary of Eric S. Turner & Co., New Rochelle, N.Y.; and first vice president of the National Association of Metal Finishers, an organization of owners and operators of job metal finishing companies throughout the world.

With me, also representing the association is Mr. P. Peter Kovatis, our executive director; and Mr. Alfred T. Marinaro, a metal finishing consultant of the metropolitan New York area and executive director of the Masters' Electro-Plating Association, a trade group representing job platers in the southern Connecticut, metropolitan New York, and northern New Jersey areas.

We are most appreciative of the privilege of appearing before this committee today for the purpose of expressing our views on the need for the swift passage of legislation to release 60 million pounds of nickel from the Government stockpile.

There are under 3,000 job metal finishing firms in the United States today which range from a small shop employing one or two persons to that employing over 400 workers. Average shop size is 20–25 workers, and average sales volume is $150,000 to $200,000 a year. The 500 U.S. member firms of the National Association of Metal Finishers employ some 16,000 persons and have a capital investment of approximately $125 million. Billings for services of U.S. members of our Association are at a level of $200 million annually, and value of products handled is well in excess of a billion dollars a year.

While less than 20 percent of all independent metal finishing firms in the United States are members of our Association, these 500 firms have approximately 72 percent of total employees, 72 percent of the total capital investment, and 77 percent of the total sales of our industry. (These data are from "Business and Economic Evaluation of the Metal Finishing Industry," a two-year study conducted by professors Brummet and Arnett of the University of Michigan Bureau of Business Research of the Graduate School of Business Administration. The 79-page report was released April 13, 1967.)

Nickel is a vital and popular metal used by an estimated 75 percent of our industry. Nickel, in fact, is so vital that if this metal suddenly disappeared, nickel platers would not only go out of business, but so

would some 50,000 firms whose products they plate, with almost a million workers affected.

Already the nickel shortage has had an effect on the quality of finished goods, with many industry suppliers urging platers to "stretch" their nickel by applying a thinner deposit or layer of that metal. More reputable platers refuse to do this. Some even purchase so-called gray-market nickel, up to $2.60 per pound in some instances, rather than permit goods of an inferior quality to leave their plants. Few job metal finishers can do this for long; it is uneconomic, to say the least.

It is ironic that platers are able to purchase only from 25 to 40 percent of their nickel from regular suppliers, yet they can purchase almost limitless quantities from off-beat suppliers or gray-market operators at premium prices. We had the same problem during and after the Korean War.

Even holders of Defense-rated orders have had a difficulty obtaining nickel supplies. Many complaints have been received from our membership or suppliers refusing to honor orders. In addition, we have received many complaints of tie-in sales by some suppliers in order to obtain nickel. At the request of the Department of Justice, we have forwarded to them specific complaints and reported abuses in the sale and distribution of nickel.

The release of 60 million pounds of nickel from the Stockpile is needed at once. We believe, also, that such release or disposal will not reduce the size of the Stockpile, as the following telegram of a resolution passed at our recent convention and sent to you, Mr. Chairman, indicates in part:

* * * Respectfully request your favorable consideration of release from National Stockpile of nickel to solve grave problem facing our industry. In this request we are not advocating a reduction in the National Stockpile to effect a solution. However, we do feel the current set-aside should be limited until our critical supply problem is alleviated. It is our understanding that the release recommended in H.R. 5786 is actually less than the amount which will be added to the Stockpile during the release period. Again, we solicit the favorable consideration of your committee and your good offices in presenting our position to the Senate.

RAYMOND L. SPRINGER,
President, National Association of Metal Finishers.

We also recommend that action be taken to stop the export of nickel scrap until nickel returns to plentiful supply. This action in itself should make large quantities of nickel available to many manufacturers and divert more nickel to our industry that we might not otherwise get.

In addition, as much as we dislike controls, we believe that plans should be studied and/or implemented for the designation of nickel or any other metal or material in short supply as a "critical" material, with strict accounting of sale and distribution of same.

Other specific recommendations:

(1) The 60 million pounds of stockpile nickel should be for U.S. consumption only;
(2) The release should be through established producers;
(3) The nickel should not be resold by end users;
(4) Release should be at the prevailing market price; and
(5) The disposal should be over a 5-month period.

Thank you and your committee, Mr. Chairman, for the opportunity of appearing before you today. It is our hope that you will do your utmost to effect a swift release of this much-needed nickel for our comparatively small but vital segment of our industrial economy.

Senator SYMINGTON. Thank you, Mr. Turner.

Did you hear the methods by which the Department of Commerce plans to distribute nickel?

Mr. TURNER. Yes, sir.

Senator SYMINGTON. Is that satisfactory in your opinion?

Mr. TURNER. Well, sir, I would say this, if I may. I just had heard it while we were sitting here. I had not seen it before, of course. On the surface of it, I would say it seemed favorable, sir. But, of course, I would like to study it in depth.

Senaor SYMINGTON. Well, as we pursue this problem, will you study it, and give us your opinion?

Mr. TURNER. Yes, sir.

Senator SYMINGTON. As to what you think is right, inasmuch as you, in effect, represent the smaller users?

Mr. TURNER. Yes, sir.

Senator SYMINGTON. We do not understand your telegram here, Mr. Springer's telegram. It sort of sounds as if the more nickel we let out, the more we get in.

Mr. TURNER. Well, the conception that we had, sir, which may be erroneous is that there is a set-aside of nickel actually going into the stockpile each year. Now, on that assumption, it was also our understanding that this 60 million pounds is actually less than the amount that was going to be set aside.

Senator SYMINGTON. For defense business?

Mr. TURNER. Yes, sir.

Senator SYMINGTON. Where did you get that information?

Mr. TURNER. Well, sir, this is somewhat vague, I must say. But in the International Nickel Report, where they mentioned 25 percent set-aside.

Senator SYMINGTON. Did you get it from any Government agency?

Mr. TURNER. No, sir.

Senator SYMINGTON. Just from International Nickel?

Mr. TURNER. Or newspaper releases, sir.

Senator SYMINGTON. Have you a copy of the newspaper article?

Mr. TURNER. If I may check with my men.

Senator SYMINGTON. I don't mean to belabor it; but I do not understand it, nor does the staff.

Mr. KOVATIS. I think the misunderstanding here was due to the fact that we were under the obvious misapprehension, as it appears now, that the Government was continuing its purchase program, I guess that is what you call it, of nickel from outside sources, which I heard this morning that was not so, that these contracts had been canceled actually.

Senator SYMINGTON. Would you repeat that, please?

Mr. KOVATIS. I believe, sir, there was a misunderstanding so far as the telegram is concerned. We were under the misapprehension that the Government was continuing its purchase of nickel from outside sources for the stockpile purposes. But we learned this morning that such was not the case—unless I misunderstood further—and that there was no more nickel going into the stockpile from outside sources.

Senator SYMINGTON. You heard all the evidence today.

Mr. KOVATIS. Yes, sir.

Senator SYMINGTON. You can see our problem here on this subcommittee, can you not?

Mr. KOVATIS. Yes, sir.

Senator SYMINGTON. If it could be done by the administration, we would much prefer that they do it. All the nickel created and formerly in the stockpile by the Defense Production Act has now been sold—over a quarter of a million pounds. Now we are talking about, in effect, the core stockpile, the last left, you might say. If they are going to heavily cut this, we would rather have them do it and explain, because it all originates with the war plans of the Department of Defense. Naturally, as a former user of nickel for many years I see your problem and would like to see you get it. On the other hand we have some getting it in a different way.

Mr. KOVATIS. We saw you in 1956 on the same problem, Senator, I am sorry to say.

Senator SYMINGTON. Welcome back. At that time we had far more nickel to distribute than now. At that time we were not in a war, as we are now.

Mr. KOVATIS. Mr. Chairman, I wonder if I could volunteer a statement?

Senator SYMINGTON. Yes, indeed.

Mr. KOVATIS. Mr. Turner has not been as close to the picture as I have been in the past months and years, actually, in the nickel problem. May I say in answer to your question to Mr. Turner, as to what he thought of the disposal plan that was cited, I think, specifically BSDA—that essentially is the same plan that is in effect today, which is a wonderful plan, and I think we would be remiss if we did not take our hats off to the BSDA and specifically Mr. Hirschmann's department for preventing several doors from being closed, because of no nickel. And based on that, personally, I would say the plan is very efficient and probably could be improved that way further.

Senator SYMINGTON. Thank you, Mr. Kovatis.

Senator Cannon?

Senator CANNON. Thank you.

Getting back to this telegram, is not that the result of the fact that so much of the production is now set aside for defense use, rather than going into the stockpile?

I think there is 25 percent, if I am correct—and I wonder if Mr. Page is here—is Mr. Page still here?

Mr. PAGE. Yes, sir.

Senator CANNON. Is that correct, Mr. Page—that 25 percent of production is now set aside for defense use?

Mr. PAGE. Filling defense orders, sir. That requirement is put upon us by the Government.

Senator CANNON. But that set-aside does not in any way go into the stockpile as such.

Mr. PAGE. No, it does not.

Senator CANNON. It is simply assigned to defense users. So there would be no change in the size of the stockpile if this were approved, based on the present stockpile requirements.

Now, I would like to ask you one other question.

You say you recommended action be taken to stop the export of nickel scrap until nickel returns to plentiful supply. What is actually happening now with respect to nickel scrap?

Mr. TURNER. Well, sir, if I may cite this—it is an article from Steel, dated May 8, 1967. In this article it says "Manufacturers are deploring the difficulties in obtaining nickel. Nickel scrap is being exported mostly to Japan and at premium prices. One observer comments 'Scrap dealers are taking out export licenses like they are going out of style.' The State Department encourage the Commerce Department to grant licenses to promote international relations. The Treasury Department encourages the same thing, because it improves the balance of payments."

This is what we have reference to, sir.

Senator SYMINGTON. Will the Senator yield?

Senator CANNON. Yes, sir.

Senator SYMINGTON. Mr. Page, when I bought nickel, you controlled the scrap. Is that over with now?

Mr. PAGE. No, sir. We do not control the scrap. We sell nickel direct to 200 customers, and then indirectly and directly to a number of distributors, who sell to the vast number of people, mostly platers. Beyond that we have no control. We cannot control the distributors, either.

Senator SYMINGTON. There was a time we had to file a report with you, when we purchased nickel as to what was done with the scrap. Is that no longer characteristic of the operation?

Mr. PAGE. No, sir.

Senator CANNON. Mr. Chairman, I would like to ask Mr. Bertsch whether or not it is a fact that they are issuing licenses, and whether or not for the purpose of export, and whether or not there is any encouragement given for export of scrap in this particularly close time.

Mr. BERTSCH. I don't know of any encouragement, Senator, but the licenses for export are being issued by the Department of Commerce. There is no restriction on the export of nickel or nickel scrap outside the United States except that validated licenses are required for the export to the Communist countries.

Senator CANNON. Would the Department have any authority to curtail the export of scrap?

Mr. BERTSCH. Yes, sir. We have the authority, and we have it under serious consideration at our level at the present time. It has not gone beyond my level.

Senator CANNON. If you have the authority, and you have seen this situation developing, why haven't you used it up until now?

Mr. BERTSCH. The total quantity of nickel that was exported during 1965 and 1966 was not a tremendous quantity of nickel, and we did not face the serious situation that we are facing at the present time.

We just got, within the last week or so, the export figures for the first quarter of 1967, and they show a relatively substantial increase in the export of nickel scrap, nickel-bearing scrap, and primary nickel, or unwrought nickel as we call it.

Senator CANNON. That is logical to assume it would happen in this close, critical period, is it not?

Mr. BERTSCH. It is logical, yes, sir.

Senator CANNON. What was the amount in the first quarter of 1967?

Mr. BERTSCH. The total nickel content, both in scrap and unwrought nickel, was 9,200,000 pounds for the first quarter.

Senator SYMINGTON. Would the Senator yield?

Senator CANNON. Yes, sir.

Senator SYMINGTON. Inasmuch as we are fighting for the Free World out in the Far East, wouldn't it be more logical, if there is going to be a shortage, to have the nickel stay in this country, rather than export it. A question would seem one as to whether we or do we not need it for our military forces.

Mr. BERTSCH. The objective is correct, sir. And as I say, we have under consideration now a recommendation to the Secretary that he consider placing controls on the export of nickel and nickel scrap.

Senator SYMINGTON. How long has he had that on his desk?

Mr. BERTSCH. He has not had it on his desk. It has not gotten above my Administrator yet, because it was just prepared within the last week. We have just gotten the first quarter figures.

Senator SYMINGTON. Good luck.

Senator CANNON. Would you please add my recommendation to that, Mr. Bertsch, that he consider it and consider it rapidly, to try to help alleviate this situation.

Mr. BERTSCH. I shall do that, Senator.

Senator CANNON. How much finished product is being exported?

Mr. BERTSCH. Nickel-plated products?

Mr. WALKER. Stainless steel.

Mr. BERTSCH. I do not have those figures, sir. I would not be able to give it.

Senator SYMINGTON. Would you explain them for the record as to how much stainless. That would be 18 percent nickel, 8 percent chromium.

Would you find out how much nickel all told is going out of the country, exported with the approval of the Government at this time.

Mr. BERTSCH. Yes, sir. We will furnish that for the record—the latest figures available.

(The information supplied by Mr. Bertsch follows:)

U.S. exports of nickel-bearing mill products

[In thousands of pounds]

	Stainless steel [1]		Nickel base alloys		Total nickel content of mill products
	Gross weight	Nickel content [2]	Gross weight	Nickel content [3]	
1965	186,130	12,408	5,874	3,524	15,932
1966	178,608	11,908	5,656	3,394	15,302
1967 (1st quarter)	97,598	6,506	1,564	938	7,444

[1] About ⅛ of the stainless steel exported is nonnickel type.
[2] Based on an average of 10 percent nickel in the nickel-bearing type of stainless steel.
[3] Based on an average of 60 percent nickel content.

U.S. exports of unwrought nickel and nickel alloy [1]

[In thousands of pounds]

	Gross weight	Nickel content [2]
1965	10,615	7,512
1966	22,910	15,698
1967 (1st quarter)	3,078	2,368

[1] Consists of ferronickel, electrolytic nickel, nickel shot, nickel alloy ingot, etc.
[2] Based on an average of 50 percent nickel in ferronickel and 90 percent nickel in balance of materials.

U.S. exports of nickel-bearing scrap

[In thousands of pounds]

	Stainless steel scrap		Nickel alloy scrap		Total nickel in scrap
	Gross weight	Nickel content [1]	Gross weight	Nickel content [2]	
1965	42,458	3,397	13,432	6,716	10,113
1966	80,184	6,415	11,710	5,855	12,270
1967 (1st quarter)	43,762	3,301	7,227	3,614	6,915

[1] Based on average 8 percent nickel content.
[2] Based on average of 50 percent nickel content.
Source: Bureau of Census data for gross weight of shipments. BDSA for estimates of nickel contents of shipments.

Senator SYMINGTON. Senator Young?

Senator YOUNG. I just have one question to ask, I believe.

How do these gray market operators secure their supplies of metal that you are talking about?

Mr. TURNER. Sir, we would like to go on record as saying that this is something we would like to find out. We would even say publicly that if those of our industry are guilty of this, we are interested in finding that out also.

This is the one point that we have been trying to fathom for a year now. At the time that International Nickel had the strike—all of a sudden, for the small businessman in our industry—the sources of nickel dried up. And out of the woodwork came all the nickel you wanted, but we could not buy it through our legitimate suppliers. The people who buy nickel legitimately from International Nickel Co. do not supply it to us. But people who we never hear from during the course—speculators, I assume—just came out of the woodwork. And you could get—they are not selling you a hundred pounds. They would offer you 30,000 of nickel, on the telephone. We have a stack of brochures this deep which we submitted to the House Subcommittee, substantiating this. They just send them through the mail.

To answer you, I do not have the answer.

Mr. KOVATIS. The Department of Justice, however, is checking this out. We have fed that information to the Department of Justice, in addition to the other complaints.

Senator SYMINGTON. You furnished all the information available to you, is that correct?

Mr. TURNER. Yes, sir.

Mr. MARINARO. Senator—in fifteen minutes I can make four telephone calls and receive a hundred thousand pounds of nickel, ranging between a price of $2.20 and $2.65. I can do that within fifteen minutes.

Senator YOUNG. You could do that now?

Mr. MARINARO. Right now.

Mr. TURNER. And we are currently paying approximately $1.05 through legitimate sources.

Mr. MARINARO. It is getting to a point in our industry, the small platers, sir—material cost runs somewhere around 25 percent of selling price. In a nickel plating operation, the nickel cost itself is about 25 cents out of the dollar. That is for the nickel itself. If you triple that cost, you have increased your selling price somewhere around 20 percent. Some of us are caught with contracts, a year contract—a specific part for a specific dollar. And now you have to pay three times as much for your nickel. You just cannot complete the contract. Now you either are not completing the contract or you lose money. And this is what what is happening to our industry, sir.

The small business plater is hurting very badly. When you talk about inventories on stock, or on the floor, this is non-existent to 75 per cent of the platers. There are people in our area that have maybe 50 per cent of nickel in their tanks, and nothing on the floor. As a result of this, technically speaking, when you have a low anode area, with titanium baskets which the squares go into, it breaks down the brightener, and doubles and triples the cost of your brightener cost. Where brightener cost may cost 30 cents on a dollar of nickel, it may cost you 60, 80, $1, $1.20.

Senator SYMINGTON. What is your best substitute for plate?

Mr. MARINARO. None, sir.

Senator SYMINGTON. Well, for cadmium——

Mr. MARINARO. Cadmium, you can substitute zinc or tin. When it comes to nickel, I am sorry, Senator, there is no substitute.

Senator SYMINGTON. Thank you very much.

Senator CANNON. Mr. Chairman—Mr. Turner, you stated that you are paying $1.05 now from the regular suppliers?

Mr. TURNER. Yes, sir.

Senator CANNON. Did you hear the testimony here today that the market is about 85?

Mr. TURNER. That is because of the form, sir. We use it in a rather special form—in these chips, or anode form. And that is the difference between the 85 and the $1.05, the $1.05—we are very happy. We wish we could buy all the nickel we wanted at $1.05.

Senator CANNON. If you are paying $1.05, I would not want to see the Government turn around and sell from the stockpile for 85.

Mr. TURNER. But it needs processing, sir, in the form in which the Government is going to sell it.

Senator SYMINGTON. Thank you, gentlemen. Your testimony has been interesting and constructive, and we appreciate your coming.

Mr. TURNER. Sir, may I say one thing. Since I have been informed by Mr. Kovatis, who is more familiar with it, that the method recom-

mended by the Commerce Department is substantially similar to that of BDSA, I would like right now, sir, to answer your question. We would definitely be in favor of it.

Senator SYMINGTON. Mr. Kovatis has answered that. When we talked in 1956, we had about 450,000 tons of nickel as the stockpile objective, and were not in a war. Today they have been cutting and black-marketing, based on your testimony this afternoon, down to 20,000 tons; and we are in a large war. This is the type and character of problem this Subcommittee has to face. I know you are in sympathy with that. We would like to see you get nickel, but as the stock of nickel continues to decrease it gets down to a question of priorities.

Thank you very much gentlemen.

Mr. Thomas F. Shannon, of the Tool and Stainless Steel Industry Committee has a statement he would like to have filed in the record. We will be glad to do so.

(The prepared statement of Mr. Shannon follows:)

STATEMENT OF THOMAS F. SHANNON, SECRETARY, TOOL AND STAINLESS STEEL INDUSTRY COMMITTEE OF WASHINGTON, D.C.

The Tool and Stainless Steel Industry Committee is an association of seventeen domestic producers of specialty steels. A list of members is attached. This statement is submitted to the Subcommittee on the National Stockpile and Naval Petroleum Reserves of the United States Senate Committee on the Armed Services in order to express to the Subcommittee the vigorous support of the American specialty steel industry for H.R. 5786, the bill to authorize the release of 60 million pounds of contained nickel from the national stockpile.

CRITICAL SITUATION

The specialty steel industry, particularly producers of stainless steels, finds its nickel situation extremely critical at present. Free world consumption of nickel has exceeded production in each of the past three years. Projected increases in capacity have failed to materialize on schedule, while consumption of this vital material has jumped an average of more than ten percent per year.

Consumer inventories are now dangerously low. Small users of nickel are increasingly being forced into the black market, where $.93 nickel may sell at the inflationary price of $2.90 to $3.20 per pound. The announcement earlier this year of a 100 percent increase in the nickel set-aside for defense rated orders, plus some pessimistic statements from producers such as International Nickel Company have made it plain that no relief can be expected from this critical shortage in 1967. A statement on May 11, 1967 by Rodney L. Borum, Business and Defense Services Administrator, supports our view that supply will not catch up with demand in 1967.

Meanwhile the 24.5 million pounds of stockpile nickel released by the 89th Congress in 1966 is gone. Free world production is again expected to fall well short of consumption in 1967. The only relief in sight is the 60 million pounds of stockpile nickel which became excess upon the establishment of the revised stockpile objective on January 13, 1967.

The objective was revised by the Office of Emergency Planning with the concurrence of the Departments of Defense, Commerce, State, and Interior, and with full consideration of estimated war-time requirements, possible production levels, and industrial needs. We strongly urge your Subcommittee to accept these carefully considered findings. Our industry desperately needs the nickel you can release. The Tool and Stainless Steel Indusfry Committee asks you to take prompt action to recommend passage of H.R. 5786.

Respectfully submitted,

THOMAS F. SHANNON, *Secretary.*

MEMBERSHIP—TOOL AND STAINLESS STEEL INDUSTRY COMMITTEE

Allegheny Ludlum Steel Corp.,
Oliver Building,
Pittsburgh, Pa.
Armco Steel Corp.,
Armco Division,
Middletown, Ohio.
Bethlehem Steel Corp.,
Bethlehem, Pa.
Braeburn Alloy Steel Division,
Continental Copper Steel Industries, Inc.,
Braeburn, Pa.
The Carpenter Steel Co.,
Post Office Box 662,
Reading, Pa.
Eastern Stainless Steel Corp.,
Post Office Box 1975,
Baltimore, Md.
Firth Sterling, Inc.,
3113 Forbes Street,
Pittsburgh, Pa.
Jessop Steel Co.,
Washington, Pa.
Jones & Laughlin Steel Corp.,
Stainless and Strip Division,
Box 4606,
Detroit, Mich.
Joslyn Stainless Steels Division,
155 North Wacker Drive,
Chicago, Ill.
Latrobe Steel Co.,
Latrobe, Pa.
McLouth Steel Corp.,
300 South Livernois Avenue,
Detroit, Mich.
Republic Steel Corp.,
Alloy Steel Division,
Massillon, Ohio.
Simonds Saw & Steel Co.,
Ohio Street,
Lockport, N.Y.
The Universal-Cyclops Specialty Steel Division,
Cyclops Building,
650 Washington Road,
Pittsburgh, Pa.
Vasco Metals Corp.,
Latrobe, Pa.
Washington Steel Corp.,
Washington, Pa.

Senator SYMINGTON. There was a gentleman back there who wanted to say something. Do you want to come up? We do not want to cut anybody off.

STATEMENT OF RALPH WALKER, PRESIDENT OF THE WALKER METALLURGICAL CORP., DETROIT, MICH.

Sentor SYMINGTON. You wrote me a letter and said you felt this nickel was going abroad.

Mr. WALKER. That is right.

Senator SYMINGTON. Would you like to testify before this subcommittee?

Mr. WALKER. The only thing I could say, Senator—it was not mentioned by the platers' association. They mentioned that at a previous meeting. I talked to Mr. Kovatis and I said you mentioned about two big scrap dealers in the United States who are sending out literature saying they could get you all the nickel you want. I told him the place they get their nickel was from his own platers' association—as well as some nonmembers. And that nickel goes out of black market in that manner.

Now, there is a sufficient amount of nickel, if it is distributed properly.

Senator SYMINGTON. In your opinion, without taking any out of the stockpile?

Mr. WALKER. Yes, sir. If it is distributed properly. I know where there is a hundred thousand pounds in Ohio.

Senator SYMINGTON. Where?

Mr. WALKER. Sorry, sir. I know where there is a hundred thousand pounds in Ohio. It is not in the hands of a dealer. It is in the hands of

a plater. And they are all 36 and 30 and 24 inch anodes. Mr. Kovatis. I was offered 35 tons last week out of New York, of nickel cathodes, and another lot of 15 tons this last Friday morning. And they are all in sizes for the platers. It will go into titanium baskets. I do not believe I could sit here and say that this is the right thing to do. The last war was never the last one. We never know when we are going to get another good one. And what we have in the stockpile is very important, right at this minute.

Senator SYMINGTON. And not very large.

Mr. WALKER. And not very large.

Senator SYMINGTON. Do you use nickel?

Mr. WALKER. No, sir. I buy and sell it. And I did not do very much with it until last March. Then I had to go out on the market and trade it against my own best wishes.

Mr. Kropf of International Nickel, is a very good friend of mine. I told him at the time I was not doing any business in nickel, and I did not. And I had to keep going. And that is my business, trading in nickel and other high temperature metals and alloys for foundry consumption.

Senator SYMINGTON. Senator Cannon, any questions?

Senator CANNON. No questions.

Senator YOUNG. No questions.

Senator SYMINGTON. Thank you very much, Mr. Walker.

Mr. WALKER. Thank you, sir.

Senator SYMINGTON. The subcommittee will recess subject to the call of the Chair.

(Whereupon, at 4:35 p.m., the subcommittee was adjourned, to reconvene subject to the call of the Chair.)

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