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DISPOSALS FROM NATIONAL AND SUPPLEMENTAL STOCKPILES

GOVERNMENT

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HEARING

BEFORE THE

SUBCOMMITTEE ON NATIONAL STOCKPILE AND
NAVAL PETROLEUM RESERVES

OF THE

COMMITTEE ON ARMED SERVICES

UNITED STATES SENATE

NINETY-SECOND CONGRESS

FIRST SESSION

ON

—INDUSTRIAL DIAMOND
—CRUSHING BORT
—VEGETABLE TANNIN
—EXTRACTS

—THORIUM
—SILICON CARBIDE
—SHELLAC
—QUARTZ CRYSTALS

—IRIDIUM
—MICA

S. 759—METALLURGICAL GRADE
MANGANESE

S. 760—MANGANESE, BATTERY
GRADE, SYNTHETIC
OXIDE

S. 761—DIAMOND TOOLS

S. 762—CHROMIUM METAL

S. 763—AMOSITE ASBESTOS

S. 764—LEAD

S. 765—ANTIMONY

S. 766—ZINC

S. 767—RARE-EARTH MATERIALS

S. 768—CHEMICAL GRADE
CHROMITE

S. 769—INDUSTRIAL DIAMOND
STONES

S. 770—COLUMBIUM

S. 771—SELENIUM

S. 772—CELESTITE

S. 773—METALLURGICAL GRADE
CHROMITE

S. 774—VANADIUM

S. 775—MAGNESIUM

S. 776—ABACA

S. 777—SISAL

S. 778—KYANITE-MULLITE

APRIL 7, 1971

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DISPOSALS FROM NATIONAL AND SUPPLEMENTAL STOCKPILES

WEDNESDAY, APRIL 7, 1971

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

The subcommittee (consisting of Senators Cannon, Symington, Ervin, Bentsen, Goldwater, Thurmond, and Saxbe) met, pursuant to notice, at 10:35 a.m., in Room 212, Old Senate Office Building, Senator Howard W. Cannon (chairman of the subcommittee) presiding, and Senator Thurmond.

Also present: Gordon A. Nease, professional staff member.

Senator CANNON. The hearings will come to order.

The purpose of our meeting this morning is to consider some 28 pending bills proposed by the administration relating to the release of various commodities from the national stockpile and the supplemental stockpile. The list of these bills is before each of us, together with copies of the bills. They are listed in numerical sequence by the bill number as introduced. I should like to emphasize that the only issue before us is to make a determination as to whether the commodities involved are, in fact, surplus to the Government's needs and if so, whether authority should be granted for the eventual disposal of the commodities in orderly fashion.

Most of these measures are noncontroversial and only departmental witnesses will be heard from in regard thereto. In connection with some of them, statements or letters have been submitted by various interested parties. These will be made a part of the printed record at the appropriate place. Some of the bills have excited some particular interest and representatives from various related industries have expressed a desire to present testimony in person. We have a heavy schedule before us this morning and I will ask those of you who do testify to submit your statements for the record in as much detail as you wish and confine your oral testimony to the highlights of your statement. The printed record will be available for each of the subcommittee members to study prior to making recommendations to the full committee.

We will consider these bills beginning first with three relating industrial diamond stones, crushing bort and tools, followed by chromium metal and metallurgical grade chromite, then lead and zinc. The balance will be considered in numerical sequence as they appear on the list before you.

(1)

First, we will hear from the departmental witnesses followed by those representing industry. Our principal departmental witnesses are Mr. William N. Lawrence, chief, stockpile policy division of the Office of Emergency Preparedness, and Mr. Bob Ross, assistant administrator for property management and stockpile disposals service, General Service Administration.

S. 751, S. 761, S. 769

You may begin, Mr. Lawrence, by addressing yourself first to the three diamond bills, that is S. 751, 761 and 769.

(The bills, S. 751, S. 761, and S. 769, follow :)

[S. 751, 92d Cong., First Sess.]

A BILL To authorize the disposal of industrial diamond crushing bort from the national stockpile and the supplemental stockpile

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the Administrator of General Services is hereby authorized to dispose of approximately eighteen million nine hundred and twelve thousand carats of industrial diamond crushing bort now held in the national stockpile established pursuant to the Strategic and Critical Materials Stock Piling Act (50 U.S.C. 98-98h) and the supplemental stockpile established pursuant to section 104(b) of the Agricultural Trade Development and Assistance Act of 1954 (68 Stat. 456, as amended by 73 Stat. 607). Such disposition may be made without regard to the requirements 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.

SEC. 2. (a) Disposals of the material covered by this Act may be made only after publicly advertising for bids, except as provided in subsection (b) of this section or as otherwise authorized by law. All bids may be rejected when it is in the public interest to do so.

(b) The material covered by this Act may be disposed of without advertising for bids if—

- (1) the material is to be transferred to an agency of the United States;
- (2) the Administrator determines that methods of disposal other than by advertising are necessary to protect the United States against avoidable loss or to protect producers, processors, and consumers against avoidable disruption of their usual markets; or
- (3) sales are to be made pursuant to requests received from other agencies of the United States in furtherance of authorized program objectives of such agencies.

[S. 761, 92d Cong., First Sess.]

A BILL To authorize the disposal of diamond tools from the national stockpile

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the Administrator of General Services is hereby authorized to dispose of approximately sixty four thousand one hundred seventy eight diamond tools 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 requirements 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.

SEC. 2. (a) Disposals of the material covered by this Act may be made only after publicly advertising for bids, except as provided in subsection (b) of this section or as otherwise authorized by law. All bids may be rejected when it is in the public interest to do so.

(b) The material covered by this Act may be disposed of without advertising for bids if—

- (1) the material is to be transferred to an agency of the United States ;
- (2) the Administrator determines that methods of disposal other than by advertising are necessary to protect the United States against avoidable loss or to protect producers, processors, and consumers against avoidable disruption of their usual markets ; or
- (3) sales are to be made pursuant to requests received from other agencies of the United States in furtherance of authorized program objectives of such agencies.

[S. 769, 92d Cong., First Sess.]

A BILL To authorize the disposal of industrial diamond stones from the national stockpile and the supplemental stockpile

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the Administrator of General Services is hereby authorized to dispose of approximately four million nine hundred and sixty-one thousand carats of industrial diamond stones now held in the national stockpile established pursuant to the Strategic and Critical Materials Stock Piling Act (50 U.S.C. 98-98h) and the supplemental stockpile established pursuant to section 104(b) of the Agricultural Trade Development and Assistance Act of 1954, 68 Stat. 456, as amended by 73 Stat. 607. Such disposition may be made without regard to the requirements 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.

SEC. 2. (a) Disposals of the material covered by this Act may be made only after publicly advertising for bids, except as provided in subsection (b) of this section or as otherwise authorized by law. All bids may be rejected when it is in the public interest to do so.

(b) The material covered by this Act may be disposed of without advertising for bids if—

- (1) the material is to be transferred to an agency of the United States ;
- (2) the Administrator determines that methods of disposal other than by advertising are necessary to protect the United States against avoidable loss or to protect producers, processors, and consumers against avoidable disruption of their usual markets ; or
- (3) sales are to be made pursuant to requests received from other agencies of the United States in furtherance of authorized program objectives of such agencies.

STATEMENT OF WILLIAM N. LAWRENCE, CHIEF, STOCKPILE POLICY DIVISION, OFFICE OF EMERGENCY PREPAREDNESS

Mr. LAWRENCE. Thank you, Mr. Chairman.

On behalf of the Director of OEP, George A. Lincoln, I wish to thank you for this opportunity to appear before this committee to support S. 751, a bill authorizing the disposal of 18,912,000 carats of industrial diamond crushing bort, which are excess to our current stockpile objective. We deeply appreciate your making time available during this session of Congress to hear the disposal authority requests.

I have with me Mr. Lou Neeb of my staff, who is familiar with stockpile matters.

The Office of Emergency Preparedness, on March 4, 1970, approved a new stockpile objective for industrial diamond crushing bort. At that time, the objective for this material was reduced from 24,700,000 carats to 23,700,000 carats. In establishing the requirement and supply estimates leading to the 23,700,000 carat objective, ample allowance was made for any contingency that might arise in an emergency. The Department of Defense and other interested departments and agencies concurred in the establishment of this objective.

As of March 1, 1971, the uncommitted stockpile inventory held by

the General Services Administration was approximately 42,600,000 carats. With a stockpile objective of 23,700,000 carats, this leaves a remaining excess of approximately 18,900,000 carats. Passage of this disposal bill would provide disposal authority for all remaining excess industrial diamond bort.

In authorizing this disposal request, the Office of Emergency Preparedness has had the concurrence of all interested departments and agencies.

The Office of Emergency Preparedness strongly recommends prompt enactment of this legislation.

S. 761

This bill pertains to disposal of approximately 64,178 pieces of excess diamond tools from the national stockpile.

The Office of Emergency Preparedness has made a determination that these diamond tools are not needed for strategic purposes. There has never been a stockpile objective for diamond tools. These tools were left over from World War II and were transferred to the national stockpile for storage by the Reconstruction Finance Corporation. Some of the tools have never been used. Others may have been used and were reconditioned.

As of March 1, 1971, the uncommitted stockpile inventory, held by the General Services Administration, was approximately 64,178 tools. With no objective, the entire quantity is considered to be excess. Approval of this bill would provide the General Service Administration with disposal authority for all the excess diamond tools.

It is our understanding that the General Services Administration intends to dispose of these tools by cash reimbursement transfer to the U.S. Army Corps of Engineers.

In authorizing this disposal request, the Office of Emergency Preparedness has had the concurrence of all interested departments and agencies.

The Office of Emergency Preparedness strongly recommends the prompt enactment of this legislation.

S. 769

This is a bill authorizing the disposal of approximately 4,961,000 carats of excess industrial diamond stones from the National and Supplemental Stockpiles.

The Office of Emergency Preparedness approved a new review of the stockpile objective for industrial diamond stones on December 3, 1969. At that time, the objective for this material was increased from 16.5 million carats to 20 million carats. In establishing the requirements and supply leading to this objective, ample allowance was made for any contingency that might arise in an emergency. This objective has been concurred in by the interested departments and agencies, including the Department of Defense.

As of March 1, 1971, the uncommitted stockpile inventory held by the General Services Administration was approximately 25.2 million carats. With an objective of 20 million carats, there remains in excess of 5.2 million carats. Of this quantity, approximately 180,000 carats were authorized for disposal by the Congress in Public Law 89-723, enacted November 2, 1966.

Efforts to develop a long-range disposal program for all excess diamond stones and diamond bort date back to this subcommittee's extensive 1962-63 review of stockpiling. Approval of this bill and S. 751 would provide the General Services Administration with the necessary authority to permit disposal of all excess industrial diamonds and thus meet this subcommittee's objectives indicated during that earlier review of stockpiling.

In authorizing this disposal request, the Office of Emergency Preparedness has had the concurrence of all interested departments and agencies.

The Office of Emergency Preparedness strongly recommends the prompt enactment of this legislation.

STATEMENT OF BOB ROSS, ASSISTANT COMMISSIONER FOR STOCKPILE DISPOSAL PROPERTY MANAGEMENT AND DISPOSAL SERVICE, GENERAL SERVICES ADMINISTRATION

Mr. Ross. Thank you, Mr. Chairman, I am Bob Ross, Assistant Commissioner for Stockpiling Disposal in the General Services Administration's Property Management and Disposal Service. I have with me Mr. Charles Curcio of GSA's office of General Counsel who is also familiar with the Government's stockpile program.

On behalf of the Administrator, Mr. Robert L. Kunzig, who has asked me to represent him at the hearings today, I wish to thank you for the opportunity to appear before your subcommittee for the purpose of expressing the views of GSA in support of the stockpile disposal bills being considered today.

Since late 1963, the executive branch has undertaken a positive program for the review of all strategic and critical materials and the development of programs for the orderly disposal of excesses under long-term programs. The objective has been to remove unneeded materials from the inventories, recover capital, and ultimately to eliminate costly storage, maintenance, and other stockpiling costs.

The 28 bills under consideration today would, if approved, add an additional \$960 million to the available for disposal listing, bringing the total authorized excesses to approximately \$2.3 billion. The return of revenue to the Treasury from the sale of stockpile excesses has since 1965 been significant and should continue for a number of years.

While we will be commenting specifically on each of the bills being considered today, we wish to point out that the views of industry and affected Government agencies are important to us in the implementation of all of our disposal programs. We want to assure the committee that GSA will continue to cooperate with industry so as to assure that the interests of the Government and industry are fully protected in all of our disposal undertakings.

This bill would authorize the disposal of approximately 18,912,000 carats of industrial diamond crushing bort now held in the national and supplemental stockpiles. The Office of Emergency Preparedness has determined this quantity to be excess to stockpile requirements.

Industrial diamond crushing bort is an industrial grade of small particle size diamonds not suitable for gem or tool use. Crushing bort is crushed into diamond powder and used for polishing lapping, and

as the cutting agent in drilling very small holes in hard material and in diamond saws for cutting concrete, stone, slate, glass, and ceramics.

Africa is the principal source of industrial diamond crushing bort.

As of March 1, 1971, the total inventory of industrial diamond crushing bort held by GSA was 42,611,479 carats. The stockpile objective as of March 4, 1970, is 23,700,000 carats. The total excess is covered by the proposed bill.

The average acquisition cost of the industrial diamond crushing bort in the stockpile was \$2.19 per carat. The estimated current market price of the stockpile materials ranged from \$2.25 to \$2.80 per carat.

There is no production of natural diamond bort in the United States. The United States does produce man-made or synthetic bort. Estimated imports of natural bort for 1970 were 5.3 million carats and for synthetic or man-made material 2.3 million. The respective figures for 1969 were 5.8 million and 2.8 million carats. U.S. consumption of natural, synthetic or man-made, and reclaimed bort has risen from 15 million in 1968 and 16.1 million in 1969, to an estimated 17 million carats in 1970. U.S. exports were 6.4 million carats in 1968, 8.3 million in 1969, and an estimated 7.5 million carats in 1970.

Mr. Chairman, on February 12, 1969, we, together with representatives of other affected Government agencies, met jointly with the Industrial Diamond Working Group to discuss the proposed disposal of the approximately 18,912,000 carats of excess industrial diamond bort. Industry expressed a willingness to cooperate in a disposal program, provided that the government conduct an industry survey to determine current consumption to be used as a basis for the development of disposal rates. The requested survey was completed by the Department of Commerce in early 1970. A meeting was held with the Industrial Diamond Working Group on June 16, 1970, to discuss the results of the survey. The survey revealed an increase during the past 7 years of 68 percent in the U.S. consumption of synthetic and natural diamond crushing bort, grit, and powder.

Our letter of November 16, 1970, to the Subcommittee on National Stockpile and Naval Petroleum Reserves, Committee on Armed Services, summarized the government's understanding of the industry's existing views regarding the disposal of diamond bort. These were—

That consideration be given to selling all of the excess bort to the principal world producers and distributors, including the de Beers group (the syndicate). Some of the Industry representatives apparently felt this sort of sale could assure stability in the market.

The Government would have a two-part sales program under which it would offer for domestic consumption approximately 10 percent of the annual consumption of natural diamond bort in the United States (based on current surveys conducted by the Government on the use of natural bort in this country) with such a program to run at least 5 years, with the balance of the material to be offered for sale abroad, and the Government to obtain in such sales abroad, maximum assurances that the material would not reenter the U.S. market.

Our most recent meeting with the Working Group was on February 12, 1971. The Government's sales approach discussed with the Working Group remains essentially the same as discussed in our November

16, 1970, letter to the committee. However, it was suggested that if we could not work out a sale of the entire quantity, that we have annual offerings for both domestic consumption and export at about 10 percent of the consumption.

The Government has to date made no disposals of excess industrial diamond bort. Our plan is to initiate a disposal program for excess industrial diamond crushing bort following congressional authorization with offerings as market conditions warrant. We have assured members of the Industrial Diamond Working Group that no offerings would be made prior to our again consulting with industry.

Section 2 of the bill provides that, unless otherwise authorized by law disposals may be made only after publicly advertising for bids, except when (1) the material is transferred to a Federal agency, (2) the Administrator of General Services determines that other methods of disposition are necessary to protect the United States against avoidable loss or to protect producers, processors, and consumers against avoidable disruption of their usual markets, or (3) sales are made pursuant to requests received from other Federal agencies in furtherance of authorized program objectives of such agencies.

This agency strongly recommends the enactment of the proposed bill.

With regard to the diamond tools, the bill, S. 761, would authorize the disposal of the total excess of approximately 64,178 diamond tools held in the national stockpile. There is no stockpile objective for diamond tools and the Office of Emergency Preparedness has determined that this quantity is excess to stockpile needs. Diamond tools are tools that have industrial diamonds set in the cutting or grinding edge. The principal uses of diamond tools are for cutting or grinding very hard substances.

The United States is the world's largest producer and consumer of industrial diamond tools and of the total tools made in the United States 75 percent are for grinding wheel dressers, 20 percent for shaped cutting tools and 5 percent for indenters. The United States imports loose diamond stones which are used to make up the diamond tools.

As of March 1, 1971, the total inventory of industrial diamond tools held by GSA was approximately 64,178 pieces, all excess. The average acquisition cost of the diamond tools in the national stockpile was \$15.82 per piece. The current estimated market price for standard, commercial-type diamond tools is \$12 per piece.

Diamond tools come in a proliferation of sizes and shapes, each intended for a special purpose and made to customer order. Statistics are not published on the number of such units produced or even the value of the items.

It is our intention to transfer these tools to the Corps of Engineers. The Engineers are very interested in obtaining these tools which have been declared excess to the requirements of the national stockpile.

The engineers have indicated that they would remove the diamonds from the tools and utilize them in diamond coring bits and reaming shells which its facility in Dallas supplies, not only to all Corps of Engineers installations, but also to the Bureau of Reclamation, U.S. Forest Service, Federal Highway Administration, TVA, and other Government agencies.

These diamonds would be utilized over a period of time and in much the same manner as the diamonds presently being recovered from used diamond bits and reaming shells. When used in this way, the Corps of Engineers informs us, there would be little or no adverse effect on their normal acquisition of diamonds.

Section 2 of the bill provides that, unless otherwise authorized by law, disposals may be made only after publicly advertising for bids, except when (1) the material is transferred to a Federal agency, (2) the Administrator of General Services determines that other methods of disposition are necessary to protect the United States against avoidable disruption of their usual markets, or (3) sales are made pursuant to requests received from other Federal agencies in furtherance of authorized program objectives of such agencies.

This agency strongly recommends enactment of the proposed bill.

The bill, S.769, would authorize the disposal of approximately 4,961,000 carats of industrial diamond stones held in the national and supplemental stockpiles. The Office of Emergency Preparedness has determined that this quantity is excess to stockpile needs. GSA has presently available for sale, approximately 179,650 carats authorized for disposal under Public Law 89-723, approved November 2, 1966.

The two principal uses of industrial diamond stones are in drilling bits and diamond tools, chiefly in grinding wheels to shape and sharpen tungsten carbide cutting tools. They are also employed as the cutting edges, or edges, of tools, used for turning, grinding, boring, and drilling hard metals, ceramics, and glass. Industrial diamond stones are mined primarily in the Congo and South Africa.

As of March 1, 1971, the total inventory of industrial diamonds held by GSA was approximately 25,140,386 carats. The present stockpile objective, established December 3, 1969, is 20 million carats. Material currently available for sale totals approximately 179,650 carats. The remaining approximately 4,961,000 carats are excess and are covered by the proposed bill. The average acquisition cost of all stockpile industrial diamonds was \$11.13 per carat. The present market value ranges from \$3 to \$55 per carat.

Production of natural industrial diamond stones is from the Republic of South Africa, Ghana, and the Republic of the Congo (Kinshasa), although import sources to United States include Brazil, Venezuela, and Guyana. There is no U.S. production. U.S. demand for industrial diamonds has been strong and should be sustained in the foreseeable future. Consumption in the United States in 1969 was 2,350,000 carats. U.S. imports during 1969 were 5.5 million carats, and 1970 imports are estimated at 6 million carats.

Disposals during this fiscal year have totaled 1,590,000 carats with a revenue return to the Government of approximately \$5.5 million. There were two sales, one of 1,500,000 carats restricted for export, and a second sale of 90,000 carats designated for domestic consumption only. The material sold for export only was awarded to one firm, while the sale for domestic consumption included awards to their firms. Comments from the industry on each of these sales have been favorable with no inference of market disruption. During a Government-Industry Industrial Diamond Working Group meeting on February 12, 1971, we indicated to the industry that we would be agreeable to implementing future disposals along similar lines.

We envision moving most of the excess material in a restricted, export only, type of program. This type of program appears to be preferred by the industry. We are also willing to restrict for domestic use only certain types or classes of material in the total excess inventory should industry so request. The composition of the sales offerings will be developed in cooperation with U.S. industry through the Government-Industry Industrial Diamond Working Group.

The entire quantity of excess industrial diamonds will be made available for disposal over a period of years.

Section 2 of the bill provides that unless otherwise authorized by law, disposals may be made only after publicly advertising for bids, except when (1) the material is transferred to a Federal agency, (2) the Administrator of General Services determines that other methods of disposition are necessary to protect the United States against avoidable loss or to protect producers, processors, and consumers against avoidable disruption of their usual markets, or (3) sales are made pursuant to requests received from other Federal agencies in furtherance of authorized program objectives of such agencies.

This agency strongly recommends enactment of the proposed bill.

Senator CANNON. Let me ask you both, are you certain that the disposals that you have requested here will have no adverse effect on the market or will not disrupt the market?

Mr. Ross. Mr. Chairman, as I have indicated in my statement, we will, and have been meeting with the Industrial Diamond Working Group which is a formal group established by GSA order of which I am the chairman. The other Government agencies such as Commerce and Interior participate. We have at our last meeting told the group that we would not undertake any new disposals under this new authority until we have further consultation with them.

I would be happy to put into the record a copy of the minutes of our last meeting in which I made these statements, and I think the record will clearly show that we intend to work with the industry to work out an orderly and nondisruptive sales program.

(The information follows:)

GOVERNMENT-INDUSTRY INDUSTRIAL DIAMOND WORKING GROUP

Mr. BOB ROSS. Thank you all for coming. I think I owe most of you an apology, because today is a holiday in New York. It is not a federal holiday. I think perhaps we've imposed upon you a little more than we should have, by taking you away from your day off.

I would like to first introduce Mr. Mariley, of our Office of General Counsel, who is new with this group and who is replacing Mr. Curcio. I think the rest of us all know each other.

To help the gentleman who is taking the tape on this, if you will identify yourselves before you speak, that will help him to keep track of who said what. In some of our minutes, some comments have been described, in the past, to some individuals who would never of said the things they said.

I think, just briefly to recap where we stand today and why we called this meeting . . . if I may impose on you for just a few moments.

As you know, last year we did introduce . . . we did submit bills to the Congress that would have authorized the disposal of diamond bort and industrial diamond stones. These bills were never passed and since the Congress did not act on them, they died and a new Congress has now been formed and we, under the direction of The Office of Emergency Preparedness, have resubmitted those two bills and a third bill covering the diamond tools that we have.

The bill for the bort, now provides for disposal . . . would authorize disposal of eighteen million, nine hundred and twelve thousand carats (18,912,000).

I will pass around a copy of the draft bill that we have submitted and I think there should be enough copies here for everyone.

The stone bill, as did the last bill, will cover four million, nine hundred and sixty-one thousand carats (4,961,000) of stones, and the diamond tools number, sixty-four thousand one hundred seventy-eight (64,178).

The bills are identical to the bills that were submitted last year, in terms of the language. As you will recall, they provide that if these bills are passed into law, as written, G.S.A. will be required to sell this material by sealed bids, unless the administrator determines that it is necessary to use some other method of sale, in order to protect the government against avoidable loss or to prevent the disruption of the usual markets of producers, processors and consumers.

However, under the same language, we can sell to other government agencies without the sealed bid requirement and we can sell to other government agencies or under programs authorized by other government agencies, such as the "AID Program" and other programs that might be a fully authorized program of that agency.

It is our intention, if these bills are introduced, to testify in favor of them and to point out to the committee that we have been in the past and we hope to continue in the future, to work closely with the industry in trying to develop a sales program that will be non-disruptive and which will generate maximum possible revenues for the government.

These are a part of a total package of about twenty-eight disposal bills that have been sent to the Congress already. They have all been referred to the Senate and The House Armed Services Committees. None of them have been introduced yet.

The ordinary course of events is that the bills are first introduced and then hearings are set up by the particular Armed Services Sub-Committee, in both the Senate and The House.

To give you a little background—as best we know it right now, on that set-up . . . on the Senate side, we think that Senator Cannon will still be in charge of the sub-committee on National Stockpile and Naval Petroleum Reserves.

On The House side, we have a different situation. Congressman Philbin, who had been the Chairman of Sub-Committee #1, to which the Stockpile Program has been assigned, was not re-elected and the whole committee has been re-formed since the Chairman, Mendel Rivers passed away. The Chairman of the full committee is Congressman Hebert of Louisiana and the sub-committees have new chairmen.

Sub-committee #1 is headed by Mr. Price, I think of Illinois; Sub-committee #2 by Mr. Fisher; Sub-committee #3 by Mr. Bennett of Florida and Sub-committee #4 by Mr. Byrne.

As of right now, we do not know which of these sub-committees will have the responsibility for stockpile matters—and so we don't know which sub-committee we'll be appearing before. However, I think we will be glad to let Steven John Fellman know, as soon as we know anything and I'm sure he has his own feelers up there on the hill where he keeps in touch with this thing. Do you have anything different, John, at this point?

Mr. STEVEN JOHN FELLMAN: No. The same as you Bob.

BOB ROSS: One more point . . . following the hearings that were held last spring and the meeting that we had here, we did write to Congressman Philbin at the time, and Senator Cannon and we urged them to undertake the passage of these bills at that time, without any further hearings. We pointed out in our letter that we felt that the committee had heard both sides. We had gotten the Diamond Survey and we had come to some broad understanding about how we would proceed with this group.

I will read to you Senator Cannon's letter and it will at least tell you what we last told to Congress. If you will bear with me, I'll read it to you. So you'll know what we've told them so far anyhow. We wrote him two letters actually—one on stones and one on bort. The one on stones first.

"Dear Senator Cannon:

The purpose of this letter is to inform you and your subcommittee of the status of the 1.8 million carats of industrial diamond stones authorized for disposal by Public Law 89-723, approved November 2, 1966.

In early 1967, following several offerings, we sold approximately 30,350 carats of industrial diamonds. Since that sale, we have consulted with industry through the Government-Industry Industrial Diamonds Working Group on a plan to undertake the sale for export of 1.5 million carats of industrial diamonds.

On July 24, 1970, a contract for sale of the 1.5 million carats of industrial diamonds was entered into with Harry Winston, Inc., 718 Fifth Avenue, New York, New York. Under the contract, the purchaser has agreed that all diamonds will be exported and not reimported into the United States. Further, the contract provides that the purchaser and its customer are not permitted to sell directly or indirectly, any of the diamonds to DeBeers Consolidated Mines, Ltd., or any of its associated companies.

We have remaining for disposal, approximately 269,650 carats of industrial diamonds, which we plan to offer for domestic consumption at an annual disposal rate of 90,000 carats.

We would like to proceed with our long-range disposal program for the remaining excess of approximately 4.9 million carats of industrial diamond stones, covered by S. 3450. We are confident that with disposal authority available to us, we can satisfactorily dispose of the bulk of this excess abroad, while at the same time, setting aside sufficient quantities to take care of potential needs in the United States over the next 5 to 10 years.

We are of the view that both the industry and Government positions on the future disposal of industrial diamonds have been thoroughly discussed at the hearings before your subcommittee on February 27, 1970. So far as this agency is concerned, we do not believe any further hearings are necessary. Accordingly, we respectfully urge favorable congressional action be taken on S. 3450.

We are enclosing for your information, a copy of the verbatim transcript of the minutes of the latest meeting of the Government-Industry Industrial Diamond Working Group on June 16, 1970.

You may be assured that the General Services Administration will continue to work with industry in an effort to implement an orderly disposal of the Government's excess industrial diamond stones."

Now, the letter on the bort was written later—in November, to be exact. An identical letter was written to Philbin in both cases.

"Dear Senator Cannon:

This letter concerns the proposed disposal of stockpile excess industrial diamond bort. You will recall that the proposed legislation (S. 3036) was discussed at some length by industry and Government representatives during hearings before your subcommittee on February 27, 1970.

The industry, in testimony during the February 27 hearings, voiced the need for a current Government survey of industrial diamond bort consumption prior to consideration and approval of disposal legislation. As a result of this industry position, the committee chose to take no action on the proposed diamond bort disposal legislation pending completion of the consumption survey.

The requested consumption survey was subsequently conducted by Business and Defense Services Administration (BDSA) of the Department of Commerce with preliminary findings completed and transmitted to the General Services Administration (GSA) in June. Copies of the preliminary report were transmitted to the Industrial Diamond Working Group by GSA on July 16, with our transmittal letter inviting comments on the BDSA findings.

During the June 16 meeting of the Government Industry Industrial Diamond Working Group, GSA indicated to the Group that we were planning to make every effort to have the industrial diamond bort bill considered during the current session of the Congress. (A copy of the minutes of the June 16 meeting were transmitted to you on August 25.)

By letter of June 24 to the Working Group, GSA, in commenting on the June 16 meeting, summarized the Government's understanding of the industry's suggestions regarding the disposal of diamond bort. Our interpretation of the expressed industry suggestion was that consideration be given to selling all of the excess bort to the principal world producers and distributors, including the de Beers group (the Syndicate). Some of the industry representatives apparently felt this sort of sale could assure stability in the market.

The Government would have a two-part sales program under which it would offer for domestic consumption approximately 10 percent of the annual consumption of natural diamond bort in the United States (based on current surveys conducted by the Government on the use of natural bort in this country) with such a program to run at least 5 years with the balance of the goods to be offered for sale abroad and the Government to obtain in such sales abroad, maximum assurances that the material would not reenter the U.S. market.

A follow-up letter to our July 16 request for comments on the BDSA survey was sent to the Working Group on September 3. Our letter requested that all

comments on the BDSA report should be submitted to GSA by September 21. This follow-up letter was sent to so assure a maximum expression of industry views.

The correspondence received from members of the Working Group and others in the industry essentially expressed the view that the industry would not oppose disposal of industrial diamond bort if there is assurance of no disruption of their usual markets. From these reviews with industry we have concluded that either of the proposed methods of sale as expressed above is acceptable to the Working Group which is representative of the overall industry.

The Government has to date made no disposals of excess industrial diamond bort and we are hopeful of initiating a program during this fiscal year. We are of the opinion that both the industry and Government positions on the disposal of bort were thoroughly discussed at the hearings before your subcommittee on February 27, 1970. So far as this agency is concerned we do not believe that any further congressional hearings are necessary. Accordingly we respectfully urge that favorable congressional action be taken on S. 3086.

Any consideration you can give this disposal legislation will be appreciated."

These letters will now be in the record.

Despite the fact that we wrote these letters, the new committees or the Senate Committee will have hearings. They usually do, and we're going on the assumption that there will be hearings so that if the industry wishes to present papers to the committee or have witnesses, when the hearings are announced, you should get in touch with the appropriate staff people of the committee and they'll be happy to take statements or put you down as witnesses. I don't know if they'll be happy, but I think they will consider it certainly.

So that brings us right up to today, and I've done all of the talking thus far. You all now have the official survey which verify what we had learned earlier and that is that the annual consumption of natural bort in this country is about 6 million carats a year. I assume the world consumption is still estimated at around 18 million carats a year.

One of the suggestions that we had received was that we perhaps offer 10 percent of the U.S. market of this country and perhaps 10 percent of the world consumption for export, on an annual basis. This is in line generally, with the second thing that we mentioned in our letter and we have no great problem with that.

One of the other things that has been suggested and that is the possibility of a longer term buy back by the Group or the Syndicate. I shouldn't use the term "Syndicate" here . . . a group of U.S. dealers and people that normally trade in this material.

To do that, we would have to of course justify this that on the basis to do it otherwise, would be disruptive and we'd have to have a determination by the administrator.

On the stones, we think that the last sale to Harry Winston, Inc., has gone off well, so far as we know. We have no complaints. All of the material has been exported. I understand and it's gone to Belgium, England and Holland. Their books are open to us at any time. They have offered to let us see their books at any time, if there are any indications that the contracts are not being adhered to and we certainly don't know of it. We don't expect that there is. I have made copies of the contract available to Mr. Fellman, and this brings up a point which is related to our current offering of diamond stones.

As you know, we have an invitation for bids on the streets for ninety-thousand carats of stones today and the viewings are going on right now. But it is limited to domestic consumption. There is apparently some interest in the trade, to authorize at least some of the stones to be exported.

When I talked with Mr. Fellman and I talked with Mr. Pollack yesterday, on this question. I had completely overlooked one point in the Winston contract which I should make all of you aware of and I think Steve, You've probably picked it up already.

When we sold this material, while we had certain limitations on what they could do with the stones, on the other hand, we had to put some limitations on what we would be doing in the immediate future. So there is a provision which says:

"Except for approximately ninety thousand carats, which will be offered for sale for use only in the United States, the Government agrees that it shall not offer for sale, similar industrial diamond stones prior to July 1, 1971."

So any modification of that invitation for bids now, that would permit export would put us in violation of Mr. Winston's contract with us and we would prefer to avoid any modification of that at this time.

If then we receive out of this discussion or later consideration recommendations that some of the classes of stones be authorized for export in future sales, why, we'll certainly consider them.

With that long speech, I'm going to quit and let someone else speak and answer any questions you might have or take down any suggestions you might have, as to how we can proceed with this whole program.

One more point before I quit, and that's on the tools. We are hopeful that if we get this authority and we will so testify, we plan to sell perhaps the entire lot, to the Corps of Engineers, another Government agency, for their use. They have indicated an interest in these diamonds and under all of our disposal programs, to the maximum extent we can, other agencies are supposed to buy the excesses from us if they have a need for similar goods. We do this on many commodities. We sell lead to the Navy. We sell tungsten to the Army. We sell copper to the mint and nickel to the mint, etc.

So having thrown all that on the table, I will now let you digest it and throw it back at us.

STEVE FELLMAN. Starting with the last point or the next to the last point . . . we have got some calls from various members of the Industrial Diamond Association, indicating that with regard to the larger sizes of certain classifications of stones offered in the ninety thousand sale recently, that the only market for this type of stone, is in effect, the overseas market. Although American dealers might want to put in a bid for these stones, they could not use those stones here in the country and they would have to be ultimately exported. It was for this reason that the call was made to you and we expressed our interest in having the modification in the contract made, if possible.

BOB ROSS. As I said earlier and as I said when I answered your call. I said we would certainly be happy to listen to the recommendation of this group on it and we are happy to do so. But I had forgotten completely about the stipulation we had in this contract. We would prefer not to go back to Mr. Winston and ask him to modify this. However, if the feeling is strong enough, we certainly are not averse to doing that.

But we think perhaps for this sale we'll let it go the way it is and in the meantime you can make some specific recommendations to us as to the specific sizes and grades or classifications of stones that would fall into a category where they should be available for export.

STEVE FELLMAN. Under this contract, do you interpret this to mean that if for instance, someone bought these stones now, they could not export them until July, 1971 and after that date if the appropriate modification was made, you could, or do you consider that a flat prohibition against export?

BOB ROSS. That's a flat prohibition against export of that ninety thousand.

FRANK KOEBEL, Jr. I would suggest Bob, that you've already gone down the road with this showing and you're going to have to go ahead anyway with these bids. It could very well be that you may not get any satisfactory bids with that prohibition. But to save you time and effort, maybe after July 1st, you would tell people that that same thing is open again for bid and you don't have to show the diamonds again. The lots are the same and everything is the same. In that way you could eliminate the showing.

Secondly, I don't know why you want limitations on the types that can go overseas and so forth. What do you care? If someone buys them, you don't want to tell them anything over one carat you can ship overseas. It's an impossible administrative thing. You should just say it's available for sale, period, without any limitations.

BOB ROSS. Let me clarify for the record why we did this.

We, I think, got the feel from the group that there ought to be a portion of the stones that would remain available in this country, for use by users in this country and so we wanted to make sure they didn't get exported, just so they would be available here. If the group feels differently about that . . . I know that diamonds are an international commodity that are traded back and forth . . .

FRANK KOEBEL. I appreciate your problem as a government agency. You have to make sure that the U.S. consumer is not discriminated against, but basically, if the people in U.S. industry want some of those diamonds, they have to pay the price to buy them. If they don't pay enough money they'll be sold overseas under normal circumstances. So your concern as to whether they stay in the United States . . . if you force certain sizes to stay, you may limit your sales potential, because people here, if they're not paying enough to buy them, they're not going to inspire anyone to purchase the whole lot.

If people are paying more for instance for quarter carat stones overseas and you say they can't be shipped overseas, you're going to limit the government's return from these. While I understand your need to be concerned about U.S. industry, I don't think it's a vital factor and something which should be considered.

Bob Ross. Well, we're happy to hear that. We like to have as free and open a competition as we can get, as being the best way to assure ourselves the best return.

We would, as I say, be open to suggestions on sales beyond July 1 on this point. I would rather not withdraw or cancel this solicitation. I'd let it go on and run it's tour and see what comes up in the way of bids. If we don't think the bids are right, we'll reject them as we have in the past.

I welcome the opportunity to be able to get greater competition.

Mr. M. A. MARVIN, Jr.: I'd like to know if there is general agreement on this particular point right now.

Bob Ross. Could we have a show of hands on this, as to whether or not there is any particular objection. Do we have any adverse reaction to this idea?

(Group expressed "no interest")

Bob Ross. You don't care Joe, or you have no interest? You don't care which way it goes?

Mr. JOSEPH KLIPPER. Well, this is more an item which importers would be involved. Toolmakers would limit themselves to buying materials from these offerings, you see.

Mr. KOEBEL. But Joe, you wouldn't care if it all were shipped overseas, would you?

Mr. IRVING FREED. I'm of the opinion, as an importer, that there should be no restrictions on the sale at all. Regardless of the phraseology of the Winston agreement . . . I have been contacted by several people in the industry who oppose the provisions for restricting the export and who also oppose restrictions permitting government to review their books for three years, subsequent to the sale.

Speaking for myself personally, I will not participate in this program under those conditions. How many other people in the industry will oppose the conditions, you'll find out when the bids are closed or opened, rather.

Bob Ross. Are we obligated under the law to have the three year examination of records?

Mr. MARILLEY. Off-hand, only if there's a requirement. If it's open, it wouldn't have to be. I'll check on that to make sure.

Mr. FREED. To continue the discussion. As a member of this committee and offering my advice, I think it's going to be disastrous to restrict it for domestic consumption, specifically because of the types, qualities, classifications, which are, in my opinion, as an importer dealer, on sale both in the United States at the present time.

I see no benefit, and I don't know Bob, where you got your opinion that the needs of U.S. industry require protection at the present time. I have no recollection of anything discussed at any of these meetings unless you've gotten outside correspondence or outside consultations.

Bob Ross. I think it goes all the ways back to the original plan which was based on ninety thousand carats per year, which was supposed to be approximately a twenty year supply, of U.S. consumption. This idea of retaining approximately a three year supply, at that ninety thousand rate . . . we have about 279,000 carats left. This led us to put the lid on just to really keep ourselves from being criticized as not having made the stones available exclusively for the domestic use.

If, from a marketing view you're going to recommend to us that we're cutting off our own nose to try to assure this, well, then we're certainly going to take another look at it. We'll be happy to look into it.

Mr. FREED. At the present time, there's no need for that restriction. You still have 4,960,000 carats in case of any dire emergency. There's no reason to restrict this ninety thousand sale. I see no sense to it at all.

Mr. KOEBEL. In order to maybe finish up this fast, I understand Irv's objection to having this particular restriction in this contract, but I don't think this committee would recommend that GSA enter into negotiations with Winston for this period of two or three months between now and July 1st, to change this, just that in the future you don't have these restrictions. That should clean it up. I'm sure that's the feeling of everyone.

Bob Ross. I gather then too, that the ninety thousand annual rate is still satisfactory to this group? Would you want us to offer for example, the whole 279,000 carats?

Mr. KOEBEL. If you lift the restriction, you'd better talk to Mr. Frey first and see what Mr. Winston thinks of it going overseas.

Bob Ross. Well, after July 1, he recognizes the possibility not only of that, but also of the fact that additional stones might be authorized by the Congress. That's something that I think will take some time to work out. We don't want to dump material. We never do. We hopefully are not engaged in that yet.

Mr. KLIPPER. I'm wondering, if at a later date, GSA would sell a larger quantity, in the case of a deal with Winston Company . . . would that restriction be removed or would there still be restrictions that those goods should not be reimported to the United States? Such a situation would gravely result in a disruption of the market in the United States. It would also result in the disruption of toolmakers, who might find that imports are being brought in at very low prices.

Mr. DAN FREY. I presume that if part of your new program is going to be to continue to make sales overseas . . . I think there should be a restriction that this merchandise shouldn't come back here. But if you don't have some compensatory restriction on the goods that are being sold locally, that it doesn't go to Europe, you're going to definitely restrict anybody from making bids for goods to be sold overseas because you'll have hanging over his head, the possibility of 4 million carats popping up that will compete with the purpose that he's made and which he's restricted to sell overseas. So this is something you'll have to think about.

Bob Ross. There may be some particular classes in our total excess that perhaps we should restrict to U.S. consumption only and that's why I was looking for some specific recommendations from the group, as to particular sizes or something like that. In that event, then we would envision the incorporation into a large bulk sale abroad, of those qualities which definitely could not move in trade here—under the type of restriction we have in the current Winston contract.

Mr. FREY. But with the understanding that those same sizes and qualities would not be out from the local market with the possibility of them being exported to Europe. Is that what you had in mind?

Bob Ross. Yes.

Mr. FREY. That sounds reasonable.

Bob Ross. What we're trying to do and I'm being very candid here . . . in all our programs we're trying to make sure we're never put in the spot where the U.S. consumer is going to be shortchanged. We have developed fairly complex programs on some of the commodities and tungsten is an example, where we have reserved very large quantities of this material. We've reserved a substantial quantity for domestic consumption only and that means right down to conversion into some other tungsten product from our concentrates.

At the same time, we do have periodic offerings for sale, for export only and we are selling at two different prices. We're selling at a domestic price because the bulk of the material in this country moves at a certain price level, while the overseas price level is higher. The program seems to be working, although we got some bids yesterday which we promptly rejected because they were not high enough, for export only.

But this is the kind of thing we're thinking of here, because we don't want to shortchange the U.S. consumer. At the same time, we do have a lot of stones which we would like to get put into normal channels as efficiently as possible.

Mr. MARILLEY. You were asking about the examination of records. This is the only protection that we have, where there's a certification that diamonds will either be used domestically or that they will be for export only. This is the protection for the government. This is the only way we would have.

Mr. FREED. Did you explain that Bob, that the Winston contract had a similar clause?

Bob Ross. Examination of Records:

"The purchaser agrees that the Controller-General of the United States and the Administrator of General Services or any of their duly authorized representatives, shall, until the expiration of three years after final payment under this contract, have access to and the right to examine any directly pertinent books, documents, papers and records of the purchaser involved, involving transactions relating to this contract.

The purchaser further agrees to include in all of its sales contracts hereunder, a provision to the effect that the vendee agrees that the Controller-General of the

United States and the Administrator of General Services or any duly authorized representatives shall, until the expiration of three years after final payment of the sales contract, have access to and the right to examine any directly pertinent books, documents, papers and records of such vendee, involving transactions related to the sales contract."

This was accepted under a negotiated transaction. Now, under the sealed bid offering, I don't know what the requirements are. Does someone have one here that we could take a look at? Here it is.

This solicitation includes a one step access to records clause.

Mr. FREED. I doubt how you could enforce this agreement against a vendee outside the United States. You could put any kind of a clause in any kind of an agreement if it's unenforceable, Bob.

BOB ROSS. We would welcome recommendations in writing, from this group as to how we should conduct future sales, from the current authority, the ninety thousand carat per year that we're talking about, as well as recommendations and comments on the 4.9 million that we're hopeful of getting authority on.

Mr. KOEBEL. Assuming that you get the bill through for the 4.9 million, do you have plans for another large, overseas effort as opposed to the ninety thousand carat domestic limitations?

BOB ROSS. Yes, we would try large scale overseas sales. It would obviously have to be of fairly long duration, in terms of the offering for the same kind of sale.

In other words, I think whoever buys from us would want some assurance that we're not going to reoffer within a specified time, the same kind of qualification we had in our contract with Winston, as a protection to themselves. We're not averse to this, but that would lead us to at least try to do it in as big a block as we think the industry might be able to feed into the system, over a period of time without major disruption.

Mr. KOEBEL. To that point, the Winston contract read that they agreed not to sell to the DeBeers group, whereas, in other areas it's been suggested that we try and contact them to sell to the DeBeers group. Can you explain that?

BOB ROSS. Some people of the group recommended that we try a bulk sale back to the Syndicate. As I said at the last meeting, that creates all kinds of problems for us. It involves the Department of Justice and we don't really know whether we'd get any kind of a blessing on this at all, but we're willing to try.

Mr. KOEBEL. Why did you have to put that in the Winston contract?

BOB ROSS. I think he suggested this and we have no problems with it. But it's there and we're happy to see it there.

Mr. KOEBEL. Assuming that you got this bill passed in September and we had a chance then to offer 2 million carats or whatever figure it would be, would you be in touch with Winston to see if the market could absorb more?

BOB ROSS. We'd be in touch with the industry generally to see what the situation is. The economic situation, I'm sure has impinged on your business as well as everybody else's and ours too. So before we do anything at all. I think once we get the legislation, we would be in contact with industry, either on an informal basis or through the Group, before we do anything at all.

Mr. KOEBEL. One last suggestion on stones. You mentioned that maybe there are types that could be absorbed in this market, as opposed to selling material that could be sold here or overseas with no restrictions.

Offerings in this country, I'm sure you could come up with some suggestions, ultimately from the Group, if not today, as to tool-stones and dressers, three-quarters carat and smaller as the type that should be offered in this country, or one carat and smaller, but I think you might ask the Group at some time, to come up with it . . . kind of a suggestion for U.S. consumption or offering.

BOB ROSS. What we'll undertake to do is to send you inventory of the new excess and then ask you for your comments as to that kind of recommendation.

Mr. KOEBEL. So that if you did sell ninety thousand carats or offered it such as this current offering, it could then be an offering which would be more interesting to people in the U.S. and although it's not restricted, it may well stay here and be helpful to us.

BOB ROSS. We're certainly open to that kind of suggestion. If there are suggestions on whether the ninety thousand per year is not enough . . . I don't know what the . . . we had a stone survey at the same time, didn't we? What did it show?

Miss DOTY. Seven hundred and seven thousand.

BOB ROSS. So the ninety thousand on a 10 percent basis is a little bit higher . . . no problem with that I gather.

Mr. KLIPPER. When was the seven hundred thousand survey taken?

Miss DOTY. In 1969.

BOB ROSS. That's '69 consumption.

Mr. KLIPPER. Well, compared to today, it most probably would be 30 percent.

Mr. GEO. GARRISON. I have a question.

You've indicated that the sale to Winston has gone quite satisfactorily, and you've had no complaints.

BOB ROSS. That's correct.

Mr. GARRISON. I wonder if the diamond dealers have anything to say as to whether they have heard anything that would indicate any disruption on the market at all, because if there are no complaints, I think it's gone very well and you've got a good thing going.

Mr. KOEBEL. As a dealer, I would say, number one, you sold diamonds into very strong hands. Number two, as I have heard, this contract indicates that at least the final payment doesn't have to be made until June or July 1st of this year, meaning that in addition to selling them to a financially strong firm, that firm hasn't paid for all the diamonds yet, so they don't have to "dump the diamonds" and so there has been, as far as we've been able to determine in this country, no disruption of the market. A combination of circumstances may be the reason for that. Hopefully, they're able to sell them all at a good profit and without disrupting the market.

But there are a couple of factors that cause that, I would say. One is the strength of the firm and secondly, they haven't had to pay for them all yet and they haven't had to unload.

Mr. GARRISON. It's too early then to evaluate that it might be disruptive, before this is all completed.

BOB ROSS. The terms of payment provided for an amount which becomes due on a certain date and that we know is all okay. I agree that they are in very strong hands and I'm confident that that company will not go back on it's contract in any way. They have an excellent reputation which is worldwide and I'm confident that they want to retain that reputation. We have full confidence in the company's ability to do what the contract requires.

As I say, and I think I mentioned this at our last meeting . . . one of the best controls we have is the industry itself. Certainly, this industry has not been prone to be reluctant in expressing it's views. So we would expect to hear quite quickly if things weren't right.

Mr. FREED. As far as my knowledge is concerned, I don't know, I haven't seen the Winston contract, whether they have taken delivery of the total caratage. I have a recollection of the agreement, that the terms of payment could be spread out, but I don't remember whether the terms of payment have any restriction on the physical pick-up, whether you pick up fifty thousand and pay for those today or you pick up a million and a half and pay for them . . .

BOB ROSS. They were all delivered within three weeks after . . . I forget the exact timing, but they have all been delivered and I think all of them have been exported. Dan could tell us better.

Mr. FREED. To the best of my knowledge, I haven't been in Europe since the end of October, the beginning of November . . . the diamonds were in Europe. They were not affecting the European market and they certainly did not affect the American market, to my knowledge.

BOB ROSS. This is the view we've had, as I say. We think the best pulse-taker here is the industry itself. Certainly, we would of expected to hear if something had gone bad and I'm confident that it won't.

Mr. FREED. I'm not trying to create the impression that these diamonds have been sold in order to disrupt the market. I don't know that they have disrupted the market, and whether they've been sold or not, I would have no personal knowledge.

There was an attempt, and this is not any breach of confidence . . . they were soliciting staff to resort the diamonds. This was the last piece of specific information that I had and this was in the middle of October. Whether they've sold any, I have no knowledge, so I can't say whether they've disrupted the market.

BOB ROSS. Okay, any other comments on stones?

I don't know what your positions will be before the committees. Hopefully, you'll march hand in hand with us on this—with reservations.

STEVE FELLMAN. The National Diamond Association is holding a meeting at the end of February. At this meeting I'm sure that these matters will be dis-

cussed. I think we will avail ourselves of your kind offer to submit written comments, and to submit replies to you Bob, in reference to your proposals. It will take us a couple of days of course to organize, but we'll be here.

Mr. KOEBEL. Mr. Ross, one last comment on stones, before we go into bort.

There still is a feeling left in my mind, that when this million and a half deal came up it was not per the agreement around this table, my understanding of it. So I would say, I don't think I would oppose your particular effort to get a stones bill, if in that you talk about overseas sales and you would discuss this with us as you have in the past on many other matters, before we hear all of a sudden that there is an offer for a million and a half and we of the Industry Group had agreed to that. It wasn't my understanding.

Bob Ross. Well, we will tell the committee that we have today, discussed this broadly and that we have indicated that we will notify the whole industry before we undertake any large scale offerings abroad. That's a commitment I'm making now and that I would make before the committee. I have no problems with making this kind of commitment because it's not at all unusual.

I think I should point out one other thing. This has to do with the consultation procedure generally, among the government agencies.

When we prepare a disposal bill and a plan, that plan is approved by the various agencies involved, Interior, Commerce, State and approved finally, by The Office of Emergency Preparedness and of course by GSA. The legislation, before it is set up is cleared with these agencies.

Now, when we undertake specific disposal plans, we generally call industry meetings. In this situation we've used this forum as the place for getting ideas as to the actual conduct of the disposal sale. However, the State Department while Commerce and Interior generally discuss in very broad terms, the fact that the government is going to go forward with disposal legislation at the the time we prepare the plan, the State Department does not consult with the foreign producer countries involved, until the legislation is passed.

We've tried to change that approach and to try to speed up the disposal procedure, but they have held very strongly that they don't like to stir up the producer countries until facts actually face them.

So there will be consultation by the Department of State with the producer countries. There the producer countries will get an opportunity to express their views. Whatever proposal we make to them, in terms of annual rates and method or sale and so on, will be discussed with the producer countries, so we can definitely say, rather, we *can't* definitely say what kind of a program we're coming out with, except in the broadest terms at this point in time.

We will try our best to speed up these consultations as we always do. That applies to all our disposal bills, not just for diamonds.

For example, the State Department spent eight months in consulting on that million and a half sale—or at least that's how long it took us to get an answer.

The economic section of the State Department does consult with the producer countries. That's up to them as to who they consult. We don't get involved.

STEVE FELLMAN. Could you state, for our understanding—in the event that Congress does authorize legislation and authorizes you to dispose of certain commodities, what exactly do and what exactly is the authority of the State Department . . . can the State Department put a "kibash" on the whole deal if they wish?

Bob Ross. I think I can explain that.

The regulations under which we operate are DMOV-8600.1A. That is a regulation issued by the Office of Emergency Preparedness, which sets the policy for the conduct of the preparation of disposal plans. That regulation requires us to consult with the agencies I've named and in the case of agricultural commodities, with the Department of Agriculture and other interested agencies.

The Interior Department and the State Department have, in fact, a right of veto. That is, if they do not agree with the disposal plan as approved by the Director of OEP or if they are in conflict with the plan or the disposal that has been approved by OEP, then they have the right of appeal to the President and that has happened in some other commodities. Those are the only two agencies that have this right under that regulation. Commerce does not and GSA does not, but OEP, as the manager of the stockpile, as the policy agency, in such a case, would present its views to the White House and State would present its views and a decision would be made by the President.

That's why we do it and they do have a mandate in that regulation to conduct these consultations. We have certainly no basis for trying to change those. We have no authority to. That's strictly an OEP matter. But I think in keeping with the intent of the law about the disruption of markets of the producers, the processors and so on, that includes foreign producers obviously and this is the pathway that OEP has chosen to follow.

Does that answer your question?

Mr. KOEBEL. Bob, to re-emphasize this consultation with this Group and advice before you would have a large sale for export, since you're limited on stones by ninety thousand by your agreement with us, domestically . . . I think that million and a half carat sale that you made, probably knocked the credibility of this Group down so that it's one of the reasons you had such a fight on your hands last year to get bills through. You emphasized all along that you worked with industry. You cooperated with industry. This is what you tell the people on the hill and basically, the understanding here when that came out, that the ninety thousand was really no longer the way you said it was or we thought you said it was, is what has caused much of the problem on you getting additional stones legislation or any bort legislation.

It's my understanding or feeling that at that time you were not cooperating with us and sticking with that ninety thousand and so we've been leery since that time about saying "Well let him sell another 4.9 or get authorization on it or 18.9 of bort." Then, without any limitation which you've heard, you know, so much per year, we're very leery of it. That's the reason for it.

BOB ROSS: I think I addressed myself to these comments at the last meeting we had.

We were of the view that we had a mandate from Congress to explore the sales abroad and we've gone into this at length with Mr. Fellman and the Association. But I can tell you right here and now that before we would undertake such a sale, we will consult with this Group again. That's flat.

The next subject is bort. Under bort, the bill has been increased to take care of additional excess which became available after our other bill had been sent up and last year we didn't want to amend it. So we're talking about 18 million carats, which I guess in terms of world consumption, represents one years total world consumption. But in terms of the rate in which we would offer, certainly would be long term programs.

It would be our intention here to more or less reiterate what we told the committee before. I know that there are views that the legislation itself should address itself to specific limitations, that the industry feels should apply to the sale.

Our general view is that we would like to have as broad authority as we can, in order to meet changing market conditions more rapidly. If they are written into the law then we have the problem of amending the law if things suddenly change.

For example, if overseas supplies were suddenly cut off and we wanted to have very large offerings here, under a very rigid plan it might be written into the law and you couldn't do anything until the law was changed. However, and I've said this before at these meetings, we consider that commitments that we make before the Congress be almost tantamount to law and that we have promised committees in the past—at least when Mr. Philbin was Chairman, that we would undertake no major change over the programs we described to the Congress without notifying them and certainly, not without some consultation with industry.

So with that view in mind, we would like to approach the Congress and say it is our plan to do such and so. Then, any modification of that would be undertaken only after consultation with the government agencies and the industry. This is the way we would plan to testify on these bills and is essentially what we told Senator Cannon and Mr. Philbin earlier, that we would look to potential sale to the Syndicate of the entire quantity, as being, at least suggested by some members of this group, as being a non-disruptive method of sale, recognizing the difficulties that we would have, clearances with Justice and a lot of other problems that we would have.

Secondly, as an alternative to that, a plan under which we would offer a specific quantity annually, for the U.S. consumption only, which would be tied to the use of natural diamond bort in this country, on the basis of current surveys. I think this group had recommended two year intervals between the surveys. I think this ties in with what your normal interval is anyhow.

Mr. MARVIN. We don't have any fixed time. It varies from commodity to commodity.

BOB ROSS. Margarite, would you have problems with an every two year survey?

MISS DOTYE. I have problems with any survey. We undertake them at your request of course.

BOB ROSS. But every two years would be a reasonable interval?

MISS DOTYE. If the industry is willing to cooperate. You see they have asked for the survey in the past. They felt it would be to their interest. I have heard expressions of opinion to that effect, that a survey every other year would be helpful.

BOB ROSS. Well, is there any view from the group. Is a two year interval a satisfactory interval?

MR. KLIPPER. I should say so.

BOB ROSS. So we could say that generally, industry would go along with that.

MR. MARVIN. Is the format of the last survey satisfactory to everyone at this point?

MR. KOEBEL. I would say that it was excellently conducted by whoever did that job.

MR. FELLMAN. Mr. Ross, may I say for the record that I have received many comments from IDA members concerning this survey, all very, very favorable.

MR. ROSS. It's all Margarite's.

We'll certainly work with the Bureau of Domestic Commerce now, on having timely surveys which would in effect set our rate and we've talked in terms of 10 percent of that. On the basis of the current survey, it would mean about 600,000 carats of bort per year.

As to the method of sale, as I said earlier, we would initially try these by sealed bids. I think that we could hardly, in the case of bort, on this kind of sale where it would be limited to domestic consumption, be able to justify that we might not be able to protect the government against avoidable loss or disruption. So we'd have to try sealed bids first.

Recognizing now and I think pointing out, sealed bid sale doesn't mean that it's a forced sale. If we don't get what we think are acceptable prices, we reject them. As I explained at our last meeting, we look at our offers and we go down the offers until we reach what we call . . . what is our cut-off price and that is based on our judgement of what the world market price is, as best we could determine from our analysis of the market.

So we would propose to have these annual sales on a sealed bid basis. Simultaneously, keeping with what we told the Senate and the House before, we think we should offer some material for sale abroad, on the basis of consumption abroad, which would again be, roughly 10 percent of that, unless we could work out a bigger deal where we could get rid of it all.

I don't think that this group would have too much problem under the same general terms and conditions. The costs for exporting would be relatively minor so that we would be talking about essentially the same price levels for this material, which trades internationally about the same level. There again, I think we would try that by sealed bids too, initially, unless the first plan, that is, a big bulk sale back to the Syndicate works, or some other very strong hands.

MR. KOEBEL. A point of information Mr. Ross. I have heard that when the DeBeers Group sold bort through the government for stockpile purposes, they retained an option to repurchase and that they did not collect the 5 percent or 5 percent of the money due them, until they decided to give up the option. Am I correct? Have they in recent years given up this option?

BOB ROSS. That is correct. They gave up their rights to that option and we have paid them the residual amount. They have no right of first refusal any longer.

MR. KOEBEL. This would indicate they don't have much interest.

MR. ROSS. We have not made any direct contact ourselves. We have heard generally that there is a disinterest.

MR. WHERRY. What is your view in regard to the size of the lot that will be offered for sale domestically?

BOB ROSS. There, we would like recommendations from this group, or your Association.

MR. WHERRY. I think we already have, on several occasions in the past, where we indicated that we were in favor of the disposal program, in general terms that it wouldn't be disruptive. On the other hand, that the size of the lot offered would be such that the smaller consumers would be able to participate in the purchase, and that they wouldn't be frozen out of the possibility of buying directly from the stockpile, as opposed of other commercial sources.

BOB ROSS. We would certainly want our material in small enough groups. We have to, as a matter of fact, because of small business requirements. While we

have no small business set aside in our disposal program. Small Business for years has gone along with our approach and that is, in all of our sales, we always have some lots that are small enough for small business to participate in and we would do that. We'd like recommendations as to the specific lots. If you'll give it to us, we'll be glad to look them up. I don't remember the size.

Mr. WHERRY. Nothing in terms of actual numbers.

BOB ROSS. I don't know what a small lot would be in this trade. If you have some suggestion, we'd be glad to put it in the record right now and refer to them when we ever get around to this point. Any ideas? Any views on this?

Charlie Baumgold is not here today and he's in this business as a dealer. But there are some users here who are not small.

Mr. MENTI. We're biased though.

BOB ROSS. Okay, that's candid. That's one thing I like about this group. They don't hesitate to say what they mean.

Mr. GARRISON. Is it going to be a price in which you accept big lots and little lots?

BOB ROSS. Is that the practice in the industry? It is. Well then, we'll certainly take that into consideration. In other words, we try to follow industry practices as closely as we can. We also must recognize the small businessman. We're obligated to, as a government agency.

So if there are recommendations, I'd like to have them from your Association, or anybody else who wishes to give us recommendations on lot sizes, for the domestic offering in particular. We're not too concerned with that on our export sales.

Mr. GARRISON. I think the big thing is to get the bill passed.

BOB ROSS. Well, we certainly are hopeful that we won't have as much opposition and we would certainly appeal to this group to cooperate with us in helping Uncle Sam, because they need help too. We're all taxpayers and we all have some benefits to gain from this kind of program. This has served as insurance to all of us, over a period when those that thought we needed insurance, set quantity goals which now are no longer necessary.

Mr. FELLMAN. Could we give you a letter on this?

BOB ROSS. Yes, I'd like to put some kind of deadline on these letters. Whenever your group meets. . .

Mr. FELLMAN. We meet April 1st.

BOB ROSS. We might have hearings before then. But we would be willing to say in our testimony that we are obtaining from the industry, recommendations on lot sizes, etc.

Mr. FREED. Our meetings are from February 28th till March 5th. We'd like at least thirty days to formulate some sort of. . .

BOB ROSS. We can't control what the Congress is going to do, what the timing is going to be. But there again, we'll have the State Department consultation route to go so there will be plenty of time.

But we have no problem with your submitting us recommendations.

Mr. WROBLESKI. Bob, clarify for me again. . . I thought that on the pricing aspect, that it would have to be same price regardless of quantities.

BOB ROSS. If the industry practice is to give discounts for quantity, we would generally follow these practices.

Mr. WROBLESKI. I didn't think you had that option.

BOB ROSS. I think we do.

Mr. MARVIN. Isn't it sort of taken care of by lots. When you consider the bids for each lot, a large lot could conceivably go for some lesser price per carat?

BOB ROSS. When you do things by sealed bid, and I'll ask my lawyer to check me up if I'm wrong . . . we have to spell out the ground rules very, very succinctly.

In other words, if we are going to consider quality discounts, I think we have to indicate that in our solicitation.

We will look into the legal implications of doing this under a sealed bid procedure and there we will be guided by whatever regulations or rules we will have to follow there, and to the maximum extent possible, we will try to follow practice.

Mr. GARRISON. I would ask that before you do anything, that the bill is passed, that you certainly meet with the industry again to get an expression beforehand, before you go out for your first sealed bid offering.

BOB ROSS. No problem.

Mr. KLIPPER. When the Syndicate sells bort, regardless whether the company gets ten thousand or a hundred thousand carats, prices are all the same. There's no difference, unless there's something we don't know.

BOB ROSS. I would appreciate receiving your comments on a company confidential basis, if you desire to do so, any advice you have, on the pricing of bort and any advice you could give us. You people are in the present market. We've been out of this market for many years and we would like to have as much expertise on this as we can get.

MR. KOEBEL. Similarly, your cost price. It's tied in with the quantity.

BOB ROSS. I would like to have . . . and we will treat this as company confidential basis, if you desire to do so, any advice you have, on the pricing of bort I certainly would appreciate receiving this kind of advice. This is helpful to us.

MR. FREED. May I clarify in my own mind . . . the proposed disposal bill, which I have not had an opportunity to study. Does that refer specifically to fragmented bort? I haven't read the bill yet.

BOB ROSS. I don't think it does. It just simply says, "crushing bort" but I think all of ours is fragmented.

MR. FREED. All the bort or all the surplus?

MR. ROSS. All the surplus bort. We do have unfragmented bort which we are holding for the stockpile.

MR. KLIPPER. Should a large quantity be sold outside the Syndicate, even if there is a restriction that as bort it could not come back, it could easily come back as a finished product.

Figuring the Kennedy round and a price at which such bort would be sold abroad, it could also affect the American industry as far as diamonds being marketed are concerned. It could very much affect it as far as price, because they would have two things against us; the price of the raw material and labor. There is a duty on products.

BOB ROSS. We'll check that out. We'll ask Commerce to give us an analysis of the duty schedules and so on as they affect bort, or the end products that bort goes into.

MR. KOEBEL. It may be premature for this, but on the idea of how much you could sell for export, I'm happy to see you're thinking along the same lines as a 10 percent of the annual usage overseas.

You mentioned a figure of 18 million carats produced, which I'm not sure is correct. But assuming that all of the bort other than the 6 million, let's say, that was used here in '69 is used in free world, so to speak, is there any consideration on the government's part that some must get behind the Iron and/or Bamboo Curtain. Are you going to make an effort. Are you going to ask us to say what we feel is used in the free world—be it equal to the U.S., a little bit more or a little bit less and then guide your export sales on 10 percent of such an estimate?

BOB ROSS. I don't know what the controls are on trade with the Eastern bloc on diamonds. I'll have to check into that.

MR. FREED. That's restricted at the present time.

BOB ROSS. I don't really know. Are there export licenses required?

MR. FREED. Yes. To Iron Curtain countries. They are prohibited, not by statute, only by refusing a license.

BOB ROSS. So it's a controlled material in the sense that you have to get an export license, but there's no prohibition against it.

MISS DOTY. That's a reference to foreign sales, not our sales.

BOB ROSS. Our sales abroad.

MR. KOEBEL. Us, selling bort from the stockpile, some of which might get behind the Iron or Bamboo Curtain. I think that be taken into account as to when you figure how much we could sell annually overseas.

BOB ROSS. I think what Chick is saying is, if we say the total world consumption is 18 million, does that include the Iron Curtain countries. My answer to that would be that I don't really know. But if there are no export restrictions to those countries and even if there is a licensing requirement, then I would say that we would consider them as an eligible source and we would count that consumption in with the other world consumption.

MR. KOEBEL. Would the government consider also, from another viewpoint that there are two diamond bort producing firms, diamond producing firms in this country, that have a reasonable export market that they would make sure that they're not going to disturb export sales by U.S. companies, by virtue of your disposal program?

BOB ROSS. Do you mean of the man made diamonds?

MR. KOEBEL. And DuPont. These firms both export considerable quantities and you surely wouldn't want to jeopardize those sales which bring trade dollars, etc.

BOB ROSS. No, we're talking again, of the potential impact on the use of natural bort.

MR. KOEBEL. You see, you have a different situation here. There are no stones produced here in the United States. Where you've sold a million and a half overseas, so far it hasn't bothered anyone.

If for instance you were to sell 10 million carats of bort overseas, it may well affect the export sales of such firms as General Electric and DuPont. That's something I'm sure you wouldn't want to do. A large sale could affect that business.

BOB ROSS. That's why we wanted to tie to it . . . consumption of use of natural bort.

Paul, would you have any problem with that concept? Assuming always, that we're not out to bust the price.

MR. WROBLESKI. Well, along those lines Bob, the position we've taken, as we said to you last summer, was that in line with the comments that you made previously as to why you want as much flexibility as possible in any legislation. Notwithstanding that the position we're taking is, we want to see disposal rates and methods incorporated in the legislation to provide for long run stability in the disposal.

I think of secondary importance, as far as our company is concerned, is what the rates are. We made recommendations as to what we think the rates should be, in line with what we're talking about here, roughly 10 percent of the U.S. consumption and 10 percent of the overseas consumption.

But what we're actually hoping for, is that these rates and methods will be incorporated into the legislation to allow for us to plan for receiving this diamond into the market.

BOB ROSS. Well, I've given my argument. I think that if such a recommendation is made to the committee, they will certainly consider it and they will hear both views.

We have always opposed what we considered to be restrictive sales conditions in stockpile disposal bills. As we opposed Senator Williams, who wanted us to sell only by sealed bids, we modified our bill to try to cover that. But we would have to oppose that and then it would be up to the committee as to what they'll do.

But as I said earlier, we consider that commitments made to the committee in our testimony are pretty much binding on us and certainly not subject to change without consultation with industry and without notifying the committee. That's the way we've looked at it.

MR. KOEBEL. This time if we have a commitment from you on export as well as domestic, which we apparently didn't have on the stones, we may be further down the road.

MR. FREY. Does the 18 million carats include the 6 million of the states?

BOB ROSS. That includes it.

MR. KOEBEL. Bob, when you go up to get the bill passed and comes the time when you're ready, let's stay, on bort to make your first move, you have promised to consult with us, which doesn't always mean the same thing to different people. It's a nice word, but consulting could be to come here and say, "We've got the bill. Thank you very much for your cooperation and now here's what we plan to do." We could give you forty-six different arguments about why you should do it a little differently and you say, "Fine and thanks for your help. Good-bye" and do what you were going to do anyway. It's still the credibility gap that exists slightly here, because of that million five, in my opinion.

What does consult mean to you?

BOB ROSS. It means that we consult with the industry. We try to the maximum degree possible to absorb as many of the ideas as we receive, but then the final decision must be the government's. We cannot relegate our responsibility to another group. We have the responsibility under the law, to protect the government against avoidable loss and to protect the producers, consumers and processors against disruption of the usual market.

It's our judgment then that must govern the final analysis, on the basis of the recommendations received from industry. We can't always make everybody happy. We're always treading a very tight rope, where we try to find as much of the middle ground as we can.

The action that the industry can then take if we really do something that is way the hell off base, is to go back to the committee and say, "These guys are not carrying out their responsibility."

But we take our responsibility seriously and we certainly are not going to do anything rash because we have a multi-billion dollar program to operate. We sold, over the past ten years, some three billion dollars worth of materials. We still have a couple of billion to sell and we don't want to affect our overall program by rash action on any one program.

We'd certainly be guided to a great extent by your recommendations. That's consultation.

Mr. KOEBEL. We don't want to be negative, for sure, although I'm sure that the impression you've had over the years is that we're always saying something different, although quite often it's a case of you coming and saying, "Here's what we plan to do, what we're going to do. What do you boys have to say about it?" Anything we say different is negative, from what you have set up.

So as far as I'm concerned, I think all of us are agreed around the table, that disposal should take place. Method to make sure that it's non-disruptive is the thing that's hung us up.

Bob Ross. I think our past several meetings, or at least the last two, after testimony before the hill has served to clarify this. I hope that we'll have a more smooth relationship from here-on-out.

I can tell you that people's minds change. We struggled for months and this is just an aside, but it's an interesting one. We struggled for quite a few months to develop a program on tungsten. We had a domestic industry that was very vociferous in suggesting that we limit all our material to the U.S. and we felt that we had so much that we would be doing Uncle Sam a disfavor by doing that and we would be in effect, carrying industry's inventory for them for quite a number of years.

So after considerable struggle, we came out with this two prong program I described earlier, where we have a large quantity set aside for the U.S. and some available for export under tight competitive conditions.

We got several complimentary letters from companies on the program as having been well thought out and statesmanlike and a lot of other very nice things and we were pleased to receive them. Except last week, one of the same guys that really patted us on the back and said it was a great program, wrote an article in "The American Metal Market" which made us look like ordinary villains. I was sorely tempted to send a copy of his letter to "The American Metal Market" for publication and I might still do that.

But people's minds change. They are happy today and tomorrow, unhappy. But certainly, we try to review our programs annually. If there are major changes we go back to the industry. These are not set in concrete forever and that's why we worry about the thing in the law.

Tomorrow or the next day, world supplies of natural bort could be suddenly cut out and you might want us to sell 6 million carats or 5 million instead of six hundred thousand. We'd be stuck under a law like that without getting it changed.

Mr. MARVIN. This has happened a number of times.

Bob Ross. We lost an opportunity to sell a hundred thousand tons of lead. There was a crunch on two years ago. The industry even sponsored legislation where they had previously opposed it. But by the time the legislation got through, the crunch was over.

So we've had that on cobalt, lead and quite a few other materials.

Mr. KOEBEL. Your mind changes once and a while too, along with industry.

Bob Ross. Yes, indeed. I'd be less than candid if I said no.

Any other comments? I know that this is, as I said earlier, a holiday for most of you and we have imposed on you to some extent and I think I've done most of the talking today. I would like to hear more comments if you have them.

Of interest to Mr. Wherry and I suppose to others in the abrasive business, as you know, one of our bills is on silicon carbide.

Mr. WHERRY. You're finally coming around to that.

Bob Ross. Yes, sir. We do plan to have an industry meeting on that, probably in early March. You'll receive a notice of that.

We urge those in the abrasive field too, to look for the fact that we have a lot of aluminum oxide available for sale. I always take the opportunity to make a sales pitch, so come and buy.

Mr. KOEBEL. Bob, any comment on the tool bill? You mentioned that the engineers . . . is this down in Dallas?

Bob Ross. Yes. They've come in and looked at our tools and they've indicated an interest in it, in the tools.

Mr. KOEBEL. In the tools or the stones and the tools?

BOB ROSS. Probably a combination of both. We don't really know. We expect that they probably would want to take some of the stones out of the tools.

But I think that they would probably undertake to utilize as many of the tools as possible within the Department of Defense.

Mr. KOEBEL. Are they purchaser for the Department of Defense on things like this?

BOB ROSS. No, but I imagine that they would probably try to make them available to anybody else. I suspect that they might want to take the stones out.

Incidentally, we would not give them to them. We would sell them to them.

Mr. KLIPPER. How would that be sold?

BOB ROSS. As a transfer from one agency to another, but they don't get them for nothing. We have a peculiar gimmick in our law that says if any federal agency holds strategic critical materials which are needed in the stockpile, they must transfer them to us if they don't need them, at no cost. But when they pick material up from us, they must pay for it, the price they would otherwise have to pay.

Mr. KLIPPER. When the Corps of Engineers buys the tools or they are rather transferred for a certain price, as far as I recall, they take those tools which the Corps of Engineers, who actually is more interested in drilling, could use.

So as I understand it, they would transfer this to other agencies or companies which might do government work and sell them those tools at a highly reduced price, competing directly with industry.

BOB ROSS. I have not fully explored this. I am being very candid with you, with the people from the Corps of Engineers.

However, I think that we could put all kinds of limitations on their disposition of those tools as we might feel is necessary to protect the tool industry.

Now, if they're going to dismantle the tools . . .

Mr. KLIPPER. I have seen those tools. I was on the committee to inspect them. They're mostly dressing tools, of all kinds and some shape tools. They go and sell those to other companies and they still would compete with industry.

Mr. MARILLEY. It wouldn't be sold. It would be government furnished property.

Mr. KLIPPER. You have a defense contract and eventually would be using government material.

BOB ROSS. Mr. Klipper, let me say this. While we would find that this would probably be the easiest way to dispose of these, we don't want to do anything when we dispose of them that way . . .

Mr. KLIPPER. The easiest way is the proper way and not to harm the industry, not to disrupt the tool industry. It is to take out the stones and offer them for sale as loose stones and not in tools.

BOB ROSS. Well, I have no problem with the concept of transferring them to the Engineers. As I say, we have to explore this further with them. We have not, because we didn't have the authority and we didn't go that much further.

But I can think of something like this. We would turn them all over to them. They would select those from which they wanted to remove the tools, I mean the stones. Then they would return the balance of the stones to us and we would then dispose of those—or the tools or the stones, if they're going to remove them all.

Mr. KLIPPER. For the record, companies have called me up, toolmakers, and they asked me to convey that they are objecting to the sale of these tools, especially at a time like this.

BOB ROSS. Unless they are dismantled as tools?

Mr. KOEBEL. If they're sold as tools they don't want them.

Mr. KLIPPER. Definitely, they request and object to the fact that they should be sold as tools.

BOB ROSS. Well, from your view Joe, if I may express your view, you would say that the use of these by the government, of government furnished equipment, as tools would also be disruptive in your judgment.

Mr. KLIPPER. Yes, that's right.

BOB ROSS. Okay, I just wanted that in the record.

This will, I think, help us in our discussions with the Corps of Engineers and perhaps we'll look to something like I suggested.

I believe that their interest would be primarily to select out potential drill stones. But perhaps we could put a requirement on them that they separate them all, select those that they want and then give us back the other stones and then we'll dispose of them under our other program as stones.

Mr. KLIPPER. Well, I even had one of the manufacturers who sells drill bits, also object to that. I'd like to put that in the record too.

BOB ROSS. The Corps of Engineers doesn't make it's own drill bits does it?

MR. KLIPPER. But still, suppose they have ten thousand carats of material.

BOB ROSS. They would furnish it as government furnished material.

MR. KLIPPER. That's right. So it eliminates a sale for a company who makes drill bits and just to work on the fab, to put these in drills, they couldn't stay in business. They have to sell the material in order to make a profit.

BOB ROSS. In other words, you think they would be eliminated from the profit they make on the stones?

MR. KLIPPER. They would lose money if they had just to set diamonds for the cost, manufacturing costs.

BOB ROSS. Okay, your views are in the record and we will put them in the record when we testify.

We will undertake if we can, if we have time before the hearing, some discussions with the Corps of Engineers on this point and we'll see what we can develop.

Other than that, I would gather that your overall recommendation would be that they be dismantled as tools and sold as diamonds along with the rest.

MR. KOEBEL. If you do that, no matter where they're sold, they're going to hurt someone, Joe.

MR. FREED. I recollect at some prior meetings that we went into this quite elaborately and that the Corps of Engineers at that time, volunteered to take the stones out. They had the facilities and all they wanted to do was to take the stones out and make them available for sale as diamond, not as tools.

BOB ROSS. We have to explore this some more. We'll check that.

MR. FREED. They had facilities in Dallas to do this. They do it with their own bits.

BOB ROSS. Don't they reclaim bits?

MR. FREED. Yes.

BOB ROSS. And furnish stones from those?

MR. FREED. Yes they do.

MR. KLIPPER. It doesn't work exactly that way. They furnish stones and they also buy at the same time, new merchandise.

BOB ROSS. I don't think it would be a major item of impact.

MR. KLIPPER. Well, as tools they could hurt the industry, not as diamonds.

MR. FREED. There has been consultation with them, I think, if you'll go back to some of the other meetings.

BOB ROSS. Well, we will check this out again and we would certainly have your recommendations on the record and we will make them known to the committee.

I don't want to hold you any longer unless there are some other comments.

We'll see you at the silicon carbide meeting, all of you, I guess. You'll get a letter. It will be down in Washington, I hope in March. We generally try to set up our industry meetings between Tuesday and Thursday. But we're trying to get as many in the mill, before hearings as possible, so we'll be a little bit more intelligent when we testify.

I want to thank you all for coming and taking the time from your holiday day. I think this has been a most productive meeting and we appreciate your efforts and will be in touch with you at such time as we get the legislation, to discuss it in more detail. I'm confident that we will get the legislation and that you will be with us.

Thank you.

Meeting Adjourned

Senator CANNON. At this point in the record I want to insert a letter I have received from the E. I. du Pont de Nemours & Co. of Wilmington, Del., indicating their opposition to the enactment of this proposal. (The letter follows:)

E. I. DU PONT DE NEMOURS & Co., INC.,
Wilmington, Del., April 6, 1971.

HON. HOWARD W. CANNON,
Chairman, Subcommittee on National Stockpile and Naval Petroleum Reserves,
U.S. Senate, Room 212, Old Senate Office Building, Washington, D.C.

DEAR SIR: E. I. du Pont de Nemours and Company, a manufacturer of synthetic diamond powder, is interested in S. 751, a bill to authorize the disposal of industrial diamond crushing bort from the national stockpile and the supplemental stockpile.

We request that this statement of the position and recommendation of the Du Pont Company be entered in the record of the hearing on this bill and be given consideration by the Subcommittee.

S. 751 proposes to authorize disposal of industrial diamond crushing bort from the national stockpile and the supplemental stockpile. The total quantity of bort in the national stockpile, approximately 18,912,000 carats, exceeds the estimated annual consumption of bort by the free world. Disposal of this material over a short period of time would inevitably disrupt the domestic market for diamond bort and powder, and seriously affect domestic manufacturers of diamond powder in both domestic and export markets.

Industrial diamond is a truly international commodity. Transportation costs are negligible in relation to the value of the material. No major consuming nation has imposed quotas, tariffs or duties on bort or on diamond powder. Thus, disposal of bort from the national stockpile would affect the market throughout the world without regard to the location of the purchaser.

Industrial diamond powder from natural diamond bort is essentially interchangeable with the synthetic diamond powder manufactured by domestic producers. Disposal of bort from the national stockpile at a rapid rate and/or depressed prices would necessarily adversely affect domestic producers.

Domestic manufacturers produce industrial diamond powder only, while foreign suppliers of natural diamond derive only about 20% of their sales from industrial grades of diamond. Any disruption of the market for industrial diamond powder would have a greater effect upon domestic producers than upon foreign producers of natural diamond.

The current recession in the United States has already seriously depressed the market for industrial diamond powder. The effects of any stockpile disposal at this time would be especially severe.

Domestic producers now have sufficient capacity to supply the total United States requirements for industrial diamond powder. Serious displacement of domestically produced diamond in the world market would result in reduction in production and delays in planned capacity by domestic producers.

E. I. du Pont de Nemours and Company has expended substantial funds and effort in developing its diamond manufacturing process. Du Pont stands at the beginning of commercial growth and faces considerable additional investment and expense. Any significant disruption of the industrial diamond market would affect the scheduled continuation of this development.

S. 751 wisely includes language similar to provisions in Section 3 of the Strategic and Critical Materials Stock Piling Act (50 U.S.C. 98b) to protect against avoidable disruption of usual markets. In view of the significance of this matter, we recommend that additional language be incorporated, limiting the rate and price of sale of the material in relation to existing markets, to insure against serious disruption. More specifically, we suggest that S. 751 be amended to stipulate that:

1. The quantity of bort disposed of from the national stockpile in a given year shall not exceed 15% of the quantity imported into the United States during the preceding calendar year, or 5% of the world consumption of bort during the preceding calendar year.

2. The price of bort disposed of from the national stockpile shall not be less than 90% of the average import price for the preceding calendar year.

Respectfully submitted,

E. I. DU PONT DE NEMOURS & COMPANY

A. I. MENDOLIA,

General Manager Explosives Department.

Senator CANNON. All right. Our next witness on S. 761, is Mr. Frank Koebel, Jr., Vice President of the Van Itallie Company, New York, representing the Industrial Diamond Association.

STATEMENT OF FRANK E. KOEBEL, JR., CHAIRMAN, STOCKPILE COMMITTEE, INDUSTRIAL DIAMOND ASSOCIATION OF AMERICA

Mr. KOEBEL. I am Frank Koebel and I thank you for the chance to testify. Since you say our statement will be put in the record I will just highlight it as suggested.

I would like first to talk about the bill S. 761 on diamond tools. Since I represent the Industrial Diamond Association, I speak for them and that is why I have with me Mr. Gerard Van Maarseveen, Mr. Henri Polak, who is an expert in the stones area, and also the president of our association; and Mr. Steve Fellman, our Washington counsel.

Turning to the easiest bill so far as we are concerned, S. 761, on tools, we talked this over at our association and we do support this bill, with the normal restrictions on sale to go through the engineers, as Mr. Ross indicates. We have no objection to this, so we are not against everything. On bort, that is, S. 751, the usage may have been a bit confused by Mr. Ross, and I don't like to throw a lot of figures around but the survey that was conducted for the 1969 usage of bort indicated that the type of bort the government has for sale is 6 million carats.

There were some 9 million carats of other types of diamonds, of the synthetic diamonds and reclaimed diamonds, but bort itself that you have for sale is only a 6-million-carat market. So that the 19-million-carat request for authorize sale, is well over the 3-year usage in this country, which amount is staggering to us. We are quite concerned that even the authorization to sell this much could have an adverse effect on our market.

We are interested in orderly disposal and we support orderly disposal, and we have an alternate plan we would like to suggest which would be tied in with something that determines very much the rate of disposal.

We would like to suggest in this country roughly 6-million carats are used annually; to the best of our judgment, 10 million carats are used overseas; a total annual usage of 16 million carats. We feel that approximately 10 percent of this could be absorbed annually without disrupting the market, which is obviously industry's concern.

Therefore, we suggest that 600,000 carats be disposed of in this country annually, one million carats could be sold overseas with the normal provisions of not having it returned.

That is 1,600,000 carats a year. We feel that a three-year authorization, and we would so recommend, would be sufficient, and we would like to suggest that the bill authorize not 19 million carats but 4.8 million carats, a 3-year supply as we see it.

Senator CANNON. Why do you suggest 3 years rather than an authorization at this same rate for the full 19 million carats.

Mr. KOEBEL. I think our feeling is, and I get off on the stones, that it is our experience with GSA which is the answer to your question—

Senator CANNON. Has that been good or bad?

Mr. KOEBEL. I would say mixed. I don't want to say all bad, it has been mixed. The original stones disposal was authorized, we thought in industry, at 90,000 carats per year. The million-and-a-half-carat sale last year, we felt, was slightly above 90,000 carats in 1 year. It was supposedly, we thought, approximately a 20-year program that in 5 years is almost finished so that if indeed—

Senator CANNON. What did it actually do to your market?

Mr. KOEBEL. Senator, these diamonds were sold and purchased by one company, as Bob Ross indicated, during the fall of last year. There is no one in the industry that can imagine the staggering amount of work to prepare a million and a half carats of this type of diamonds for sale. I would have to believe that the owner of the diamonds is still working

to prepare them for the market. Although there have been some sold, there have been indications from a couple of our dealers that as of now there appears to be slight market disruption, and I would be less than honest if I said it has affected our industry drastically at this point in time, but I believe it is too early for us to assess that due to the tremendous job of grading and preparing these diamonds for market.

Senator CANNON. In other words the person who did acquire them could be in a position to disrupt the market on a resale, is that what you are saying?

Mr. KOEBEL. I would say this is a possibility, I will not say he will do it, but there is a strong possibility that this quantity could disrupt the market when he has it already for sale and starts making serious efforts.

Senator CANNON. So far the market has not been disrupted as a result of the sale.

Mr. KOEBEL. Starting to fringe at this moment. At this moment a couple of dealers have told me they have lost—this was only overseas, many of our domestic dealers sell here and overseas—they have lost some sales overseas, not seriously disrupting as yet.

Senator CANNON. Last year when we had these bills before us, some of your people wanted them held up until certain studies were completed and they could be analyzed and also to give you more time to work out some disposal method with GSA. Have you not been able to work out some satisfactory arrangement up to the preset time?

Mr. KOEBEL. I would say the answer on that is no. As Mr. Ross indicates, on Lincoln's Birthday this year we had a meeting to consult with industry. The bills that we have before us now which we are discussing were already introduced or prepared at that time, at which time GSA called for a meeting with the industry working group and anything we said that was different from what was in those bills is obviously a negative attitude, and argumentative and noncooperative. But where are we going to talk about these bills if we can't talk with them there at an open meeting where it is not a fait accompli, we have to come to you and talk about them. GSA has caused difficulties with us along these lines when they come up with a program, and if we don't like it, it is "thank you very much, gentlemen, and we will take your remarks under consideration."

I wish we could come in with a program and then they could say "we don't like that program," and then they would be the "bad guys." We have had a chance for free discourse with GSA, in my opinion. So that on the bort bill that is our recommendation, and I would emphasize again we would be in favor of orderly disposal, as we see it that way, and we request that you reduce the requested authority to 4,800,000.

The last bill that I will talk to is S. 769, the diamond stones. Here again the rate of disposal concerns us, and we have a similar type suggestion, using the survey figure. We still feel that 90,000 carats annually could be absorbed in the U.S. market, and it is our best judgment that roughly 150,000 carats annually overseas. We would again ask for the 3-year limitation. We ask that you reduce this bill from 4.9 million to 720,000 carats, which is a 3-year rate, as the 90,000 and 150,000 domestic and overseas, with the same reasoning behind it that I have expressed on bort.

If they get a large disposal authority without committing to us how much they are going to sell, things change, and we are most concerned, Senator, with the rate of disposal. We are interested obviously in not having our market disrupted. The rate of disposal is of prime interest to us and I would like to get some kind of a statement from GSA here in the legislative history—they can't say it today—but I request that they consider these rates I have stated and have them not in the bill but as part of the legislative history. I would like to get a commitment from them on it. We would do this at a meeting if they would let us talk about it.

(Statement follows:)

TESTIMONY OF FRANK E. KOEBEL, JR., BEFORE SENATE COMMITTEE ON ARMED FORCES, SUBCOMMITTEE ON NATIONAL STOCKPILE AND NAVAL PETROLEUM RESERVES

My name is Frank E. Koebel, Jr., and I am Chairman of the Stockpile Committee of the Industrial Diamond Association of America, a member of the Government-Industry Industrial Diamond Working Group, and Vice President of the Van Itallie Company of New York City.

The Industrial Diamond Association of America is the largest industrial diamond trade association in the United States. Our members import and sell a substantial majority of the industrial diamond stones and diamond bort imported and sold in this country by diamond dealers. Furthermore, our members manufacture a substantial segment of this nation's total production of diamond wheels, diamond drills, diamond saws and other diamond tools.

During our Association's annual meeting in March of this year, careful consideration was given to S. 751, S. 761 and S. 769. These are the three bills requesting authority to dispose of industrial diamond crushing bort, diamond tools and industrial diamond stones from the National and Supplemental stockpiles.

I have been requested by the Industrial Diamond Association to appear before you here today and express the viewpoint of our Association towards this legislation. I have with me Mr. Arthur Redebaugh of the Koebel Diamond Tool Division of the Norton Company. Mr. Redebaugh will be able to answer any questions you might have concerning the manufacture of diamond products. He is a Past President of the Industrial Diamond Association of America and has a nationwide reputation as an expert in the area of manufactured diamond products. The second Committee member is Mr. Gerald Van Maarseveen, Vice President of the Diamond Abrasives Corporation of New York. Mr. Van Maarseveen is one of my able competitors and is an expert in the area of diamond bort.

Also with us is Mr. Henri Polak, President of Henri Polak Diamond Corporation, President of our Association, and Mr. Steven John Fellman of the firm of Counihan, Casey & Loomis, our Washington counsel.

This is the second time that our industry has requested the opportunity to appear before your Committee with reference to disposal legislation dealing with industrial diamond material. At the outset, I wish to make it clear that our association is in favor of an orderly disposal program. We have, however, very substantial questions with regard to certain of the legislation before you today because we strongly believe that the disposal authority requested could result in substantial disruption of our industry. The totality of the authorization requested by the General Services Administration is unrealistic, unnecessary, and not in the national interest.

Let us deal with each bill individually.

S. 761

S. 761 requests authority to dispose of 64,178 diamond tools. After lengthy discussion, our membership decided to support this bill, upon condition that disposal of these tools will be done in an orderly fashion that does not disrupt the usual markets of our member tool makers. We will be glad to assist GSA in formulating an orderly disposal program.

The second bill we wish to comment on is S. 751 which authorizes the sale of a total of 18,912,000 carats of industrial diamond crushing bort from the stockpiles. Bort is the cheapest form of industrial diamond available. It is composed of the lowest quality diamond and is utilized primarily as an abrasive after being broken into powder form. Bort is used in large quantities both in this country and overseas. In recent years, the sale of synthetic diamond powder has reduced the demand for natural bort of the nature contained in the stockpile.

Many members of the Industrial Diamond Association of America utilize bort in the manufacture of diamond wheels and other diamond tools. In the operation of their businesses, they must acquire and maintain substantial inventories of bort and products which contain bort.

Similarly importer-dealers, also members of IDA, must carry substantial inventories of bort.

According to a 1969 Department of Commerce Survey, domestic consumption of natural diamond bort is approximately 6,000,000 carats annually. We estimate that the rest of the world uses 10,000,000 carats yearly.

Thus it can be seen that GSA is requesting authorization to sell an amount of bort that exceeds the annual amount of bort presently consumed in the worldwide market. The sale of such an enormous quantity at one time would seriously disrupt the market. Indeed, the mere grant of authorization to sell the full amount could well be disruptive.

The GSA, at a government industry meeting held in February 1971 in New York City, indicated that the government would not oppose a plan offering for sale 10% of world consumption; meaning 600,000 carats per year domestically and 1,000,000 carats per year overseas.

Consequently, we propose that this Committee alter Bill S. 751 and authorize disposal of 4,800,000 carats of bort; sufficient to offer for sale, over a period of three years, 1,600,000 carats yearly. We feel that our history can absorb 600,000 carats domestically, and think that the overseas countries can absorb an additionally million carats annually.

After a three-year period, we will be able to re-evaluate the situation. A disposal program having a three-year life seems realistic to us.

Under our proposal, GSA could sell an amount equal to 10% of domestic consumption and 10% of non-domestic consumption per year during the three-year period. Our members have grave doubts that more than this amount, 1,600,000 carats annually, can be absorbed in any 12-month period without serious market disruption.

GSA has also indicated an interest in selling a large amount of bort overseas with a restriction against reimportation. The market price of bort today is approximately \$2.00 per carat. The bort market is a sensitive market. To offer for sale a large quantity would undoubtedly reduce the price and disrupt the market place by causing losses to toolmakers and dealers who inventory bort and products containing bort. It is our understanding that disposal legislation provides that normal markets are not to be disrupted.

The economics of our industry and the nature of the product involved dictate the need for an orderly disposal. Under the circumstances that we have outlined, we think that a disposal program such as we have proposed is not only reasonable—but essential for the protection of domestic industry.

Finally, we consider S. 769, a bill requesting authorization to dispose of 4,961,000 carats of industrial diamond stones.

In 1966, Congress authorized GSA to dispose of 1,800,000 carats of industrial diamond stones. In the legislative history supporting that legislation, industry firmly believed that the disposal rate was set at 90,000 carats per year giving GSA authority to dispose of 1.8 million carats of stones over a twenty-year period. Apparently GSA read the legislative history in a different manner than did industry and last year GSA made a sale of 1.5 million carats of industrial diamond stones in the overseas market. We are unable as of this date to advise this Committee as to the effect of such an inordinately large sale. The 1969 total consumption of industrial diamond stones in the domestic market was approximately 700,000 carats. We estimate that total consumption in the nondomestic worldwide market approximates 1,500,000 carats every year.

We therefore recommend that the Congress authorize the sale of 720,000 carats of industrial diamond stones over a three-year period with the limitation that 90,000 carats per year be sold in the domestic market and 150,000 carats per year be sold in the overseas market with a restriction against reimportation. After the three-year period is over, we will be able to determine the effect of the sale of 1.5 million carats overseas last year and also, the three-year program authorized by our proposal.

In conclusion, we wish to inform this Committee again of our industry's serious concern with the disposal problem. In 1966, legislation was passed which ostensibly gave the government authority to sell industrial stones over a twenty-year period. Here in 1971 within five years of that twenty-year period, the government has sold almost everything that was formerly included in the twenty-year plan.

Our members are concerned regarding our businesses, our industry, and the American economy in the event that sales of the nature proposed by GSA are authorized. We think that we have provided this Committee with reasonable alternatives that protect both the national interests in terms of disposal and the national interests in terms of maintaining a strong domestic industrial diamond industry. We urge that the Committee follow our proposal.

We thank you for giving us the opportunity to appear here today and present our viewpoint, and we will be glad to answer any questions which you might have.

Senator CANNON. Do you gentlemen have anything to add?

Mr. POLAK. I am specializing in the stones program, Senator Cannon, and I would like to tell you when I saw the list Mr. Ross published a few days ago of 4,900,000 carats, it really frightened me. Let me tell you that this month, the month of April 1971, in the total world market about a hundred thousand carats of diamond stones will be sold. Can you imagine what effect it will have on our market if 50 million carats will be released? That is the only point I want to make. I just want to come back to your opening remarks, and I quote you, you talked about orderly disposal. As long as stones and bort are disposed of in an orderly way we don't oppose it. But if this amount of carats, if only an authorization is given for this amount of carats, 19 million carats of bort and 50 million carats of stones, is released this frightens everybody, in this country especially. That is all I want to point out.

Senator CANNON. Gentlemen, your turn. I would like you to address yourself to the proposal they have suggested, why you need the authorization for the entire amount, if you do, rather than the amount that they have suggested, and with the limit per year disposal that they have suggested.

Mr. Ross. Mr. Chairman, GSA, as the agency which has the responsibility for the management of these excess materials as well as the rest of the stockpile, has a responsibility under the law to seek to dispose of these as rapidly as possible within the meaning of the law on avoidance of loss to the Government and the avoidance of disruption of the usual markets of producers, processors, and consumers.

We don't take these responsibilities lightly. We do try to work very closely with the industry and, as indicated in my statement, on the bort we certainly are ready to consider a program that is geared to consumption here and abroad. We have inserted in the record also the minutes of our last meeting where I think you will see there is ample discourse between the industry and GSA as to the potential sales program.

With regard to diamond stones, there again we would be willing to indicate that we would base our disposal program on the consumption of those types of stones on a worldwide basis.

We do not think that the granting of the authority for the full quantity is in itself disruptive because we do assure the industry right here that we will work closely with them and have, in fact, told them at our last meeting we would undertake no disposal program until we talked further with them.

They have just received in the mail a listing of the various types, classes and sizes of stones we have available for disposal. We have asked them in this letter for their comments as to the particular types which might be in greatest demand in this country so we can gear our sales program to that kind of desire or need.

We have no problem with the concept of limiting our disposals on the basis of a percentage of consumption.

Senator CANNON. On the basis of the amount they have suggested here, are those figures, satisfactory?

Mr. Ross. For bort, those amounts are reasonable, in our judgment, and those are the amounts we have discussed in our previous meetings with them.

Senator CANNON. Would you see any objection to our pointing out in the report that those should be the annual restrictions on sales if we passed these authorization bills.

Mr. Ross. Mr. Chairman, is the report would reflect that the disposal of diamonds, stones and bort, should be commensurate with the consumption of these types of materials in the world markets, then we would have no problems with it.

Senator CANNON. Do you think the amounts they have suggested, the percentage factors, are consistent.

Mr. Ross. Well, frankly, I have no problem on the bort because even there, even if we were to work out a long term contract, we could agree for drawdowns on those rates.

On the stones, I am not completely familiar with the world consumption of the particular type of stones we have as excess. We are still getting recommendations, I don't know what their specific recommendation is on stones.

Mr. KOEBEL. 150,000 carats overseas, 90,000 carats domestic.

Mr. Ross. If that is tied to the consumption of those classes of goods we will have no problem with them.

Senator CANNON. That will be acceptable. They estimate, according to the statement here, the total consumption in the total worldwide market is approximately a million five hundred thousand carats every year.

Mr. Ross. We have no problem with that, if that is the consumption.

Senator CANNON. Their figure is a 10-percent figure.

Gentlemen, does that solve your problem.

Mr. KOEBEL. If this is a rate that GSA states before you they will accept and would abide by, I think it would be quite acceptable to us.

I would like to anticipate even one other thing. If there is a need to up these rates we would be most happy to do this, working with GSA, if they will come to an agreement with industry on it. I can anticipate conceivably that the rates would have to go up. We would like not to be told we are going to have the rate now of a million carats a year. We would like to have them come to us and say "we think we can absorb a million," and if we could we would like to get some of them and sell them so we are interested but we are afraid of large

individual sales, that is what has frightened us such as the million-and-a-half-carat sale on stones.

Senator CANNON. Thank you very much, gentlemen.

Mr. KOEBEL. Thank you.

Senator CANNON. Senator Thurmond has some questions.

Senator THURMOND. Mr. Ross, I believe this bill would authorize the disposal of approximately 18,912,000 carats of industrial diamond crushing bort. And further that as of March 1, 1971, the total inventory of this bort held by GSA is 42,611,000.

Mr. Ross. That is correct.

Senator THURMOND. The amount they now hold.

Mr. Ross. 42,611,000. The balance is held for the stockpile objective which is 23,700,000 carats.

Senator THURMOND. You feel that is sufficient and adequate as a stockpile objective.

Mr. Ross. Mr. Lawrence is the man from OEP, and OEP has made a determination that this is the quantity that is correct.

Senator THURMOND. I would like to ask him then. Mr. Lawrence, it is your opinion then that the 23,700,000 carats for the stockpile objective are sufficient?

Mr. LAWRENCE. Yes, sir.

Senator THURMOND. So you go along with and approve the sale of the 18,912,000 carats.

Mr. LAWRENCE. I certainly do.

Senator THURMOND. The main reason that these gentlemen are objecting is the manner in which the material is to be sold, the price at which it is to be sold or both?

Mr. Ross. Their principal concern is that we might sell this material at such a rate that it might be disruptive to their industry. We have a responsibility under both the individual bill we are considering here today and the basic stockpiling act to sell with due consideration to the avoidance of disruption of markets of producers, processors, and consumers, and it is our intention to carry out a nondisruptive sales program by cooperating with the industry, and we have a forum for the industry to bring their ideas to us.

Senator THURMOND. It is my understanding, at least we were informed, that in recent years GSA put on the market some diamond tools and sold them at less than the prevailing market price. I wonder if this is correct and, if so, if this is the general policy of GSA or not.

Mr. Ross. We have had no authority to sell diamond tools. We did sell a large quantity of industrial diamond stones which had been authorized for disposal some years ago. Under that program it had been originally established that the quantity authorized for disposal was a million eight hundred thousand carats which would have been 90,000 carats for 20 years for domestic consumption only.

At the hearings that preceded the passage of that bill, the committee asked us to look into the possibility of large scale sales abroad.

We did have discussions with the industry group on the potential of selling large quantities of materials abroad. We had very little success in selling any of the 90,000 carats. In fact, in about 4 years we only sold about 30,000 carats.

After discussion with the industry group we did issue a solicitation, we notified both the House and Senate Armed Services Committees, we were proceeding with this sale before we undertook it, in keeping with the mandate that we had for looking for sales abroad.

We then did solicit the entire trade, and we sold the diamonds at what we thought were appropriate prices for that particular type and class of diamonds. They were sold to a well-known, reputable, international dealer in diamonds. There are restrictions in the contract against reimporting into this country.

To our knowledge all of the diamonds have already been delivered overseas. They are being distributed through that dealer's normal channels, and we have had no indication of any adverse reaction in the market at this time.

It is true, as Mr. Koebel said, that only 6 months or so have elapsed since we sold the diamonds. However, we are confident that they will be disposed of by the person who bought them in a manner that will not be disruptive to the entire trade.

Senator THURMOND. Mr. Ross, I received a letter on this subject in which the writer stated that in 1966, Congress authorized disposal of diamonds at a rate of 90,000 carats per year over a 20-year period. GSA sold a million six hundred thousand carats in 5 years.

Is that correct or not.

Mr. Ross. The bill did not specifically—

Senator THURMOND. If so, what authority did GSA have if that was the case.

Mr. Ross. Well, Senator, as I said, in the hearings that preceded the passage of that bill for the 1.8 million carats, we were requested to look into the possibility of large-scale sales abroad. After we had tried to sell some of the 90,000 carat offerings domestically each year, with little success, we did undertake discussions with the diamond group, and we did tell them that we were considering this sale abroad because we had additional excess which we thought should come into the market at some time, and we did notify the committees, and we did sell the million and a half carats.

Now, as I say, there was no indication either in the legislative history or the bill itself that that quantity of diamonds that had been authorized at that time was to remain in the Government inventories until sold or to be kept for 20 years.

The committee at that time, in its judgment, cut down the quantity authorized from about 8.9 million which we had requested to 1.8 but, as I said, we had also, at the time, been requested by the committee to look to the possibility of large-scale sales abroad, which we did, and which we reported to the committees. The record is—

Senator THURMOND. Well, did the legislation provide that GSA could sell 90,000 carats for 20 years?

Mr. Ross. No, sir, it did not. The legislation merely authorized the disposal of 1.8 million carats of stones.

Senator THURMOND. It did not provide for any time period?

Mr. Ross. No, sir.

Senator THURMOND. The writer of the letter to me indicated that. GSA—

Mr. Ross. No, the legislation did not.

Senator THURMOND (continuing). Was guilty of ultra vires acts, going beyond their power and selling so much in a 5-year period.

Mr. Ross. No, sir, the law provided merely for the disposal, by negotiation or otherwise, of 1.8 million carats, although the 90,000 carat rate per year for domestic consumption had been discussed before the committee along with the suggestion that we look to the possibilities abroad.

Senator THURMOND. I am glad to hear GSA adhered to the law.

Mr. Ross. Yes, sir.

Senator THURMOND. I feel sure they would under Mr. Kunzig.

Mr. KOEBEL. Senator, I am on the committee that Bob Ross refers to, that discussed these large overseas sales. I would like to correct my interpretation of the record of the hearings on this 90,000 a year. It was neither mentioned as domestically nor overseas. It just said 90,000 carats a year. It was later that GSA decided that they could offer large quantities overseas and that the 90,000 was only domestic.

I emphasize this was my opinion as a member of this working group, that this was the message we had, that 90,000 a year was what they could sell.

We were asked about this million-and-a-half-carat sale and we were against it really, but they were only our thoughts to be taken into consideration and they are not always followed.

The other thing I would say about a large sale of anything overseas: there is no more magic about the overseas diamond dealers than there is about the dealers you can see here. We can sell just so many diamonds. The original talk about selling quantities overseas as suggested by that committee was that they be offered to the large producer of diamonds, the largest sellers in the world, so-called diamond syndicate which had to be cleared through justice and so forth, and was not possible. That was the suggestion we made, if that source could purchase large quantities we would see no market disruption. But in order to sell a large quantity overseas through diamond dealers they are no different there from diamond dealers in the United States. They can not absorb huge quantities without doing something to the market.

Senator THURMOND. Are you satisfied now with Mr. Ross's statement. I believe you appear to have gotten together this morning.

Mr. KOEBEL. I think we have as long as we don't see large sales again. We are for disposal at a rate that is orderly is all I can say.

Mr. FELLMAN. One problem we had was in the 1966 hearing a discussion similar to what went on this morning went in the record, and we thought that we understood that that discussion meant there would be an authorization of 1.8 million and a sale of 90,000 carats a year. We understood that from industry's point of view to be the legislative history and what would happen. We understood the authorization would be a sweeping 1.8 million. But we understood we had a 20-year plan which the legislative history supported.

Then several years later along comes a review of what the legislative history said and there was discussion in the legislative history of this oversea-type sale, and the sale of a million, five came out overseas.

We hope that we have today discussed fully a 10-percent sale or limitation domestically and 10 percent overseas, and have spelled it out and no large sales are contemplated.

We just don't want to see another review some years later—

Senator THURMOND. You don't want the market disrupted.

Mr. FELLMAN. Yes, sir.

Senator THURMOND. As I understand it, from the position taken by Mr. Ross, he wants to be reasonable and he thinks that it can be handled, and I believe you gentlemen agree with his statement that it can be, is that correct, Mr. Ross?

Mr. Ross. Yes, sir.

Senator CANNON. As I understand it, they have said the market so far has not been disrupted but they are fearful that it might be as these stones are prepared for market, is that correct?

Mr. KOEBEL. Yes, sir.

Mr. POLAK. Any larger amount. As long as we stay in the orderly disposal we are certainly happy to cooperate with GSA, if he promises not to go to any extra large amount.

Senator THURMOND. Mr. Ross, I understand that is the course you plan to follow.

Mr. Ross. Yes, sir, and we will discuss this with the industrial diamond working group which was set up for the purpose, as a result of the earlier hearings on diamonds, of industry consultation.

Senator THURMOND. I want to thank you, Mr. Ross, and thank you, gentlemen, too.

Mr. KOEBEL. Thank you, Senator.

Senator CANNON. Next is Mr. William Cordier. Mr. Cordier, Senator Saxbe has stated that he is unable to be here to greet you and asked me to extend his best wishes and to give you consideration. We are very happy to have you proceed with your statement.

STATEMENT OF WILLIAM K. CORDIER, GENERAL MANAGER, SPECIALTY MATERIALS DEPARTMENT, GENERAL ELECTRIC CO.

Mr. CORDIER. Thank you. I am William Cordier, general manager of the specialty materials department of General Electric Company.

Mr. Chairman, I appreciate this opportunity to appear. I have a prepared statement to submit for the record and it comments only on bill S. 751, crushing bort. To save time, as you have asked, I will simply highlight some of its contents now.

We are interested in these hearings because General Electric is America's leading producer of industrial diamond abrasives, and we are a major supplier in the entire free world market.

Hence, we were invited to participate in the GSA Government-Industry Working Group to consult on S. 751.

In that group I believe two differing viewpoints have prevailed which have already caused delay and, therefore, need resolution.

I would emphasize that General Electric has consistently supported disposal of this surplus diamond bort and we regret the delays that have occurred.

These differing viewpoints are, on the one hand, a desire for flexibility to achieve complete disposal in due course and, on the other, apprehension about serious risk to the industry if no limits on methods or rates of disposal are defined and observed.

Both of these attitudes are heightened in this case by the huge size of this surplus which now represents more than three years' supply for the U.S. market for mined diamond abrasives.

Our statement includes a proposal to resolve these differences through compromise, and consists of three main points. The first point, disposal in the United States market should not exceed a rate of 10 percent of the annual U.S. consumption of mined diamond abrasives.

The second point, release into foreign countries should not exceed 20 percent of the annual U.S. consumption. And, finally, the third point, these limiting rates should be specified within the legislation.

The first point is probably acceptable to most interested parties. The second point, limiting the foreign disposal rate, has been somewhat controversial but we believe it is now generally acceptable since it recognizes the fact of a one world market for diamond abrasives and the certainty of U.S. market reaction to any unlimited disposals abroad.

Combined, and without any further qualification, these rates are high enough to still permit serious disruption in this market with its existing over capacity, and also high enough to permit complete disposal of all 18.9 million carats in about 10 years.

Certainly these limits would allow substantial flexibility in administration of the program.

Now we suggest the third point, legislative inclusion or specification of the limiting rates to provide assurance to and lessen apprehension in the industry. Please remember this industry concern is possibly higher than might be expected in other disposal programs because the surplus to consumption ratio is so high.

Certainly no legislation should be enacted without resolution of these differing viewpoints. Our proposal is designed to achieve that resolution now. If there are any other ways to do it, to achieve that resolution, we certainly haven't been able to identify them.

Now the rest of our statement contains supporting views and information but I have covered the essence of our point of view.

(Statement follows:)

STATEMENT OF WILLIAM K. CORDIER, GENERAL MANAGER—SPECIALTY MATERIALS
DEPARTMENT GENERAL ELECTRIC COMPANY, WORTHINGTON, OHIO

Senate Bill S. 751 which authorizes the disposal of 18,912,000 carats of industrial diamond crushing bort could produce serious disruption of the United States and overseas markets for industrial diamond abrasives and abrasive tools. The purpose of this statement is to urge the Senate to include within S. 751 specific controls and limits on the rates and method of disposal of these surplus diamonds from the National Stockpile, which would minimize the potential for serious market disruption while permitting an orderly disposal of the entire surplus in about ten years.

General Electric is the leading United States producer of industrial diamond abrasives and a major supplier in the Free World market. Our participation in this business stems from the 1955 General Electric announcement of man's first indisputable synthesis of diamond, a dramatic achievement of private research which has revolutionized the diamond abrasives business: it introduced competition into a world market previously dominated by a single foreign diamond syndicate; it stimulated new interest in technological improvements in diamonds, diamond tools and their application; it made possible new economies in the use of such tools and it expanded their field of application.

The advent of General Electric Man-Made (T) industrial diamond has altered this country's need for a stockpile of industrial diamond crushing bort. I testified on this subject at a previous hearing of the National Stockpile Subcommittee in 1962, stating that our entry into this business has eliminated this country's dependence on a single foreign source of supply for this critical raw material. At that same hearing, the Subcommittee also learned that the quantity objectives for this Stockpile had been reduced because of domestic availability of synthetic diamond. Incidentally, it is noteworthy for the Senate, and unfor-

fortunate for the industry, that the 6 million carat Stockpile surplus at that time (1962) has now grown threefold largely because of additional diamonds acquired through barter programs: and with that growth in an already large surplus of diamonds, the potential for financial loss to the Government and serious disruption in the market has increased much more than threefold.

The importance to the National interest and security, of a healthy and self-sufficient diamond abrasives and diamond tool industry must be obvious; a broad spectrum of America's industry, including its defense production, is increasingly dependent on diamonds and diamond tools because of their growing applicability and the improved efficiencies which result from their use. Because this huge Stockpile surplus is now equivalent to more than three years of market consumption of mined crushing bort in the United States, the potential for disruption is obvious. Even though synthetic diamond is used in greater quantity than mined diamond abrasives, disruptions which would affect mined bort affect synthetics as well, because of interrelationships in the marketplace between prices and availabilities of these materials.

Our familiarity with this industry here and abroad leads us to the following estimates and conclusions:

1. Serious market disruption will occur if these surplus diamonds enter the United States market at a rate greater than 10% of the annual U.S. consumption of mined diamond abrasives.

2. Similar disruption will occur overseas if disposal or dumping into foreign countries occurs at rates greater than 10% of their usage of mined diamond abrasives.

3. Diamonds released abroad cannot be kept from rapidly re-entering the United States without new tariffs or embargoes. We predict that if sizable overseas disposals occur, large portions of those diamonds will quickly return for consumption in the United States.

4. Even without physical re-entry of the same diamonds, any serious market disruption abroad would cause similar disruption here, for there is really only one Free World market for diamond abrasives: few tariffs exist, the product is easily transported and flows freely from country to country, the major suppliers operate as international companies, distributors characteristically source and sell abroad and many diamond tool companies have foreign manufacturing affiliates and engage in central sourcing.

5. The highest truly "safe" limit on worldwide disposal rate would be 10% of the annual United States consumption of mined diamond abrasives. This approach would consume twenty to thirty years to eliminate today's surplus.

6. The absolute maximum worldwide disposal rate beyond which serious disruption in the United States would be a certainty is 30% of the annual United States consumption of mined diamond abrasives, split into a 10% limit for direct releases in the United States and a 20% limit for releases overseas. This approach would consume about ten years. The risk of disruption would be high, even within these limits.

General Electric has consistently supported disposal of these surplus diamonds despite our belief that the General Services Administration will be under irresistible pressure to employ, sooner or later, rates or methods of disposal which will seriously disrupt the market. We have based our support for disposal on the hope that the Congress will recognize the unusual aspects of this situation which call for unusual provisions in the legislation to limit the methods and rates of disposal. First, there is the unusual dilemma of a Stockpile surplus which has become so large that its disposal will either create market disruption or will extend over a very long period of years. Second, the unusual fact of a single world market for such a commodity is difficult to comprehend and accept, especially among those who deal in numerous other commodities where individual country markets may not be so tightly interrelated.

Specifically, we propose that page 2, line 3 through 7 of Senate Bill S. 751 be amended to read:

Materials Stockpiling Act: PROVIDED, (a) That the maximum annual disposal rate in the United States not exceed 10%, and in foreign markets not exceed 20% of the annual United States natural diamond bort consumption for the next preceding year, (b) That the disposition be 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.

The inclusion of this amendment would provide the General Services Administration with opportunity to fulfill its responsibility for disposal of this surplus

within approximately ten years. Although these limits in themselves might not prevent market disruption, their inclusion in the legislation would provide industry with confirmed assurance of limits on disposal rates and in that way lessen the risk of disruption. We urge the Senate to adopt this amendment in S. 751 because of the truly unusual conditions and great risks which surround this proposed disposal of surplus industrial diamond crushing bort from the National Stockpile.

Senator CANNON. Your statement differs from Mr. Koebel's. You don't propose the 3-year restriction.

Mr. CORDIER. No; we have not done that in our proposal, and I think our proposal therefore represents a bit of a compromise.

Senator CANNON. The figures that he used for domestic consumption were the same but the foreign figure comes out a little differently.

Mr. CORDIER. I think arithmetically and depending upon how one judges the size of the overseas market it is about the same. I believe the IDA's (Mr. Koebel's) proposal was 10 percent of the foreign consumption of mined diamond bort and we believe the foreign market is somewhere in the range of two times the U.S. market; so it will be approximately the same therefor, 20 percent of the U.S. consumption is about the same figure as 10 percent of the foreign consumption.

Senator CANNON. Now you heard our previous discussion relative to the inclusion of this language in the report. You suggest inclusion in the legislation here. If the committee does see fit to spell out in the report that that is the rate of disposal we would expect to see, unless an agreement is reached between GSA and industry for a higher amount, do you see any objection to that rather than have it in the legislative act.

Mr. CORDIER. If that means that industry would be assured that in the future years there would be no violation of those limits, then I should think that would be acceptable.

Senator CANNON. The thing I am trying to get at here is that I think the committee might be reluctant to spell out, in legislation, precise details of disposition because that takes away from these people what their job is supposed to be, and I would think certainly they would follow the report if it spells out what the legislative history is and what is really intended. I may ask Mr. Ross to comment.

Mr. Ross. Yes, sir; we would not deviate from the testimony we are making here today for the record, and from the report, without first consulting with the industry and then reporting to you, the committee. This is the practice we followed in our previous disposals on stones. We tried to keep the committee informed on any changes we made over what appeared to be the program at the time we started.

The reason we, too, would object to inclusion in the legislation of restrictive sales provisions is that none of use can foresee the future. There might be instances where the industry itself might want to come to us and ask us to sell even more. If it was in the law, it would be impossible to change without some passage of time. We, however, should have the freedom to act and we could act by notifying the committee and moving ahead with any emergency situation that might arise.

Senator CANNON. Senator Thurmond.

Senator THURMOND. I don't believe I have any other questions. Thank you very much for appearing, and we are glad to get your views.

Senator CANNON. I have just been reviewing the report for the pre-

vious authorization, and I don't see anything specifically covered in the report with respect to the authorization problem that we were discussing here, but my recollection is, and I could be wrong on this, that the committee did tell GSA to explore the possibility of selling in larger amounts to foreign markets, if I am correct.

Mr. ROSS. I think it is in the hearing record rather than in the report.

Senator CANNON. All right. Are those all the witnesses on this matter?

Mr. NEASE. Yes, sir.

S. 762, S. 773

Senator CANNON. All right. Mr. Lawrence, we will take up 762 and 773.

(The bills, S. 762 and S. 773, follow:)

[S. 762, 92d Cong., 1st sess.]

A BILL To authorize the disposal of chromium metal from the national stockpile and the supplemental stockpile

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the Administrator of General Services is hereby authorized to dispose of approximately four thousand two hundred thirty eight short tons of chromium metal now held in the national stockpile established pursuant to the Strategic and Critical Materials Stock Piling Act (50 U.S.C. 98-98h) and the supplemental stockpile established pursuant to section 104(b) of the Agricultural Trade Development and Assistance Act of 1954, 68 Stat. 546, as amended by 73 Stat. 607. Such disposition may be made without regard to the requirements 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.

SEC. 2. (a) Disposals of the material covered by this Act may be made only after publicly advertising for bids, except as provided in subsection (b) of this section or as otherwise authorized by law. All bids may be rejected when it is in the public interest to do so.

(b) The material covered by this Act may be disposed of without advertising for bids if—

- (1) the material is to be transferred to an agency of the United States;
- (2) the Administrator determines that methods of disposal other than by advertising are necessary to protect the United States against avoidable loss or to protect producers, processors, and consumers against avoidable disruption of their usual markets; or

(3) sales are to be made pursuant to requests received from other agencies of the United States in furtherance of authorized program objectives of such agencies.

[S. 773, 92d Cong., first sess.]

A BILL To authorize the disposal of metallurgical grade chromite from the national stockpile and the supplemental stockpile

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the Administrator of General Services is hereby authorized to dispose of approximately one million three hundred and thirteen thousand six hundred short dry tons of metallurgical grade chromite (chromite ore equivalent) now held in the national stockpile established pursuant to the Strategic and Critical Materials Stock Piling Act (50 U.S.C. 98-98h) and the supplemental stockpile established pursuant to section 104(b) of the Agricultural Trade Development and Assistance Act of 1954, 68 Stat. 456, as amended by 73 Stat. 607. Such disposition may be made without regard to the requirements 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.

SEC. 2. (a) Disposals of the material covered by this Act may be made only after publicly advertising for bids, except as provided in subsection (b) of this section or as otherwise authorized by law. All bids may be rejected when it is in the public interest to do so.

(b) The material covered by this Act may be disposed of without advertising for bids if—

- (1) the material is to be transferred to an agency of the United States;
- (2) the Administrator determines that methods of disposal other than by advertising are necessary to protect the United States against avoidable loss or to protect producers, processors, and consumers against avoidable disruption of their usual markets; or
- (3) sales are to be made pursuant to requests received from other agencies of the United States in furtherance of authorized program objectives of such agencies.

S. 762

Mr. LAWRENCE. The bill, S. 762, would authorize the disposal of approximately 4,238 short tons of excess chromium metal from the national and supplemental stockpiles.

The Office of Emergency Preparedness, on March 4, 1970, approved a new stockpile objective for chrome metal. At that time, the objective for this material—

Senator CANNON. What was the date?

Mr. LAWRENCE. March 4, 1970.

At that time the objective for this material was decreased from 6,160 to 3,775 short tons. The reduction in this objective is due to increased U.S. capacity plus import from Japan. This objective has been concurred in by the interested departments and agencies, including the Department of Defense.

As of March 1, 1971, the uncommitted stockpile inventory held by the General Services Administration was approximately 8,013 short tons. With a stockpile objective of 3,775 short tons, this leaves a remaining excess of approximately 4,238 short tons. Passage of this disposal bill would provide the necessary authority to the General Services Administration to permit disposal of all excess chromium metal.

In authorizing this disposal request, the Office of Emergency Preparedness has the concurrence of the interested departments and agencies.

The Office of Emergency Preparedness strongly recommends the prompt enactment of this legislation.

S. 773

This bill would authorize the disposal of approximately 1,313,600 short dry tons of excess metallurgical grade chromite from the national and supplemental stockpiles.

The Office of Emergency Preparedness approved a new review of the stockpile objective for metallurgical grade chromite on March 4, 1970. At that time, the objective for this material was reduced from 3,650,000 short dry tons of chrome ore equivalent to 3,100,000 short dry tons of chrome ore equivalent. In establishing the requirements and

supply leading to this objective, ample allowance was made for any contingency that might arise in an emergency. This objective has been concurred in by the interested departments and agencies, including the Department of Defense.

The primary reason for the chrome ore objective change was the implementation of strategic guidance changes received in February 1970. These changes included dropping of concentration allowances for domestic production facilities. Concentration allowances had previously been included as protection against conventional attack on domestic production facilities. Past uses of concentration allowances had increased requirements for upgraded forms of metallurgical chrome, this includes of course high and low carbon ferrochromium, ferrochrome silicon. I might digress here for just one moment, Mr. Chairman, and speak on this concentration allowance which will be one of the primary reasons why we have reduced objectives of many materials. The origin of the concentration discount goes back to 1954 at which time someone had the idea we should buy additional cadmium. The basis that was used to purchase cadmium was discount the capacity of the large smelter at Denver, Colo. for the period of time it would take to rebuild the plant in the event it was destroyed by sabotage, bomb attack, or something like that.

Over the years, as has happened in many things, what was expedient at the moment became history and also became a custom. I would say about 20 to the present 71 stockpile objectives were increased due to discounting of this concentration of supply.

I would like to quote here from a letter that General Lincoln, our present director, sent me on February 7, 1970, in which he stated:

I am convinced factoring for concentration of supply within the United States and Canada is inconsistent with the realities of existing threats to the national security. Therefore I am directing that across-the-board application of such discounts be immediately discontinued.

In the case of chromite there were several large facilities which produced more than 25 percent of the first year's mobilization requirements, U.S. requirements.

With the elimination of this concentration factor, the low carbon ferrochromium objective dropped from 135,000 tons of chromite equivalent to zero. The high carbon ferrochromium objective dropped from 317,500 to 176,250 tons. The ferrochrome silicon objective dropped from 58,000 to zero. Thus we had a reduction from 511,000 tons ore equivalent to 176,250 tons.

This objective was approved by all the departments and agencies and they also recommended that the disposal legislation be sought from Congress. OEP strongly recommends the enactment of this legislation.

Senator CANNON. Mr. Ross.

Mr. Ross. As to S. 762, chromium metal is used in the production of high temperature and nonferrous alloys. I won't go through the inventory data. That is covered in my statement. I will point out that during a Government-industry meeting on February 16, 1971, industry representatives were consulted regarding this disposal legislation. Industry expressed some concern in view of adverse market conditions prevailing in the chromium metal trade. We assured the industry that the excess chromium would be made available for disposal over

a period of years with quantities and timing of disposals to be determined in the light of market conditions. Although the industry was not unanimous in its approval of the proposed legislation, we believe that if the legislation is approved, long-term agreements can be worked out whereby the industry will, over a period of years, work the Government excess material into their inventories and normal consumption patterns.

We strongly recommend enactment of this bill.

As to the metallurgical grade chromite, S. 773, here again, we met with the industry. I would like to point out the makeup of the excess which I think is of interest to industry. Approximately 1,077,408 short dry tons (chromite ore equivalent) of the 1,313,600 short dry tons of metallurgical grade chromite are of stockpile grade. Of this, approximately 810,588 short dry tons are ore, approximately 41,126 short tons (102,815 short tons chromite ore equivalent) are high carbon ferrochromium, and approximately 65,597 short tons (163,993 short tons chromite ore equivalent) are low carbon ferrochromium, and 8 short tons (12 short tons chromite ore equivalent) are silicon ferrochromium. Approximately 236,233 short dry tons (chromite ore equivalent) of the material are nonstockpile grade. Of this approximately 183,669 short dry tons are ore, approximately 674 short tons (1,685 short tons chromite ore equivalent) are high carbon ferrochromium, approximately 18,703 short tons (46,757 short tons chromite ore equivalent) are low carbon ferrochromium, and approximately 2,748 short tons (4,122 short tons chromite ore equivalent) are silicon ferrochromium.

A Government-industry meeting held in Washington on February 16, 1971, to discuss the Government's plan for additional disposal legislation and the development of a disposal plan. While the views of producers and consumers differ somewhat on disposal and proposed methods of sale, both the consumers and producers expressed a willingness to support the legislation.

Should congressional approval for the disposal of 1,313,600 short dry tons (chromite ore equivalent) of metallurgical grade chromite be granted, this quantity will be considered for disposal together with the quantity remaining available under previously authorized programs.

A long-term buy-back arrangement for the ferroalloys included in the bill was suggested to the ferroalloy producers during our February 16 meeting, and industry representatives have agreed to consider such a plan.

This agency strongly recommends enactment of the proposed bill. (Documents follow:)

STATEMENT ON BEHALF OF THE ADMINISTRATOR OF GENERAL SERVICES, BY BOB ROSS, ASSISTANT COMMISSIONER FOR STOCKPILE DISPOSAL, PROPERTY MANAGEMENT AND DISPOSAL SERVICE

CHROMIUM METAL—S. 762

Mr. Chairman and Members of the Subcommittee, I am Bob Ross, Assistant Commissioner for Stockpile Disposal in the General Services Administration's Property Management and Disposal Service. I have with me Mr. Charles Curcio of GSA's Office of General Counsel who is also familiar with the Government's stockpile program.

On behalf of the Administrator, Robert L. Kunzig, who has asked me to represent him at the hearings today, I want to thank you for the opportunity to appear before your subcommittee for the purpose of expressing the views of GSA in support of this bill for the disposal of chromium metal.

This bill would authorize the disposal of the excess of approximately 4,238 short tons of chromium metal held in the national and supplemental stockpiles. The Office of Emergency Preparedness has determined that this quantity is excess to stockpile needs. GSA is not currently in the market.

Chromium metal, which is hard and brittle, is used in the production of high-temperature and nonferrous alloys. These alloys are used for products requiring such qualities as electrical resistance, ability to withstand high temperatures and corrosion resistance. It is also used in alloys for nonferrous metal cutting tools, chromium bronzes, hard-facing materials, welding electrode tips, and high strength aluminum alloys.

Data on the U.S. production of chromium metal are company confidential. U.S. consumption for 1969 was about 5,000 short tons and has been estimated at 5,400 tons for 1970. U.S. imports were 1,491 short tons (gross weight) for 1969 and 1,892 short tons (gross weight) for 1970. Principal import sources for chromium metal in 1970 were United Kingdom (67 percent), Japan (22 percent), Canada (4 percent), and other countries (7 percent).

As of March 1, 1971, the total inventory of chromium metal held by GSA was approximately 8,013 short tons. The stockpile objective established March 4, 1970, is 3,775 short tons, leaving an excess of 4,238 short tons, covered by the proposed bill.

The average acquisition cost of chromium metal in the national and supplemental stockpiles was about \$2,200 per short ton. The current estimated market price for standard, commercial type chromium metal is \$2,300 per short ton.

During Government-industry meeting on February 16, 1971, industry representatives were consulted regarding this disposal legislation. Industry expressed some concern in view of adverse market conditions prevailing in the chromium metal trade. We assured the industry that the excess chromium would be made available for disposal over a period of years with quantities and timing of disposals to be determined in the light of market conditions. Although the industry was not unanimous in its approval of the proposed legislation, we believe that if the legislation is approved, long-term agreements can be worked out whereby the industry will, over a period of years, work the Government excess material into their inventories and normal consumption pattern.

Section 2 of the bill provides that, unless otherwise authorized by law, disposals may be made only after publicly advertising for bids, except when (1) the material is transferred to a Federal agency, (2) the Administrator of General Services determines that other methods of disposition are necessary to protect the United States against avoidable loss or to protect producers, processors, and consumers against avoidable disruption of their usual markets, or (3) sales are made pursuant to requests received from other Federal agencies in furtherance of authorized program objectives of such agencies.

This Agency strongly recommends enactment of the proposed bill.

STATEMENT ON BEHALF OF THE ADMINISTRATOR OF GENERAL SERVICES

BY BOB ROSS, ASSISTANT COMMISSIONER FOR STOCKPILE DISPOSAL, PROPERTY MANAGEMENT AND DISPOSAL SERVICE

METALLURGICAL GRADE CHROMITE—S. 773

Mr. Chairman and Members of the Subcommittee, I am Bob Ross, Assistant Commissioner for Stockpile Disposal in the General Services Administration's Property Management and Disposal Service. I have with me Mr. Charles Curcio of the GSA's Office of General Counsel who is also familiar with the Government's stockpile program.

On behalf of the Administrator, Robert L. Kunzig, who has asked me to represent him at the hearings today, I want to thank you for the opportunity to appear before your subcommittee for the purpose of expressing the views of GSA on this bill for disposal of metallurgical grade chromite.

This bill would authorize the disposal of approximately 1,313,600 short dry tons (chromite ore equivalent) of metallurgical grade chromite from the national and supplemental stockpiles. The Office of Emergency Preparedness, on March 4, 1970, determined that this quantity is excess to stockpile needs. As of

March 1, 1970, the total inventory was 5,352,936 short dry tons (chromite ore equivalent) and the stockpile objective was 3,100,000 short dry tons. About 939,000 short dry tons remain available from prior disposal authorizations. Of this quantity, about 900,000 short dry tons are low grade material originally acquired under the Defense Production Act.

Metallurgical grade chromite is an ore consumed in the metallurgical industries, principally in the making of the chromium ferroalloys. The chief chromium ferroalloy produced is ferrochromium, which is used principally to make stainless steel. The addition of chrome to steel imparts qualities of hardness, tensile strength, and resistance to heat and corrosion.

Domestic consumption of metallurgical grade chromite ore by the metallurgical industry amounted to approximately 898,230 short tons in 1969 and 911,699 short tons in 1970. There is no domestic production of this material. Principal import sources in 1970, in descending order, were the U.S.S.R., Turkey, and South Africa. Rhodesia was formerly a prime source of supply, however, U.S. imports are currently banned in conformity with U.S. observance of the mandatory United Nations sanctions against Rhodesia.

Approximately 1,077,408 short dry tons (chromite ore equivalent) of the 1,313,600 short dry tons of metallurgical grade chromite are of stockpile grade. Of this, approximately 810,588 short dry tons are ore, approximately 41,126 short tons (102,815 short tons chromite ore equivalent) are high carbon ferrochromium, and approximately 65,597 short tons (163,993 short tons chromite ore equivalent) are low carbon ferrochromium and 8 short tons (12 short tons chromite ore equivalent) are silicon ferrochromium. Approximately 236,233 short dry tons (chromite ore equivalent) of the material are nonstockpile grade. Of this approximately 183,669 short dry tons are ore, approximately 674 short tons (1,685 short tons chromite ore equivalent) are high carbon ferrochromium, approximately 18,703 short tons (46,757 short tons chromite ore equivalent) are low carbon ferrochromium, and approximately 2,748 short tons (4,122 short tons chromite ore equivalent) are silicon ferrochromium.

The average acquisition cost of metallurgical grade chromite in the national and supplemental stockpiles was \$46.82 per short dry ton for ore, \$365.24 per short ton for high carbon ferrochromium, \$453.52 per short ton for low carbon ferrochromium, and \$324.21 per short ton for silicon ferrochromium. The current estimated price for standard, commercial type metallurgical grade chromite is about \$55.00 per short dry ton for ore, \$500 per short ton for high carbon ferrochromium (chromium content), and \$760 per short ton for low carbon ferrochromium (chromium content), and \$320 to \$360 per short ton of alloy for the silicon ferrochrome.

Section 2 of the bill provides that, unless otherwise authorized by law, disposals may be made only after publicly advertising for bids, except when (1) the material is transferred to a Federal agency, (2) the Administrator of General Services determines that other methods of disposition are necessary to protect the United States against avoidable loss or to protect producers, processors, and consumers against avoidable disruption of their usual markets, or (3) sales are made pursuant to requests received from other Federal agencies in furtherance of authorized program objectives of such agencies.

A Government-industry meeting was held in Washington on February 16, 1971, to discuss the Government's plan for additional disposal legislation and the development of a disposal plan. While the views of producers and consumers differed somewhat on disposal and proposed methods of sale, both the consumers and producers expressed a willingness to support the legislation.

Should congressional approval for the disposal of 1,313,600 short dry tons (chromite ore equivalent) of metallurgical grade chromite be granted, this quantity will be considered for disposal together with the quantity remaining available under previously authorized programs.

A long-term buy-back arrangement for the ferroalloys included in the bill was suggested to the ferroalloy producers during our February 16 meeting, and industry representatives have agreed to consider such a plan.

This Agency strongly recommends enactment of the proposed bill.

Senator THURMOND. Mr. Chairman, I have a telegram from the vice president of Interlake Steel, Inc., of Chicago, Ill., opposing S. 773, metallurgical grade chromite, which I would like to have inserted in the record.

Senator CANNON. It will be inserted at this point.

(The telegram follows:)

HON. STROM THURMOND:
U.S. Senate, Washington, D.C.

DEAR SENATOR THURMOND, on Wednesday, April 7th the Senate Subcommittee on National Stockpiles of the Armed Services Committee will hold public hearings at 10:30 a.m. relative to SB-773 which would allow the General Services Administration to release strategic materials from our national stockpile. It would be to the detriment of our national security if these stockpiles of chromite metals and alloys were reduced. Among other important considerations such as the resulting power curtailments, additional unemployment will ensue. I bring your attention to these hearings and ask your support to defeat SB-773.

Sincerely,

H. HARRY HENDERSON,
Vice President, Interlake Inc.

STATEMENT OF MR. L. G. BLISS, FOOTE MINERAL CO.

Senator CANNON. All right.

Mr. Bliss.

Mr. BLISS. Thank you very much, Senator.

Mr. Chairman, and members of the subcommittee, I am L. G. Bliss, chairman of the board, chief executive officer of Foote Mineral Co., a major producer of ferrochrome and other chrome-containing alloys used by the steel and metals producing industries. My company operates two ferroalloy producing plants in the State of Ohio, one in West Virginia; as well as chemical, mineral, and metal producing facilities in seven other States; Pennsylvania, Virginia, North Carolina, Tennessee, Iowa, Washington, and Nevada.

I appreciate the opportunity to comment upon some of the short- and long-range effects of S. 773.

All the comments will be confined to that one bill, which would authorize the release of some 1,313,000 short dry tons chromium ore equivalents from the national stockpile for sale to industry.

We do not deny that release of this material, if accomplished in a thoughtful and orderly fashion, will provide temporary relief to our industry and will assure our metal-producing customers of an adequate supply of ferroalloys in the short range. There is nothing new about our industry's reliance on Federal stockpiles for a substantial portion of its requirements since 1966—the year before the sanctions against Rhodesia went into effect. Since 1966, our industry has received or contracted for some 982,000 SDT of chrome ore from Government stockpiles—or approximately 22 percent of the pre-sanction stockpile of 4,437,000 odd short dry tons.

The loss of Rhodesian ore to the U.S. producers has had considerable impact upon our industry, and I might add, the steel industry as well.

As you will note in appendix two, and I won't read it for you, it is attached and as part of the record, Rhodesia formerly contributed about 40 percent of this Nation's requirement for metallurgical grade chromium ore. Despite increased shipments from the Soviet Union, Turkey and other producers, we have been unable to fill the vacuum

created by the Rhodesian sanctions. Nor is there any realistic prospect for anything but a continued shortfall.

During the past several years of sanctions, the availability of Russian ore to U.S. producers has been limited to less than 400,000 tons per year. This limited availability may be a matter of policy or may simply be a reflection on their limited production capacity. According to U.S. Bureau of Mines information, Turkish reserves are limited. The quality of ore limits what we may purchase from the Union of South Africa. Hence we face a continuing problem until some constructive action is taken to permit the resumption of shipments or Rhodesian chrome ore into the United States.

As of December 31, 1970, the Federal stockpile inventories were as follows:

		<i>Chrome ore equivalents (SDT)</i>
Chrome ore, metallurgical:		
National stockpile	-----	2, 225, 000
Supplemental stockpile	-----	324, 000
H. C. ferrochrome	-----	1, 007, 000
L. C. ferrochrome	-----	793, 000
Total	-----	4, 349, 000

If the present plan to dispose of 1,313,000 SDT of chrome ore equivalents is carried out, it will reduce our total chrome reserves by 30 percent. Inventories of chrome ore will be reduced to 1,555,000 SDT—about one half of the objectives of 2.9 million tons announced as recently as March 1970. (See Appendix III.)

While it is true that inventories of finished ferrochrome products are vital in the event of an emergency, it is also true that flexibility to meet demand for a wide range of chromium alloys requires that some portion of our inventory be held in the form of chrome ore. Furthermore, from the standpoint of sheer economics, fewer dollars are tied up when the chrome is held as ore than would be the case for the same chrome content as ferroalloys. Hence, the Government, in its desire to minimize its stockpile investment, has reason to strike a balance between the inventories of the two forms.

The release of 984,000 SDT of chrome ore might serve the temporary expedient of holding world chrome ore prices in line if not actually depressing them. The relief, however, can only be expected to be short lived, since we are presently consuming chrome ore at a rate of over 800,000 SDT per year and could easily absorb the proposed offering in 14 to 15 months assuming no commitments to other suppliers. During this time, of course, far less foreign ore would be imported into the United States and our national inventory position would rapidly worsen.

With only 1.5 million tons of ore left in the stockpile, it is difficult to believe that we would again lower the objective and authorize an additional release. At that point, American producers looking to world sources for supplies would no doubt find that prices had climbed to their previous levels and perhaps beyond. And, of course, our national stockpile insurance would then be gone.

The present trend toward a realignment of world supply sources began in 1963 when the Russians penetrated U.S. markets by offering good quality ore at prices below world market. Appendix IV shows a history of work chrome ore prices from 1965 to 1971. You will

note that world prices of high quality ore have risen to almost $2\frac{1}{2}$ times presanction prices. I trust that no one will seriously believe, as has been occasionally stated, that these price increases are entirely the result of inflation. Lest there be no doubt, you will note from appendix V that manganese ore—which is freely traded in world markets—has actually decreased in price over this period of time. In this regard, a table prepared by the Office of Emergency Preparedness in 1969 is also instructive (appendix VI). Here it will be seen that of 22 major raw materials, a number have declined, others have remained virtually constant, and others have risen. Yet all are subject to the pressures of inflation. More to the point, however, they respond to the supply-demand relationship.

The result of increased ore cost to U.S. ferroalloy producers has inevitably meant higher prices for ferrochrome products to our customers in the steel and metal producing industries. As appendix VII clearly shows, ferroalloy prices have remained in proportion to ore costs for the past 25 years. Unfortunately, inflation has taken place over those 25 years and the producer is generally the one who is caught in the middle. In an effort to keep his customers competitive in their markets, profits are squeezed to the limit. At a time when we are all trying to compete in world markets, these influences on prices—created because of artificial conditions—are far from welcome. Looking ahead to the even more competitive battle which American industry must face, the prospects are ominous.

I agree with those experts who have studied the question of our national chromium supply and conclude that this Nation's requirements cannot be met without Rhodesian chrome. Unfortunately, these conclusions have been born out of bitter experience, largely after the fact. I lay much of the blame for this unsavory predicament to the absence of a strong national raw materials policy. I recognize that the formulation of such a policy is beyond the province of this committee. However, we have been promised, for many months, the appointment of a National Materials Policy Commission, created by the Boggs amendment, and the committee might use its influence in hastening this commission into being. It is sorely needed.

Unfortunately, committees require time for deliberations and, as it is, we are going to find it most difficult to reestablish our supply lines with Rhodesia, even if permission to do so were granted tomorrow. We have surrendered our position as a favored customer and I fear we shall have to stand in line. But delay in facing up to the facts will only worsen matters.

Fortunately a solution may be at hand. I refer to the bill, S. 1404, recently introduced by your distinguished colleague on the Armed Services Committee, Senator Harry F. Byrd, Jr. of Virginia. If successful, this bill would exempt chrome ore from the list of materials subject to Rhodesian embargoes, and would permit the resumption of the flow of Rhodesian chrome into the United States. I respectfully urge your consideration of this bill. With some assurance that our stockpiles of critical chrome can be replenished at a future date, the objections to the release of a reasonable quantity of chromium ore are largely overcome.

Without this assurance, I believe we are running grave risks in improving a stockpile dispersal of this magnitude even though industry

needs chrome and the Government wishes to cut stockpile costs. However, despite industry's desire to buy and Government's eagerness to sell, let us not act without due regard for the consequences.

Thank you very much, sir.

(Appendixes follow:)

Appendix I.—Shipments of metallurgical grade chrome ore from Government stockpiles to industry

	SDT
1966	115,000
1967	71,000
1968	135,000
1969	243,000
1970	160,000
Total shipped	724,000
Sold, unshipped	258,000
Total committed	982,000

APPENDIX II.—IMPORTS OF METALLURGICAL GRADE CHROMITE FOR DOMESTIC CONSUMPTION

[In thousands of short tons]

	1960	Percent	1961	Percent	1962	Percent	1963	Percent	1964	Percent	1965
Rhodesia	307	57	218	48	234	41	144	37	259	38	329
Russia	7	1	20	4	36	6	192	49	275	42	242
Turkey	123	23	150	33	171	30	40	10	38	6	164
South Africa	80	15	54	12	101	17	18	5	64	10	115
Other	24	4	10	3	35	6	0	0	25	4	34
Subtotal	541		452		557		394		651		884
Stockpile shipments											
Total	541		452		557		394		651		884

	Percent	1966	Percent	1967	Percent	1968	Percent	1969	Percent	1970	Percent
Rhodesia	37	219	22	147	20	1					
Russia	27	302	29	299	40	335	47	299	39	365	46
Turkey	19	186	18	108	15	151	22	74	10	120	15
South Africa	13	184	18	95	13	74	11	143	18	87	11
Other	4	22	2	11	2	6	1	13	2	66	8
Subtotal	100	913	89	660	90	567	81	529	69	638	80
Stockpile shipments		115	11	71	10	135	19	243	31	160	20
Total	100	1,028	100	731	100	702	100	772	100	798	100

¹ 1970 date I.M. 146 (Department of Commerce).

Source: Bureau of Mines data (1960-69).

APPENDIX III.—CHROME ORE INVENTORIES VERSUS OBJECTIVES (1965 TO 1971)

	Inventories	Objective
1965	4,437,859	2,970,000
1966	4,345,000	2,509,000
1967	4,262,347	2,509,000
1968	4,110,808	2,509,000
1969	3,868,378	3,117,000
1970	2,549,000	2,911,000
1971 (March)		1,555,000

APPENDIX IV.—PRICE QUOTATIONS OF VARIOUS GRADES OF FOREIGN CHROMITE

	1965	1966	1967	1968
Rhodesia: 48 percent Cr_2O_3 , 3:1 Cr/Fe ratio.....	\$31.00-\$35.00	\$31.00-\$35.00	\$31.00-\$35.00	(¹)
Turkey: 48 percent Cr_2O_3 , 3:1 Cr/Fe ratio.....	29.50-31.50	29.50-31.50	32.50-33.50	\$34.50-\$35.50
South Africa: 44 percent Cr_2O_3	20.00-21.50	20.00 21.50	18.00-21.50	19.00-21.50
U.S.S.R.: ² 55 percent Cr_2O_3 , 4:1 Cr/Fe ratio.....	25.00	29.25	30.40	34.10

	1969	1970	1971
Rhodesia: 48 percent Cr_2O_3 , 3:1 Cr/Fe ratio.....	(¹)	(¹)	(¹)
Turkey: 48 percent Cr_2O_3 , 3:1 Cr/Fe ratio.....	\$37.50-\$38.50	\$47.50-\$48.50	\$56.00-\$60.00
South Africa: 44 percent Cr_2O_3	19.00-21.50	26.00	30.00
U.S.S.R.: ² 55 percent Cr_2O_3 , 4:1 Cr/Fe ratio.....	44.00	58.00	72.00

¹ Not available.² Actual prices to Foote Mineral Co., f.o.b. Burnside.

Source: U.S. Bureau of Mines.

APPENDIX V.—PRICE AND CONSUMPTION OF MANGANESE ORE (1960 TO 1969)

Year	Price range (cents), 46 to 48 percent ore (long-ton unit)	Consumption
1960.....	87-90	1,946,349
1961.....	87-90	1,717,805
1962.....	80-85	1,737,694
1963.....	60-65	1,683,450
1964.....	68-72	2,241,756
1965.....	73-78	2,872,720
1966.....	73-74	2,370,516
1967.....	60-64	2,383,984
1968.....	59-63	2,228,412
1969.....	49-53	2,270,221
1970.....	50-58	

Source: U.S. Bureau of Mines.

APPENDIX VI—MAJOR RAW MATERIALS MARKET PRICES

Material	Unit	Market price	
		1958 ¹	1969 ²
Aluminum.....	ST	\$494.00	\$540.00
Copper.....	ST	580.00	92.00
Lead.....	ST	2.60	300.00
Antimony, metal.....	ST	580.00	1,095.10
Beryl ore.....	ST	346.50	473.00
Bismuth.....	LB	2.25	4.00
Cadmium.....	LB	1.45	3.38
Chromite, metallurgical grade.....	SDT	36.61	48.00
Cobalt.....	LB	2.04	1.85
Columbite.....	LB	1.14	1.36
Fluorspar, metallurgical grade.....	SDT	37.00	42.50
Fluorspar, acid grade.....	SDT	50.00	53.53
Magnesium.....	ST	720.00	733.00
Manganese ore, metal grade.....	SDT	38.61	21.86
Mercury.....	FL	220.00	495.00
Molybdenum.....	LB	1.25	1.72
Nickel.....	LB	.74	41.0
Platinum.....	TrOz	53.00	135.00
Tantalite.....	LB	4.63	10.97
Tungsten.....	LB	1.32	2.71
Vanadium.....	ST	4,280.00	4,106.65
Zinc.....	ST	240.00	290.00

¹ As of Dec. 31, 1958, Status of raw materials having stockpile objectives as of Dec. 31, 1958, DM-77-OC (Revised Mar. 6 1959), Office of Emergency Preparedness.² As of June 30, 1969, Summary of raw materials inventories on hand and on order as of June 30, 1969, DM-77, statistical supplement, stockpile report to the Congress, January-June 1969, Office of Emergency Preparedness.³ Published price.⁴ Prestrike.

APPENDIX VII.—CHROME ORE AND FERRO CHROME PRICES FROM U.S. BUREAU OF MINES—MINERALS YEARBOOKS

Year	Price/LDT U.S. port Turkish 48 percent lump	L.C. cents per pound chrome	H.C. cents per pound chrome	Charge cents per pound chrome
1954.....	\$52	34.50	34.75	-----
1955.....	50	32.75	26.00	-----
1956.....	55	39.50	27.75	-----
1957.....	55	38.50	28.75	-----
1958.....	55	38.50	28.75	-----
1959.....	40	38.50	28.75	-----
1960.....	38	33.75	28.75	-----
1961.....	37	33.00	24.00	-----
1962.....	37	-----	-----	-----
1963.....	37	-----	-----	-----
1964.....	31	24.50	19.00	13.50
1965.....	30	25.50	19.00	15.50
1966.....	31	24.50	19.00	15.30
1967.....	33	24.50	19.00	15.30
1968.....	37	24.50	19.00	15.30
1969.....	45	¹ 27.30	21.00	17.00
1970.....	50	² 33.00	² 24.70	² 21.00
1971.....	55	³ 38.00	³ 28.70	³ 25.00

¹ Price dropped to 22.5 cents on L.C. for first quarter of 1969.

² Price July 1, 1970.

³ Price Jan. 1, 1971.

No doubt exists in the minds of our Bureau of Mines as to the relation between chrome ore prices and the Rhodesian sanctions, as evidenced by the following quotation from "Chromium in 1969", Bureau of Mines, December 23, 1969:

"Price of metallurgical-grade chromite ores rose for the third successive year as the United Nations economic sanctions against Southern Rhodesia remained in effect. Rhodesia was one of the principal suppliers of domestic requirements prior to 1967. The price of Russian and Turkish chromite moved upward for 1970 delivery about \$10 per ton. Quoted prices per long ton Atlantic ports were as follows: Russian 48 percent Cr_2O_3 , 4-1 ratio, \$49-52; Russian, 54-56 percent Cr_2O_3 , 4-1 ratio, \$55.10-59.60; and Turkish 48 percent Cr_2O_3 , 3-1 ratio, \$47.50-48.50."

Senator CANNON. Do I interpret your statement to mean that you don't think we ought to authorize this disposal in the event that some legislation, for example, Senator Byrd's bill, does not pass?

Mr. BLISS. Yes, sir. My position is, I think, very easily stated, that I have a strong conviction that our reserves of chrome ore should be retained until we provide the means of replacing what is required to support this industry. Be mindful if we do consume in the neighborhood of 900,000 tons of chrome ore per annum in this country, the quantity that we will have in residence in the stockpile after this disposal will amount to, at best, 2 years.

Senator CANNON. Of course, the stockpile was not created for the purpose of supporting the requirements of industry in a peacetime economy.

Mr. BLISS. Yes, sir.

Senator CANNON. And that is, I think, where there would be a real serious question as to whether or not we were using the stockpile for an improper purpose, one not authorized under the act.

Mr. BLISS. Well, it is the opinion of my company, Senator, that this stockpile, as you say, was created for emergencies and not to, shall we say, maintain the viability of the producing industry during a peacetime economy, if that is what we are in. Thus, our position is that it should be reserved for a true emergency, the stockpile that does exist. I am not qualified to debate what our Government believes is a logical and protective stockpile.

As you point out, in time of true emergency the demand would far exceed the 900,000 tons that I am talking about per annum.

Senator CANNON. Of course, the people charged with that responsibility of determining what the requirement ought to be——

Mr. BLISS. Yes, sir.

Senator CANNON (continuing). Have fixed it and said this is what we need and the amounts over and above that are extra.

Mr. BLISS. Correct, and this is the reason we said in the testimony just presented that recognized perhaps the inevitability of the passage of the bill, we naturally, as Bob Ross knows, would continue to cooperate in its orderly disposal. I don't think you can question that statement, Bob. But we do wish to point out that once that occurs, when we have released our stockpile, then the issue, which is equally important, the economics of our total country, will be more seriously damaged because it will be at that time that we will be dependent entirely upon the major, the last major, source of high grade ore, which is Russia, and to a lesser extent Turkey, which we know does not have adequate reserves to even supply her own requirements, and so we feel that it is an imprudent act to sell off the one thing that has had some control over the climb in prices which, as I said, are now two and a half times were presanction prices. If you trade that off I have no idea what those prices will become. This affects not only the ferro-alloy industry but it certainly has a serious impact on steel because they will be facing the import competition on steel which, in turn, will be able to feed off of the lower cost Rhodesian ores which, let us face it, are being sold into a world market other than into United States.

Senator CANNON. This appendix IV of yours is quite interesting. I wonder, can you tell me or does anyone know why the Russian price has gone up so much? It has gone up almost 300 percent over a 5-year period, and we all recognize that when they commenced to sell, they were selling far below the market, far below cost.

Mr. BLISS. It is a very pertinent question, Mr. Chairman. First of all, let's go back to the early 1960's when this country took a dim view about imports of any kind of thing from communistic countries, particularly Russia, and there was a discriminating duty imposed and a general agreement among purchasers that they would look elsewhere for the products.

As a consequence, there was very little of any Russian chrome ore sold into the United States. However, in about 1963 this embargo, pseudo-embargo, was lifted, and in order for the Russians to penetrate our markets, it was accomplished with prices well below world market prices, and they began their sales. That was in around 1963. As of 1966, when the sanctions were placed against Rhodesia, Russia no longer had any competition and quite magically the prices began to rise until this past year they have exceeded three times what the price was in 1966.

Now some of it is inflation, of course it is, but, as I attempted to point out from other attachments, a very small fraction of this was inflation. It is the old game of supply and demand.

The United States being one of the largest markets, having denied itself the Rhodesian ore, could turn only to the Russian ore, so if it wishes ore to feed its furnaces it has to pay the price.

Now it has been said that the Russian follow the Turkish lead, or, conversely, depending on which side of the table you are sitting on. I submit to you all noncaptive ore supplies of a native nature responded to the bargain of the Rhodesian sanctions.

Senator CANNON. I think the Russians did more than any one else.

Mr. BLISS. They took the lead, they had the largest reserves presumably.

Senator CANNON. For example, their price started out at lower than the Turkish price even though it was a higher grade ore.

Mr. BLISS. That was because of the discriminatory duty and also the fact that we didn't wish to buy from the Russians back in the early 1960's.

Senator CANNON. Then in 1968, their's was substantially the same as the Turkish price.

Mr. BLISS. Yes, sir.

Senator CANNON. And then, of course, in 1971, they are about a third more almost.

Mr. BLISS. Yes, sir. You see there is not enough Turkish ore to satisfy the demand and there is a difference in the quality of the ores.

Senator CANNON. Well, thank you very much, Mr. Bliss.

Mr. ROSS, do you want to comment on any statement he made.

Mr. ROSS. Only one, if I may, Mr. Chairman.

Senator CANNON. All right.

Mr. ROSS. I am sure Mr. Bliss would be in full agreement with me that the position he has taken is not necessarily representative of the entire industry, including consumers and other ferroalloy producers.

Mr. BLISS. I represent myself.

Mr. ROSS. That is all I had.

Senator CANNON. I may say that the Byrd bill that you mentioned has been referred to the Foreign Relations Committee which will be the committee that will consider his bill.

Mr. BLISS. I might add though, without dropping your thrust too hurriedly, Bob, that I would be highly surprised if the steel producing industries would disagree with my position that it would be good for this country to reopen our trade line on chromite with Rhodesia.

I would be surprised if they differed.

S. 764, S. 766

Senator CANNON. All right, sir, the next bills will be 764 and 766, relating to lead and zinc.

(The bills, S. 764 and S. 766, follow:)

[S. 764, 92d Cong., first session.]

A BILL To authorize the disposal of lead from the national stockpile and the supplemental stockpile

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the Administrator of General Services is hereby authorized to dispose of approximately four hundred ninety eight thousand short tons of lead now held in the national stockpile established pursuant to the Strategic and Critical Materials Stock Piling Act (50 U.S.C. 98-98h) and the supplemental stockpile established pursuant to section 104(b) of the Agricultural Trade Development and Assistance Act of 1954, 68 Stat. 456, as amended by 73 Stat. 607. Such disposition may be made without regard to the requirements 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.

SEC. 2. (a) Disposals of the material covered by this Act may be made only after publicly advertising for bids, except as provided in subsection (b) of this section or as otherwise authorized by law. All bids may be rejected when it is in the public interest to do so.

(b) The material covered by this Act may be disposed of without advertising for bids if—

(1) the material is to be transferred to an agency of the United States;

(2) the Administrator determines that methods of disposal other than by advertising are necessary to protect the United States against avoidable loss or to protect producers, processors, and consumers against avoidable disruption of their usual markets; or

(3) sales are to be made pursuant to requests received from other agencies of the United States in furtherance of authorized program objectives of such agencies.

[S. 766, 92d Cong., 1st sess.]

A BILL To authorize the disposal of zinc from the national stockpile and the supplemental stockpile

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the Administrator of General Services is hereby authorized to dispose of approximately five hundred fifteen thousand two hundred short tons of zinc now held in the national stockpile established pursuant to the Strategic and Critical Materials Stock Piling Act (50 U.S.C. 98-98h) and the supplemental stockpile established pursuant to section 104(b) of the Agricultural Trade Development and Assistance Act of 1954, 68 Stat. 456, as amended by 73 Stat. 607. Such disposition may be made without regard to the requirements 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.

SEC. 2. (a) Disposals of the material covered by this Act may be made only after publicly advertising for bids, except as provided in subsection (b) of this section or as otherwise authorized by law. All bids may be rejected when it is in the public interest to do so.

(b) The material covered by this Act may be disposed of without advertising for bids if—

(1) the material is to be transferred to an agency of the United States;

(2) the Administrator determines that methods of disposal other than by advertising are necessary to protect the United States against avoidable loss or to protect producers, processors, and consumers against avoidable disruption of their usual markets; or

(3) sales are to be made pursuant to requests received from other agencies of the United States in furtherance of authorized program objectives of such agencies.

Mr. LAWRENCE. S. 764 would authorize disposal of approximately 498,000 short tons of excess lead from the national and supplemental stockpiles.

The Office of Emergency Preparedness approved a new review of the stockpile objective for lead on December 3, 1969. At that time, the objective for this material was increased from zero to 530,000 short tons. In establishing the requirements and supply leading to this objective, ample allowance was made for any contingencies that might arise in an emergency. This objective has been concurred in by the interested departments and agencies, including the Department of Defense.

As of March 1, 1971, the uncommitted stockpile inventory held by the General Services Administration was approximately 1,136,000 short tons. With an objective of 530,000 short tons, there remains an excess of approximately 606,000 short tons. Of this quantity, approximately 108,000 short tons were authorized for disposal by the Congress in Public Laws 89-9 and 91-46, enacted April 2, 1965, and July 19, 1969, respectively. Passage of this bill would provide the General Services Administration with disposal authority for all remaining excess lead.

Lead and zinc remain the two materials for which the Government has been unable to develop a long range disposal program as recommended in the 1963 draft report of this committee's extensive review of the strategic and critical materials stockpiles of the United States.

In authorizing this disposal request, the Office of Emergency Preparedness has had the concurrence of all interested departments and agencies.

The Office of Emergency Preparedness strongly recommends prompt enactment of this legislation.

Senator CANNON. How long was that objective zero for both lead and zinc.

Mr. LAWRENCE. It was zero from 1964 until 1969.

Senator CANNON. That was a period of 5 years, why all of a sudden do we say we need to establish a requirement here.

Mr. LAWRENCE. Senator, this is not due to the commodity at all. It was due to the fact during that 4-year period we had a committee known as the Executive Stockpile Committee which was debating the stockpile policies as to how you determine objectives and it took them 4 years to come up with a policy and in that period very little was done on reviewing the objectives.

Senator CANNON. That does not sound like a very good answer.

Mr. LAWRENCE. Well, it isn't a very good answer but unfortunately this committee membership, which was largely Cabinet level, was changed so that the policy kept getting reviewed over and over again.

Senator CANNON. Are you satisfied now that the 530,000 tons of lead and 560,000 tons of zinc are adequate.

Mr. LAWRENCE. I certainly do. We have all of our requirements supplied through information on computers so we can run it without any great delay and we check on these things constantly.

Senator CANNON. But you know in using a computer somebody has to be smart enough to put the information in the computer to start with.

Mr. LAWRENCE. I think we have some very good information in our stockpile computer now.

Senator CANNON. Mr. Ross.

Mr. ROSS. Mr. Chairman, my statements on both lead and zinc contain data on production, uses, and so on, I will confine my remarks as they will deal with both lead and zinc and our attempts to develop a long range program.

Of the major high value commodities in the stockpile, we have had least success in the development of effective long range disposal programs for lead and zinc. While the lead-zinc producing industry has, in the past, endorsed the concept of a long range buy-back disposal program, it has recently become most reluctant to enter into such an

arrangement, which, in our judgment, is essential and warranted for effective disposal of lead and zinc. We recognize that the industry is currently concerned with an apparent oversupply and high producer stock position, as well as other problems facing the industry.

However, the lack of a long term disposal program for lead and zinc has, we believe, worked to the detriment of both industry and Government. For example, in the case of lead, a temporary short supply situation in 1969 might have been readily avoided had disposal authorization and an industry buy-back arrangement been available. The period between the time the shortage of lead developed and legislation was sought and passed, covered a period of many months. By the time disposal authorization for the 100,000 ST of lead, was realized, the short supply situation had eased, thus lessening the potential for disposal from the stockpile at a time when a part of the excess could easily have been absorbed.

It is disposal authorization we seek in requesting enactment of this disposal legislation. We have no doubts that the eventual marketing of the material will take years to realize and will be contingent upon market conditions and/or arrangements worked out with the industry. A long term buy-back such as has been working so successfully in the disposal of stockpile excess aluminum would, we believe, be possible and advantageous to the long range interests of the lead-zinc industry. In the case of aluminum, the producing industry agreed to purchase over a period of approximately 14 years, material valued in excess of one-half billion dollars.

Industry purchases of aluminum during the first few years of the buy-back contracts were significant; however, market conditions have not been favorable during the past year and in keeping with provisions of the contracts which permit flexibility in annual purchases, the aluminum industry's purchases of our excesses have virtually ceased. The aluminum buy-back has worked well and we are convinced the same can be developed for lead, zinc, and other materials.

The point we wish to emphasize again is that the disposal authorization we seek, be it in lead, zinc or any other material, does not warrant the concern of market disruption we frequently hear from representatives of industry. As stockpile managers, we seek the disposal authorization per instruction from the Office of Emergency Preparedness (OEP), with subsequent disposals as the particular industry can absorb the material.

At the February 1970 stockpile hearings before this committee on lead and zinc disposal legislation, the committee postponed consideration of lead and zinc disposal legislation, and suggested that we get together with the lead and zinc industry for the purpose of working out disposal possibilities. At these hearings, the chairman read a telegram from the chairman of the Stockpile and Strategic Minerals Committee, American Mining Congress, which in effect stated that the industry supports the principle of releasing surplus lead and zinc from the Government stockpile, but vigorously opposed the passage of these bills until an agreement on a satisfactory disposal program was reached with the lead-zinc industry. Mr. Chairman, this position has been taken before. However, we believe that a positive approach to the disposal problem can be obtained if disposal authorization is realized. We believe the domestic lead-zinc producing industry will

seriously consider a long range buy-back arrangement once the Congress has authorized the material for disposal.

Subsequent to last year's hearings and as suggested by this committee in February, we renewed our efforts to interest the domestic producers in a buy-back arrangement. I would like to point out that we had met with several industry representatives about a month prior to last year's hearings. The proposed producer buy-back and a set-aside for nonparticipants was discussed at that time. A preliminary draft memorandum of understanding was in fact mailed to these domestic producers a month before the February 1970 hearings of this committee. We met with all domestic producers on March 24, 1970. A revised memorandum of understanding was forwarded to the domestic producers on April 9. On April 29, we again met with the domestic producers to discuss the memorandum of understanding, believing then that there was an excellent possibility of full agreement on a long range disposal program. On May 19, we forwarded a revised draft memorandum of understanding to the domestic producers. At that point we were confident that all major points had been adequately covered and we in fact requested the companies to submit pricing proposals so we could continue our work on the drafting of potential contracts.

It is important to note here that the program we were discussing, did recognize that there might be times when market conditions would preclude any drawdowns of material by the industry. The producers would undertake to purchase a fixed annual quantity which would dispose of the entire excess over a period of time with provision for a set-aside for nonparticipants. Each producer's share would be based on its production in certain years, to be adjusted periodically. However, the obligation to take deliveries was to be measured by the level of producer stocks on hand each calendar quarter. As a matter of fact, under this concept, with producer stocks of lead and zinc where they are now and have been for some time—the industry could not have taken delivery of one pound of material during such a period of high producer stocks on hand. However, with such an arrangement concluded, it would be a simple matter to respond to upward changes in the market.

Following our last letter to the producers, some of the companies did submit suggested pricing proposals in July and August for consideration in our drafting of a specific contract. It became evident in the following months that the producing industry was delaying its consideration of the program, probably in response to the worsening market situation for lead and zinc. By November of 1970, the lessening interest to discuss buy-back possibilities was confirmed and the industry made it unequivocally clear that their overriding concern about the markets ruled out, for a time at least, any further serious buy-back discussions. We have had no further discussions on a long-term program—although we are prepared at any time to resume our discussions where they were dropped by the industry. On March 8, 1971, we canvassed the lead-zinc industry by letter to obtain their views on disposals of lead and zinc. Most comments received to date from producers reflect a flat opposition to disposal legislation on lead and zinc. We do not believe this posture is in the long-term interest of either the Government or industry.

We strongly recommend the enactment of the proposed bill.
(Statements follow:)

STATEMENT ON BEHALF OF ADMINISTRATOR OF GENERAL SERVICES BY BOB ROSS,
ASSISTANT COMMISSIONER FOR STOCKPILE DISPOSAL, PROPERTY MANAGEMENT,
AND DISPOSAL SERVICE

LEAD—S. 764

Mr. Chairman and Members of the Subcommittee, I am Bob Ross, Assistant Commissioner for Stockpile Disposal in the General Service Administration's Property Management and Disposal Service. I have with me Mr. Charles Curcio of GSA's Office of General Counsel who is also familiar with the Government's stockpile program.

On behalf of the Administrator, Robert L. Kunzig, who has asked me to represent him at the hearings today, I want to thank you for the opportunity to appear before your subcommittee for the purpose of expressing the views of GSA in support of this bill for disposal of lead.

The bill would authorize the disposal of approximately 498,000 short tons of lead held in the national and supplemental stockpiles. The Office of Emergency Preparedness has determined that this quantity is excess to stockpile needs. GSA has currently available for sale approximately 108,000 short tons. About 30,000 tons of this is for direct use by the Government and was authorized by Public Law 89-9. Approximately 78,000 short tons are available for commercial sale under Public Law 91-46.

Some of the many uses of lead are in automobile batteries, antiknock compounds in gasoline, ammunition, paint pigments, insulation and other products such as cable, solder, and pipes. About 1,400,000 tons of lead were consumed in the United States during 1969, and the same amount estimated for 1970 of which 700,000 tons were supplied by primary metal producers, 590,000 tons by secondary smelters, and the balance from imports. Lead is found the world over. Principal sources of mine production are Canada, Mexico, Peru, Australia, U.S.S.R., and the United States.

As of March 1, 1971, the total inventory of lead held by GSA was approximately 1,136,348 short tons. The present stockpile objective is 530,000 tons. The remaining 606,348 tons are excess, and approximately 498,000 tons are covered by the proposed bill. The average acquisition cost of stockpile lead was \$289 per short ton. The present published market price is approximately \$270 per short ton.

Of the major high value commodities in the stockpile, we have had least success in the development of effective long-range disposal programs for lead and zinc. While the lead/zinc producing industry has in the past endorsed the concept of a long-range buy-back disposal program, it has recently become most reluctant to enter into such an arrangement, which in our judgment, is essential and warranted for effective disposal of lead and zinc. We recognize that the industry is currently concerned with an apparent oversupply and high producer stock position, as well as other problems facing the industry. However, the lack of a long-term disposal program for lead and zinc has, we believe, worked to the detriment of both industry and Government. For example, in the case of lead, a temporary short supply situation in 1969 might have been readily avoided had disposal authorization and an industry buy-back arrangement been available. The period between the time the shortage of lead developed and legislation was sought and passed covered a period of many months. By the time disposal authorization for the 100,000 ST of lead, was realized, the short supply situation had eased, thus lessening the potential for disposal from the stockpile at a time when a part of the excess could easily have been absorbed.

It is disposal authorization we seek in requesting enactment of this disposal legislation. We have no doubts that the eventual marketing of the material will take years to realize and will be contingent upon market conditions and/or arrangement worked out with the industry. A long-term buy-back such as has been working so successfully in the disposal of stockpile excess aluminum would, we believe, be possible and advantageous to the long-range interests of the lead/zinc industry. In the case of aluminum, the producing industry agreed to purchase over a period of approximately 14 years, material valued in excess of one-half billion dollars. Industry purchases of aluminum during the first few years of the buy-back contracts were significant; however, market conditions have not been favorable during the past year and in keeping with provisions

of the contracts which permit flexibility in annual purchases, the aluminum industry's purchases of our excesses have virtually ceased. The aluminum buy-back has worked out very well and we are convinced the same can be developed for lead, zinc, and other materials.

The point we wish to emphasize again is that the disposal authorization we seek, be it in lead, zinc or any other material, does not warrant the concern of market disruption we frequently hear from representatives of industry. As stockpile managers, we seek the disposal authorization per instruction from the Office of Emergency Preparedness (OEP), with subsequent disposals as the particular industry can absorb the material.

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It is important to note here that the program we were discussing, did recognize that there might be times when market conditions would preclude any draw-downs of material by the industry. The producers would undertake to purchase a fixed annual quantity which would dispose of the entire excess over a period of time with provision for a set-aside for non-participants. Each producer's share would be based on its production in certain years, to be adjusted periodically. However, the obligation to take deliveries was to be measured by the level of producer stocks on hand each calendar quarter. As a matter of fact, under this concept, with producer stocks of lead and zinc where they are now and have been for some time—the industry could not have taken delivery of one pound of material during such a period of high producer stocks on hand. However, with such an arrangement concluded, it would be a simple matter to respond to upward changes in the market.

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zinc. We do not believe this posture is in the long-term interest of either the Government or industry.

Section 2 of the bill provides that, unless otherwise authorized by law, disposals may be made only after publicly advertising for bids, except when (1) the material is transferred to a Federal agency, (2) the Administrator of General Services determines that other methods of disposition are necessary to protect the United States against avoidable loss or to protect producers, processors, and consumers against avoidable disruption of their usual markets, or (3) sales are made pursuant to request received from other Federal agencies in furtherance of authorized program objectives of such agencies.

This Agency strongly recommends enactment of the proposed bill.

Senator CANNON. Are you in effect saying that you can dispose of it without disrupting the market contrary apparently to what the people in the business believe?

Mr. ROSS. I don't know exactly what they believe at this point in time, I haven't heard them yet. But the fact of the matter is that the proposal we were considering recognized there would be times in the market when it would be disruptive for them to have to take material from us and introduce it into the normal consumption streams, and the takedown formulas under the agreement we were discussing were geared to producer stocks on hand and it was a mandatory provision of that suggested agreement that they could not draw down in such periods because to permit one or the other of these producers to draw down might put them in a position of disrupting the market. We were being very cautious in the type of program we were trying to work up and we think a long-term program could be worked out.

The fact that the material is excess is known in the industry, and I think it would be probably a stabilizing factor if a long-term agreement was worked out once we had the authority, and I think we can.

Senator CANNON. What is the price presently.

Mr. ROSS. The price of zinc was recently raised, I think it is back up to 15½ cents per pound for prime Western grade, and on the lead I think it is 13½ cents per pound, \$270 a ton.

Senator CANNON. Mr. Englehorn.

STATEMENT OF JOHN R. ENGLEHORN, CHAIRMAN, STOCKPILE AND STRATEGIC MINERALS COMMITTEE, AMERICAN MINING CONGRESS

Mr. ENGLEHORN. Yes, sir, thank you.

Mr. Chairman and members of the committee my name is John Englehorn. I am vice president of the St. Joe Minerals Corp. and appear before you today as chairman of the Stockpile and Strategic Minerals Committee of the American Mining Congress and as a representative of the Lead-Zinc Producers Committee.

I very much appreciate the opportunity to appear before you today and in the interests of time, I will skip about to shorten this although hopefully in so doing, I will be or can be, responsive to some of the questions which Mr. Ross's earlier testimony raised.

Senator CANNON. Your statement will be printed in the record in full.

Mr. ENGLEHORN. Thank you.

Senator CANNON. And I would like you to comment specifically on the issue at hand that he has raised.

Mr. ENGLEHORN. Yes, as best that I can get to it. I have to have some context.

In order to put the quantities of these two important strategic base metals into perspective, I think it is significant at the onset of this hearing for you to understand that they represent something in the neighborhood of 40 percent of the total current annual industrial requirements for these metals in the United States.

I have gone into this kind of a background with the thought that—well, let me go back. The facts that Mr. Ross has testified to in terms of the chronological history of the dialog in which the Government, GSA on the one hand, and the industry on the other, have been engaged in, are perfectly true. It is a matter of interpretation or intent, if you will.

Let me, however, in order to bring the current situation into focus, the current economic situation of the industry at least as we view it, review the following. Here in April 1971, possibly since the end of World War II and certainly since 1957, there could not in my opinion be a less appropriate time for the Congress to be considering legislation having to do with the ultimate release of any quantities of lead and zinc into the domestic industrial markets. You are certainly aware that over the past 15 months or so, the general economic well-being of the U.S. industry has, to say the least, left a great deal to be desired. So it won't come as a surprise to you to learn that the markets for these two base metals have endured their share of problems largely arising from generally depressed economic conditions.

Zinc has been particularly hardpressed as a result of its very heavy dependence upon the rate of automotive production and, to a lesser extent, building construction. Lead, as you may know, has had a problem of a different dimension.

Mr. Ross's earlier testimony mentioned that tetraethyl lead was one of the more important markets for this metal, and it represents a 20-percent market so far as domestic U.S. steel producers are concerned, and the consumption of lead held up rather well. Nevertheless, the market outlook for the metal is seriously depressed by the administration's insistence, from the President on down, that the elimination of lead as a motor fuel additive (which is 20 percent of the present domestic market for lead) would be an important contribution to a cleaner atmosphere. These attacks, largely emotional, rather than medical or scientific, continue unabated.

The American Mining Congress suggests that there is something incongruous about a government which, on one hand, is proposing a confiscatory tax on a product and, on the other, is asking the industry which will be penalized thereby to substitute for its normal production large quantities of material which have been held in reserve for national security purposes.

Let me mention something to you about the state of the industry, and I am referring to about a third of the way down on page 4 of my testimony, Senator.

Since the first of 1971, three domestic lead-zinc companies have announced the closure of four metallurgical facilities.

One, a lead smelter-refiner located near San Francisco, Calif., was shut down in January, and is currently being dismantled. Another, a horizontal-retort zinc smelter located in West Virginia, will be shut down and abandoned within the course of the next several months. And finally, by late summer another horizontal-retort zinc smelter

in Texas and a large electrolytic zinc refinery near St. Louis, will be shut down by the owners. As we understand it, there is no prospect that any of these facilities will ever be operated again.

My own private estimate is this amounts to an employment of something in excess of 2,500 people who are for practical purposes going to be looking for other jobs. These unfortunate events are cited as a means of conveying to you the sort of serious economic condition that the industries find themselves in. Under different, more buoyant circumstances, one could suppose that the elimination of this domestic industrial capacity could create room, as it were, for substitute quantities of stockpile material. The case is, however, that under more buoyant and profitable conditions, the plants probably would not have shut down and, in point of fact, there is today plenty of additional unused capacity available without any requirement for stockpile surpluses.

Now let me, if I may, get more particularly to the question of which comes first, the chicken or the egg, in so far as the legislation is concerned and the development of a program.

I think Mr. Ross would agree that from the commencement of our industry-government discussions, having to do with the long-term disposal of a quantity of about in the area that these bills mention, that there was evidence on both sides that the people were serious and it was not a matter of, as Mr. Ross's testimony might be taken to suggest, it was a matter of being, dragging it on so that, in hopes, it would die from boredom.

Nevertheless, and unfortunately, during the middle or as we were culminating the discussions, the industry fell over the cliff so far as its market is concerned. Everything that could go wrong went wrong and our own feeling is that, as earlier witnesses here have testified, I think the American industries' general feeling is we want to get rid of these stockpile surpluses, if you will, in the vernacular, we want them off our backs, and the lead-zinc industry feels similarly, but our own feeling is at this particular moment things are so bad that the very announcement in the press that a bill, even with the safeguard that Mr. Ross mentions, involving an additional half a million tons of lead and zinc which might come on to the market in the indeterminate future would be severely depressing. I guess what we are really asking is let's wait for a more appropriate time.

(Statement follows:)

STATEMENT OF JOHN R. ENGLEHORN ON BEHALF OF THE AMERICAN MINING CONGRESS IN REGARD TO LEAD DISPOSAL LEGISLATION—S. 764 AND ZINC DISPOSAL LEGISLATION—S. 766

Mr. Chairman and Members of the Committee, my name is John R. Englehorn and I reside in Stamford, Connecticut. I am Vice President of St. Joe Minerals Corporation, and appear before you today as Chairman of the Stockpile and Strategic Minerals Committee of the American Mining Congress and as a representative of the Lead-Zinc Producers Committee.

My testimony today addresses itself specifically to S. 764 and S. 766, which I understand are Administration-sponsored bills designed to release from Congressional Control 498,000 short tons of lead and 515,200 short tons of zinc now considered to be surplus to the nation's strategic stockpile reserve.

In order to put the quantities of these two important strategic base metals into perspective, I think it is significant at the onset of this hearing for you to understand that they represent something in the neighborhood of 40 percent

of the total current annual industrial requirements for these metals in the United States.

The record will show that over the past seven years the lead and zinc industries, both producing and consuming, have testified before this committee in support of legislation to release certain limited quantities of these two metals at times when industrial demands exceeded the producing industries' then current ability to supply them. It is to be emphasized, however, that these were relatively small quantities and their availability to the market occurred when economic and industrial circumstances made it desirable from the standpoint of all concerned. It should be said finally that in each of these instances the producing industry was accorded every consideration as the General Services Administration, the stockpile disposal agency involved, designed and implemented its disposal procedures. In other words, it was done in an orderly fashion which provided assurance that the normal commercial markets would not be disturbed. This, as you know so well, is the spirit and indeed the letter of Congressional intent when stockpile materials eventually are returned to the industrial market.

I have gone into this background with the thought that it might make your deliberations easier if you were to have a fuller appreciation of the differences in circumstances obtaining earlier when surplus lead and zinc became available.

However, focusing on April 1971, possibly since the end of World War II and certainly since 1957, there could not in my opinion be a less appropriate time for the Congress to be considering legislation having to do with the ultimate release of any quantities of lead and zinc into the domestic industrial markets. You are certainly aware that over the past 15 months or so, the general economic well being of United States industry has, to say the least, left a great deal to be desired. So it won't come as a surprise to you to learn that the markets for these two base metals have endured their share of problems largely arising from generally depressed economic conditions.

Zinc has been particularly hard-pressed as a result of its very heavy dependence upon the rate of automotive production and, to a lesser extent, building construction. Lead, as you may know, has had a problem of a different dimension. Its consumption held up, at least during 1970, in a very satisfactory fashion. Nevertheless, the market outlook for the metal is seriously depressed by the Administration's insistence, from the President on down, that the elimination of lead as a motor fuel additive (which is 20 percent of the present domestic market for lead) would be an important contribution to a cleaner atmosphere. These attacks, largely emotional rather than medical or scientific, continue unabated. In fact, just last Thursday a Commerce Department panel released its report to the effect that "unleaded, low-octane fuel can be provided for new vehicles without major dislocations in the petroleum refining industry." The American Mining Congress suggests that there is something incongruous about a government which, on one hand, is proposing a confiscatory tax on a product and, on the other, is asking the industry which will be penalized thereby to substitute for its normal production large quantities of material which have been held in reserve for national security purposes.

As late as a year ago we in the lead and zinc producing industry and officials of the General Services Administration were discussing terms and conditions under which relatively large quantities of lead and zinc might be slowly introduced into the industrial markets over an extended period of time—and controlled in such a fashion as to minimize the disruptive influences which otherwise might result from this type of program. These discussions were abandoned only when it became apparent later on in the year that the industries were in such a state of economic crisis and threatened by loss of markets that it made no sense whatever to continue to talk about a course of action which would be disruptive even long before any physical metal might supplement the natural availability of supplies from regular producers.

What I am attempting to convey is that, by the summer of 1970, those of us in the producing industry had concluded that even the act of continuing to talk to GSA officials on these matters could cause a weakening in market sentiment which was certainly undesirable and, we thought, unnecessary. We continue in this conclusion.

Since the first of 1971, three domestic lead-zinc companies have announced the closure of four metallurgical facilities. One, a lead smelter-refiner located near San Francisco, California, was shut down in January, and is currently being dismantled. Another, a horizontal-retort zinc smelter located in

West Virginia, will be shut down and abandoned within the course of the next several months. And finally, by late summer another horizontal-retort zinc smelter in Texas and a large electrolytic zinc refinery near St. Louis will be shut down by the owners. As we understand it, there is no prospect that any of these facilities will ever be operated again. These unfortunate events are cited as a means of conveying to you the sort of serious economic condition that the industries find themselves in. Under different, more buoyant circumstances, one could suppose that the elimination of this domestic industrial capacity could create room, as it were, for substitute qualities of stockpile material. The case is, however, that under more buoyant and profitable conditions, the plants probably would not have shut down and, in point of fact, there is today plenty of additional unused capacity available without any requirement for stockpile surpluses.

The United States zinc industry during 1970 operated its plants at a rate 16 percent lower than it did in 1969, despite which producers' stocks rose by 75 percent. The corresponding stock-increase figure for lead was 300 percent. Additionally, there is quite frankly more than enough slab zinc and pig lead of foreign origin available to this market from overseas producers who have, in most cases, the advantage of artificial economic incentives to erect and operate new plants whose only possible ultimate market is the United States. It is recognized that this hearing does not address itself to questions of subsidies, tariffs, quotas, or any other such matters. They are, however, not extraneous in the sense that the ultimate effect of sales from the stockpiles will be entirely borne by United States producers. The foreign supplier will not be asked, cannot be forced, to accept a "share" of the sacrifice.

The lead and zinc industries are faced with heavy capital expenditures to meet more stringent standards for air and water now being evolved. To ask these industries to cope with reduced demand, higher operating costs, greater capital expenditures, and now to add the burden of competing with the government stockpiles for their sales seems to us both unfair and, in the national interest, unwise.

Therefore, we ask that the proposals now before you not be adopted.

Senator CANNON. Do you see any possible chance that you would have any opportunity to dispose of any lead and zinc this year if you had the authority?

Mr. Ross. Well, we can't, of course, any of us predict the future but certainly zinc and lead stocks are at a high level now. We are not quarreling with that position at all. But hopefully with an improvement in the economic climate, this situation could quickly come down again.

The Government feels that it should be in a position to respond to changes in the marketplace so that it can move material. We cannot, the whole mechanism of Government can't respond as rapidly as market changes come about in the marketplace. They can change drastically in a few months. And the whole process of obtaining legislation can be a long-term thing in terms of the way the market reacts. We feel that we will require some further time to work out a disposal arrangement so that if we had the authority now we could get down to working this out. We have further consultation to undertake with the rest of the lead and zinc industry, the consuming industry.

It was our plan when we had gotten pretty well along with our understanding with the U.S. producers, that we would call the whole industry together and discuss the participation of the consumers as well since there will be a set-aside for them.

Further, the State Department will have to undertake consultations which they don't normally undertake until legislation is obtained with the foreign producers who obviously are also going to be concerned.

Consequently, we think that with the disposal legislation in hand it will be some time before we could work out a meaningful program.

Currently we do have lead authorized for disposal, we are not mov-

ing much except for Government use, and the same with zinc, although we will be shortly out of authority on zinc at the present rate.

Senator CANNON. How much do you have remaining now.

Mr. Ross. Of zinc? There are about 44,000 tons available now of which 22,000 are for direct use by the Government and the remainder for commercial sale. On the lead we have a larger quantity, about 108,000 tons of which 30,000 are for direct use by the Government and the balance is available for domestic sale.

Senator CANNON. How much did you dispose of last year.

Mr. Ross. In fiscal year 1970 we disposed of 28,165 short tons of lead. And of zinc 6,108 tons.

Senator CANNON. So even based on last years disposal you have enough to last for several years.

Mr. Ross. In fiscal year 1971 we have disposed of only 6,700 tons of lead but we have disposed of 20,000 tons of zinc, the bulk of which was sold to the mint for use in its coinage programs.

Mr. ENGLEHORN. Not for industrial purposes.

Mr. Ross. No, not commercially.

Mr. Chairman, as I indicated earlier, our interest in it is in obtaining the legislation so we can move ahead on a meaningful program which will be geared to respond to the needs of the market. This is the kind of program we have in mind for lead and zinc and certainly we would not expect any industry to absorb quantities of this material when stocks are very high.

The plan, the program, we talked about envisaged roughly 50,000 tons of lead and zinc each year to be distributed among the several producers which compares with producer stocks on hand now of zinc of about 100,000 tons and lead about the same. But we do need the mechanism, to have it established, so that when the time comes that the market can readily absorb it, it will.

Senator CANNON. Mr. Johnson.

STATEMENT OF LINDSAY F. JOHNSON, ON BEHALF OF LEAD-ZINC PRODUCERS COMMITTEE

Mr. JOHNSON. Mr. Chairman, my name is Lindsay F. Johnson. I reside in Southern Pines, N.C. My appearance is on behalf of the Lead-Zinc Producers Committee.

Much of what I will say can be related to the U.S. minerals position as a whole, but I wish to speak today specifically to the legislative proposals under consideration by this committee relating to lead and zinc as embodied in S. 764 and S. 766.

I count it a privilege to be here today because it affords me an opportunity to bring to this committee for its consideration matters I believe to be vital to the general welfare and security of our country.

The committee has been well briefed on the deteriorated and tenuous state of the U.S. lead and zinc industries at this time and, except to reiterate that these are the sad facts, I make but further brief reference to them.

I want to talk about policy.

I want to show the committee that there is a properly conceived and recorded Government policy with respect to mining and minerals in the United States.

I want to show the committee that because of the unquestioned adverse impact that they would have on the lead and zinc industries, the administration's proposals embodied in these bills fly directly in the face of this policy.

I make reference to Public Law 91-631 enacted by the 91st Congress. I would like to submit a copy of that law for the record in this proceeding and have attached one to the statement provided.

Bear with me while I read in part the policy expressed by the Congress in that law.

The Congress declares that it is the continuing policy of the federal government in the national interest to foster and encourage private enterprise in (1) the development of economically sound and stable domestic mining, minerals, metal and mineral reclamation industries, (2) the orderly and economic development of domestic mineral resources, reserves, and reclamation of metals and minerals to help assure satisfaction of industrial, security and environmental needs.

In consideration of that legislation, hearings were conducted by the Subcommittee on Minerals, Materials and Fuels of the Committee and Insular Affairs of the Senate and by the Subcommittee on Mines and Mining of the Committee on Interior and Insular Affairs of the House of Representatives. Both committees issued comprehensive reports, and I submit copies of them for the record. These reports contain much that certainly expands the meaning of the policy expressed in the law itself. There is much in these reports relating specifically to stockpile, and I recommend them to the committee's attention.

As is well known, this national mining and minerals policy was not hurriedly conceived. It was, in fact, many years in the making and final recording into law. It is not to be taken lightly because it is the foundation from which our Nation can build security of its minerals needs which today is sadly deficient.

I submit to you that it must be concluded that it was the intent of Congress that from this foundation constructive measures would spring to bring about the sorely needed security by the means expressed in the policy.

Certainly it was not the intent of Congress in setting this policy to countenance destructive measures that would defeat the purposes set out in the policy.

I respectfully submit to you that many of the things that have been done and that are proposed relating to the mining industry in the United States must be classified as destructive when related to this policy. Burdening industries already staggering and fraught with uncertainties from many quarters with a huge overhang of lead and zinc metal must be counted as only destructive in the present circumstances. Perhaps OEP has overlooked the fact that we do have a policy.

It is about time to remember that we do have a policy and that we ought to respect it. We should be directing our attention to measures that will implement that policy as quickly as possible, for it is a good policy, and certainly we should not be doing things that will break it down or long defer the day when it can be implemented. It may be too late.

The Congress in this case has the power to prevent a destructive action which would be clearly against the policy and against the

national interest at this time, and I respectfully urge that the Congress do so by deferring any action on the bills in question.

By such action the Congress not only will reaffirm the national mining and minerals policy but will indicate clearly that progress toward the highly essential goals the policy seeks will not be impeded by avoidable adverse factors.

I thank you for the opportunity to speak to you this morning.
(Attachments follow:)

[Public Law 91-631; 91st Cong., S. 719, Dec. 31, 1970]

AN ACT To establish a national mining and minerals policy

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Mining and Minerals Policy Act of 1970."

SEC. 2. The Congress declares that it is the continuing policy of the Federal Government in the national interest to foster and encourage private enterprise in (1) the development of economically sound and stable domestic mining, minerals, metal and mineral reclamation industries, (2) the orderly and economic development of domestic mineral resources, reserves, and reclamation of metals and minerals to help assure satisfaction of industrial, security and environmental needs, (3) mining, mineral, and metallurgical research, including the use and recycling of scrap to promote the wise and efficient use of our natural and reclaimable mineral resources, and (4) the study and development of methods for the disposal, control, and reclamation of mineral waste products, and the reclamation of mined land, so as to lessen any adverse impact of mineral extraction and processing upon the physical environment that may result from mining or mineral activities.

For the purpose of this Act "minerals" shall include all minerals and mineral fuels including oil, gas, coal, oil shale and uranium.

It shall be the responsibility of the Secretary of the Interior to carry out this policy when exercising his authority under such programs as may be authorized by law other than this Act. For this purpose the Secretary of the Interior shall include in his annual report to the Congress a report on the state of the domestic mining, minerals, and mineral reclamation industries, including a statement of the trend in utilization and depletion of these resources, together with such recommendations for legislative programs as may be necessary to implement the policy of this Act.

Approved December 31, 1970.

[H. Rept. 91-390, 91st Cong., first sess.]

ESTABLISHING A NATIONAL MINERALS POLICY

The Committee on Interior and Insular Affairs, to which was referred the bill (S. 719) to establish a national mining and minerals policy, having considered the same, reports favorably thereon with amendments and recommends that the bill (as amended) do pass.

PURPOSE OF THE BILL

The purpose of Senate bill 719 is to concisely enunciate and declare an overall national minerals policy. The bill further declares that "it shall be the duty of the Secretary of the Interior to carry out this policy when exercising his authority under such programs as may be authorized by law other than this act" and directs the Secretary of Interior to include in his annual report to the Congress "a report on the state of the domestic mining and minerals industry, including a statement of the trend of utilization and depletion of these resources, together with such recommendations for legislative programs as may be necessary to implement the policy of this act."

These two directives of the bill clearly place upon the Secretary of Interior the responsibility of carrying out the national minerals and mining policy established by the bill.

NATIONAL MINERALS POLICY

Under the provisions of S. 719, a national policy would be established to guide the Federal Government in fostering and encouraging: (1) development of an economically sound and stable domestic mining and minerals industry (2) the orderly and economic development of domestic mineral resources and reserves to help to assure satisfaction of industrial and security needs, and (3) mining, mineral, and metallurgical research to promote the wise and efficient use of domestic mineral resources. The responsibility for carrying out the provisions of S. 719 is assigned to the Secretary of the Interior thus placing primary overall responsibility on a single Cabinet Officer and assuring Congress of a direct source of advice and counsel as to attainment of the bill's objectives.

The Secretary of the Interior would submit an annual report to Congress on the state of the domestic mining and minerals industry, including a statement of the trend in utilization and depletion of these resources, together with recommendations for legislative action necessary to make effective the policy of the act. Such a report would provide an assessment and objective evaluation of national progress in providing for a strong domestic mining and minerals industry.

The functions of a number of agencies of the Federal Government affect minerals and mining directly or indirectly, including international relations, foreign trade, taxation, and air and water pollution, to name a few. Yet there is no stated policy or overall set of guidelines by which their actions can be coordinated. S. 719 would provide such coordination of Federal planning and action with respect to the domestic mining industry. While such a policy is concerned with principle rather than detail, and is an expression of broad goals, it would give direction to Federal Government procedures and policy through its basic statement of principle.

There are myriad Federal laws that affect the mining and minerals industry, but each was passed to meet a particular problem or purpose, and usually, the overview of the direction of the minerals industry was not considered. As a result, some of the actions taken have been counter-productive of the objectives of this measure. S. 719 would give clear direction to the executive branch of Government in its implementation and coordination of these laws. The same would apply to development of future legislation.

A national mining and minerals policy would serve as a statement of fundamental principles or objectives against which the executive branch can measure proposed action and against which the Congress can measure legislation. This includes such areas of critical importance to the mining industry as manpower training and recruitment, research in mineral recovery, mining methods and health and safety, environmental quality, public lands, stockpiling tax policy, mine finance, and foreign trade. Overall, it has profound implications to the economic future of the United States, which is based so heavily on a continuing supply of minerals, both domestic and foreign.

As we permit our Nation to become more and more dependent upon foreign sources, for minerals important to our industry, we tend to lose the ability to find and produce these minerals domestically. Our dependence tends to encumber our foreign policy and limit our freedom of movement within the family of nations. It is, therefore, in the national interest both in terms of foreign policy and national defense, that our ability to domestically produce important mineral commodities be improved and maintained.

The wise and efficient use of mineral resources is necessary for the advancement of technological knowledge in the minerals field, on which, in turn, the future of the Nation is dependent.

S. 719 would serve to give impetus to the alleviation of the severe shortage of trained mineral specialists and engineers by encouraging young people to favorably consider a career in the minerals industry. Today enrollments in mineral technology courses are at an all-time low and the number of mining schools declines each year.

Ultimately, we are going to be required to turn to the lower grade ore deposits and deposits at very great depths to satisfy our mineral requirements. Such endeavors will require research, both basic and applied. The bill establishes the policy of fostering research, both Government sponsored and private, to deal with the technological problems of locating and extracting such mineral deposits.

The Nation has become painfully aware of our deteriorating environment. The

mining industry is also aware of the problem and has developed practical solutions for many of the problems. But, as further environmental quality improvement is sought, the technical difficulties and the cost of gaining each new increment of quality, greatly increases the costs of operation and may make the difference between feasibility and infeasibility in the mines' economic picture. A national mining and minerals policy will help to prevent the promulgation of inconsistent regulations and the adoption of counter-productive policies that tend to thwart these national objectives.

Research can be particularly beneficial in assisting the mining industry to cope with the many new requirements that our increased concern over environmental quality places upon mine operators. The Federal Government should engage in long-range research programs which will provide the technology necessary for private industry to implement practices designed to improve the quality of our environment. It should establish and maintain policies and programs which supply the needed trained specialists, and publish and disseminate data and technical information relevant to environmental quality matters.

Before the mining industry can be expected to deal effectively with the new demands of environmental quality concerns and remain economically viable, the industry must have the necessary tools. These tools include trained specialists, the results of successful research in improved mining, beneficiation, and waste disposal practices, and governmental policies which take into account the increased costs involved.

While private enterprise must supply the national demand for minerals, the Federal Government has the obligation to encourage a healthy domestic mining industry for the sake of the Nation's overall security and economic well-being. Minerals are recognized as being critical and essential to the Nation's economy and security, and as such a dependable and adequate supply would be encouraged by the development of a coordinated national mining and minerals policy. The Federal Government can contribute to mineral development through policies that permit and encourage exploration and mining and through activities carried out in close cooperation with private industry.

A national minerals policy would foster the improvement of the Nation's capability to use mineral supplies more efficiently and encourage the reuse of minerals.

Encouragement of research as envisioned in S. 719 would help develop practical methods for supplementing resources found in land with those found under the sea.

While it is recognized that all of our mineral requirements cannot be met by domestic sources, improvement of our ability to produce important minerals, domestically, is in the national interest, and a national mining and minerals policy would provide goals toward which the mining industry and the Federal Government can work together in close cooperation.

Finally, this policy is designed deliberately in general terms, recognizing the need for flexibility. The policy will require continued scrutiny and review and must be flexible to respond to changes in demand, economics, security, and environmental requirements.

NEED

The United States is an enormous consumer of minerals and fuels. The starting truth is that we have consumed more of these resources in the past 10 years than the entire peoples of the world consumed in all previous history. Population growth and increasing per capita mineral demands are placing unprecedented pressures upon the Nation's minerals base. The Congress cannot avoid its responsibility to establish policies designed to insure that an adequate supply of mineral commodities are available to our manufacturing industry. A minerals policy that encourages a strong domestic mining industry will assist in developing the capability of supplying these projected needs.

There is a great need for increased domestic mineral exploration and development. Factors which now serve to encourage foreign operations by American companies are growing less attractive and many domestic producers, lacking a broad financial base, find themselves captive to a declining resource base and a static technology.

A minerals policy must recognize the need for domestic industry to enter upon and explore the public lands. These lands are a major source of domestic minerals and should not be closed to mineral development unless there is a compelling national interest.

The development of a sound and enlightened minerals policy can only come about when the general public has an awareness of the importance of minerals in its everyday life. Passage of legislation by itself will not insure that the public realizes that its future depends on minerals. There is a great need for increased education and awareness in this area and a minerals policy would improve the opportunities for such communication.

There is a continuing decline in the number of students studying earth sciences. The colleges and universities are not producing enough graduates in mineral technology to meet the expanding needs. The number of schools with accredited curricula in mining engineering has dropped seriously.

The Assistant Secretary of the Interior, Hollis Dole, made this point graphically in his excellent presentation to the committee:

In the professional areas of mining and earth sciences, we are facing a crisis. Our colleges and universities are not producing enough graduates in the mineral sciences to meet our expanding needs. In fact, we are losing ground. This year, for example, American universities are graduating a total of only 110 mining engineers, and many of these are foreign students who are returning to their own countries.

Equally alarming is the fact that in 1967 only 17 educational institutions had an accredited curriculum in mining engineering. The median number of seniors was approximately six. There were at the same time 19 graduate programs in mining with a median participation of eight graduate students, and half of these were foreign nationals.

Encouragement and assistance are needed if mining and mineral technology is to be improved. Should the Nation continue on its present course, with a relatively static technology, its economic growth and standard of living will be severely limited by resource constraints in a few years. There is a need for the country's long-term mineral supplies to come from sources not now technically or economically feasible to obtain. The encouragement of improved technology is essential to fully develop these resources.

In summary, as the United States seeks to maintain and improve its high standard of living, it must insure that essential mineral needs are met at reasonable cost. S. 719 would encourage new discoveries, technologies, and capabilities thus assuring the Nation's continued economic strength.

The committee believes it is important that this policy be enacted in the form of a law, with full and binding effect. As a law, enacted under constitutional procedure, it will not only bind all agencies of the Government, but it will, more importantly, serve as a beacon, giving guidance to all agencies in carrying out their missions. As a result, contradictory and counterproductive regulations and programs are less likely to be adopted and effected.

MINERALS POLICY

Hearings

Hearings were held on S. 719 before the Minerals, Materials, and Fuels Subcommittee on July 9, 1969. These hearings extended until late in the afternoon. More than 30 witnesses either appeared in person or filed written statements, all of which were favorable. In addition, many communications were received supporting or endorsing the measure, a large number of which came from colleges and universities. The present administration favors the bill as did Dr. Walter Hibbard, former Director of the Bureau of Mines, and he so indicated at the March 21, 1968, hearings before the subcommittee.

Commenting upon the testimony during the hearings, Senator Allott, principal sponsor of the measure, observed:

* * * that this is without doubt the finest coordinated set of papers I have ever seen in any committee before Congress.

It was evident, by the high quality of the various presentations that considerable thought had gone into their preparation.

Amendments

The Department of Interior recommended three minor clarifying amendments, which were adopted in substance by the committee with minor changes to conform the grammar.

1. On page 1, line 9, after the word "orderly" the words "and economic" were inserted.

2. On page 1, line 10, the committee struck out "necessary" and inserted in lieu thereof the words "to help."

These amendments reflect the fact that some necessary minerals may not be available domestically or that domestic production may not be economic.

3. On page 2, line 4, the committee struck out the word "in" and inserted in lieu thereof the words "when exercising his authority under."

The Department of the Interior requested this amendment in order to bring the language of the bill in accord with the mineral policy and program responsibilities of the Secretary.

The committee accepted these amendments since they did not, in any way, change nor modify the purpose and intent of the bill.

DEPARTMENTAL REPORTS

EXECUTIVE OFFICE OF THE PRESIDENT,
OFFICE OF SCIENCE AND TECHNOLOGY,
Washington, D.C., July 7, 1969.

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

DEAR CHAIRMAN JACKSON: Thank you for the opportunity to comment on the bill to establish a national mining and minerals policy—S. 719. Specifically, the proposed bill declares a national policy in mining and minerals and assigns responsibility to the Secretary of the Interior to carry out the policy and to report to the Congress annually on the state of the domestic mining and minerals industry. It also requires him to recommend legislation to implement the policy. While the bill is brief, the issues it raises are far-reaching and complex.

I believe the committee should be commended for focusing public attention on an area of public policy of which the general public is not sufficiently aware. There has been no broad review of our Nation's policies with respect to supply and demand of minerals since the Paley Commission report, completed in 1952. And, more importantly, there has been insufficient attention to the policies which Government must pursue in order to meet our mineral needs in an orderly and economical manner. A fresh assessment is needed not only to determine supply with respect to potential needs, but because of the new dimensions of public policy that are of increasing public concern.

I believe that we should view our minerals policy from a broad long-term national perspective. There are numerous current problems affecting particular minerals, their associated industries and workers, and it is essential that the national policy be directed toward ensuring the availability of adequate economical supplies of minerals to meet the Nation's needs now and in the future. As our standard of living rises and we depend more on technological innovations and improvements, we will need more fuels, metals and other minerals. Adequate mineral supplies are therefore essential to the long-run economic development of the Nation.

Our use of minerals in the past, however, has led to depletion of many of the rich, easy-to-mine deposits in this country. Although rich foreign resources have in some cases proved substitutes for the lower grade domestic ores, in the long run they also will be depleted. This is especially evident when one realizes that foreign demands may accelerate even faster than our own as other nations become industrialized.

To meet the world's long-run needs, it will therefore be essential to develop economical means for using the lower grade ores remaining. The best hope of achieving this is the development or improvement of technologies for finding, mining, and processing the resources available. While there is a great deal which can be done to improve present mining and processing systems, such as increasing the scale of open-pit mine operations, a whole array of radically different approaches has been suggested. Many of these approaches are based on the use of large, low-cost energy sources. These range from in situ recovery through nuclear explosives or leaching, to electric reduction techniques using nuclear electricity from the breeder reactor, to separation of elements in ores and solid wastes using a fusion plasma. Admittedly, some of these are "blue sky ideas," but if we hope to meet the vastly increased demands projected for the next 25 or 50 years such extraordinary measures will be required.

When meeting our future needs "economically" we must consider as real costs the health and safety of those who work in the mines and processing plants and the quality of the environment in and around these facilities. Recent concern for coal and uranium miners, as well as for the land around strip mines, clearly

shows public sentiment for considering such costs. As lower grade ores are mined, even more solid wastes will be produced, exacerbating that problem. Technological developments may prove the only feasible solution for economically meeting these new requirements.

The stress on technology which I have outlined above provides the primary long-term solution to improving the U.S. minerals industry. Traditionally, this country has made progress by improving the productivity of our industries and workers through technology and education. Problems may be temporarily alleviated by protection of domestic industries, but this tends to distort major segments of the economy and to increase the real cost of living. Increased productivity through adaption of new technology has been the established road to progress in this country in industry generally and has resulted in a standard of living for the U.S. worker second to none. I believe that the minerals industries can also expect to participate in an improved standard of living, but we must devote a great effort to the need for better technology in order to meet our future needs. Certainly a congressional declaration of policy to that effect—as is contemplated by S. 719—would be a useful step in that direction.

We envision that the Department of the Interior would take the lead in identifying the areas where research and development of new technology would be most useful. While this first step would be conducted or funded by the Government, its purpose would be to guide industrial and university efforts as well as subsequent Government work. In cooperation with the Bureau of Mines, we have recently contracted with TRW, Inc., a large industrial firm with experience in new technologies and far-reaching systems studies, to develop an R. & D. plan for underground coal mining. This is really an experiment to ascertain how advanced technologies and methods can be applied to a particular segment of the mining industry and, hopefully, may provide a model for Interior's subsequent efforts on other minerals problems.

Stimulation of research and development in the minerals area should in the long run help to alleviate the shortage of highly trained technical manpower required for the future. Support of significant new university research projects by industry and Government should enable the universities to attract new students and faculty members.

The large variety of commodities identified as minerals makes it difficult to assure that any single policy or group of policies would be equally applicable to all. As indicated above, there are some minerals such as chrome and mica, for which domestic sources are essentially not available; others, such as cement and salt, are in plentiful supply domestically; while for still others domestic supplies exist but have difficulty competing with foreign source at present. In addition, some of the minerals, especially fuels, raise economic and policy issues so broad that many interests beyond the Department of the Interior are concerned.

Petroleum offers a case where both the import issue and the large number of points of view would make a single agency review of the overall policy at best uncertain. As you know, the oil import policies of the previous administration have been subject to criticism by both industry and consumer groups. This administration has concluded that a comprehensive review of our oil import policy should be the first order of business. To accommodate the many interests and points of view involved. The President established a Cabinet-level task force, consisting of seven department heads, plus observers from six other agencies, to make the review.

Although there is no inherent difference between fuels and nonfuel minerals, the relative numbers, magnitude, and impact on the overall economy of our sources of fuel supply may make it desirable to treat them separately. The value of our annual domestic petroleum production, for example, exceeds the combined value of all the nonfuel metals and minerals. While the value of coal and natural gas is not so large as that of oil, it is still much larger than any individual nonfuel mineral. The multiagency involvement in energy is pointed up by the fact that OST plays a role in coordinating energy policy on a Governmentwide basis.

We, therefore, support the effort initiated by the sponsors of S. 719 and your committee to establish a minerals policy for the United States emphasizing the need for development of new and improved technologies for exploration, mining, processing, and utilization of mineral resources to meet the Nation's long-term needs. We believe that certain language changes in the text of S. 719, as proposed by the Department of the Interior, are desirable. With such changes, we urge enactment of the bill.

I hope that we can be of assistance in supporting the commendable purpose of S. 719—to develop a minerals policy for the Nation which will enable the minerals industry to continue to play its rightful role in improving the standard of living of all Americans.

Sincerely yours,

LEE A. DuBRIDGE,
Director.

U.S. DEPARTMENT OF THE INTERIOR,
OFFICE OF THE SECRETARY,
Washington, D.C., July 9, 1969.

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

DEAR MR. CHAIRMAN: Your committee has requested this Department's views on S. 719, a bill to establish a national mining and minerals policy.

This bill would declare that it is in the best national interest to foster and encourage the development of the domestic mining and minerals industry, the development of domestic mineral resources to meet industrial and security needs, and mining, mineral, and metallurgical research. It directs the Secretary of the Interior to carry out this policy in accordance with other statutes authorizing such programs, and to make an annual report to Congress.

This legislation does not provide any new authority. We believe, however, it is desirable to establish such a national policy and to carry it out. In establishing and carrying out such a policy, the administration, of course, would take into account other national policies, such as those relating to the conservation of these resources and the protection of the environment and other resources values and, most importantly, the national need to improve the health and safety of those who work in these industries.

Among all people, we in the United States enjoy the highest standard of living—a standard featuring the consumption of an extraordinary volume of minerals and their products. We, as a nation, seek to maintain and improve this standard and to insure at the same time that our essential mineral needs are met at costs that are in line with other material and service costs.

Accordingly, there can be little argument with the basic assumption that mineral substances and the products derived from them form the material foundation of our society. These minerals and metals are woven into every pattern of our economy and technology. Many of them are critical to national security.

With respect to the Nation's long-range mineral position, we believe the United States has cause for deep concern. It is our considered opinion that unless an urgent effort to upgrade minerals and mining technology is launched soon, we face the possibility that the growth in our standard of living will be limited due to mineral resource constraints within 20 to 30 years.

While in one sense it is true that we are not "running out" of mineral resources, the United States definitely is past its "flush" period of rich, easily accessible, easily mineable mineral resources. New mineral technologies are needed to aid mineral discovery and profitable production and processing.

A recent study on mineral science and technology conducted by the National Academy of Sciences, the National Academy of Engineering, and the National Research Council warns that "despite the key role of minerals in our society and the vastly increasing worldwide demand for mineral products, mineral technology in the United States is in a declining state, and serious trouble lies ahead for the country unless corrective actions are taken promptly."

We find ourselves in this troublesome position for a number of reasons, such as the wasting nature of mineral deposits, declining grades of ore at home, increasing competition for high-grade deposits abroad, and a growing shortage of trained mineral specialists and engineers, to mention just a few.

Even the most conservative projections of mineral consumption and requirements indicate that assuring future supply will require new discoveries, technologies, and capabilities. How we plan or provide for future supplies will become the controlling factor in how effective we are in meeting future requirements.

The latest Bureau of Census median projection for population of the United States in the year 2000 is 320 million, and the United Nations estimates that the world's population will climb to 6½ billion by the year 2000.

With only about 6 percent of the world population at present, the United States consumes almost one-third of the world's minerals. Twenty years ago the United States had 9.5 percent of the world's population and consumed about half of the world's minerals. At that time, there was a 9 percent domestic production deficit with a possible 20 percent deficit forecast for 1975.

We have already exceeded the figure projected for 1975 and the gap between domestic production and consumption is widening at a frightening rate.

Presently, we tend to appraise our resources and supply capabilities on the basis of foreseeable apparent demands for the various commodities, tempering our findings by such intelligence as may be available as to how these demands might change from current and historical patterns. In developing our longer term strategy, the possibility of developing domestic alternatives to imports should be given increased attention by both industry and Government as a means of enhancing the general welfare and national security.

All elements of the mineral-related industries, the ultimate consumers of metals and mineral products. Federal and local Governments, educational establishments, and even the public at large share responsibilities for mineral supply. Meeting the national need for minerals is a function of a private enterprise, but the Government has a variety of obligations and a significant supporting role as our security and overall economic well-being depend upon the continued availability and an adequate and dependable flow of mineral raw materials.

Faced with rising demand and widening competition, the alternatives open to the United States to augment its mineral resource base include (1) a shift of investment to foreign sources of supply, or (2) development and utilization of new technology to exploit domestic deposits of lower grade or those presenting more difficult mining and metallurgical processing problems. Although U.S. mineral producers have made use of both alternatives, the trend has been investment shifts to foreign sources. But the number of producers with the financial resources to move in this direction are limited, and, thus, most domestic producers find themselves captive to a declining resource base and a relatively static technology.

An additional complication exists in the fact that there are certain mineral substances for which we must, to the best of our current knowledge, be virtually dependent upon foreign supply. Usable resources are not now, nor likely to be in the future, present in nature in a system that conforms to any ethnical, political, or continental patterns. Thus, access to world supply will continue, as it has in the past, to be sought through alliances or mutually advantageous trade agreements—most of a transitory nature.

But regardless of this overseas dependence for certain minerals, we must search for more domestic mineral deposits that can be worked economically with present technology, or produce the technology that will enable us to process deposits that are presently marginal. Even if we make this investment, imports will increase.

The Nation is also faced with the problem of insuring the optimum use of its land surface. With the projected increase in population there will be increased demands on land use for the growth of food, for living space, and for recreation. These pressures already are such in some areas of the United States that land prices would obviate the exploitation of the mineral resources in the land if any were found. These pressures can only increase. The problem is compounded by land pollution arising from some past mining practices and disposal of mineral waste materials.

The disposal, control, and reclamation of mineral waste products not only pose technologic and sociologic problems but also are or may be economic factors in the effective conservation and use of mineral resources. Specifically, methods must be sought to improve recovery systems in order to reduce mineral losses and to reduce the volume of products finally discarded. The impact of mineral extraction, processing, and use upon the physical environment has become a matter of national concern. The problems that arise from mineral production cannot be treated apart from environmental degradation that stems from the mining, treatment, or use of any mineral substance. Accordingly, concern for pollution of air, land, and water, together with the ultimate disposal of all mineral-based waste products and reclamation of the land for other uses, must influence every program undertaken to alleviate the mineral supply threat.

Whereas improvements in mineral technology and efficiency have, in the past, made it possible, in a limited extent, to commercially recover and employ minerals from lower grade and more inaccessible sources, the challenge of the future is

to make a massive improvement upon this capability while at the same time implementing more effective means of limiting environmental degradation.

No overall single solution applies to the national problem of mineral supply, but generally accepted positions exist on essentially every facet of this complex subject, and these do not change very often. Of these the principal and most important element is recognition of minerals as being critical and essential to the Nation's economy and security, and the need to assure an adequate and dependable and continuing supply of these vital materials. It seems safe to assume that this position will continue to prevail and to gain in significance.

The importance of leadtime to the solution of impending mineral supply problems is critical to our national interest. But to achieve this leadtime we must substantially improve our capacity to isolate, appraise, analyze and forecast events that promise to upset supply-demand patterns in some significant way.

With properly directed purpose:

We can expect a gradual transition to lower-grade and less-accessible deposits for our essential needs.

We can expect that practical methods will be developed for supplementing our land resources with minerals from the ocean, the ocean floor, and submarine surfaces.

We can expect improvement in our capability to use our supplies more efficiently, to speed-up reuse cycles, and recapture much greater percentages of our mineral substances that are presently lost in the extractive processes or unreclaimed from worn-out or discarded items.

We can expect to learn more about how to substitute relatively abundant materials for substances in short supply without sacrificing quality or adding to the cost of the end product.

Our achievements toward these ends will be constantly held back if trained manpower is not available. Even if the present unfavorable outlook for an adequate supply of talent to meet the challenge of the immediate future could be sharply reversed soon, it seems likely that we shall continue to suffer in this regard for several decades. Unless we meet this challenge intelligently at home, our latent mineral potential will never be realized and our eventual dependence on others for most of our essential material needs is a virtual certainty.

We recommend the enactment of S. 719 with the following clarifying amendments:

1. On page 1, line 9, insert "economical" after the word "orderly".
2. On page 1, line 10, change "necessary to" to "to help".

These amendments are designed to reflect the fact that some necessary minerals are either not available at all domestically or their domestic production would be uneconomical.

3. On page 2, line 4, strike "in" and insert "When exercising his authority under".

This change is designed to bring the language of the bill in accord with the mineral policy and program responsibilities of the Secretary of the Interior.

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

Sincerely yours,

WALTER J. HICKEL,
Secretary of the Interior.

[H. Rept. 91-1442, 91st Cong., first sess.]

ESTABLISHING A NATIONAL MINING AND MINERALS POLICY

The Committee on Interior and Insular Affairs, to whom was referred the bill (S. 719) to establish a national mining and minerals policy, having considered the same, report favorably thereon with amendments and recommend that the bill do pass.

The amendments are as follows:

Page 1, line 4, strike out "1969." and insert "1970'."

Page 1, line 5 through page 2, line 11, strike out all of section 2 and insert in lieu thereof the following:

SEC. 2. The Congress declares that it is the continuing policy of the Federal Government in the national interest to foster and encourage private enterprise in (1) the development of economically sound and stable domestic, mining, minerals, metal and mineral reclamation industries, (2) the orderly and economic development of domestic mineral resources, reserves, and reclamation of metals and minerals to help assure satisfaction of industrial, security and environmental needs, (3) mining, mineral, and metallurgical research, including the use and recycling of scrap to promote the wise and efficient use of our natural and reclaimable mineral resources, and (4) the study and development of methods for the disposal, control and reclamation of mineral waste products, and the reclamation of mined land, so as to lessen any adverse impact of mineral extraction and processing upon the physical environment that may result from mining or mineral activities.

For the purpose of this Act "minerals" shall include all minerals and mineral fuels including oil, gas, coal, oil shale and uranium.

It shall be the responsibility of the Secretary of the Interior to carry out this policy when exercising his authority under such programs as may be authorized by law other than this Act. For this purpose the Secretary of the Interior shall include in his annual report to the Congress a report on the state of the domestic mining minerals, and mineral reclamation industries, including a statement of the trend in utilization and depletion of these resources, together with such recommendations for legislative programs as may be necessary to implement the policy of this Act.

PURPOSE

The purpose of S. 719, as amended and approved by the committee, is to establish a broad overall national minerals policy with particular emphasis on the need for an economically sound and stable domestic mining and minerals industry. To accomplish this the bill establishes, as a continuing national policy, the need to foster and encourage private enterprise in (1) the development of economically sound and stable domestic mining, minerals, metal and mineral reclamation industries, (2) the orderly and economic development of domestic mineral resources, reserves, and reclamation of metals and minerals to help assure satisfaction of industrial, security and environmental needs, (3) mining, mineral, and metallurgical research, including the use and recycling of scrap, and (4) the study and development of methods for the disposal, control, and reclamation of mineral waste products, and the reclamation of mined land, so as to lessen any adverse impact of mineral extraction and processing upon the physical environment that may result from mining or mineral activities. S. 719 directs the Secretary of the Interior, as the responsible Cabinet officer, to carry out and implement this policy under existing authority and programs and requires that he annually report on the state of the domestic mining and minerals industry showing and analyzing trends in the utilization and depletion of all mineral resources. As a final responsibility the Secretary is also charged with the duty and responsibility of making the necessary legislative recommendations to carry out the overall policy objectives of the proposal.

NEED

There appears to be little argument about the need for a broad national minerals policy to guide both the Federal Government and private industry with respect to this Nation's long-range minerals position. Ours is more and more a mineral-based economy and whether viewed as a part of a peacetime economy or as a necessary mobilization base in times of emergency, the future well-being and national security of our Nation is directly tied to the supply and availability of minerals.

As a Nation we enjoy the highest standard of living and consume an enormous volume of minerals and their products. As a nation we also seek to maintain and improve this position and at the same time assure that future mineral needs can be met at reasonable costs.

The long-range outlook for an adequate supply of minerals in the United States is cause for concern. The easily found, higher grade deposits are being rapidly depleted, the grade of the ore is declining and costs are increasing. For these reasons and others, including increased competition from low-cost, high-grade foreign deposits and a shortage of trained mineral specialists and engineers in the United States, the domestic mining and minerals industry needs to have firmly established long-range objectives. The establishment of a national minerals policy, as proposed by S. 719, would be a major step in the right direction as such a policy would foster the improvement of all aspects of the industry.

It is not expected that S. 719, in and of itself, will be a cure-all for all the ills of the industry but enactment of the legislation will focus attention on the industry and require long-range planning and the establishment of long-range objectives. Answers must be sought to questions regarding the permissible degree of dependence on foreign supplies, importation and exportation of minerals, stockpiling for emergency situations, taxation, manpower, health and safety and environmental quality, and of equal importance the capability of this Nation to supply domestic needs. Another equally important but sadly neglected aspect of the industry has been the wise and efficient use of our mineral resources. This goes not only to the extraction and utilization of the primary metals, but also to the reuse and recycling of scrap or waste materials and products. Progress in this field would have a twofold benefit; it would extend the life of all mineral deposits and it would have a significantly beneficial effect upon the esthetic and environmental quality of our life. The time has passed when we can continue to ignore the need for better utilization of worn-out and castoff metal and mineral products. We must begin to mine our scrap piles.

As the Nation's population increases so does its appetite for minerals. In order to keep pace with this demand and not only must there be better utilization of known mineral deposits and metals, but there must be a substantial increase in mineral exploration and development activity. Particular emphasis must be given to develop new technology in the mining and metallurgical fields to utilize lower grade deposits and to the substitution of scarce or high cost minerals for those in more abundant supply. While it is not expected that the United States will ever be completely self-sufficient in minerals, nevertheless our objective should be to attain a degree of self-sufficiency consistent with the availability of our domestic resources.

Both the Government and private industry must assume their proper role and responsibility of progress is to be made towards a long-range minerals program. Congress must provide the necessary legislative tools; the executive branch must act vigorously and aggressively to implement the policy; and private industry must assume its responsibility in the extraction, production and fabrication of raw materials into finished products. Enactment of S. 719 would accomplish the first step in this three step process.

S. 719 is not the first effort to establish a national minerals policy. Previous attempts were largely unsuccessful due to the complexity of the problem and lack of accord on the substance of the proposals. This committee recalls that in 1959 it held extensive hearings and that Congress passed House Concurrent Resolution 177. This expressed, as the sense of the Congress, the need for a strong domestic mining and minerals industry and called for increased emphasis on research, technology, and programs to maintain a sound and vigorous domestic minerals position. However, as House Concurrent Resolution 177 did not have the force of law it was largely ignored by all subsequent administrations.

COMMITTEE AMENDMENTS

The committee adopted a number of amendments to S. 719 which have the effect of broadening its scope and strengthening its provisions. The more significant of these amendments follow:

1. In order to make it quite clear that the intent of the bill is to maintain and continue the role of private enterprise in the development of an economically sound and stable domestic mining and minerals industry, the committee adopted an amendment to this effect. Private industry must assume its responsibility and continue to play a significant role in resource development. This does not, of course, preclude the Government's responsibility in basic or applied research and development. In the opinion of the committee this Government effort must be accelerated. It does, however, clarify any misunderstanding regarding gov-

ernmental development or production of mineral resources. It is the committee's position that, except in the most unusual circumstances, the development and production of minerals is, and should remain, the role of private enterprise.

2. To broaden the scope of the bill and to make it more all-inclusive, the terms "mining and minerals industry" were expanded to include "mining, minerals, metal and mineral reclamation industries." Other related terms were similarly expanded to recognize national security and environmental aspects of mining. It is the position of the committee that this industry must now be viewed in its broadest terms. The reclamation of mined land, the recycling of scrap and waste materials and the development of methods to lessen any adverse impact on the environment must all receive consideration. The adoption of these amendments will emphasize and require that all these factors be considered.

3. The definition of the term "minerals" was expanded to include all minerals and mineral fuels and specifically oil, gas, coal, oil shale, and uranium. Although not so specified in the original bill the mineral fuels, including oil, gas, coal, oil shale, and uranium, were apparently excluded during Senate consideration of the bill. This committee is not in agreement with the exclusion of these minerals. If S. 719 is to be considered as establishing a broad national minerals policy it is difficult to understand the rationale for excluding the group of minerals that contribute so much and are so significant. Together the fuel minerals make about 65 percent of the total value of all domestically produced minerals. The committee is well aware of the misgivings of many of the oil, gas, and coal representatives regarding the inclusion of these minerals in S. 719 but is not convinced regarding the validity of their concern. After extensive testimony by industry representatives most, if not all, agreed that the inclusion of oil, gas, coal, oil shale, and uranium would not be detrimental or injurious to the respective industries. One of the chief concerns appeared to be that the inclusion of these minerals in S. 719 would detract from the urgency of establishing a national energy policy. The committee is fully aware of the need and urgency of an energy policy and it is also aware of the numerous studies now underway on the energy situation as well as the legislation now pending in both the House and the Senate to set up a commission to study this problem.

The committee can see no conflict arising because of the inclusion of these minerals in S. 719 and is of the opinion that their inclusion will materially strengthen the bill. In testimony before the committee the inclusion of these minerals, oil, gas, coal, oil shale, and uranium, was recommended by the witnesses appearing for the Department of the Interior.

After extensive hearings on S. 719 and related minerals problems this committee is firmly convinced that prompt action must be taken towards enactment of this legislation. This Nation can no longer afford to ignore this Nation's needs for a long-range national minerals policy. It is with a sense of urgency that favorable action on this legislation is recommended.

COST

No increase in budgetary requirements is involved in S. 719.

COMMITTEE RECOMMENDATION

The Committee on Interior and Insular Affairs recommends enactment of S. 719, as amended.

DEPARTMENTAL RECOMMENDATIONS

The favorable report of the Department of the Interior is set forth below:

U.S. DEPARTMENT OF THE INTERIOR,
OFFICE OF THE SECRETARY,
Washington, D.C., October 16, 1969.

HON. WAYNE N. ASPINALL,
*Chairman, Committee on Interior and Insular Affairs,
House of Representatives,
Washington, D.C.*

DEAR MR. CHAIRMAN: Your committee has requested this Department's views on S. 719, a bill to establish a national mining and minerals policy, which passed the Senate September 5, 1969, and has been referred to our committee.

We recommend enactment of the bill which was amended by the Senate to incorporate the clarifying amendments recommended in our report of July 9 to the Senate Committee on Interior and Insular Affairs.

The bill would declare that it is in the national interest to foster and encourage development of an economically sound and stable domestic mining and minerals industry, orderly and economic development of domestic mineral resources and reserves to meet industrial and security needs, and mining, mineral and metallurgical research. It directs the Secretary of the Interior to carry out this policy in accordance with other statutes authorizing such programs, and to make an annual report to Congress.

The bill does not provide any new authority. We believe, however, it is desirable to establish such a national policy and to carry it out. In establishing and carrying out such a policy the administration, of course, would take into account such other national policies as those relating to the conservation of these resources and the protection of the environment and other resources values and, most importantly, the national need to improve the health and safety of those who work in these industries.

We in the United States enjoy the highest standard of living—a standard featuring the consumption of an extraordinary volume of minerals and their products. As a nation, we seek to maintain and improve this standard and to insure at the same time that our essential mineral needs are met at costs that are in line with other material and service costs.

Accordingly there can be little argument with the basic assumption that mineral substances and the products derived from them form the material foundation of our society. These minerals and metals are woven into every pattern of our economy and technology. Many of them are critical to national security.

With respect to the Nation's long-range mineral position, we believe the United States has cause for deep concern. It is our considered opinion that, unless an urgent effort to upgrade minerals and mining technology is launched soon, we face the possibility that the growth in our standard of living will be limited due to mineral resource constraints within 20 to 30 years.

While in one sense it is true that we are not running out of mineral resources, the United States definitely is past its "flush" period of rich, easily accessible, easily mineable mineral resources. New mineral technologies are needed to aid mineral discovery and profitable production and processing.

A recent study on mineral science and technology conducted by the National Academy of Sciences, the National Academy of Engineering, and the National Research Council warns that "despite the key role of minerals in our society and the vastly increasing worldwide demand for mineral products, mineral technology in the United States is in a declining state, and serious trouble lies ahead for the country unless corrective actions are taken promptly."

We find ourselves in this troublesome position for a number of reasons, such as the wasting nature of mineral deposits, declining grades of ore at home, increasing competition for high-grade deposits abroad, and a growing shortage of trained mineral specialists and engineers, to mention just a few.

Even the most conservative projections of mineral consumption and requirements indicate that assuring future supply will require new discoveries, technologies, and capabilities. How we plan or provide for future supplies will become the controlling factor in how effective we are in meeting future requirements.

The latest Bureau of Census median projection for population of the United States in the year 2000 is 320 million, and the United Nations estimates that the world's population will climb to 6½ billion by the year 2000.

With only about 6 percent of the world population at present, the United States consumes almost one-third of the world's minerals. Twenty years ago the United States had 9.5 percent of the world's population and consumed about half of the world's minerals. At that time, there was a 9-percent domestic production deficit with a possible 20-percent deficit forecast for 1975.

We have already exceeded the figure projected for 1975 and the gap between domestic production and consumption is widening at a frightening rate.

Presently, we tend to appraise our resources and supply capabilities on the basis of foreseeable apparent demands for the various commodities, tempering our findings by such intelligence as may be available as to how these demands might change from current and historical patterns. In developing our longer term strategy, the possibility of developing domestic alternatives to imports should be given increased attention by both industry and Government as a means of enhancing the general welfare and national security.

All elements of the mineral-related industries, the ultimate consumers of metals and mineral products, Federal and local governments, educational establishments, and even the public at large share responsibilities for mineral supply. Meeting the national need for minerals is a function of private enterprise, but the Government has a variety of obligations and a significant supporting role as our security and overall economic well-being depend upon the continued availability and an adequate and dependable flow of mineral raw materials.

Faced with rising demand and widening competition, the alternatives open to the United States to augment its mineral resource base include (1) a shift of investment to foreign sources of supply, or (2) development and utilization of new technology to exploit domestic deposits of lower grade or those presenting more difficult mining and metallurgical processing problems. Although U.S. mineral producers have made use of both alternatives, the trend has been investment shifts to foreign sources. But the number of producers with the financial resources to move in this direction are limited, and, thus, most domestic producers find themselves captive to a declining resource base and a relatively static technology.

An additional complication exists in the fact that there are certain mineral substances for which we must, to the best of our current knowledge, be virtually dependent upon foreign supply. Usable resources are not now, nor likely to be in the future, present in nature in a system that conforms to any ethnic, political or continental patterns. Thus, access to world supply will continue, as it has in the past, to be sought through alliances or mutually advantageous trade agreements—mostly of a transitory nature.

But regardless of this overseas dependence for certain minerals, we must search for more domestic mineral deposits that can be worked economically with present technology, or produce the technology that will enable us to process deposits that are marginal at present. Even if we make this investment, imports will increase.

The Nation also is faced with the problem of insuring the optimum use of its land surface. With the projected increase in population there of its land surface. With the projected increase in population there will be increased demands on land use for the growth of food, for living space, and for recreation. These pressures already are such in some areas of the United States that land prices would obviate the exploitation of the mineral resources in the land if any were found. These pressures can only increase. The problem is compounded by land pollution arising from some past mining practices and disposal of mineral waste materials.

The disposal, control, and reclamation of mineral waste products not only pose technologic and sociologic problems but also are or may be economic factors in the effective conservation and use of mineral resources. Specifically, methods must be sought to improve recovery systems in order to reduce mineral losses and to reduce the volume of products finally discarded. The impact of mineral extraction, processing, and use upon the physical environment has become a matter of national concern. The problems that arise from mineral production cannot be treated apart from the environmental degradation that stems from the mining, treatment, or use of any mineral substance. Accordingly, concern for pollution of air, land, and water, together with the ultimate disposal of all mineral-based waste products and reclamation of the land for other uses, must influence every program undertaken to alleviate the mineral supply threat.

Whereas improvements in mineral technology and efficiency have, in the past, made it possible, in a limited extent, to recover and employ commercially minerals from lower grade and more inaccessible sources, the challenge of the future is to make a massive improvement upon this capability while at the same time implementing more effective means of limiting environmental degradation.

No overall single solution applies to the national problem of mineral supply, but generally accepted positions exist on essentially every facet of this complex subject, and these do not change very often. Of these, the principal and most important element is recognition of minerals as being critical and essential to the Nation's economy and security, and the need to assure an adequate and dependable and continuing supply of these vital materials. It seems safe to assume that this position will continue to prevail and to gain in significance.

The importance of leadtime to the solution of impending mineral supply problems is critical to our national interest. But to achieve this leadtime we must substantially improve our capacity to isolate, appraise, analyze, and forecast events that promise to upset supply-demand patterns significantly.

With properly directed purpose:

We can expect a gradual transition to lower grade and less-accessible deposits for our essential needs.

We can expect that practical methods will be developed for supplementing our land resources with minerals from the ocean, the ocean floor, and submarine surfaces.

We can expect improvement in our capability to use our supplies more efficiently, to speed up reuse cycles, and recapture much greater percentages of our mineral substances that are presently lost in the extractive processes or unreclaimed from wornout or discarded items.

We can expect to learn more about how to substitute relatively abundant materials for substances in short supply without sacrificing quality or adding to the cost of the end products.

Our achievements toward these ends will be held back constantly if trained manpower is not available. Even if the present unfavorable outlook for an adequate supply of talent to meet the challenge of the immediate future could be sharply reversed soon, it seems likely that we shall continue to suffer in this regard for several decades. Unless we meet this challenge intelligently at home, our latent mineral potential will never be realized and our eventual dependence on others for most of our essential material needs will be a virtual certainty.

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

Sincerely yours,

RUSSELL E. TRAIN,
Acting Secretary of the Interior.

Senator CANNON. Thank you, Mr. Johnson.

Mr. Ross. Mr. Chairman, lest I leave the committee with the impression that our sales of lead and zinc are nominal, there have been years within the last 6 years where we have sold considerable quantities when there were shortage situations and, I would like to recite those for the record, if I may. In 1965 we sold 69,588 tons of lead. In 1966, 47,414 tons; 1967, 49,000 tons; 1968, 37,000 tons. Those are some of the heavier years we had.

On zinc, in 1965 we sold 151,381 tons; in 1966, 178,574; then we dropped down to 26,000 in 1967, and 29,000 in 1968.

The point of this bit of testimony, Mr. Chairman, is to point out that we are talking about a long-range contract which would run 10 to 12 years and that there might be years where they would have the right to draw down even more than the annual quantities stipulated, if the markets could absorb them, and I think we should be ready to meet those situations.

Senator CANNON. I must say it looks to me as if you are sort of holding a whip over the head of these people by saying that you can't work out an agreement with them now for any kind of a drawdown program because of the depressed state of the market and yet you want to have the authority to go ahead in case things change. I just don't know. I am not too sympathetic to that.

Mr. Ross. Well, Mr. Chairman, we certainly do not intend to use the stockpile disposal authorization as a club. We feel that we can work with the industry. They broke off the discussions. The long-range disposal of these excesses was recommended by this committee starting back in the early 1960's. We have tried to work out long-range programs on all our materials, and this is our intent.

We certainly have no other intent in seeking the legislation.

Senator CANNON. Thank you.

Thank you, Mr. Johnson.

S. 752

Senator CANNON. We will now take up the balance of the bills beginning with S. 752 relating to vegetable tanins.

(Bills follow :)

[S. 752, 92d Cong., 1st sess.]

A BILL To authorize the disposal of vegetable tannin extracts from the national stockpile

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the Administrator of General Services is hereby authorized to dispose of approximately the following quantities of vegetable tannin extracts: five thousand five hundred and fifteen long tons of chestnut, thirty-five thousand two hundred and eighty-seven long tons of quebracho, and five thousand four hundred and sixty-one long tons of wattle 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 requirements 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 markets.

SEC. 2. (a) Disposals of the material covered by this Act may be made only after publicly advertising for bids, except as provided in subsection (b) of this section or as otherwise authorized by law. All bids may be rejected when it is in the public interest to do so.

(b) The material covered by this Act may be disposed of without advertising for bids if—

(1) the material is to be transferred to an agency of the United States;

(2) the Administrator determines that methods of disposal other than by advertising are necessary to protect the United States against avoidable loss or to protect producers, processors, and consumers against avoidable disruption of their usual markets; or

(3) sales are to be made pursuant to requests received from other agencies of the United States in furtherance of authorized program objectives of such agencies.

Mr. LAWRENCE. S. 752 would authorize the disposal of approximately the following quantities of excess vegetable tannin extracts: 5,515 long tons of chestnut, 35,287 long tons of quebracho, and 5,461 long tons of wattle, now held in the national stockpile.

The Office of Emergency Preparedness, on January 17, 1969, approved new stockpile objectives for the chestnut, quebracho and wattle forms of vegetable tannins. At that time, the objective for these materials was reduced from 15,000 long tons to 9,500 long tons of chestnut; from 86,000 long tons to 50,600 long tons for quebracho, and from 15,000 long tons to 9,500 long tons for wattle. In establishing the requirement and supply estimates leading to these objectives, we have made allowance for unforeseen contingencies that might arise in an emergency. The Department of Defense and other interested departments and agencies concurred in the establishment of these objectives.

As of March 1, 1971, the uncommitted stockpile inventory held by the General Services Administration was approximately 27,000 long tons for chestnut; 189,200 long tons for quebracho; and 34,300 long tons for wattle. With the existing stockpile objectives for these three materials, this leaves a remaining excess of approximately 17,500 long tons for chestnut; 138,600 long tons for quebracho; and 24,800 long tons for wattle. Of these excess quantities, approximately 12,000 long tons of chestnut, 103,300 long tons of quebracho, and 19,300 long tons of wattle were authorized for disposal by the Congress in Public Law 89-245, enacted October 9, 1965. With the approval of the current

disposal request, the General Services Administration will have disposal authority for all existing excess vegetable tannins.

In authorizing this disposal request, the Office of Emergency Preparedness has had the concurrence of all interested departments and agencies.

The Office of Emergency Preparedness strongly recommends the prompt enactment of this legislation.

Mr. Ross. On behalf of the Administrator, Robert L. Kunzig, who has asked me to represent him at the hearings today, I want to thank you for the opportunity to appear before your subcommittee for the purpose of expressing the views of GSA in support of this bill for disposal of vegetable tannins.

The bill would authorize the disposal of the following vegetable tannin extracts: 5,515 long tons of chestnut, 35,287 long tons of quebracho, and 5,461 long tons of wattle, now held in the national stockpile. The Office of Emergency Preparedness, as of January 17, 1969, has determined that these quantities are excess to stockpile needs. GSA has, as of March 1, 1971, available for sale approximately 134,664 long tons of vegetable tannins, consisting of 12,020 long tons of chestnut, 103,316 long tons of quebracho, and 19,328 long tons of wattle.

All of the vegetable tannin materials used in the United States are imported and are used primarily in the leather industry. U.S. imports in 1969 were 6,648 long tons of chestnut, 24,351 long tons of quebracho, and 8,922 long tons of wattle, each representing a decline from prior years. U.S. consumption in 1969 was 6,648 long tons of chestnut, 24,351 long tons of quebracho, and 10,622 long tons of wattle. Import sources in 1970 for chestnut were France (63 percent) and Italy (37 percent); for quebracho were Argentina (80 percent), Paraguay (15 percent), and others (5 percent); and for wattle were the Republic of South Africa (69.8 percent), Brazil (23.5 percent), and others (6.7 percent).

As of March 1, 1971, the total national stockpile inventory for chestnut was 27,035 long tons, quebracho 189,203 long tons, and wattle 34,289 long tons. The stockpile objectives established January 17, 1969, are 9,500 long tons for chestnut, 50,600 long tons for quebracho, and 9,500 long tons for wattle, respectively. The average acquisition cost per long ton was \$279.19 for chestnut, \$247.41 for quebracho, and \$252.04 for wattle. The current estimated market prices per long ton for each are: (1) chestnut, \$255.36 for solid and \$288.96 for powdered; (2) \$282.24 for quebracho; and (3) \$257.60 for wattle.

Section 2 of the bill provides that, unless otherwise authorized by law, disposals may be made only after publicly advertising for bids, except when (1) the material is transferred to a Federal agency, (2) the Administrator of General Services determines that other methods of disposition are necessary to protect the United States against avoidable loss or to protect producers, processors, and consumers against avoidable disruption of their usual markets, or (3) sales are made pursuant to requests received from other Federal agencies in furtherance of authorized program objectives of such agencies. Upon receipt of disposal authority, these materials will be added to the stocks already available for sale and our sales programs will be modified as market conditions warrant. This Agency strongly recommends enactment of the proposed bill.

S. 753

[S. 753; 92d Cong., first session]

A BILL To authorize the disposal of thorium from the supplemental stockpile

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the Administrator of General Services is hereby authorized to dispose of approximately two hundred and ten short tons (thorium oxide content) of thorium nitrate now held in the supplemental stockpile established pursuant to section 104(b) of the Agricultural Trade Development and Assistance Act of 1954, 68 Stat. 456, as amended by 73 Stat. 607. Such disposition may be made without regard to the requirements 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.

SEC. B. (a) Disposals of the material covered by this Act may be made only after publicly advertising for bids, except as provided in subsection (b) of this section or as otherwise authorized by law. All bids may be rejected when it is in the public interest to do so.

(b) The material covered by this Act may be disposed of without advertising for bids if—

- (1) the material is to be transferred to an agency of the United States;
- (2) the Administrator determines that methods of disposal other than by advertising are necessary to protect the United States against avoidable loss or to protect producers, processors, and consumers against avoidable disruption of their usual markets; or
- (3) sales are to be made pursuant to requests received from other agencies of the United States in furtherance of authorized program objectives of such agencies.

MR. LAWRENCE. Mr. Chairman, I wish to thank you for the opportunity of appearing before this committee to support S. 753, a bill authorizing the disposal of approximately 210 short tons (thorium oxide content) of excess thorium nitrate from the supplemental stockpile.

The Office of Emergency Preparedness approved a new stockpile objective for thorium on January 17, 1969. At that time, the objective for this material was reduced from 250 short tons to 40 short tons. In establishing the supply and requirements leading to this objective, ample allowance was made for any contingency that might arise in an emergency. This objective has been concurred in by the interested departments and agencies, including the Department of Defense.

As of March 1, 1971, the uncommitted stockpile inventory held by the General Services Administration was approximately 1,830 short tons. With an objective of 40 short tons, there remains an excess of 1,790 short tons. Of this quantity, 1,580 short tons were authorized for disposal by the Congress in Public Law 89-421, enacted May 11, 1966. With the approval of the current disposal request, the General Services Administration will have disposal authority for all existing excess thorium.

In authorizing this disposal request, the Office of Emergency Preparedness has had the concurrent of all interested departments and agencies.

The Office of Emergency Preparedness strongly recommends the prompt enactment of this legislation.

MR. ROSS. On behalf of the Administrator, Robert L. Kunzig, who has asked me to represent him at the hearings today, I want to thank

you for the opportunity to appear before your subcommittee for the purpose of expressing the views of GSA on this bill for disposal of thorium.

This bill would authorize the disposal of approximately 210 short tons (thorium oxide content) of thorium nitrate from the supplemental stockpile. The Office of Emergency Preparedness, on January 17, 1969, determined that this quantity is excess to stockpile needs.

Thorium in the stockpile and the excess available for disposal is in the form of thorium nitrate. The chief use of thorium nitrate is for gas mantle manufacture. Thorium metal is used to make magnesium alloy and thorium oxide for dispersion hardened alloys and refractories, polishing compounds, and chemical products. Consumption for nuclear fuels is limited to experimental activities in the United States. Release of the material is subject to licensing procedures and requirements of AEC.

Domestic consumption of thorium (in terms of thorium oxide content) was 230,000 pounds in 1969, with 240,000 pounds estimated for 1970. U.S. production statistics on thorium are considered company confidential and not published. Imports of thorium ores and concentrates chiefly monazite, were 504,000 pounds of thorium oxide content in 1969, a decrease of 20,000 pounds from 1968. Estimated imports for 1970 are 413,000 pounds. Principal import sources are Australia (57 percent), Malaysia (38 percent), and others (5 percent).

As of March 1, 1970, the total inventory of thorium nitrate (thorium oxide content) held by GSA was 3,661,397 pounds. The present stockpile objective established January 17, 1969, is 80,000 pounds. The excess covered by the proposed bill approximates 420,000 pounds. The remaining excess of 3,161,397 pounds was previously authorized for disposal by Public Law 89-421.

The average acquisition cost of thorium nitrate (thorium oxide content) in the supplemental stockpile was \$9,003.55 per short ton. The current estimated market price for standard, commercial type thorium nitrate (thorium oxide content) is \$8,300 per short ton.

The material covered by this bill will be made available for disposal over a period of years. The quantities and timing of disposals will be determined in the light of market conditions.

Section 2 of the bill provides that, unless otherwise authorized by law, disposals may be made only after publicly advertising for bids, except when (1) the material is transferred to a Federal agency, (2) the Administrator of General Services determines that other methods of disposition are necessary to protect the United States against avoidable loss or to protect producers, processors, and consumers against avoidable disruption of their usual markets, or (3) sales are made pursuant to requests received from other Federal agencies in furtherance of authorized program objectives of such agencies.

This Agency strongly recommends enactment of the proposed bill.

S. 754

[S. 754, 92d Cong., first session]

A BILL To authorize the disposal of silicon carbide from the national stockpile and the supplemental stockpile

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the Administrator of General Services is

hereby authorized to dispose of approximately one hundred sixty-six thousand four hundred fifty three short tons of silicon carbide now held in the national stockpile established pursuant to the Strategic and Critical Materials Stock Piling Act (50 U.S.C. 98-98h) and the supplemental stockpile established pursuant to section 104(b) of the Agricultural Trade Development and Assistance Act of 1954, 68 Stat. 456, as amended by 73 Stat. 607. Such disposition may be made without regard to the requirements 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.

SEC. 2 (a) Disposals of the material covered by this Act may be made only after publicly advertising for bids, except as provided in subsection (b) of this section or as otherwise authorized by law. All bids may be rejected when it is in the public interest to do so.

(b) The material covered by this Act may be disposed of without advertising for bids if—

- (1) the material is to be transferred to an agency of the United States;
- (2) the Administrator determines that methods of disposal other than by advertising are necessary to protect the United States against avoidable loss or to protect producers, processors, and consumers against avoidable disruption of their usual markets; or
- (3) sales are to be made pursuant to requests received from other agencies of the United States in furtherance of authorized program objectives of such agencies.

Mr. LAWRENCE. Mr. Chairman, I wish to thank you for the opportunity of appearing before this committee to support S. 754, a bill authorizing the disposal of approximately 166,453 short tons of excess silicon carbide from the national and supplemental stockpiles.

The Office of Emergency Preparedness established the current stockpile objective for silicon carbide of 30,000 short tone on April 2, 1964. This objective has been reviewed several times since that date. The review completed last week involved use of our new electronic data processing and econometric model. In each case, the review has shown that the objective was more than adequate to protect the United States from any contingency that might arise in an emergency. The interested departments and agencies, including the Department of Defense, concurred in the establishment of this objective.

As of March 1, 1971, the uncommitted stockpile inventory held by the General Services Administration was approximately 196,500 short tons. Of this quantity, approximately 166,500 short tons were excess to stockpile requirements. Passage of this bill would provide disposal authority for all excess silicon carbide.

In authorizing this disposal request, the Office of Emergency Preparedness has had the concurrence of all interested departments and agencies.

The Office of Emergency Preparedness strongly recommends prompt enactment of this legislation.

Mr. ROSS. On behalf of the Administrator, Robert L. Kunzig, who has asked me to represent him at the hearings today, I want to thank you for the opportunity to appear before your subcommittee for the purpose of expressing the views of GSA in support of this bill for the disposal of silicon carbide.

This bill would authorize the disposal of the total excess of approximately 166,453 short tons of silicon carbide held in the national and

supplemental stockpiles. The Office of Emergency Preparedness has determined that this quantity is excess to stockpile needs. GSA is not currently in the market.

Silicon carbide is an abrasive, manufactured by fusing sand and petroleum coke, along with salt and sawdust in an electric furnace. It is used in the manufacture of grinding wheels and applied to coated sheets, belts, and disks. A lower quality silicon carbide is used in metallurgical smelting processes.

Canada is the principal world producer. U.S. and Canadian production in 1968 was 159,000 short tons, 161,000 short tons in 1969, and estimated at 163,000 short tons for 1970. U.S. imports of silicon carbide were 106,000 short tons in 1968, 108,400 short tons in 1969, and 109,000 short tons for 1970. Principal import sources for the material were Canada (91 percent), Norway (5 percent), West German (2 percent), Italy (1 percent), and others (1 percent).

As of December 31, 1970, the total inventory of silicon carbide held by GSA was approximately 196,453 short tons. The present stockpile objective is 30,000 short tons. The excess of approximately 166,453 short tons is covered by the proposed bill.

The average acquisition cost of the silicon carbide in the national stockpile was \$176.12 per short ton and in the supplemental stockpile \$203.36 per short ton. The current estimated market price for standard, commercial type silicon carbide is \$217.00 per short ton.

Industrial demand for silicon carbide has been on the increase, with consumption over the previous year up 10 percent in 1968 and 11 percent in 1969.

A Government-industry meeting was held in Washington on March 2 to discuss with industry their views on the proposed legislation and the subsequent disposal by the Government of limited quantities of excess silicon carbide as market conditions warrant. As expressed in prior years, the industry representatives mentioned that they would prefer no disposal legislation, citing ample existing U.S. and Canadian output and capacity. There was, nevertheless, a general indication from the industry that they would cooperate with the Government on the formulation and implementation of a disposal program, should disposal legislation be enacted. In view of the trade considerations associated with the normal marketing of this material, a buy-back by the producers with a set-aside for nonparticipants which has worked so well in the disposal of aluminum was cited by the Government as a possible route to follow for silicon carbide.

The buy-back principle is being considered in our proposed disposal programs for the excesses of lead, zinc, and lithium. The response from the group on consideration of a long-term disposal program is encouraging and we believe such a program is workable with little or no disruption of normal markets.

Section 2 of the bill provides, that unless otherwise authorized by law, disposals may be made only after publicly advertising for bids, except when (1) the material is transferred to a Federal agency, (2) the Administrator of General Services determines that other methods of disposition are necessary to protect the United States against avoidable loss or to protect producers, processors, and consumers against avoidable disruption of their usual markets, or (3) sales are made pursuant to requests received from other Federal agencies in furtherance of authorized program objectives of such agencies.

This Agency strongly recommends enactment of the proposed bill.

Senator CANNON. Mr. Allen P. Wherry, manager of the Abrasive Grain Association of Cleveland, Ohio, has submitted a statement in opposition to the enactment of S. 754, dealing with silicon carbide, which will be included in the record at this point.

(The statement follows:)

CONKLIN & NOBLE,
Rockville, Md., April 5, 1971.

HON. JOHN C. STENNIS,
Chairman, Armed Services Committee,
Old Senate Office Building, Washington, D.C.

DEAR SENATOR STENNIS: This letter is being submitted by me as Washington legal counsel for the Abrasive Grain Association.

Reference is made to the hearings scheduled on April 7, 1971 relating to S-754, providing for disposal from the stockpile of silicon carbide.

In lieu of having a witness to present testimony at the hearings we are hereby submitting three copies of a statement by Mr. Allen P. Wherry, Manager of the Abrasive Grain Association for insertion in the hearing record.

Sincerely,

WILLIAM R. NOBLE.

STATEMENT ON BEHALF OF THE ABRASIVE GRAIN ASSOCIATION, CLEVELAND, OHIO

This statement is presented by Mr. Allen P. Wherry, Manager of the Abrasive Grain Association, including the following companies:

Abrasive Division, The Bendix Corporation, Jackson, Michigan.

The Carborundum Company, Electro Minerals Division, Niagara Falls, N.Y.

Electro Refractories & Abrasives, Division Ferro Corporation, Buffalo, N.Y.

The Exolon Company, Tonawanda, N.Y.

General Abrasive Company, Div. of U.S. Industries, Inc., Niagara Falls, N.Y.

Simonds Abrasive Division, Wallace-Murray Corporation, Philadelphia, Pa.

We have been advised that the General Services Administration has requested authorization to dispose of approximately 166,453 short tons of silicon carbide crude material now being held in the national stockpile and the supplemental stockpile. We further understand that this action is a result of a decision made by the Office of Emergency Preparedness that this amount has been declared as excess to stockpile needs.

The manufacturers of crude silicon carbide have held three meetings in regard to the disposal of silicon carbide with various governmental agencies. The first was held on February 11, 1965, under the auspices of the Office of Emergency Planning, the second was held on February 4, 1966, under the auspices of the General Services Administration, and the most recent was held on March 2, 1971, again under the auspices of the GSA.

Legislation very similar or identical to S. 754 was introduced in the Second Session of the Eighty-Ninth Congress. Hearings were held by Subcommittee No. 1 of the Committee on Armed Services on March 21 through 24, 1966. Industry representatives appeared before that committee and testified in considerable detail. Apparently, our testimony had an effect on the House Committee since no legislation authorizing the disposal of crude silicon carbide was passed.

The information supplied during the Eighty-Ninth Congress is still valid today and represents the majority view of the industry. We would like to call attention again, therefore, to the industry's position, updated to reflect changes that have occurred since 1966.

(1) The importance of the abrasive industry to the maintenance of industrial production cannot be stressed too strongly. To support this point, we call your attention to Restricted document ST49-20 (The Abrasives Industry) of the Industrial College of the Armed Forces, published 15 April, 1949, which describes the industry as follows:

"The abrasives industry is one of those small industries upon which all other production is dependent and is vital to mass production." (Page 36)

The abrasives industry is specifically included in the list of essential industries published by the U.S. Department of Commerce, August 3, 1950; Major Group 32, Code Number 3291. The essentiality of this industry is also recorded in great detail in the files of the National Security Resources Board.

Grinding wheels are indispensable for manufacturing the machine tools and metal cutting tools which are the primary requisite of munitions production. The product is the same in peace or war. The grinding wheel and abrasives in other forms are also indispensable in the direct production of planes, engines, guns, tanks, motor vehicles, shells.

The Industrial College report also concludes that the industry must be assured of a supply, in most cases in relatively small quantities but nevertheless indispensable, of raw materials which in a wartime economy becomes critical.

Evidence that the industry must operate at full volume to sustain the productive capacity of all other segments of the economy is found in the fact that usage in World War II was increased to four times its greatest previous level.

(2) The pertinent figures to consider are as follows: Silicon carbide (short tons) current inventory, 196,502; Declared excess to stockpile needs, 166,453; Inventory stockpile objectives, 30,000; Industry sales of crude SiC (short tons yearly average over 11-year period 1960 thru 1970) Domestic and foreign sales, 3,279 tons per year.

As you can see by the above figures, the total amount contemplated for disposal is equivalent to industry sales of crude silicon carbide for 50.7 years. Therefore, the impact of the contemplated disposal would be serious and could have an extremely disruptive effect on the market for crude silicon carbide.

(3) Although the production of crude silicon carbide is somewhat dispersed, a large portion is concentrated on the Niagara Frontier and, therefore, extremely vulnerable, in our opinion, to enemy attack and sabotage. The destruction of the facilities on the Niagara Frontier would eliminate a principal source of an important ingredient for the abrasive consuming industry such as grinding wheels, coated abrasives, high temperature refractories, etc. It is also used by such strategic industries as electrical, metallurgical, electronic and chemical.

It is, therefore, self-evident that the destruction of even a portion of the production capacity for Silicon Carbide would seriously hamper the ability of the U.S. industry to continue at a pace required during a period of national emergency.

The production of one pound of silicon carbide requires approximately three kilowatts of electric power; therefore, the silicon carbide stockpile also represents a substantial stockpile of electric power.

(4) The contemplated stockpile objective of 30,000 tons is, in our opinion, inadequate and also would pose a serious threat to the ability of the U.S. industry to maintain the production capacity necessary during any emergency. We have been advised that the Office of Emergency Preparedness has established, as a criteria for their stockpile objectives, a three-year supply of the material. We cannot resolve this with the 30,000 tons established as the stockpile objective.

It is our considered judgment that during a period of mobilization the U.S. producers would be required to supply in excess of 225,000 short tons of silicon carbide crude material per year. We don't believe that present capacity provides for these quantities and we consider the three-year objective established by O.E.P. to be inadequate.

(5) In point (2) above, we mentioned that industry sales of crude silicon carbide averaged 3,279 short tons per year for the eleven year period 1960 thru 1970. In point (4) above, we stated that, in our opinion, during a period of mobilization the U.S. producers would be required to supply an average of more than 225,000 short tons of silicon carbide crude material per year.

At first glance, these figures might appear to be in conflict; however, the difference is explained by the fact that in the first instance we are referring to the *market for crude material*, whereas in the second instance we are talking about *total usage* of the material. All producers of crude silicon carbide convert a major portion of their production into grain which is then sold for use in the manufacture of grinding wheels, coated abrasives, refractories, etc. Only a small portion is sold as crude silicon carbide since there are only a few users of silicon carbide grain who are equipped to convert crude material into grain sizes.

In conclusion, we emphasize again that, if there is any validity at all in the necessity of stockpiling strategic materials, the contemplated reduction in the silicon carbide crude stockpile would seriously jeopardize the ability of the United States manufacturing industry to meet wartime requirements. We strongly urge that the decision regarding disposal be reviewed in light of the foregoing comments.

S. 755

[S. 755 : 92d Cong., first session]

A BILL To authorize the disposal of shellac from the national stockpile

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the Administrator of General Services is hereby authorized to dispose of approximately two million nine hundred thousand pounds of shellac 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 requirements 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.

SEC. 2. (a) Disposals of the material covered by this Act may be made only after publicly advertising for bids, except as provided in subsection (b) of this section or as otherwise authorized by law. All bids may be rejected when it is in the public interest to do so.

(b) The material covered by this Act may be disposed of without advertising for bids if—

- (1) the material is to be transferred to an agency of the United States ;
- (2) the Administrator determines that methods of disposal other than by advertising are necessary to protect the United States against avoidable loss or to protect producers, processors, and consumers against avoidable disruption of their usual markets ; or
- (3) sales are to be made pursuant to requests received from other agencies of the United States in furtherance of authorized program objectives of such agencies.

Mr. LAWRENCE. Mr. Chairman, I wish to thank you for the opportunity of appearing before this committee to support S. 755, a bill authorizing the disposal of approximately 2.9 million pounds of excess shellac from the national stockpile.

The Office of Emergency Preparedness approved a new review of the stockpile objective for shellac on March 4, 1970. At that time, the objective for this material was reduced from 3.9 million pounds to 1 million pounds. The reduction in this objective was due entirely to the declining use of this material. This objective has been concurred in by all of the interested departments and agencies, including the Department of Defense.

As of March 1, 1971, the uncommitted stockpile inventory held by the General Services Administration was approximately 6.9 million pounds. With an objective of 1 million, there remains an excess of 5.9 million pounds. Of this quantity, approximately 3.0 million pounds were authorized for disposal by the Congress in Public Law 91-324, enacted July 10, 1970. With the approval of the current disposal request, the General Services Administration will have disposal authority for all existing excess shellac.

In authorizing this disposal request, the Office of Emergency Preparedness has had concurrence of all interested departments and agencies.

The Office of Emergency Preparedness strongly recommends the prompt enactment of this disposal legislation.

Mr. Ross. On behalf of the Administrator, Robert L. Kunzig, who has asked me to represent him at the hearings today, I want to thank you for the opportunity to appear before your subcommittee for the purpose of expressing the views of GSA in support of this bill for the disposal of shellac.

This bill would authorize the disposal of approximately 2,900,000 pounds of shellac held in the national stockpile. The Office of Emergency Preparedness has determined that this quantity is excess to stockpile needs. As of March 1, 1971, GSA has approximately 2,955,000 pounds remaining from the 4,300,000 pounds authorized for disposal in July 1970, under Public Law 91-324.

Shellac performs three critical functions: as a sealant, a binder, and a protective coating. It is used as a sealant for primers in ammunition, for binding abrasives and mica, in cements for basing electric bulbs and tubes. The major portion of all shellac used goes into the manufacture of self-polishing floor and furniture waxes. There is no U.S. production of shellac. Apparent U.S. consumption was approximately 14 million pounds in 1970. Imports of shellac were 22 million pounds in 1969 and estimated at 12 million pounds in 1970. World production of shellac in 1970 is estimated at about 30 million pounds, of which about 25 million pounds was produced in India. Principal import sources for shellac in 1970 were: Thailand (32 percent), India (54 percent), and other countries (14 percent).

As of March 1, 1971, the total inventory of shellac held by GSA was approximately 7,039,084 pounds. The present stockpile objective established March 4, 1970, is 1 million pounds. Approximately 2,900,000 pounds of excess not previously authorized is covered by the proposed bill.

The average acquisition cost of the shellac in the national stockpile was 50 cents per pound. The current estimated market price for standard, commercial type shellac ranges from 38 to 42 cents per pound, depending on grade of material.

Because of the increasing use of satisfactory substitutes, U.S. consumption has declined. Industry representatives and affected Government agencies were consulted in May of 1969 regarding the development of this disposal program. We are at the present time, consulting with industry for their current views and recommendations.

The material covered by the bill will be made available for disposal over a period of years. The quantities and timing of disposals will be determined as market conditions warrant.

Section 2 of the bill provides that, unless otherwise authorized by law, disposals may be made only after publicly advertising for bids, except when (1) the material is transferred to a Federal agency, (2) the Administrator of General Services determines that other methods of disposition are necessary to protect the United States against avoidable loss or to protect producers, processors, and consumers against avoidable disruption of their usual markets, or (3) sales are made pursuant to requests received from other Federal agencies in furtherance of authorized program objectives of such agencies.

This Agency strongly recommends enactment of the proposed bill.

S. 756

[S. 756; 92d Cong., first session]

A BILL To authorize the disposal of quartz crystals from the national stockpile and the supplemental stockpile

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the Administrator of General Services is hereby authorized to dispose of approximately three hundred and thirty thousand pounds of quartz crystals now held in the national stockpile established pursuant to the Strategic and Critical Materials Stock Piling Act (50 U.S.C. 98-98h) and the supplemental stockpile established pursuant to section 104(b) of the Agricultural Trade Development and Assistance Act of 1954, 68 Stat. 456, as amended by 73 Stat. 607. Such disposition may be made without regard to the requirements 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.

SEC. 2. (a) Disposals of the material covered by this Act may be made only after publicly advertising for bids, except as provided in subsection (b) of this section or as otherwise authorized by law. All bids may be rejected when it is in the public interest to do so.

(b) The material covered by this Act may be disposed of without advertising for bids if—

- (1) the material is to be transferred to an agency of the United States;
- (2) the Administrator determines that methods of disposal other than by advertising are necessary to protect the United States against avoidable loss or to protect producers, processors, and consumers against avoidable disruption of their usual markets; or
- (3) sales are to be made pursuant to requests received from other agencies of the United States in furtherance of authorized program objectives of such agencies.

Mr. LAWRENCE. Mr. Chairman, I wish to thank you for the opportunity of appearing before this committee to support S. 756, a bill authorizing the disposal of approximately 330,000 pounds of excess quartz crystals from the national and supplemental stockpiles.

The Office of Emergency Preparedness approved a new review of the stockpile objective for quartz crystals on January 17, 1969. At that time the objective for this material was reduced from 650,000 pounds to 320,000 pounds. The reduction in the objective is due to the growing U.S. capacity for producing manufactured quartz. This objective has been concurred in by the interested departments and agencies including the Department of Defense.

As of March 1, 1971, the uncommitted stockpile inventory held by the General Services Administration was approximately 5 million pounds. With an objective of 320,000 pounds, this left an excess of 4.7 million pounds. Of this quantity, 4.4 million pounds were authorized for disposal by the Congress in Public Law 89-310, enacted October 31, 1965. With the approval of disposal of the quantity covered by this bill, the General Services Administration will have disposal authority for all existing excess quartz crystals.

In authorizing this disposal request, the Office of Emergency Preparedness has had the concurrence of all the interested agencies and departments.

The Office of Emergency Preparedness strongly recommends the prompt enactment of this legislation.

Mr. Ross. On behalf of the Administrator, Robert L. Kunzig, who has asked me to represent him at the hearings today, I want to thank you for the opportunity to appear before your subcommittee for the purpose of expressing the views of GSA in support of this bill for disposal of quartz crystals.

The bill would authorize the disposal of 330,000 pounds of quartz crystals held in the national and supplemental stockpiles. The Office of Emergency Preparedness, as of January 17, 1969, has determined that this quantity is excess to stockpile needs. As of March 1, 1971, GSA has approximately 4,402,234 pounds available for sale from material authorized for sale by Public Law 89-310.

Quartz crystals are used in the electronics industry for its piezoelectric properties, in oscillator plates 68 percent, and in filter plates, telephone resonator plates, transducer crystals and miscellaneous items 32 percent. It is also used in the optical industry for its refractive powers. While the United States does not produce natural quartz crystals suitable for electronic and optical uses, quartz crystals produced synthetically are lessening the dependence on imported natural crystals.

Brazil is the principal producer of the natural crystals, (316,000 pounds in 1969) and the main source of the U.S. supply (93 percent), but due to significant increases in U.S. production of synthetic (also called manufactured or cultured crystals), imports of natural crystals have dropped. U.S. consumption of the natural and synthetic crystals (electronic grade) was 187,605 pounds in 1969, with 180,000 pounds estimated for 1970.

As of March 1, 1971, the total inventory of quartz crystals held by GSA was approximately 5,052,234 pounds. The present stockpile objective established January 17, 1969, is 320,000 pounds. The average acquisition cost of stockpile quartz crystals in the national stockpile was \$12.37 per pound and in the supplemental stockpile \$15.15 per pound. The current estimated market price as of December 31, 1970, for standard commercial type quartz crystals of piezoelectric and optical qualities ranges from \$2.25 per pound to \$50 per pound depending on size and grade.

The material covered by this bill includes all of the remaining excess. The material will be made available for disposal over a period of years with quantities and timing of disposals to be determined in the light of market conditions.

Section 2 of the bill provides that, unless otherwise authorized by law, disposals may be made only after publicly advertising for bids, except when (1) the material is transferred to a Federal agency, (2) the Administrator of General Services determines that other methods of disposition are necessary to protect the United States against avoidable loss or to protect producers, processors, and consumers against avoidable disruption of their usual markets, or (3) sales are made pursuant to requests received from other Federal agencies in furtherance of authorized program objectives of such agencies.

This Agency strongly recommends enactment of the proposed bill.

S. 757

[S. 757 ; 92d Cong., first session]

A BILL To authorize the disposal of Iridium from the national stockpile

Be it enacted by the Senate and House of Representatives of the United States

of America in Congress assembled, That the Administrator of General Services is hereby authorized to dispose of approximately two hundred and fifty-six troy ounces of iridium 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 requirements 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.

SEC. 2. (a) Disposals of the material covered by this Act may be made only after publicly advertising for bids, except as provided in subsection (b) of this section or as otherwise authorized by law. All bids may be rejected when it is in the public interest to do so.

(b) The material covered by this Act may be disposed of without advertising for bids if—

- (1) the material is to be transferred to an agency of the United States;
- (2) The Administrator determines that methods of disposal other than by advertising are necessary to protect the United States against avoidable loss or to protect producers, processors, and consumers against avoidable disruption of their usual markets; or
- (3) sales are to be made pursuant to requests received from other agencies of the United States in furtherance of authorized program objectives of such agencies.

Mr. LAWRENCE. Mr. Chairman, I wish to thank you for the opportunity of appearing before this committee to support S. 757, a bill authorizing the disposal of approximately 256 troy ounces of excess iridium from the national stockpile.

The Office of Emergency Preparedness established the current stockpile objective of 17,000 troy ounces for iridium on April 2, 1964. The objective has been reviewed several times since that date. In each case, the review has shown that the objective was more than adequate to protect the United States from any contingency that might arise in an emergency. The interested departments and agencies, including the Department of Defense, concurred in the establishment of this objective.

As of March 1, 1971, the uncommitted inventory held by the General Services Administration was approximately 17,256 troy ounces. Of this quantity, approximately 256 troy ounces were excess to stockpile requirements. Passage of this disposal request would provide disposal authority for all excess iridium.

In authorizing this disposal request, the Office of Emergency Preparedness has had the concurrence of all interested departments and agencies.

The Office of Emergency Preparedness strongly recommends prompt enactment of this legislation.

Mr. ROSS. On behalf of the Administrator, Robert L. Kunzig, who has asked me to represent him at the hearings today, I want to thank you for the opportunity to appear before your subcommittee for the purpose of expressing the views of GSA in support of this bill for disposal of iridium.

The bill would authorize the disposal of 256 ounces of iridium held in the national stockpile. The Office of Emergency Preparedness, as of April 2, 1964, determined that this quantity is excess to stockpile needs. GSA does not currently have authority for sale of iridium.

Iridium is used largely for alloying with platinum and palladium and is classified as being in the platinum group of metals. Consumption pattern in 1969 was in jewelry and decorative uses (19 percent), electrical (14 percent), chemical (46 percent), petroleum (10 percent), dental and medical (4 percent), and others (7 percent). U.S. consumption was 14,218 troy ounces in 1969, with 11,500 troy ounces estimated for 1970. U.S. imports of refined metal were 5,551 troy ounces in 1969, with 14,200 estimated for 1970.

There is no major U.S. production of iridium although U.S. gold and copper refineries do recover small quantities. Production from this source and secondary refining totaled 2,581 troy ounces in 1968 and 2,820 troy ounces in 1969. Import sources in 1969 were United Kingdom (55 percent) and Canada (45 percent). However, the world production of all platinum group metals comes mainly from U.S.S.R., Republic of South Africa, and Canada.

As of March 1, 1971, the total inventory of iridium held by GSA was approximately 17,256 troy ounces. The present stockpile objective is 17,000 troy ounces. The excess covered by the proposed bill totals approximately 256 troy ounces. The average acquisition cost of stockpile iridium was \$177.29 per troy ounce. The current estimated market price ranges from \$150 to \$155 per troy ounce. The material covered by this bill will be made available for disposal over a period of years. The quantities and timing of disposals will be determined as market conditions warrant.

Section 2 of the bill provides that, unless otherwise authorized by law, disposals may be made only after publicly advertising for bids, except when (1) the material is transferred to a Federal agency, (2) the Administrator of General Services determines that other methods of disposition are necessary to protect the United States against avoidable loss or to protect producers, processors, and consumers against avoidable disruption of their usual markets, or (3) sales are made pursuant to requests received from other Federal agencies in furtherance of authorized program objectives of such agencies.

This Agency strongly recommends enactment of the proposed bill.

S. 758

[S. 758 ; 92d Cong., first session]

A BILL To authorize the disposal of mica from the national stockpile and the supplemental stockpile

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the Administrator of General Services is hereby authorized to dispose of approximately one million four hundred twenty-six thousand twenty-five pounds of muscovite block mica; approximately fifty-one thousand eighty-seven pounds of muscovite film mica; approximately three million one hundred ninety-nine thousand eight hundred seventy-five pounds of muscovite mica splittings; and approximately three hundred fifty thousand pounds of phlogopite mica splittings now held in the national stockpile established pursuant to the Strategic and Critical Materials Stock Piling Act (50 U.S.C. 98-98h) and the supplemental stockpile established pursuant to section 104(b) of the Agricultural Trade Development and Assistance Act of 1954, 68 Stat. 456, as amended by 73 Stat. 607. Such disposition may be made without regard to the requirements 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.

SEC. 2. (a) Disposals of the material covered by this Act may be made only after publicly advertising for bids, except as provided in subsection (b) of this section or as otherwise authorized by law. All bids may be rejected when it is in the public interest to do so.

(b) The material covered by this Act may be disposed of without advertising for bids if—

(1) the material is to be transferred to an agency of the United States;

(2) the Administrator determines that methods of disposal other than by advertising are necessary to protect the United States against avoidable loss or to protect producers, processors, and consumers against avoidable disruption of their usual markets; or

(3) sales are to be made pursuant to requests received from other agencies of the United States in furtherance of authorized program objectives of such agencies.

Mr. LAWRENCE. Mr. Chairman, I wish to thank you for the opportunity of appearing before this committee to support S. 758, a bill authorizing the disposal of approximately 5,026,987 pounds of excess mica from the national and supplemental stockpiles.

The Office of Emergency Preparedness established the current stockpile objectives for the various forms of micas as follows: mica, muscovite block, 6 million pounds on March 13, 1964; mica, muscovite film, 2 million pounds on March 13, 1964; mica, muscovite splittings, 19 million pounds on January 17, 1969; and mica, phlogopite splittings, 950,000 pounds on January 17, 1969. Each of the 1964 objectives has been reviewed several times since that date and the review has shown that the objectives were adequate to protect the United States from any contingency that might arise in an emergency. The interested departments and agencies, including the Department of Defense, concurred in the establishment of these objectives.

As of March 1, 1971, the uncommitted stockpile inventory held by the General Services Administration was approximately 18,300,000 pounds of mica, muscovite block; 1,900,000 pounds of mica, muscovite film; 43,300,000 pounds of mica, muscovite splittings; and 4,900,000 pounds of mica, phlogopite splittings. With the existing objectives for these materials, the approximate excesses remaining are 11,400,000 pounds of mica, muscovite block; 500,000 pounds of mica, muscovite film; 24,300,000 pounds of mica, muscovite splittings; and 3,900,000 pounds of mica, phlogopite splittings. Of these quantities, the following amounts are currently authorized for disposal: 10 million pounds of muscovite block under Public Law 89-419, enacted May 11, 1966, and by OEP disposal under the Defense Production Act authorization; 500,000 pounds of muscovite film by Public Law 89-419, enacted May 11, 1966; 21,100,000 pounds of muscovite splittings by Public Law 89-419; and 3,500,000 pounds of phlogopite splittings by Public Law 89-418, May 11, 1966. With approval of this disposal bill, the General Services Administration would have disposal authority for all existing excess mica.

In authorizing this disposal request, the Office of Emergency Preparedness has had the concurrence of all interested departments and agencies.

The Office of Emergency Preparedness strongly recommends the prompt enactment of this legislation.

Mr. Ross. On behalf of the Administrator, Robert L. Kunzig, who has asked me to represent him at the hearings today, I want to thank you for the opportunity to appear before your subcommittee for the purpose of expressing the views of GSA in support of this bill for disposal of mica.

The bill would authorize the disposal of 5,026,987 pounds of mica held in the national and supplemental stockpiles. The Office of Emergency Preparedness has determined that this quantity is excess to stockpile needs. The 5,026,987 pounds of mica consist of 1,426,025 pounds of muscovite block, stained and better; 51,087 pounds of muscovite film, first and second qualities; 3,199,875 pounds of muscovite splittings; and 350,000 pounds of phlogopite splittings.

Stockpile objectives were established as follows:

	Pounds
March 13, 1964:	
Muscovite block, stained and better-----	6,000,000
Muscovite film, 1st and 2d qualities-----	2,000,000
January 17, 1969:	
Muscovite splittings-----	19,000,000
Phlogopite splittings-----	950,000

As of March 1, 1971, GSA has the following available for sale:

Muscovite block, all qualities-----	10,023,073
Muscovite film-----	457,620
Muscovite splittings-----	21,114,461
Phlogopite block-----	151,859
Phlogopite splittings-----	3,553,398

This material was authorized for disposal under Public Law 98-419, Public Law 89-418 and an OEP authorization from the DPA inventory in January 1966.

Mica is a group name for a number of complex silicate minerals which have a characteristic structure permitting easy splitting into thin, tough sheets. The value of mica depends on the absence of staining, which tends to decrease its electric insulating value for uses in electronics. The economic cost involved in separating usable pieces of the natural mica has led to a synthetic production of forms of mica which do not involve the uneconomic cost of handling and sorting splittings. The synthetic can be manufactured to a composition more exactly fitting the intended end use. There are also manufactured substitutes for mica to serve the same end uses.

U.S. production of strategic grade mica is negligible. The U.S. import sources in 1969 were India (82 percent), Brazil (14 percent), Malagasy Republic (3 percent), and others (1 percent). Future demand will rely on imports. U.S. consumption in 1969 and estimated consumption for 1970 for each category are (in pounds):

	1969	1970
Muscovite block-----	1,387,999	1,300,000
Muscovite film-----	30,054	30,000
Muscovite splittings-----	4,799,000	4,800,000
Phlogopite block-----	99,816	80,000
Phlogopite splittings-----	278,000	280,000

The consumption pattern in 1969 in the United States was:

Muscovite block: Electronic uses (70 percent), mainly capacitors and tubes; nonelectronics uses (28 percent).

Muscovite film: Electronic uses (100 percent) for capacitors.

Phlogopite block: Electronic uses (5.5 percent). Nonelectronic uses (94.5 percent). Nonelectronic uses are for filler in plastics, in paint, and roofing and asphalt shingles, and glass-bonding powered natural mica.

The acquisition cost for muscovite block, stained and better, in the national stockpile was \$2.38 per pound and in the supplemental stockpile was \$3.44 per pound. The acquisition cost of muscovite film, first and second qualities in the national stockpile was \$5.27 per pound and in the supplemental stockpile was \$9.12 per pound. The average acquisition cost of muscovite splittings in the national and supplemental stockpiles was \$1.01 per pound. The average acquisition cost of phlogopite splittings in the national and supplemental stockpiles was \$1 per pound.

The current estimated market price for standard, commercial type micas range from 10 cents per pound to \$20 per pound, depending on color, form, grade, size, thickness, and visual quality.

On February 18, 14 representatives of the mica industry met with Government personnel from several agencies concerning this proposed disposal legislation. We indicated to the group that the material covered by this bill would be added to the mica currently authorized for sale and would be made available for disposal over a period of years. We assured the industry that timing of disposals would be determined in light of market conditions. Industry comments included discussion of the complexities of marketing mica, and indication of some shortages of some types of block and film and a suggestion that some of the Government's excess material be sold as scrap mica.

We explained to the industry our rationale for requesting disposal authorization for all excesses, even though a significant quantity of the material may be available for disposal. We indicated that as a matter of policy, all excess inventories are, as soon as feasible, placed in the authorized for disposal category which is in our judgment warranted in the General Services Administration's role as stockpile manager.

The Government's mica disposal program is currently very limited and geared to the U.S. market. We expressed to the industry our view that the excess is huge and the disposal program should be broadened considerably to include world markets. Industry assistance was also requested regarding marketing aspects to be considered in the sale of the various types and grades of material. We believe that this additional disposal authorization will permit more effective disposal planning and should prove beneficial to the long-term needs of U.S. industry.

Section 2 of the bill provides that, unless otherwise authorized by law, disposals may be made only after publicly advertising for bids, except when (1) the material is transferred to a Federal agency, (2) the Administrator of General Services determines that other methods of disposition are necessary to protect the United States against avoidable loss or to protect producers, processors, and con-

sumers against avoidable disruption of their usual markets, or (3) sales are made pursuant to requests received from other Federal agencies in furtherance of authorized program objectives of such agencies.

This Agency strongly recommends enactment of the proposed bill. Senator CANNON. The committee has received a letter from Mr. A. Shirley Gray of A. Shirley Gray Associates, Chicago, Ill., which he had sent to Mr. Bob Ross expressing his opposition to the enactment of S. 758 at this time. Without objection, it will be inserted in the record at this point.

(The letter follows:)

A. SHIRLEY GRAY ASSOCIATES,
MANAGEMENT CONSULTANTS,
Chicago, Ill., February 17, 1971.

Subject: Disposal of muscovite mica stockpiles.

Mr. Bob Ross,
Assistant Commissioner, Office of Stockpile Disposal,
Washington, D.C.

DEAR MR. ROSS: Your letter of February 9, 1971 addressed to me at Inmanco, 3800 West 42nd Street, Chicago, Illinois, 60632, was forwarded to me at the above address. I resigned and retired from Inmanco and the other Macallen companies in 1969, so my address on your records should be changed.

I shall not attend the mica industry meeting to be held on February 18, 1971 at 10:30 a.m. in Room 6342, GSA Building, Washington, D.C. to my regret. I do, however, desire to have my opinions and recommendation put on record by this letter. Because I talked with you on the telephone when I was in Washington on February 9, 1971, and informed you I would not attend the meeting, I did not telephone your office on February 16.

My recommendation is that any disposal of any muscovite micas in the government stockpiles be deferred or postponed, at least through the 1971-1972 fiscal year. I am opposed even to an extension of the 1970-1971 policy of a limited disposal of mica surpluses, which the Government of India might accept as a compromise to avoid larger amounts being sold. Unless our stockpiles can provide mica that India cannot or will not supply, I hope the Congress will postpone its authorization of any disposal of muscovite micas.

This is my recommendation in regard to the proposed disposal of 1,426,025 pounds of muscovite mica block, stained and better; 51,087 pounds of muscovite film, 1st and 2nd qualities; and 3,199,875 pounds of muscovite splittings. Because I am familiar only with conditions in the India muscovite mica industries, I am taking no position on the disposal of 350,000 pounds of phlogopite which is not indigenous to India.

My opinions are based on my personal knowledge and experience as a result of my appointment by UNICO-Vienna as its mica marketing advisor to the Ministry of Foreign Trade, Government of India, New Delhi. In that capacity, I visited the mica mines and mica factories in the three major muscovite mica areas in India. I met and talked with over two hundred leaders in the mica industries of India. Economic conditions in India's mica industries, and in the villages dependent upon mica, are far from prosperous and the mica economy is declining. Every pound of muscovite mica we sell from our surpluses is one less pound of mica produced in India for export. Therefore, for the first time in my long mica experience, I am recommending that our government temporarily suspend its muscovite mica disposal plans.

I don't know whether or not the decline in India's exports and the world's usage of muscovite mica block, films, and splittings can be stopped or reversed. As you undoubtedly are aware, many authorities predict that by the year 2000, mica block will not be used in any substantial quantities. Mica splittings have a much shorter predicted future. The research in recent years on mica alternates or substitutes, the technological changes in the designs of electrical and electronic equipment, and the lack of mica research support these predictions. In my final report to the Government of India through UNIDO I shall not deny these possibilities. I shall, however, not accept these predictions as being my final opinions, or that India may not have a good mica future under certain conditions.

My recommendations are that continuing technical and market research programs are "musts", that the Government of India and its mica industry leaders

must examine and revise India's export policies, and that India's muscovite micas must be "sold" to mica users or consumers on the basis of what mica can and will do, based on research. My recommended programs are contained in a five year plan involving an expenditure of \$2.5 million. If, after such an in-depth study of mica's possible better future, of developing some new uses for mica and the reestablishment of old mica uses has not been accomplished, we can make some definite conclusions.

To ascertain whether mica research and promotion programs can and will be inaugurated, as I hopefully expect. I believe our government should postpone, at least through the 1971-1972 fiscal year, the disposal of any of its surplus mica stocks. I hope we will cooperate to this extent, and not "compete" with the efforts being made to assist a developing nation to redevelop one of its oldest industries, which supplies from 70% to 80% of the world's mica needs.

To get these opinions on the records of the Senate's Armed Service Subcommittee when the Congress considers the necessary legislation to authorize the disposal programs, I am sending copies of this letter to senators Stennis and Cannon.

Best regards.

Sincerely yours,

A. SHIRLEY GRAY.

GENERAL SERVICES ADMINISTRATION
PROPERTY MANAGEMENT AND DISPOSAL SERVICE
Washington, D.C.

MR. A. SHIRLEY GRAY,
3800 West 42nd Street,
Chicago, Ill.

DEAR MR. GRAY: In keeping with our practice of consulting with industry on disposals, we are inviting you to attend an informal industry meeting for the purpose of discussing GSA's proposed disposal legislation covering 1,426,025 pounds of muscovite block, stained and better; 51,087 pounds of muscovite film, 1st and 2nd qualities; 3,199,875 pounds of muscovite splittings; and 350,000 pounds of phlogopite, splittings from the national and supplemental stockpiles. Congressional authorization is required before disposals of this material may be released. The annual disposal rate for material presently authorized will be reviewed.

The meeting will be held February 18, 1971, at 10:30 a.m., in Room 6324, General Services Building, 18th and F Streets, NW., Washington, D.C.

Please advise us by February 16 whether you will be able to attend. In the event that you are not able to attend or be represented, we will be pleased to receive for consideration, any comments you may have concerning the proposed disposals, including the method of sale, quantity, and frequency of the offerings.

Sincerely,

BOB ROSS,

Assistant Commissioner, Office of Stockpile Disposal.

S. 759

[S. 759 ; 92d Cong., first session]

A BILL To authorize the disposal of metallurgical grade manganese from the national stockpile and the supplemental stockpile

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the Administrator of General Services is hereby authorized to dispose of approximately four million four hundred and twenty-four thousand eight hundred and forty short dry tons (manganese ore equivalent) of metallurgical grade manganese now held in the national stockpile established pursuant to the Strategic and Critical Materials Stock Piling Act (50 U.S.C. 98-98h) and the supplemental stockpile established pursuant to section 104(b) of the Agricultural Trade Development Act of 1954 (68 Stat. 456, as amended by 73 Stat. 607). Such disposition may be made without regard to the requirements 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.

SEC. 2. (a) Disposals of the material covered by this Act may be made only after publicly advertising for bids, except as provided in subsection (b) of this section or as otherwise authorized by law. All bids may be rejected when it is in the public interest to do so.

(b) The material covered by this Act may be disposed of without advertising for bids if—

(1) the material is to be transferred to an agency of the United States;

(2) the Administrator determines that methods of disposal other than by advertising are necessary to protect the United States against avoidable loss or to protect producers, processors, and consumers against avoidable disruption of their usual markets; or

(3) sales are to be made pursuant to requests received from other agencies of the United States in furtherance of authorized program objectives of such agencies.

Mr. LAWRENCE. Mr. Chairman, I wish to thank you for the opportunity of appearing before this committee to support S. 759, a bill authorizing the disposal of approximately 4,424,840 short dry tons (manganese ore equivalent) of excess metallurgical grade manganese from the national and supplemental stockpiles.

The Office of Emergency Preparedness approved a new review of the stockpile objective for metallurgical grade manganese on May 13, 1969. At that time, the objective for this material was reduced from 7.9 million short tons to 4 million tons. Although there was a sizeable increase in the U.S. requirements, there was a much greater increase in supplies available to the United States in an emergency, principally from Brazil. This permitted the reduction in the objective. This objective has been concurred in by all the interested departments and agencies, including the Department of Defense.

As of March 1, 1971, the uncommitted stockpile inventory held by the General Services Administration was approximately 12.1 million tons. With an objective of 4 million tons, there remains an excess of 8.1 million tons. Of this quantity, approximately 0.9 million tons were authorized for disposal by the Congress in Public Law 89-539, and 88th Congress House Congressional Resolution 320, and 2.8 million tons under Defense Production Act disposal authority. Passage of this bill would provide the necessary authority to the General Services Administration to permit disposal of all excess metallurgical grade manganese.

In authorizing this disposal request, the Office of Emergency Preparedness has the concurrence of all the interested departments and agencies.

The Office of Emergency Preparedness strongly recommends the prompt enactment of this disposal legislation.

Mr. ROSS. On behalf of the Administrator, Robert L. Kunzig, who has asked me to represent him at the hearings today, I want to thank you for the opportunity to appear before your subcommittee for the purpose of expressing the views of GSA in support of this bill for the disposal of metallurgical grade manganese.

This bill would authorize the disposal of approximately 4,424,840 short dry tons of metallurgical grade manganese (manganese ore equivalent) held in the national and supplemental stockpiles. Of this quantity, 3,267,859 short dry tons are ore, 576,060 short tons (1,152,120 short tons manganese ore equivalent) are high carbon ferromanganese,

and 1,944 short tons (4,860 short tons manganese ore equivalent) of electrolytic manganese metal. The Office of Emergency Preparedness has determined that these quantities are excess to stockpile needs.

Metallurgical grade manganese is a black ore in the form of lumpy-natural ore or agglomerated nodules or sinter. Its chief uses are in the manufacture of manganese metal, ferromanganese, and special manganese alloys, which in turn are used to neutralize the effects of sulfur and to remove oxygen in steel production. It is used as an addition to special steels to contribute toughness and resistance to shock and abrasion.

U.S. production of metallurgical grade manganese amounted to about 6,000 short dry tons in 1969, and an estimated 4,000 tons for 1970. U.S. consumption was approximately 2.1 million short tons in 1969 and 2.3 million short tons in 1970.

Imports of metallurgical grade manganese were 1,954,535 short tons in 1969, and 1,735,055 short tons in 1970. Principal import sources in 1969 were Brazil (28 percent), Republic of South Africa (12 percent), India (8 percent), Gabon (28 percent), Australia (5 percent), Congo (8 percent), and other countries (11 percent).

As of March 1, 1971, the total inventory of metallurgical grade manganese held by GSA in various forms was approximately 12,097,000 short dry tons (manganese ore equivalent). The present stockpile objective is 4 million short dry tons. Approximately 4,424,840 short dry tons (manganese ore equivalent) will be covered by the proposed bill. The balance of the excess, about 3.7 million short tons of ore, remains available for disposal under previous authorizations.

The average acquisition cost of the metallurgical manganese ore in the national stockpile was \$39.60 per short dry ton; for the high carbon ferromanganese, \$189.79 per short ton, and \$520.46 per short ton for the electrolytic manganese metal. In the supplemental stockpile, the average acquisition cost was \$43.09 per short dry ton for ore; \$186.56 per short ton for the high carbon ferromanganese; and \$610.52 per short ton for the electrolytic manganese metal. The current estimated market price for standard, commercial type manganese ore is about \$28 per short dry ton; \$151.30 per short ton for high carbon ferromanganese; and \$665 per short ton for electrolytic manganese metal.

The 1970 market was somewhat soft with some of the smaller mines in Africa and India reportedly closing.

During a Government-industry meeting on February 16, 1971, industry representatives were consulted regarding the Government's plan for disposal legislation. Although the industry was not unanimous in its approval, we can report that there was general support for the bill. We assured the industry that the material covered by this bill would be made available for disposal over a period of years and the quantities and timing of disposals would be determined as market conditions warrant. We have suggested to the industry that they consider long-term purchase arrangements whereby the material could be drawn down in an orderly manner over a period of years. Recent market indications are that ore producers have contracted for all of their anticipated ore production in calendar year 1971.

Section 2 of the bill provides that, unless otherwise authorized by law, disposals may be made only after publicly advertising for bids, except when (1) the material is transferred to a Federal agency, (2) the Administrator of General Services determines that other methods of disposition are necessary to protect the United States against avoidable loss or to protect producers, processors, and consumers against avoidable disruption of their usual markets, or (3) sales are made pursuant to requests received from other Federal agencies in furtherance of authorized program objectives of such agencies.

This Agency strongly recommends enactment of the proposed bill.

S. 760

[S. 760 ; 92d Cong., 1st sess.]

A BILL To authorize the disposal of manganese, battery grade, synthetic dioxide from the national stockpile

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the Administrator of General Services is hereby authorized to dispose of approximately four thousand eight hundred and five short dry tons of manganese, battery grade, synthetic dioxide 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 requirements 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.

SEC. 2. (a) Disposals of the material covered by this Act may be made only after publicly advertising for bids, except as provided in subsection (b) of this section or as otherwise authorized by law. All bids may be rejected when it is in the public interest to do so.

(b) The material covered by this Act may be disposed of without advertising for bids if—

- (1) the material is to be transferred to an agency of the United States;
- (2) the Administrator determines that methods of disposal other than by advertising are necessary to protect the United States against avoidable loss or to protect producers, processors, and consumers against avoidable disruption of their usual markets; or
- (3) sales are to be made pursuant to requests received from other agencies of the United States in furtherance of authorized program objectives of such agencies.

MR. LAWRENCE. Mr. Chairman, I wish to thank you for the opportunity of appearing before the committee to support S. 760, a bill authorizing the disposal of approximately 4,805 short dry tons of excess manganese, battery grade, synthetic dioxide from the national stockpile.

The Office of Emergency Preparedness approved a new review of the stockpile objective for manganese, battery grade, synthetic dioxide on March 27, 1969. At that time, the objective for this material was reduced from 6,700 short dry tons to 1,900 short tons. In this review, U.S. requirements increased 225 percent. However, domestic capacity almost doubled and imports from Japan have increased considerably. This objective has been concurred in by the interested departments and agencies, including the Department of Defense.

As of March 1, 1971, the uncommitted stockpile inventory, held by the General Services Administration, was approximately 20,700 short tons. With an objective of 1,900 short tons, there remains an excess of approximately 18,800 short dry tons. Of this quantity, 10,569 short tons were authorized for disposal by the Congress in Public Law 89-726, dated November 2, 1966, and 3,403 short tons under Defense Production Act disposal authority. Passage of this bill would provide the necessary authority to the General Services Administration to permit disposal of all excess manganese, battery grade, synthetic dioxide.

In authorizing this disposal request, the Office of Emergency Preparedness has had the concurrence of all interested departments and agencies.

The Office of Emergency Preparedness strongly recommends the prompt enactment of this disposal legislation.

Mr. Ross. On behalf of the Administrator, Robert L. Kunzig, who has asked me to represent him at the hearings today, I want to thank you for the opportunity to appear before your subcommittee for the purpose of expressing the views of GSA in support of this bill for disposal of manganese, battery grade, synthetic dioxide.

The bill would authorize the disposal of 4,805 short dry tons of manganese, battery grade, synthetic dioxide held in the national stockpile. The Office of Emergency Preparedness has determined that this quantity is excess to stockpile needs. As of March 1, 1971, GSA has available for sale, approximately 13,972 short dry tons. The material was authorized for sale by Public Law 89-726 of November 2, 1966, and OEP authority for the DPA material.

The synthetic battery grade, manganese dioxide is used for batteries, for which it is preferred over the natural manganese. U.S. production of the material was 12,000 short dry tons in 1969, with 11,000 short dry tons estimated for 1970. Imports in 1969 were 1,778 short dry tons, mainly from Japan, whereas domestic production results from processing ores imported from Ghana, Gabon, and Mexico, as well as from domestic ores. U.S. production and consumption rose steadily in the 4 years through 1969 when consumption was 14,000 short dry tons, with 14,350 short dry tons estimated for 1970.

As of March 1, 1971, the total GSA inventory of manganese, battery grade, synthetic dioxide was 20,677 short dry tons, for which the present stockpile objective is 1,900 short dry tons. The excess in the national stockpile, for which disposal authority is presently sought, is 4,805 short dry tons.

The average acquisition cost of this material in the national stockpile was \$145.52 per short dry ton and the overall average acquisition cost in all inventories was \$223.92 per short dry ton. The current estimated market price is about \$490 per short dry ton.

The proposed legislation was discussed with the industry on February 16, 1971. Industry representatives expressed a reluctance to support legislation that would add any material to the commercial markets. We indicated to the industry that as responsible stockpile managers, GSA is desirous of the disposal authority that would permit releases into the market at the appropriate time. The Govern-

ment suggested that the industry representatives consider a long range purchase arrangement. We are hopeful that the industry will respond favorably to this suggestion and that a long term purchase arrangement can be worked out. The material covered by this bill, regardless of the method of sale, will be made available for disposal over a period of years. The quantities and timing of disposals will be determined in the light of market conditions.

Section 2 of the bill provides that, unless otherwise authorized by law, disposals may be made only after publicly advertising for bids, except when (1) the material is transferred to a Federal agency, (2) the Administrator of General Services determines that other methods of disposition are necessary to protect the United States against avoidable loss or to protect producers, processors, and consumers against avoidable disruption of their usual markets, or (3) sales are made pursuant to requests received from other Federal agencies in furtherance of authorized programs objectives of such agencies.

This Agency strongly recommends enactment of the proposed bill.

S. 763

[S. 763 ; 92d Cong., first session]

A BILL To authorize the disposal of amosite asbestos from the national stockpile and the supplemental stockpile

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the Administrator of General Services is hereby authorized to dispose of approximately eleven thousand two hundred and thirty-nine short tons of amosite asbestos now held in the national stockpile established pursuant to the Strategic and Critical Materials Stock Piling Act (50 U.S.C. 98-98h) and the supplemental stockpile established pursuant to section 104(b) of the Agricultural Trade Development and Assistance Act of 1954, 68 Stat. 456, as amended by 73 Stat. 607. Such disposition may be made without regard to the requirements 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.

SEC. 2. (a) Disposals of the material covered by this Act may be made only after publicly advertising for bids, except as provided in subsection (b) of this section or as otherwise authorized by law. All bids may be rejected when it is in the public interest to do so.

(b) The material covered by this Act may be disposed of without advertising for bids if—

- (1) the material is to be transferred to an agency of the United States;
- (2) the Administrator determines that methods of disposal other than by advertising are necessary to protect the United States against avoidable loss or to protect producers, processors, and consumers against avoidable disruption of their usual markets; or
- (3) sales are to be made pursuant to requests received from other agencies of the United States in furtherance of authorized program objectives of such agencies.

Mr. LAWRENCE. Mr. Chairman, I wish to thank you for the opportunity of appearing before this committee to support S. 763, a bill authorizing the disposal of approximately 11,239 short tons of excess amosite asbestos from the national and supplemental stockpiles.

The Office of Emergency Preparedness approved a new review of the stockpile objective for amosite asbestos on February 9, 1971. At that time, the objective for this material was reduced from 40,000 short

tons to 18,400 short tons. The reduction of this objective is due to a change in stockpile policy which occurred in 1968. This policy change permitted the counting of supplies from the Republic of South Africa in the second and third years of an emergency. Previously, this supply source had been discounted for all 3 years. This objective has been concurred in by the interested departments and agencies, including the Department of Defense.

As of March 1, 1971, the uncommitted stockpile inventory held by the General Services Administration was approximately 60,300 short tons. With an objective of 18,400 short tons, there remains an excess of 41,900 short tons. Of this quantity, 9,100 short tons were authorized for disposal by the Congress in Public Law 89-422, enacted May 11, 1966.

The proposed bill submitted to the Congress by the General Services Administration would authorize the disposal of 11,239 short tons. Because of the revision of the objective, the Office of Emergency Preparedness recommends that this bill be amended to permit the disposal of 32,839 short tons. With the approval of disposal of 32,839 short tons, the General Services Administration would then have disposal authority for all existing excess amosite asbestos.

In authorizing this disposal request, the Office of Emergency Preparedness has had the concurrence of all interested departments and agencies.

The Office of Emergency Preparedness strongly recommends the prompt enactment of this legislation in the amended form.

Mr. Ross. On behalf of the Administrator, Robert L. Kunzig, who has asked me to represent him at the hearings today, I want to thank you for the opportunity to appear before your subcommittee for the purpose of expressing the views of GSA in support of this bill for the disposal of amosite asbestos.

This bill would authorize the disposal of approximately 11,239 short tons of amosite asbestos held in the national and supplemental stockpiles. On February 9, 1971, the Office of Emergency Preparedness further reduced the stockpile objective to 18,400 short tons. As a result of this action the total current excess not authorized for disposal is 32,839 short tons.

The material is a fibrous amphibole mineral characterized by long, coarse, strong, and resilient fibers. Amosite asbestos possesses good tensile strength and is more resistant to heat than crocidolite or chrysotile. It varies in color from gray and yellow to dark brown, with fiber lengths up to 6 inches. The principal uses are in manufacturing insulating felt, heat insulation (pipe covering, block, and segments), and marine insulating board. The long fiber amosite is used principally in the manufacture of thermal insulation.

As of March 1, 1971, the total inventory of amosite asbestos held by GSA was approximately 60,335 short tons. On February 9, the stockpile objective was reduced from 40,000 short tons to 18,400 short tons. As we have indicated in our recent letter to the committee, we request that the proposed disposal legislation be amended to cover the total excess of 32,839 short tons. The average acquisition cost of the amosite asbestos in the national stockpile was \$225.35 per short ton and in the supplemental stockpile \$249.79 per short ton. The current

estimated market price for standard, commercial type amosite asbestos is \$211.80 per short ton.

There is no production of amosite asbestos in the United States. Imports in 1968 were 20,603 short tons, 14,619 short tons in 1969, and 14,261 short tons for 1970; U.S. consumption declined from 18,000 short tons in 1968 to 15,000 short tons in 1969 and is estimated to have been 15,000 short tons in 1970. The Republic of South Africa supplies virtually all imports of this material.

The material covered by the bill as amended to include the total excess, will be made available for disposal over a period of years. The quantities and timing of disposals will be determined in the light of market conditions.

Section 2 of the bill provides that, unless otherwise authorized by law, disposals may be made only after publicly advertising for bids, except when (1) the material is transferred to a Federal agency, (2) the Administrator of General Services determines that other methods of disposition are necessary to protect the United States against avoidable loss or to protect producers, processors, and consumers against avoidable disruption of their usual markets, or (3) sales are made pursuant to requests received from other Federal agencies in furtherance of authorized program objectives of such agencies.

This agency strongly recommends enactment of the proposed bill.

S. 765

[S. 765, 92d Cong., 1st sess.]

A BILL To authorize the disposal of antimony from the national stockpile and the supplemental stockpile

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the Administrator of General Services is hereby authorized to dispose of approximately six thousand short tons of antimony now held in the national stockpile established pursuant to the Strategic and Critical Materials Stock Piling Act (50 U.S.C. 98-98h) and the supplemental stockpile established pursuant to section 104(b) of the Agricultural Trade Development and Assistance Act of 1954, 68 Stat. 456, as amended by 73 Stat. 607. Such disposition may be made without regard to the requirements 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.

SEC. 2. (a) Disposals of the material covered by this Act may be made only after publicly advertising for bids, except as provided in subsection (b) of this section or as otherwise authorized by law. All bids may be rejected when it is in the public interest to do so.

(b) The material covered by this Act may be disposed of without advertising for bids if—

- (1) the material is to be transferred to an agency of the United States;
- (2) the Administrator determines that methods of disposal other than by advertising are necessary to protect the United States against avoidable loss or to protect producers, processors, and consumers against avoidable disruption of their usual markets; or
- (3) sales are to be made pursuant to request received from other agencies of the United States in furtherance of authorized program objectives of such agencies.

Mr. LAWRENCE. Mr. Chairman, I wish to thank you for the opportunity of appearing before this committee to support S.765, a bill

authorizing the disposal of approximately 6,000 short tons of excess antimony from the national and supplemental stockpiles.

The Office of Emergency Preparedness approved a new review of the stockpile objective for antimony on April 8, 1970. At that time, the objective for this material was reduced from 50,500 short tons to 40,700 short tons. In establishing the requirements and supply leading to this objective, ample allowance was made for any contingencies that might arise in an emergency. This objective has been concurred in the interested departments and agencies, including the Department of Defense.

As of March 1, 1971, the uncommitted stockpile inventory held by the General Services Administration was approximately 46,746 short tons. With an objective of 40,700 short tons, there remains an excess of approximately 6,000 short tons. Passage of disposal authority for all excess antimony.

In authorizing this disposal request, the Office of Emergency Preparedness has had the concurrence of all interested departments and agencies.

The Office of Emergency Preparedness strongly recommends prompt enactment of this legislation.

Mr. Ross. On behalf of the Administrator, Robert L. Kunzig, who has asked me to represent him at the hearings today, I want to thank you for the opportunity to appear before your subcommittee for the purpose of expressing the views of GSA in support of this bill for the disposal of antimony.

This bill would authorize the disposal of the total excess of approximately 6,000 short tons of antimony held in the national and supplemental stockpiles. The Office of Emergency Preparedness has determined that this quantity is excess to stockpile needs. GSA is not currently in the market. Our sales of approximately 2,600 short tons of antimony during fiscal year 1969 completed disposal of approximately 5,000 short tons of material authorized for disposal under Public Law 88-615.

Antimony has wide applications in many industries. Its chief uses in metals are for lead hardening, solder, battery plates, and cable coverings. Nonmetallic uses are for frits (enamel-making powder) and ceramic enamels, paints and lacquers, flame-proofing textiles, marine antifouling paints, and ammunition primers.

In 1970 U.S. production is estimated to have been 1,300 short tons from mines, 13,500 short tons from smelters, and 23,000 short tons from secondary plants. U.S. consumption of antimony from both primary and secondary sources was 42,219 short tons in 1968, 42,500 short tons in 1969, and an estimated 39,000 short tons in 1970.

U.S. imports of antimony ore, metal, and oxide were 17,343 short tons in 1968, 17,032 short tons in 1969, and 19,400 short tons are estimated for 1970. Principal import sources for metal in 1969 were Yugoslavia (19 percent), United Kingdom (26 percent), Belgium (18 percent), and Mexico (18 percent), and other countries (19 percent). Imports of ores and concentrates during 1969 were: Mexico (19 percent), Republic of South Africa (55 percent), Bolivia (23 percent), and other countries (3 percent).

As of March 1, 1971, the total inventory of antimony held by GSA was approximately 46,746 short tons. The present stockpile objective established April 8, 1970, is 40,700 short tons. The excess of approximately 6,000 short tons is covered by the proposed bill and is all in the form of metal.

The average acquisition cost of the antimony metal in the national stockpile was \$695.46 per short ton and in the supplemental stockpile \$596.32 per short ton. The current estimated market price for standard, commercial type antimony recently was reduced from \$1,920 per short ton to \$1,600 per short ton.

Industry demand for antimony was very strong during 1969 and early 1970 causing a drawdown in industry stocks. Demand subsequently eased considerably in late 1970 and early 1971.

The entire quantity of excess antimony will be made available for disposal over a period of years. The quantities and timing of disposals will be determined as market conditions warrant.

Section 2 of the bill provides that, unless otherwise authorized by law, disposals may be made only after publicly advertising for bids, except when (1) the material is transferred to a Federal agency, (2) the Administrator of General Services determines that other methods of disposition are necessary to protect the United States against avoidable loss or to protect producers, processors, and consumers against avoidable disruption of their usual markets, or (3) sales are made pursuant to requests received from other Federal agencies in furtherance of authorized program objectives of such agencies.

Sales procedures for the proposed disposal were discussed during a meeting held on May 12, 1970, which representatives of industry and affected Government agencies. Industry representatives at that time favored disposal legislation and suggested that sales should be limited to domestic use only. In view of the change in market conditions we are currently consulting with the industry with regard to their present position and recommendations.

This Agency strongly recommends enactment of the proposed bill.

Senator CANNON. I want to insert at this point a letter from Mr. Robert R. Hurst, vice president of Hydro Nuclear Corp., Albuquerque, N. Mex., in which he expresses opposition to S. 765, the disposal of antimony.

(The letter follows:)

HYDRO NUCLEAR CORP.,
February 2, 1971.

HON. HOWARD W. CANNON,
U.S. Senator, State of Nevada,
New Senate Office Building, Washington, D.C.

DEAR SENATOR CANNON: Our Corporation has recently been informed by our Washington Representative, Mr. R. L. Simmons, 2230 California Street, N.W., Washington, D.C. 20008, that the United States Department of the Interior is contemplating a sale of 6,000 tons of antimony metal from the United States stockpile.

Hydro Nuclear Corporation, a New Mexico Corporation, has, since February, 1970, been developing properties and milling facilities in the State of Nevada devoted to the location and processing of antimony ores necessary to ensure an adequate domestic source of this metal, currently extensively used in lead alloys, e.g. batteries; ammunition, etc. Antimony is also, perhaps, one of the most economical elements available today for the preparation of fire-proofing compounds, an area about which there is presently extensive public concern.

Hydro Nuclear Corporation has, since September, 1970, been attempting to

sell its product in the United States. The antimony product is a high-grade antimony sulphide concentrate, meeting all commercial specifications. However, our Corporation has encountered extreme market resistance to the purchase of our product, primarily due to extensive importation of the ore and concentrates from foreign countries. The sale of antimony metal from the United States government stockpiles at this time would, possibly, necessitate our closing and abandoning our antimony mining and milling projects in the State of Nevada.

We respectfully submit that the development and production of this strategic material, antimony, in the continental United States, rather than extending the dependence of the United States upon foreign sources, should receive grave consideration from your office.

Respectfully yours,

ROBERT R. HURST, *Vice President.*

S. 767

[S. 767, 92d Cong., first session]

A BILL To authorize the disposal of rare-earth materials from the national stockpile and the supplemental stockpile

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the Administrator of General Services is hereby authorized to dispose of approximately eight thousand two hundred and thirty-three short dry tons (rare-earth oxides content) of rare-earth materials now held in the national stockpile established pursuant to the Strategic and Critical Materials Stock Piling Act (50 U.S.C. 98-98h) and the supplemental stockpile established pursuant to section 104(b) of the Agricultural Trade Development and Assistance Act of 1954, 68 Stat. 456, as amended by 73 Stat. 607. Such disposition may be made without regard to the requirements 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.

SEC. 2. (a) Disposals of the material covered by this Act may be made only after publicly advertising for bids, except as provided in subsection (b) of this section or as, otherwise authorized by law. All bids may be rejected when it is in the public interest to do so.

(b) The material covered by this Act may be disposed of without advertising for bids if—

- (1) the material is to be transferred to an agency of the United States;
- (2) the Administrator determines that methods of disposal other than by advertising are necessary to protect the United States against avoidable loss or to protect producers, processors, and consumers against avoidable disruption of their usual markets; or
- (3) sales are to be made pursuant to requests received from other agencies of the United States in furtherance of authorized program objectives of such agencies.

MR. LAWRENCE. Mr. Chairman, I wish to thank you for the opportunity of appearing before this committee to support S. 767, a bill authorizing the disposal of approximately 8,233 short dry tons of excess rare-earth materials from the national and supplemental stockpiles.

The Office of Emergency Preparedness approved a new review of the stockpile objective for rare-earth materials on March 4, 1970. At that time, the objective for rare-earth material was reduced from 6,500 short dry tons to zero, and rare-earth materials was deleted from the List of Strategic and Critical Materials. The reduction of this objective to zero was due to a change in stockpile policy in February 1970, which eliminated the concentration discount which had been applied to the major U.S. producer. The zero objective was concurred in by the interested departments and agencies, including the Department of Defense.

As of March 1, 1971, the uncommitted stockpile inventory held by the General Services Administration was approximately 13,160 short dry tons of rare-earth materials. With no objective for these materials, all these materials are considered excess. Of this quantity, 4,927 short dry tons were authorized for disposal by the Congress in Public Law 90-152, enacted November 24, 1967. Passage of this bill would provide the General Services Administration with the necessary authority to dispose of all excess rare-earth materials.

In authorizing this disposal request, the Office of Emergency Preparedness has had the concurrence of all interested departments and agencies.

The Office of Emergency Preparedness strongly recommends the prompt enactment of this new legislation.

Mr. Ross. On behalf of the Administrator, Robert L. Kunzig, who has asked me to represent him at the hearings today, I want to thank you for the opportunity to appear before your subcommittee for the purpose of expressing the views of GSA in support of this bill for disposal of rare-earth material.

The bill would authorize the disposal of approximately 8,233 short tons (REO-rare-earth oxides content) of rare-earth materials held in the national and supplemental stockpiles. The Office of Emergency Preparedness removed this material from the list of strategic and critical materials on March 4, 1970; therefore this quantity is excess to stockpile needs.

As of March 1, 1971, the total inventory of this material held by GSA was approximately 13,160 short tons (REO-content), all of which is excess. Approximately 4,927 short tons were previously authorized for disposal by Public Law 90-152.

About 60 percent of U.S. rare-earth compounds consumption goes into the making of cracking catalysts for petroleum refining. The glass industry consumes about 20 percent and the metallurgical industry about 8 percent. Phosphors and electronic uses account for about 1 percent and miscellaneous uses the remaining 11 percent. U.S. industrial demand for rare earths has varied with shifts in technology.

The average acquisition cost of the rare-earth material in the stockpile was \$804 per short ton. Current market prices ranges from \$45 to \$700 per short ton for individual rare-earth materials.

The United States produces half of the world's rare-earth oxides in concentrates and is the main market for rare-earth products. Imports of monazite concentrates were 4,206 short tons in 1969 and estimated at 3,150 tons for 1970.

Australia accounted for about 59 percent of U.S. imports in 1969. U.S. industrial consumption of rare-earth oxides increased from 5,700 short tons in 1966 to 8,820 tons in 1969, and estimated at 10,000 tons for 1970. Major world producers besides the United States are Australia, India, Malaysia, and Brazil.

The excess quantity will be made available for disposal over a period of years as market conditions warrant. Method of sale for the proposed disposal was discussed with representatives of industry and affected Government agencies during an industry meeting on June 4, 1970. We are at the present time consulting with industry for their current views and recommendations. We envision continuation of the

present offering rate of 1,250 short tons (REO content) per annum which was agreeable to the industry last June.

Section 2 of the bill provides that, unless otherwise authorized by law, disposals may be made only after publicly advertising for bids, except when (1) the material is transferred to a Federal agency, (2) the Administrator of General Services determines that other methods of disposition are necessary to protect the United States against avoidable loss or to protect producers, processors, and consumers against avoidable disruption of their usual markets, or (3) sales are made pursuant to requests received from other Federal agencies in furtherance of authorized program objectives of such agencies.

This Agency strongly recommends enactment of the proposed bill.

S. 768

[S. 768, 92d Cong., first session]

A BILL To authorize the disposal of chemical grade chromite from the national stockpile and the supplemental stockpile

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the Administrator of General Services is hereby authorized to dispose of approximately three hundred and twenty-four thousand five hundred short dry tons of chemical grade chromite now held in the national stockpile established pursuant to the Strategic and Critical Materials Stock Piling Act (50 U.S.C. 98-98h) and the supplemental stockpile established pursuant to section 104(b) of the Agricultural Trade Development and Assistance Act of 1954, 68 Stat. 456, as amended by 73 Stat. 607. Such disposition may be made without regard to the requirements 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.

SEC. 2. (a) Disposals of the material covered by this Act may be made only after publicly advertising for bids, except as provided in subsection (b) of this section or as otherwise authorized by law. All bids may be rejected when it is in the public interest to do so.

(b) The material covered by this Act may be disposed of without advertising for bids if—

- (1) the material is to be transferred to an agency of the United States;
- (2) the Administrator determines that methods of disposal other than by advertising are necessary to protect the United States against avoidable loss or to protect producers, processors, and consumers against avoidable disruption of their usual markets; or

- (3) sales are to be made pursuant to requests received from other agencies of the United States in furtherance of authorized program objectives of such agencies.

Mr. LAWRENCE, Mr. Chairman, I wish to thank you for the opportunity of appearing before this committee to support S. 768, a bill authorizing the disposal of approximately 324,500 short dry tons of excess chemical grade chromite from the national and supplemental stockpiles.

The Office of Emergency Preparedness approved a new stockpile objective for chemical grade chromite on May 13, 1969. At that time, the objective for this material was reduced from 600,000 short dry tons to 260,000 short dry tons. The reason for this reduction in this objective is the same as that referred to in our discussion of amosite asbestos, the inclusion of supplies from the Republic of South Africa in the second and third years of an emergency. This objective has been con-

curred in by the interested departments and agencies, including the Department of Defense.

As of March 1, 1971, the uncommitted stockpile inventory held by the General Services Administration was approximately 584,500 short dry tons. With an objective of 260,000 short dry tons, there remains an excess of approximately 324,500 short dry tons. Passage of this bill would provide the General Services Administration with the necessary authority to permit disposal of all excess chemical grade chromite.

In authorizing this disposal request, the Office of Emergency Preparedness has had the concurrence of all interested departments and agencies.

The Office of Emergency Preparedness strongly recommends the prompt enactment of this legislation.

Mr. Ross. On behalf of the Administrator, Robert L. Kunzig, who has asked me to represent him at the hearings today, I want to thank you for the opportunity to appear before your subcommittee for the purpose of expressing the views of GSA on the bill for the disposal of chemical grade chromite.

The Office of Emergency Preparedness has determined that the approximately 324,500 short dry tons of chemical grade chromite, covered by the proposed bill, are excess to stockpile requirements.

Chemical grade chromite ore is consumed by the chemical industry and is used in a wide variety of applications, the largest being protective coatings for metals (plating and anodizing) and in the manufacture of pigments for paints.

The United States does not produce chemical grade chromite but obtains its entire supply from the Republic of South Africa. U.S. consumption of chemical grade chromite has fluctuated during the last few years, but averaged 197,300 short tons during the 1967-69 period and was 209,842 in 1970. Chromite consumption by the chemical industry in 1969 increased 4 percent from that of 1968.

As of March 1, 1971, the total inventory of chemical grade chromite ore held by GSA was approximately 585,861 short dry tons. The present stockpile objective is 260,000 short dry tons, leaving a total excess of approximately 325,861 short dry tons. Disposal authorization for approximately 324,500 short dry tons of excess is covered by the proposed bill.

The average acquisition cost of the chemical grade chromite ore in the national and supplemental stockpiles was \$19.81 per short dry ton. The current market price for standard, commercial type chromite is about \$26 per short dry ton.

During our last industry meeting on February 16, 1971, industry representatives were consulted regarding the Government's plans for additional disposal legislation. Industry responded favorably to the proposed legislation provided the disposals are carried out in an orderly manner. GSA assured the industry that we propose to make the material available for disposal over a period of years as market conditions warrant.

Section 2 of the bill provides that, unless otherwise authorized by law, disposals may be made only after publicly advertising for bids, except when (1) the material is transferred to a Federal agency, (2) the Administrator of General Services determines that other methods

of disposition are necessary to protect the United States against avoidable loss or to protect producers, processors, and consumers against avoidable disruption of their usual markets, or (3) sales are made pursuant to requests received from other Federal agencies in furtherance of authorized program objectives of such agencies.

This Agency strongly recommends enactment of the proposed bill.

S. 770

[S. 770, 92d Cong., first sess.]

A BILL To authorize the disposal of columbium from the national stockpile and the supplemental stockpile

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the Administrator of General Services is hereby authorized to dispose of approximately five million ten thousand seven hundred and sixteen pounds (Cb content) of columbium now held in the national stockpile established pursuant to the Strategic and Critical Materials Stock Piling Act (50 U.S.C. 98-98h) and the supplemental stockpile established pursuant to section 104(b) of the Agricultural Trade Development and Assistance Act of 1954, 68 Stat. 456, as amended by 73 Stat. 607. Such disposition may be made without regard to the requirements 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.

SEC. 2. (a) Disposals of the material covered by this Act may be made only after publicly advertising for bids, except as provided in subsection (b) of this section or as otherwise authorized by law. All bids may be rejected when it is in the public interest to do so.

(b) The material covered by this Act may be disposed of without advertising for bids if—

(1) the material is to be transferred to an agency of the United States;

(2) the Administrator determines the methods of disposal other than by advertising are necessary to protect the United States against avoidable loss or to protect producers, processors, and consumers against avoidable disruption of their usual markets; or

(3) sales are to be made pursuant to requests received from other agencies of the United States in furtherance of authorized program objectives of such agencies.

Mr. LAWRENCE. Mr. Chairman, I wish to thank you for the opportunity of appearing before this committee to support S. 770, a bill authorizing the disposal of approximately 5,010,716 pounds of excess columbium from the national and supplemental stockpiles.

The Office of Emergency Preparedness established a current columbium objective of 1,176,000 pounds on March 27, 1964. This objective was reviewed in December 1969 and the objective was found to be adequate to protect the United States from any contingency that might arise in an emergency. The interested departments and agencies, including the Department of Defense, concurred in the establishment of this objective.

As of March 1, 1971, the uncommitted stockpile inventory held by the General Services Administration was approximately 9.3 million pounds. With an objective of 1,176,000 pounds, there remains an excess of approximately 5.8 million pounds. Of this quantity, approximately 900,000 pounds were authorized for disposal through a Defense Production Act authorization. Passage of this bill would provide the General Services Administration with the necessary authority to permit disposal of all existing excess columbium.

In authorizing this disposal request, the Office of Emergency Preparedness has had the concurrence of all interested departments and agencies.

The Office of Emergency Preparedness strongly recommends the prompt enactment of this legislation.

Mr. Ross. On behalf of the Administrator, Robert L. Kunzig, who has asked me to represent him at the hearings today, I want to thank you for the opportunity to appear before your subcommittee for the purpose of expressing the views of GSA in support of the proposed bill authorizing disposal of columbium.

This bill would authorize the disposal of approximately 5,010,716 pounds (Cb content) of columbium held in the national and supplemental stockpiles. The Office of Emergency Preparedness has determined that this quantity is excess to stockpile needs.

Ferrocolumbium additions to steels account for approximately 90 percent of the columbium consumed. Domestic consumption of ferrocolumbium in 1969, by major use categories, was: alloy steel (36 percent), superalloys (24 percent), carbon steels (21 percent), and stainless and heat-resisting steels (16 percent).

The United States does not produce columbium. Consumption of columbium concentrates in the United States amounted to 3,997,000 pounds (contained Cb) in 1968, 2,918,000 pounds (contained Cb) in 1969, and estimated at 2,800,000 pounds in 1970. The primary use of columbium, in making ferrocolumbium, increased 22 percent in 1969, to a new record high. Import sources for concentrates during calendar year 1969 were, Brazil (59 percent), Nigeria (11 percent), Canada (22 percent), and various other countries (8 percent).

As of March 1, 1971, the inventory of columbium held by GSA was approximately 9,299,029 pounds (Cb content) of which 5,727,488 pounds are excess to stockpile needs. Approximately 935,747 pounds (Cb content) remain from the DPA inventory of material previously authorized for disposal.

Our disposal plan is limited to approximately 5,010,716 pounds (Cb content) of columbium in the national and supplemental stockpiles, of which approximately 4,376,758 pounds are in concentrates, 1,614 pounds in columbium carbide powder, 95,383 pounds in columbium oxide powder, and 536, 961 pounds in ferrocolumbium. The average acquisition cost of columbium concentrates in the national and supplemental stockpiles and Defense Production Act inventory was \$3.97 per pound of contained columbium. The average acquisition costs of columbium carbide powder, columbium oxide powder, and ferrocolumbium in the national stockpile were \$10.14 per pound, \$7.85 per pound, and \$4.35 per pound respectively. The current estimated market price for standard, commercial type columbium concentrates ranges from \$1.65 to \$1.93 per pound of contained columbium, while columbium carbide powder is \$14 per pound, columbium oxide powder \$2.60 per pound and ferro columbium (high purity) \$5.78 per pound of contained columbium.

Section 2 of the bill provides that, unless otherwise authorized by law, disposals may be made only after publicly advertising for bids, except when (1) the material is transferred to a Federal agency, (2) the Administrator of General Services determines that other methods

of disposition are necessary to protect the United States against avoidable loss or to protect producers, processors, and consumers against avoidable disruption of their usual markets, or (3) sales are made pursuant to requests received from other Federal agencies in furtherance of authorized program objectives of such agencies.

On May 27, 1970, a Government-industry meeting was held in Washington to discuss the Government's on-going columbium disposal program and proposed methods of sale and rates of disposal on the material covered by the proposed bill. At that time industry representatives were in general agreement with regard to additional disposal legislation and the continuation of the current annual disposal rate of 1,500,000 pounds. We have recently written to industry representatives to request their current views on our disposal program. We do not anticipate any difficulty in working out a satisfactory disposal program for this material.

GSA proposes to make the excess columbium available for commercial sale over a period of years. When congressional approval for the approximately 5,010,716 pounds is granted, this quantity will be considered for disposal together with the quantity remaining available under previously authorized programs.

This agency strongly recommends enactment of the proposed bill.

S. 771

[S. 771, 92d Cong., 1st sess.]

A BILL To authorize the disposal of selenium from the national stockpile and the supplemental stockpile

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the Administrator of General Services is hereby authorized to dispose of approximately four hundred and seventy-five thousand pounds of selenium now held in the national stockpile established pursuant to the Strategic and Critical Materials Stock Piling Act (50 U.S.C. 98-98h) and the supplemental stockpile established pursuant to section 104(b) of the Agricultural Trade Development and Assistance Act of 1954, 68 Stat. 456, as amended by 73 Stat. 607. Such disposition may be made without regard to the requirements 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.

SEC. 2. (a) Disposals of the material covered by this Act may be made only after publicly advertising for bids, except as provided in subsection (b) of this section or as otherwise authorized by law. All bids may be rejected when it is in the public interest to do so.

(b) The material covered by this Act may be disposed of without advertising for bids if—

- (1) the material is to be transferred to an agency of the United States;
- (2) the Administrator determines that methods of disposal other than by advertising are necessary to protect the United States against avoidable loss or to protect producers, processors, and consumers against avoidable disruption of their usual markets; or
- (3) sales are to be made pursuant to requests received from other agencies of the United States in furtherance of authorized program objectives of such agencies.

Mr. LAWRENCE. Mr. Chairman, I wish to thank you for the opportunity of appearing before this committee to support S. 771, a bill authorizing the disposal of approximately 475,000 pounds of excess selenium from the national and supplemental stockpiles.

The Office of Emergency Preparedness, on March 4, 1970, approved a review of the stockpile objective for selenium. At that time, the objective for selenium was reduced from 475,000 pounds to zero, and selenium was deleted from the list of strategic and critical materials. The elimination of the selenium objective was due to the removal of the discount for domestic concentration and was concurred in by the interested departments and agencies, including the Department of Defense.

As of March 1, 1971, the uncommitted stockpile inventory held by the General Services Administration was approximately 475,000 pounds of selenium. With no objective, all this material is considered excess. Passage of this bill would provide the General Services Administration with the necessary authority to permit disposal of all existing excess selenium.

In authorizing this disposal request, the Office of Emergency Preparedness has had the concurrence of all interested departments and agencies.

The Office of Emergency Preparedness strongly recommends the prompt enactment of this legislation.

The Office of Emergency Preparedness, on June 8, 1970, approved a review of the stockpile objective for celestite. At that time, the objective for celestite was reduced from 23,750 short dry tons to zero, and celestite was deleted from the list of strategic and critical materials. The elimination of the celestite objective was due to the development by Kaiser Aluminum of an extremely large celestite ore body on Cape Breton Island, Nova Scotia. Production began in 1970.

As of March 1, 1971, the uncommitted stockpile inventory held by the General Services Administration was approximately 25,800 short dry tons. Of this quantity, approximately 13,600 short tons were approved for disposal by the Congress through House Concurrent Resolution 473 of the 87th Congress, June 21, 1962. Passage of this bill would provide the General Services Administration with the necessary authority to permit disposal of all existing excess celestite.

In authorizing this disposal request, the Office of Emergency Preparedness has had the concurrence of all interested departments and agencies.

The Office of Emergency Preparedness strongly recommends the prompt enactment of this legislation.

Mr. Ross. On behalf of the Administrator, Robert L. Kunzig, who has asked me to represent him at the hearings today, I want to thank you for the opportunity to appear before your subcommittee for the purpose of expressing the views of GSA on the bill for the disposal of selenium.

This bill would authorize the disposal of approximately 475,000 pounds of selenium now held in the national and supplemental stockpiles. The Office of Emergency Preparedness on March 4, 1970, removed selenium from the strategic and critical materials list; therefore, this quantity is excess to stockpile needs.

Selenium is used in the manufacture of rectifiers, photoelectric cells, and exposure meters, cathode ray tubes, and in xerography.

Primary production in the United States increased from 540,000 pounds in 1965 to 1,229,000 pounds in 1969. Imports of metal and

compounds for consumption increased from 286,000 pounds in 1966 to 546,000 pounds in 1969, and is estimated at 1,646,000 in 1970. Apparent consumption in 1969, including exports, was 1,957,000 pounds. Of the total imports for 1969, 98 percent came from Canada, and the rest from Japan and West Germany.

The average acquisition cost of the selenium in the national and supplemental stockpiles was \$5.78 per pound. The current market price for standard, commercial-type selenium is approximately \$8 per pound.

Disposal methods and timing of sales were discussed with the industry on May 12, 1970, during a Government-industry meeting in Washington. Industry continues to be agreeable to the timely disposal of this material and the submission of the proposed disposal legislation. We recently asked industry for their current views on our sales program. Disposals will be made as market conditions warrant.

Section 2 of the bill provides that, unless otherwise authorized by law, disposals may be made only after publicly advertising for bids, except when (1) the material is transferred to a Federal agency, (2) the Administrator of General Services determines that other methods of disposition are necessary to protect the United States against avoidable loss or to protect producers, processors, and consumers against avoidable disruption of their usual markets, or (3) sales are made pursuant to requests received from other Federal agencies in furtherance of authorized program objectives of such agencies.

This Agency strongly recommends the enactment of the proposed bill.

Senator CANNON. I have here a letter from Alloychem, Inc., of New York City, expressing opposition to the release of selenium from the stockpile, S. 771. Without objection, this will be inserted in the record at this point.

(The letter follows:)

ALLOYCHEM, INC.
New York, N.Y., April 7, 1971.

HON. HOWARD W. CANNON,
Chairman, Senate Armed Services Stockpile Subcommittee,
U.S. Senate, Washington, D.C.

DEAR SENATOR: We are refiners of Selenium, and understand that this product is presently under consideration for release from government stockpile. According to news releases, you are now securing testimony on the advisability of making available surpluses from the nation's stockpile of strategic materials.

We believe that in the best interests of the United States, Selenium should not be released at present. During 1969 and 1970 there was a severe shortage. At that time, a meeting was held in Washington to discuss the advisability of the release, and it would have been most opportune had this material been made available then. Due to a combination of circumstances we are in the midst of a slump in demand, so that the material is now being discounted. For your guidance, we are enclosing a copy of a page from the *London Metal Bulletin* showing Selenium available at a price range between \$8.00 to \$9.00 per pound. The present producer price in the U.S. is \$9.00. In our opinion, the circumstances which have lead to the discounting in Selenium are:

1. Excessive inventory build-up on the part of consumers in the face of the previous shortage
2. General lack of demand due to lower economic activity as a whole.

We believe that it would be unfortunate at this juncture to depress the market further by the release of this strategic material at this time. It would only serve to discourage basic production and reclamation from by-product residues, which

S. 752

[S. 772, 92d Cong., first session]

A BILL To authorize the disposal of celestite from the national stockpile and the supplemental stockpile

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the Administrator of General Services is hereby authorized to dispose of approximately twelve thousand two hundred and seventy short dry tons of celestite now held in the national stockpile established pursuant to the Strategic and Critical Materials Stock Piling Act (50 U.S.C. 98-98h) and the supplemental stockpile established pursuant to section 104(b) of the Agricultural Trade Development and Assistance Act of 1954, 68 Stat. 456, as amended by 73 Stat. 607. Such disposition may be made without regard to the requirements 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.

SEC. 2. (a) Disposals of the material covered by this Act may be made only after publicly advertising for bids, except as provided in subsection (b) of this section or as otherwise authorized by law. All bids may be rejected when it is in the public interest to do so.

(b) The material covered by this Act may be disposed of without advertising for bids if—

- (1) the material is to be transferred to an agency of the United States;
- (2) the Administrator determines that methods of disposal other than by advertising are necessary to protect the United States against avoidable loss or to protect producers, processors, and consumers against avoidable disruption of their usual markets; or
- (3) sales are to be made pursuant to requests received from other agencies of the United States in furtherance of authorized program objectives of such agencies.

Mr. LAWRENCE. Mr. Chairman, the Office of Emergency Preparedness, on June 8, 1970, approved a review of the stockpile objective for celestite. At that time, the objective for celestite was reduced from 23,750 short dry tons to zero, and celestite was deleted from the list of strategic and critical materials. The elimination of the celestite objective was due to the development by Kaiser Aluminum of an extremely large celestite ore body on Cape Breton Island, Nova Scotia. Production began in 1970.

As of March 1, 1971, the uncommitted stockpile inventory held by the General Services Administration was approximately 25,800 short dry tons. Of this quantity, approximately 13,600 short tons were approved for disposal by the Congress through House Concurrent Resolution 473 of the 87th Congress, June 21, 1962. Passage of this bill would provide the General Services Administration with the necessary authority to permit disposal of all existing excess celestite.

In authorizing this disposal request, the Office of Emergency Preparedness has had the concurrence of all interested departments and agencies.

The Office of Emergency Preparedness strongly recommends the prompt enactment of this legislation.

Mr. Ross. On behalf of the Administrator, Robert L. Kunzig, who has asked me to represent him at the hearings today, I want to thank you for the opportunity to appear before your subcommittee for the purpose of expressing the views of GSA on the bill for the disposal of celestite.

On June 8, 1970, the Office of Emergency Preparedness removed celestite from the list of strategic and critical materials. Therefore

we recommend that the quantity stated in the bill for the total excess of 12,270 short dry tons of celestite be authorized for disposal.

Celestite is a strontium sulphate mineral used as a principal source of strontium in the production of strontium chemicals. These chemicals impart a brilliant red color to a flame and consequently have found extensive use in tracers, bullets, rockets, flares, fuses and fireworks. Strontium compounds are also used in ceramics and to a minor extent in pharmaceuticals, electron tube manufacture, and at one time as a substitute for barite in oil well drilling muds. Increased use of strontium carbonate in the manufacture of glass for color television tubes is expected because of its advantages of lighter weight and better radiation shield, than the barium carbonate now used. The strontium carbonate is made from the strontium sulphate mineral.

Free world production of strontium minerals in 1969 was approximately 30,265 short tons, a significant increase over the estimated 14,275 short tons produced in 1968. Most of the increase occurred in Mexico and was shipped to the United States. There is no domestic production of celestite. U.S. imports in 1968 were 12,896 short tons; 1969 imports were 27,803 short tons, of which 77 percent came from Mexico; 15 percent from the United Kingdom; and 8 percent from Spain.

As of March 1, 1971, the total inventory of celestite held by GSA was 25,849 short dry tons, all of which is excess. Of this amount, 12,270 short tons is covered by the proposed bill. The remaining excess falls within the category of nonstockpile grade material and was authorized for disposal by House Concurrent Resolution 473, 87th Congress.

The average acquisition cost of celestite in the national stockpile was \$48.67 per short dry ton and in the supplemental stockpile was \$43.91 per short dry ton. The current estimated market price for standard, commercial type celestite ranges from \$20 to \$33.40 per short dry ton.

Industry representatives and affected Government agencies were consulted in the development of the disposal program. We propose to make the material available for disposal over a period of years. The quantities and timing of disposal will be determined in the light of market conditions. Quantities of this material required for direct Government use will be over and above those included in the commercial sales program.

Section 2 of the bill provides that, unless otherwise authorized by law, disposals may be made only after publicly advertising for bids, except when (1) the material is transferred to a Federal agency, (2) the Administrator of General Services determines that other methods of disposition are necessary to protect the United States against avoidable loss or to protect producers, processors, and consumers against avoidable disruption of their usual markets, or (3) sales are made pursuant requests received from other Federal agencies in furtherance of authorized program objectives of such agencies.

This agency strongly recommends enactment of the proposed bill.

S. 774

1 S. 774, 92d Cong., 1st sess. 1

A BILL To authorize the disposal of vanadium from the national stockpile

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the Administrator of General Services is hereby authorized to dispose of approximately one thousand two hundred short

tons of vanadium (V content) 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 requirements 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.

SEC. 2. (a) Disposals of the material covered by this Act may be made only after publicly advertising for bids, except as provided in subsection (b) of this section or as otherwise authorized by law. All bids may be rejected when it is in the public interest to do so.

(b) The material covered by this Act may be disposed of without advertising for bids if—

(1) the material is to be transferred to an agency of the United States;

(2) the Administrator determines that methods of disposal other than by advertising are necessary to protect the United States against avoidable loss or to protect producers, processors, and consumers against avoidable disruption of their usual markets; or

(3) sales are to be made pursuant to requests received from other agencies of the United States in furtherance of authorized program objectives of such agencies.

Mr. LAWRENCE. The Office of Emergency Preparedness approved a new review of the stockpile objective for vanadium on March 4, 1970. At that time, the objective for this material was reduced from 1,200 short tons to 540 short tons. The reduced objective reflects the elimination of the domestic concentration discount. This objective has been concurred in by the interested departments and agencies, including the Department of Defense.

As of March 1, 1971, the uncommitted stockpile inventory held by the General Services Administration was approximately 3,300 short tons. With an objective of 540 short tons, there remains an excess of approximately 2,760 short tons. Of this quantity, approximately 1,560 short tons were authorized for disposal by the Congress in Public Law 89-424, enacted May 11, 1966. Passage of this bill would provide the General Services Administration with the necessary authority to permit disposal of all excess vanadium.

In authorizing this disposal request, the Office of Emergency Preparedness has had the concurrence of all the interested departments and agencies.

The Office of Emergency Preparedness strongly recommends the prompt enactment of this legislation.

Mr. ROSS. On behalf of the Administrator, Robert L. Kunzig, who has asked me to represent him at the hearings today, I want to thank you for the opportunity to appear before your subcommittee for the purpose of expressing the views of GSA in support of this bill for disposal of vanadium.

The bill would authorize the disposal of approximately 1,200 short tons of excess vanadium held in the national stockpile in the form of ferrovanadium. This is the entire inventory of ferrovanadium. The Office of Emergency Preparedness has determined that this quantity is excess to stockpile needs. The current stockpile objective established March 4, 1970, is 540 short tons of vanadium in the form of vanadium pentoxide.

As of March 1, 1971, GSA has 1,566 short tons of vanadium in vanadium pentoxide remaining from 6,450 short tons authorized for disposal by Public Law 89-424.

Ferrovanadium is used in the manufacture of high-strength structural steels, tool steels, and related products requiring toughness and strength and high temperatures.

Production of ferrovanadium in the United States increased from 5,775 short tons (of contained vanadium) in 1969 to an estimated 6,353 tons for 1970.

Consumption of vanadium in ferrovanadium was 5,193 short tons (of contained vanadium) in 1969 and an estimated 4,251 short tons for 1970. The major import source for ferrovanadium in 1970 was West Germany. U.S. exports of ferrovanadium increased from 644 short tons in 1969 to an estimated 2,154 short tons for 1970.

The average acquisition cost of stockpile ferrovanadium was \$4,798 per short ton of vanadium content. The current estimated market price for standard, commercial type ferrovanadium is \$8,240 per short ton of vanadium content.

Industrial demand for vanadium was strong in late 1969 and into mid-1970. GSA sales of excess vanadium in fiscal year 1970 provided some relief to a tight supply situation. Market demand has eased considerably in recent months.

Section 2 of the bill provides that, unless otherwise authorized by law, disposals may be made only after publicly advertising for bids, except when (1) the material is transferred to a Federal agency; (2) the Administrator of General Services determines that other methods of disposition are necessary to protect the United States against avoidable loss or to protect producers, processors, and consumers against avoidable disruption of their usual markets; or (3) sales are made pursuant to requests received from other Federal agencies in furtherance of authorized program objectives of such agencies.

GSA last met with industry representatives and affected Government agencies on September 30, 1970, to discuss its current sales program and the proposed disposal legislation. Several methods of sale for vanadium pentoxide were discussed, however, GSA has not sold any material thus far this fiscal year. We are now considering several proposed methods of sale for this material which we hope will satisfy U.S. consumer's requests that this material be first limited to domestic consumption while at the same time attempting to take advantage of potential sales abroad. We have recently requested industry comments on the proposed disposal of ferrovanadium covered by this bill and we will work closely with industry in developing a sales program for this material.

This Agency strongly recommends enactment of the proposed bill.

S. 775

[S. 775, 92d Cong., first sess.]

A BILL To authorize the disposal of magnesium from the national stockpile

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the Administrator of General Services is hereby authorized to dispose of approximately seventy eight thousand short tons of magnesium 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 requirements 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.

SEC. 2. (a) Disposals of the material covered by this Act may be made only after publicly advertising for bids, except as provided in subsection (b) of this section or as otherwise authorized by law. All bids may be rejected when it is in the public interest to do so.

(b) The material covered by this Act may be disposed of without advertising for bids if—

(1) the material is to be transferred to an agency of the United States;

(2) the Administrator determines that methods of disposal other than by advertising are necessary to protect the United States against avoidable loss or to protect producers, processors, and consumers against avoidable disruption of their usual markets; or

(3) sales are to be made pursuant to requests received from other agencies of the United States in furtherance of authorized program objectives of such agencies.

Mr. LAWRENCE. Mr. Chairman, the Office of Emergency Preparedness, on March 4, 1970, approved a review of the stockpile objective for magnesium. At that time, the objective for magnesium was reduced from 78,000 short tons to zero, and magnesium was deleted from the list of strategic and critical materials. The elimination of the magnesium objective was due to the removal of the domestic concentration discount and increased U.S. capacities, and was concurred in by the interested departments and agencies, including the Department of Defense.

As of March 1, 1971, the uncommitted stockpile inventory held by the General Services Administration was approximately 99,600 short tons. With no objective for this material, the entire inventory is considered excess. Of this quantity, about 21,600 short tons were authorized for disposal by the Congress in Public Laws 90-604 and 91-321, dated October 18, 1968, and July 10, 1970, respectively. Passage of this bill would provide the General Services Administration with the necessary authority to permit disposal of all remaining magnesium.

In authorizing this disposal request, the Office of Emergency Preparedness has had the concurrence of all the interested departments and agencies.

The Office of Emergency Preparedness strongly recommends the prompt enactment of this legislation.

Mr. Ross. On behalf of the Administrator, Robert L. Kunzig, who has asked me to represent him at the hearings today, I want to thank you for the opportunity to appear before your subcommittee for the purpose of expressing the views of GSA in support of this bill for disposal of magnesium.

The bill would authorize the disposal of the total remaining excess of approximately 78,000 short tons of magnesium held in the national stockpile. On March 4, 1970, the Office of Emergency Preparedness removed magnesium from the list of strategic and critical materials, thus determining that this quantity is excess to stockpile needs. GSA has 21,593 short tons available for disposal under Public Law 90-604 and Public Law 91-321.

Magnesium is the lightest of the commercial metals produced in quantity at relatively low price. It is used in aircraft chiefly in structural forms and sheet. It enters into alloys of iron, zinc, and aluminum and serves in castings, forging, and extrusions.

The United States is the world's largest producer of magnesium. Demand for magnesium is increasing at a very substantial rate, due to new commercial uses. The U.S. productive capacity is on the increase as new facilities continue to come on stream. U.S. production of primary magnesium was 99,886 short tons in 1969 and estimated at 110,000 short tons for 1970. U.S. consumption in 1969 was 95,057 short tons. Only 3,515 short tons were imported in 1969. Major import sources are Canada, West Germany, and the United Kingdom.

As of March 1, 1971, the total inventory of magnesium held by GSA was approximately 99,646 short tons, all of which is excess. The average acquisition cost of stockpile magnesium was \$726 per short ton. The current estimated market price for standard, commercial type magnesium ranges from \$725 to \$765 per short ton.

Industrial demand for magnesium was very strong in 1969 and for much of 1970 resulting in a drawdown of industry stocks during a period of increased production and significant GSA sales.

Section 2 of the bill provides that, unless otherwise authorized by law, disposals may be made only after publicly advertising for bids, except when (1) the material is transferred to a Federal agency, (2) the Administrator of General Services determines that other methods of disposition are necessary to protect the United States against avoidable loss or to protect producers, processors, and consumers against avoidable disruption of their usual markets, or (3) sales are made pursuant to requests received from other Federal agencies in furtherance of authorized program objectives of such agencies.

Methods of sale for disposals have been discussed with representatives of industry and affected Government agencies as recently as February 23, 1971. Industry expressed again their willingness to support the request for additional disposal legislation and to cooperate in the existing disposal program. Additional disposal authority would permit the timely offering of the material as market conditions warranted.

This Agency strongly recommends enactment of the proposed bill.

S. 776

[S. 776, 92d Cong., first session]

A BILL To authorize the disposal of abaca from the national stockpile

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled. That the Administrator of General Services is hereby authorized to dispose of approximately twenty five million pounds of abaca 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 requirements 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.

SEC. 2. (a) Disposals of material covered by this Act may be made only after publicly advertising for bids, except as provided in subsection (b) of this section or as otherwise authorized by law. All bids may be rejected when it is in the public interest to do so.

(b) The material covered by this Act may be disposed of without advertising for bids if—

(1) the material is to be transferred to any agency of the United States;

(2) the Administrator determines that methods of disposal other than by advertising are necessary to protect the United States against avoidable loss or to protect producers, processors, and consumers against avoidable disruption of their usual markets; or

(3) sales are to be made pursuant to requests received from other agencies of the United States in furtherance of authorized program objectives of such agencies.

Mr. LAWRENCE. Mr. Chairman, the Office of Emergency Preparedness approved a new review of the stockpile objective for cordage fiber, abaca on April 8, 1970. At that time, the objective for this material was reduced from 50 million pounds to 25 million pounds. The decline of this objective was due to substitution of synthetic fibers in ropemaking. This objective has been concurred in by the interested departments and agencies, including the Department of Defense.

As of March 1, 1971, the uncommitted stockpile inventory held by the General Services Administration was approximately 72.6 million pounds. Of this quantity, approximately 46.6 million pounds are excess to stockpile requirements; 21.7 million pounds were authorized for disposal by the Congress in Public Law 89-279, enacted October 20, 1965. Passage of this bill would provide the General Services Administration with the necessary authority to permit disposal of all excess cordage fiber, abaca.

In authorizing this disposal request, the Office of Emergency Preparedness has had the concurrence of all the interested departments and agencies.

The Office of Emergency Preparedness strongly recommends the prompt enactment of this legislation.

Mr. Ross. On behalf of the Administrator, Robert L. Kunzig, who has asked me to represent him at the hearings today, I want to thank you for the opportunity to appear before your subcommittee for the purpose of expressing the views of GSA on this bill for disposal of abaca.

The bill would authorize the disposal of 25 million pounds of material and would be considered for disposal together with the excess remaining available under a previously authorized program. The abaca covered by this bill is overaged for retention in the stockpile and has been determined by the Office of Emergency Preparedness to be in excess of stockpile requirements.

The major military use of abaca is for the manufacture of marine cordage and construction ropes. The Philippines account for approximately 95 percent of the world's production of abaca. Production has been declining because of growing competition from synthetic cordage fibers, such as nylon, polypropylene, and terylene. Partially offsetting a long-range decline in demand for abaca in cordage is the increased

usage of the material in the manufacture of paper products. U.S. consumption of abaca has dropped from 85 million pounds during 1968 to 75 million pounds in 1969 with 75 million pounds estimated for 1970.

As of March 1, 1971, the total inventory of abaca held by GSA was approximately 71.6 million pounds. The present stockpile objective established April 9, 1970, is 25 million pounds. Of the 46.6 million pounds of excess, approximately 21.7 million pounds are covered under a previous authorization (Public Law 89-279) and approximately 25 million pounds are covered by the proposed bill. The average acquisition cost of the abaca in the national stockpile was 25 cents per pound. The current estimated market price for standard, commercial type abaca is about 24 cents per pound. Stockpile abaca has been in storage for a number of years and it may not be considered to be equal in quality or grade when compared with fresh material.

Section 2 of the bill provides that, unless otherwise authorized by law, disposals may be made only after publicly advertising for bids, except when (1) the material is transferred to a Federal agency, (2) the Administrator of General Services determines that other methods of disposition are necessary to protect the United States against avoidable loss or to protect producers, processors, and consumers against avoidable disruption of their usual markets, or (3) sales are made pursuant to requests received from other Federal agencies in furtherance of authorized program objectives of such agencies.

During an industry meeting on June 10, 1970, industry representatives and affected Government agencies were consulted regarding the proposed additional legislation and method of sale. Industry generally favors the proposed legislation and continuation of the current disposal program which is implemented through monthly sales offerings.

This Agency strongly recommends the enactment of the proposed bill.

S. 777

[S. 777, 92d Cong., first session]

A BILL To authorize the disposal of sisal from the national stockpile

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the Administrator of General Services is hereby authorized to dispose of approximately one hundred million pounds of sisal 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 requirements 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.

SEC. 2. (a) Disposals of the material covered by this Act may be made only after publicly advertising for bids, except as provided in subsection (b) of this section or as otherwise authorized by law. All bids may be rejected when it is in the public interest to do so.

(b) The material covered by this Act may be disposed of without advertising for bids if—

- (1) the material is to be transferred to an agency of the United States;
- (2) the Administrator determines that methods of disposal other than by advertising are necessary to protect the United States against avoidable loss or to protect producers, processors, and consumers against avoidable disruption of their usual markets; or

(3) sales are to be made pursuant to requests received from other agencies of the United States in furtherance of authorized program objectives of such agencies.

Mr. LAWRENCE. Mr. Chairman, the Office of Emergency Preparedness approved a new review of the stockpile objective for cordage fiber, sisal on April 8, 1970. At that time, the objective for this material was reduced from 200 million pounds to 100 million pounds. The decline in this objective is due to the steady liquidation of baler twine production facilities in the United States. This liquidation has been largely due to a rapid increase in cheap imports. This objective has been concurred in by all the interested departments and agencies, including the Department of Defense.

As of March 1, 1971, the uncommitted stockpile inventory held by the General Services Administration was approximately 199.5 million pounds. With an objective of 100 million pounds, there remains in excess 99.5 million pounds. Passage of this disposal would provide the General Services Administration with the necessary disposal authority to dispose of all excess cordage fiber, sisal.

In authorizing this disposal request, the Office of Emergency Preparedness has had the concurrence of all the interested departments and agencies.

The Office of Emergency Preparedness strongly recommends prompt enactment of this legislation.

Mr. Ross. On behalf of the Administrator, Robert L. Kunzig, who has asked me to represent him at the hearings today, I want to thank you for the opportunity to appear before your subcommittee for the purpose of expressing the views of GSA in support of this bill for the disposal of sisal.

This bill would authorize the disposal of approximately 100 million pounds of sisal held in the national stockpile. The Office of Emergency Preparedness has determined that this quantity is excess to stockpile needs.

Major uses in addition to rope, are for baler, binder, and wrapping twine, and upholstery padding. Synthetic fibers substitute for sisal in cordage where elasticity and resistance to mildew and rotting are necessary qualities.

The United States does not produce sisal. World production for sisal was approximately 1.25 billion pounds for 1970. Over the past year, world production has dropped. Tanzania, Brazil, and Haiti are the major producers. Prices have declined from 17 cents per pound in 1964 to about 8.72 cents in 1970.

Import sources are Brazil (21 percent), Tanzania (12 percent), Haiti (12 percent), East Africa (6 percent), and other countries (49 percent).

As of March 1, 1971, the total inventory of sisal held by GSA was approximately 199.5 million pounds against a stockpile objective of 100 million pounds. There is no excess currently authorized for sale. The average acquisition cost of stockpile sisal was 13½ cents per pound. The current estimated market price for standard, commercial type sisal is 8.72 cents per pound.

The excess sisal will be made available for disposal over a period

of years. The quantities and timing of disposals will be determined as market conditions warrant.

Section 2 of the bill provides that, unless otherwise authorized by law, disposals may be made only after publicly advertising for bids, except when (1) the material is transferred to a Federal agency, (2) the Administrator of General Services determines that other methods of disposition are necessary to protect the United States against avoidable loss or to protect producers, processors, and consumers against avoidable disruption of their usual markets, or (3) sales are made pursuant to requests received from other Federal agencies in furtherance of authorized program objectives of such agencies.

Method of sale for the proposed disposal was discussed with representatives of industry and affected Government agencies during a meeting in Washington on June 10, 1970. Industry generally favors the proposed legislation and renewal of sisal sales as market conditions warrant.

This agency strongly recommends enactment of the proposed bill.

S. 778

[S. 778, 92d Cong., first session]

A BILL To authorize the disposal of kyanite-mullite from the national stockpile

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the Administrator of General Services is hereby authorized to dispose of approximately four thousand eight hundred twenty short dry tons of kyanite-mullite 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 requirements 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.

SEC. 2. (a) Disposals of the material covered by this Act may be made only after publicly advertising for bids, except as provided in subsection (b) of this section or as otherwise authorized by law. All bids may be rejected when it is in the public interest to do so.

(b) The material covered by this Act may be disposed of without advertising for bids if—

- (1) the material is to be transferred to an agency of the United States;
- (2) the Administrator determines that methods of disposal other than by advertising are necessary to protect the United States against avoidable loss or to protect producers, processors, and consumers against avoidable disruption of their usual markets; or
- (3) sales are to be made pursuant to requests received from other agencies of the United States in furtherance of authorized program objectives of such agencies.

Mr. LAWRENCE. Mr. Chairman, the Office of Emergency Preparedness approved a review of the stockpile objective for kyanite-mullite on March 4, 1970. At that time, the objective for kyanite-mullite was reduced from 4,800 short dry tons to zero, and kyanite-mullite was deleted from the list of strategic and critical materials. The elimination of the kyanite-mullite objective was due to the removal of the domestic concentration discount and was concurred in by all the interested departments and agencies, including the Department of Defense.

As of January 31, 1971, the uncommitted stockpile inventory held by the General Services Administration was approximately 4,820 short dry tons. With no objective for this material, the entire inventory is considered excess. Passage of this bill would provide the General Services Administration with the necessary authority to dispose of all excess kyanite-mullite.

In authorizing this disposal request, the Office of Emergency Preparedness has had the concurrence of all the interested departments and agencies.

The Office of Emergency Preparedness strongly recommends the prompt enactment of this legislation.

Mr. Ross. On behalf of the Administrator, Robert L. Kunzig, who has asked me to represent him at the hearings today, I want to thank you for the opportunity to appear before your subcommittee for the purpose of expressing the views of GSA on the bill for the disposal of kyanite-mullite.

On March 4, 1970, the Office of Emergency Preparedness reduced the stockpile objective for this material to zero. Therefore, the quantity stated in the bill is the total current inventory of 4,820 short dry tons, all of which is excess.

Kyanite is a natural silicate of aluminum which is important to the refractories industry. When heated above its decomposition temperature, kyanite is changed to mullite which is less affected by high temperatures than fire clay refractories. Fire clay and other refractories may be used as substitutes for synthetic mullite for some purposes.

Four U.S. companies, each with complete mining and processing facilities, supplied 100 percent of marketable kyanite production in 1970. Production statistics are considered company confidential information and are not published. Synthetic mullite output amounted to 48,588 short tons in 1969 and is estimated at 48,000 tons for 1970. Apparent consumption of kyanite-mullite for the period 1965 through 1969 was more than 100,000 short tons per year. Imports of kyanite decreased to 2,088 in 1969 and 1,200 tons for 1970. Half of the imports in 1969 came from India. Other suppliers were the Republic of South Africa, Canada, and Mozambique. Exports of kyanite and mullite amounted to 10,200 short tons in 1965 and increased to 19,696 tons in 1969 and are estimated at 25,000 tons for 1970.

The average acquisition cost of the kyanite-mullite in the national stockpile was \$86.45 per short dry ton. The current market price for standard, commercial type material ranges from \$75 per short dry ton for natural Indian kyanite to \$132 per short ton for electrically fused synthetic mullite.

Industry representatives and affected Government agencies were consulted in the development of the disposal program. We propose to make the material available for disposal over a period of years. The quantities and timing of disposals will be determined in the light of market conditions. Quantities of this material required for direct Government use will be over and above those included in the commercial sales program.

Section 2 of the bill provides that, unless otherwise authorized by

law, disposals may be made only after publicly advertising for bids, except when (1) the material is transferred to a Federal agency, (2) the Administrator of General Services determines that other methods of disposition are necessary to protect the United States against avoidable loss or to protect producers, processors, and consumers against avoidable disruption of their usual markets, or (3) sales are made pursuant to requests received from other Federal agencies in furtherance of authorized program objectives of such agencies.

This Agency strongly recommends enactment of the proposed bill.

Senator CANNON. Now, may I ask you some general questions in relation to all of the remaining bills. As I understand it there is no objection from industry to these. Is there any one here who objects to any of the remaining bills who wants to be heard? Then if I can ask you these questions with respect to each of the bills that we have not yet considered. Do we have an excess over and above the present requirements?

Mr. LAWRENCE. We do.

Senator CANNON. And those requirements have been reviewed and reestablished as late as this year.

Mr. LAWRENCE. Most of them since 1969. Mr. Chairman, we have consulted with industry on some of these bills. We are in process now of canvassing the industry by letter on the balance. In the main we have had no industry objections on the balance on seeking disposal legislation.

I would like to refer to bill S. 763 for amosite asbestos where we recently communicated with the committee that since the bill was originally submitted, the Office of Emergency Preparedness has further reduced stockpile objective and we would like to increase the bill quantity from 11,239 short tons of amosite asbestos to 32,839 short tons.

Senator CANNON. Does that difference represent the amount of the reduction in the stockpile requirement.

Mr. LAWRENCE. That is true, the objective was established February 9, 1971, and it was reduced from 40,000 short tons to 18,400 short tons.

Senator CANNON. And you have had no objections from industry on any of the bills so far.

Mr. Ross. On some of the materials we have ongoing programs and in the main the industry's responses have said "if you continue along the lines you have been going we have no major problems." We had meetings, we have had five industry meetings covering a total of 10 materials, and we have issued canvass letters on nine others, and we will for the rest.

Senator CANNON. Will you supply for the record the ones on which you have conferred with industry on and the ones to whom you have had sent canvass letters but have not had a response on, and you are assuring the committee, I take it, that your disposal will be in such a fashion on any of the materials that it will not unduly disrupt the market.

Mr. Ross. Yes, sir. And I will furnish that for the record.

(The information follows:)

GOVERNMENT-INDUSTRY MEETINGS AND CANVASSES

Commodity	Date of industry meeting	Date of industry canvass
2. Metallurgical grade chromite.....	Feb. 16, 1971	
3. Antimony.....		Mar. 8, 1971
4. Columbium.....		Mar. 9, 1971
5. Vanadium.....		Mar. 12, 1971
6. Cordage fiber, abaca.....		Mar. 22, 1971
7. Cordage fiber, sisal.....		Do.
8. Metallurgical grade manganese.....	Feb. 16, 1971	Mar. 17, 1971
9. Selenium.....		
10. Magnesium.....	Feb. 23, 1971	
11. Vegetable tannins:		
Chestnut.....		Apr. 2, 1971
Quebracho.....		Do.
Wattle.....		Do.
12. Chemical grade chromite.....	Feb. 16, 1971	
13. Chromium metal.....	do.	
14. Industrial diamond: Crushing bort.....	Feb. 12, 1971 (New York)	
15. Industrial diamond: Stones.....	do.	
16. Lead.....		Mar. 8, 1971
17. Zinc.....		Do.
18. Rare earth materials.....		Mar. 24, 1971
19. Silicon carbide.....	Mar. 2, 1971	
20. Synthetic battery grade manganese.....		Apr. 2, 1971
21. Shellac.....		
22. Celestite.....		
23. Iridium.....		
24. Amosite asbestos.....		
25. Kyanite-mullite.....		
26. Quartz crystals.....		
27. Mica.....	Feb. 18, 1971	
28. Industrial diamond tools.....	Feb. 12, 1971	
29. Thorium.....		
30. Pyrethrum.....		
31. Nickel.....		
32. Molybdenum.....		

Senator CANNON. Thank you very much. Is there anyone else who desires to be heard on any of these bills?

The hearings will stand in recess.

Mr. Ross. Thank you, Mr. Chairman.

(Whereupon, at 12:30 p.m., the subcommittee was adjourned.)



