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HEARING

ON

H.R. 2154

TO REVISE THE STRATEGIC AND CRITICAL MATERIALS STOCK
PILING ACT, TO REQUIRE THAT APPROPRIATIONS FOR AC-
QUISITION OF STRATEGIC AND CRITICAL MATERIALS BE
AUTHORIZED BY LAW, TO ESTABLISH A NATIONAL DEFENSE
STOCKPILE TRANSACTION FUND, AND FOR OTHER PURPOSES

BEFORE THE

SEAPOWERS AND STRATEGIC AND CRITICAL
MATERIALS SUBCOMMITTEE

OF THE

COMMITTEE ON ARMED SERVICES

HOUSE OF REPRESENTATIVES

NINETY-SIXTH CONGRESS

FIRST SESSION



FEBRUARY 23, 1979

U.S. GOVERNMENT PRINTING OFFICE

WASHINGTON : 1979

42-432

SEAPOWER AND STRATEGIC AND CRITICAL MATERIALS
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(II)

HEARING BY THE SEAPOWER AND STRATEGIC AND CRITICAL MATERIALS SUBCOMMITTEE ON H.R. 2154, TO REVISE THE STRATEGIC AND CRITICAL MATERIALS STOCK PILING ACT, TO REQUIRE THAT APPROPRIATIONS FOR ACQUISITION OF STRATEGIC AND CRITICAL MATERIALS BE AUTHORIZED BY LAW, TO ESTABLISH A NATIONAL DEFENSE STOCKPILE TRANSACTION FUND, AND FOR OTHER PURPOSES

HOUSE OF REPRESENTATIVES,
COMMITTEE ON ARMED SERVICES,
SEAPOWER AND STRATEGIC AND
CRITICAL MATERIALS SUBCOMMITTEE,
Washington, D.C., Friday, February 23, 1979.

The subcommittee met, pursuant to notice, at 10 a.m., in room 2116, Rayburn House Office Building, Hon. Charles Bennett (chairman of the subcommittee) presiding.

Mr. BENNETT. We will open the meeting with just myself being here. When we reach the witnesses, if we have not acquired another member, we will not be able to continue. But just to expedite the matter I will read this statement that I have about the bill, which is proper to do.

The purpose of today's hearing is to consider H.R. 2154, a bill to revise the Strategic and Critical Materials Stock Piling Act. This bill was also cosponsored by my colleagues on the subcommittee, Mr. Brinkley, Mr. Molloy, Mr. Fazio, Mrs. Byron, Mr. Spence, Mr. Emery, Mr. Tribble, and Mr. Dougherty.

In drafting this bill my staff worked closely with the staff of Senator Hart's subcommittee and representatives of the General Services Administration—GSA—in an effort to present legislation which would be acceptable to the House, the Senate, and the administration.

This bill evolved from H.R. 4895, a bill I introduced in the last Congress and which passed the House by a vote of 373 to 24. It would have required authorization of stockpile acquisitions, would have encouraged barter as a means of acquiring and disposing of stockpile materials, and would have established a special fund within the Treasury into which all moneys received from sales of excess materials would go and would be available, only when appropriated, for future acquisitions. These provisions are incorporated in the bill under consideration today.

The Senate Armed Services Committee held hearings on my bill—H.R. 4895—and amended it to include a complete revision of the existing act about stockpiles. Unfortunately, the full Senate took no final action on my bill or on the Senate version.

There is no question that the strategic and critical materials stockpile program is in need of substantial updating and revision. The act, like the stockpile, is badly out of date and needs to be brought into conformance with current stockpile policy. There are references to agencies no longer in existence and provisions which need clarification and updating of the legislation as it is now in the statute books.

The current law has had no substantive changes since its enactment in 1946. No significant additions to the stockpile have been made since 1959; Congress has not authorized the release of excess materials since 1973. Stockpile policy has fluctuated sharply in recent years as successive administrations have changed the stockpile guidance frequently, therefore, actually affecting what the stockpile is and is not intended to do.

Because of the subcommittee's strong objection to the stockpile guidance issued under the Nixon administration and particularly with the decision to reduce our defense requirements from 3 years to 1 year, as chairman of the subcommittee, I insisted that before any new disposals were authorized a very detailed study should be initiated. This study was undertaken by the Ford administration in late 1975, and in the fall of 1976 President Ford announced a new stockpile policy, basing goals for commodities to be stockpiled on a 3-year contingency. Before this policy could be implemented, President Carter was elected and early in his tenure placed a moratorium on all stockpile activity until stockpile policy could be reviewed. The Carter administration subsequently announced its endorsement of the Ford stockpile policy with a reordering of priorities to address the NATO wartime contingency as the highest priority.

Both studies concluded that there are many items in the stockpile not required for our national defense needs, running into billions of dollars, and also many items which are greatly needed for national defense purposes but which aren't currently in the stockpile, running into many more billions of dollars.

This situation will require for the first time in many years substantial acquisitions of additional materials. If the stockpile is to be balanced, and the risk of shortages in strategic and critical materials reduced, the cost of acquiring new materials will greatly exceed the value of materials available for disposal.

Section 9 of this bill will assure us that there will be moneys available to begin this acquisition program.

Each member has been provided a section-by-section analysis of the bill and a comparative analysis of the current law with H.R. 2154, which I believe will assist you in understanding the revision of the current act.

Now, I will very briefly outline the key elements which I think are essential additions to this revision of the 1946 act:

The bill provides for the first time congressional guidance as to how stockpile requirements are determined. The President shall make the determinations on the basis of the following principles, if this bill is carried out: (a) The purpose of the stockpile is to serve the interest of national defense only and is not to be used for economic or budgetary purposes; (b) Stockpiles are to be sized to meet a 3-year contingency; and (c) Goals may not be revised unless the Committees on

Armed Services are notified in writing 30 days before the effective date of the revision.

Materials from the three existing stockpiles (National, Supplemental, and Defense Production Act Inventory) are combined into one stockpile, for simplicity of management, and are to be collectively known as the National Defense Stockpile.

Future acquisitions must be authorized by law, which has not been required to be done in the past.

Acquisitions are to be made in accordance with established Federal procurement practices.

Disposals are to be made by formal advertising or competitive negotiation procedures.

Two key definitions, "strategic and critical materials" and "national emergency," are defined in this act.

Basically this bill offers standards and guidelines for structuring and managing both the size and the operations of the stockpile. In summary, this bill strengthens the role of Congress in stockpile matters.

[H.R. 2154 is as follows:]

[H.R. 2154, 96th Cong., 1st sess.]

A BILL To revise the Strategic and Critical Materials Stock Piling Act, to require that appropriations for acquisition of strategic and critical materials be authorized by law, to establish a National Defense Stockpile Transaction Fund, and for other purposes

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Strategic and Critical Materials Stock Piling Revision Act of 1979."

SEC. 2. (a) The Strategic and Critical Materials Stock Piling Act is amended by striking out the first section and sections 2 through 9 of such Act (50 U.S.C. 98-98h) and inserting in lieu thereof the following:

"SHORT TITLE

"SECTION 1. This Act may be cited as the 'Strategic and Critical Materials Stock Piling Act'.

"FINDINGS AND PURPOSE

"SEC. 2. (a) The Congress finds that the natural resources of the United States in certain strategic and critical materials are deficient or insufficiently developed to supply the military, industrial, and essential civilian needs of the United States for national defense.

"(b) It is the purpose of this Act to provide for the acquisition and retention of stocks of certain strategic and critical materials and to encourage the conservation and development of sources of such materials within the United States and thereby to decrease and to preclude, when possible, a dangerous and costly dependence by the United States upon foreign sources for supplies of such materials in times of national emergency.

"MATERIALS TO BE ACQUIRED: PRESIDENTIAL AUTHORITY AND GUIDELINES

"SEC. 3 (a) The President shall determine from time to time (1) which materials are strategic and critical materials for the purposes of this Act, and (2) the quality and quantity of each such material to be acquired for the purposes of this Act and the form in which each such material shall be acquired and stored. Such materials described when acquired, together with the other materials described in section 4 of this Act, shall constitute and be collectively known as the National Defense Stockpile (hereinafter in this Act referred to as the 'stockpile').

"(b) The President shall make the determinations required to be made under subsection (a) on the basis of the following principles:

"(1) The purpose of the stockpile is to serve the interest of national defense only and is not to be used for economic or budgetary purposes.

"(2) The quantities of the materials stockpiled should be sufficient to sustain the United States during a national emergency of up to three years in duration.

"(c) The quantity of any material to be stockpiled under this Act, as determined under subsection (a), may not be revised unless the Committees on Armed Services of the Senate and House of Representatives are notified in writing of the proposed revision and the reasons for such revision at least thirty days before the effective date of such revision.

"MATERIALS CONSTITUTING THE NATIONAL DEFENSE STOCKPILE

"SEC. 4. (a) The Stockpile consists of the following materials:

"(1) Materials acquired under this Act and contained in the national stockpile on the day before the date of the enactment of the Strategic and Critical Materials Stock Piling Revision Act of 1979.

"(2) Materials acquired under this Act on or after the date of the enactment of the Strategic and Critical Materials Stock Piling Revision Act of 1979.

"(3) Materials in the supplemental stockpile established by section 104(b) of the Agricultural Trade Development and Assistance Act of 1954 (as in effect from September 21, 1959, through December 31, 1966) on the day before the date of the enactment of the Strategic and Critical Materials Stock Piling Revision Act of 1979.

"(4) Materials acquired by the United States under the provisions of section 303 of the Defense Production Act of 1950 (50 U.S.C. App. 2093) and transferred to the stockpile by the President pursuant to subsection (f) of such section.

"(5) Materials transferred to the United States under section 663 of the Foreign Assistance Act of 1961 (22 U.S.C. 2423) and allocated by the President under subsection (b) of such section to the General Services Administration for stockpiling in the stockpile.

"(6) Materials acquired by the Commodity Credit Corporation and transferred to the stockpile under section 4(h) of the Commodity Credit Corporation Charter Act (15 U.S.C. 714(h)).

"(7) Materials acquired by the Commodity Credit Corporation under paragraph (2) of section 103(a) of the Act entitled 'An Act to provide for greater stability in agriculture, to augment the marketing and disposal of agricultural products; and for other purposes', approved August 28, 1954 (7 U.S.C. 1743(a)), and transferred to the stockpile under the third sentence of such section.

"(8) Materials transferred to the stockpile by the President under paragraph (4) of section 103(a) of such Act of August 28, 1954.

"(9) Materials transferred to the stockpile under subsection (b).

"(b) Notwithstanding any other provision of law, any material that (1) is under the control of any department or agency of the United States, (2) is determined by the head of such department or agency to be excess to its needs and responsibilities, and (3) is required for the stockpile shall be transferred to the stockpile. Any such transfer shall be made without reimbursement to such department or agency, but all costs required to effect such transfer shall be paid or reimbursed from funds appropriated to carry out this Act.

"AUTHORITY FOR STOCKPILE OPERATIONS

"SEC. 5. (a) Except for acquisitions made under the authority of paragraph (3) or (4) of section 6(a), no funds may be obligated or appropriated for acquisition of any material under this Act unless funds for such acquisition have been authorized by law. Funds appropriated for such acquisition shall remain available for a period of five fiscal years, if so provided in appropriation Acts.

"(b) Except for disposals made under the authority of paragraph (4) or (5) of section 6(a) or under section 7(a), no disposal may be made from the stockpile unless such disposal, including the quantity of the material to be disposed of, has been specifically authorized by law.

"(c) There is authorized to be appropriated such sums as may be necessary to provide for the transportation, processing, refining, storage, security, maintenance, rotation, and disposal of materials contained in or acquired for the stockpile. Funds appropriated for such purposes shall remain available to carry out the purposes for which appropriated for a period of two fiscal years, if so provided in appropriation Acts.

"STOCKPILE MANAGEMENT

"SEC. 6. (a) The President shall—

"(1) acquire the materials determined under section 3(a) to be strategic and critical materials;

"(2) provide for the proper storage, security, and maintenance of materials in the stockpile;

"(3) provide for the refining or processing of any material in the stockpile when necessary to convert such material into the form most suitable for storage and subsequent disposition;

"(4) provide for the rotation of any material in the stockpile when necessary to prevent deterioration of such material by replacement of such material with an equivalent quantity of substantially the same material;

"(5) subject to the notification required by subsection (d) (2), provide for the timely disposal of materials in the stockpile that (A) are excess to stockpile requirements, and (B) may cause a loss to the Government if allowed to deteriorate; and

"(6) dispose of materials in the stockpile the disposal of which is specifically authorized by law.

"(b) Except as provided in subsections (c) and (d), acquisition of strategic and critical materials under this Act shall be made in accordance with established Federal procurement practices, and, except as provided in subsections (c) and (d) and in section 7(a), disposal of materials from the stockpile shall be made by formal advertising or competitive negotiation procedures. To the maximum extent feasible—

"(1) competitive procedures shall be used in the acquisition and disposal of such materials;

"(2) efforts shall be made in the acquisition and disposal of such materials to avoid undue disruption of the usual markets of producers, processors, and consumers of such materials and to protect the United States against avoidable loss; and

"(3) disposal of such materials shall be made for domestic consumption.

"(c) (1) The President shall encourage the use of barter in the acquisition of strategic and critical materials for, and the disposal of materials from, the stockpile when acquisition or disposal by barter is authorized by law and is practical and in the best interest of the United States.

"(2) Materials in the stockpile, the disposition of which is authorized by law, shall be available for transfer at fair market value as payment for expenses (including transportation and other incidental expenses) of acquisition of materials, or of refining, processing or rotating materials, under this Act.

"(3) To the extent otherwise authorized by law, property owned by the United States may be bartered for materials needed for the stockpile.

"(d) (1) The President may waive the applicability of any provision of the first sentence of subsection (b) to any acquisition of material for, or disposal of material from, the stockpile. Whenever the President waives any such provision with respect to any such acquisition or disposal, or whenever the President determines that the application of paragraph (1), (2), or (3) of such subsection to a particular acquisition or disposal is not feasible, the President shall notify the Committees on Armed Services of the Senate and House of Representatives in writing of the proposed acquisition or disposal at least thirty days before any obligation of the United States is incurred in connection with such acquisition or disposal and shall include in such modification the reasons for not complying with any provision of such subsection.

"(2) Materials in the stockpile may be disposed of under subsection (a) (5) only if the Committees on Armed Services of the Senate and House of Representatives are notified in writing of the proposed disposal at least thirty days before any obligation of the United States is incurred in connection with such disposal.

"(e) The President may acquire leasehold interests in property, for periods not in excess of twenty years, for storage, security, and maintenance of materials in the stockpile.

"SPECIAL DISPOSAL AUTHORITY OF THE PRESIDENT

"SEC. 7. (a) Materials in the stockpile may be released for use, sale, or other disposition—

"(1) on the order of the President, at any time the President determines the release of such materials is required for purposes of the national defense; and

"(2) in time of war declared by the Congress or during a national emergency, on the order of any officer or employee of the United States designated by the President to have authority to issue disposal orders under this subsection, if such officer or employee determines that the release of such materials is required for purposes of the national defense.

"(b) Any order issued under subsection (a) shall be promptly reported by the President, or by the officer or employee issuing such order, in writing, to the Committees on Armed Services of the Senate and House of Representatives.

"MATERIALS DEVELOPMENT AND RESEARCH

"SEC. 8. (a) (1) The President shall make scientific, technologic, and economic investigations concerning the development, mining, preparation, treatment, and utilization of ores and other mineral substances that (A) are found in the United States, or in its territories or possessions, (B) are essential to the national defense, industrial, and essential civilian needs of the United States, and (C) are found in known domestic sources in inadequate quantities or grades.

"(2) Such investigations shall be carried out in order to—

"(A) determine and develop new domestic sources of supply of such ores and mineral substances;

"(B) devise new methods for the treatment and utilization of lower grade reserves of such ores and mineral substances; and

"(C) develop substitutes for such essential ores and mineral products.

"(3) Investigations under paragraph (1) may be carried out on public lands and, with the consent of the owner, on privately owned lands for the purpose of exploring and determining the extent and quality of deposits of such minerals, the most suitable methods of mining and beneficiating such minerals, and the cost at which the minerals or metals may be produced.

"(b) The President shall make scientific, technologic, and economic investigations of the feasibility of developing domestic sources of supplies of any agricultural material or for using agricultural commodities for the manufacture of any material determined pursuant to section 3(a) of this Act to be a strategic and critical material or substitutes therefor.

"NATIONAL DEFENSE STOCKPILE TRANSACTION FUND

"SEC. 9. (a) There is established in the Treasury of the United States a separate fund to be known as the National Defense Stockpile Transaction Fund (hereinafter in this section referred to as the 'fund').

"(b) (1) All moneys received from the sale of materials in the stockpile under paragraphs (5) and (6) of section 6(a) shall be covered into the fund.

"(2) Moneys covered into the fund under paragraph (1) shall be available, when appropriated therefor, only for the acquisition of strategic and critical materials under section 6(a) (1) of this Act (and for transportation related to such acquisition).

"(3) If so provided in appropriation Acts, moneys in the fund, when appropriated, shall remain available without fiscal year limitation until expended.

"(c) All moneys received from the sale of materials being rotated under the provisions of section 6(a) (4) or disposed of under section 7(a) shall be covered into the fund and shall be available only for the acquisition of replacement materials.

"ADVISORY COMMITTEES

"SEC. 10. (a) The President may appoint advisory committees composed of individuals with expertise relating to materials in the stockpile or with expertise in stockpile management to advise the President with respect to the acquisition,

transportation, processing, refining, storage, security, maintenance, rotation, and disposal of such materials under this Act.

"(b) Each member of an advisory committee established under subsection (a) while serving on the business of the advisory committee away from such member's home or regular place of business shall be allowed travel expenses, including per diem in lieu of subsistence, as authorized by section 5703 of title 5, United States Code, for persons intermittently employed in the Government service.

"REPORTS TO CONGRESS

"Sec. 11. The President shall submit to the Congress every six months a written report detailing operations under this Act. Each such report shall include—

"(1) information with respect to foreign and domestic purchases of materials during the preceding six-month period;

"(2) information with respect to the acquisition and disposal of materials under this Act by barter, as provided for in section 6(c) of this Act, during such period;

"(3) a statement and explanation of the financial status of the National Defense Stockpile Transaction Fund and the anticipated appropriations to be made from the fund during the next fiscal year; and

"(4) such other pertinent information on the administration of this Act as will enable the Congress to evaluate the effectiveness of the program provided for under this Act and to determine the need for additional legislation.

"DEFINITIONS

"Sec. 12. For the purposes of this Act:

"(1) The term 'strategic and critical materials' means materials that (A) would be needed to supply the military, industrial, and essential civilian needs of the United States during a national emergency, and (B) are not found or produced in the United States in sufficient quantities to meet such need.

"(2) The term 'national emergency' means a general declaration of emergency with respect to the national defense made by the President or by the Congress."

(b) (1) Section 10 of such Act (50 U.S.C. 98h-1) is redesignated as section 13.

(2) Section 11 of such Act is repealed.

SEC. 3. (a) (1) Section 103(a) of the Act entitled "An Act to provide for greater stability in agriculture; to augment the marketing and disposal of agricultural products; and for other purposes", approved August 28, 1954 (7 U.S.C. 1743(a)), is amended—

(A) by striking out "the national stockpile established pursuant to the Act of June 7, 1939, as amended (50 U.S.C. 98-98h)" in paragraph (4) and inserting in lieu thereof "the National Defense Stockpile established by the Strategic and Critical Materials Stock Piling Act (50 U.S.C. 98 et seq.)";

(B) by striking out "the national stockpile established pursuant to the Act of June 7, 1939, as amended" in the third sentence and inserting in lieu thereof "the National Defense Stockpile established by the Strategic and Critical Materials Stock Piling Act"; and

(C) by striking out "funds appropriated pursuant to section 8 of such Act of June 7, 1939" in the third sentence and inserting in lieu thereof "funds appropriated for the purposes of that Act".

(2) Section 105 of such Act (7 U.S.C. 1745) is amended by striking out "the national stockpile established pursuant to the Act of June 7, 1939, as amended (50 U.S.C. 98-98h)" and inserting in lieu thereof "the National Defense Stockpile established by the Strategic and Critical Materials Stock Piling Act (50 U.S.C. 98 et seq.)".

(b) Section 4(h) of the Commodity Credit Corporation Charter Act (15 U.S.C. 714b(h)) is amended—

(1) by striking out "section 2 of the Strategic and Critical Materials Stock Piling Act (60 Stat. 596)" and inserting in lieu thereof "section 3 of the Strategic and Critical Materials Stock Piling Act (50 U.S.C. 98a)"; and

(2) by striking out "the Munitions Board of the National Military Establishment" and inserting in lieu thereof "the President".

(c) Section 303(f) of the Defense Production Act of 1950 (50 U.S.C. App. 2093(f)) is amended—

(1) by striking out “the national stockpile established pursuant to the Act of June 7, 1939, as amended,” in the first sentence and inserting in lieu thereof “the National Defense Stockpile established by the Strategic and Critical Materials Stock Piling Act (50 U.S.C. 98 et seq.)”; and

(2) by striking out “from funds available under such Act of June 7, 1939, as amended” and inserting in lieu thereof “from funds appropriated for the purposes of such Act”.

(d) Section 204(f) of the Federal Property and Administrative Services Act of 1949 (40 U.S.C. 485(f)) is amended by striking out “the Munitions Board” and inserting in lieu thereof “the President”.

Mr. BENNETT. I would also like to take this opportunity to express my appreciation to Senator Hart and his staff for their cooperation and assistance in drafting a bill that brings the current act up to date and provides us with a vehicle to begin the modernization of our strategic stockpiles. The bills in the Senate and House are not identical, but they are substantially identical.

I would also hope that before we begin any acquisitions or disposal programs that this “policy” bill will receive priority and will be enacted into law.

If there are no questions, we will begin our hearing with testimony from Mr. Joseph A. Mitchell, Director, Federal Preparedness Agency, GSA.

He will be followed by Mr. Dale W. Church, Deputy Under Secretary for Acquisition Policy, Office of the Under Secretary of Defense for Research and Engineering; and Mr. Charles Carlisle, vice president, St. Joe Minerals Corp.

Mr. Mitchell, we are happy to have you here, and we appreciate your testimony.

Mr. MITCHELL. Thank you, Mr. Chairman and Mr. Stratton. It is a pleasure to be here this morning. Of course, you know Mr. Church on my left, but I would like to introduce some of the people here with me this morning because we will all be available to answer questions. Mr. Roy Markon is on my far left.

Mr. BENNETT. He is a longtime friend.

Mr. MITCHELL. I just wanted to note that he is here.

Mr. Ed Zabrowski, Acting Assistant Director of Natural Resources Preparedness, is here with me; and also Mr. Paul Krueger who is the Acting Chief of the National Defense Stockpile Policy Division. So we are all available, Mr. Chairman, to answer questions.

Since we were somewhat delayed, Mr. Chairman, in getting our formal testimony to you, I will make a short statement and am hoping you have already had a chance to read some of the amendments we have submitted.

Mr. BENNETT. You may proceed as you desire. I think most of the things you desired are in this bill, are they not? There may be a few problems, but most of them are essentially the same, I think.

Anyway, proceed as you will.

STATEMENT OF HON. JOSEPH A. MITCHELL, DIRECTOR, FEDERAL PREPAREDNESS AGENCY, GENERAL SERVICES ADMINISTRATION

Mr. MITCHELL. At the outset, Mr. Chairman, I would like to applaud the committee's efforts in bringing the basic policy bill, H.R. 22, and

H.R. 2154 which was subsequently introduced, to the attention of the Congress for consideration. We look to this revision of the basic stockpiling authority as the basis for a much-needed restructuring of the strategic and critical materials stockpile.

I will confine my formal comments to H.R. 2154. I would like to preface my specific comments on this bill with the following observations. We are in agreement with the intent of this bill to strengthen the contribution of the strategic stockpile to our national security. The suggested changes preserve important existing authorities, or provide the flexibility needed to insure an efficient stockpile program.

While I wish to discuss some suggested amendments in detail at the conclusion of the statement, permit me first to highlight the major features of H.R. 2154.

H.R. 2154 proposes the establishment of a stockpile fund, and the administration supports this provision. Basically, this fund would consist of the receipts from sales from the stockpile and could only be appropriated, once authorized, for stockpile acquisitions. H.R. 2154, however, would allow unappropriated moneys to remain dormant in the fund. The administration cannot support H.R. 2154 because of this provision, at this time. I will later offer proposed alternative language that I believe can unite the administration and the subcommittee on this point.

The bill encourages the use of existing barter authority to obtain needed strategic and critical materials. The administration supports the objective of these provisions, which provide another means of acquiring strategic materials while avoiding any budgetary impact.

We also support the explicit language which provides that the stockpile is to serve the interest of national defense only and is not to be used for economic or budgetary purposes. This delimitation of purpose should minimize allegations regarding the use of the stockpile for other than national defense purposes.

Finally, the administration supports the inclusion of authorizations for acquisitions. This focuses at one point the review of proposed acquisition and disposal activities, while retaining the special emergency provisions for the President in time of national emergency.

With respect to the specific amendments we have to offer for the committee's consideration, we believe that they will provide protection for the taxpayer, preserve legislative history, reduce the possibility of ambiguity in the future, and provide standing operational authority where it is appropriate.

We propose five amendments to H.R. 2154 as follows. If I might, at the request of Mr. Marshall I will read these amendments, and you can follow along with me.

Mr. BENNETT. Sure.

Mr. MITCHELL. On page 3, line 11, insert the words "for up to 3 years" after "States," and in line 12 strike everything after "emergency" and insert in lieu thereof a period. We believe the intent of the language in H.R. 2154 is to permit stockpiling for the first 3 years of a war during a period of national emergency. The assumed national emergency may include a prior warning period, but we do not stockpile for warning periods. The proposed language will alleviate any ambiguity associated with these different periods of stockpile activity. A technical amendment, Mr. Chairman, only.

On page 3, line 15, after the word "revised," insert the words "by less than 10 per centum." This would restore the words of an earlier version of the bill. The original intent of this provision, we believe, was to prevent frequent changes in stockpile goals because industry interest groups found them unsettling. Accordingly, we agreed to support legislative language that would restrain the establishment of minor changes to stockpile goals. Since the bill requires congressional approval for both acquisition and disposal authority, we believe this mechanism provides sufficient control. Furthermore, given the complex, time-consuming nature of the establishment of stockpile goals, we wonder if the committee can find time to adequately review changes in the goals for up to 93 stockpile materials.

On page 3, line 22, immediately before the word "materials" insert the words "strategic and critical." Even though the specific acts covered in the paragraphs under section 4 mention strategic and critical materials, the term is not specifically defined in some of those acts. In others, where the term is defined, it is broader in application than is defined in the bill. Consequently, it is our opinion that the term "strategic and critical" should be set forth in the preamble to section 4 to tie the materials that are to constitute the National Defense Stockpile to the definition under the bill. Again, a technical amendment.

Mr. BENNETT. That one I would like to address with you later. The other amendments that you refer to, although not large in content or very disturbing as being different, I really understand them. But I really don't understand this one, because when you read the language of what is being said, it says, "The stockpile consists of the following materials," and at that point, as I understand, you want to add, "strategic and critical materials." But the stockpile would actually have in it some things that are not strategic and critical.

Mr. MITCHELL. We would be happy to address that.

Mr. BENNETT. It's a purely technical question. It is not a question of intent. It is a question of whether grammatically you achieve what you want to achieve.

Mr. MITCHELL. We will certainly address that.

On page 6, line 5, after the word "acquisition," insert "(and for transportation related to such acquisition)." It is our intent that acquisition costs be fully covered, including transportation, in pursuing the acquisition of strategic materials for the national defense. On page 12, lines 11 through 13, we recommend that section 9(b)(3) be deleted. As it exists, section 9(b)(3) is redundant and inconsistent with the earlier authorization language in the bill, in that, section 9(b)(3) provides that funds appropriated will remain available until expended, whereas, section 5(a) provides that appropriated funds will remain available for a period of 5 years. It is our opinion that the operative language of section 5(a), as amended by the above, will provide the necessary flexibility to make the authorized acquisitions.

We propose the following amendment to replace section 9(b)(1). And this was the section, Mr. Chairman, that caused us the greatest difficulty, as you are well aware. The language is as follows:

(b)(1) All moneys received from the sale of materials in the stockpile under paragraphs (5) and (6) of Section 6(a) shall be covered in the fund: Such money shall remain in the fund until appropriated or until the end of the second fiscal year following the fiscal year in which they are received. Any such moneys

remaining in the fund after the end of such second fiscal year that have not been appropriated shall be transferred to miscellaneous receipts of the Treasury. Any of such moneys that are appropriated shall be disbursed from the fund in the order in which they were covered into the fund.

This language, when considered in the context of section 5(a), that is, the section giving 5-year life to the appropriated moneys, provides the needed flexibility for stockpile management to utilize sales proceeds. For example, assume some stockpile materials were sold at midyear of fiscal 1980. Then the stockpile managers would have until the end of fiscal 1982 to get the moneys appropriated, after which they would remain available for an additional 5 years, or a total of 7½ years.

On the other hand, when satisfactory stockpile levels are achieved, and no appropriations made, the moneys can revert to the Treasury's miscellaneous receipts account to be used for other high-priority administration programs. Mr. Chairman, we urge the subcommittee to adopt this proposed amendment so that we can begin to strive for our common objective—a stockpile that reflects current national security requirements.

This completes my prepared statement. I will be happy to answer any questions the subcommittee members may have.

Mr. BENNETT. Well, I want to say, to begin with, before I ask a question or two, that the President was kind enough to talk with me and with you about this legislation a year or so ago. I am not locked in cement. The committee is not locked in cement as to specific language providing approximately \$7 billion of excess in the national stockpile that is going to be sold binds itself into acquiring the more than \$8 or \$9 billion of material that must be bought.

After all, it is a deficit. We don't have enough in the stockpile to pay for the things that are desperately needed for national defense. I think, as long as President Carter is the President, that he would certainly see to it that money going into the stockpile was used for the right purposes.

I guess the problem is we have been hurt by previous Presidents. We have had experiences such as the stockpile being used for improper purposes, and we are trying to get a handle on this, so that in the future it is not abused as it has been in the past.

Certainly, there is no feeling on my part that President Carter would not fulfill any commitment he made to move things along. And it may be that the language you've suggested is technical, and I haven't studied it carefully. And it could be we'd go along with everything; or it could be that we're not quite satisfied with the language, and we might pass it the way we know we like it.

And when we go to conference between the House and Senate, we might, at that time, get back to it.

But I would like to move this bill forward, because it has a good chance of being the most important bill to come up early in this Congress.

We have addressed practically nothing of any great significance, so far, in this Congress. After all, this was heavily addressed by the House before, and it was overwhelmingly supported.

I do not believe I want to technically discuss any of these amendments with you at this point. I think I understand your point of view, and I do not find myself at odds with it. I think, actually, your objectives are the same as mine.

Mr. Fazio, do you have any questions?

Mr. FAZIO. No.

Mr. BENNETT. Mr. Stratton?

Mr. STRATTON. Thank you, Mr. Chairman.

I would like to ask, either you, Mr. Chairman, or the witness, just who is responsible now under this new arrangement for the Federal Preparedness Agency for handling the stockpile?

Mr. MITCHELL. Would you like me to answer that, Mr. Chairman?

Mr. BENNETT. Yes.

Mr. MITCHELL. Probably late in the spring we will have a new sub-Cabinet agency called the Federal Emergency Management Agency, and the Federal Preparedness Agency will become part of that.

The responsibility of stockpile policy, that is the responsibility that we are talking about this morning that we have for setting controls and stockpile policy for the President, will remain with that new entity and be in the new Federal Emergency Management Agency.

The responsibility for stockpile disposal, stockpile sites, stockpile transportation and storage, all of those items will be carried out under an existing arrangement with the Federal Property Resources Service of the General Services Administration. Mr. Markon, on my left heads that Service and has that responsibility today.

During the last several months, we transferred our Technical Service Branch, or the Stockpile Disposal Section, to Mr. Markon so he would have an opportunity to test out this relationship prior to the new Agency.

Mr. STRATTON. Is the Federal Preparedness Agency going to be in the Office of Emergency Management, or whatever it is called?

Mr. MITCHELL. Yes, sir. It will not be known as FPA any longer when the President makes that effective.

Mr. STRATTON. I thought it had already been done.

Mr. MITCHELL. No, sir; it was approved by the Congress, and is supposed to become effective this spring.

Mr. STRATTON. What is going to happen to Mr. Markon then, and the people who have been handling this? Will they be moved into another agency?

Mr. MITCHELL. No, sir, exactly as they are today.

Mr. STRATTON. What is the point of the switch? Here you have a switch without any change. The same guy is going to be handling it in GSA, and yet we're told we have a great reorganization which is going to put all of our emergency arrangements, civil defense and all the rest, under one head.

Mr. MITCHELL. Exactly. The actual technical disposal of the material, the storage of the materials, is not an emergency function. It is not a policy function.

Mr. STRATTON. It's an emergency function to prepare for an emergency, isn't it?

Mr. MITCHELL. Yes, sir.

Mr. STRATTON. That's the whole point of it. That's what civil defense is, to prepare for an emergency. We have the stockpile so that we have the critical materials we need.

Mr. MITCHELL. Right.

Mr. STRATTON. Isn't that going to be handled by the new agency?

Mr. MITCHELL. It is.

Mr. STRATTON. How is Mr. Markon going to remain in GSA?

Mr. MITCHELL. I thought I had addressed myself to that, but maybe I was not clear. Mr. Markon, would you answer that?

Mr. MARKON. Mr. Stratton, we will merely execute on the legislative authority which will stem from the policy decisions in the new agency.

Mr. STRATTON. Then the whole thing is really a sham. It's just a paper agency.

Mr. MARKON. We will perform your technical function of buying, selling, and storage.

Mr. STRATTON. Who will be running the stockpile? Who will be making these decisions?

Mr. MITCHELL. If I could maybe try to answer it this way, Mr. Stratton, the reason for the new emergency agency was to bring in all of the agencies that had those emergency functions in the Federal Government.

Mr. STRATTON. I understand that, but I'm trying to figure out how it's going to work. Who's going to decide it, the head of the emergency agency, or you, or who?

Mr. MITCHELL. Whomever the President appoints as head of the new Federal Emergency Management Agency will be, in fact, the stockpile manager, or the policy adviser to the President.

The person who actually disposes or sells the materials or stores the materials, or transports the materials—

Mr. STRATTON. I'm talking about the person who makes the decisions within the provisions of this legislation. Presumably we're going to have something to do with it, but you say we won't have enough time to really make the decisions anyway.

The head of the emergency management organization will be the man in charge. Is that right?

Mr. MITCHELL. Yes.

Mr. STRATTON. What happens to the Federal Preparedness Agency?

Mr. MITCHELL. It will no longer exist. It will become part of the Federal Emergency Management Agency. What its name will be, I don't know.

Mr. STRATTON. I have a little document I carry around with me that illustrates in rather stark fashion the difference between the Soviets and ourselves, number of divisions, number of troops, major combat ships, and so on.

One item in there is that there are 16 strategic minerals that are required for war, military purposes, for the purpose of preparedness, and emergency situations, et cetera.

Of those 16, according to my information, 14 of them the United States is required to import more than 50 percent of its need; the U.S.S.R. zero. Is that information correct?

Mr. MITCHELL. I don't know, sir, whether that is correct or not. Mr. Church from the Department of Defense is here. He may want to reply to that.

Mr. STRATTON. You mean to say that the agency that is currently handling the stockpile doesn't know how many metals are urgently needed, and whether we have to import 50 percent of our need for 14 out of 16?

Mr. MITCHELL. No, sir. I was referring to the Soviet analysis.

Mr. STRATTON. I'm talking about the U.S. analysis. I'm not worried about the Soviet analysis.

Mr. CHURCH. I haven't come up as a witness yet, but I will respond. I would say I would not——

Mr. STRATTON. Just a minute, please. I'm asking the head of the Federal Preparedness Agency whether you do or do not know whether 14 of the 16 critical minerals find us in a situation where we are required to import more than 50 percent of our requirement?

Mr. MITCHELL. OK. I would like to answer your question, specifically and totally, Mr. Stratton, and I would ask, to do that, if I might have the head of that division who is responsible answer it for me.

Mr. STRATTON. I thought you said he was from the Defense Department.

Mr. MITCHELL. No, sir. He's here with us today from my agency. And it's his job to monitor this.

Mr. STRATTON. I would think that if it were true that we have to import more than 50 percent of the 14 out of 16 strategic metals that we require that the guy who is primarily responsible for our stockpile would have that information at his fingertips.

Mr. MITCHELL. I would like to answer you, but I want to answer you entirely correctly, and that is why I'm asking if I might have the person who heads the division——

Mr. STRATTON. What is your understanding of it as the head? I mean, if you have a situation where 85 percent of our strategic minerals have to be imported, and you're the head of the agency that is responsible for collecting enough of those minerals so that we can survive for 3 years if we have to, I would think you would say, "Well, I can't remember whether it's 13 or 14, but it is a terrific percentage, and you're absolutely right."

Mr. MITCHELL. If you would like me to answer it that way, I would be happy to. I don't know whether it is 13 or 14. I think the situation you mention, Mr. Stratton, is, in fact, a situation that the United States finds itself in today.

We do have a very difficult——

Mr. STRATTON. Why don't you let the gentleman answer very shortly? I don't want a long list of statistics. Is this correct or not?

Mr. CHURCH. Mr. Stratton, since I know you do your homework so well, I would not contradict whether it is 14 or 16. We have a list longer than 16. I can count many where we are more than 50 percent import dependent.

You have selected 16 out of the total list.

Mr. STRATTON. So, it is a pretty serious situation. Right?

Mr. CHURCH. Unquestionably, it's a serious situation.

Mr. STRATTON. What are we doing with respect to chrome in the stockpile? We can't buy any chrome from Rhodesia, can we? And we can't buy any from South Africa. Are we still buying it from the Soviet Union?

Mr. KRUEGER. I am Paul Krueger, Acting Chief of the National Defense Stockpile Policy Division. The stockpile presently contains, in various forms, over 4 million tons of chrome ore equivalents.

Mr. STRATTON. Is that high-quality chrome?

Mr. KRUEGER. It's a mixture of chrome ore and ferrochrome alloys. A lot of it is Rhodesian type ore, which was purchased prior to the embargo. We have about 2 million tons of ore like that. We have another 750,000 tons of chemical grade——

Mr. STRATTON. How long is that going to last us? Is that going to last us the 3 years Mr. Bennett has said in his legislation?

Mr. KRUEGER. At current rate of consumption—

Mr. STRATTON. Not at current rates of consumption, at the rates of consumption that would be required if we got into an emergency.

Mr. KRUEGER. We have more than enough, sir.

Mr. STRATTON. More than enough for 3 years?

Mr. KRUEGER. Yes, sir. Also, part of that chrome stockpile consists of substantial amounts of ferrochrome alloys, chemical-grade chrome, which comes largely from South Africa, and refractory grade chromite which comes from the Philippines.

Mr. STRATTON. Where are we getting our chrome now? Where is it being purchased in the open market?

Mr. KRUEGER. Largely from South Africa.

Mr. STRATTON. South Africa?

Mr. KRUEGER. South Africa.

Mr. STRATTON. How much is coming in from the Soviet Union?

Mr. KRUEGER. I assume you are talking about commercial quantities and not into the stockpile.

Mr. STRATTON. Yes.

Mr. KRUEGER. Approximately 15 to 20 percent comes from the U.S.S.R. The U.S.S.R. chrome reserves are fairly small. They may run out in 20 years or so. The South African chrome reserves are good for hundreds of years.

Mr. STRATTON. We might have difficulties, and we are apparently heading into difficulties with South Africa. What do we do if both of those sources are cut off for one reason or another?

Mr. KRUEGER. In some respects, industry has responded to this situation and perceived it in their best interest to do some of their own stockpiling.

Stockpiles of chrome ore reserves held by industry now exceed 1 year at the current consumption. We have at current rates of consumption over 4 years in the stockpile.

There are no substantial reserves in the United States or, in fact, in the Western Hemisphere. If ore reserves were cut off for a long period of time, I would think you would see industry developing some reserves which are now not considered economical.

Mr. STRATTON. Don't we have a policy of not purchasing anything from South Africa?

Mr. KRUEGER. No, sir.

Mr. BENNETT. It is Southern Rhodesia.

Mr. KRUEGER. Southern Rhodesia.

Mr. BENNETT. May I interrupt there for a second, if you would yield?

Is it true—which I've heard—I have no idea whether it's true—do we in America buy chrome indirectly from Rhodesia, by way of buying it from Russia, who purchased it from Rhodesia, or do you know that or don't you?

Mr. KRUEGER. I don't think that's true. Most of the Rhodesian ore is processed in Rhodesia into ferrochrome. The ferrochrome import duty for the Soviet Union is much higher than it is for other countries. So we import virtually no ferrochrome from Russia.

Mr. STRATTON. The Russians buy it from Rhodesia. Right? They get the high-quality Rhodesian chrome, and then sell us the lower grade chrome that they produce. Is that correct?

Mr. KRUEGER. To my knowledge, that is not correct.

Mr. STRATTON. OK.

One other question, is oil a part of your responsibility?

Mr. MITCHELL. No, sir; it's not.

Mr. STRATTON. You don't have any responsibility for that?

Mr. MITCHELL. No, sir.

Mr. STRATTON. So the strategic reserve in oil is where? Under the Department of Energy?

Mr. MITCHELL. Yes, sir.

Mr. STRATTON. Thank you, Mr. Chairman.

Mr. BENNETT. Mr. Mollohan?

Mr. MOLLOHAN. I have no other questions.

Mr. BENNETT. Are there any other questions?

Mr. STRATTON. Could I ask one other, Mr. Chairman?

Mr. BENNETT. All right. We're not going by the strict 5-minute rule here today.

Mr. STRATTON. Thank you. I don't get around to too many of these meetings anyway, so I'm making up for lost time.

On your first amendment, Mr. Mitchell—I don't have the bill here in front of me, so I can't fit it into the language. It includes a prior warning period, but we do not stockpile for warning periods.

I don't quite understand what you're talking about. You want to delete Mr. Bennett's reference to 3 years. It could allow for 6 months.

I'm sure that is not the intention of Mr. Bennett's legislation, and I don't see where the warning period fits in here at all.

Mr. MITCHELL. It's a very technical reading of the wording, Mr. Stratton. This was suggested by our staff after study of the bill.

Mr. STRATTON. You're getting the bill aren't you? I used to be chairman of this subcommittee, and I can remember in the dim distant past that we found that the administration was trying to reduce the stockpile, because it would produce ready cash, and they had reduced the requirements from 3 years to 1 year. And they were only going to fight a 1-year war.

Mr. Bennett has very wisely changed that and is offering legislation that says if you're going to collect it, you better collect it for 3 years. Now, you want to change that and say if you collect it, you better collect it for up to 3 years.

So, the decision as to whether it is going to be 3 years, 2 years, 6 months or 3 months is presumably going to be made by whoever will head this emergency management outfit.

Mr. MITCHELL. That was not the intent.

Mr. STRATTON. That's what I'm trying to find out. What do you mean, and what does this warning period business mean? We don't fight the war during the warning period, we fight it after it begins.

Mr. MITCHELL. Yes, sir. I would like to ask Ed Zabrowski, of my staff, if he might explain the technical difference between the wording. It is very, very difficult at first reading to understand why we suggested this amendment. I completely understand. Ed, would you like to comment on that?

Mr. ZABROWSKI. Mr. Stratton, it is fully our intent to follow along with the intent of the committee to stockpile for a period of 3 years of a shooting war.

Now, the President's planning guidance provides for a warning period in advance of the war. It is our belief that under the current wording of the bill, if we were to adhere to that literally, we'd have to go for the first 3 years, which would include the warning period.

Now, we can't stockpile for the warning period. We stockpile for the shooting war. So, if we have a 3-year war, and hypothetically, a 1-year warning period, somebody with a different philosophy from this committee might very well want us to remove the third year of the shooting war, which would be the third year of the stockpile planning.

So, it is our belief that the changing around of these words permits us to stockpile for a 3-year shooting war with or without a warning period.

Mr. STRATTON. I don't understand what you mean by—what legislation provides for a warning period?

Mr. ZABROWSKI. The President's policy planning guidance for stockpiling.

Mr. STRATTON. For stockpiles?

Mr. ZABROWSKI. Yes.

Mr. STRATTON. How does a warning period come in?

Mr. ZABROWSKI. We would assume that a national emergency is declared on the first day of a warning period. I think that is a semantic problem.

Mr. STRATTON. I thought the idea of a stockpile is that we were to accumulate the stuff now and hope to God we never get into another war. But it is sitting around, so it's a 3-year supply.

So, when the warning period is declared is down the line some time in the future, hopefully, after we have collected a stockpile.

Mr. ZABROWSKI. To stockpile for the war that might occur requires us to do the planning now and the acquisition of the materials. And we have to do this through policy guidance.

Mr. STRATTON. But this legislation is telling you that you can forget about preparing for the war that's going to occur. If you prepare for a war that lasts 3 years, that's OK.

Mr. ZABROWSKI. We're not certain what war will occur.

Mr. STRATTON. That's right.

Mr. ZABROWSKI. But we do have guidance from the President—

Mr. STRATTON. We don't know when gasoline rationing is going to occur either, so you fill up your garage with enough gasoline to drive you from California and back, if that's what you want to do. You don't wait to see when the thing is going to occur.

If you want to go to California, and you don't care whether the house blows up or not, you collect that in your garage. The warning period has nothing to do with it as far as I can see.

Isn't it your intention, Mr. Chairman, that you want them to collect 3 years' worth of stuff. And then if, God forbid, we have a war, we can at least go for 3 years. Is that the point?

Mr. BENNETT. That's the point. I'm not so sure, though, that they're not trying to do that as well.

Mr. MITCHELL. That's exactly what we're trying to do.

Mr. BENNETT. It's a question of looking at the grammar. It is complicated, but what they want to do is at line 16 on page 3 after the word "United States" they want to say, "for up to 3 years."

There is a problem about that, but the problem is resolved. However, if you change line 11 to line 16—in other words they're just going to remove the phrase "up to 3 years' duration" and put it after "United States" rather than where it is now.

Mr. MITCHELL. The intent is the same. It was strictly an interpretation from our staff as to how some future group might interpret it.

Mr. BENNETT. There really isn't much difference in intent. There is a legislative difference about how much stays in the fund and how long, and maybe we can resolve that some way. But as far as the actual intent, we have the same intent.

OK, are there any other questions, Mr. Stratton?

Mr. STRATTON. If nobody else has further questions, I appreciate the efforts you have made to be agreeable, and make progress. It is not always so.

The administration has really tried to go forward and find a common ground, and I hope we can do so.

Mr. MITCHELL. We will continue to remain agreeable and work with this committee in every way possible.

Mr. BENNETT. Mr. Mollohan, do you have a question?

Mr. MOLLOHAN. Wouldn't you be serving the same purpose if you just placed a comma after the word "States" and then a comma after "emergency"?

I am certainly no grammarian.

Mr. MITCHELL. That's sounds reasonable. Let me find the exact section here. Again, I think we have exactly the same intent. If our amendment is confusing, we certainly will work with the staff on it.

Mr. BENNETT. The staff has another suggestion. I suggest beginning at line 16 strike out "during a national emergency of up to 3 years duration" and insert "for a period of not less than 3 years in the event of a national emergency."

I think this is the sort of thing that is better done over a table rather than before a large audience. It is not a question of having something to hide, but it is difficult to pick out these little things grammatically.

I don't want to slow up any member of the committee that wants to ask, but I don't feel capable of drafting the proper language as I sit here.

Mr. STRATTON. I honestly don't see the purpose of this. When we talk about a technical amendment, not being a lawyer, I always get a little scared that somebody is trying to slip something over on me.

I don't see anything wrong with the existing wording that you've got in there. It makes it a lot clearer and lot more sensible.

Mr. MITCHELL. For purposes of discussion, we'll be more than happy to withdraw the request for that amendment.

Mr. STRATTON. You don't have to do it on my account, but it doesn't seem to make sense to me.

Mr. BENNETT. We all have the same objective.

OK. Any further questions?

[No response.]

Then we will go on to the Honorable Dale W. Church, Deputy Under Secretary for Acquisition Policy, Office of the Under Secretary of Defense for Research and Engineering, Department of Defense.

Mr. CHURCH. I have a prepared statement for the record, which I furnished to the subcommittee staff yesterday afternoon. I will not bother to read it. I don't think it adds significantly to the discussion. [The statement follows:]

WRITTEN STATEMENT OF HON. DALE W. CHURCH

Mr. Chairman and members of the subcommittee, I appreciate this opportunity to appear before you in connection with your deliberations on H.R. 2154, a bill to revise the Strategic and Critical Materials Stock Piling Act.

The provisions of this proposed legislation relate primarily to the functions of the Federal Preparedness Agency of the General Services Administration which is the Federal agency responsible for the policy and management of the national stockpile. We would prefer to defer to FPA with respect to the specifics of these provisions. However, I would like to make some general remarks on H.R. 2154 and on the national stockpile.

The Department of Defense generally supports the intent of H.R. 2154. In our view, this bill is the result of the very useful dialogue which took place during the Ninety-Fifth Congress on several legislative proposals relating to policies for the national stockpile.

H.R. 2154 contains three key features of interest to the Department of Defense. First, it would make it clear the purpose of the stockpile is to support the military, industrial, and essential civilian needs for national defense and that the stockpile is not to be used for economic or budgetary purposes.

Second, it would permit barter of Government property and excess stockpiled materials, the disposition of which is authorized by law, for acquisition of needed strategic and critical materials. It will also allow transfer of strategic and critical materials declared excess by Federal departments and agencies to the stockpile. Both of these provisions can enhance the materials acquisition process without significant impact on the national defense budget.

Third, H.R. 2154 would establish a national defense stockpile transaction fund for deposit of moneys received from the sale of excess materials. These funds would then be available for acquisition of needed materials. We have noted the inventory imbalances in the stockpile; it has excess quantities of many materials and serious deficits for others. The transaction fund would permit orderly and efficient adjustment of these inventories, again with only minimal budgetary impact. However, H.R. 2154 makes no provision for unappropriated moneys to be returned to the Treasury after a reasonable period of time. For this reason, the Department of Defense cannot support H.R. 2154. The DOD would support an amendment to establish a reasonable sunset provision for disposition of unappropriated moneys.

In closing, I wish to state H.R. 2154 comes very close to providing a sound new basis for national stockpile policies. It is time now to resolve the remaining details and to put the new policies into effect. We need to move forward promptly with a program to acquire materials for which priority deficiencies exist and to dispose of those which are clearly excess.

This concludes my prepared statement. I will be happy to answer any questions the subcommittee members may have.

STATEMENT OF HON. DALE W. CHURCH, DEPUTY UNDER SECRETARY FOR ACQUISITION POLICY, OFFICE OF THE UNDER SECRETARY OF DEFENSE FOR RESEARCH AND ENGINEERING

Mr. CHURCH. I would like to say we enthusiastically endorse this bill. We have spent 2 years, which is far too long documenting these very constructive changes in the way the stockpile should be managed.

We do have only one significant objection. It is the same objection described by Mr. Mitchell.

I would like to see the sum of money received from disposals spent on acquisitions. This would put pressure on the Government people to get the money spent. Defense would not like to see it revert to the Treasury if any material still needs to be bought.

I think 7½ years is adequate to get the money spent for critical materials we need.

Mr. BENNETT. Actually there is no conflict as far as I can see in our objectives at all. And I am not hung up on language. If I could get better language, I would be for it; and it may be that we will accede to what you're saying.

Mr. CHURCH. We enthusiastically endorse the bill except for that one small objection. I hope we can move it out in rapid fashion, and not let nitpicking hang us up. I think it is critical to get it passed at the earliest possible date.

Mr. BENNETT. Thank you very much. Are there any questions?

Mr. STRATTON. I would like to ask Mr. Church what is the position of the Defense Department with respect to oil? Now that you are going back to oil-fired carriers and maybe even coal, are you taking any responsibility in making sure that you have an available supply?

Mr. CHURCH. Of course we are very concerned about the petroleum needs of the Defense Department. We are doing two things. We are working with the Department of Energy to insure our needs are adequately met in case of any kind of emergency. We are also trying to figure out all the ways we can conserve energy within DOD.

I think they are both key measures. The DOD burns a lot of fuel around the world in various ways. It is very important we try to conserve energy.

Mr. STRATTON. What are you doing about it actually? The Department of Energy, my understanding is, has not even begun to build up the strategic oil reserves that we directed it to do some time ago. They are starting to pump out, but they're not putting it anywhere that is available for defense.

Is the Department of Defense doing anything or are you just assuming what DOE does is OK?

Mr. CHURCH. We do not assume what they do is OK. We are working with them constantly to determine what our total needs are.

Mr. STRATTON. Do you know what they are doing and what they have available? Suppose we had a total oil embargo tomorrow. What oil would be available to the Defense Department, and how would you get it?

Mr. CHURCH. I would be more than pleased to provide that for the record. I did not come prepared to discuss specific requirements, facts, and figures.

Mr. STRATTON. Isn't that your responsibility? You are Deputy Under Secretary for Acquisition.

Mr. CHURCH. Mine is not the what as much as the how we go about acquiring goods and services. The actual responsibility for what our requirements are, in the case of oil, resides in the Office of the Assistant Secretary of Defense for Manpower Reserve Affairs and Logistics.

Mr. STRATTON. You are in charge of policy, aren't you?

Mr. CHURCH. How we buy it.

Mr. STRATTON. It's where it's available to you. Isn't that part of the policy?

Mr. CHURCH. It is part of overall DOD policy, but the way we have divided our responsibilities, I would be responsible for the procedures and mechanisms as we go about acquiring it rather than total value.

Things we have looked at in working with the Department of Energy include at the long-term needs and possible shortfalls in the 1990's and other time periods. We have been working with them to develop plans for our shale oil production. It has not been economically efficient in the past, pricewise.

Mr. STRATTON. But don't you have any cognizance over whether the oil is going to be available to the fleet? If we are now making it deliberate policy that we're going to switch from nuclear to oil, isn't that part of the acquisition policy?

Mr. CHURCH. No; that is not part of the acquisition policy.

Mr. STRATTON. Who would that be?

Mr. CHURCH. That would be Secretary Pirie, who is Assistant Secretary for Manpower, Reserve Affairs and Logistics.

Mr. STRATTON. He has so much with Manpower and Logistics in taking care of the health of the Department. I don't think he has much time to spend on oil.

I remember during the embargo, the Arab oil embargo, that our committee made a trip to survey the battle zones in both Egypt and Israel. And we found out, when we were over there, that it was impossible for us to get enough fuel for the airplane to fly from Tel Aviv to Cairo. And it took a very substantial length of time and maneuvering to finally find somebody—I think it was on Cyprus—who would give us enough fuel so we could get to Egypt.

Whereupon, we prevailed on President Sadat to give us some more so we could get home.

Now, if you've got this new carrier that Mr. Bennett is going to provide you, and this committee with oil, and find yourself over in the Mediterranean, and the Arabs aren't going to give you any oil, have you made plans, or have you even thought of the necessity for not just stockpiling all of this stuff in California, but for having it available in the various parts of the world where these ships may be operating.

Mr. CHURCH. Mr. Stratton, as I pointed out, this is not my area of cognizance, so I am really not the expert witness. I would be more than pleased to get that information for you.

Mr. STRATTON. How much would you bet that nobody in the Department has thought of that?

Mr. CHURCH. Again, what can I say.

Mr. STRATTON. Give it to me in writing. I'd like to see it.

Mr. CHURCH. I'd be more than pleased to do it.

Mr. BENNETT. Are there any further questions for this witness?

[No response.]

[The following questions were submitted to the witness to be answered for the record:]

OFFICE OF THE UNDER SECRETARY OF DEFENSE,
Washington, D.C., March 3, 1979.

HON. CHARLES E. BENNETT,
*Chairman, Subcommittee on Seapower and Strategic and Critical Materials,
U.S. House of Representatives, Washington, D.C.*

DEAR MR. CHAIRMAN: Attached are answers to questions for the record recently furnished by Mr. Ralph Marshall of the Subcommittee staff in connection with the Hearings held February 23, 1979 on HR 2154.

We are pleased to be of service to providing this information. Please let us know if we can be of further assistance.

Sincerely,

DALE W. CHURCH,
Deputy Under Secretary (Acquisition Policy).

Question. Did the Department of Defense concur in the interagency study in 1975 which was the basis for current stockpile policy?

Answer. The study effort, which was chaired by the Federal Preparedness Agency, included full participation by the Office of the Secretary of Defense and the Organization of the Joint Chiefs of Staff. The Department of Defense concurred in the interagency study which was the basis for issuance of new National Security Council policy guidance. This guidance generally calls for stockpiling those materials for which we are dependent upon foreign sources of supply, in quantities sufficient to meet U.S. national security requirements during a major war assuming large-scale industrial mobilization, and providing at the same time for a broad range of civilian needs to ensure a viable industrial base. In 1977, the change in the Administration caused a moratorium to be placed on the implementation of the study and all stockpile acquisitions and disposals. In October 1977, the moratorium was lifted and major elements of the stockpile policy developed by the interagency study were reaffirmed. One new element of the policy, however, is to ensure that the highest priorities for acquisitions of stockpile materials are associated with developing a strong readiness posture for the first year of an emergency.

Question. What is the role of the Department of Defense in the management and control of the stockpile?

Answer. The Federal Preparedness Agency is the Federal Agency responsible for the operation and management of the stockpile. As a result of the interagency study mentioned above, an Annual Materials Plan was established which calls for annual reviews of changes in national security planning and product and market conditions as they affect stockpiling. The Defense Department and other Federal Agencies participate in this annual review through membership on the Annual Materials Plan Steering Committee. We also participate in three subcommittees which deal with stockpile management issues such as the impact of changing defense requirements on materials' usage, the international economic and political impacts of stockpile transactions, and new materials' requirements. The intent of the Plan is to promote improved coordination of material acquisition and disposal decisions and provide Federal Agencies the opportunity to participate in the management and control of the stockpile.

Question. Who in the Department of Defense is responsible for providing the necessary information to the Federal Preparedness Agency regarding defense requirements for commodities? Explain how the Department of Defense provides its defense requirements to the Federal Preparedness Agency.

Answer. The Deputy Under Secretary of Defense (Acquisition Policy) is the principal Department of Defense point of contact with the Federal Preparedness Agency on all stockpile matters. With respect to providing defense requirements information, the Department of Defense provides the Federal Preparedness Agency with estimated wartime defense budget expenditure patterns, estimates of shipping losses, and information on scenario characteristics. The Federal Preparedness Agency combines this data with many factors (e.g., Gross National Product, interest rates, civilian austerity, consumption shifts from durable to non-durable goods, investment shifts from housing to plant equipment, substitutions, material consumption patterns, transportation losses, political reliability of exporting countries, etc.) to calculate stockpile goals for individual materials. As such, the Department of Defense generally does not provide the Federal Preparedness Agency with individual material requirements but relies on the Federal Preparedness Agency's calculation of strategic and critical material goals to account for Department of Defense wartime needs.

Question. How closely does the Department of Defense become involved in arriving at the goals for commodities?

Answer. When the Department of Defense participated in the interagency stockpile study, the Department tasked a Federal Contract Research Center to independently evaluate the adequacy and accuracy of the modeling techniques employed by the Federal Preparedness Agency in its computation of stockpile goals. The study showed the Federal Preparedness Agency modeling techniques adequately account for the many factors (listed in above response to question 4) that change when an economy transitions from peacetime conditions to a wartime national emergency footing. As such, we do not foresee any problems in the Federal Preparedness Agency's recalculation of stockpile goals on an annual basis using the present methodology. On occasion, however, the Department of Defense does provide the Federal Preparedness Agency with peacetime and/or mobilization requirements for special commodities. These are usually materials used uniquely by Department of Defense contractors in the production of military equipment. Examples of special materials for which the Department of Defense has provided the Federal Preparedness Agency with commodity requirements include manganese dioxide used in dry cell batteries employed by ground troops in field communication equipment; tungsten used to make tungsten carbide for use in armor piercing projectiles; and titanium metal sponge for use in titanium mill products for aircraft and missiles; in addition to beryllium, natural rubber, and cordage fibers. Irrespective of the type of information the Department of Defense provides the Federal Preparedness Agency (i.e., expenditure patterns vs. material requirements) the Department works closely with the Federal Preparedness Agency in developing stockpile goals through its participation on the Annual Materials Plan Steering Committee and Subcommittees.

Mr. BENNETT. There being none, we will go to Mr. Charles Carlisle, the vice president of St. Joe Minerals Corp.

And before we have an exodus of the administration witness, I think we ought to act promptly on this bill. This bill, after all, basically was passed in the last session of Congress—passed in the House, that is. And it almost passed in the Senate. And later on we became competitive at times, as other committees brought bills out.

There is a very real chance that if we had a quorum, we could possibly have brought it out today. I would say to you that you will get a notice some time in the next day or so that we're going to mark this bill up. It doesn't require much marking up. We will mark this bill up, get it on the calendar, and proceed to pass it, probably some time next week.

I don't know how we will do this, because we will have to take it off of the time we have for our seapower activity, but just bear in mind that we are going to do this promptly. I wanted everybody to know that we are going to try to move expeditiously, and probably within the next week we will pass a bill like this, or this bill with amendments.

Mr. STRATTON. Do you accept the limitations on the funds remaining available? You said you have \$7 billion in the fund now.

Mr. BENNETT. The bill that is before you is the best I could come up with.

Mr. STRATTON. I'm supporting your bill, Mr. Chairman. I understood you to yield on this requirement that the money should remain in there until expended.

Mr. BENNETT. I just yield on considering the language they have. Their objectives are the same as ours. The trouble is they want us to think that all their problems are solved, because we have a man like Mr. Carter in the White House. Of course, he has one more term at best, and we're trying to pass legislation for the future and not just for one administration. So, I would like to have it ideal for all administrations.

My point is, I have not conceded anything to them.

Mr. STRATTON. You said, Mr. Chairman, that there are \$7 billion in the fund right now. Right?

Mr. BENNETT. You mean, in the stockpile. There are 7 billion dollars' worth of materials in the stockpile.

Mr. STRATTON. Of materials. Oh.

Mr. BENNETT. Materials. No money.

Mr. STRATTON. You said we have to buy \$9 billion more.

Mr. BENNETT. \$8 or \$9 billion.

Mr. STRATTON. Is there any money available from previous sales of any kind?

Mr. BENNETT. No.

Mr. STRATTON. That's what worries me. Everybody admits that they have to buy more than they have to sell. Therefore, there won't be any balance or anything put in the Treasury. And they agree with me that they don't want anything to be in the Treasury.

Their only problem is to draw a statute in which we'll see to it that it doesn't find its way there, because previous administrations have found ways to use the flexibility of the statute. Personally, I'd rather have the protection in the bill with reference to the statement that we rather not have it go back to the Treasury either.

If you are going to get several billion from sales of some of them feathers that we have—and I don't think the feathers are on that list of the 16 most strategic minerals that are required. We ought to leave them in there long enough so that we could buy the kind of high grade materials we need.

And we might be able to do it within a year. So, I would prefer your bill to the statement that was made before the subcommittee this morning.

Mr. BENNETT. It was not my intention to concede anything at this point, except that I would be openminded. We will have a markup, and probably the markup, consistent with the policy of this subcommittee in the past, would be open and anybody can attend.

Now, if that's what we decide to do, we are not going to adjust ourselves to the audience. In other words, I don't really think that having sunshine requires us to have PA systems and TV's to get across to the audience, but we would allow you to listen to it, if you want to listen to it.

And the kind of discussion you are having now would come up. It would not be an audience-oriented discussion. But as far as I'm concerned, it should be public. So that type of discussion will come at that time.

Hopefully, you, Mr. Stratton, and I, and others can look hard at what has been suggested here today, to see whether what they suggest might be better than what we have in the bill. It is not the last hurrah, however, because there is going to be a bill out in the Senate, and the Senate has your provisions in it, and it will go to conference.

I want to move something. I don't want to have a delay. We eventually will have to go to conference anyway. So, it is better to move out than it is to haggle about language at this point.

Anyway, I just wanted the committee to know, and everybody to know, that we will have a markup sometime next week. We'll give

you as much notice as we can. It will have to be taken out of some other hearing of the committee, in all probability.

Now, we're pleased that you came, and we will now hear Mr. Carlisle.

Again, I want to express my appreciation to the President and to you for being so anxious to be amenable.

Mr. MITCHELL. Thank you, sir.

Mr. BENNETT. There are some questions for the record that we would like you to answer.

Mr. MITCHELL. We would be happy to.

[The following questions were submitted to the witness to be answered for the record:]

Question. "There have been suggestions that the general civilian tier increases the stockpile cost by approximately 6 billion dollars and should be eliminated. I also understand there were agencies in the government who felt this tier was unnecessary. What are your views on the need for this tier and what were the objections of the agencies who opposed the general civilian tier?"

Answer. The value in 1976 dollars of the stockpile goals for the General Civilian Tier is about \$6 billion, based upon the 1976 stockpile goals. This value can be expected to change as the international environment and other factors change. For example, preliminary calculations which will eventually result in updated stockpile goals, indicate that about 30 percent of the value of the updated goals would fall in the General Civilian Tier.

While two agencies participating in the eight agency study of 1976 did not agree with the inclusion of this tier, their reservations were largely couched in terms of the need for further analysis of the issue. In any case, the options presented to Presidents Ford and Carter included the flexibility to delete the General Civilian Tier if the President so desired. The President's decision reflected the view of a majority of the agencies in the interagency study group.

Our view is that the United States could not fight an extended conventional war without a strong civilian economy. This principle is embodied in the National Security Act, the Strategic and Critical Materials Stock Piling Act and in the Defense Production Act, and reflects the actual experience of World War II and the Korean conflict.

Industries do not produce just defense or just essential or general civilian tier products. Instead a single worker on a production line may produce industrial fasteners for aircraft (Defense Tier), for farm machinery (Essential Civilian Tier), and for office equipment (General Civilian Tier). A single factory could also produce a variety of products which fall in different categories. Prior experience indicates that severe economic dislocations occur when an adequate level of support is not given to the industries providing indirect inputs to critical defense and non-defense production. For example, during World War II when the industrial structure was far less complex and interrelated than it is today, planners found that:

"It soon became only too evident that it was impossible to separate sharply 'civilian' and 'defense' materials and facilities at a time when defense requirements were everywhere reaching down into industry stockpiles and military and commercial items were being produced side-by-side in the same factories." (George W. Auxier, "Industrial Mobilization for War: History of the War Production Board and Predecessor Agencies 1940-1945)."

"A civilian economy characterized by health and vigor is basic to effective production for war; and whatever is needed to keep the economy running so that it can further the war effort represents an essential claim on the national resources." (Harry B. Yoshpe, "Economics of National Security: Matching Needs with Resources)."

For the first time, stockpile planning has been structured to provide the most insurance for the most important parts of the economy and less insurance for the parts where risk is most plausible. Planning addresses three parts of the economy separately.

The first part is direct Department of Defense consumption and the industrial production necessary to support that consumption. The most conservative assumptions go into establishing the goals for Defense needs.

The second part is called "Essential Civilian" consumption. The third is called "General Civilian." Together, they form the requirements of that part of the civilian economy needed to support wartime needs and/or maintain a viable industrial base. In setting stockpile goals, we don't consider at all demand for activities that are not needed in wartime. For example, the stockpile wouldn't be used to meet demand for jewelry and amusements such as spectator sports.

The distinction between "Essential Civilian" and "General Civilian" is important. "Essential Civilian" products are more directly tied to the war effort and cannot readily be made with substitute materials. "General Civilian" products are less directly tied to the war effort and can, to some degree, be made with materials that are not strategic and critical. But production of these items is necessary if we are to feel confident of our ability to remain strong during a war.

Prior to the introduction of the approach now in use, all requirements, defense and civilian, were lumped together in one aggregate: a pound of copper for cartridge cases was given the same importance as a pound of copper for kettles. We believe that, by separately treating defense and civilian requirements, we have enhanced national security planning. Furthermore, our subdivisions of the civilian sector create a smaller stockpile than if the subdivisions were combined.

It is to be emphasized that although it is called the "General Civilian" Tier, it is really a lower level of essential civilian needs. It is established after adjustments are made to the civilian sector for austerity, conservation, and possibilities for substitution. If the new policy act is passed, the "Essential Civilian" Tier will remain the same and the present "General Civilian" Tier will be called "Industrial." These name changes would make the nature of these sectors clearer. FPA really does not stockpile for "civilian" needs in the "butter" sense that these words imply to lay persons. The "butter" or "fat" of the economy is removed through austerity assumptions first.

Question. Explain to the Committee what you mean by the Annual Materials Plan. How is it developed and what is its purpose? How do you select the materials for disposal and acquisition?

Answer. The desired quantities and types of materials to be held as a national defense stockpile are referred to as stockpile goals. The goals are compared with the stockpile inventory to indicate the need for acquisitions and/or disposals to bring the stockpile into line with national defense requirements. The Annual Materials Plan (AMP) is the management device by which the restructuring of the stockpile can be accomplished in an orderly and affordable manner.

The establishment of the AMP process was an important result of the intensive interagency stockpile study in 1976. The AMP is designed to take into account the effects of national security priorities, economic conditions, market conditions, international events, and budgetary conditions in reaching decisions concerning the desirability and plausibility of buying or selling stockpile materials.

In October, 1977, President Carter approved and activated the AMP process and directed that a supplemental budget request for fiscal year 1978 be sent in addition to that for fiscal year 1979. An AMP that combined the fiscal year 1978 supplemental proposal with the actions proposed for fiscal year 1979 was submitted to the National Security Council, and implementing legislation was submitted to the Congress. The fiscal year 1980 AMP also has been submitted to the National Security Council, and is reflected in the President's fiscal year 1980 budget.

The AMP represents a major effort on the part of several agencies to develop each year a list of materials for stockpile acquisition or disposal. National security requirements must be balanced against market and budget constraints. The process is designed to encourage maximum interagency participation. All of the agencies represented on the Annual Materials Plan Steering Committee review any may recommend revisions to the proposed list of materials in the light of their respective areas of interest.

The AMP process begins each year when the National Defense Stockpile Policy Division of FPA provides a list of goals, shortfalls, excess, and priorities to the Federal Property Resources Service, GSA. After an evaluation of the market outlook, the Federal Property Resources Service proposes quantities of commodities for acquisition or disposal. These proposals are provided to four AMP subcommittees, which furnish to the full committee their suggested revisions. Differences in these proposals and revisions are then resolved by the Steering Committee and submitted to the Director of FPA for approval.

The four AMP subcommittees and highlights of their duties are:

Strategic Implications.—Chaired by the Department of Defense. The designated members are the Central Intelligence Agency and FPA. The primary function of this subcommittee is to determine if any of the materials proposed for the AMP will be affected by anticipated changes in defense requirements.

International Economic and Political Impacts.—Chaired by the Department of State. The designated members are the Departments of the Treasury, Commerce, Interior, Defense and FPA. This subcommittee determines the impact that stockpile activities could have on earnings of international producers and producer countries, trade patterns, and international agreements.

Market Impact.—Chaired by the Department of Commerce. The designated members are the Departments of the Interior, State, Treasury, and the Federal Property Resources Service and FPA of the General Services Administration. Responsibilities of this subcommittee include the evaluation on a case-by-case basis of the effects that stockpile acquisitions and disposals will have upon domestic and international commodity markets. Significant trends and areas where stockpile activities could lead to a commodity market disruption are examined. This subcommittee develops market impact statements with assistance from the Department of the Interior (Bureau of Mines) and the Department of Commerce (Bureaus of Domestic Business Development and of Trade Regulation).

Economic and Budgetary Impact.—Chaired by FPA. The designated members are the Departments of Commerce, State, and Treasury, the Office of Management and Budget, and the Federal Property Resources Service of GSA. This subcommittee examines the revenue and cost projections of proposed stockpile actions. Additional duties include the identification and analysis of economic or budgetary factors affecting the rate and scheduling of procurements and disposals.

Upon concurrence by the Director of FPA the preliminary AMP is furnished for review to the agencies involved in its development. These agencies furnish their comments and recommended revisions to the Director who approves any final changes to the AMP.

The AMP is submitted by the FPA Director to the National Security Council via the Administrator, GSA. Simultaneously, a copy is provided to the Office of Management and Budget. Any further revisions are made jointly by the National Security Council, Office of Management and Budget, and FPA.

Question. "What are the procedures you follow in acquiring and disposing materials?"

Answer. Major acquisitions for the stockpile ceased in 1959. The barter program under the Agricultural Trade Development and Assistance Act terminated in 1967, although deliveries continued through 1971. During those periods, the basic methods used for acquisitions were: (1) transfers to the stockpile from other Government agencies; (2) purchases by Invitation for Bid; (3) purchases by Solicitation of Proposals, which is a more open-ended, less formal procedure than the sealed-bid technique; (4) barter transactions whereby commodities excess to stockpile needs are exchanged for those needed for the stockpile; (5) barter of U.S. agricultural commodities shipped to soft-currency countries in return for stockpile-type items produced in those countries; and (6) programs to stimulate the development of domestic industries, with purchases of a portion of their output for the stockpile serving as an incentive for initial investment in those industries.

The start of a new acquisition program of some magnitude will require a re-assessment of the methods used previously, but it is likely that most if not all of them will be employed once again within the range of authority granted in the new stockpile policy bill. Each method is adapted to a particular market situation that may be encountered, and the method chosen in any case is governed by the guiding rules of: (a) avoidance of undue market disruption; and (b) protection of the Government against avoidable loss.

To a considerable extent, disposal transaction techniques are the reverse of those used for acquisitions. Where the opportunities exist, transfers are made to other Government agencies. When dealing in the market is necessary, various kinds of advantageous barter exchanges may be feasible; otherwise, standard sealed-bid procedures are preferred unless special conditions require Solicitations of Proposals.

For both acquisitions and disposals, Federal Regulations permit non-competitive procedures such as sole-source procurement and non-competitive negotiations. As a matter of GSA policy, however, these are not preferred methods and would

be used only in unusual and extraordinary circumstances, and then only after careful, high-level scrutiny, and review and adherence to the requirements set forth in the new stockpile policy bill.

Question. "You plan to dispose of and acquire materials in fiscal year 1980. What are the materials for disposal and their value?"

Answer. See table below.

Question. "What is the amount of your appropriations request for acquisition in fiscal year 1980?"

Answer. The appropriations request contained in the President's budget for fiscal year 1980 for acquisition of materials for the stockpile is \$177 million including transportation costs. Values are derived from September, 1978, market prices.

Question. "Are you under any budgetary restraints when developing your Annual Materials Plan and what are these restraints?"

Answer. The Annual Materials Plan (AMP) is reflected each year in the President's budget submitted to the Congress. The overall level (dollar total) for acquisitions is set with budget considerations in mind. In addition, the Congress has expressed its desire to balance the receipts from disposals against the cost of acquisitions.

MATERIALS PROPOSED FOR DISPOSAL IN FISCAL YEAR 1980

[Estimated values in millions of dollars]

Commodity and unit	Under existing legislation		New legislation needed	
	Quantity	Value	Quantity	Value
Diamond, ind. stones (carat).....	0	0	1,500,000	19.47
Manganese, nat. battery (short dry ton).....	4,000	.33	0	0
Mica, muscovite splittings (pound).....	500,000	.50	0	0
Mica, phlogopite splittings (pound).....	300,000	.42	0	0
Quartz crystals (pound).....	250,000	1.50	0	0
Silver, fine (troy ounce).....	0	0	15,000,000	64.95
Talc, steatite block (short ton).....	25	.01	0	0
Thorium nitrate (pound).....	50,000	.14	0	0
Tin (light ton).....	0	0	10,000	137.31
Tungsten ores and con. (pound).....	3,000,000	25.20	0	0
Vegetable tannin, chestnut (light ton).....	1,600	.82	0	0
Vegetable tannin, quebracho (light ton).....	5,600	2.85	0	0
Total 1.....		31.77		221.73
Total fiscal year 1980 disposals.....				253.50

1 Totals may not balance due to rounding of value figures.

Note: Values are derived from September 1978, market prices and do not reflect any estimate of the prices which would prevail during fiscal year 1980.

Question. "How often do you review the materials in the stockpile to determine whether they should be deleted or retained?"

Answer. Materials are continuously monitored for possible deletion from or retention in the stockpile. The review is carried out by the Special Materials Subcommittee of the AMP Steering Committee. The Subcommittee reviews the trends in use and supply of selected materials with a view to evaluating the likelihood of wartime material problems. For example, shellac was recommended for deletion from the list, since adequate substitutes exist for all applications. Similarly, a review was made of the requirements and supply of polycrystalline silicon, a potential stockpile material. The review indicated that the material should not be added to the stockpile list.

Technological, economic, and political developments affecting the requirements and supply of materials are brought to the attention of the Federal Preparedness Agency by the Government agencies that participate in the goal development process. These agencies also furnish basic supply and demand data to make the necessary analyses. In addition, the National Materials Advisory Board of the National Academy of Sciences also provides information on a contractual basis.

Question. "What criteria are followed under the current stockpile guidance for establishing stockpile goals?"

Answer. The President issues stockpile policy guidance and transmits it through the National Security Council (NSC) to the Director of the Federal

Preparedness Agency (FPA) who is charged with the implementation of the policy.

In 1976, the Ford Administration announced new guidance providing for a stockpile to meet requirements for the first three years of a war. This guidance followed a major interagency study of stockpiling data, methods and basic assumptions.

In 1977, the Carter Administration reaffirmed all major elements of the Ford policy.

- (1) Stockpile planning will be for the first three years of a major war.
- (2) Significant austerity measures will be assumed to take effect during mobilization.
- (3) The interagency stockpile planning process was approved including the Annual Materials Plan.

A feature of the Carter Administration policy not in the Ford guidance is to give highest priority to readiness for the first year of an emergency when acquiring materials for the stockpile.

Question. "Do you have a total value limitation for the objectives?"

Answer. No. Goals (objectives) are calculated on the basis of defense requirements without a value limitation.

Question. "Does the OMB have to approve changes in the goals?"

Answer. See more detailed response in next answer.

Question. "What formula do you use for retaining a commodity on the list? How do you develop the estimates of your stockpile goals?"

Answer. President Carter reaffirmed the major aspects of the stockpile policy developed in 1976. In reaffirming the previous policy guidance, President Carter also approved the stockpile goals and the planning process through which they are calculated. It is through goal development that FPA implements the stockpile policy guidance. Stockpile goals result when, under national emergency conditions, requirements for a material exceed the expected supply.

Beginning with projections of peacetime GNP, adjustments are made to the projections to characterize the economy in wartime. In addition to the usual estimates of things such as interest rates, corporate retained earnings, and the like, planning factors are used to further modify the picture of a wartime economy:

- (1) Civilian austerity: the standard of living is lowered to 90 percent of the pre-war level over the three-year period. Civilian consumption of luxury goods and amusements is eliminated and consumption of household durables, automobiles, and clothing is sharply curtailed by this measure. This results in a smaller stockpile.
- (2) Personal consumption expenditures are shifted to reallocate remaining total consumer expenditures from durable goods toward nondurable goods and services, resulting in additional conservation of stockpile materials.
- (3) Investment demand is shifted from private residential housing into industrial machinery and equipment investment. This measure represents the capital expansion in the defense supporting sectors of industry.
- (4) The level and composition of aggregate exports and imports are structured to conform to an emergency condition.

In addition to the planning factors mentioned above, defense expenditure patterns incorporating both the newest weapons systems technology and the maintenance and resupply expenses are introduced to the calculations. These estimates of wartime GNP are developed separately for the Defense, Essential Civilian and General Civilian Tiers of the economy.

This method for estimating stockpile goals is called the "variable confidence level" approach. The 3 economic tiers—Defense, Essential Civilian and General Civilian—are defined as users of the stockpile materials and assigned priorities of use. Defense includes direct defense requirements plus the indirect production requirements necessary to support those needs. Essential Civilian requirements are those directly related to the war effort for which substitution possibilities are very limited. The General Civilian requirements may or may not be directly related to the war effort and are needs for which substitution possibilities are more widespread. Failure to provide for the requirements in this tier, however, would be disruptive to the industrial base, and would impair the nation's ability to successfully prosecute a major conventional war.

Thus, a pound of aluminum needed for Defense is considered more important than one for use in the Essential or General Civilian Tiers. Planning factors de-

scribed above are assigned to the Defense Tier in a way that minimizes the possibility of not meeting defense needs in an emergency. More risk is permitted with respect to Essential Civilian needs. General Civilian Tier needs have the lowest priority and carry the greatest risk.

The wartime GNP estimates are next classified into final demands on each of 109 industries. These industry demands are then converted into estimates of physical consumption of each stockpile material which each industry would need in wartime. In relation to units of output, the estimates vary according to the tier (Defense, Essential Civilian, General Civilian). Next, adjustments are made for substitution possibilities, again varying by tier. These estimates of requirements for the separate industries are totaled for each material in a particular tier.

We now turn to the supply side of stockpile goal calculation. Estimated supplies of stockpile materials from foreign countries may differ considerably in wartime as opposed to peacetime.

Data on the supplies of stockpile materials are provided by experts in the Department of the Interior (Bureau of Mines) and the Department of Commerce (Industry and Trade Administration). Projections of materials supplies by source countries are made throughout the period covered by the planning period. Facilities are assumed to operate at maximum capacity, but no wartime capital expansion of plant and equipment in the raw materials industry is assumed. It is assumed that the U.S. receives a proportionate share of the increased supplies.

Once the supply estimates are developed, a factoring process is applied to reflect assumptions about the accessibility of those sources in time of emergency. First, countries in the war zone are removed.

Next, a political reliability factor is applied to the remaining supplier countries in a manner that reflects the tiered-risk approach. Each of the supplier countries are rated on the following major factors: (1) political orientation toward the U.S.; (2) ability to sustain stockpile material exports in wartime; (3) dependability of the labor force in wartime; and (4) vulnerability to sabotage. Each of these major factors is rated by State Department country desk officers and combined into an index for each country. In addition, FPA verifies the State Department political reliability ratings.

Transportation loss estimates are applied to the supply estimates after the political reliability discounts and include provisions for variable risk. The result is the expected supply for each material for each tier in a given planning year.

Once net material requirements and supplies are established for the three tiers, goals can be estimated. For each of the three tiers—Defense, Essential Civilian and General Civilian—in each of the three planning years, requirements are matched against supplies. If a requirement exceeds its supply, the difference (imbalance) is recorded for the tier and year. An unadjusted stockpile goal for a given material is the sum of the imbalances or shortfalls from among the nine possibilities in the 3-year 3-tier combination.

Once the unadjusted goals are developed, they must be evaluated in the light of special criteria. This process takes into account special circumstances that may surround a material. For example, if a material such as titanium has 60 percent or more of its end uses in defense applications, it will be given a special review.

The end result of this entire process is a stockpile goal.

Question. "When was the last time you added commodities to the list and the same for deletions? Name the commodities?"

Answer. The last material to be added to the list of stockpile materials was alumina. This addition took place on October 1, 1976. Sperrin oil was the last material to be deleted from the stockpile list. This deletion took place on September 21, 1972. Other deletions included celestine on June 8, 1970, and selenium magnesium, rare earths, and kyanite-mullite on March 4, 1970.

Question. "How many commodities in the stockpile exceed the current goal?"

Answer. Three stockpile materials are equal to the goals; 37 materials exceed the goals.

Question. "How many are short of the goals?"

Answer. 53 materials are short of the goals.

Question. "How do you interpret formal advertising and competitive negotiation procedures?"

Answer. Formal advertising requires publication of Invitations for Bids (IFB's) in the Commerce Business Daily and appropriate trade journals. The IFB specifies all terms of the acquisition or sale, and bidders submit sealed bids

specifying the prices at which they are prepared to buy or sell material. Contracts are awarded to the lowest (for acquisitions) or highest (for disposals) bidders, provided that bids are reasonable in light of current market conditions.

Under competitive negotiations, Solicitations for Proposals (SFP's) are published in the Commerce Business Daily and appropriate trade journals. The SFP is used rather than the IFB when not all the terms of acquisition or sale can be specified. Interested parties submit proposals specifying price and other conditions (transportation, delivery schedule, etc.) under which they are prepared to deal. Those submitting the best proposals from the Government's point of view receive contract awards.

Question. "How many years do you anticipate it will take to bring the stockpile into balance, based on the current goals and what will it cost?"

Answer. We do not believe it is feasible to project beyond five years the total restructuring of the stockpile. The volatility of material markets affects the rate and cost of acquisitions and the rate and money received from disposals. Changes in technology and in the international environment also affect future stockpile goals.

We have made a five year projection. If the President's priorities are followed over a five year period, 80.7 percent of stockpile requirements can be met for the most urgent priority needs. Using June 30, 1978, numbers, \$2,351.32 million would be spent.

More generally, there are three materials, sisal, jewel bearings, and pyrethrum, that would take more than 20 years to procure. With the exception of jewel bearings, those are agricultural materials. Abaca is a material that we would expect to take between 13 and 20 years.

We have goals fulfilled for 40 materials in the stockpile. There are another 10 materials for which we are holding lower rated or off-rated forms of that material. Our upgrading program is designed to convert these lower rated materials into more readily usable forms. Over half of the other materials, given the 3-year/3-tier scenario, would be acquired within 12 years, assuming we begin an active acquisition and disposal program.

Question. "What does it cost on an annual basis to maintain the stockpile?"

Answer. The best available figure is \$18.4 million, the amount budgeted for fiscal year 1980 for the Property Management arm of the Federal Property Resources Service (FPRS). This figure covers three key activities: (1) physical storage and handling of materials; (2) inspection for quality maintenance, inventory verification, and examination prior to outshipments under the disposal program; and (3) contracting for services and operating supplies required for stockpile maintenance. The total does not include costs of actual acquisition or disposal of stockpile materials.

Question. "How do you envision the stockpile will be used in case of an all-out war?"

Answer. In an "All-Out War" or in any national emergency declared by the President, stockpile materials will be withdrawn, as required, to meet national goals and objectives as determined by the President. Under current non-nuclear plans for general war, the President has as an option the establishment, in consultation with the Congress, of an Office of Defense Resources (ODR) to advise and assist him in the allocation and use of the nation's resources.

The availability of materials from the strategic stockpile will be considered on a "last resort" basis, similar to the operative procedures of the World War II experience. That is, it is presumed that comprehensive "priorities and allocations" will be set in place by the Office of Defense Resources (ODR) for all demands or requirements for materials. In addition to substitutability, conservation and austerity measures which reduce demand, it is expected that attempts will be made to meet wartime demands from existing and/or accelerated supply sources. Assuming that existing resources are unable to satisfy critical requirements of defense or defense related consumers, ODR can authorize stockpile use until alternate or expanded supplies fill the shortfall, or substitutes or conservation measures take effect.

Direct and indirect defense strategic material requirements are established and continue to be reviewed in our on-going evaluations of goals for strategic and critical materials. War related constraints will be dictated by the nature and scope of the conflict. Assuming adequate or timely substitutes are not available and effective conservation or austerity is not feasible, those defense related materials for which we are at or near 100 percent import dependency, which come

from war zone or politically unreliable areas, and which are subject to enemy interdiction will receive first consideration for release.

The emergency policy and procedures for activating the release of materials from the stockpile under this type of scenario are set forth in classified stand-by documents under the control and responsibility of the Federal Preparedness Agency.

The emergency plans and procedures for the stockpile in an all-out war are periodically tested and evaluated. In late 1978, a mobilization exercise was conducted with 27 federal departments and agencies participating. With the primary assistance of the Department of Defense, the Department of Interior, and the Department of Commerce, the Federal Preparedness Agency conducted the stockpile "play" of the scenario dealing with a wide spectrum of materials. The preliminary results of this test indicate that the emergency policy and procedures respecting the stockpile worked very well.

Question. "Please respond to Senator Proxmire's three amendments."

Answers. 1. Amendment to Sections 2 and 13.

We do not believe that the "industrial tier" should be removed from the calculation of material goals.

Our view is that the United States could not fight an extended conventional war without a strong civilian economy. This principle is embodied in the National Security Act, the Strategic and Critical Materials Stock Piling Act and in the Defense Production Act, and reflects the actual experience of World War II and the Korean conflict. Industries do not produce just defense or just essential civilian or industrial products. Instead a single worker on a production line may produce industrial fasteners for aircraft, for farm machinery, and for office equipment. A single factory could also produce a variety of products which fall in different categories. Prior experience indicates that severe economic dislocations occur when an adequate level of support is not given to the industries providing indirect inputs to critical defense and non-defense production. For example, during World War II when the industrial structure was far less complex and interrelated than it is today, planners found that:

"It soon became only too evident that it was impossible to separate sharply 'civilian' and 'defense' materials and facilities at a time when defense requirements were everywhere reaching down into industry stockpiles and military and commercial items were being produced side-by-side in the same factories." (George W. Auxier, "Industrial Mobilization for War: History of the War Production Board and Predecessor Agencies 1940-1945.")

"A civilian economy characterized by health and vigor is basic to effective production for war; and whatever is needed to keep the economy running so that it can further the war effort represents an essential claim on the national resources." (Harry B. Yoshpe, "Economics of National Security: Matching Needs with Resources.")

Prior to the introduction of the approach now in use, all requirements, defense and civilian, were lumped together in one aggregate: a pound of copper for cartridge cases was given the same importance as a pound of copper for kettles. We believe that, by separately treating defense, essential civilian, and industrial requirements, we have enhanced national security planning. Furthermore, our subdivisions create a smaller stockpile than if the subdivisions were combined.

FPA really does not stockpile for "civilian" needs in the "butter" sense that these words imply to lay persons. The "butter" or "fat" of the economy is removed through austerity assumptions first.

2. Amendment to Section 7.

We do not agree with the thrust of this amendment for two reasons.

First, its effect would reduce the flexibility of the President in dealing with common defense contingencies which call for prompt and direct executive action respecting releases from the strategic stockpile.

Secondly, it would remove the oversight of disposal actions by the Congress and deny an opportunity for comments by industry and other concerned parties.

3. Amendment to Section 5.

FPA rejects this reasoning on several grounds. The holding of every government asset involves an opportunity cost. These assets would include not only the stockpile but also government-owned buildings, computers, aircraft carriers, etc. Offsetting the opportunity costs for all of these assets is the use value of holding them. In the case of buildings the use value is approximated by what it would cost to rent equivalent space, and for computers the cost of

leasing equivalent equipment. For military assets, including the stockpile, the use value can be approximated by calculating the value of the "insurance premium" that would be charged if security insurance could be purchased commercially.

Unlike investment stockpile programs, the military stockpile generates an annual flow of "war insurance benefits." Such benefits include the additional output the economy can produce due to the availability of a raw material in a wartime contingency. The "insurance premium" the public and industry would pay for such wartime insurance measures part of the annual stockpile benefits. More than the additional output valued at current prices is involved. The public would value such extra output more highly than wartime prices suggest. The extra output could be the difference between military victory and defeat. Obviously, we must discount such benefits by using both time and uncertainty discount rates. Another annual benefit flowing from the stockpile is its war or embargo "deterrence effect." Having a materials stockpile, visible to opponents, makes our war materials preparedness obvious. They are thus less likely to engage in materials intensive war or embargo materials imports to the United States.

This useless bookkeeping entry would require the executive branch to ask Congress for an appropriation which would be paid out of the Treasury and then repaid into the Treasury. In 1974 a similar requirement was added to the Defense Production Act Inventory. Congress has never appropriated the funds for such payment and has consistently ignored the requirement.

Mr. BENNETT. Since Mr. Carlisle is coming forward, I would also say that Senator William Proxmire, the chairman of the committee in the Senate, has asked that a statement that he has submitted in lieu of his actual presence, so that will be put in the record at this point.

U.S. SENATE,
Washington, D.C., February 21, 1979.

HON. CHARLES E. BENNETT,
Rayburn House Office Building,
Washington, D.C.

DEAR CHARLIE: Thank you for your kind invitation to testify before the House Armed Services Subcommittee on Seapower and Strategic and Critical Materials on February 23.

Unfortunately, my schedule will not permit my appearance on that date. However, I would like to submit the accompanying statement for the record. This statement includes three amendments which I hope the subcommittee will consider during its deliberations over H.R. 2154.

Again I appreciate your thinking of me.

Sincerely,

WILLIAM PROXMIRE,
Chairman.

Enclosure.

WRITTEN STATEMENT OF HON. WILLIAM PROXMIRE, A SENATOR FROM
WISCONSIN

Mr. Chairman and members of the Subcommittee, thank you for providing me this opportunity to express my views on H.R. 2154, the Strategic and Critical Materials Stock Piling Revision Act of 1979. I endorse Chairman Bennett's effort to update this law and to insure a stockpile which meets our national security needs. However, I would suggest three amendments.

My first amendment would limit stockpile coverage to military and essential civilian requirements. This coverage would save \$6.3 billion (June, 1977 prices) by reducing the bottomline cost of the stockpile by approximately 54 percent. This smaller stockpile would still provide ample national security protection both as a deterrent to potential adversaries and as insurance for a strong defense industrial base.

At a cost of \$5.3 billion (June 1977 prices), the strategic stockpile would meet all military and essential civilian needs for the first three years of a major war preceded by a protracted period of industrial mobilization. Adequate resources would be guaranteed to meet all military, food, clothing, shelter, health care, basic transportation, safety, investment, export, and import requirements. In

other words, the stockpile would guarantee the sectors in our economy essential to the war effort. It would guarantee our ability to wage a major conventional war over a prolonged period.

The current stockpile policy extends coverage beyond military and essential civilian needs to include general civilian consumption. This expanded coverage more than doubles the cost of the stockpile from \$5.3 billion to \$11.6 billion (June, 1977 prices).

Eighty percent of this \$11.6 billion cost is geared to civilian consumption during wartime. Eighty percent of the *National Defense Stockpile* is intended for *civilian use*. This allocation of stockpile resources is clearly misdirected. My amendment to limit the stockpile to military and essential civilian needs would correct this situation.

A stockpile limited to military and essential civilian needs would provide more than adequate protection against all but the most extreme contingency—an extended European war preceded by extensive industrial preparation. In the event of this extreme situation, our industrial capacity would be stretched to its utmost. Materials for the military and essential civilian sectors would be guaranteed by the stockpile reserves; however, nonessential sectors would suffer some materials shortages. Consumption of nonessential items would necessarily be cut back. And some nonessential industries would shut down causing unemployment. We can expect no less from our involvement in a major European war.

Involvement in such a war would cause some disruption regardless of our industrial preparation and stockpile reserves. We simply cannot afford to maintain a fully-mobilized economy. Nor can we afford to hold an unlimited supply of materials in our defense stockpile. Instead, we must weigh the risks of being "caught short" in the event of major war against the costs of various stockpile alternatives.

By limiting stockpile coverage to military and essential civilian needs my amendment brings the costs of the stockpile into closer balance with the risks of involvement in a drawn-out conflict. The remote possibility of our involvement in such a conflict and the limited national security advantages of guaranteeing a certain level of nonessential civilian consumption certainly do not justify a \$6.3 billion increase in stockpile expenditures.

During the Ford administration review of stockpile policy, the Office of Management and Budget, the Treasury Department and the Council on International Economic Policy all arrived at this same conclusion—that the stockpile should provide for military and essential civilian needs only. They all felt that a smaller, less costly stockpile would provide more than adequate national security protection and that the provision for general civilian consumption is an expensive frill.

Since the specific agency comments in the Phase II stockpile report are classified, I will not quote them in this statement. However, I will draw the subcommittee's attention to a report I transmitted to Chairman Bennett in January concerning suggested amendments to H.R. 4895, as reported last Congress by the Senate Armed Services Committee. This report contains these comments which explain each agency's opposition to the provision for general civilian consumption.

The position of these three economic planning agencies refutes the argument iterated by Department of Defense and Federal Preparedness Agency representatives that provision for general civilian consumption is necessary to maintain a sound wartime economy. OMB and the Treasury certainly have more credibility in economic matters.

Obviously, provision for general civilian consumption would ease the strain on a wartime economy—more is almost always better. Yet, in this case, more simply costs too much and provides too little in terms of increased national security.

DOD and FPA representatives also argue that the general civilian tier provides an extra degree of protection against potential shortages in the military and essential civilian tiers. True, the inclusion of the general civilian cushion does lower even further the risk of shortfalls in the higher tiers. However, current stockpile planning already allows very little risk in computing military and essential civilian requirements. And the marginal reduction of risk resulting from inclusion of the general civilian tier does not justify a doubling of costs.

In addition, the stockpile assumptions about a long war and a pre-war industrial mobilization period provide extra protection against all but the most extreme war scenario. For instance, the pre-war mobilization assumption inflates stockpile goals by roughly one-third. If we were to enter a conflict without having mobilized industry extensively beforehand, this "extra" third would

provide a considerable hedge. Similarly, the three-year assumption provides more than adequate protection against any conflict of shorter duration.

While the enormous cost savings are reason enough to limit the stockpile to military and essential civilian needs, other benefits resulting from a reduced stockpile might also be cited:

(1) A smaller stockpile would better insure rapid acquisition of materials needed to meet our most pressing national security needs. Events during the last Congress suggest that lower-priority items may be placed above higher-priority items despite the President's policy regarding stockpile priorities. If the goals were limited to high-priority materials—those needed for the military and essential civilian tiers—funds to acquire materials could not be diverted to lower-priority categories.

(2) A smaller stockpile with smaller goals is less subject to manipulation for economic and budgetary purposes. The Chairman is undoubtedly aware of a number of instances where presidents have misused the stockpile for these purposes. Likewise, special interests in Congress have attempted to manipulate stockpile acquisitions and disposals for the benefit of certain industries. Such instances are made possible in part by the overwhelming amounts of materials held in the stockpile and the enormous unmet goals. Smaller stockpile holdings and smaller goals would eliminate much of the room for abuse.

(3) A smaller stockpile would cause less market disruption. The mere existence of a large stockpile greatly affects the economic decisions of market participants. For instance, much-needed expansion of tin production capacity over the past several years has been discouraged by the threat of tin disposals from the National stockpile. As a result, a world-wide tin shortage currently exists and the price of tin has tripled since 1973. Conversely, large stockpile acquisitions could cause the creation of excess capacity. Moreover, the threat of stockpile actions frequently creates havoc in the commodity markets. These market impacts are mainly a function of the stockpile size. A smaller stockpile would have much less impact on community markets.

(4) Finally, a smaller stockpile is a more realistic and attainable goal. There is little point in dealing with goals which cannot be achieved for 15 to 20 years. Such long-range projections add nothing to our current level of security. A smaller stockpile, geared to our most pressing security needs, could be attained over a much shorter time frame.

Thus, a smaller stockpile, one based on military and essential civilian needs only, would result in several important benefits at little or no cost to our national security. In fact, the smaller stockpile could even result in an increased level of security by facilitating the rapid acquisitions of high-priority materials—materials needed to meet the most threatening military contingencies.

In any case, a stockpile limited to military and essential civilian requirements would cost the American taxpayer less than half as much as the current policy; it would have much less impact on commodity markets; it would be less susceptible to economic manipulation; and it would better reflect our most pressing national security needs. And, most importantly, it would guarantee a strong defense industrial base in the event of a major conventional war.

My second amendment would, on the one hand, limit the President's authority to release stockpile materials by permitting such release only during a time of declared war or national emergency and, on the other hand, authorize the President to dispose of excess stockpile materials in limited amounts without further congressional authorization but only after informing Congress 90 days in advance. The first section of this amendment would constrain the President's ability to manipulate the stockpile for economic purposes while the second section would increase the President's authority to dispose of excess stockpile materials.

Broad presidential authority to dispose of stockpile materials has led to past abuses and would permit similar abuses in the future. By limiting disposal authority, this amendment would also limit the potential for abuse.

The stockpile is not an expedient, it is a resource of last resort. Therefore, its limitation to times of declared war and national emergency is consistent with its underlying purpose. This is necessary protection against economic manipulation of stockpile resources. In addition, it better insures the availability of these resources during a crisis by preventing their disposal in non-crisis situations.

A similarly-restrictive provision was included in Senator Hart's bill, S. 2575, but was amended in response to the Administration's complaint that it was too restrictive. It is not too restrictive. It gives the President a free hand during a war or national emergency. Short of these contingencies the President's authority

should be constrained to prevent further abuses. The President can always come to Congress in situations short of a national emergency.

On the other hand, the President's authority to dispose of excess materials from the stockpile should be increased. The amendment I am offering would do just that to a limited degree. It would authorize the President to dispose of excess materials but only in relatively small amounts and only after notifying Congress 90 days in advance.

The stockpile currently includes billions of dollars worth of excess materials, only a portion of which has been authorized for disposal. By authorizing limited disposals of additional materials, this amendment would facilitate the reduction of this excess and greatly reduce stockpile holding costs. (These costs were described at length by Congressman Philip Gramm and a fellow economics professor from Texas A & M University during hearings before the Senate Banking Committee last November. Their work is presented in a monograph entitled "Does Resource Conservation Pay?" I hope a summary of this monograph can be included in the hearing record.)

Experience demonstrates that determined special interests and a handful of congressional spokesmen can frequently prevent disposal of excess materials. By preventing prompt disposal of these excesses, these interests have greatly increased stockpile costs. This amendment would reduce the power of these special interests to obstruct timely disposal of stockpile materials.

Primary responsibility to authorize disposals would still rest with Congress. This provision is intended to apply to exceptional cases where large excesses exist but congressional disposal authorization has been prevented.

Silver, tin, and antimony would be most affected if this amendment were adopted and if no disposal authorization for these materials were forthcoming from Congress. The following table summarizes the situation for each.

	Excess	Value in millions	Monthly maximum disposal under Proxmire amendment
Silver (troy ounce).....	139,500,000	\$729.7	1,500,000
Tin (light ton).....	168,160	2,200.0	630
Antimony (short ton).....	20,600	146.0	360

From the numbers in the right-hand column one can see that disposal authority is restricted to relatively small amounts. By way of comparison, the Administration has requested authority to dispose of 62,500,000 TrOz of silver, 25,000 lt of tin, and 2,500 st of antimony.

In addition to cost savings, this amendment would have a beneficial impact on commodity markets by reducing the enormous price volatility caused by wide fluctuations in levels of disposals. Disposals would become much more predictable and less subject to the vagaries of the legislative process. And material producers and consumers could make their economic decisions in an atmosphere less clouded by speculation about impending stockpile actions.

Finally, while this amendment does give the President additional discretionary power with regard to stockpile disposals, it restricts this power by requiring prior notification of Congress and by limiting disposals to relatively small amounts. These limits, in addition to the revolving fund in Treasury, should greatly reduce the potential abuse of this presidential power.

My third amendment would require annual interest payments from the stockpiling agency to the Treasury based on the current market value of materials in the stockpile. A similar provision currently applies to materials held in the Defense Production Act Inventory.

It costs the Federal government money to finance existing stockpiles, and these costs should be fully reflected in the appropriate agency budget. By reflecting the full costs of maintaining the inventory—not only maintenance and disposal but also financing costs—this provision would emphasize the need for prompt disposal of surplus materials. This amendment would affect internal government accounting only and would have no impact on taxes or the budget deficit.

I have included the text of this amendment along with the other two at the end of this statement.

In conclusion, I urge the Subcommittee to consider each of these amendments. The first amendment would insure a strong defense industrial base at less than half the cost of the current policy. It would meet all military and essential civilian requirements during the first three years of a major war. The second amendment would prevent presidential manipulation of the stockpile for economic and budgetary purposes. In addition, it would facilitate the disposal of excess stockpile materials when Congress has failed to authorize timely disposals. Finally, the third amendment would identify a hidden, but substantial cost of stockpiling by requiring the stockpiling agency to pay an annual financing charge to the Treasury.

Again, I wish to thank Chairman Bennett and the members of the Subcommittee for providing me this opportunity to express my views on H.R. 2154.

PROXMIRE AMENDMENT NO. 1 TO H.R. 2154

Amendment to Section 2 and Section 13

On page 2, line 12, delete "industrial."

On page 14, line 16, delete "industrial."

On page 14, after line 23, add:

"(3) The term 'essential civilian needs' means non-military needs which have a direct relationship to the military effort or which are basic to the well-being of the civilian population and which cannot be provided through substitution without a significant loss of utility."

Explanation.—H.R. 2154 defines "strategic and critical materials" to include "materials that (A) would be needed to supply the military, *industrial*, and essential civilian needs of the United States during a national emergency . . ." Amendment No. 1 would delete "industrial" from this definition. In effect, this would eliminate the "butter" from the current "guns and butter" stockpile policy. The provision for non-essential goods and services *adds \$6.3 billion* to the cost of the stockpile. It is felt that our national security is well-served by a stockpile which is limited to military and essential civilian needs. (The definition of "essential civilian needs" is consistent with its current usage by the Federal Preparedness Agency.)

PROXMIRE AMENDMENT NO. 2 TO H.R. 2154

Amendment to Section 7

On page 10 delete the entire text of subsection 7(a) and insert:

"SEC. 7(a). Except as otherwise provided in this Act, materials acquired under this Act may be released for use, sale, or other disposition only on the order of the President or any officer or employee of the United States designated by the President to issue orders of release under this section—

"(1) In time of war declared by the Congress or during a national emergency proclaimed by the Congress or the President, if the President or his designee determines the release of such materials is required for purposes of the national defense; or

(2) If (A) such materials are determined excess to stockpile requirements, (B) Congress has been notified 90 days in advance, and (C) the amount of any given material to be disposed of in any given month does not exceed the lesser or either (1) five percent of the stockpile excess of that material or (2) one percent of the average annual domestic consumption of that material computed over the previous three years.

Explanation.—Subsection 7(a)(1) would reduce the potential abuse of the stockpile by the President by limiting the use of the stockpile to times of declared war and national emergency. Subsection 7(a)(2) would permit more rapid and dependable disposals of excess materials in cases where special interests have prevented timely disposal authorizations by Congress.

PROXMIRE AMENDMENT NO. 3 TO H.R. 2154

Amendment to Section 5

On page 6, line 22, strike the period after "stockpile" and insert "and payment of interest under subsection 5(d)".

On page 6, after line 23, insert:

"(d) Interest shall accrue on the current market value of the materials in the National Defense Stockpile commencing with the fiscal year beginning October 1, 1978. At the close of each fiscal year there shall be deposited into the Treasury as miscellaneous receipts, from any amounts appropriated under subsection 5(c), an amount which the Secretary of the Treasury determines necessary to provide for the payment of any interest accrued and unpaid under this section. The rate of such interest shall be determined by the Secretary of the Treasury, taking into consideration the average market yield during the month preceding each fiscal year on outstanding marketable obligations of the United States with one year remaining to maturity."

Explanation.—A similar provision currently applies to materials held in the Defense Production Act Inventory. It costs the Federal Government money to finance existing stockpiles, and these costs should be fully reflected in the appropriate agency budget. By reflecting the full costs of maintaining the inventory—not only maintenance and disposal but also financing costs—this provision would emphasize the need for the prompt disposal of surplus materials. This amendment would affect internal government accounting only and would have no impact on taxes or the budget deficit.

Mr. CARLISLE. Good morning, Mr. Chairman, and gentlemen.

For the record, I am Charles Carlisle, vice president of St. Joe Minerals Corp. Today I am appearing on behalf of the American Mining Congress, which represents the domestic producers of metals and minerals.

Mr. Chairman, I have sent up to Mr. Marshall our prepared statement. I would like to submit our statement with the attachment for the record, and with your permission, I can summarize quite briefly what is in that statement.

Mr. BENNETT. That will be allowed.

STATEMENT OF CHARLES CARLISLE, VICE PRESIDENT, ST. JOE MINERALS CORP., ON BEHALF OF THE AMERICAN MINING CONGRESS

Mr. CARLISLE. We very much support the enactment of H.R. 2154, Mr. Chairman. We like the bill, although we do have one or two small changes to suggest. Like you, we have been concerned for some time over stockpile management. Those same things, I think, that have concerned you have concerned us, the frequent and drastic changes in stockpile objectives and the selling of materials for what we have at least suspected have been budgetary purposes.

H.R. 2154 goes a long way toward meeting our concerns. Now, let me just tell you, for the record, some of the things we especially like about this bill.

First of all, we like the statement in section 3(b), that the stockpile is to be used only for national defense and not for economic, budgetary purposes.

Second, we like the requirement in section 3(b), that the materials stockpiled be sufficient for a 3-year period. We don't think any shorter period is long enough.

Third, we like the prohibition in 3(c) against any change in stockpile objectives unless the Armed Services Committees of this House and of the Senate are given 30 days prior notification.

In this respect, Mr. Chairman, we like the language better in H.R. 2154 than in H.R. 22.

Fourth, We certainly like the prohibition in section 5 against most acquisitions or disposals unless they are specifically authorized by law. We think that keeps a strong congressional control over both the acquisitions and disposals.

Fifth, we like the establishment in section 9 of the stockpile transaction fund. And the way the provision is now written, in our judgment, should certainly discourage any selling of any materials for budgetary purposes.

And I guess I have to say, in frankness, that we would disagree, if I understood him correctly, with the statements made by Mr. Mitchell. We would encourage you to keep this language as it is.

Mr. STRATTON. In other words, you agree with me.

Mr. CARLISLE. I do.

Mr. STRATTON. Thank you.

Mr. CARLISLE. We do have a couple of small changes to suggest to you for your consideration, Mr. Chairman. These are not major matters at all.

Section 6(c) (1) of the bill encourages barter transactions, and certainly we have no objection to barter, but we do suggest that at least you give some consideration to some additional clarifying language to make clear that barter transactions also require the competitive procedures called for in section 6(b), and also to make clear that barter transactions should avoid any undue disruption of any usual markets. I assume that is the intent of the bill in any case.

And the way we read it, possibly later on, there might be some question on that.

Mr. BENNETT. Certainly the latter is the intention. I'm not sure when you are bartering whether you go through all the procedures. Bartering sometimes is done for reasons which are not exactly ordinary business reasons.

In other words, sometimes you have a situation where they have something and you have something, and you barter, and it is not in the ordinary course of business.

I don't know if this language we could come up with will accomplish that objective. If it could, I would be in favor of it. I'm not sure it could be drafted.

Mr. CARLISLE. Certainly not here, as you were saying earlier, but it is something you might look into a little further.

Mr. BENNETT. I appreciate your comment.

Mr. CARLISLE. Turning to the second point, we say in our written testimony, Mr. Chairman, that section 8, calling for investigations, should be dropped from the bill.

I think what we really should have said is that similar language found now in section 7 of the current law should be deleted. These are the provisions which, I gather, have been in the law many, many years calling for various kinds of investigations.

Now, why do we suggest, as you update this bill, that this language be deleted. Well, first of all, it seems to us that to a large extent this language is duplicative of functions which are already conferred upon various parts of the Interior Department.

Perhaps, that is one reason, as far as we know, that this has been pretty much of a dead letter. To the extent that section 8 might be

used in the future, at least as we interpret it, it could encourage Government exploration for minerals.

It is frankly our belief that the private sector is better suited and fitted to carry out that function.

That concludes my statement, Mr. Chairman. I'd be glad to try and answer any questions you and the members might have. I must say that I listened with extreme interest to the colloquy, shall we say, between Mr. Stratton and previous witnesses on our posture in critical materials.

WRITTEN STATEMENT OF CHARLES R. CARLISLE

Mr. Chairman and members of the Committee, the American Mining Congress appreciates this opportunity to appear before you this morning to testify on H.R. 2154, the Strategic and Critical Materials Stock Piling Revision Act. The American Mining Congress represents the domestic producers of metals and minerals and I serve as a member of its Committee on Minerals Availability. My corporate affiliation is with St. Joe Minerals Corporation of which I am a vice president.

The mining industry, through the American Mining Congress, has repeatedly expressed its concern over the stockpile program in previous hearings before this committee and other congressional committees that have conducted hearings on aspects of the stockpile program. H.R. 2154 would alleviate much of the Mining Congress' concern, and we support its enactment with one or two changes.

Our concern has centered on the frequent and often drastic revisions in stockpile objectives established by the Executive Branch of the federal government. In a hearing before the Joint Committee on Defense Production in November, 1976, the American Mining Congress submitted a tabulation of changes in the stockpile objectives for the principal metals and minerals over the entire life of the national and supplemental stockpiles. There have been no changes in objectives since that date. This tabulation is still valid and we submit it to you once again and ask that it be included in the hearing record.

A period of intensive acquisition of material for the stockpile occurred between the end of World War II and 1960. Acquisitions since that time have been relatively minor. At the end of 1963, the value of materials held in the stockpile was approximately \$8 billion, and today the value is about the same.

Since then, with the federal government frequently incurring large budget deficits, various administrations have turned portions of these inventories into cash.

Under the terms of the 1946 stockpile legislation, absent a national emergency, sales could be made only of materials declared surplus to security needs. Between 1963 and 1973, stockpile objectives were reduced. The reductions in objections have been most pronounced for those metals and minerals that were most readily salable.

Thus, all the copper, nickel and aluminum and the stockpile have been sold as well as most of the lead, zinc and silver. Almost half the tin on hand in 1963 has been sold and there are plans to sell still more.

Following President Nixon's declaration that the national security would be adequately met with stockpiles equivalent to one year's military requirements, members of Congress raised questions as to the adequacy of such limited objectives. As a result of Congressional reluctance to authorize further disposals, the Ford Administration undertook a new stockpile study. The general objectives were restated in terms of a three-year emergency, including consideration of the needs of the civilian population as well as security needs. Subsequently, the Carter Administration reaffirmed its agreement with the general principles of the Ford Administration's program.

The history of changing stockpile objectives has been so erratic that we believe that congressional guidelines for changing the objectives and greater congressional control over the stockpile program are highly desirable.

H.R. 2154 would go a long way toward preventing the use of the stockpiles for economic, budgetary or political purposes. From an administrative point of view,

there is certainly much to be gained by consolidating previous stockpile legislation in a single comprehensive act and eliminating the separate stockpile categories that now exist.

The bill clearly states that the purpose of the stockpile is to serve the interest of national defense only and that it is not to be used for economic or budgetary purposes. We fully concur with this statement.

The bill requires that the stockpile should contain quantities sufficient to sustain the nation during a national emergency of up to three years. This represents a major step forward. If political or military conditions should change so that a longer or shorter period appears appropriate, any future administration could reasonably be expected to explain why a different emergency was anticipated. Amendment of the Act could then be considered by Congress.

We also strongly support the requirement, as provided in Section 3(c), that there be no revision of the stockpile objectives without prior notification to the Congress. A great many assumptions go into the establishment of stockpile goals. Sometimes the assumptions have been right, sometimes wrong. The Congress certainly should have advance opportunity to examine the assumptions underlying changes in the goals.

The provisions of Section 5 clearly underscore the continued authority of the Congress both over acquisitions and disposals of stockpile materials. The mining industry believes that this is essential to avoid serious disruptions in the market place. Without such congressional control the stockpile becomes a sword hanging over the heads of both consumers and producers.

H.R. 2154 contains appropriate provisions for stockpile management in Section 6. The provision calling for barter in Section 6(c) (1), however, might be interpreted later as not requiring the competitive procedures otherwise called for in Section 6(b). We suggest some clarifying language on this point and also to make clear that in barter transactions, as in any other, undue disruption of usual markets should be avoided.

Section 8 provides for materials development and research and minerals exploration by the federal government. Similar provisions are found in the current statute.

We recommend that Section 8 be dropped from the bill. First, the authority which it would continue to confer upon the President seems to be duplicative in large measure of authority which the U.S. Bureau of Mines, Geological Survey and Bureau of Land Management already have. Perhaps that is one reason why, to the best of our knowledge, no use has been made of the existing authority in the Stock Piling Act.

Second, the provisions in the current statute and in H.R. 2154 do appear to authorize and encourage government exploration for minerals. While we have no objection to the Bureau of Mines carrying out research, in fact we often co-operate with the Bureau, we strongly believe that minerals exploration is best left to private enterprise.

Exploration is but one of three closely related activities, the others being, first, the delineation of ore bodies and, second, the mining of them. In our view, the private sector is in a better position than the federal government to make the commercial judgments that all of these activities entail. I might also note that the Mining and Minerals Policy Act of 1970 declares that it is the policy of the federal government to encourage private enterprise in developing mineral resources.

The establishment of a National Defense Stockpile Transaction Fund, provided for in Section 9, is certainly a good idea. In our judgment, H.R. 2154 is a better bill than H.R. 22, because the latter would have allowed monies in the Transaction Fund to revert to the Treasury after three years. Under H.R. 2154, the monies remain in the Fund until expended and, thus, there would be no incentive to sell stockpile materials for budgetary reasons.

We would like to express our appreciation for the careful thought given to this bill by you, Mr. Chairman, your Committee, and the staff. There is substantial room for improvement in management of the defense stockpile. H.R. 2154 is a big step in the right direction.

Thank you, Mr. Chairman, for giving us this opportunity to present our views.

STOCKPILE OBJECTIVES FOR SELECTED MINERALS OVER THE ENTIRE LIFE OF THE NATIONAL AND SUPPLEMENTAL STRATEGIC STOCKPILES

Commodity	Date of objective	Amount
Alumina (short tons).....	Oct. 1, 1976	11,532,000
Aluminum (short tons).....	Nov. 17, 1949	250,000
	Nov. 2, 1950	700,000
	July 17, 1952	2,000,000
	Aug. 3, 1954	2,500,000
	Nov. 1, 1955	2,000,000
	Nov. 8, 1956	2,000,000
	June 30, 1958	250,000
	Nov. 4, 1959	1,200,000
	June 17, 1963	450,000
	Dec. 20, 1972	0
	Apr. 12, 1973	0
	Oct. 1, 1976	0
Bauxite:		
Metal grade, Jamaica type (long dry tons).....	Aug. 3, 1954	2,800,000
	Sept. 29, 1954	2,900,000
	June 30, 1958	2,300,000
	Nov. 4, 1959	2,600,000
	Apr. 10, 1964	5,000,000
	Apr. 12, 1973	4,638,000
	Oct. 1, 1976	523,000
Metal grade, Surinam type (long dry tons).....	Nov. 20, 1944	4,400,000
	Apr. 6, 1950	3,250,000
	Oct. 26, 1950	3,900,000
	July 26, 1951	5,000,000
	Aug. 3, 1954	5,000,000
	Sept. 29, 1954	12,500,000
	June 30, 1958	7,300,000
	Nov. 4, 1959	6,400,000
	Apr. 10, 1964	5,300,000
	Apr. 12, 1973	0
	Oct. 1, 1976	0
Refractory grade (long dry tons).....	Oct. 26, 1950	378,000
	Dec. 28, 1950	306,000
	July 26, 1951	300,000
	Sept. 28, 1954	300,000
	June 30, 1958	85,000
	Nov. 4, 1959	137,000
	Apr. 10, 1964	173,000
	Apr. 12, 1973	0
	Oct. 1, 1976	2,083,000
Chromite:		
Chemical (short tons).....	Oct. 1, 1976	734,000
Metallurgical, ore (short dry tons).....	Nov. 20, 1944	2,352,000
	Dec. 2, 1949	3,584,000
	Dec. 18, 1952	3,360,000
	Sept. 29, 1954	6,160,000
	June 30, 1958	3,416,000
	Dec. 11, 1959	2,700,000
	July 18, 1963	2,970,000
	Mar. 27, 1964	12,970,000
	May 13, 1969	3,650,000
	Mar. 4, 1970	3,100,000
	June 9, 1971	3,086,800
	Jan. 16, 1973	2,910,550
	Apr. 12, 1973	444,710
	Oct. 1, 1976	2,550,000
Refractory (short tons gross weight).....	do	642,000
Chromium:		
Ferro high carbon (short tons).....	(2)	
	Jan. 16, 1973	70,500
	Apr. 12, 1973	11,476
	Oct. 1, 1976	236,000
Ferro low carbon (short tons).....	(2)	
	Jan. 16, 1973	70,500
	Apr. 12, 1973	11,476
	Oct. 1, 1976	124,000
Ferro, silicon (short tons).....	do	69,000
Metal (short tons).....	do	10,000
Copper (short tons).....	Nov. 20, 1944	1,250,000
	June 22, 1950	1,250,000
	Oct. 26, 1950	2,100,000
	Sept. 5, 1952	1,100,000
	Aug. 31, 1954	1,600,000
	Sept. 28, 1954	3,500,000
	June 30, 1958	1,900,000
	Mar. 18, 1959	1,000,000
	June 17, 1963	775,000
	Mar. 13, 1964	775,000
	Apr. 12, 1973	0
	Oct. 1, 1976	1,299,000

See footnotes at end of table.

STOCKPILE OBJECTIVES FOR SELECTED MINERALS OVER THE ENTIRE LIFE OF THE NATIONAL AND SUPPLEMENTAL
STRATEGIC STOCKPILES—Continued

Commodity	Date of objective	Amount
Lead (short tons)-----	Nov. 20, 1944	1,100,000
	June 1, 1950	515,000
	Nov. 9, 1950	700,000
	Feb. 24, 1953	700,000
	Sept. 28, 1954	1,130,000
	Oct. 26, 1954	1,130,000
	Nov. 8, 1956	1,154,000
	May 3, 1957	1,154,000
	June 30, 1958	286,000
	June 17, 1963	0
	Dec. 3, 1969	530,000
	Apr. 12, 1973	65,100
	Oct. 1, 1976	865,000
Manganese:		
Battery grade, natural ore (short dry tons)-----	Nov. 20, 1944	168,000
	Feb. 1, 1951	257,600
	July 12, 1951	203,840
	Nov. 8, 1951	190,400
	Sept. 28, 1954	375,917
	Oct. 26, 1954	144,480
	June 30, 1958	82,320
	July 1, 1959	50,000
	Feb. 3, 1964	60,000
	Mar. 13, 1964	80,000
	May 13, 1969	135,000
	Apr. 12, 1973	10,700
	Oct. 1, 1976	12,736
Battery grade, synthetic dioxide (short dry tons)-----	Oct. 26, 1954	29,120
	June 30, 1958	12,768
	July 1, 1959	20,000
	Mar. 13, 1964	6,700
	Mar. 27, 1969	1,900
	Apr. 12, 1973	0
	Oct. 1, 1976	19,105
Chemical grade—type A (short dry tons)-----	Jan. 26, 1950	17,248
	Oct. 26, 1950	57,120
	July 12, 1951	30,240
	June 19, 1952	25,760
	Sept. 28, 1954	63,314
	Jan. 18, 1955	47,040
	June 30, 1958	28,000
	July 1, 1959	30,000
	Apr. 2, 1964	68,500
	May 13, 1969	35,000
	Apr. 12, 1973	12,800
	Oct. 1, 1976	124,136
Chemical grade—type B (short dry tons)-----	June 19, 1952	15,680
	Jan. 18, 1955	40,320
	June 30, 1958	24,640
	July 1, 1959	53,000
	Apr. 2, 1964	64,000
	May 13, 1969	35,000
	Apr. 12, 1973	12,800
	Oct. 1, 1976	247,136
Electrolytic metal (short tons)-----	Jan. 16, 1973	9,000
	Apr. 12, 1973	4,750
	Oct. 1, 1976	15,000
Ferro high carbon (short tons)-----	Jan. 16, 1973	600,000
	Apr. 12, 1973	200,000
	Oct. 1, 1976	439,000
Ferro low carbon (short tons)-----	do-----	0
Ferro medium carbon (short tons)-----	Jan. 16, 1973	36,000
	Apr. 12, 1973	10,500
	Oct. 1, 1976	99,000
Metallurgical (short dry tons)-----	Nov. 20, 1944	5,264,000
	Dec. 2, 1949	5,600,000
	July 12, 1951	5,600,000
	Oct. 11, 1951	5,600,000
	July 17, 1952	5,600,000
	Aug. 31, 1954	8,848,000
	June 30, 1958	5,376,000
	Oct. 16, 1959	6,800,000
	Feb. 13, 1964	7,900,000
	Mar. 13, 1964	7,900,000
	May 1, 1964	17,900,000
	May 13, 1969	4,000,000
	Apr. 12, 1973	750,500
	Oct. 1, 1976	2,052,000
Metallurgical (short tons)-----	Jan. 16, 1973	45,500
Ferro silicon (short tons)-----	Apr. 12, 1973	15,900
	Oct. 1, 1976	81,000

See footnotes at end of table.

STOCKPILE OBJECTIVES FOR SELECTED MINERALS OVER THE ENTIRE LIFE OF THE NATIONAL AND SUPPLEMENTAL
STRATEGIC STOCKPILES—Continued

Commodity	Date of objective	Amount
Nickel (short tons).....	Nov. 20, 1944	118,000
	July 27, 1950	274,000
	Nov. 9, 1950	290,000
	Oct. 9, 1952	450,000
	Sept. 28, 1954	450,000
	Feb. 8, 1955	337,500
	June 30, 1958	161,500
	July 18, 1963	50,000
	Jan. 13, 1967	20,000
	Mar. 13, 1969	55,000
	Feb. 9, 1971	0
	Apr. 12, 1973	0
	Oct. 1, 1976	204,335
Platinum group:		
Iridium (troy ounces).....	Nov. 20, 1944	5,000
	July 20, 1951	13,000
	Sept. 28, 1954	13,000
	May 16, 1956	4,500
	Nov. 8, 1956	4,500
	June 30, 1958	1,500
	Feb. 16, 1960	4,000
	Apr. 2, 1964	17,000
	Apr. 12, 1973	1,800
	Oct. 1, 1976	97,761
Palladium (troy ounces).....	May 16, 1956	475,000
	June 30, 1958	330,000
	Feb. 16, 1960	340,000
	Apr. 2, 1964	1,300,000
	Jan. 9, 1973	510,000
	Apr. 12, 1973	328,500
	Oct. 1, 1976	2,450,000
Platinum (troy ounces).....	Nov. 20, 1944	275,000
	Nov. 2, 1950	590,000
	Aug. 2, 1951	790,000
	Sept. 28, 1954	879,750
	May 16, 1956	235,000
	Nov. 8, 1956	235,000
	June 30, 1958	154,000
	Feb. 16, 1960	165,000
	Apr. 2, 1964	450,000
	Jan. 5, 1967	335,000
	May 13, 1969	555,000
	Apr. 12, 1973	187,500
	Oct. 1, 1976	1,314,000
Silver (troy ounces).....	June 3, 1965	165,000,000
	Mar. 4, 1970	139,500,000
	Apr. 12, 1973	21,663,000
	Oct. 1, 1976	0
Tin (long tons).....	Nov. 20, 1944	210,000
	Dec. 2, 1949	260,000
	Jan. 26, 1950	285,000
	Nov. 30, 1950	350,000
	June 28, 1951	245,000
	Sept. 28, 1954	308,000
	Mar. 22, 1955	341,000
	June 30, 1958	198,000
	July 7, 1960	185,000
	May 20, 1963	200,000
	July 26, 1963	200,000
	Mar. 27, 1969	232,000
	Apr. 12, 1973	40,500
	Oct. 1, 1976	32,499
Tungsten:		
Ores and concentrates (pounds).....	Nov. 20, 1944	36,000,000
	Feb. 18, 1949	85,000,000
	July 20, 1950	114,000,000
	Nov. 30, 1950	146,000,000
	Jan. 7, 1953	140,000,000
	Sept. 29, 1954	94,000,000
	June 30, 1958	49,200,000
	Nov. 4, 1959	50,000,000
	Apr. 2, 1964	44,000,000
	Mar. 4, 1970	60,000,000
	Apr. 12, 1973	4,234,000
	Oct. 1, 1976	8,823,000
Carbide powder (pounds).....	do	12,845,000
Ferro (pounds).....	do	17,769,900
Metal powder (pounds).....	do	3,290,000

See footnotes at end of table.

STOCKPILE OBJECTIVES FOR SELECTED MINERALS OVER THE ENTIRE LIFE OF THE NATIONAL AND SUPPLEMENTAL
STRATEGIC STOCKPILES—Continued

Commodity	Date of objective	Amount
Zinc (short tons)-----	Nov. 20, 1944	1,500,000
	July 6, 1950	1,500,000
	Dec. 7, 1950	1,500,000
	Jan. 4, 1951	780,000
	July 12, 1951	740,000
	Oct. 16, 1952	740,000
	Apr. 30, 1953	740,000
	Aug. 3, 1954	1,100,000
	Nov. 8, 1956	1,250,000
	May 3, 1957	1,250,000
	Mar. 20, 1958	1,256,000
	June 30, 1958	178,000
	June 17, 1963	0
	Dec. 3, 1969	560,000
	Apr. 12, 1973	202,700
	June 15, 1976	374,830
	Oct. 1, 1976	1,313,000

¹ Amended.

² Prior to 1973, the objective was part of the objective for metallurgical chromite.

³ Combined total, type A and B.

Mr. BENNETT. I want to thank you very much for coming here, and the American Mining Congress for giving the thought and effort to bring about legislation which would be effective. I think it is a good illustration of business and Government trying to work together. I don't have any questions myself. I just want to express my gratitude for the detail and the thought that you have given to this.

Mr. Mollohan?

Mr. MOLLOHAN. No questions.

Mr. BENNETT. Mr. Fazio?

Mr. FAZIO. Maybe we could get some sort of response from the administration on the point the gentleman just made with regard to Government involvement in research and development, and the potential conflict between public and private efforts.

Mr. BENNETT. Mr. Zabrowski is still here, so perhaps he could answer.

Mr. ZABROWSKI. Mr. Chairman, the first thing I would like to point out about section 8 of H.R. 2154 is that it addresses agriculture as well as minerals. I would also like to point out, specifically, that the U.S. Geological Survey utilizes some of the authorities in this act as well as the Bureau of Mines.

Mr. Carlisle refers to the basic operating authority, the alternative basic operating authority. And I believe that is called the Organic Act of 1910.

This act is a very important act, and the Department of the Interior relies on it heavily. But it focuses on the prevention of waste, the enhancement of health and safety, and it really doesn't mention national security.

An act created in 1910 may create doubts as to the currency of the congressional intent, if that is their main and only operating authority. I would like to mention that the passage of the original stockpiling act in 1939 contained words very similar to what is before us.

The revision of the act in 1946 can be considered to be an important reaffirmation of congressional intent to put materials, research devel-

opment, exploration, and that type of thing under the national security umbrella.

The act was amended in 1971. And these words were untouched, probably implying a continuing congressional intent.

Nevertheless, these provisions are viewed as being quite important in times of emergency from where we sit in the Federal Preparedness Agency, and also over in the Department of the Interior.

There was intense activity utilizing, I understand, the provisions of this act during the Korean conflict. It was used in prospecting and it was used in activities surrounding bauxite, antimony, and other materials. We would be happy to provide supplemental information for the record on these points if you so desire.

I would like to also point out that this act is the only place that specifically permits activity on private property, Government activities on private property, with the owner's permission.

I don't recall what materials are being worked with right now, but I do know that the Bureau of Mines has a project going with Johns Manville on Johns Manville property at this point. And this was cited as a current case.

So, as I said, we can provide extensive information, for the record, if you would like.

Mr. BENNETT. Essentially, what you are saying is you prefer to see the language like it is in the statute, because you feel that it does give you a power that is useful to the Government, and so far, has not been abused.

And you feel that striking it might be a negative thing, because it might make doubt as to whether or not the Federal Government could do something that it might need to do.

Mr. ZABROWSKI. That is correct, Mr. Chairman. It provides an additional thrust that might be lacking from an act that is 69 years old.

Mr. BENNETT. I would think, in view of that, that unless the mining industry could come up with some language that would protect against the abuses that you possibly foresee—we would be openminded if you want to submit something like that—but it looks like they have made a pretty good case in the Government as to the fact they have not abused it, and it has been in the national interest to have it.

So, I would kind of like to leave it at that point unless the mining industry wants to show actual abuses or unless they want to show some amendment that would take care to protect against the abuses. The language is actually helpful to the overall thrust of the Government.

Unless you do present such, it is likely the committee will approve the bill the way it is.

Mr. CARLISLE. I just want to say, Mr. Chairman, first of all I did not intend to imply any abuse of authority.

Second, we don't have any problem with what the USGS and, for example, the Bureau of Mines, are doing in various research projects. Many times we cooperate with them. The only thing we intended to say here is that when it comes to downright exploration for minerals, that's our bread and butter.

Mr. BENNETT. Maybe we could put something in the report on the bill that might take care of this, and show the intent.

Mr. Mollohan?

Mr. MOLLOHAN. May I ask Mr. Zabrowski a question not directly related to the subject we have just been discussing, but for clarification, in my own mind, on another matter.

I have a document identified as "Stockpile Objectives for Selected Minerals Over the Entire Life of the National and Supplemental Strategic Stockpiles." That is a supplement to Mr. Carlisle's testimony.

On March 27, 1969, according to this document, we had an objective in commodity tin of 232,000 long tons. On April 12, 1973, we reduced that objective to 40,500 long tons. Then on October 1, 1976, the latest and last declaration of objective, we reduced it to 32,499.

Are we to understand from that that the objective of the stockpile authority is to have in that stockpile 32,499 long tons, eventually? And that is the amount which you classify as necessary to meet the objectives of the stockpile and its responsibility?

Mr. ZABROWSKI. Yes, sir, that is the amount at present.

Mr. MOLLOHAN. Thank you very much, Mr. Chairman.

Mr. BENNETT. We have much more than that, I assume?

Mr. ZABROWSKI. Oh, yes. We have close to 200,000.

Mr. BENNETT. Mr. Fazio?

Mr. FAZIO. No thank you, Mr. Chairman.

Mr. BENNETT. Mr. Stratton?

Mr. STRATTON. Mr. Zabrowski, what is your position?

Mr. ZABROWSKI. I am Acting Assistant Director for National Resources Preparedness at the Federal Preparedness Agency.

Mr. STRATTON. Acting Assistant Director?

Mr. ZABROWSKI. Yes, sir.

Mr. STRATTON. In that connection, this list from which Mr. Mollohan has read represents the current objectives. Is that right?

Mr. ZABROWSKI. Yes. Wherever there is a date that says October 1, 1976, that would be current.

Mr. STRATTON. That's a 1-year objective, is it not?

Mr. ZABROWSKI. No, sir, that is based on 3 years of a shooting war, the shortfall between requirements and supplies as we have estimated them under actual wartime operating conditions.

Mr. STRATTON. You never got the objective down to 1 year?

Mr. ZABROWSKI. It was lowered to 1 year in April 1973. Subsequent to that, in hearings in March 1975, as Mr. Bennett remembers, it was determined that the committee would adjourn until the administration restudied the stockpile situation, and returned with a 3-year stockpile policy, which we did in 1976.

Mr. STRATTON. Mr. Carlisle, I have some questions, too, with regard to your objections to section 8. What possible way could this be injurious to the mining industry?

First of all, the investigations that are authorized are authorized only if the mineral is essential to the national defense, and is also found to be available in adequate quantities.

And second, "nothing can be carried out on private lands without the consent of the owner," so how could this particular wording be damaging in any way?

Mr. CARLISLE. Two points, Congressman Stratton. As I said, we believe that some of the language of section 8 is really duplicative of language found elsewhere that allows these functions to go on.

We have no problem with a lot of the investigations, and so on, that are carried out by the Bureau of Mines, and the U.S. Geological Survey. The only objection that we would have would be to Government funded exploration for minerals. We think that is really a function that is best carried out by privately owned companies.

Mr. STRATTON. We have no authority and no interest, I take it, in what goes on with the Bureau of Mines and the Geological Survey. But this language, as I understand it—this is taken from the existing bill, Mr. Chairman?

Mr. BENNETT. Yes.

Mr. STRATTON. Probably, unfortunately, it has never been honored, but it would seem to me that maybe we ought to get going and find out what we can do to develop new domestic sources, and to develop substitutes for such of the 16 minerals that are in short supply.

The last section down here says that the President can make investigations of the feasibility of developing domestic sources of supply of any agricultural material or agricultural commodities.

I am one of those who has been trying to get the administration going on gasahol. And the Department of Energy says they are not interested in it because it might cost \$1.25 a gallon.

Well, if we have many more Irans, we will be paying \$2 or \$3 per gallon for gas. So, it would seem to me that this language is directed toward something that we have ignored all along. But we ought to get going on it.

It would seem to me that we ought to leave it in the legislation. The protection is that if a particular mining company doesn't want anybody monkeying around on their lands, all they have to do is say, "Keep off."

Mr. CARLISLE. There's no real concern about that. I think what we really want to focus on here is just the word "exploring."

I really have to say that I think this is something that we collectively really know how to do. It's our bread and butter. We are delighted to find new mineral deposits and develop them, because, frankly, that's the way we make our money.

We think we can probably do it better than any Government agency. That's all I wanted to say and nothing more. I have no problem with the investigations or research carried out by the Bureau of Mines, and so forth.

Mr. STRATTON. In order words, if we wanted to find out whether there is any high-grade chrome located in some of these areas in Alaska that we are giving back to the Eskimos, and we are short of chrome, and the Russians aren't going to sell it to us anymore, and we won't buy it from other countries because of their human rights policies, it would make sense, wouldn't it, for the United States to go up and see whether we have any chrome there.

Mr. CARLISLE. Since you bring up the subject of Alaska, Mr. Stratton, what I think would really make sense is not to lock up so much of Alaska as has been proposed in Congress. We can find the minerals up there if we are allowed to explore on the lands.

Mr. STRATTON. I am implying that in my question. But all that we would really need would be, wouldn't it, something that would say in looking for chrome, we ought to take full advantage of the knowledge of those companies that are in the chrome business.

I don't know how you look for chrome.

Mr. CARLISLE. I would certainly have no objection to that.

Mr. STRATTON. I don't know whether the chrome people know how to look for it, either, but at least we ought to consult whatever expertise is in the industry, and then we're both interested in finding a source of supply that will make us independent of the Soviets.

Mr. CARLISLE. We would be delighted to find, somewhere within the 48 States or Alaska—my company, and I am sure, our competitors—a good source of chrome. We would be delighted to do that.

Mr. STRATTON. There is a lot up in Alaska.

Mr. CARLISLE. But we're having difficulty getting up there.

Mr. STRATTON. Maybe we could put that in, Mr. Chairman, "in consultation with industry representatives" or something like that.

Mr. BENNETT. As it is, all we're doing is repeating a provision which was enacted some time ago. The mining people, as is anybody who is connected with private enterprise, take a pretty logical stand that, after all, they have the expertise, and reason to develop it economically while a Government agency might have a reason which wouldn't produce any chrome, and would simply be to stay in existence and expand, which is not true of private industry.

There is no advantage to the stockholders to have any great expansion take place that doesn't result in additional chrome, but there are advantages in the Government to expand itself, because that means the more you expand, the more highly you pay the people supervising those who expand.

It's a philosophical thing. This has been helpful. I suspect that the committee probably will want to have what is in the bill now, but I am glad you brought it out, because if you find any abuses occurring, we would be the first to want to try to come and correct them.

If you find something happening that should not occur, come to the committee and we will see what we can do to revise it. But right now, I think this is as good as I can think of; and after all, it's not really innovative, it's just repetitive.

Mr. CARLISLE. I don't want to make too much of the point.

Mr. BENNETT. I understand your point. It's a good point.

Mr. CARLISLE. I would like to say that I am sure we are not in any disagreement with Mr. Stratton. As a matter of fact, maybe we'll write him a letter on that point.

Mr. BENNETT. Mr. Stratton is a strong man for free enterprise, as well as being a strong man on national defense. He is good on all American points.

Does anyone have further questions to ask any of the witnesses?

[No response.]

Does anyone else want to testify here who has been frustrated by not being able to speak? If not, we will now adjourn until some time next week.

[The following information was received for the record:]

SILVER USERS ASSOCIATION,
Washington, D.C., February 23, 1979.

HON. CHARLES E. BENNETT,
*Chairman, Subcommittee on Seapower and Strategic and Critical Materials,
House of Representatives, Washington, D.C.*

DEAR CONGRESSMAN BENNETT: The Executive Committee of the Silver Users Association wishes to convey its support of your efforts and those of the other

Subcommittee members to revise the Strategic and Critical Materials Stock Piling Act. It appears that the legislative proposals contained in H.R. 2154 would be effective in updating the current law, now more than 30 years old without major changes.

Our members would encourage early action on H.R. 2154 in order that specific bills dealing with particular commodities might be acted upon at an early date. On several occasions our Association has appeared before your committee urging that silver surplus to defense requirements be released to the market. At the appropriate time we will seek permission to testify again on this subject. Suffice to say at this time, that we would support H.R. 1325, a bill to authorize the release of 139.5 million ounces of silver currently designated as surplus.

If we can be of assistance to your Subcommittee, please call upon us.

Sincerely yours,

WALTER L. FRANKLAND, Jr.,
Executive Vice President.

[Whereupon, at 11:25 a.m., the subcommittee adjourned.]

MARK-UP

HOUSE OF REPRESENTATIVES,
COMMITTEE ON ARMED SERVICES,
SEAPOWERS AND STRATEGIC AND
CRITICAL MATERIALS SUBCOMMITTEE,
Washington, D.C., Wednesday, February 28, 1979.

The subcommittee met, pursuant to notice, at 1:30 p.m. in room 2216, Rayburn House Office Building, Hon. Charles E. Bennett (chairman of the subcommittee) presiding.

Mr. BENNETT. We will come to order.

We don't quite have enough for a quorum, but we will by the time I finish reading my statement.

The subcommittee met last Friday, February 23, and received testimony on H.R. 2154, a bill to revise the Strategic and Critical Materials Stock Piling Act. Due to a lack of a quorum we couldn't mark up the bill. Before we continue testimony on the status of naval shipbuilding and shipyards this morning, I would like for the subcommittee to report this bill to the full committee.

For those members who were not present last Friday, I will summarize the background leading to the purpose for introducing this legislation.

This bill evolved from H.R. 4895, a bill I introduced in the last Congress and which passed the House by a vote of 373 to 24. It would have required authorization of stockpile acquisitions, would have encouraged barter as a means of acquiring and disposing of stockpile materials, and would have established a special fund within the Treasury into which all moneys received from sales of excess materials would go and would be available, only when appropriated, for future acquisitions. These provisions are incorporated in the bill under consideration today.

The importance of this may be stressed by the fact there is, roughly speaking, some \$7 billion of materials in the strategic stockpile available for sale, and there are \$8 billion worth of strategic materials we must acquire; so if we sell all the materials which are saleable we still are going to fall short by a billion dollars of acquiring what is needed to carry on the essential strategic materials for our country.

The Senate Armed Services Committee held hearings on my bill, H.R. 4895, and amended it to include a complete revision of the existing act. Unfortunately, the full Senate took no final action on my bill or on the Senate version.

There is no question that the strategic and critical materials stockpile program is in need of substantial updating and revision. The act, like the stockpile, is badly out of date and needs to be brought into conformance with current stockpile policy. There are references to

agencies no longer in existence and provisions which need clarification and updating. The current law has had no substantive changes since its enactment in 1946. No significant additions to the stockpile have been made since 1959; Congress has not authorized the release of excess materials since 1973. Stockpile policy has fluctuated sharply in recent years as successive administrations have changed the stockpile guidance frequently.

Now, I will very briefly outline the key elements which I think are essential additions to this revision of the 1946 act.

The bill provides for the first time congressional guidance as to how stockpile requirements are determined. The President shall make the determinations on the basis of the following principles: (a) The purpose of the stockpile is to serve the interest of national defense only and is not to be used for economic or budgetary purposes; (b) stockpiles are to be sized to meet a 3-year contingency; and (c) goals may not be revised unless the Committees on Armed Services are notified in writing 30 days before the effective date of the revision.

Materials from the three existing stockpiles (National, Supplemental, and Defense Production Act Inventory) are combined into one stockpile, for simplicity of management, and are to be collectively known as the National Defense stockpile;

Future acquisitions must be authorized by law;

Acquisitions are to be made in accordance with established Federal procurement practices;

Disposals are to be made by formal advertising or competitive negotiation procedures; and

Two key definitions "Strategic and Critical Materials" and "National Emergency" are defined in this act.

Basically, this bill offers standards and guidelines for structuring and managing both the size and the operations of the stockpile. In summary, this bill strengthens the role of Congress in stockpile matters.

Witnesses from the General Services Administration suggested several amendments for the committee's consideration. These amendments would reduce the possibility of any misinterpretation in the future of the intent of Congress with regard to certain provisions of the bill.

I have reviewed these suggested amendments with representatives from GSA and the staff and agree that five of the amendments are valid and should be accepted.

Mr. Marshall will read the amendments and the rationale for them after which, if there are no objections, I will introduce the amendments en bloc and ask your approval of them.

Mr. MARSHALL. Page 3, beginning on line 16, strike out "During a national emergency of up to three years in duration" and insert in lieu thereof "for a period of not less than three years in the event of a national emergency".

This amendment is to clarify any misunderstanding or misinterpretation of the committee's intent to have a 3-year stockpile. As presently written, this phrase "up to three years in duration" specifies the length of the national emergency and not the number of years which will be covered by the stockpile. The intent of the committee can be carried out by this amendment.

Mr. STRATTON. Mr. Chairman, he was reading them a little fast here.

I just want to make sure I have got the amendments here in my own bill.

On line 16, page 3?

Mr. MARSHALL. Page 3, line 16.

Mr. STRATTON. All right.

Strike out what?

Mr. MARSHALL. Strike out "during a national emergency of up to three years in duration" and insert in lieu thereof "for a period of not less than three years in the event of a national emergency."

Mr. BENNETT. It really doesn't indicate any change of policy of this committee.

Mr. STRATTON. I just want to know what the amendment is.

Mr. MARSHALL. Second amendment, page 5, line 1, strike out "and" and insert in lieu thereof "that have been determined to be strategic and critical materials for the purposes of this Act and that are".

The definition of material under section 663 of the Foreign Assistance Act of 1961 is much more broad in application than the definition of strategic and critical materials under H.R. 2154; therefore, the purpose of this amendment is to limit the allocation of materials to the stockpile to only strategic and critical materials. This avoids the application of section 4(a)(5) of this bill to materials that might be allocated by the President for stockpiling outside the national defense stockpile. Examples of such materials might include uranium, rare earths, or even coffee, which currently are not strategic and critical materials.

Mr. STRATTON. Mr. Chairman, who determines they are strategic or critical materials for the purpose of this act?

Is this spelled out in the act?

Mr. MARSHALL. Yes. The President determines this or delegates the authority.

Mr. BENNETT. He delegates it usually to the GSA.

Mr. MARSHALL. That is under section 3(a) of the bill.

Mr. BENNETT. Next one.

Mr. MARSHALL. Page 5, beginning on line 2 strike out "to the General Services Administration".

This amendment deletes the reference to the General Services Administration. The act, as revised under this bill, designates all stockpiling authority to the President and eliminates all references, except this one reference, to GSA from the bill. Therefore, to be consistent we should also delete this reference.

Four: Page 6, line 10, insert "(and for transportation related to such acquisition)".

This change is recommended because when acquiring stockpile materials appropriations are needed both for purchase of the material and for the cost of transporting the material to the stockpile location. Most materials are sold free on board producer's plant or free on board port of entry. When appropriating for acquisitions in the past, the transportation costs have been lumped in the cost of the material. There is authority to appropriate for transportation in section 5(c) of the bill; however, this authority covers transportation costs, other than in connection with acquisitions. For example, transportation costs in consolidating storage locations.

Page 12, strike out lines 16 through 18.

This amendment recommends that section 9(b)(3) (lines 16-18) be deleted since there is an inconsistency in this language and the language in 5(a) which is the authorizing section for acquisitions. Funds appropriated under 5(a) remain available for 5 years and under 9(b)(3) it is "until expended". Since both sections refer to the same subject (authorizing acquisitions), it is redundant to retain both. Section 5(a) will accomplish the committee's objective.

Mr. BENNETT. For the purpose of going on, I move the approval of these amendments en bloc.

Mr. STRATTON. Mr. Chairman, I would amend that motion by striking out amendment No. 5.

I think the chairman was correct in his original proposal. It is not the same thing. We are talking about different things. We are talking about moneys that are already in the funds, as I understand it, in this amendment, and I think irrespective of whatever administrative niceties are involved, we ought to allow that money to stay there, and not run the risk of having it channeled off unnecessarily.

I support the other amendments, but I think No. 5 is not necessary.

Mr. BENNETT. Mr. Marshall said we do want to retain it, we ought to say—

Mr. MARSHALL. "Shall remain available for a period of 5 fiscal years" which would be the same as the 5(a), just the inconsistency in those two sections.

Mr. BENNETT. What do you think about that, Mr. Stratton?

Mr. STRATTON. This is the wording as was originally offered by you, Mr. Chairman, as I recall.

Mr. BENNETT. It is. I am just trying to be resilient and try to get along with them.

Mr. STRATTON. I think the executive branch ought to try to get along with Congress once in awhile.

Mr. BENNETT. If that is the spirit, I withdraw the amendment. I only offer the first four. We can vote on the fifth one later.

Is there any objection to those four amendments?

There being no objection, they are agreed to.

Mr. STRATTON. I have raised a point that is—was brought to my attention after our last meeting.

Mr. BENNETT. We are going to take care of that in just a second.

I did remove from my request the fifth amendment. I myself have no great enthusiasm for this amendment. I am not going to move that the fifth amendment be put, in unless somebody else has a strong feeling about it.

Without objection, we are going to leave that amendment out.

We will get to Mr. Stratton's point.

Mr. Stratton, before we vote on the bill—after talking with you and relating your concern about some trade agreements that are already entered into the possibility of this legislation might upset that, at least give rise to litigation, I don't think it is necessary to change it in the bill itself, but I think there should be some report language—

Mr. STRATTON. You and I have discussed this matter. I don't think the other members of the committee are aware of it. I thought it might be simpler if I presented the issue and then as you and I agreed on the resolution of it.

Mr. BENNETT. All right.

I have no objection. Go ahead.

Mr. STRATTON. It was brought to my attention, Mr. Chairman, after our meeting earlier when we had testimony on this legislation by the GSA and the emergency management people, that there is in existence an agreement signed by a representative of the GSA and the Government of Israel that provides for Israel to be able to draw out several materials from the stockpile that are in excess to our national defense requirements.

The one that they are primarily interested in and have been interested in, as I understand it, is called industrial diamonds.

These industrial diamonds are diamonds which are not quite smooth and glittery and attractive enough to become engagement rings, but with a little polishing and care can still be sold to those who are less exacting in their requirements and may have somewhat less dough to spend.

As a result, an industry has grown up in Israel for the purpose of polishing and preparing these second-grade quality diamonds for sale.

There are, as I understand it, only three countries in the world that are interested in diamonds. One is Belgium, the second is South Africa, of course, and the third is Israel.

And not surprisingly, the Belgians and the South Africans are a little unhappy that Israel has been able to do so well in polishing up these diamonds that they are grabbing a bit of the diamond market. We all know the situation that Israel is in, and anything they can do to make a little cash is certainly helpful to them.

At the same time, the other two countries represented by the De Beers cartel have been putting a lot of heat on Israel and trying to make it difficult for them to market their diamonds.

The provisions of this legislation in section 6(b) appeared to those who were familiar with this situation to make it impossible for this agreement to be continued, because at the bottom of page 7 it says that in disposing of these materials except as provided in subsections (c) and (d), and the disposal, at the top of page 8, "disposal of materials from the stockpile shall be made by formal advertising or competitive negotiation procedures."

And it also says a little bit farther down on page 8, lines 11 and 12, that the "disposal of such materials shall be made for domestic consumption," and so if the fear was that this legislation would mean that you couldn't provide any of these diamonds to Israel because that is not domestic consumption, and if you got into competitive bidding, the arrangements that have been worked out previously with the Israelis would also be jeopardized.

The suggestion was made that we ought to make an amendment to the legislation. However, I was in touch with Mr. Mitchell yesterday, the Director of the Federal Preparedness Agency, and he said that the GSA's position was that this legislation is flexible enough so that we don't need an amendment. He pointed out at the top of page 8 where it talks about "formal advertising or competitive negotiations" that the words "to the maximum extent feasible" are used on line 3, and that "to the maximum extent feasible" applies not only to line 4 where competitive procedures have to be used but also to lines 11 and 12 where the disposal shall be made for domestic consumption.

So that where an agreement existed between the U.S. Government and the Government of Israel, it would be feasible that at least that much of the disposal could be handled not for domestic consumption and not necessarily by competitive procedures, and they also pointed out that on page 9 which is the section (b) referred to on page 7, both in line 22, as far as acquisition is concerned, and line 25 where disposition is concerned, the President may waive the applicability of any provisions of the first sentence of subsection (b) to any acquisition of or disposal of material, and when he does so, he has to notify Congress.

And if that prevails, then it doesn't seem to me that we need any amendment, but we should have some language in the report that would point out that this bill does not, for the reasons stated, interfere with this existing agreement.

The only other thing, Mr. Chairman, was that Mr. Mitchell said that he would not be here today, but that Mr. Markon was going to be here.

I don't happen to see him, to testify for the GSA, and to testify that this was in fact the GSA's position.

Mr. BENNETT. Mr. Stratton, I think I can resolve this and sort of summarize it by saying that the report language that the committee approves the bill and has no objection will have this language:

The Committee wishes to emphasize that Section 6(b) is in no way intended to prohibit or preclude complying with any existing trade agreement between the United States Government and a foreign government.

Mr. STRATTON. Mr. Chairman, who's representing the GSA?

Mr. BENNETT. We haven't asked any witnesses to come here. We already had all our testimony.

Mr. STRATTON. Mr. Mitchell said he was going to be here and Mr. Markon said he was going to be here.

Mr. BENNETT. They didn't tell me. Besides that, we are going to do what you wanted to do.

Mr. STRATTON. I am not a lawyer.

Mr. BENNETT. I am. This takes care of it.

Mr. STRATTON. I think it would be important for us to have in the committee record that the GSA's position is the way it was told to me over the phone yesterday. And they told me somebody was going to be here. All of these people are here.

Mr. BENNETT. Are there any GSA people here?

Mr. STRATTON. Not a single person from GSA?

Mr. ZABROWSKI. Yes, sir.

Mr. STRATTON. Who is—get hold of Mr. Mitchell on the phone and let's get this on the record.

Mr. ZABROWSKI. Yes, sir, what you stated is my best recollection of the phone call. I was with Mr. Mitchell.

Mr. BENNETT. What he has stated as to what the law is and will be.

Mr. STRATTON. We have millions of dollars of contracts hanging on this. We don't want your best recollection of what the phone call was.

Mr. ZABROWSKI. Our position is what Mr. Mitchell told you. It is our belief, or our position, that the present bill is adequate to handle trade agreements between the United States and foreign nations.

Mr. STRATTON. Because of what?

Mr. ZABROWSKI. Because of the section 6(d) and the other points that you just mentioned.

Mr. BENNETT. The maximum extent feasible.

Mr. ZABROWSKI. Yes, sir.

Mr. BENNETT. I must say another thing, too, at this point.

I think anybody whose trade agreement was abrogated by this statute would probably have a pretty good suit against the U.S. Government, if this GSA contract between a foreign country and our country, a trade agreement, this is prior to the statute, and this statute could not set it aside without making the Federal Government liable in some sort of a suit.

I don't think any of this is necessary.

In order to assure there will be no problem about it at all, without objection, this language will be put in the report. This is a lot more important than the testimony of the GSA because this is our intent, and the language I am requesting to go into the report, if there is no objection, is as follows: "The committee wishes to emphasize 6(b) is in no way intended to prohibit or preclude complying with any existing trade agreement between the U.S. Government and any foreign government."

That takes care of it.

Mr. STRATTON. Reserving the right to object—first of all, what is the name of the gentleman that was just speaking?

Mr. ZABROWSKI. Edward Zabrowski.

Mr. STRATTON. Your position?

Mr. ZABROWSKI. Acting Assistant Deputy Director, National Resources Preparedness.

Mr. STRATTON. You are telling the committee the position of the General Services Administration is that this language in the bill does not interfere with the existing agreement with Israel with respect to industrial diamonds and other commodities?

Mr. ZABROWSKI. Yes, sir, that is correct.

Mr. STRATTON. Because of the flexibility provided?

Mr. ZABROWSKI. Yes.

Mr. STRATTON. Mr. Chairman, I would also like to offer a slightly different wording for the report language, if you don't object. It is as follows:

"It has come to the attention of the committee that agreements exist between the United States and the Government of Israel providing for negotiated sales to Israel of stockpile items as excess to U.S. strategic needs.

"The committee wishes to make clear no provision of this is intended to prevent the U.S. Government from negotiating such future sales of excess stockpile items with Israel or any foreign government under existing trade agreements."

I think that says substantially the same thing you did.

Mr. BENNETT. The problem about this, Mr. Stratton, is—I have to object—I really don't think that it is necessary for us to pick out a particular country. We are dealing with general principle, and it is not necessary to talk about a particular country. This is not just to take care of Israel. It is to take care of any country that may have a trade agreement.

I have no objection to the first paragraph.

I will tell you my problems with the second paragraph.

The first paragraph says:

It has come to the attention of the committee that agreements exist between the United States and the Government of Israel providing for negotiated sales to Israel of stockpile items as excess to U.S. strategic needs.

Then you have the language which I have which says nothing here to prohibit the complying with existing trade agreements. I would agree to that. When you get into the second paragraph, I don't think you should make specific reference to Israel. I left it out. I think it is more dignified with regard to the legislation, but it really makes no difference.

The second paragraph does worry me. You said:

The committee wishes to make clear no provision of this bill is intended to prevent the U.S. Government from negotiating such future sales of excess stockpile items with Israel or any other foreign government under existing trade agreements.

I am not sure that that doesn't mean that it will open the door to all stockpiles that can be traded away under trade agreements. I don't think we ought to violate a trade agreement that already exists.

I am not willing to open the door to pillaging from every country over the face of the Earth, to do in our stockpile, just to help little Israel with its diamond problem, and so I don't mind making Israel specific.

I am concerned about the breadth of that second paragraph which looks to me like it deals with future trade agreements.

Mr. STRATTON. It says, "under existing trade agreements," Mr. Chairman. I don't know whether any other agreements—I would be agreeable to leaving out the words "or any other foreign government" although you just said that you didn't think this could abrogate any other agreement.

I think we are talking about the existing trade agreement with Israel, and I see no reason why we shouldn't mention it, spell it out. That is what reports are for.

Mr. BENNETT. Well, you confessed to the fact you are not a lawyer. I confess to the fact I am a pretty good lawyer. and that paragraph worries me. It doesn't worry you. It does worry me. I wouldn't want to glibly accept that second paragraph. I am afraid it might open up other things.

I don't really mind mentioning Israel specifically, although, I do like the generalities that came down to the language we suggested which applies to any foreign country. In other words, if you want to make it this way, I would approve it; then it would read this way. It would read:

"It has come to the attention of the committee that agreements exist between the United States and the Government of Israel providing for negotiated sales to Israel of stockpile items as excess to U.S. strategic needs.

"The committee wishes to emphasize 6(b) is in no way intended to prohibit or preclude complying with existing trade agreements with the United States and any foreign government."

Mr. STRATTON. You are putting in the very wording you want to leave out in mine.

Mr. BENNETT. I took your paragraph, plus my paragraph. I took your first paragraph. Your second paragraph worries me because I don't know whether that means to open up future trade agreements with other countries and Israel.

Mr. STRATTON. Is just says existing agreements, Mr. Chairman, and your wording says it does not prevent any agreement with any country. So I don't see the difference, frankly. You leave out the word "Israel" and say "any foreign government". You want to knock out the words "any foreign government" in my language.

Mr. BRINKLEY. I move we accept the language as read by the chairman which incorporates the first paragraph as submitted by Mr. Stratton and the second paragraph being the language of the chairman.

Mr. BENNETT. Is there any discussion?

[No response.]

Mr. BENNETT. Is there any objection to doing that outside of Mr. Stratton?

[No response.]

Mr. BENNETT. All right.

All those in favor, let me know by raising your right hand.

[A show of hands.]

Mr. BENNETT. All those opposed?

[One opposed.]

Mr. BENNETT. Well, it is carried that way, and I think it takes care of every problem.

Mr. EMERY. I would like to go back to the fifth amendment, as was discussed a few minutes ago. Just to clarify a point, it is my understanding that there was an inconsistency in the bill language on page 12, and language elsewhere in the law, one specifying funds would not lapse at all, another they would lapse after 5 years.

Mr. MARSHALL. That is correct. That is the inconsistency in those two provisions. If you change it to and/or both 5 years, there would be no problem.

Mr. EMERY. In that case, Mr. Chairman, I would move on page 12, line 18, we strike the words "until expended" and add in place thereof, the words "for a period of not more than 5 years."

Mr. BENNETT. Would that be consistent?

Mr. MARSHALL. I think what you want to say is beginning on page 12, line 17 strike the words "without fiscal year limitation until expended", and insert in lieu thereof "for a period of 5 fiscal years."

Mr. BENNETT. Is that agreeable to you?

Mr. EMERY. If it is agreeable to you, and if that is consistent with the law.

Mr. MARSHALL. Yes, sir, that would be consistent.

Mr. BENNETT. Without objection, that is agreed to.

We don't have to call roll on the bill, unless—does anybody have any objection to the bill as amended?

Mr. BRINKLEY. I would like a roll call.

Mr. BENNETT. Call the roll. I think it does strengthen the bill for the floor, actually.

Mr. BRINKLEY. I move the bill H.R. 2154, as amended, to be reported favorably to the full Committee on Armed Services.

Mr. BENNETT. All right.

Mr. MARSHALL. Mr. Bennett.

Mr. BENNETT. Aye.

Mr. MARSHALL. Mr. Brinkley.

Mr. BRINKLEY. Aye.

Mr. MARSHALL. Mr. Mollohan.

Mr. MOLLOHAN. Aye.

Mr. MARSHALL. Mr. Fazio.

[No response.]

Mr. MARSHALL. Mrs. Byron.

[No response.]

Mr. MARSHALL. Mr. Wyatt.

Mr. WYATT. Aye.

Mr. MARSHALL. Mr. Stratton.

[No response.]

Mr. MARSHALL. Mr. Spence.

Mr. SPENCE. Aye.

Mr. MARSHALL. Mr. Emery.

Mr. EMERY. Aye.

Mr. MARSHALL. Mr. Tribble.

Mr. TRIBBLE. Aye.

Mr. MARSHALL. Mr. Dougherty.

Mr. DOUGHERTY. Aye.

Mr. MARSHALL. Mr. Chairman, a quorum being present, 8 voted "Aye"; there were none opposed.

Mr. BENNETT. Very well. Best get it to the floor as soon as possible.

We appreciate the witnesses from the GSA and that they can now leave us, and we will proceed with the Navy.

[Whereupon, at 2:15 p.m., the markup was concluded.]





