[H.A.S.C. No. 96-3]

HEARING

ON

H.R. 595

TO AUTHORIZE THE ADMINISTRATOR OF GENERAL SERVICES TO DISPOSE OF THIRTY-FIVE THOUSAND LONG TONS OF TIN IN THE NATIONAL AND SUPPLEMENTAL STOCKPILES, AND TO PROVIDE FOR THE DEPOSIT OF MONEYS RECEIVED FROM THE SALE OF SUCH TIN

BEFORE THE

SEAPOWER AND STRATEGIC AND CRITICAL MATERIALS SUBCOMMITTEE

OF THE

COMMITTEE ON ARMED SERVICES
HOUSE OF REPRESENTATIVES
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SEAPOWER AND STRATEGIC AND CRITICAL MATERIALS SUBCOMMITTEE

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[H.A.S.C. No. 96-3]

TO AUTHORIZE THE ADMINISTRATOR OF GENERAL SERVICES TO DISPOSE OF 35,000 LONG TONS OF TIN IN THE NATIONAL AND SUPPLEMENTAL STOCKPILES, AND TO PROVIDE FOR THE DEPOSIT OF MONEYS RECEIVED FROM THE SALE OF SUCH TIN

HOUSE OF REPRESENTATIVES,
COMMITTEE ON ARMED SERVICES,
SEAPOWER AND STRATEGIC AND
CRITICAL MATERIALS SUBCOMMITTEE,
Washington, D.C., Friday, March 2, 1979.

The subcommittee met, pursuant to notice, at 10:30 a.m. in room 2216, Rayburn House Office Building, Hon. Charles E. Bennett (chairman) presiding.

Mr. BENNETT. Before we conclude our hearing today, there is one other matter I would like for the subcommittee to consider. Mr. Mollohan, our colleague on the subcommittee, has introduced a bill, H.R. 595, which authorizes the disposal of 35,000 tons of tin in the national and supplemental stockpiles, and to provide for the deposit of moneys received from the sale of such tin.

For the information of those members who were not on this subcommittee in the last Congress, we reported out a bill, which passed the House, containing a similar disposal provision. However, the Senate took no action on that bill (H.R. 9486).

[H.R. 595 is as follows:]

[H.R. 595, 96th Cong., 1st sess.]

A BILL to authorize the Administrator of General Services to dispose of thirty-five thousand long tons of tin in the national and supplemental stockpiles, and to provide for the deposit of moneys received from the sale of such tin

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That (a) the Administrator of General Services is authorized to dispose of, by negotiation or otherwise, approximately thirty-five thousand long tons of tin held, on the date of the enactment of this Act, in the national stockpile established pursuant to the Strategic and Critical Materials Stock Piling Act (50 U.S.C. 98—98h-1) and the supplemental stockpile established under section 104(b) of the Agricultural Trade Development and Assistance Act of 1954 (as in effect from Septemper 21, 1959, through December 31, 1966; 68 Stat. 456, as amended by the Act of September 21, 1959 (73 Stat. 606)).

(b) The disposition authorized by subsection (a) may be made without regard to the requirements of section 3 of the Strategic and Critical Materials Stock Piling Act, except that the time and method of such disposition shall be fixed with due regard to the protection of the United States against avoidable loss and the protection of producers, processors, and consumers against avoidable disruption of their usual markets.

SEC. 2. (a) Any moneys received pursuant to the disposal of tin from the national stockpile or supplemental stockpile which are authorized by this Act shall be covered into a special account which shall be established in the Treasury of the United States.

(b) Moneys covered into such account shall be available only for deposit, in accordance with legislation enacted after the enactment of this Act, in a special fund in the Treasury established by such legislation as a depository for moneys derived from sales or excess materials under the Strategic and Critical Materials Stock Piling Act. If such legislation has not been enacted within three years after the enactment of this Act, any moneys in the special account established pursuant to subsection (a) and any moneys hereafter received pursuant to sales of tin under this Act shall be covered into the Treasury as miscellaneous receipts.

Mr. BENNETT. The responsibility of this subcommittee is to determine, based on testimony provided by the administration witnesses, whether this amount of tin is excess to our defense requirements, and if so, authorize its disposal. Before we call upon the GSA witness, Mr. Mollohan may wish to comment on his bill.

Mr. Mollohan.

Mr. MOLLOHAN. Thank you very much, Mr. Chairman. There is very little I need to add to what you said. I think it would be more interesting for us to go forward with Mr. Markon, and then questions will come from that.

Mr. BENNETT. Mr. Markon, we are glad to have you. I understand you will be responsible for stockpiles in the future. Is that right?

STATEMENT OF ROY MARKON, COMMISSIONER, FEDERAL PROPERTY RESOURCES SERVICE, GENERAL SERVICES ADMINISTRATION

Mr. MARKON. Yes, sir, the acquisition and disposal of the stockpile will be the responsibility of the Commissioner of the Federal Property Resources, and I am the Commissioner.

I am happy to be here today to testify on behalf of the Administrator, Jay Solomon, on H.R. 595. This bill authorizes the disposal of approximately 35,000 long tons of tin held in the national and supplemental stockpiles. It also provides for the deposit of the proceeds of such sales in a special fund pending the creation of the National Defense Stockpile Fund currently proposed in the stockpile policy bill, H.R. 2154.

As of January 31, 1979, the total inventory of tin held by GSA in the strategic stockpile program was 200,480 long tons. The Director, Federal Preparedness Agency, has advised me that under present planning for tin, the stockpile goal for national security purposes is 32,500 long tons.

GSA currently has no authorization to dispose of this 167,980 long tons of excess material. Sales under previous authorizations were completed with the sale of 70 tons in September 1978. In the period since 1960, sales have totaled 152,467 long tons. These sales generated revenues to the Federal Government of $717 million. The average acquisition cost of tin in the stockpile was $1.08 per pound. The current estimated market price for standard, commercial type tin is $6.84 per pound.

Mr. Chairman, we support the intent of the proposed bill which is to authorize the disposition of a quantity of tin that is excess to program needs. GSA intends shortly to introduce legislation which would authorize the disposal of 10,000 long tons of tin in fiscal year 1980 in accordance with the President's budget. We would have no objection, however, if Congress should authorize the disposal of 35,000 long tons. These sales, of course, would extend over a period of 3 years or more in order to avoid market disruption and at the same time protect the interest of the Government in receiving a fair return. Sales would be reduced or suspended during periods of significant relative price weaknesses.

At the present time, the Administrator of GSA prepares an annual materials plan, which includes planned acquisitions and disposals for the coming fiscal year. In the future, this task will be the responsibility of the Federal Emergency Management Agency. Although the disposal of the 35,000 tons exceeds the planning horizon of the annual materials plan, the Office of Management and Budget advises us that our subsequent annual spending levels will be consistent with the projected revenues generated from the sales of excess materials. They will, however, insist that the sales projections be reasonable and that program increases be noninflationary and otherwise not disruptive to the economy.

As to market disruptions, Mr. Chairman, I would like to note, however, that over the last 14 years, since disposals were begun in earnest, the General Services Administration has disposed of over 30 different commodities, generating revenues in excess of $7 billion for the U.S. Government.

We believe that our marketing practices have earned respect, where at one time a great deal of apprehension existed about how the Government might conduct itself in the market. Our sales are developed and based upon our responsibilities under the law to avoid market disruption and to avoid loss to the Government on the sale of excess stockpile materials. We are proud of this record.

Finally, I would like to take this opportunity to urge that H.R. 595 be amended to delete sections 2(a) and 2(b) from the bill, and to replace these sections with language delaying the effective date of the tin disposal authorization until such a time as a stockpile policy bill has been enacted into law. We believe that such an amendment would be entirely consistent with the intent of the original language, and that it would preserve the prerogatives of Congress by avoiding an awkward situation where funds would be committed in anticipation of legislation which has not yet been enacted.

Once again, Mr. Chairman, I thank you for giving GSA this opportunity to present its views on the proposed legislation. This concludes my prepared statement, and I would be pleased to respond to any questions you may wish to ask.

Mr. BENNETT. Mr. Mollohan, do you have any questions to ask?

Mr. MOLLOHAN. Yes. I have a question—on one of the figures you mentioned—the price of $6.84 for tin. According to my figure, the current price of tin is around $7.15. Where is that disparity? This was taken from the Wall Street Journal.

Mr. MARKON. I don't know where you got your figure.

Mr. MOLLOHAN. The Wall Street Journal, I just now quoted.

Mr. MARKON. We take various prices of tin. We take the price of tin—London; we take the price ex dock—New York, and the price at Penang, and from these various prices we construct an average. The figure I gave you is an average. Now the Wall Street Journal might be quoting one particular sale in one particular place.

Mr. MOLLOHAN. It is a daily quote; as you well know, there is a metal section in the Wall Street Journal on the financial page with reference to the current price of various and sundry metals as well as other commodities. It is in this section the information was obtained from that I have given you.

It was \$7.22, I believe, the other day. It is \$7.16 now. That is beside the point. The big thing I want to say to you is it is so patently ridiculous that we carry 165,000 or 170,000 tons of tin, at the kind of market price it currently has, when we are in the economic straits we are in, when it is so completely beyond anything that is required for our military or domestic purposes, in the cases of emergency.

I think the total value here is about \$2½ billion in the excess that we have. We are carrying tin to the extent of \$2½ billion current price value. Another thing I want to mention, I certainly don't intend to inject an economic factor in this thing. I don't know if it ought to be a factor, as we are interested in the actual specific needs of the military, and our own domestic economy in the national emergency situation.

But to me it is significant that last year when we failed in the very last crucial moments of the legislation session, we failed to pass this bill. Very promptly the price of tin jumped from \$6.74 to \$7.45, an increase of 70 cents.

I think we all know the speculators have been into this market and caused it to rise disproportionately to the actual value of the product, the cost of its production, handling, merchandising, et cetera. It has been a speculator's market for the last several years. With reference to the question you suggested possibly only 10,000 tons—releasing 10,000 tons, or authorizing the release of 10,000 tons. We have been in and out of this act for the last 5 or 6 years. This is nothing new.

We have had this 200,000 plus tons of tin for quite some time, radically in excess of what we need. What we are doing here is very simply, as you very well said, we are just giving you an authority. We are not telling you when to do this. It will not be necessary for us to go back again and go over this thing the next year and the following year go over it again. That is the reason why I urge the committee to approve the 35,000 long tons and give you the authority, at your own discretion, to dispose of it in a manner which will not disrupt the market beyond what it should be disrupted, and not have to come back here again next year for another authorization.

Mr. Markon. Mr. Mollohan, I agree with all of what you said. We do have an inventory in the stockpile in excess of \$10 billion, of which there are 42 commodities valued at approximately \$4½ billion that are excess to the stockpile needs.

Mr. Mollohan. You mean other commodities?

Mr. Markon. Yes, sir, total commodities.

Mr. Mollohan. More than half of it is wrapped up in one commodity?

Mr. Markon. We support this bill.

Mr. Bennett. He supports it anyway, Mr. Mollohan.

Mr. Markon. Yes, sir. The 35,000 tons. We planned to have a matched acquisition and disposal program. The sale of 10,000 tons, with the other commodities we would recommend for disposal, would generate a certain sum which would match the rate of spending we intend to have in the acquisition. That would be for 1 year.

Now you are giving us additional authority. We say that is fine, we accept that. It will take a little longer to dispose of the greater quantity without disrupting the market. We have no objection to the additional authority. We were just relating it to the annual materials plan.

Mr. Mollohan. I understand that. I am getting so sick and tired of talking tin every year, and listening to tin, and having you or your predecessors come and testify before us on the tin bill. Here I see no necessity for it at all.

We are not telling you how to do it exactly except how you believe in your own best business judgment is in the best interest of the program. I think for 35,000 tons you would be given that authority, and over a period of time it will be essential. It will save you a lot of time.

Mr. Bennett. The only thing he does want to do is have that provision, which is absolutely essential as far as I am concerned, section 2(a) and 2(b) because I do want to get that thing started.

I said repeatedly I don't want to dispose of the commodities unless it follows the two policies. I can understand the logic of your position. The virtue is so great the other way I hope the committee will meet the virtue. Does anybody else have anything to say about this bill?

You understand we passed a bill before. It is really not very controversial, but there may be some suggestions.

Mr. Stratton.

Mr. Stratton. I am a little perplexed here. We just passed a bill that specified that we were going to fiddle around with the stockpile only on the basis of national defense.

Now, I don't often differ with my friend from West Virginia, and maybe I don't understand this, but I can't see why we should dispose of tin.

My understanding is we don't have tin in our country. It is an important metal. We lost it in World War II when the Japanese took over the Netherlands East Indies; and it would seem to me if we have tin in our stockpile, we ought to hang onto it.

In fact, you can't tell, maybe this will be a very important item. Maybe it is a substitute for uranium or something or other. I don't see the logic, and this is particularly true in today's world. People are putting their money into commodities. If you get the green stuff you don't know what it is going to be worth tomorrow, but if you put it in land or you put it in gold as some people are doing, it is going to be more valuable 5 or 10 years from now than if you put it in money. And yet here we are disposing of some vital commodities, and we are going to get U.S. devalued dollars in return.

I think it is a little short-sighted.

Finally, Mr. Chairman, the whole argument for opening up relations with China is that we can get some trade going with China, and you say, what have the Chinese got to give us?

They have a lot of minerals over there. We are short on minerals. We might be able to get their oil, this, that, and the other. In our stockpile we have some excess minerals, but it would seem to me it is a good idea to hang onto them.

Why do we have to sell this, Mr. Markon?

Mr. Markon. This is a tradeoff, Mr. Stratton.

Mr. Stratton. For what?

Mr. Markon. For excesses so we can generate income so we can buy the commodities we need.

Mr. Stratton. What national defense interest is protected by selling this? Do we have any tin in the United States?

Mr. Markon. There is a small production of tin. We are almost totally dependent on imports. We consume about 25 percent of the world's supply.

Mr. Stratton. How do you know exactly how much is going to be needed over the next few years, or in the 3 years of a war? Suppose the war goes on 4 years, and we suddenly find ourselves running out of tin? It seems to me it is very short-sighted to trade it for dollar bills that aren't going to be worth anything in comparison with what the commodity is going to be worth.

Mr. Markon. The dollar bills will go into a special account with which we will buy a commodity just as important to the strategic and policy purposes of the United States.

Mr. Stratton. What is more important than tin?

Mr. Markon. Well, tin is important to a certain extent—32,500 pounds. This has been determined by the National Security Council.

Mr. Stratton. What is more important than tin, then? What is it that we are even more short of?

Mr. Bennett. It is a top priority of procurement in the $8 billion that you want to buy, is that secret?

Mr. Markon. Yes, sir.

Mr. Stratton. That is why we can't conduct our business here because everything is secret.

Mr. Bennett. We could go into executive session.

Mr. Stratton. But you can't tell the public so they don't understand it anyway. We can't declassify it.

It just seems to me as though this is—and judging from the statement that I read, the only reason for doing it is we have a company which has invested $7 million in a new plant and they want to get tin so they don't have to take it from Bolivia. That seems to me to be the major reason for doing it.

Mr. Bennett. I hadn't heard that.

Mr. Stratton. I read the statement while Mr. Markon was talking.

Mr. Bennett. Is that right, Mr. Markon?

Mr. Markon. It is not in my statement.

Mr. Stratton. I read the statement of the next witness who is in favor of this disposal.

Mr. Bennett. This is not to be testified to. It will be made a part of the record.

Written Statement of E. B. King, President, Gulf Chemical & Metallurgical Co.

Mr. Chairman and members of the subcommittee: My name is E. B. King. I am president of Gulf Chemical & Metallurgical Co., which owns and operates the one and only tin smelter in this country—the Texas City Smelter. My duties in the management of this company for the past ten years have provided me with many opportunities to become familiar with both technical and economic aspects of the worldwide tin industry.

I thank you for giving me this opportunity to appear before the Subcommittee on behalf of a domestic industry whose existence could well be jeopardized by the unthinking disposal of stockpiled tin. I believe it critical for the Subcommittee, in its review of stockpile disposal policies, to be informed of the existence, operations and role of the domestic production of primary tin. The continued operation of the only tin smelter in this country is a matter of genuine concern and interest for the United States.

First of all I would like to state our position on the disposal of tin from the Strategic and Critical Materials Stockpile in general terms. We recognize the desirability of selling a major portion of stockpiled tin—not just 5,000 or 35,000 tons, but perhaps as much as 100,000 tons over a ten year period. This conclusion is based on the following reasoning:

(1) Few experts would argue that more than one-half of the existing 200,000-ton tin stockpile can be justified by strategic defense considerations.

(2) This nation is no longer able to afford the luxury of having billions of dollars of materials remaining idle while it borrows money at high interest rates to meet its obligations.

(3) Most industry authorities predict a shortage of tin over the next 10 years of approximately 100, 000 tons. Thus, if the sale of this quantity of tin were programmed to match worldwide economic conditions over this 10 year period of time, the net result should be beneficial to both the tin consuming *and* producing industries. The consumers would be saved from runaway prices caused by the predicted shortages, and the producers would have time to bring into operation new mine production without fear of ultimate loss of their markets to cheaper substitutes.

However, I recognize that difficulties are inevitable in translating these general views on tin disposal into specific programs.

For instance, while laymen and experts may agree on a ten-year prognostication, no one can forsee or quantify the extent of shortages or surpluses and accompanying market developments within that period. There are innumerable short term factors which cannot be evaluated, ranging from foreign political developments to such domestic occurrences as stevedore strikes.

Thus, to take a comparatively recent period, in the more than 18 months from the beginning of 1973 through the third quarter of 1974, an enormous worldwide shortage of tin (as well as most other raw materials) occurred. GSA's sales during that period totalled approximately 40,000 tons and were a salvation for the tin consuming industry. Foreign producers, who saw the price of tin double during the same period, were not damaged by these sales. Yet, in the ensuing 18 months, the situation dramatically reversed itself. A tin surplus prevailed. Fortunately for the tin industry, GSA had little tin available and was under no mandate to effect sales. Its total sales in 1975 were about 575 tons, and even this very small tonnage tended to undercut the market as GSA found itself otherwise unable to dispose of the material.

Hence, it is not sufficient to speak of a 10-year forecast. One should simultaneously identify the specific long-range goals of the United States for the tin industry and design the release program to achieve them. These goals must include encouragement for the development of additional tin reserves throughout the world. Furthermore, a reduction of our almost total dependence on imported tin bearing raw materials must be sought. This goal could be achieved through the development of domestic tin mining. In any event, however, it can certainly be achieved through more efficient domestic recovery and recycling of tin from low grade secondary materials. In the past these tin-bearing materials have been treated as waste (often with accompanying ecological problems) or have been exported since there was no American facility capable of treating them.

At the present time, tin concentrates, predominantly from Bolivia form the base load of Texas City Smelter's production, with recycled residues completing the feed. To reduce this dependence on imported concentrates, and to increase productive capacity, Gulf has embarked on a major capital expansion program. A new multimillion dollar facility which will permit the use of any tin-bearing material is nearing completion. Our expectation is to decrease reliance on Bolivian concentrates from the current 80 percent of the feed to 20 to 30 percent. This change in the use of raw materials obviously strengthens the independence of U.S. production, as well as its quantitative capacity.

These objectives, in turn, presuppose long-range stability in the usage and value of tin, without which the necessary investments cannot be undertaken or justified.

Accordingly, Mr. Chairman, the tin release program should have predictable economic effects so that it becomes part and parcel of industry planning. This will serve to reduce the excessive effect of speculative forces on the price of tin.

The long-range program should also envision specific maximum monthly quantities which would be offered for sale by GSA, except during periods when extraordinary market conditions (easily documented by the prevailing prices) warrant the disposal of additional tonnage.

In addition, there should be established a floor price below which no GSA releases could take place. This floor price should be adjusted by an escalation formula which gives due consideration to inflationary cost factors.

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These and other guidelines should be considered if the usage of the stockpile and the maximization of its value are to become part of the long range planning and development of the domestic and foreign tin industry.

On most of the above points, I have expressed views which I believe relate generally to the long-term welfare of both the public and the tin industry.

More specifically, I would like to apprise this subcommittee of the substantial public as well as private interest in safeguarding and encouraging the domestic production of tin.

(1) Texas City Smelter—the only tin smelter in the United States—has been steady employer of from 250 to 1,000 people for many years.

(2) It produces about 15 percent of this country's consumption of newly refined tin and in doing so prevents a dollar drain of substantial proportions.

(3) It is the only facility in this country capable of recovering and recycling tin from low grade residues and wastes, which otherwise would represent a further net dollar drain if discarded or processed abroad.

(4) Its existence is essential to the development of new tin mines in this country, which in the long run is the only way to relieve the United States of its nearly total dependence on foreign imports. We support directly geological exploration teams which are engaged in testing and evaluating the many known low grade tin occurrences in this country. Granted a reasonably long-term economic basis, we are hopeful that new tin mines will be developed in the United States.

(5) And last but not least, ours is an industry by all standards worth saving. We have developed new smelting technology which, when it is utilized later this year, will allow us to meet the most stringent environmental regulations and at the same time be fully cost competitive with other smelters in the world. The 5 years and about $10,000,000 required to accomplish these innovations represent an enormous investment risk for a smelter which must compete on a day-to-day basis for its raw materials in the international marketplace. The further risk of having its economic foundations wiped out by disposal policies of an agency of its own government would be a wholly unwarranted and intolerable burden.

The traditional protection against market disruption is the requirement of the Strategic and Critical Materials Stock Piling Act, 50 U.S.C. § 98–98(h), that "the plan and date of disposition shall be fixed with due regard to * * * the protection of producers, processors, and consumers against avoidable disruption of their usual markets * * *." (50 U.S.C. § 98b(e).) Absent such protection, Gulf's very existence as the sole U.S. producer of primary tin metal could be threatened because of the volume of stockpiled tin available for disposal at any given time. The United States would then find itself totally dependent on foreign sources for smelted tin, notably Thailand, Indonesia, Malaysia, and the Peoples Republic of China. To insure that the long-range defense and industrial needs of the United States not be left to the vagaries of Southeast Asian political and economic policies, any disposal of stockpiled tin must be geared to the continued ability of the domestic smelting industry to sell its product on a current basis.

The unique and often overlooked position of the domestic tin smelting industry requires an explicit call for its protection. We thus respectfully request that this Subcommittee, in its report, instruct GSA to tailor its release of stockpiled tin to avoid disruption of the marketing of domestically smelted tin.

Mr. STRATTON. They have a new $7 million facility which will permit the use of any tin-bearing material which has been recently completed. Their expectation is to eventually decrease reliance on Bolivia and concentrate from 80 percent to 20 to 30 percent.

Mr. BENNETT. Who is testifying to that?

Mr. STRATTON. Associated Metals & Minerals Corp.

Mr. BENNETT. That is just a corporation.

Mr. STRATTON. There must be some reason for disposing of it and that apparently is the reason.

Mr. BENNETT. We had a lot of problems about stockpile in the past. We hope we will settle all of them by the policy we hope to pass soon. We did pass it 2 years ago, and it never got around to being passed in the Senate. So we are kind of discouraged about that, but we hope they will.

Basically, there is about $7 billion of materials in the stockpile which don't really have to be there in the language set up for national defense. There are about $8 billion of deficiencies. That is very disturbing. There is no way we are going to get $8 billion out of the Appropriations Committee; the bill that is passed, every penny you sell you have to put it back into buying something else.

Mr. STRATTON. Does the gentleman have more confidence in the General Services Administration in estimating what we need to protect our national defense than we have in the Defense Department when they come up and recommend what is needed for our national defense, such as the truncated shipbuilding program we have just been acting on?

We are in a crisis that I don't think we ought to be operating on the assumption that because the GSA says all you need are X number of tons of tin in any future emergency, that they are really protecting our defense interests any more expertly than the Defense Department has been doing for the last 10 or 15 years.

Mr. BENNETT. We have a policy bill, Mr. Stratton. They now have to be virtuous because they otherwise don't get what they want to get.

Mr. STRATTON. I think we ought to be a little harder nosed, that is all.

Mr. MOLLOHAN. Will you tell Mr. Stratton and the committee how you arrived at the 32,000 as being the amount necessary for 3 years of continuous national emergency?

Mr. MARKON. I will be glad to to, Mr. Mollohan.

First, I will say this is not a GSA decision. I am the Commissioner of the service that would do the actual technical work of marketing, storing, and so forth. The policy aspect of the strategic stockpile falls into another area.

Mr. STRATTON. That is the National Security Council; are they the ones who do it?

Mr. MARKON. Mr. Krueger to my right is a part of the organization.

Mr. BENNETT. What is the organization?

Mr. MARKON. The Federal Preparedness Agency gives me my directions. They work in conjunction with all other governmental departments, and the Defense Department is a participating member.

Mr. BENNETT. Are they going to come in every time you meet jointly here? That would be a good idea.

Mr. MARKON. I have with me Mr. Krueger from the Federal Preparedness Agency. He can explain to you the method they use in determining the strategic requirements.

Mr. BENNETT. Thank you. Would you address that, Mr. Krueger, for Mr. Stratton?

Mr. KRUEGER. Yes, sir. I will try to summarize it, because it is a very long and involved process.

Basically, with the help of the Department of Defense, Department of Energy, Department of Commerce, those principal agencies, but also the Department of State——

Mr. STRATTON. National Security Council and the Department of State, too?

Mr. KRUEGER. The final results are transmitted to the National Security Council, but they are not a formal participant. We estimate the requirements needed to support the country for a 3-year major conventional war. These requirements include requirements for the Defense Department and requirements for the maintenance of a strong industrial base, to keep the country going, and also those requirements which are essential to civilian health and well-being and life, and things of this sort.

At the same time at which we estimate these requirements, we also make estimates of what will be the available supply during the wartime. We exclude all countries which might be involved in the war zone. We exclude as potential suppliers those countries which either are not politically strong or economically strong. We estimate they would not be during wartime. We make adjustments for transportation losses in shipping materials during wartime, and things like this.

When the requirement for materials exceeds our expected supply, we would stockpile the difference—stockpile the shortfall.

In the case of tin, we estimate that this shortfall would be about 32,500 tons. We have 200,000 tons in our stockpile right now. We estimate this is far and above what we would actually need during wartime. There are other commodities, when we go through the same procedure. We find that we do not have sufficient stockpile inventories. Any one of these commodities would be considered a higher priority than tin, and more essential to our national defense needs than tin.

Some of these commodities would include titanium, which we all know is vital to our aircraft industry; cobalt, which goes into jet engines and machine tools—two things which would be very essential during wartime—and some fairly standard materials which are pervasive to our economy, such as copper, zinc, nickel, and things of this sort.

We know we are short of those commodities, using the criteria for calculation. We know we have too much tin.

Mr. STRATTON. If we are going to dispose of tin, will we buy some thing more valuable?

Mr. BENNETT. That is what the bill is.

Mr. STRATTON. If we are disposing of 35,000 tons, we should know how much titanium we would get.

Mr. BENNETT. It goes into a fund. They can't put it in food stamps.

Mr. STRATTON. It is very nice to say we will get the valuable titanium, but we have no guarantee they are going to go out and get it.

Mr. KRUEGER. In the President's budget for fiscal 1980 we have submitted an appropriations request for almost $180 million to buy strategic and critical materials for the stockpile.

Mr. STRATTON. I know, but I think we ought to have a tit-for-tat arrangement.

You have some gold bullion in the bank, and you are counting on that to get you through your senior years. I don't think you are going to say, I have too much in there, I better dispose of it. I can get by until the age of 85 with only about half of what I have got in there.

I think that is the kind of the way we are running the country. We are pulling a figure out of a hat about what we are going to need, and then we are saying, OK; that is all we need.

Mr. BENNETT. The policy bill we just passed is such a giant step forward, such a tremendous improvement——

Mr. STRATTON. I won't say anything more, Mr. Chairman. I just wanted to express my concern because I don't think this thing is a scientific operation at all. It is a figure pulled out of the air. I think we are making a dangerous mistake to dispose of stuff that is not even available in our country, without at least making a firm commitment to get something in its place that is even more valuable.

Mr. MOLLOHAN. Mr. Krueger, have you accepted the Defense Department's projections and figures without question? Do you use the projections they have handed to you?

Mr. KRUEGER. Based upon what the material is; the Defense Department may know very accurately specific needs for a given scenario. For other materials, such as tin, it goes into so many Department of Defense products that they cannot give us a precise figure.

What they do give us, however, is what their expenditures will be on critical weapons systems, generally the whole gamut of defense expenditures.

Mr. MOLLOHAN. Do you accept their figures of the amount they will require?

Mr. KRUEGER. Yes, sir.

Mr. MOLLOHAN. You accept their figures. In other words, the defense input is accepted without challenge?

Mr. KRUEGER. Yes. Defense also reviews the final result.

Mr. MOLLOHAN. On the basis of the Defense Department's projections to me, we have currently 20 years of supply, is that true?

Mr. KRUEGER. To meet strictly defense needs?

Mr. MOLLOHAN. No; for the entire needs of the country, economic, personal, and defense as well.

You have 20 years of supply we are paying for storage. That is excess to our requirements.

Mr. KRUEGER. We have about 20 years of wartime requirements, what we would need over and above what we expect to get.

Mr. MOLLOHAN. The value of that is \$2½ billion which at our current rate of interest means it is costing us \$250 million a year in interest alone to maintain this excess of need as determined by you, is this true? We are throwing \$250 million down a rat hole?

Mr. KRUEGER. The excess is, in fact, about \$2½ billion.

Mr. BENNETT. Do you have any questious, Mr. Dougherty?

Mr. DOUGHERTY. No, sir.

Mr. BENNETT. We are sending out for another man so we can vote for this bill and won't have to talk about it any more until it goes to the floor.

I understand your apprehension. I share your apprehension. That is the reason I am going to insist on sections 2(a) and 2(b) be left in this bill, because I am very apprehensive. There is nothing that so far happened that gives me any grounds for feeling content at all. There are a lot of very grave things in the way in which they arrive at what the final figure is. You heard how they arrive at it.

Mr. STRATTON. The same people that tell us how much tin we need are the people that told us we don't need a nuclear carrier, we only need a CVV. He is not talking about the generals and admirals, he is talking about the systems analysts over there.

You know the way they stand with our committee. If they are as bad on metals as they are on carriers, we are in trouble. That is all I am saying.

Mr. BENNETT. A good example happened this year. After all this flack we had 2½ years trying to move the policy bill forward, what did they request in this budget? They actually requested a deficit, after having said—after the administration said it had a need for buying $8 billion of very import strategic material, they come up with a disposal in excess of what they are going to acquire.

Now that obviously shakes me. In the first place they are doing it in small amounts of money, not in large amounts of money at all. They have tremendous need of $8 billion of very important strategic materials. They come up with relatively small adjustments which winds up hundreds of millions of dollars to add to the general treasury, rather than to procure something that is so desperately needed.

So what they do, speaks louder than what they say. They say they like my idea, but as a practical matter, after having said they have a desperate need for $8 billion of strategic materials, they come in and say please sell off more of the stuff we have and don't buy even a couple hundred million dollars more.

So what they do speaks louder than what they say. If they come in with a program of $2 or $3 billion of acquisition and $2 or $3 billion of disposal, then their credibility would be greatly increased. It is not very greatly increased. That is the reason why I resist their methods of trying to make this fund one that they are able to do-in, after nobody is watching it any further.

I want to say to this committee as far as I am concerned as long as I am on the committee, I am going to do what Mr. Stratton urged me to do indirectly and that is I am going to ride herd on you.

I will say to the President or the man who I am going to talk to, you say you are desperately in need of $8 billion after materials and you are not making a request for that. You say you don't need these other things, why don't you do it?

I am not going to be here forever, and you are an honest man and not going to be here forever. So, let's get it going, and let's get it done. With a modest approach only a few hundred million dollars, when they said they had an $8 billion deficit of very important strategic materials, and even then it winds up they are doing-in the Treasury by several hundred million dollars. That is not a very efficient way to operate.

Mr. MARKON. This is a very complex situation, Mr. Bennett, because you have different rates of generation of income, and a different rate of your ability to spend it. Although you have the authorization it wouldn't generate the income immediately that year.

Mr. BENNETT. They have my bill. If they vigorously follow my bill—they are not vigorously fighting for it—the Administration is sort of condoning it—I went to the White House and talked to the President about it. I don't often have that opportunity to do it, not because of me, but because of him. He has too many things to do.

Anyway, I did thoroughly convince him this was a good thing to do, because he said,

> In my administration you can count on this. None of this objectionable type of operations that occurred in the past will occur.

I said,

> Mr. President, that is fine. As long as you took time to see me about the matter. You are not going to be able to personally direct the general policy.

If I were talking to him now, if I could see him today, I would say,

I told you that last year. This year you are telling me you are not really going to procure a lot of the material I thought was so important to procure. This fund is going to be called down, just like the previous administration has done to make the budget look better.

In the budget we passed half an hour ago before this committee there was a couple hundred million dollars in stockpile which we didn't address because it is not that big an item. So we didn't even address it. It does show the stockpile is going to contribute—in other words, there is a couple hundred million dollars there that can be bled out of national defense; we didn't pay attention to that figure because it is not that large.

In other words, if that budget goes through exactly like that, and is followed word for word, there is going to be a draw-down of the stockpile to that extent.

They are counting on that $200 million to help the budget.

[Off the record.]

Mr. BENNETT. Permission has been asked for insertion in the record of a statement of the Gulf Chemical and Metallurgical Co. There being no objection, it will be put in the record.

[The following information was received for the record:]

CADWALADER, WICKERSHAM & TAFT,
Washington, D.C., March 1, 1979.

Mr. RALPH MARSHALL,
Subcommittee on Seapower and Strategic and Critical Materials,
House Committee on Armed Services, Washington, D.C.

DEAR MR. MARSHALL: Enclosed is a statement by Gulf Chemical & Metallurgical Company, operator of Texas City Smelter, for inclusion in the record of the Subcommittee's hearing on tin disposal.

Sincerely,

VALERIE G. SCHULTE,
Attorney for Gulf Chemical & Metallurgical Co.

Enclosure.

WRITTEN STATEMENT OF GULF CHEMICAL & METALLURGICAL DIVISION OF ASSOCIATED METALS & MINERALS CORP.

Mr. Chairman and members of the subcommittee, Gulf Chemical & Metallurgical Division of Associated Metals & Minerals Corp. is the owner-operator of the only tin smelter in the United States—the Texas City Smelter. We at Gulf Chemical believe it critical for this subcommittee, in its review of stockpile disposal policies, to be informed of the existence, operations and role of the domestic production of primary tin.

We mention the "existence" of domestic tin production because, all too often, the tin industry is thought of as U.S. consumers and foreign producers only. It is the interests of these highly visible and vocal components of the industry which are discussed in the trade media and popular press—and in statement after statement presented to congressional committees. Little, if any, recognition is given to the domestic production facet of the tin industry. It is this concern—that the strategic and economic importance of the sole U.S. producer of primary tin may be overlooked—which brings us to this subcommittee.

Currently, Texas City Smelter is producing more than 6,000 tons per year. This production is on the order of 15 percent of present U.S. consumption. Tin concentrates, predominantly from Bolivia, form the base load of Texas City Smelter's production, with recycled residues completing the feed. To reduce this dependence on imported concentrates, and to increase productive capacity, Gulf has embarked on a major capital expansion program. A new $7 million facility which will permit the use of any tin-bearing material recently has been completed. Our expectation is eventually to decrease reliance on Bolivian concentrates from last year's 80 percent of the feed to 20 to 30 percent. This change in the use of raw materials obviously strengthens the independence of U.S. production, as well as its quantitative capacity.

We at Gulf Chemical strongly urge this subcommittee to focus on the strategic and economic importance to the United States of the domestic production of tin. The role of Texas City Smelter as an essential component of the tin industry in the United States cannot be overlooked. Nor must its effectiveness as a bulwark against total dependence on foreign-produced tin be diminished by unthinking disposal of stockpiled tin on the domestic market.

Gulf's only realistic market for its smelted tin is domestic, as the transportation costs normally impede Gulf's competing in world markets. Tin released from the Strategic and Critical Materials Stockpile is sold in the domestic markets and therefore poses a direct threat to displace Gulf sales. The traditional protection against such displacement is the requirement of the Strategic and Critical Materials Stock Piling Act, 50 U.S.C. §§ 98–98h, that "the plan and date of disposition shall be fixed with due regard to . . . the protection of producers, processors, and consumers against avoidable disruption of their usual markets . . ." 50 U.S.C. § 98b(e). Absent such protection, Gulf's very existence as the sole U.S. producer of primary tin metal could be threatened because of the volume of stockpiled tin available for disposal at any given time. The United States would then find itself totally dependent on foreign sources for smelted tin, notably Thailand, Indonesia, Malaysia, and the People's Republic of China. To insure that the long-range defense and industrial needs of the United States not be left to the vagaries of Southeast Asia political and economic policies, any disposal of stockpiled tin must be geared to the continued ability of the domestic smelting industry to sell its product on a current basis.

The tin disposal bill under consideration by this Subcommittee does re-iterate the traditional legislative language mentioned above. But we feel that the unique and often overlooked position of the domestic tin smelting industry requires a more explicit call for protection. We thus respectfully request that this Subcommittee's report specifically point out the necessity for an orderly tin disposal plan which will protect adequately the marketing of domestically-smelted tin. Attached for the Subcommittee's consideration is a copy of the oral testimony presented last year by Gulf Chemical's president to the Subcommittee during its hearings on stockpile disposal.

E. B. KING.

Mr. BENNETT. Certain questions will be submitted to the GSA, and we would like to have those questions answered for the record.

Mr. MARKON. I will be pleased to do so.

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

Question 1. What is the yearly and total requirement of tin over the 3-year period, including defense, essential and general civilian?

Answer. U.S. tin requirements for the 3-year stockpile planning period are estimated at 166,000 long tons. This total is comprised of 62,000 long tons in the first year, 56,000 long tons in the second year, and 48,000 long tons in the third year. These estimates include allowances for substitution, austerity, and other planning factors. Without these allowances, total wartime requirements would approximate 185,000 long tons. When allowance is made for supply of U.S. secondary production and imports from tin producing countries located outside of the war zone, all but twenty percent of total requirements are met. The unfilled deficit totals 32,499 long tons.

Question 2. Over what period of time do you plan to sell this 35,000 tons of tin and what receipts do you expect to realize?

Answer. We plan to sell over a 3-year period, at a rate which will avoid any adverse market impact. Anticipated receipts based on current market value will be about $536.2 million.

Question 3. Question apparently deleted.

Question 4. What percentage of the market is 35,000 tons?

Answer. Spread out over 3 years the percentage is roughly one-quarter of U.S. primary tin consumption in 1978.

Question 5. Based on current consumption, what is the total supply of tin in the stockpile at this time?

Answer. Consumption of primary tin for 1978 was approximately 48,000 LT (U.S. Bureau of Mines). The stockpile inventory is 200,480 LT, which is over four times consumption.

Question 6. How do you plan to dispose of this tin?

Answer. Initially, by sealed-bid at a rate of 1,500 long tons per month.

Question 7. What is the annual storage cost for tin, where is it stored, and in what form?

Answer. Annual storage cost is $180,450 for the total inventory, and $31,500 for 35,000 LT of tin. The material is stored at fifteen depots, in pigs of about 100 lbs. each (see attached list of depots).

Question 8. What impact do you think this 35,000 tons will have on the market?

Answer. Since the total quantity represents over 70 percent of annual U.S. consumption, the impact would be significant if the entire amount were marketed in a short period of time. An orderly marketing plan will avoid this impact.

Question 9. How many producers of tin (smelters) do we have in this country and what impact will this have on these producers?

Answer. We have but one smelter, Gulf Chemical and Metallurgical Company, at Texas City, TX. The rate of disposal will determine the impact on this producer, and the planned disposal rate will render the impact insignificant.

Question 10. Who is the largest supplier of tin to the U.S. and how much do we import each year?

Answer. Malaysia is the largest supplier at 51 percent. The U.S. imports about 50,000 LT per year.

Question 11. How did you determine we only need 32,499 tons for our stockpile?

Answer. The stockpile goal represents the shortfall between wartime requirements and estimated supplies. Wartime requirements are expected to be lower than current requirements. In part, this is the result of long-term decline in U.S. consumption due to the availability of acceptable alternate materials. In addition, austerity measures, Government programs to reduce the use of consumer durable goods, and additional substitution could reduce wartime requirements by about ten percent. This includes allowances for increases in investment demand and industrial output of the sectors that consume tin.

The estimated wartime supply of tin is relatively high for the U.S. due to the excellent level of secondary production from old scrap. Tin is recovered from scrap tin plate, bronze, solder, and type metal. In addition, primary tin would be available from some of the normal supplying countries not located in the war zone or hampered by economic and political difficulties. All of these sources together, with allowances for shipping losses, where appropriate, would meet 80 percent of wartime requirements. A stockpile inventory of 32,499 long tons would be necessary to meet the remaining 20 percent.

Question 12. What did we pay for this tin originally, and what is it worth today?

Answer. The original cost was $1.08 per lb. The current value (3/2/79) is far higher. Quotes range from $6.56 at Penang to $7.34 reported by *Metals Week* as a "New York composite" price. Reuters quotes the New York spot market price at $6.84.

Question 13. Do you anticipate any shortage of tin in the future?

Answer. Current high price and low inventories reflect a continuing shortage of tin.

Question 14. Are there any substitutes for tin, and if so, what are they?

Answer. There are many substitutes for tin. In the largest end use, tin cans and containers, tin competes with aluminum, glass, paper, plastic, and tin-free steels. Increasing consumption of frozen foods and freeze-dried foods have helped to reduce the need for tin cans.

According to the Bureau of Mines, other tin substitutes include epoxy resins for solder; aluminum alloys, other copper base alloys, or plastics for bronze; and aluminum, copper, and lead-base bearing alloys or plastics for tin-containing bearing metals. For stockpile planning purposes, however other stockpile materials such as aluminum, copper and lead are not regarded as potential substitutes, since these materials could also be in short supply in time of war.

531—TIN—STORAGE LOCATIONS

Location code—Depot	City and State	Classification	Long tons
206—GSA FSS Somerville Depot	Royce, N.J	Spec grade	7, 611
306—GSA FSS Curtis Bay Depot	Curtis Bay, Md	do	38, 532
311—GSA Point Pleasant Depot	Point Pleasant, W. Va	do	23, 444
326—GSA FSS Bethlehem Depot	Bethlehem, Pa	do	4, 182
332—Navy Ships Parts Control Center	Mechanicsburg, Pa	do	10, 121
401—Anniston Army Depot	Bynum, Ala	do	16, 620
412—Lexington-Blue Grass Army Depot	Lexington, Ky	do	7, 529
455—Naval Construction Battalion Center	Gulfport, Miss	do	2, 566
_07—GGSA FSS Hammond Depot	Hammond, Ind	do	38, 904
_09—GSA FSS Casad Depot	New Haven, Ind	do	10, 040
_26—GSA FSS Sharonville Depot	Sharonville, Ohio	do	3, 646
_27—GSA FSS Warren Depot	Wardwel, Ohio	do	6, 027
_46—Headquarters plus installation support activity.	Granite City, Ill	do	11, 307
_08—GSA FSS Baton Rouge Depot	Baton Rouge, La	do	3, 196
_16—GSA FSS Depot	Stockton, Calif	do	16, 755
Material total			200, 480

Mr. MOLLOHAN. I move the bill H.R. 595 be approved and reported favorably to the committee.

Mr. BENNETT. I think it would be good to have a rollcall vote on this. All in favor say aye when your name is called.

Those opposed, no.

[Rollcall vote taken.]

Mr. MARSHALL. Mr. Bennett.

Mr. BENNETT. Aye.

Mr. MARSHALL. Mr. Brinkley.

[No response.]

Mr. MARSHALL. Mr. Spence.

Mr. SPENCE. Aye.

Mr. MARSHALL. Mr. Mollohan.

Mr. MOLLOHAN. Aye.

Mr. MARSHALL. Mr. Fazio.

[No response.]

Mr. MARSHALL. Mr. Emery.

[No response.]

Mr. MARSHALL. Mrs. Byron.

Mrs. BYRON. Aye.

Mr. MARSHALL. Mr. Wyatt.

[No response.]

Mr. MARSHALL. Mr. Trible.

Mr. TRIBLE. Aye.

Mr. MARSHALL. Mr. Stratton.

Mr. STRATTON. No

Mr. MARSHALL. Mr. Dougherty.

Mr. DOUGHERTY. Aye.

Mr. MARSHALL. A quorum being present, six voting aye, one voting no.

Mr. BENNETT. Thank you very much. The bill as approved will be reported to the full committee. We don't meet this afternoon.

[The following additional statements were received for the record:]

NATIONAL CAN CORP.
Chicago, Ill., February 26, 1979.

Hon. CHARLES BENNETT,
Chairman, Subcommittee on Seapower and Strategic and Critical Materials, Committee on Armed Services, House of Representatives, Washington, D.C.

SIR: I wish to re-state my support of disposal of tin from the stockpile in the amount of 35,000 tons as proposed in H.R. 595.

I understand that hearings will be held on this bill on Friday, March 2.

Attached is a copy of my testimony before Subcommittee on Military Construction & Stockpiles of the Senate Committee on Armed Services on March 9, 1978.

I feel it appropriate to again call your attention to the benefits of a bill of this type to the domestic steel industry and to the consumers of canned fruits and vegetables and other food products.

Sincerely,

L. M. HOFFMAN.

Attachment.

WRITTEN STATEMENT OF LOWELL M. HOFFMAN, VICE PRESIDENT OF NATIONAL CAN CORP.

Mr. Chairman, members of the committee, my name is Lowell M. Hoffman, and I am vice president of materials for National Can Corp., headquartered in Chicago, Ill. Today I am speaking on behalf of the Can Manufacturers Institute, whose members comprise approximately 90 percent of all metal can production in the United States. Sales of the can manufacturing industry exceed $7 billion annually.

The committee today is addressing a number of complex and critical matters involving U.S. strategic and critical stockpiles which affect virtually everyone in the United States. We in industry recognize the importance of adequate supplies of critical materials in our national stockpile and applaud Senator Hart's efforts to revise and improve the Strategic and Critical Materials Stockpiling Act through the introduction of S. 2575. Of key importance is the establishment of a special stockpile fund which would enable the Congress to analyze our needs better and control the stockpiles. The fund also would serve to insure that the stockpile is employed for intended purposes only.

We do, however, have some reservation with regard to section 10(c) which allows that excess funds after September 30, 1981 would automatically be transferred to the Treasury. Such a provision may permit budgetary manipulation of the stockpile. Perhaps an amendment which would increase the sunset date to five years, with a provision for congressional approval before funds could be reverted to the Treasury, would provide the assurances needed to guarantee the integrity of the fund.

We recommend that the Committee move to adopt S. 2575, or H.R. 4895, a similar measure introduced by Congressman Charles Bennett of Florida, which already has passed the House of Representatives.

I wish now to address the balance of my remarks to a matter which is of particular importance to the Can Manufacturers Institute—tin. The can manufacturing industry is a major consumer of tin, using approximately 20,000 tons in 1977 or some 35 percent of domestic consumption. As important consumers, we are heavily dependent upon adequate supplies of tin at stable prices.

Mr. Julius Katz, Assistant Secretary of State for Economic and Business Affairs, testified last month before the House Subcommittee on International Economic Policy and Trade regarding the world tin situation. Speaking of the persistent imbalance between tin metal production and consumption, Mr. Katz stated:

> In 1977, the gap between current world tin metal production and consumption was approximately 20,000 metric tons, a figure which is not expected to decline appreciably in 1978. This deficit will persist at least until 1980 and will generate continued pressure on tin prices, *in the absence of infusions of metal into the market from the GSA stockpile and other sources.* While the average New York price in 1972 was $1.77 per pound, the latest price is around $5.30 a pound. (Emphasis added.)

As is evidenced by this statement, the United States will experience even higher prices in the next several years without prompt action to dispose of surplus tin from the GSA stockpile.

There are currently two bills before this committee which seek to ameliorate current tin scarcities through the timely release of tin from the GSA stockpile: S. 2181, the Administration's proposal to contribute tin to the ITC buffer stock; and S. 2167, Senator Pete Domenici's tin/copper bill.

The Administration's proposal calls for the contribution of up to 5,000 tons of tin from U.S. stockpiles to the International Tin Agreement buffer stock. While there is not unanimity in our Institute as to whether this proposal is the best method for aiding the American tin consumer, it is an approach that should be examined carefully. We at CMI would be willing to support such a proposal if there were reasonable assurances that the tin contributed would be sold on the U.S. domestic market, and that other measures to provide relief also would be undertaken.

The Administration's proposal, in and of itself, will not assure adequate supplies of tin at reasonable prices.

The Domenici bill, S. 2167, which authorizes the sale of 30,000 tons of tin, and the purchase of 250,000 tons of copper, would provide immediate relief from the present unusually high price of tin. Such a measure would go far to offset the shortfall between world production and consumption which is expected to prevail for at least 2 to 3 years, as well as to stabilize prices.

Current U.S. stockpiles of tin are roughly 201,000 long tons of tin. Taking into account Department of Defense recommendations for a 3-year target of 32,499 long tons, we are left with a surplus of over 168,000 tons of tin. In its recent Annual Materials Plan, the General Services Administration recommended the timely release of 25,000 tons of tin from the stockpile. Thus, Senator Domenici's proposal is consistent with GSA thinking with regard to tin disposal.

Mr. Chairman, both producers and consumers of tin agree that some action must be taken now to bring the price of tin down to reasonable levels. Producers and consumers also agree that the release of up to 30,000 tons of tin from the GSA Stockpile, for domestic sale, would be the most effective and least disruptive means of accomplishing this goal. I am confident, therefore, that members of this committee will examine the proposals before them and vote to give relief to the tin consuming industries of this country by approving S. 2167.

Written Statement of the American Iron & Steel Institute

Mr. Chairman, this statement is submitted on behalf of Tin Mill Product Producers of the American Iron and Steel Institute.

The steel industry is the largest tin consumer in the United States and accounts for some 38 percent of the 50,000 tons of tin consumed annually in the production of around 5 million tons of tin coated tin mill products. Because of its importance to the steel industry in particular and the domestic economy in general, tin has always been considered an essential, if not critical, material and is the basis for its original inclusion in our national strategic stockpile.

The Committee on Tin Mill Product Producers appreciates this opportunity to present its views on H.R. 595, legislation that has as its main objective authorization for disposal of approximately 35,000 long tons of tin in the national and supplemental stockpiles.

We support this legislation as we have supported, and testified in favor of, similar legislation when it was being considered by both the 94th and 95th Congresses. And we support it for the same reasons. With the supply of Grade A tin authorized for disposal having been exhausted, this legislation is necessary.

Despite comments from some sources that the supply of tin may be expanding, unfortunately, tin prices remain as they have for over two years, substantially above the International Tin Council's ever-rising ceiling, and thus not an indicator of a significant increase in supply.

This is clearly an appropriate moment to undertake to put in place a new tin stockpile disposal authorization. Whatever the supply situation, it can change with dramatic swiftness. The history of the many congressional disposal initiatives spanning the past three years gives ample evidence that they cannot be effectuated with dispatch. But with a tin disposal authorization on the books, actual sales or releases can be implemented as the nature of timing of any subsequent emergency may dictate.

Tin stockpile disposals have been a subject of seemingly endless debate and contention, both domestic and international, giving the impression that disposal authorizations are a perennial activity. But it is interesting to note that the most recent tin disposal authorization was the one approved by Congress in 1964.

That last release, some 15 years ago, served both the country and tin consumers in the United States in good stead. The release proposed in this legislation will, we are convinced, prove equally beneficial. Because it does not strike us as prudent to further tempt fate, we recommend this legislation to the prompt and favorable consideration of your committee.

[Whereupon, the subcommittee adjourned at 11:30 a.m.]

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