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LEAD INDUSTRIES ASSOCIATION

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AN AUSTRALIAN OUTLOOK ON LEAD*

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This year the Empire Mining & Metallurgical Congress is being held in Australia and as Broken Hill Associated Smelters Pty. Ltd. is one of the hosts at this function, which extends over a rather protracted period, our Australian friends unfortunately have been unable to send a representative from within their own ranks to this meeting.

They have, however, prepared a paper entitled "AN AUSTRALIAN OUTLOOK ON LEAD" which I am honored to have been requested to read to you.

Those of you who know me are well aware of the fact that I am not an Australian. But this paper, prepared in Australia and written in the first person, would lose its value as an Australian viewpoint, if I were to paraphrase it. I shall therefore pretend that I am an Australian, and for the moment, an official of Broken Hill Associated Smelters Pty. Ltd.

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It is always a great pleasure for us in the Australian lead industry to have the opportunity to address a meeting of the Lead Industries Association. It is perhaps a reflection of the international scope and common problems of the industry that these invitations, which we appreciate so much, have been extended. Since Frank Green, the Manager of our Port Pirie smelter spoke at a meeting of the Association in Chicago a year ago, producers have suffered a severe and in some cases crippling blow as a result of the setback to metal prices, and I hope that you will permit me to comment briefly on the present position.

Since the reopening of the London Metal Exchange for lead in October last we have been operating in a free competitive market under conditions that look to be very similar to those that applied between the two wars. Producers have undoubtedly benefited from the high metal prices of the last few years, which were at least partly due to such Governmental action as stockpiling, bulk buying, and price controls, but as a result of those prices, we must carry for some time to come, the burdens of high capital charges, high wages (particularly in the form of fringe benefits) and high production.

There seems to be no grounds for belief that the demand for new mined lead will not, in the long term, be as great or even greater than it is at the moment. History has shown that where lead has lost out to substitutes in one field of consumption it has gained in others, and additionally there are vast numbers of people in the world who would constitute an immense demand for lead if their living standards were raised to one quarter of our own. In regard to the United States I am

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aware that doubts have been cast on the figures in the Paley Report, but even so all these factors must add up to the fact that lead resources, as we know them, will eventually be severely taxed to meet requirements.

Whether the present depressed market conditions be short lived or long lived we cannot foresee, but if we believe in the ultimate need for all available lead, the problem of producers at the moment is to maintain their capital intact and to safeguard the interests of labour and stockholders during the interim period.

Because of the physical location of the world's lead resources, the largest consumers must import, and, excluding the United States, producers must export. It is also true that a large proportion of the production in the exporting countries is owned by investors in the consuming countries. (It is probable that mine production outside the United States controlled by American investors is approaching the equal of U.S.A. domestic production). I don't think therefore that I can be accused of advocating on the part of Broken Hill only when I say that it seems to me true that the continued welfare of all producers is a matter of importance to members of this Association.

You will recall that I referred a moment ago to the fact that free market conditions now obtaining are similar to those that existed during the twenties and thirties. Those decades were not very prosperous ones for lead producers. Although the market in 1918 was able to absorb the British Government lead stocks, which were three times what they were in 1952, lead never made a very spectacular showing during the twenties, and by 1931 it was necessary for ex-United States producers to cut their production to first eighty-five and then eighty percent of their 1930 totals. Eventually the industry achieved a not very substantial stability by the isolation of the United States and the British Commonwealth from the world's markets and the sacrifice of Mexico and other South American producers. It is interesting to note in passing that the influence of silver, which rose in price in 1934 and gave South American producers some relief, has now greatly declined as a factor in the economics of lead production.

We have no wish to return to the days when we had eighty thousand tons of what we termed "delayed" lead stacked on the wharf at Port Pirie. It also appears to be impractical, particularly in the face of current moves towards a liberalisation of trade, for any country or economic union of countries to take drastic steps to protect its own section of the industry without both damaging its investors (thus making the whole industry less attractive to capital) and endangering its own supplies. On the short term aspect of which I am speaking, an at least partial solution for producers seems therefore to lie in taking steps, where possible, to maintain consumption of lead in its present fields of usage, to investigate all possible new uses, and to examine all methods of reducing costs.

In regard to existing consumption there seems to be a case for what might be termed improved public relations, a field in which we appreciate our own shortcomings. We should ensure that the service we give our customers is at least as good and if possible better than they could obtain from producers of competitive substitutes. I am thinking here particularly of such things as handling methods and the size and shape of pigs, alloying and purity, and research on technical problems related to consumer requirements. We must also recognise that lead, and zinc, are losing out to substitutes which enjoy the great benefit of being free from major price fluctuations, and on this point there may possibly be room for restraint on the part of consumers as well as producers.

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Improvement in production costs must eventually be of benefit to all connected with the lead industry. It would be very unwise to believe that the most efficient and cheapest methods of mining and smelting have yet been perfected. Although chemical extraction processes that have been recently introduced are at the moment confined to the recovery of such metals as copper and cobalt it seems not impossible that similar processes will be developed for lead and zinc. Sulphur recovery from lead concentrates may also become increasingly attractive.

From what I have said you will gather that we in Broken Hill view the future optimistically but with a certain amount of caution. In our own industry we hope that costs will steady up now that the persistent rounds of wage increases with which we have been dogged for the last few years appear to have subsided. Smelter production at Port Pirie will be about one hundred and sixty four thousand tons for the year ended June 30th, 1953. Looked at generally, conditions in Australia are not buoyant, and we are suffering from a capital shortage that has unfortunately made it necessary to defer the completion of several major national power schemes and other industrial projects particularly in the textile and paper industries. There has been a swing towards the left in States' Government which may possibly spread to the Federal sphere, and it is perhaps now unlikely that the Australian mining industry will receive in the near future concessions in the tax field that would put it on a par with producers, say, in the United States or Canada. It has been gratifying to note, however, the decline of the influence of extremist left wing elements, particularly in the trade unions.

In the mining world the principal events of the past year have been the commissioning of the new mill and haulage equipment in the New Broken Hill Consolidated mine, the completion of the Mount Isa copper smelter, and perhaps more significantly the discovery of the great uranium resources of the Northern Territory.

As a result of the uranium discoveries, the establishment of guided missile proving grounds, and other factors, Australia is becoming of increasing strategic importance, a principle that has perhaps been recognized by the need for the Australia, New Zealand, United States pact. As basic development proceeds it may be necessary to attract an increasingly greater flow of overseas capital, particularly dollar investment. Prosperity for Australia depends to a large extent on the level of business activity in the United States, and in a more restricted field the Australian lead industry is equally dependent on the prosperity of mining and consuming interests here. Without a healthy lead mining industry in the U.S.A. the search for substitutes would inevitably have been greatly accelerated.

In England we are taking steps to expand the scope of the Lead Industries Development Council, whose activities as you know have hitherto been confined to certain sections of the trade, and I hope that it will be possible to maintain increasingly close contacts between the Council and this Association. Only by going out to sell lead and its products can the good fortune of the industry be upheld at its present level.

That gentlemen, is the Broken Hill Associated Smelter Pty. Ltd. outlook on lead.

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