EXECUTIVE COMMITTEE MEETING

New York, N.Y. July 12, 1949

A meeting of the Executive Committee of the Lead Industries Association was held on Tuesday, July 12, 1949, at 4 P.M., at the offices of the Association, New York, N.Y.

PRESENT	REPRESENTING
F. E. Wormser, Chairman	St. Joseph Lead Co.
S. D. Strauss	American Smelting & Refining Co.
G. H. LeFevre	United States Smelting Refining & Mining Co. Inc.

ALSO PRESENT

C. Glass	International Smelting & Refining Co. Anaconda Sales Co., Agents
F. F. Colcord	United States Smelting Refining & Mining Co. Inc.

R. L. Ziegfeld, Secretary-Treasurer

The meeting was called to order with Mr. Felix E. Wormser in the chair.

The minutes of the previous meeting of December 14, 1948 were approved.

STATEMENT FOR SENATE COMMITTEE ON INTERIOR AND INSULAR AFFAIRS

The secretary reported that the Senate Committee on Interior and Insular Affairs might shortly hold hearings on S. 240 and S. 2105, dealing with mine incentives. The Executive Committee decided that the Association should file a written statement with this Committee if and when it takes these bills up for consideration.

The Executive Committee members proceeded to discuss in detail a draft of such a statement which had previously been submitted by the secretary, and revised this draft in accordance with the attached Exhibit "A." The secretary was instructed to circulate the statement to the entire membership of the Association when and if it becomes known that the Senate Committee would consider these bills and prior to filing it with the Senate Committee.

DOMESTIC LEAD MINE LABOR REPORT

The secretary then reported that a ballot had been sent to companies reporting on the Association's monthly report Form F, Domestic Lead Mine Labor, to determine whether it was of value any longer and whether it should be continued or discontinued. The ballots showed that, with more than 75 per cent of the reporting mines heard from, the vote was two to one in favor of discontinuing the report.

It was decided that this report should be discontinued immediately.

The meeting adjourned at 5:45 P.M.

Robert L. Ziegfeld

Secretary

Executive Committee
Meeting Minutes

Exhibit "A"
Tentative Draft
July 14, 1949

PROPOSED STATEMENT

OF

LEAD INDUSTRIES ASSOCIATION

TO BE FILED WITH

SENATE COMMITTEE ON INTERIOR AND INSULAR AFFAIRS

ON S. 240 AND S. 2105

We desire to lend our support to constructive efforts to develop and strengthen the mining industry of the United States, to conserve our mineral resources, and to provide metal for the nation's permanent military stockpile, which are the broad objectives of S. 240 and S. 2105.

We oppose in general the idea of subsidization of the mining industry, feeling that its problems can best be solved within the framework of our free enterprise system, preferably by revision of the tax laws more fully to recognize the inherent risk of mining, a risk that has become greater as the more easily accessible deposits have been discovered and worked out and costs of exploration, development and production have increased. Specifically we believe that, for tax purposes, exploration and development costs might be allowed as operating expenses before, as well as after, production begins, that depletion allowances might be increased (both of these provisions now apply to the petroleum industry), and that a tax free period might be allowed for new ventures after they start to produce. We realize that tax revision is not within the purview of your Committee but respectfully suggest the early and careful consideration by the Congress of the recommendations of the American Mining Congress for revision of tax laws affecting mining.

EXPLORATION INCENTIVES

Pending such time as the tax laws take a more constructive attitude toward mining, we believe that S. 240 and S. 2105 offer a feasible approach to the problem of encouraging exploration. Both bills require participation in the cost by the producer as well as by the Government, thus assuring a greater degree of efficiency in the operation. S. 240 is more definitive in this respect than S. 2105 and therefore is to be preferred from this angle although S. 2105 could be simply amended in Sec. 6 to be more explicit as to the proportion of Government and private participation and to avoid any discrimination between different producers. We believe that S. 240 goes too far in offering Government participation up to 90 per cent of the cost, although there is no objection to a sliding scale, as provided in that Bill, which treats all producers alike. We respectfully suggest specific inclusion of geophysical prospecting under the definition of "Eligible exploration."

PUBLICITY

In the provisions relating to exploration, S. 240, Sec. 5, and S. 2105, Sec. 6, might be considered a logical expansion of the work done in the past by the Bureau of Mines. We must, however, point out a basic distinction. For many years, the Bureau of Mines has been engaged in nation-wide prospecting and exploration of mineral deposits.

This has been done in the national interest and the information obtained has been available to all of our people. On the other hand, S. 240 and S. 2105 would provide for the first time, except in a war emergency, that the Bureau of Mines or a similar Government agency make financial grants to individual companies and the resulting exploration and information would be for the exclusive benefit of the company participating. As a safeguard against discrimination if Congress provides for the joint participation by Government and the mining industry in exploration programs, the Act should clearly set forth the rules and regulations under which the programs should be undertaken, (as in S. 240 but not in S. 2105), and should provide that all contracts or similar arrangements between the Government and industry become public knowledge as soon as entered into.

GUARANTEED PROFIT AND DISCRETIONARY POWERS

We are opposed to the provisions of S. 240 which provide for production premiums guaranteeing a profit to the producer. We know of no industry in this country which is guaranteed a profit. No individual in Government should be placed in the position of having to determine a reasonable profit. For the Government to guarantee a profit entails, of necessity, Government control of salaries, wages and all the other elements of cost in a mining enterprise. In our opinion to establish such a policy would be dangerous, would be an improper interference in the operation of a highly technical industry, and would represent a step toward nationalization of the mining industry.

S. 2105 does not guarantee a profit but discrimination might arise under the broad discretionary provisions of Sec. 7. It is true that creation of a four-man Board is some check on possible misuse of the discretionary powers granted. Full publicity on all arrangements between Government and the mining industry should be provided in this section as an added safeguard. The intent of this section appears to be that the powers be used only to conserve resources which might be permanently lost without Government help, but it would be most difficult to administer this provision fairly.

Take for example two adjacent and similar properties. One, efficiently operated, can produce profitably on a reasonably low market. The other, an inefficient operation, cannot. The former continues to operate. The latter shuts down and asks for aid on the grounds that ore in the ground will be permanently lost because the operator cannot afford to continue pumping and maintenance work. Who can determine fairly whether the claim for aid is justified? Should the efficient operator foot the bill, through taxes, to keep the unsuccessful one going?

It would be extremely difficult, if not impossible, to determine whether an operator would be able to keep on without Government aid if no Government aid were available, and whether the ore would, in fact, be forever lost if he did shut down. After all, in the period of high prices just passed, many mines that had been shut down completely for years were reopened profitably, and were able to produce metal at the very time it was most needed.

NOT NEEDED FOR STOCKPILING

Under present conditions in the metal market there is no need for this legislation to aid the Government stockpiling program. There is an ample supply of most metals and, in the case of lead and many other metals, the Munitions Board is currently purchasing sizable tonnages.

S. 240 provides that subsidized production be stockpiled and therefore removes it from the open market. S. 2105 does not contain this provision and would put the subsidized metal in direct competition with unsubsidized metal.

COST

While S. 240 would cost in excess of a half billion dollars, S. 2105 places no limit on expenditures, on the duration of the Bill, on the duration of contracts made under it, nor does it designate the metals or minerals which may receive aid, except as determined by the Board. Furthermore, in S. 2105 no ceiling is placed on the price plus subsidy that may be paid. It would be most difficult to estimate the cost of S. 2105 but it could conceivably be very large.

An unnecessary expense is created by S. 240 in its establishment of a new Division in the Interior Department to administer it. In our opinion the Bureau of Mines and Geological Survey have long and satisfactory dealings with the mining industry and are able to handle intelligently and economically any matters pertaining thereto.

CONCLUSIONS

In conclusion, we are opposed to mine subsidies in principle and particularly to that type which guarantees a profit. It is our opinion that fundamental and sound aid to the mining industry can best be given through proper tax treatment. A tax approach, moreover, would require no new administrative machinery, would avoid the danger of discrimination, and would result in far less cost to the Government.

With reference to S. 240 and S. 2105 specifically, we are not opposed to the exploration aids proposed, but believe that the amount of Government participation and the fact that there shall be no discrimination among producers should be clearly set forth in the bills themselves. S. 240 is satisfactory in this respect except that we believe the maximum Government participation of 90 per cent to be too large. S. 2105 appears to be too indefinite and should be amended to be more specific.

We do not favor production subsidies which guarantee a profit, as provided in S. 240. We also feel that production subsidies ostensibly intended to aid conservation, as provided in S. 2105, would lead to discrimination and would be a costly experiment and we are therefore opposed to them. Certainly, if S. 2105 is enacted into law its provisions should be surrounded with safeguards as to the maximum prices that might be paid, total cost to the taxpayer, and the metals and minerals to be included.

Finally, we believe that all contractual or other arrangements between the Government and producers should be made public as a means toward assuring efficient administration and freedom from discrimination and that a requirement for such publicity should be made a part of the law itself.