

LEAD INDUSTRIES ASSOCIATION

Graybar Building, 420 Lexington Avenue
New York, N. Y.

March 8, 1935.

Hon. Thomas Walker Page, Chairman,
Committee for Reciprocity Information,
United States Tariff Commission,
Washington, D. C.

Dear Sir:

Subject: Trade Agreement Negotiations with Canada.
Product: Lead ores, pig lead, metallic lead products,
lead pigments and foil.

In connection with the trade negotiations to be conducted by the State Department with the Dominion of Canada, the Lead Industries Association, representing the lead mining, smelting, refining and manufacturing industry of the United States, respectfully requests that no changes be made in the tariff rates established by the Act of 1930 upon the numerous lead products of our industry, i.e., paragraphs 391 on lead bearing ores, and paragraph 392 on pig lead and metallic lead products, paragraph 72 on lead pigments and paragraph 372 and 397 on foil, for the following reasons, which are substantiated by detailed statistics and information appended to this statement:

1. These tariff rates were established in 1922 and were not increased by the Tariff Act of 1930.
2. They provide American labor with the protection it needs against foreign competition and help to assure steady employment in the lead industries.
3. The rates are already moderate and reasonable and quite in line with the policy recently expounded by the National Resources Board which states:

"It is sound and wise American policy to give reasonable protection to those branches of the American mineral industry which have adequate deposits available at reasonable prices." *

- * Excerpt from "Report of the Planning Committee for Mineral Policy, Part IV, National Resources Board, 1935.



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THE TARIFF RATES ON LEAD PRODUCTS

The Tariff Act of 1930 established the following rates on lead products which are the same as the rates established by the Tariff Act of 1922 as no increases were requested of Congress at the time of the tariff revision of 1930:

Paragraph 391 - Lead bearing ores, flue dust, matte.
1½¢ per lb. of lead content.

Paragraph 392 - Lead bullion or base bullion, lead in pigs and bars, lead (---), reclaimed lead, scrap lead, antimonial lead, antimonial scrap lead, type metal, babbitt metal, solder, all alloys or combinations of lead not specially provided for.
2-1/8¢ per lb. of lead content.

Lead in sheets, pipe, shot, glazing lead and lead wire.
2-3/8¢ per lb. of lead content.

Paragraph 72 - Lead Pigments:
Litharge 2-1/2¢ per lb.
Orange Mineral 3 ¢ per lb.
Red Lead 2½ ¢ per lb.
White Lead..... 2½ ¢ per lb.

All pigments containing lead, dry or in pulp, or ground in or mixed with oil or water, not specially provided for.

30 per cent ad valorem.

Paragraph 372 - Tin Foil.
35 per cent ad valorem.

Paragraph 397 - Foil, base metal.
45 per cent ad valorem.

PRESENT DEPRESSED SITUATION IN THE LEAD INDUSTRY

The United States is the principal producer of lead in the world, and the utilization of this great natural resource furnishes an important source of employment in the Western mining States. Even today, when the depression has left its mark upon the metal industries, lead production affords important employment ready to be increased upon a recovery in the lead market.

A recent report of the Natural Resources Board, already

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4. Increased unemployment in the lead industry, which would be caused by competition from Canadian lead importations, would likewise decrease employment in many industries, including agriculture and the railways, now serving the lead industry.
5. More unemployment in the Western lead mining and smelting States would make an already serious situation worse, especially if it brought about complete abandonment of some lead mines with irreparable injury to lead reserves.
6. Under the terms of the most-favored-nation agreements with other countries, a change in the lead schedules granted as a favor to Canada would cause immediate importations from other countries producing lead products, such as Great Britain, Spain and Germany.

Respectfully submitted,

CLINTON H. CRACK (Signed)

President.

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referred to sets forth clearly the present severely depressed condition of the lead mining industry. It states that:

"The mine output decreased from an average of 664,000 tons a year in 1925-1929 to 273,000 tons in 1933, a decline of 59 per cent. The average, however, does not show the full extent of the decline in some important districts. In the Western States lead is largely derived from complex ores and the by-products, especially the gold and silver, recovered afford a substantial credit. In Missouri and others of the Central States the gold and silver are absent or, at best, unimportant. As a result, the decline of production has been the greatest in the Central States, where 1933 output was 62 per cent below the predepression level, against 57 per cent in the West."

The report further states that:

"These conditions have resulted in widespread distress in the communities dependent on lead mining and smelting. The number of men employed has dropped to barely half of the 1929 level, a decrease of 14,000 men. Meanwhile, the working time of those still on the rolls is diminished by the necessity of spreading the employment available."

Refined lead production in the United States from domestic ores in 1934 was equivalent to the production for the year 1904, which will give some measure of the depressed state of the lead mining industry. The table on Page 9, showing lead production for the years 1920 to 1934 inclusive, the last fifteen years, will show the sharp curtailment that has taken place over the last four years.

Lead and its sister non-ferrous metals have been the commodities most adversely affected by the depression. The non-ferrous metals have had no relief from any source. There have been no Governmental remedies instituted by the Administration to help the American miner of non-ferrous metals comparable with what has been done in agricultural lines and yet his position today is just as acute as that of the farmer. Large numbers of prospectors and small producers of lead have been driven out of business altogether.

THE PRICES OF LEAD AND OTHER COMMODITIES

The relationship between the price of lead and the price of other commodities with which it is exchanged in commerce is best indicated by comparing an index of the price of lead with an index of general commodity prices, prepared by the Bureau of Labor Statistics. This is shown in the table below and it demonstrates how, ever since 1926, the price of lead has been depressed below the general average of all prices. Over the years 1931 to date, the discrepancy between the two indices has been particularly striking. It shows that the product of the lead miner can not be exchanged upon an equitable basis today with the products of industry and agriculture as a whole.

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Year	Index of New York Lead Price	Commodity Index Bureau of Labor Statistics
1924	96.2	98.1
1925	107.1	103.5
1926	100.0	100.0
1927	80.3	95.4
1928	74.9	96.7
1929	81.1	95.3
1930	65.6	86.4
1931	50.4	73.0
1932	37.8	64.8
1933	46.0	65.9
1934	45.8	74.9

THE DROP IN LEAD PRICES

If the course of the lead market is traced over the last ten years, the severe decline in the lead price becomes apparent. The following table gives the average price of New York pig lead for the years 1924 to 1934 inclusive:

PRICE OF LEAD PER POUND

Year	New York Price Cents Per lb.
1924	8.10
1925	9.02
1926	8.42
1927	6.76
1928	6.31
1929	6.83
1930	5.52
1931	4.24
1932	3.18
1933	3.87
1934	3.86
March 1, 1935	3.55

Over the last three years of the depression, the price of lead has ruled well below the ten year pre-war average and has been 60 per cent below the 1926 level, the goal which the Administration has proclaimed as its objective in the recovery program.

RISK IN LEAD SUPPLIES

Ever since 1929, the mine production of lead has been more than the demand called for. As a consequence, a huge surplus of refined lead now exists in the United States, enough to fill domestic requirements for a year at the present rate of consumption. A large part of the accumulation represents the efforts which the American lead producers have made to keep their operating forces occupied as much as possible and to keep their properties open for closure might mean the loss of valuable ore reserves. The producers have willingly tied up their capital in excess stocks of lead to give their employees employment in mining and smelting communities where often the only other alternative has been public relief or acute distress. The table

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below shows how these stocks have increased in the past five years:

LEAD STOCKS - UNITED STATES

In Short Tons

<u>Year</u>	<u>Refined Pig Lead</u>	<u>In All Forms</u>
January 1, 1930	42,000	111,000
January 1, 1931	94,000	159,000
January 1, 1932	147,000	218,000
January 1, 1933	165,000	263,000
January 1, 1934	192,000	296,000
January 1, 1935	225,000	315,000

WASTE OF ORE RESERVES

It is well known that mines can not shut down and reopen as easily as factories. A closed mine rapidly deteriorates, fills up with water, or caves, and the injury to the ore deposit through dilution of the ore with waste may be so serious that costly reopening may be prolonged indefinitely or the mine abandoned altogether. The report of the Natural Resources Board, already referred to, develops this point in an able manner, and, although its remarks were written with copper in mind, they are equally applicable to lead:

"Not least important, these fluctuations in price and output lead to serious waste of the resource. Mining efficiency and resource recovery require orderly and continuous operation and are handicapped by violent change in demand. Existing mines were laid out with a certain price level in mind and with a certain anticipated life. When prices collapse, the initial plan of operation must all too often be discarded. Today mine operators are driven to neglect the most elementary work of maintenance. They are driven reluctantly to practice 'selective mining'; that is, to take only the richest portions of the ore body, abandoning the attempt to recover the associated lower-grade material. This practice of gutting the mine or 'picking the eyes out' reduces the average value of the ore left behind and at the same time increases future cost of recovering it, through caving and flooding of the workings. Again, mine owners are forced to take out the pillars previously left for support, when they contain bodies of high-grade ore, thereby allowing old stopes and levels to cave. As the shut-down continues, the damage grows progressively worse. Shafts and main haulage-ways collapse. Barren rock and ore are crushed and mixed together, making future separation difficult or impractical. In the great shrinkage stopes used in some mines waste rock mingles with the broken ore, diluting the metal content of the product and greatly increasing the cost. In Michigan and elsewhere mines are filling with water. The conditions cited are not imaginary. They are actually going on in many once famous mines, and taken together they act to endanger resumption of mining and to raise future costs. The increase in cost cannot be estimated closely. It depends on conditions and on the time that may elapse before attempting to resume production. But any mining man can visualize conditions where the unit

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"cost of later reopening and recovering the rest of an abandoned ore body might be 50 per cent, 100 per cent, or 200 per cent more than the cost if the same ore had been taken out in one continuous operation under the original plan of development."

Lower lead prices if brought about through tariff negotiations with other countries, may, therefore, work irreparable injury to our lead mines.

LEAD FOUND IN COMPLEX ORES

A large portion of the lead production of the United States is derived from complex ores, that is, those containing two or more non-ferrous metals, chiefly combinations of lead and zinc minerals. The miner of complex ores is concerned chiefly with the gross value of his product, that is, the combined value of all the recoverable metals in his ore. Deductions for concentrating, transportation, handling, smelting, refining and selling, at today's low price of lead, do not leave him much of a margin, if any, after he sells his production. Even a slight disturbance in the price of lead, brought about by a reduction in the tariff, would be, in many cases, the straw that breaks the camel's back, and force the miner to abandon his operations, not only of lead but of zinc, silver, gold, or other metals. So closely are the lead and zinc mining operations of the West allied that employment figures must be studied from the standpoint of the amount of work furnished by both the lead and zinc industries together and the employment indirectly given other industries. The lead and zinc industries combined provide employment today for probably 50,000 persons, which is far below their past performances. In a general business recovery, the lead industry may be expected to furnish much more employment, provided, of course, there is no reduction in its present tariff protection.

OTHER INDUSTRIES AFFECTED

Furthermore, the wealth creating function of the lead industry furnishes incalculable employment in those industries which serve it with supplies such as, drill steel, powder, and lumber, to thousands of neighboring farmers who supply foodstuffs, not to mention the huge revenue which the railways derive from transporting mining supplies and mining produce.

There is also the important consideration of the employment which mining and smelting gives in Western States where there is no other source of livelihood. In many mining camps, if it were not for the continuous operation of the lead mines, distress would be so acute that Government intervention at great cost to the Government would be necessary. The sparsely settled States of Idaho, Utah, Montana, Nevada, Colorado and elsewhere in the West, lean heavily upon the mining industry for revenue with which to support their own State Governments. It would be nothing short of disastrous if the lead mines and smelters were to shut down, simultaneously forcing their employees on local relief rolls to become a burden on the State, and, at the same time, taking away from the State some of the very revenue it needs to help support the unemployed.

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LEAD SMELTING AND REFINING INDUSTRY

It is obvious that further curtailment of the mining of lead and zinc seriously affects the smelting and refining industry. The smelters are dependent for their very existence on an adequate supply of ores. Smelters and refiners in the United States are, therefore, vitally interested to an equal extent with the miners, in the general conditions of the industry, and employment in this branch is dependent on the activity resulting from such conditions. The lead smelting and refining industry of the United States has also accumulated large stocks of lead in its effort to yield the maximum amount of employment possible. If their domestic sources of supply are dried up by reason of tariff lowering, the smelters and refiners will also add to existing unemployment.

THE CANADIAN POSITION

Canada is favored by unusually rich and remarkably large lead-zinc deposits in British Columbia which have been able to produce lead and zinc profitably at the present depressed world level prices. The Canadian lead market is:

1. protected by a tariff rate on pig lead and an anti-dumping law which protects the Canadian market, and
2. the Canadian production has a preferential outlet, through the Ottawa Agreement, in England.

It is not reasonable under these conditions for Canadian lead and zinc to seek a third protected market as an additional outlet, with resulting unsettlement in world markets.

Canadian lead production has grown rapidly and has been maintained throughout the depression at a rate fully as high as the average production for the four years prior to 1929. A relatively high output has been maintained despite the fact that Canadian zinc and lead are sold mainly in Europe at a price more than one cent per pound lower than lead has been sold in the United States and in the face of an almost constantly declining lead market. This will present some idea of the remarkably strong competitive position of Canada by reason of its unusually rich lead ore deposits.

At the same time, American lead production has been curtailed greatly, bringing it back to an output equivalent to the production of lead some thirty years ago.

Canada is at a youthful stage in its mineral development, comparable with the position of the United States many years ago - when a grade of ore was mined richer than that generally available today.

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The following table not only shows the striking recent growth in the competitive position of Canada in the production of lead over the past fifteen years, but also illustrates the force of the conclusion that Canadian competition is a serious threat to the American producer.

PRODUCTION OF LEAD
(In Short Tons)

<u>Year</u>	<u>United States</u>	<u>Canada</u>
1920	476,000	18,000
1921	402,000	34,000
1922	470,000	46,000
1923	530,000	54,000
1924	590,000	87,000
1925	663,000	127,000
1926	696,000	141,000
1927	673,000	156,000
1928	650,000	170,000
1929	688,000	159,000
1930	593,000	166,000
1931	411,000	143,000
1932	277,000	130,000
1933	293,000	130,000
1934 (Estimated for December)	360,000	157,000 (Estimated (for December)

Our country has ample resources of lead which have been and are sufficient to satisfy all domestic requirements and there is no need of importing an additional supply from any sources outside the United States. There is normally a close balance between United States lead production and demand.

TARIFF RATES ON MANUFACTURED LEAD PRODUCTS
(Paragraphs 72, 372, 392 and 397)

As the tariff on manufactured lead products has been established at a rate which will compensate for the protection given lead ores and pig lead, it is also essential that no change be made in the rates provided by Paragraph 72 on lead pigments, paragraph 392 on metallic lead products and paragraphs 372 and 397 on foil.

The lead miners and smelters as well as the white lead manufacturers view with grave apprehension the reduction in the white lead tariff granted to Belgium recently and desire respectfully to protest this action. The treaty with Belgium, reducing the duty from 2.5¢ to a duty of 2.1¢ per lb., on white lead, takes away the compensating duty which Congress has invariably given the lead producers as the pig lead duty is 2.125¢ per lb. The compensating duty on white lead has always been considered rather low because of the relatively lower labor costs abroad. If this breach in the wall of protection granted the lead industries results in an influx of white lead from Belgium and from other countries to whom most-favored nation arrangements apply, an already serious lead situation will be further depressed.

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CONCLUSION

Despite the adverse conditions under which the lead industry has operated during the past four years, it has sincerely cooperated with the recovery program of the Administration, through the N.R.A., in raising wages and trying to increase employment. Wage increases took place in 1933 and 1934, bringing the scale back to the 1929 level, or close to it, and costing employers great expense without commensurate return because the wage increases were made in the face of a lead market which declined practically all of 1934.

The mining plants, smelting and refining establishments, white lead factories, lead pipe and sheet lead plants, etc. of the lead industries represent substantial investments and employment facilities in practically every State in the Union. It would be a very costly move to sacrifice these widespread interests by adding further foreign competition to an already highly competitive domestic market. Specifically, a decrease in the price of lead, caused by a reduction in the tariff, would result primarily in either:

1. A reduction of wages to code minimums or below, or
2. A complete shut down of many properties now struggling to keep going, and producing lead below cost, thereby increasing unemployment in the lead industries, and causing irreparable damage to many mining properties.
3. A decrease in Federal and State Tax revenues.

Moreover, increased foreign competition in manufactured lead products caused by a reduction in the present lead schedules, would increase unemployment in the lead pigments and metallic lead products industries.

On the other hand, if there is no change in the tariff rates on lead products, it is to be expected that, as recovery proceeds, the lead industries will prove to be a fertile field for increased employment. It is likely that, together with the zinc industry, the lead industry may account for 150,000 employees rather than the 50,000 now engaged in these industries.

Respectfully submitted,

Clinton H. Crane,
420 Lexington Avenue,
New York, N.Y.

Personally appeared before me, a Notary Public in and for the County of New York, State of New York, this 8th day of March, 1935, Clinton H. Crane, personally known to me as the signer of the foregoing, who after having been duly sworn declares upon his oath that he has read the foregoing, that it was prepared by him or under his direction, and that the same is true to the best of his knowledge, information and belief.

Subscribed and sworn to before me, this 8th day of March, 1935.

Notary Public.