Alcoa's Price Rise, by Maximum Allowed Under Guidelines, Is Expected to Spread

By a WALL STREET JOURNAL Staff Reporter

PITTSBURGH—Other aluminum makers are expected to follow Aluminum Co. of America in raising their prices by the maximum allowed under government price guidelines. The action is expected through a one-time boost next month on nearly all the companies' aluminum products.

The result is likely to be a widening disparity in the prices charged for any one item, analysts and buyers said. That's because each producer, in taking all of the average price increase allowed under federal guidelines, is expected to target its highest-volume products for the highest individual increases.

However, such a multilevel pricing structure in the domestic aluminum industry won't necessarily bring about the sort of competition that normally occurs when buyers are offered the same product at different prices. Analysts explained that in many instances, demand for aluminum products is so strong that buyers can't easily obtain the products at any price.

Alcoa, the industry leader, announced Friday that it will raise the price of unalloyed aluminum ingot by four cents a pound to 59.5 cents a pound, effective with orders received March 12 and with shipments April 2. Alcoa also said it will raise prices April 2 on "selected" sheet, plate and foil products, wire, rod and bar items, and extruded shapes and conductor products.

W. H. Krome George, Alcoa chairman, said the company needed the higher prices because of "continuing cost pressures." He added that Alcoa needs "to generate capital to modernize facilities and to expand."

An Alcoa spokesman declined to name specific products affected in each fabricated-product category or to specify the increases on each item. The spokesman did say the price rises affect "almost all our product lines."

More important, however, Alcoa said the latest increase and a previously announced 5.5% boost on beverage-can sheet that takes effect next month will average about 4.5% across its entire product line. Under government guidelines, aluminum companies generally are allowed to raise prices about 4.8% in the six months beginning April 1. Thus, Alcoa's boosts leave the company little room to raise prices again until after Sept. 30.

Alcoa's decision to use nearly all of its allowed increase at the beginning of the six-month period didn't surprise most observers. "Demand is so strong, why not take whatever you can under the guidelines now," said Peter Merner, an aluminum analyst with L. F. Rothschild, Unterberg, Towbin. Indeed, demand for ingot and most fabricated products is so high that many aluminum makers are allocating sales of these products among customers.

Other producers are expected to follow Alcoa's price increases, "but not necessarily on the same products," Mr. Merner added. In the case of primary ingot, the only other major producer to raise prices has been Kaiser Aluminum & Chemical Corp., which set a price of 60 cents a pound, slightly higher than Alcoa's level.

Some buyers and distributors hope that if the multilevel pricing trend spreads, they might be able to take advantage of price disparities on products that aren't being allocated, such as those used in the building and appliance industries. "You will see some maneuvering in these areas among buyers to get (the best) price," said one large distributor in Tulsa, Okla.

But other buyers said that because some products are already difficult to buy, future price disparities wouldn't offer any bargains. With supplies so tight, "the situation becomes purely academic," a West Coast buyer said.

Justice Agency Sues Warehouse Officials Over Storage of PCBs

By a WALL STREET JOURNAL Staff Reporter

WASHINGTON—In the first enforcement suit filed under the Toxic Substances Control Act of 1976, the Justice Department charged the owners and the operator of a Pennsylvania warehouse with improperly storing polychlorinated biphenyls, or PCBs, near a town's water supply.

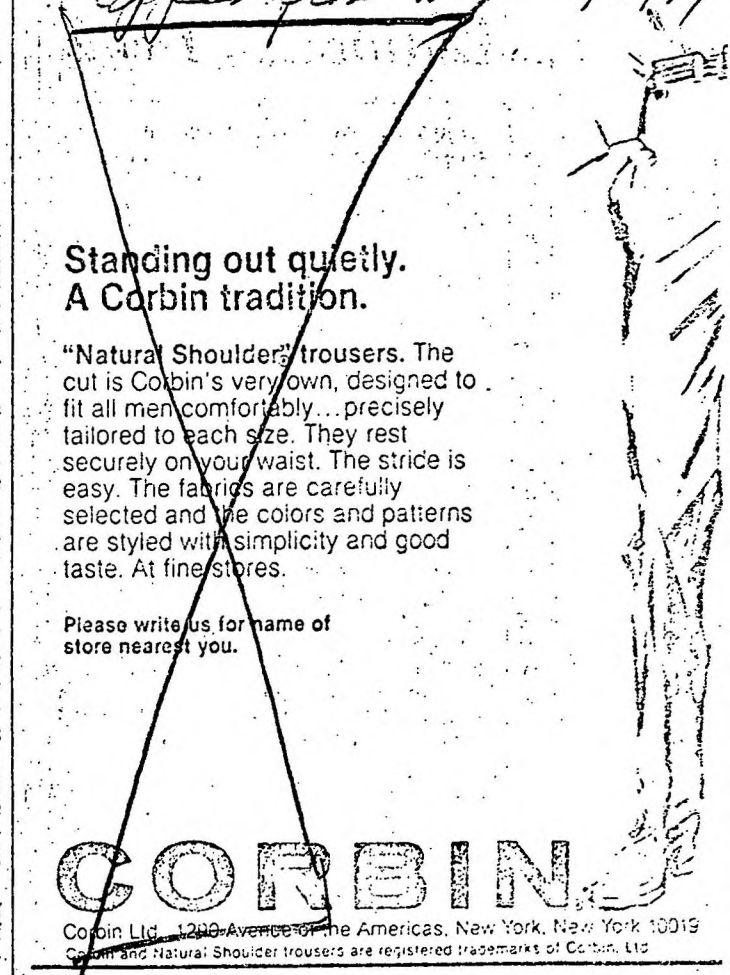
The civil suit, filed in a federal court in Pittsburgh, names as defendants Daniel Dracup, Charlotte Dracup and Daniel J. Dracup & Co., the owners of the warehouse in Youngsville, Pa. It also names Robert J. Burns, who leased the warehouse and used it to store drums of PCBs he had transported from North Carolina.

The complaint charges that the warehouse doesn't meet federal standards for storing PCBs and that drums containing the material weren't properly marked. In addition, the complaint alleges that the warehouse is located about 150 feet from wells that supply drinking water for Youngsville.

PCBs are a liquid insulating material used in electrical equipment. The substance has been found highly toxic to fish, and Congress has prohibited its manufacture and use.

The suit asks for a court order directing the defendants to mark, store and dispose of the PCBs in accordance with federal regulations.

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