

LEAD INDUSTRIES ASSOCIATION

430 LEXINGTON AVENUE

NEW YORK 17, N. Y.

February 2, 1948

To Members of the Lead Industries Association:

SUBJECT: PROPOSED STATEMENT BEFORE NATIONAL
RESOURCES ECONOMIC SUBCOMMITTEE

Attached please find copy of a statement which I propose to make before the National Resources Economic Subcommittee of the Committee on Public Lands of the United States Senate, in Denver, Colorado on Wednesday afternoon, February 4, 1948, at the request of Senator George W. Malone, Chairman of the Subcommittee.

This statement has been approved by the Executive Committee of the Lead Industries Association and is not for release until after my appearance before the Subcommittee.

Very truly yours,

Robert L. Frazier
Secretary



LEAD INDUSTRIES ASSOCIATION

480 LEXINGTON AVENUE
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STATEMENT OF ROBERT LINDLEY ZIEGFELD, SECRETARY OF
THE LEAD INDUSTRIES ASSOCIATION BEFORE THE NATIONAL
RESOURCES ECONOMIC SUBCOMMITTEE OF THE COMMITTEE ON
PUBLIC LANDS OF THE UNITED STATES SENATE.
Denver, Colorado, February 4, 1948.

My name is Robert Lindley Ziegfeld. I am a mining engineer and secretary of the Lead Industries Association.

I am submitting for the record a table showing U. S. lead mine production, secondary production, imports, consumption and price for the past 23 years. I will try to summarize it briefly here.

CONSUMPTION

It shows that lead consumption reached a peak in 1947 but that if the increase in population between 1929 and 1947 is considered, the per capita consumption in the two years did not differ greatly. In fact, it was 15.8 lb. per capita in 1929 and 15.9 lb. in 1947. In the intervening depression years lead consumption was as much as cut in half. I mention this to show the wide variation in consumption that is possible in relatively short periods of time.

MINE PRODUCTION

Lead mine production in the same period showed a similar trend and closely followed the price of the metal. However, mine production has not recovered to the levels of the late 1920's for several reasons which I will discuss in a moment. The value of the lead mined in 1947 is in excess of \$100,000,000.

SECONDARY PRODUCTION

Secondary production over the same years has averaged about 36 per cent of total consumption but in the last year or two has been above that rate.

IMPORTS

Imports also have followed the swing of consumption. They were substantial in the boom years of the late '20's, were negligible in the '30's, and reached record proportions during the war. Since the war they have continued at levels above pre-war for both ore and pig lead. The only change is that whereas before the war imports were largely in the form of ores, concentrates and bullion, during and since the war refined pig lead imports have greatly increased.



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PRODUCTION AND RESERVES

The reasons for some of these fluctuations are important in looking to the future interest of the lead mining industry of the United States. Lead mine production has not fully recovered to the levels of the 1920's. This has led some to conclude that we are a "have-not" nation with respect to lead. I can not subscribe to that theory and this is why.

For the sixteen years from 1930 to 1945 there was first little incentive and then little opportunity to do development or exploration work. First, the low price and low rate of consumption offered little incentive and, second, the war with its emphasis on current production and the shortage of labor actually prevented exploration and development. With the end of the war the mines were, by and large, left in such a condition that considerable development work had to be done before maximum production could be realized. Reserves have also naturally been affected by the sixteen-year lapse in all but the most essential exploration and development.

We are often told that the high rate of production of our mines during the war has shortened their lives by working them out prematurely. The statistics show that that is not the case, that in earlier peace-time years the mines were operated at a higher rate. What happened is that "known" reserves were depleted, not by a high production rate, but by an inability, caused by labor shortages and emphasis on production, to keep development sufficiently ahead of production to open up the new reserves which are there.

The labor shortage is still with us but during the past year has gradually improved. Much of the needed development work has been accomplished but much is still in progress. At the same time removal of the ceiling price, which during most of the war was 6.5¢ per lb., has permitted the price to reach a more realistic level at 15¢, the highest price for lead in history, and has encouraged exploration, development and production. Yet at 15¢ lead is not disproportionately high. Taking 1926 as a base, the lead price index is lower than the farm commodity index of the Bureau of Labor Statistics and only slightly higher than the index of all commodities.

Thus lack of demand, low price and labor and equipment shortages have been deterrents in recent years to full lead-mine production. But there are other contributing factors, perhaps equally important.

TAXES

Mining is at best a risky venture. It requires large amounts of risk capital which will only be risked if the returns are adequate should the project be successful. The tax structure has been such in recent years as to discourage the investment of risk capital in mining ventures. I will not go into detail here on the question of taxes, but would recommend for the Committee's study the report of the American Mining Congress on this subject made to the Ways and Means Committee of the House of Representatives in July, 1947. I am submitting a copy for the Committee's information.

FINANCING

Along somewhat the same ones I would recommend the Committee's careful consideration of numerous recommendations made by various segments of the mining industry with respect to Securities Exchange Commission regulations.

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TARIFFS

For many years the lead mining industry of this country enjoyed moderate tariff protection which in the Act of 1930 amounted to 2-1/8¢ per lb. on pig lead and 1-1/2¢ per lb. on ore and concentrates. It should be noted that, unlike many other commodities, the rate established by the 1930 Act was not an increase over the one then in effect, established by the Tariff Act of 1922. Yet, in the reciprocal trade agreement with Mexico in January, 1943, the duty on pig lead and on ores and concentrates was cut in half, so that today the effective rates are 1-1/16¢ and 3/4¢ per lb. respectively. It is true that the rates are to be restored automatically to 1-7/10¢ and 1-1/5¢ per lb. respectively 30 days after the termination of the unlimited national emergency proclaimed on May 27, 1941. On an ad valorem basis the present rate on pig lead amounts to only 7 per cent, compared with 36 1/2 per cent when the Tariff Act of 1930 was enacted and 37 per cent when the Act of 1922 was enacted.

Current labor rates in Latin American countries which are important lead producers are well known to be considerably below labor rates in United States mines. They range between \$1.00 and \$4.00 per day, which amounts to only about 10 to 30 per cent of what American miners are paid. While American labor is admittedly much more productive it is hardly conceivable that an American miner can produce as much as four or five foreign miners. Labor makes up the largest single item of cost of mining lead.

LABOR SHORTAGE

As I mentioned before, American lead mines are short of labor and could use some 1,000 more men or about 10 per cent more than they are now employing. The Wage-Hour law contributes to this shortage by discouraging Saturday work. This makes maximum production difficult and makes it harder for the operator whose mine is marginal.

SUBSIDIES

The Executive Committee of the Lead Industries Association is not of the opinion that the interests of the country or the lead mining industry are best served by the payment of subsidies in peace time. While such a procedure may have been justified so long as price ceilings existed, in a free market such as we have had since November, 1946, they tend to promote inefficiency, retard production, and make the mining industry the servant of Government.

Since the end of the war-time premium price plan last June 30, lead mine production has gradually increased and for each month for which figures are available since the end of the plan has exceeded the production of the corresponding months of 1946 when the plan was in operation, as shown by these figures of the Bureau of Mines:

MINE PRODUCTION OF RECOVERABLE LEAD IN THE U. S.*
(In Short Tons)

	<u>1946</u>	<u>1947</u>
July	25,000	28,700
August	28,600	29,977
September	27,200	30,000
October	25,900	32,200

*U. S. Bureau of Mines

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No doubt there are individual cases in which termination of premiums has worked a hardship. That is always to be regretted. Yet no matter how large a premium is paid there will always be submarginal mines. But apparently the ending of subsidies has resulted in the greatest good for the greatest number. Employment has increased, the total number of mines operating is not greatly changed, and the country is getting more of the lead it needs. Practically every western state has increased its lead production since termination of subsidies.

It appears also that subsidies could be of little help towards accumulating a Government stockpile of lead for defense purposes because they applied to such a small amount of production. According to a Bureau of Mines report made in December only about 600 tons of lead production per month from submarginal mines was adversely affected by termination of premiums. This is less than 2 per cent of total mine production and less than 1 per cent of total lead consumption and has been more than compensated for by mines coming into production since June 30 and increased production from other mines. For stockpiling the best solution lies in the encouragement of maximum production and sound development of the industry. That is what we seem to be headed for now.

Under the stimulus of a good price in a free market, and with the knowledge that stockpile needs provide to some extent a floor under the market, production is increasing, development neglected of necessity for one and a half decades is being done, and exploration is in progress all over the United States.

In Idaho alone new exploration and development has contributed to a production increase to more than 6,900 tons in October compared with a monthly April-June, 1947, average of about 6,100 tons.

RESERVES

I don't want to close without another word about our lead reserves. Certain data about them were presented to this Committee last May by the Bureau of Mines which, taken without all the qualifications attached to them by the Bureau, may be used to paint a dark picture of us as a "have-not" nation. It must be kept in mind that those data were as of 1944 and that conditions have changed greatly. The impetus given exploration and development by the end of the war and the restoration of a free market are already adding to our reserves. I am convinced that we have the resources in lead, vast resources yet untouched, but we need a period of prosperity and freedom from hampering controls to develop them into known reserves. I sincerely hope that the Government will not again attempt to impose allocations, priorities, and other regulations on the lead industry. Recent developments in Idaho are a shining example of what may be expected there and elsewhere. Arizona and California have taken their places in the last few years as important lead producers. Many other areas, both producers of lead at the present time and nonproducers, have potentialities.

We fully recognize the importance of the small mine in the past and to the future of lead mining in this country. We are strongly convinced that the small miner as well as the large one, and I don't know how to draw a line between the two, will have a brighter future when he does not have to depend upon Government to tell him when and how he may operate. We believe that the normal demand for such a useful metal as lead in such an industrial country as ours will give the small miner far more permanent security and prosperity than any subsidy distributed at the discretion of some Governmental bureau - provided that taxes, tariffs and other laws are such as to give him full freedom of opportunity.

U. S. LEAD PRODUCTION, IMPORTS, CONSUMPTION AND PRICES
1925 - 1947 INCLUSIVE
(In Short Tons)

Year	No.Y. Price Cents per Pound (a)	Domestic (b) Mine Production	Domestic (b) Secondary Production	Imports In (c) Ores and Concentrates	Imports (c) In Bullion	Imports (a) of Refined Lead	Total (c) Imports	Domestic (d) Consumption
1925	9.02	684,400	226,900	44,500	70,600	7,000	122,100	856,500
1926	8.42	684,000	277,300	58,100	78,300	11,200	147,600	900,900
1927	6.76	665,500	276,000	40,600	118,300	2,500	161,400	840,950
1928	6.30	627,200	308,000	25,500	128,500	700	155,100	93,600
1929	6.83	648,000	311,000	31,300	83,100	1,700	116,100	914,300
1930	5.52	558,300	255,800	39,400	38,600	200	78,200	768,600
1931	4.24	404,600	234,700	20,900	32,300	-	53,200	567,700
1932	3.18	293,000	198,300	21,000	13,500	-	34,500	416,700
1933	3.87	272,700	224,500	6,000	1,600	100	7,600	449,500
1934	3.36	267,400	208,400	10,600	2,500	300	13,300	488,000
1935	4.07	331,100	270,400	20,000	2,700	1,300	24,000	538,900
1936	4.71	372,900	262,900	20,700	300	2,600	23,600	633,550
1937	6.01	464,900	275,100	34,100	1,800	5,000	40,800	678,700
1938	4.74	369,700	224,900	45,400	15,300	2,000	63,900	546,000
1939	5.05	414,000	241,500	30,800	48,900	5,400	86,900	667,000
1940	5.16	457,400	260,300	111,300	13,600	151,600	282,500	782,000
1941	5.79	461,400	397,400	82,100	24,700	274,200	381,200	1,049,900
1942	6.48(e)	496,200	323,000	79,400	43,900	366,500	492,500	1,000,000
1943	6.50(e)	453,300	342,100	70,000	4,600	211,000	319,100	1,100,000
1944	6.50(e)	416,900	331,400	93,600	60	222,800	321,300	1,090,000
1945	6.50(e)	390,800	363,000	70,000	-	227,500	299,700	1,000,000
1946	8.11(f)	332,500	392,800	44,500	125	112,200	160,900	925,000
1947(Oct. 1-67)	11.67	375,000	450,000	53,000	2,000	150,000	205,000	1,141,000

Sources: (a) Engineering and Mining Journal; (b) U. S. Bureau of Mines; (c) Bureau of Foreign and Domestic Commerce;
 (d) American Bureau of Metal Statistics.

(e) Premium payments by United States Government not included.
 (f) Free market restored on November 12, 1946.