

LEAD INDUSTRIES ASSOCIATION

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NOT FOR PUBLICATION

THE "PROBLEMS" OF THE DOMESTIC LEAD MINING INDUSTRY

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The problems facing the domestic lead mining industry can, I believe, be summed up under two headings; namely, (1) the problem of rising direct and indirect unit production costs which have not been compensated by increased revenues and prevailing conditions on the other side of the balance sheet, and (2) imports, whose costs of production are far below domestic costs.

Non-compensating items on the other side of the balance sheet which have not offset rising unit production costs are shown below:

- A. General decrease of approximately 30% to 35% below the 1930-39 period in combined Pb-Zn assay grades of domestic ores presently mined.
- B. Decreased or relatively stationary unit output/man shift as has been experienced in Utah mines, and other Western States in general.
- C. Lack of incentive to search for and develop new ore deposits, principally because of present tax regulations.
- D. Metal prices established by free international markets.
- E. Public apathy to the importance of maintaining a sound domestic metal mining industry.

In general, it costs twice as much today in Western mining districts to produce \$1.00 in gross value of combined lead and zinc as it did during the period 1930-1939. (Assuming no change in output of ore tons per man a shift). Decreased combined lead-zinc assay grade of ore coupled with tripled production costs over the period 1930-1939 have not been proportionately offset by the present 133% increase in combined lead-zinc metal price over the average combined 1930-1939 metal price. (8.99¢ per lb. combined Pb and Zn).

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On an average, present domestic mine production cost per pound of lead, after taking into account credits from other associated metals, is probably between 9 and 10 cents. Because of the great disparity between foreign and domestic labor costs, the cost of production per pound of foreign lead (f.o.b. domestic ports) is probably in the neighborhood of from 5 to 6 cents, and because of devalued currency the foreign producer receives the equivalent of from 30% to 40% more for his lead above the current market price, as you all realize only too well. Such competition has resulted in, and will further hasten, the rapid shutting down of a large number of our domestic lead producers. Ultimately, however, the price will react against the consumer as in the absence of substantial domestic production, the foreign producer can raise the price almost at will. The consumer certainly does not want to pay 20¢ to 25¢ for his lead, nor is it the domestic producer's desire to force the lead price to this level.

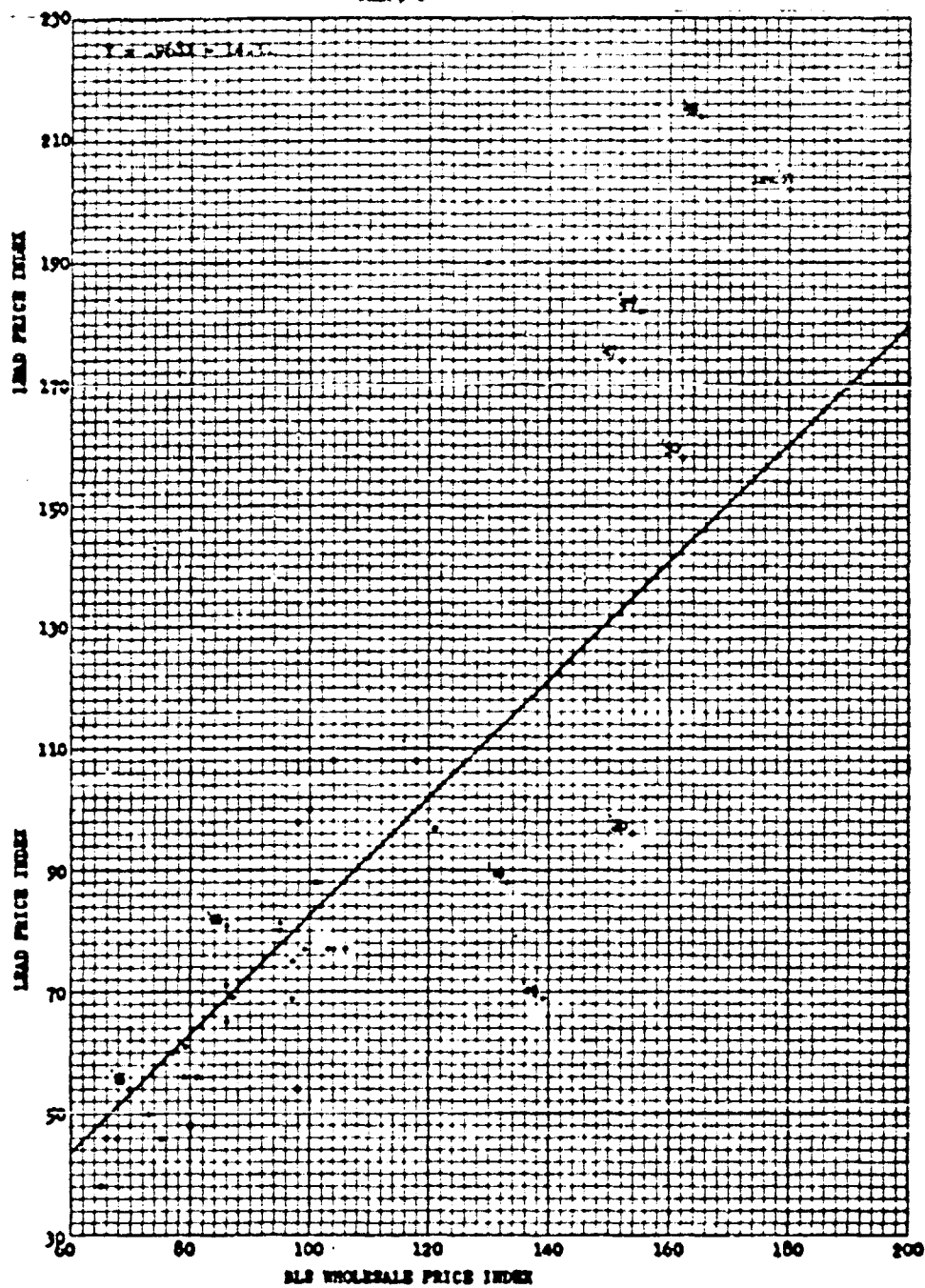
Today, the major items of direct production costs are those of total labor and expense for operation and maintenance. Cumulative results of these increased costs and decreased or relatively stationary unit output per man shift coupled with the lower assay grades of ore mined have, as pointed out above, placed our domestic lead mining industry in a critical position. Mechanization has been extensively resorted to in an honest attempt to maintain unit output, but there is a practical limit beyond which the individual operation can not proceed. This all means that labor, both from the group and individual standpoint must continue earnestly to seek ways and means of increasing unit output. Such an effort is essential on their part if they are to maintain their present living standards through assuring continuity of the industry. Management must accept its share of the responsibility in this endeavor to increase unit output through flexibility of thinking and operating methods. In attempting to attain this increased unit output per man shift, labor and management (of which supervisors are definitely a part) must cooperate for mutual survival and progress.

Whether management's relations with labor and other personnel (and vice versa) are sound or unsound will affect costs and efficiency directly and indirectly. Once two-way relations and communication become coordinated and continue to be actively and intelligently stressed by both sides, I believe that the most important phase of providing basic requisites for controlling and reducing costs has been established. I have made a point of stressing that supervisors are an integral part of management, as they are directly responsible for control of labor and supply costs. The economic education of supervisory personnel, who are in the best position to pass this information on to the day's pay employees, plays an important overall part in cost reduction.

Increases in supply costs in most industries are passed on to and have to be accepted by the consumer; whereas, increases in the cost of producing lead can not be passed on in a similar fashion because of our competition in the free international markets for the sale of these metals. Intelligent planning in the use of operating and maintenance supplies in our mines constitutes a cost reduction avenue for the co-operative efforts of both labor and management.

Mention should also be made of taxes as being no small contributing cause of higher production costs. The example of taxes paid by the base metal mining industry in Utah will serve, I think, to point out the

Chart C



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general mine taxation trends elsewhere. A study of the base metal mining industry in Utah covering the past ten years disclosed that the industry paid out 20% more for government than it did for labor in that period. (\$204,800,000 for all taxes vs \$167,390,000 for labor). In 1939 the tax burden was 4.39% of the base metal mining industry's gross income. In ten years it has risen to over 20% (20.7%) of the gross income. The base metal mining industry as a good citizen wants to bear its fair and equitable share of the cost of government. We are, however, unalterably opposed to bearing a disproportionate portion when compared with other industries whose numerical and political influence outweighs our own.

We feel certain that hidden ore deposits exist which may be of such physical nature and assay grades to offset the present and probably continuing high production costs provided an incentive is given through Federal tax revision to look for and develop these deposits. The government, the public in general, and labor in particular have everything to gain through encouraging the exploration for and the development and operation of existing and undiscovered ore deposits by private enterprise. Labor profits through the new jobs created and through the preservation of existing jobs at present rates of earnings. The general public gains through the interrelated industries stemming from mining which create new jobs and provide new wealth. Government is assured of a steady, sound domestic source of strategic metals and additional tax revenues through payrolls and earnings of new and old mining endeavors.

To summarize this paper the problem of the domestic lead and other base metal mining industries is one of rising unit costs, the marked decline of assay grades of ore, decreased or relatively stationary unit output per man shift, the absence of the incentive necessary to stimulate the search for and development of new mineral deposits, and present excessive imports of lead through circumstances beyond the industry's control, as such. The fundamental long term solution to the problem, I believe, is a substantial increase of unit output per man shift and Federal tax revision to provide the necessary incentive for private enterprise to search for and develop new base metal deposits. Regarding the import problem, I feel that there are other members present who are more qualified to discuss this matter.

The following statistics show the increase in present costs over the period 1930-1939 to produce \$1.00 of gross value of lead and zinc from a ton of domestically mined ore:

Period	Combined Pb-Zn Assay Grade Per Ton Ore	Average Pb-Zn Combined Metal Price	Output Tons Man/Shift	Gross \$ Value Ton	Total Production Cost/Ton
1930-1939 (1.00 Base)	1.00	x 1.00*	x 1.00	= 1.00	X
PRESNT	0.65	x 2.33	x 1.00*	= 1.52	XI

1930-1939: Every gross dollar of output per man shift cost X = X dollars
1.00 to produce

PRESNT: Every gross dollar of output per man shift cost XI = XI dollars
1.52 to produce

0.99 ** Assuming no change in output of tons per man shift