

EXECUTIVE COMMITTEE MEETING

New York, N.Y.

May 11, 1942

A meeting of the Executive Committee of the Lead Industries Association was held on Monday, May 11, 1942, at 2:10 P.M. at the Waldorf-Astoria Hotel, New York, N.Y.

Present

Clinton H. Crane, Chairman
F. H. Brownell
F. W. Rockwell
F. F. Colcord

Representing

St. Joseph Lead Co.
American Smelting & Refining Co.
National Lead Co.
United States Smelting Refining
& Mining Co. Inc.

F. E. Wormser, Secretary-Treasurer

The meeting was called to order with Mr. Clinton H. Crane in the chair.

The minutes of the previous meeting of November 28, 1941, were approved.

APPOINTMENT OF SECRETARY-TREASURER


The Chairman stated it was in order to appoint a Secretary and Treasurer.

Whereupon it was unanimously agreed to appoint Mr. Felix Edgar Wormser as Secretary and Treasurer for the ensuing year.

MEXICAN AND BOLIVIAN TARIFF BRIEF

A statement of the Lead Industries Association on the Trade Treaty Negotiations with Mexico and Bolivia, previously circulated to members of the Executive Committee and submitted to the Chairman of the Committee for Reciprocity Information, Washington, D. C., on May 1, 1942, was ordered recorded in the minutes. This statement is attached as Exhibit "A".

Meeting adjourned at 2:11 P.M.


Secretary

STATEMENT
OF THE
LEAD INDUSTRIES ASSOCIATION
TO THE
COMMITTEE FOR RECIPROCITY INFORMATION
WASHINGTON, D. C.

ON
The Trade Treaty Negotiations with
Mexico and Bolivia

LEAD INDUSTRIES ASSOCIATION
420 LEXINGTON AVENUE
NEW YORK, N. Y.

LIA02631

MAY 1, 1942

N 655.01

STATEMENT OF LEAD INDUSTRIES ASSOCIATION

Chairman
COMMITTEE FOR RECIPROCITY INFORMATION
Tariff Commission Building
Eighth and E Streets, N. W.
Washington, D. C.

May 1, 1942.

Subject: Trade Agreement Negotiations with Mexico and Bolivia.

Products: *Par. 391:* Lead-bearing ores, flue dust, and mattes of all kinds, 1½c per lb. on the lead contained therein.

Par. 392: Lead bullion or base bullion, lead in pigs and bars, lead dross, reclaimed lead, scrap lead, antimonial lead, antimonial scrap lead, type metal, Babbitt metal, solder, all alloys and combinations of lead, not specially provided for, 2⅛c per lb. on the lead contained therein.

DEAR SIR:

The Lead Industries Association, representing practically the entire lead mining industry in the United States and representing also the manufacturers of metallic lead products such as type metal, babbitt, solder and other lead alloys, respectfully requests that no changes be made in the tariff schedule established by the Act of 1930 upon the products included in Par. 391 and Par. 392 mentioned above.

Our reasons follow:

SUMMARY

(1) We can conceive of nothing more calculated to impede the war effort of the lead industry than a reduction in the present moderate tariff rates on lead ores, pig lead and metallic lead products. Hundreds of small lead mines in the west are potential producers of lead urgently required in the war program. They will hesitate, even if tempted by the premium lead prices of the Government, to make the necessary investment in equipment, and in shafts, tunnels and other exploratory work in the face of threatened Mexican and other foreign competition the moment the war ends. Premium lead prices are guaranteed for only about two years more and it generally takes arduous and extended work before most mines can be brought into production, particularly as a prospect to be developed from grass roots is an extreme rarity nowadays. Moreover, premium prices apply only to all over-quota production and have no relationship to the day to day market price. Private capital could not be expected to take the risk of finding new properties and bringing them

into production in the face of a future which may see a drastic slash in even the modest lead price prevailing today.

(2) A tariff reduction in the lead schedule is not required to stimulate foreign production from Mexico, Bolivia and other South and Central American countries to whom the reduction would be extended under the most-favored-nation clause. The Board of Economic Warfare has authority to pay any price per pound for lead that is necessary to obtain increased foreign production. The lead industry has no objection, in fact approves, of a price for foreign lead that will furnish our country sufficient metal to meet all war and essential civilian requirements. At present the Metals Reserve Company is buying as much lead as it can obtain from these countries at prices mutually agreed upon with foreign producers. These importations amount to 35,000 to 40,000 tons of lead a month or a tonnage almost equal to that produced domestically. A reduced tariff might permit a large part of these importations, if not all, to continue after the war, thus replacing a major market for domestic lead.

(3) If it is desired to increase foreign production of other commodities such as food and rubber, which are vitally needed for our war requirements, we maintain that our "trading" position is obviously better if we leave in the hands of the proper Governmental departments the purchasing negotiations for lead.

(4) Lead is a war material, needed in munitions, submarine, tank, and other storage batteries, signal corps cables, solder, bearing metals, degaussing cable, red lead, tetraethyl lead for gasoline and many other indispensable war uses. It is essential for military and naval requirements to have an adequate domestic supply constantly assured. Recently the Government has repeatedly urged lead mines to make extraordinary efforts to increase domestic production, appeals that have been promptly met regardless of financial sacrifices often involved. We are fortunate in possessing the world's greatest lead resources developed under a protective trade policy. Some lead mines in the west have maintained production with slight profit to themselves and in so doing have depleted their valuable and irreplaceable ore bodies. For the Government to reduce the tariff so that a complete shut down would be faced after the war emergency is over would be disastrous to the lead mining industry and especially to the marginal mine operator.

(5) Although there was strong sentiment among western lead producers in 1930 to petition Congress for an increased rate on lead bearing ores and on pig lead, the industry did not make any request of Congress for a change in the modest rates established by the Act of 1922.

(6) Lead mining is an important activity in many States, particularly Missouri, Idaho, Utah, Nevada, Montana, Colorado, Arizona, New Mexico, Oklahoma and Kansas. Development of our western lead resources furnishes an important source of employment and State and Federal tax revenues. Frequently lead mines offer the only employment in western communities. The wealth-creating operations of the lead mining companies spread throughout the community and affect the many related businesses serving the mines. The principal market for agricultural produce is often a mining district.

(7) We respectfully call your attention to the fact that the lead miner in the United States in almost all cases is working on much lower grade ores than are being mined in other countries. For instance, out of an estimated United States production of 454,000 tons in 1940, 171,000 tons of lead were produced in non-argentiferous

mines where the total metallic ore value was less than 3%, or 60 pounds of lead to 2,000 pounds of ore, and if the by-product lead made in the Tri-State zinc field is included, this figure would approximate 204,000 tons. Some of the very largest lead-zinc-silver mines outside of the United States operate on ore containing 25 to 30 per cent metallic content. The lead industry of the United States can not compete with most of the foreign lead producers because of the higher labor rates paid in the United States and the lower grades of ore mined.

(8) The domestic lead mining industry was one of the most depressed of all industries over the past ten years and with the exception of 1937, 1940 and 1941, has had a record that has not been conducive to making a healthy and flourishing industry to attract new capital.

(9) The wage rates paid the American lead miner today are the highest in the history of the United States. We estimate that the rate of pay in the United States is approximately four to five times as high as the rate in Mexico. Our industry merely asks equality of competition with other lead producers in the world, be they Mexican, Bolivian, Australian, Spanish, Canadian or Burmese. Much of the world's lead is produced by labor paid wages that would be unthinkable in the United States.

(10) Mexican and Bolivian lead output has the advantage of being produced in countries having currencies depreciated with respect to ours. This is equivalent either to an increase in the foreign price, or a reduction in our protection as established by the Act of 1930.

(11) The National Resources Board, which has made an intensive study of our non-ferrous metal position and reserves, declared in 1935, "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."

Not only are American lead prices reasonable but they have been far below the general average of commodity prices since 1926. (See page 7.) Products of the lead mines have not been exchangeable upon an equitable basis with the products of industry and agriculture as a whole.

(12) Long experience with the operation of the tariff of the United States has convinced us that to have a healthy lead mining industry in peace and war times, it is necessary to have a moderate tariff such as exists today. In addition to halting the current rise in production, a change in this policy would result in a drastic decline in production as soon as the war is over and would so affect many mining communities in the west and the tax revenues of states such as Idaho, Utah, New Mexico, Arizona and Colorado, that the disturbance would intensify our post-war problem.

(13) In conclusion, we would prefer to have duties on all lead products removed one-hundred per cent for the duration of the war rather than to make any permanent change now to the existing tariff structure on lead that in our opinion would tend to impair the present war effort of the lead industry of the United States.

Supplementary information in support of our position follows:

THE LEAD SUPPLY OF THE UNITED STATES

The United States is the principal producer of lead in the world, furnishing one-quarter of the world's supply in normal times. Although no complete world statistics are available since the outbreak of war in Europe, it is obvious that United States lead production is of vital importance to the United Nations, of whose total production it forms even a larger part. Practically all of this country's output is consumed domestically both now and normally. In the four years prior to the war our world productive position declined roughly from a third to a quarter of the world's supply.

Utilization of this great mineral resource provides an important source of wealth and employment in the United States and a powerful weapon in time of war. The lead industry has grown partly through the encouragement of a protecting tariff. It is a basic wealth-creating industry, contributing immeasurably to the commerce and strength of the United States, not only its lead requirements, but also important by-products of zinc, silver, gold and other metals.

Our country has ample resources of lead which have been and will be sufficient to satisfy all normal domestic requirements. There is no need of importing an additional supply from mines outside the United States except during the war emergency, and special machinery has been set up for this purpose in the Board of Economic Warfare and Metals Reserve Company without requiring tariff reductions.

A large portion of the lead production of the United States is derived from complex ores, that is, ores containing two or more non-ferrous metals, chiefly combinations of lead and zinc minerals with precious metal by-products. 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, selling and taxes at today's moderate price of lead, do not leave him an excessive margin, in some cases very little, after he sells his production. Faced at best with a difficult period of adjustment after the war, the added threat of a further disturbance to the price structure at that time which would result from a reduction of the tariff now, would make many miners afraid to expend capital for expanding current production. Any decline in lead production today would result in a lowering in the output of by-product zinc — a metal even more badly needed than lead in the war effort today. Some of the larger producers are in a good position to weather almost any competitive contingency, but there are many moderate sized and small mines in not so fortunate a position. For them tariff reduction might be calamitous, and for them especially we make our appeal.

OTHER INDUSTRIES AFFECTED

Lead is generally mined at considerable distances away from centers of large population. Communities have grown in the large and small lead producing areas which are dependent solely for their existence on the activities of the mines. Bonne Terre, Mo., Wallace, Idaho, Park City, Utah, Leadville, Colo. are only a few examples.

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 taxpayers 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 tax revenue with which to support their own County and State Governments. It would be nothing short of calamitous if lead mines and smelters were to shut down, their employees swelling local relief rolls and the inactivity taking away from the State some of the tax revenue it needs for educational purposes, roads, and to help support the unemployed. This of course would not occur for the duration of the war, but would result in terrific hardships in the difficult period after the war.

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

During the depression many mining companies, realizing the responsibility they possessed to their communities, operated their properties purely for the sake of continuing employment, and, in doing so, accumulated large and unwieldy stocks of lead. Yet this very recognition on the part of the companies of their public responsibility resulted in an industry ready to carry its share of the war burden when needed.

COMPARATIVE 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 following table and it demonstrates how, ever since 1926, the price of lead has been depressed below the general average of all prices. Over the years 1930 to date, the discrepancy between the two indices has been particularly striking. It shows that the products of the lead mines have not been exchanged upon an equitable basis with the products of industry and agriculture as a whole.

<i>Year</i>	<i>New York Price Cents per Lb.</i>	<i>Index of New York Lead Price</i>	<i>Commodity Index. Bureau of Labor Statistics</i>
1924	8.10	96.2	98.1
1925	9.02	107.2	103.5
1926	8.42	100.0	100.0
1927	6.76	80.3	95.4
1928	6.31	74.9	96.7
1929	6.63	81.2	95.3
1930	5.52	65.5	86.4
1931	4.24	50.4	73.0
1932	3.18	37.8	64.8
1933	3.87	46.0	65.9
1934	3.86	45.9	74.9
1935	4.07	48.3	80.0
1936	4.71	56.0	80.8
1937	6.01	71.4	86.1
1938	4.74	56.3	78.6
1939	5.05	60.0	77.1
1940	5.18	61.5	78.6
1941	5.79	68.8	87.3
1942 (April 4)	6.50	77.2	97.9

THE COMPETITIVE POSITION OF FOREIGN PRODUCERS

The lead production of Bolivia is comparatively small; about 12,000 to 15,000 tons annually. Mexico, however, is one of the world's large producers of lead, producing some 200,000 to 250,000 tons a year. While the competition of Mexico alone would be serious in normal times, under the unconditional most favored nation principle, a reduction in the lead rates, if granted to either of these countries, would apply to other countries as well. Therefore, the competitive Canadian and Australian situation must be analyzed, as well as that of Mexico and Bolivia since these countries are the real competitors of the lead miner in the United States. They are all, except Bolivia, large scale producers. Peru, Argentina and other countries are factors, too, on a smaller scale.

MEXICO AND BOLIVIA

If the tariff is lowered, Mexico and Bolivia would probably continue to pour their ores and concentrates or finished metal into this country after the war. They produce lead from high-grade ores containing large amounts of precious metals, at labor scales much lower than those in the United States. Moreover, Mexico, being close to the United States, can deliver ores, concentrates, and metal across our borders with great ease.

Both countries have the additional advantage of producing their metal and paying their miners in currency which is depreciated relative to ours. The Mexican peso is only 20.7¢ (no par) and the Bolivian boliviano 2.17¢ in our currency (as against par of 61.8¢).

The following table shows comparative wage rates in Mexico, Bolivia and the United States. Labor rates are constantly changing and we have not had time to verify the rates given but believe they represent fairly their respective differences:

Mexico	\$1.25 to 1.65 per shift
Bolivia	\$.90 per shift
United States	\$6.45 to 7.25 per shift

Rates shown for the United States are base rates. Average earnings are generally higher since bonus and contract arrangements are extensively used. Our latest information indicates that average daily earnings for the first quarter of 1942 exceeded \$8.00 per shift in two of the largest districts.

Labor costs are 60 per cent of the total mining cost in the United States according to a survey of the United States Bureau of Mines.

CANADA AND AUSTRALIA

Canada is fortunate in possessing the greatest single source of lead in the world today. In fact, one deposit in British Columbia furnishes the principal supply. It is not only unusually rich but the deposit is extraordinarily large. On some levels the ore shoot is 6,000 ft. long and in places has a thickness of over 250 ft. There is nothing like it anywhere else in the world. The ore runs about 10 per cent lead, 7 per cent zinc, and contains also about 4 oz. of silver per ton. In addition the structure of the ore deposit is such that heavy timbering costs are avoided, and pumping expense is at a minimum. To be sure, a few deposits in the United States are of comparable richness, but they are much smaller and hence can not be mined on the same extremely low-cost basis. In contrast with Canada, Missouri ores average about 3 per cent lead and they are non-argentiferous. It would be a simple matter for production to be increased in Canada sufficiently from the huge deposit in British Columbia to supply the major portion of the American domestic lead requirements for an indefinite period, if the tariff on lead did not prevent.

This great Canadian lead and zinc mine comprises the most important industrial activity in Western Canada. British Columbia Government revenues are heavily dependent upon the continued operation of the enterprise. Canadian production has increased steadily. During the depression it was only affected slightly by the depressed world market.

Australia is another major producer of lead, possessing the famous Broken Hill lode. Its labor scale is lower than that in the United States and its currency is depreciated relative to ours, the Australian pound being only \$8.21 in our currency.

The following table compares the production of lead in Mexico, Bolivia, Canada, Australia and the United States for the years 1926 to 1989 inclusive, more recent figures for all countries not being available:

COMPARATIVE MINE PRODUCTION OF LEAD*
(IN SHORT TONS)

Year	United States	Index No.**	Mexico	Index No.**	Bolivia	Index No.**	Canada	Index No.**	Australia	Index No.**
1926	696,000	100	221,000	100	20,000	100	141,000	100	170,000	100
1927	673,000	97	274,000	124	17,000	85	156,000	111	185,000	109
1928	650,000	93	261,000	118	14,000	70	170,000	121	175,000	103
1929	688,000	99	274,000	124	16,000	80	159,000	113	195,000	115
1930	593,000	85	278,000	126	18,000	65	166,000	118	184,000	108
1931	411,000	59	233,000	105	7,000	35	143,000	102	172,000	101
1932	277,000	40	144,000	65	6,000	30	130,000	92	209,000	123
1933	293,000	42	140,000	63	9,000	45	130,000	92	234,000	138
1934	331,000	47	194,000	88	12,000	65	160,000	113	226,000	133
1935	371,000	53	204,000	92	11,000	55	165,000	117	243,000	143
1936	400,000	57	241,000	109	16,000	80	185,000	131	221,000	130
1937	470,000	68	253,000	115	20,000	100	205,000	145	258,000	152
1938	380,000	55	268,000	121	15,000	75	205,000	145	260,000	153
1939	420,000	60	238,000	108	16,000	80	196,000	139	278,000	164

* American Bureau of Metal Statistics.

** Per cent of 1926.

The index numbers bring out the contrast between the progress made in Mexico, Canada and other countries toward a normal rate of production and the progress in the United States.

LEAD AND WAR

The lead industry is a war industry. For the successful conduct of war, as in the World War, it is necessary to have a well equipped and active lead mining industry prepared to supply all the lead ammunition and other lead products needed by the Army and Navy, such as storage batteries, cable, solder, bearing metals, tetraethyl lead, chemical equipment, lead azide and other items. Heavy demands were made upon the lead industry in the last World War, and successfully met. It is serving in today's emergency by producing all the lead required by the Army and Navy. To continue to fill a war function satisfactorily the lead industry must operate, so far as possible, in a steady manner, constantly replenishing mined ore supplies through new explorations and keeping the properties in first-class operating condition without fear of inability to operate after the war. Adequate tariff protection is necessary to attain this military objective.

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. A report of the National Resources Board (1935) 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 can not 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 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 and reserves. The true conservation of our lead resources needs the assistance of a protective tariff.

Respectfully submitted,

CLINTON H. CRANE,
President.

STATISTICAL APPENDIX

MINE PRODUCTION OF LEAD IN THE UNITED STATES BY STATES 1940-1941

(IN SHORT TONS)

(Bureau of Mines)

	1940	1941*
EASTERN STATES:		
New York	1,978	2,100
Other	2,858	3,400
TOTAL	4,831	5,500
 CENTRAL STATES:		
Arkansas	55	4
Illinois	1,508	2,250
Kansas	11,927	13,975
Kentucky	360	280
Missouri	172,052	166,271
Oklahoma	21,240	25,200
Wisconsin	445	750
TOTAL	207,587	208,730
 WESTERN STATES:		
Arizona	13,266	16,275
California	1,772	3,305
Colorado	11,476	12,607
Idaho	104,834	103,500
Montana	23,086	21,750
Nevada	7,499	9,490
New Mexico	3,822	4,565
Oregon	35	68
South Dakota	7	—
Texas	205	175
Utah	75,688	69,435
Washington	2,555	3,660
TOTAL	244,195	244,830
 ALASKA	 779	 696
GRAND TOTAL	487,392	489,756

* Preliminary figures.

STATISTICAL APPENDIX

The following table shows the foreign trade in various lead products for the years 1940, 1941 and some estimates for 1942.

UNITED STATES LEAD IMPORTS

(IN SHORT TONS)

(U. S. Bureau of the Census)

	<i>Imports</i>			
	<i>Jan.-Sept. 1940</i>	<i>Jan.-Sept. 1941</i>	<i>Monthly Ave. Jan.-Sept. 1941</i>	<i>Estimated Monthly Ave. 1942</i>
Ore and matte (content)	83,294	58,080	6,453	
Canada	6,615	3,880	481	
Newfoundland	18,010	15,968	1,774	
Mexico	1,420	4,538	504	
Argentina	13,236	10,209	1,184	
Bolivia	2,446	3,383	376	
Chile	4,856	1,800	144	
Peru	13,965	3,415	379	
Great Britain	1,794	175	19	
Australia	15,375	14,615	1,624	
So. Africa	5,435	205	23	
Other Countries	642	397	44	
Base Bullion (content)	16,444	23,630	2,626	
Mexico	15,920	23,493	2,610	
Other Countries	524	137	15	
Pigs and Bars	131,358	176,000	19,556	35,000
Canada	73	50,345	5,594	4,000
Mexico	117,428	70,360	7,817	17,000
Peru	11,057	29,027	3,225	3,000
Australia	2,800	26,278	2,920	11,000
Reclaimed scrap dross, etc. (content)	1,592	93	10	
Typemetal and antimonial lead (content)	2,283	889	99	

	<i>Exports</i>	
	<i>Jan.-Sept. 1940</i>	<i>Jan.-Sept. 1941</i>
Pigs and Bars	21,522	13,503
Sheets and Plates	719	1,178

AFFIDAVIT

Personally appeared before me, a Notary Public in and for the County of _____, State of _____, this _____ day of _____, 1942, 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 _____ day of _____, 1942.

Notary Public

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