

8'8'8-2

# **SUSPENSION OF IMPORT TAXES ON COPPER**

---

---

## **HEARINGS**

**BEFORE THE**

**COMMITTEE ON FINANCE**

**UNITED STATES SENATE**

**EIGHTY-FIRST CONGRESS**

**FIRST SESSION**

**ON**

**H. R. 2313**

**AN ACT TO SUSPEND CERTAIN IMPORT  
TAXES ON COPPER**

---

**FEBRUARY 17 AND 24, 1949**

---

**Printed for the use of the Committee on Finance**



**UNITED STATES  
GOVERNMENT PRINTING OFFICE  
WASHINGTON : 1949**

## COMMITTEE ON FINANCE

WALTER F. GEORGE, *Georgia, Chairman*

TOM CONNALLY, *Texas*

HARRY FLOOD BYRD, *Virginia*

EDWIN C. JOHNSON, *Colorado*

SCOTT W. LUCAS, *Illinois*

CLYDE R. HOKY, *North Carolina*

J. HOWARD McGRATH, *Rhode Island*

EUGENE D. MILLIKIN, *Colorado*

ROBERT A. TAFT, *Ohio*

HUGH BUTLER, *Nebraska*

OWEN BREWSTER, *Maine*

EDWARD MARTIN, *Pennsylvania*

JOHN-J. WILLIAMS, *Delaware*

ELIZABETH B. SPRINGER, *Acting Clerk*

## CONTENTS

---

	<b>Page</b>
<b>Text of H. R. 2313.....</b>	<b>1</b>
<b>Statement of—</b>	
<b>Danaher, John A., attorney, appearing for Revere Copper &amp; Brass, Inc.....</b>	<b>1</b>
<b>Malone, Hon. George W., a United States Senator from the State of Nevada.....</b>	<b>21</b>
<b>Briefs, statements, letters, etc., submitted for the record by—</b>	
<b>American Brass Co., statement of.....</b>	<b>17</b>
<b>Anaconda Copper Mining Co., communication from.....</b>	<b>13</b>
<b>Danaher, John A., letter from.....</b>	<b>11</b>
<b>Ford Motor Co., statement of.....</b>	<b>14</b>
<b>General Electric Co., statement of.....</b>	<b>14</b>
<b>Hayden, Hon. Carl, letter from, transmitting statement on behalf of various major copper producers.....</b>	<b>9</b>
<b>Kennecott Copper Corp., letter from.....</b>	<b>12</b>
<b>McKellar, Hon. Kenneth, communication from.....</b>	<b>8</b>
<b>Revere Copper &amp; Brass, Inc., statement of.....</b>	<b>18</b>
<b>Rome Cable Corp., statement of.....</b>	<b>15</b>
<b>United States Independent Telephone Association, communication from.....</b>	<b>19</b>



# SUSPENSION OF IMPORT TAXES ON COPPER

THURSDAY, FEBRUARY 17, 1949

UNITED STATES SENATE,  
COMMITTEE ON FINANCE,  
Washington, D. C.

The committee met at 10 a. m., pursuant to call, in room 312, Senate Office Building, Senator Walter F. George, chairman, presiding.

Present: Senators George, Connally, Byrd, Johnson, Lucas, Hoey, McGrath, Millikin, Taft, Eutler, Brewster, Martin, and Williams.

The CHAIRMAN. We have a quorum. The committee will please come to order.

There is a bill before the committee, H. R. 2313, which passed the House since we adjourned Monday. It has reached the Senate; and it relates to the extension of Public Law No. 42 for a period of 2 years, as I understand it.

(H. R. 2313 is as follows:)

[H. R. 2313, 81st Cong., 1st Sess.]

AN ACT To suspend certain import taxes on copper

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the import tax imposed under section 3425 of the Internal Revenue Code shall not apply with respect to articles (other than copper sulfate) entered for consumption or withdrawn from warehouse for consumption during the period beginning April 1, 1949, and ending with the close of March 31, 1951.*

Passed the House of Representatives February 16, 1949.

Attest:

RALPH R. ROBERTS, Clerk.

The CHAIRMAN. Senator Danaher, will you please make a brief statement to the committee at this time?

We may not pass upon the matter at this morning's session, depending entirely on whether or not someone may desire to offer an amendment reducing the period to 1 year rather than 2.

**STATEMENT OF JOHN A. DANAHER, ATTORNEY, WASHINGTON, D. C., APPEARING FOR REVERE COPPER & BRASS, INC.**

Mr. DANAHER. Mr. Chairman and Senators, my name is John A. Danaher. I appear as attorney for Revere Copper & Brass, Inc. My address is 1625 K Street NW., Washington 6, D. C.

I appear in support of H. R. 2313, which would extend for two additional years the suspension of the import tax on copper, in identically the same form and in identically the same language as Public Law 42, which Congress unanimously adopted 2 years ago.

On March 31 of this year, Public Law No. 42 will expire and immediate action is now required to meet the country's urgent need, and

to assure continuous supply. No one will make import commitments without knowing what the price is to be.

Two years ago, this committee conducted extensive hearings with reference to Public Law 42. It may be recalled that there is a \$80-per-ton import levy on copper. It was deemed essential, because of the country's short supply, that that levy be suspended.

American domestic mine production runs approximately 900,000 tons per year, but American industries consume approximately 1,400,000 tons of copper per year. Obviously, the deficit must be made up through import. Our national defense stock-piling program is taking approximately 15,000 tons of copper per month. ECA requirements are also substantial. In addition, our supply situation has suffered seriously because of the loss of some 90,000 tons of Utah copper due to the Kennecott strike; in fact, it will be at least three to four more months before copper from the Utah mines will be available to meet American industry and Government needs.

There is a great shortage of copper for REA needs, for the national power generative system, which by 1951 will be more than 40 percent beyond the capacity generated in 1947. Electrical appliances, plumbing fixtures, roofing materials, automobiles, all require continuous supplies of copper.

All affected Government departments and agencies have filed with the Committee on Ways and Means recommendations in support of the legislation. Domestic producers have filed with this committee a memorandum urging immediate adoption of the measure, as have the consumer industries.

In that connection, I think you will find on the desk, Mr. Chairman, the statement filed in behalf of Phelps Dodge, Calumet and Hecla, and many other of the leading producers, if not all of the leading producers in this country.

Senator CONNALLY. Phelps Dodge produces most of its copper in Mexico, does it not?

Mr. DANAHER. Oh, no. They produce mostly in Arizona and Texas.

Senator CONNALLY. I know about that. But I thought that they had a lot of facilities in Mexico.

Mr. DANAHER. They have some, and Anaconda and American Smelting & Refining Co. have facilities there, also. But I doubt that Phelps Dodge Mexican production exceeds 10,000 tons a year, available for export to the United States.

Senator CONNALLY. They would be glad to bring it in free of duty, of course.

The Senator is very persuasive to me, on account of his former views on the subject.

Mr. DANAHER. Well, I will add, by way of emphasis, our situation is such that all the experts in the field assure me, and it is the advice of some of the Government people as well, that we will be in short supply for some four to five years, according to the estimates. Now, the price of copper at present is 23½ cents a pound. It has been stabilized, under the law that you adopted 2 years ago, at that rate for the better part of the past 2 years. Were this bill not to be adopted, the import levy of 4 cents per pound would obviously put the price to 27½ cents, which would be an all-time peacetime high. Twenty-seven and a half cents a pound levy on domestic consumers would

obviously be an inflationary factor of very great importance. Indeed, the projected use of copper over the next two years would indicate that the total increased cost would be approximately \$300,000,000 per year.

Under those circumstances, it is obvious that if we are to have imports of copper from Chile and from Mexico and Canada, supplies must be arranged for, and shipping and transportation arrangements must be completed long in advance. Therefore it is earnestly requested that the Finance Committee give consideration to this matter and favorably act on this measure at this time.

I would add that I am privileged to file statements in behalf of General Motors Corp., Ford Motor Car Co., General Electric Co., Revere Copper & Brass, Inc., American Brass Co., Bristol Brass Co., and many others of the leading industry consumers, affecting every walk of the American economy.

Senator MILLIKIN. Have there been any protests from any of the producers?

Mr. DANAHER. No, Senator.

Senator MILLIKIN. All of the producers are now together on the matter?

Mr. DANAHER. Entirely so.

Senator MILLIKIN. Will you have testimony here this morning on what the imports have been since this bill has been effective?

Mr. DANAHER. I can supply that information, from the official records.

In 1947 domestic production was 976,698 tons. Domestic production in 1948 was 980,135 tons. In 1947 domestic consumption was 1,338,383 tons. The 1948 domestic consumption was 1,394,307 tons. The 1947 imports were 407,937 tons. The 1948 imports have not been completely tabulated through December, for there was a time lag in the acquisition of those figures. However, the projected total for the year, based on the known 10 months of imports comes to 486,992 tons. That makes a total, therefore, of some 893,000 tons in the past 2 years of operation under Public Law 42.

Senator MILLIKIN. What was the increase in imports for 1948 over 1947?

Mr. DANAHER. The increase in the imports in 1948 over 1947 is roughly 80,000 tons, rounded.

Senator MILLIKIN. What has been the fabrication resulting from copper scrap?

Mr. DANAHER. The figures on domestic production which I have given you are for refinery production, and include primary and secondary copper, both. So far as secondary or scrap alone is concerned, I will have to give you an estimate in the neighborhood of 12 or 13 percent of the aggregate quoted.

Senator MILLIKIN. There is considerable opinion that we are in a recession at the present time. I am wondering whether a 2-year extension is not profligate, in view of that fact.

Mr. DANAHER. I would urge, sir, that since none of us can possibly foresee the future, we can do no more than rely upon facts in existence 2 years ago. There were those who appeared here expressing similar fears and urging the committee then to make the suspension period run for a period of only 1 year. The figures which we then adduced in support of the 2-year suspension have been borne out with only a

negligible percentage of error. But we really need 2 years' suspension to get long-term productive and delivery commitments.

Senator MILLIKIN. But in that time, Senator, I suggest that we were in an obviously rising economy.

Mr. DANAHER. Yes.

Senator MILLIKIN. And now, I suggest, it is the other way.

Mr. DANAHER. Of course, such prognostication has to be predicated upon opinion; but opinion with well-established bases, I think, is to the contrary. For example, the generative capacity that is required to meet the Nation's power program alone will show more than 40 percent increase projected through 1951, as against January 1, 1948. Transformers, power lines, all the other things to which copper is essential in the development of the Nation's generative capacity, must be considered. Moreover, every automobile that is projected for the next 2 years is going to take some 45 pounds of copper.

Senator MILLIKIN. It was my understanding that the electrical equipment is piling up very rapidly in the warehouses. Is that correct?

Mr. DANAHER. There may be some lines in which that is correct, such as electric fans, or something of that kind, in the appliance field. But that is a negligible factor compared to the total. Quite the contrary to any situation of "piling up," in General Electric's over-all program, for example, they intend to step up their production of many items from 20 to 30 percent this year.

Senator BREWSTER. You are mindful of the fact that Dr. Gallup was considered to be something of a prophet up to a few weeks ago.

Mr. DANAHER. I have heard tell. But I am not basing this comment on nebulous spot-check sources. I am relying on official data from people whose business it is to know.

Senator CONNALLY. Well, the market on estimates of pollsters has gone down since October.

Mr. DANAHER. I think I can allay the fears of the Senator from Colorado if I point out that that memorandum right before him by the copper producers represents hard and fast thought on their part; because copper obviously represents their livelihood.

Senator MILLIKIN. May I inject some erudition at this point? I have a memorandum here that Aristotle said this, on forecasting: It is part of probability that the improbable will happen.

Mr. DANAHER. The fact remains that if you are going to import fact into this picture as distinguished from speculation, Congress will most certainly be here in another year, and should the supply situation so far change as to require the reimposition of a 4-cent tariff, Congress is then in a position to do it.

But may I, if I may borrow the Senator's own word, "suggest" that with copper at 23½ cents we are nearly triple the low-cost production of copper in this country right at this minute.

Senator MILLIKIN. May I suggest that 23½ cents may be a very "cushy" figure for low-cost producers, but it is not at all a "cushy" figure for high-cost producers.

Mr. DANAHER. And may I further comment, on that, that even during the days of the incentive copper production of RFC during the war, the number of tons produced by a price in excess of 23½ cents on the premium payment plan was less than 5,000 tons?

Senator MILLIKIN. And the whole net result was that we did not get enough copper.



Mr. DANAHER. All right. Then if you are going to argue this morning about the introduction of an incentive payment plan, all I can say is that if 23½ cents a pound won't bring copper out of the ground, another 4 cents is only going to bring four to five thousand tons, extra.

Senator MILLIKIN. Let me ask again for the figures of production, domestic production, '47-'48.

Mr. DANAHER. Yes, sir. Domestic production for 1947 came to 976,698 tons. In 1948, domestic production was 980,135 tons.

Senator MILLIKIN. A very small increase.

Mr. DANAHER. Four thousand tons, roughly.

Senator MILLIKIN. With a rather substantial increase in imports.

Mr. DANAHER. Yes. And let me say that you should take into account, in talking about domestic production, that starting last October the Kennecott Co. encountered a strike in its Utah properties; and that strike has persisted now, you see, 4 months. The loss of copper per month is at least 23,000 tons from that mine alone. There is a loss of some 90,000 tons that you have to take into account; plus the fact that the mines today, even if the strike is over in Utah, are full of snow, and they cannot get the mines in operation earlier than the 1st of March, and there is a 90-day lag between production and smelter and refinement, as the Senator from Colorado knows. So that you are going to be into May or June before you can make available to the domestic economy a restoration of the supplies from the Utah properties.

Senator MILLIKIN. We had quite a little testimony recently that the world demand for copper was such that it would be very difficult to reach imports of the magnitude which you have described; that copper produced abroad would be absorbed abroad, and that the source of import supply would be very precarious as far as this country was concerned. Have you any comment on that?

Mr. DANAHER. The comment I would offer with reference to it is that our domestic producers are almost entirely the owners of the sources of foreign production, whence this copper comes: Kennecott and Anaconda in Chile and Peru, Phelps Dodge, to which the Senator has already made reference, and Anaconda with interests in Mexico, and possibly some small percentage of import from Canada. But what your American producers did, then, as owners of foreign sources, was to divert copper here to meet our shortage and very carefully to develop the American historic sources of import, their own properties. And obviously, they are going to protect their domestic production first and meet the needs of American customers. That is the best possible service that you could ask.

Senator MILLIKIN. It would depend, I would suggest, on how it could be produced the cheapest. The thing that is in my mind, Senator, is this: The figures of imports are larger than we had reason to expect from the testimony two years ago; and they are increasing. What testimony did we have on the future importing capacity of these American companies?

Mr. DANAHER. I would say that this is about the measure of it, judging from the experience developed: Obviously we are not even beginning to meet the American domestic need at this minute. Let me point out, please, to the Senator, that as late as the last week in December, one of the committees of the House went into hearing

particularly to ascertain whether it was possible to step up the rate of availability of copper for wire, and the like, for REA extensions, for REA programs. And I noticed in the hearings that the Phelps Dodge Copper Products Corp. was devoting 94 percent of its product in the wire field to REA alone. They cannot begin to meet the demand.

Senator MILLIKIN. Let us concede for discussion's sake that there is a shortage, and that the imports are necessary at the present time.

Mr. DANAHER. Yes.

Senator MILLIKIN. I am concerning myself with the rate of increase in imports; and I am wondering what that will bring us to at the end of a year or 2 years.

Mr. DANAHER. Well, if we could get an American stock pile to meet national defense needs alone, adequate to what we ought to have, we could more than take up every ounce of the total copper imported in the last year and the year before. We are only stockpiling 15,000 tons a month. That is 180,000 tons by the end of the year; when we need 600,000 to 700,000 tons—not to mention industrial and utility needs.

Senator MILLIKIN. Let me ask you this: Is this in your judgment going to be a regular performance; and since we have encouraged our American owners of properties abroad to expand their development, may we have the pleasure of having the Senator here every 2 years asking for a continuance of free copper imports?

Mr. DANAHER. If the Senator will recall, it was my urgent recommendation 2 years ago that you make the suspension for 3 years instead of 2. And if you had done it then, you would have deferred the pleasure of my company, because I would not even be here now.

Senator MILLIKIN. That is a good reason for giving a shorter extension: So that we can have the pleasure of your company.

Mr. DANAHER. But to quote from this memorandum submitted in behalf of United States copper producers, which you have not had an opportunity to read:

When the existing pent-up demand is satisfied and consumption is once more determined by normal requirements alone, it seems reasonable to expect that civilian copper consumption will revert to 10 to 12 pounds per capita, which is well within our capacity to produce at home, and an important part of our domestic copper producers will be desperately in need of the protection heretofore given them by the copper import tax.

Accordingly, the domestic producers on whose behalf the statement is filed are in accord with the 2-year suspension of the import tax, as a purely temporary measure \* \* \*

I therefore say to the Senator from Colorado: If these producers have that degree of confidence in the vigilance of the Senator from Colorado that I have, I know that at the end of 2 years if supply and demand are in balance you will not favor further suspension of the tax.

Senator MILLIKIN. May I suggest that a statement from somebody who knows what is going on be put into the record showing how they are progressing with their development of American-owned foreign mines?

Mr. DANAHER. I will be glad to undertake to get that.

Senator BREWSTER. Are the wages of labor to some extent based on the price of copper?

Mr. DANAHER. Yes.

Senator BREWSTER. So that this is in accord with the desires of labor as well.

Mr. DANAHER. It is in accord, as well as I am informed, with the desires of labor as well.

Senator BREWSTER. The mines are mostly organized; and as far as you know, organized labor would support this same proposal.

Mr. DANAHER. That is correct.

The CHAIRMAN. Any further questions?

Senator MARTIN. Mr. Chairman, maybe Senator Millikin could inform the committee, coming from a copper-producing State: I am wondering what effect this is having on submarginal mines, mines that it is rather difficult to operate at a profit, but which have a great deal of raw copper still available. What effect will this have upon operations of that kind?

Senator MILLIKIN. I am unable to give the Senator an accurate answer, because this has appeared before us with such suddenness that I have not had an opportunity to consult our local producers.

And, by the way, Colorado is not a large copper-producing State.

Senator MARTIN. I know that is true.

Senator MILLIKIN. But it has a definite part in our economy, which involves complex ores, and so it is important to Colorado; but it is a whole lot more important, from the strict copper standpoint, in a whole lot of other Western States.

I can generalize on it. Our marginal producers are going out of business; that is, all kinds of marginal producers.

Senator MARTIN. I will break that up. I am not raising any objection to what you are suggesting, Senator Danaher; but in the over-all economy of America we have gotten to the place that the submarginal production of copper and iron ore and oil and natural gas has got to have the consideration of the American people.

Take, for example, oil. In my own State we have been producing it for 75 years from some wells. And if we do not watch out that production will end permanently, and we will lose an enormous amount of oil which is valuable in our over-all economy. That is why I was bringing this up. I kind of feel that we ought to have maybe some testimony from operators of these submarginal mines; because I think in the over-all picture they ought to have quite a little consideration.

Mr. DANAHER. May I comment?

Senator MARTIN. Certainly.

Mr. DANAHER. I think it is pretty nearly a conclusive answer to the Senator to point out that when the premium price incentive plan was in vogue in this country, to call forth every ounce possible, regionally, of copper from these marginal and submarginal mines, something less than 5,000 tons were brought out when the price was over 23½ cents. Remember, the OPA price was 12 cents. And all that difference was being paid under the incentive program to marginal producers.

So that there are only about 5,000 tons out of 900,000 tons involved. That is one of the comments which I think is apropos.

Another is that if you take a State like Arizona, where 75 percent of its total economy depends upon copper, speaking through the chairman of their own Arizona Tariff Board, speaking through their own Senators, Senators Hayden and McFarland, you will find that that they are very definitely in favor of the 2-year extension of this particular program.

Senator MARTIN. Mr. Chairman, the reason I am expressing this concern: I am very anxious that we continue everything in America that we possible can that will take care of labor employment. I would so much rather that we would pay a little more for the things that we consume, if thereby these operations can be self-sustaining, rather than to have to get aid from some level of government. That is the reason I am making this inquiry. It is better for my State to have the importation of copper. Because we are manufacturers; we are not producers.

Mr. DANAHER. May I answer you further in that respect, that Congressman Hill from the State of the Senator from Colorado was one of the authors of an incentive-payment program measure which last year received most extensive consideration before the Committee on Public Lands, and the Subcommittee on Mines over in the House. And at that time all these producers to whom the Senator from Pennsylvania refers appeared. The committee brought out a bill, and it got as far as the Rules Committee, but the Rules Committee never let it get any farther.

I do not know whether or not the Congress is ready for an incentive-payment program to take care of these marginal producers. But I do suggest that if Congress as a matter of principle wishes to do so, for a very comparatively small sum, for a very few million dollars, they can bring out all this marginal copper; whereas if you leave a tariff of 4 cents a pound on a raw material, a commodity which is already in short supply, the burden on the whole economy will be more than \$300,000,000 per year.

Senator MARTIN. I appreciate the time you have given me, Mr. Chairman. I am one of the old-fashioned types, and I do not know just what you would call it, of citizenship, in that I want to see every American gainfully employed. I think that has been the greatness of America. And I suppose I am reactionary for proposing such a thing, but that is my philosophy.

Mr. DANAHER. Well, the Senator does not suggest that I hold any contrary view.

The CHAIRMAN. Are there any other questions of Senator Danaher?

There are no other questions, Senator.

We will complete this record by entering a statement from Senator McKellar, who has copper-mining interests in his State.

(The statement referred to is as follows:)

FEBRUARY 11, 1949.

Hon. WALTER F. GEORGE,  
*Senate Office Building, Washington, D. C.*

DEAR SENATOR: I enclose a copy of H. R. 260 which suspends certain import taxes on copper.

I have some friends from Tennessee who are tremendously interested in making this suspension and I would be greatly obliged if you will call it to the attention of the committee.

Very sincerely yours,

KENNETH MCKELLAR.

(Copy of H. R. 260 accompanied the foregoing letter.) (Now H. R. 2313.)

The CHAIRMAN. A statement from the senior Senator from Arizona, Senator Hayden, may also be made a part of the record.

(The letter referred to is as follows:)

FEBRUARY 16, 1949.

Hon. WALTER F. GEORGE,  
Chairman of the Senate Finance Committee,  
United States Senate, Washington 25, D. C.

MY DEAR SENATOR GEORGE: I am transmitting herewith an original letter addressed to you on February 15 by Mr. Julian B. Beaty, counsel for the copper tariff group made up of a number of major copper producers, along with 20 copies of a statement regarding H. R. 2313. It is my understanding that this bill will come to the attention of your committee when it has passed the House and I hope that careful consideration can be given to the enclosed statement in favor of the bill.

With kindest regards, I am,  
Yours very sincerely,

CARL HAYDEN.

(The statement accompanying the foregoing letter from Senator Hayden is as follows:)

**IN THE MATTER OF SUSPENSION OF THE IMPORT TAX ON COPPER**

Statement submitted on behalf of the following-named United States copper producers: Calumet & Hecla Consolidated Copper Co. (Michigan), Castle Dome Copper Co. (Arizona), Consolidated Coppermines Corp. (Nevada), Copper Canyon Mining Co. (Nevada), Copper Range Co. (Michigan), Isle Royale Copper Co. (Michigan), Magma Copper Co. (Arizona), Miami Copper Co. (Arizona), North Carolina Exploration Co. (North Carolina), Phelps Dodge Corp. (Arizona and Texas), Quincy Mining Co. (Michigan), Tennessee Copper Co. (Tennessee), Vermont Copper Co. (Vermont).

This statement is filed on behalf of copper producers whose operations are carried on in Arizona, Nevada, Michigan, Tennessee, North Carolina, Texas, Vermont, and New York, and who represent a cross section of the copper-producing industry of the United States.

The Revenue Act of 1932 imposed an import tax of 4 cents per pound on copper in various unmanufactured forms (with compensatory rates on manufactured forms). This tax was extended by successive enactments, until the Revenue Act of 1941 placed it in continued effect without specific date of expiration.

Effective March 31, 1947, the import tax was suspended for a period ending March 31, 1949. There is now pending before the Congress, H. R. 2313, introduced by Congressman Wilbur D. Mills of Arkansas, providing for a continuation of the suspension until March 31, 1951. The domestic producers on behalf of whom this statement is filed favor a prompt enactment of that bill.

This brief statement is submitted to show why these producers favor this further suspension of the import tax for a 2-year period, and also why they believe that it is essential to the domestic copper-producing industry, and to the country, that the import tax be retained except during the present temporary period of abnormal shortages.

For many years the United States was the leading producer and exporter of copper. From 1912 onward, however, the successive development of tremendous resources in South America, Canada, and Rhodesia built up foreign production until in 1929 for the first time we became a net importer of copper. These net imports continued until the imposition of the import tax on June 16, 1932. During this period, in part as a result of the continued net importation of copper, domestic stocks increased to over 500,000 tons, a figure far in excess of the then annual consumption of newly mined copper. This was the situation which the import tax was designed to relieve.

Productive capacity, as revealed by the statistics of United States and foreign copper production, will speak for itself. In terms of smelter output of newly mined copper, the condensed record of the United States Bureau of Mines is as follows:

## SUSPENSION OF IMPORT TAXES ON COPPER

*Average yearly productions, in short tons*

Inclusive years	United States	Foreign
1901-10.....	428,200	334,700
1911-20.....	716,000	502,700
1921-30.....	742,300	784,600
1931-35.....	328,800	1,041,800
1936-39.....	680,300	1,604,500
1940-45.....	973,698	1,882,801

<sup>1</sup> Partly estimated.

Between 1901 and 1945 foreign production more than quintupled. This enormous increase was due in large part to copper mining developments in Canada, South America, and Africa. The condensed record of these three regions as reported by the American Bureau of Metal Statistics is as follows:

*Yearly productions, in short tons*

Inclusive years	Canada	South America	Africa	Total, 3 regions
Average 1914-20.....	48,000	137,000	37,000	222,000
Average 1930-37.....	179,500	302,000	247,500	729,000
Average 1938-47.....	246,500	515,650	438,050	1,200,200

There can be no question of foreign power to produce.

It is unnecessary now to elaborate upon the reasons (which include cheap native labor and, in many cases, extraordinary byproducts credits) which give major foreign producers cost advantages which an important part of the domestic copper production cannot meet. These factors have in the past enabled, and will in the future enable, foreign production to displace an important part of domestic production unless there is adequate tariff protection.

During the 22-year period between wars our per capita consumption averaged about 9½ pounds of new copper per year. The best yearly average sustained for 10 consecutive years of this period was about 11½ pounds per capita. During the war emergency the War Production Board took jurisdiction for purposes of allocation over all forms of copper, and the records show that our civilian economy during the war years was limited to about 4½ pounds per capita or about half its normal average supply. The normal need for civilian goods and services, though held in abeyance during this period, had not lapsed. It was merely accumulating and is here today.

The net result has been an abnormal demand for copper during the past 3 years caused by the unsatisfied civilian requirement of the war years, carried over and pyramided on the normal requirements of peace. In addition to the pent-up domestic civilian demand, the requirements of the Economic Cooperation Administration and Government stock-piling for defense have created a domestic demand in excess of our present power to produce. Domestic consumption of newly mined copper since the war has averaged over 18 pounds per capita per year. It must be emphasized that this abnormal demand is temporary. When the existing pent-up demand is satisfied and consumption is once more determined by normal requirements alone, it seems reasonable to expect that civilian copper consumption will revert to 10 to 12 pounds per capita, which is well within our capacity to produce at home, and an important part of our domestic copper producers will be desperately in need of the protection heretofore given them by the copper import tax.

Accordingly, the domestic producers on whose behalf the statement is filed are in accord with the 2-year suspension of the import tax, as a purely temporary measure, embodied in H. R. 2313, introduced by Congressman Wilbur D. Mills, of Arkansas.

The CHAIRMAN. It would perhaps be advisable, Senator Danaher, for the committee to consider the matter further in executive session.

Mr. DANAHER. Thank you, Mr. Chairman.

The CHAIRMAN. If there is nothing else you wish to submit at this time, we will give that direction.

Senator MILLIKIN. I would like to suggest that at the end we should be sure to have some authoritative statement showing the potentiality of increase in imports due to the development of these foreign mines.

The CHAIRMAN. Will you supply that for the record?

Mr. DANAHER. I will undertake to get that. And I thank you for your consideration.

(The material to be supplied is as follows:)

WASHINGTON, D. C., February 21, 1949.

In re Copper Tax Suspension Hearings H. R. 2313.

Chairman WALTER F. GEORGE,  
*Senate Finance Committee, Senate Office Building, Washington, D. C.*

MY DEAR SENATOR GEORGE: You will recall that Senator Millikin raised the question of whether or not American owners of foreign copper-producing properties have been expanding their foreign production because of the suspension of the copper-import tax. He asked for a statement "showing the potentiality of increase in imports due to the development of these foreign mines."

Since Chile is by all odds the largest historic source of copper imports to the United States, I asked for comment by leading officers of Kennecott Copper Corp. and the Anaconda Copper Mining Co. which control the operation of the mines of Chile. I made it clear that the required statements were to be official and to be addressed to you as chairman of the Senate Committee on Finance. I enclose communications from each of these companies to be inserted in the record of hearings.

Senator Hayden has already sent to you a statement which has been incorporated in the record, submitted in behalf of all other substantial American copper producers.

It may be appropriate also to include communications from several of the large copper-consuming industries, all of which I procure for submission to the Committee on Ways and Means. I respectfully ask that you insert this letter in the record together with attached copies of letters from the Ford Motor Co., the General Electric Co., the Rome Cable Corp., and American Brass Co.

Official Government department reports have already been filed with the House Committee on Ways and Means.

In addition, the National Security Resources Board at the close of December 1948 prepared its report for the advice of the President that publicly and privately owned electric utility systems in the United States, including the Rural Electrification Administration, have planned an expansion of the Nation's power capacity which, by 1951, will bring the peak capabilities to about 72,000,000 kilowatts as contrasted to about 50,000,000 kilowatts in 1947—an increase of more than 40 percent. To meet this program American industry must provide turbines, generators, power switching and distribution equipment, power and distribution transformers, circuit breakers and switch gear, high voltage insulators and many other items. The Board concludes its report:

"The schedules of production summarized in this report have been made on the assumption that there will be adequate supplies available of raw materials and components."

Mr. T. E. Veltfort of Copper and Brass Research, as of December 28, 1948, estimates that the automotive industry and the building industry will each require in 1949 alone, 250,000,000 pounds of copper and its alloys. The report concludes:

"The railroads and steamship lines have elaborate plans for the construction of new equipment. The railroads of the Nation require large numbers of new Diesel-electric locomotives, Pullman cars, day coaches, dining cars, and freight cars. The Pennsylvania Lines alone have a program for new equipment that involves an expenditure exceeding \$200,000,000. New ocean liners, cargo ships, and tankers are under construction for the steamship lines. Into such railway and steamship equipment will go millions of pounds of copper and copper-base alloys.

"Other basic industries which will require large tonnages of copper and its alloys, particularly brass and bronze, are the hardware industry; the clock and watch industry; radio and television; air conditioning; refrigeration; and even such manufactures as wire screen cloth to keep buildings free from flies and other insects, tableware and many others too numerous to mention. Without copper and copper-base alloys these products cannot be manufactured. There may be alternates but there are no real substitutes for copper or copper-base alloys.

"Since the end of the war the brass mills have taken over a number of fabricating plants built by the Government during the war to supply the United States and others of the United Nations with war armament. In addition, several companies have constructed new plants, specifically in Alabama and California.

"In other words, every possible step is being taken by the industry to meet the large demands on it and it must now depend on the availability of its principal raw materials to do the job which is required of it."

Since orders for copper must be placed well in advance, and since it is but natural that importers must know the price they are to pay, since the present law suspending the \$80 per ton levy will expire March 31, 1949, it is respectfully urged that immediate and favorable consideration be granted to H. R. 2313.

Faithfully yours,

JOHN A. DANABER.

KENNECOTT COPPER CORP.,  
New York 5, N. Y., February 18, 1949.

HON. WALTER GEORGE,  
Chairman, Senate Finance Committee,  
Senate Office Building, Washington, D. C.

DEAR SENATOR GEORGE: We understand that your committee is interested in receiving information from us in regard to our foreign production of copper by years in relation to the shortage of copper in the United States, and also some statement regarding any increase in recent years of our foreign production capacity. We assume you have in mind that, because of the suspension of the import tax on copper, we might have expanded our foreign capacity to produce and, therefore, would be interested in the future in supplying United States copper needs from abroad under a continuous suspension of the tariff.

In order that you may understand the situation clearly, we advise you that we produce copper outside of the United States at only one operation. The mines of that operation are located at Sewell, Republic of Chile. We operate in Chile by means of our wholly owned subsidiary called Braden Copper Co. That company operates no other mines and has no other production than in Chile.

For your information, we advise you that we have not expanded our foreign production by adding new production equipment or facilities at our Chilean operations designed to enable us to supply copper for a large United States demand.

As an indication, we list our Braden Copper Co. production and shipments for 1937 and then continuously from 1942 to date. The intervening years show lower production and shipments. The production and shipments of 1937 are material only to show that our foreign capacity and production in 1937 was approximately the same as now.

The tabulation is as follows:

Year	Production (in pounds of copper)	Shipments from Chile <sup>1</sup>	Year	Production (in pounds of copper)	Shipments from Chile <sup>1</sup>
1937.....	318,262,628	319,072,000	1945.....	329,798,078	320,393,000
1942.....	323,600,924	327,428,000	1946.....	<sup>2</sup> 187,449,600	202,192,000
1943.....	328,532,898	320,472,000	1947.....	<sup>2</sup> 276,943,314	284,340,000
1944.....	349,374,972	350,143,000	1948.....	328,504,258	336,370,000

<sup>1</sup> Not all shipped to the United States.

<sup>2</sup> There were strikes in both these years.

Of the total copper production of our company and its subsidiaries, on the average of between 25 to 30 percent comes from foreign operations and 70 to 75 percent from domestic sources, so it is manifest that our greater interest lies in our domestic production and we are certainly highly desirous of keeping our domestic mines in full operation.

We can assure you that we have not sought or attempted to build up our foreign production capacity in any effort to capture the United States market while the import tax was under suspension. Our production figures above set out are evidence of that fact.

We hope that the foregoing information covers the matters you had in mind.

Respectfully yours,

E. T. STANNARD.



ANACONDA COPPER MINING CO.,  
New York 4, N. Y., February 21, 1949.

HON. WALTER F. GEORGE,  
Chairman, Senate Finance Committee,  
Senate Office Building, Washington, D. C.

DEAR SENATOR GEORGE: In connection with the consideration by your committee of the further suspension of the import tax on copper, we have been requested to inform you directly as to our Chilean production capacities for meeting the American copper deficit year by year.

We understand that you already have the information of the total imports of copper in 1947 and 1948 and the relation of these imports to our total domestic needs. It has been suggested that you may have in mind that because of the suspension of the import tax on copper our company may have expended our foreign capacity to produce and that, therefore, you would be interested in the capacity to supply American copper needs from abroad under a continuous suspension of the tariff in the future. The following observations may have some bearing on the questions which you have in mind.

We exported to the United States from mines in Chile, that is, the Chile Exploration Co. mine at Chuquicamata and the Andes Copper Mining Co. mine at Potrerillos, for consumption in the United States, as distinguished from blister copper refined in the United States and sold abroad, 132,311 tons of copper in 1946, 151,005 tons in 1947, and 222,155 tons in 1948. The increase in our exports for United States consumption was to meet the critical demand in the United States and at the expense of our sales abroad. We produced from these properties in the same years:

	Tons
1946.....	301, 436
1947.....	308, 640
1948.....	304, 024

To reach these production rates in those years we did not increase our operations. On the contrary, the capacity of our mines in Chile to produce copper is considerably above these figures, as evidenced by the total production in 1945 which was 332,240 tons. We have not increased our foreign production schedule in terms of adding new production equipment or facilities designed to enable us to meet an expected United States demand. It is the fact that we are commencing the construction of production and treatment equipment at the Chuquicamata mine of the Chile Exploration Co. for the mining and treatment of sulphide ores. The production from this mine at present, and at all times prior, has been from oxide ores only, the production from which will diminish substantially in the next few years. The new facilities are designed and will be built over the course of years to treat sufficient sulphide ores to maintain the capacity heretofore produced from the oxide ores only. The units, the construction of which has now just been started, are expected to be in production in the year 1952, and when completed these units will add a sufficient production from sulphide ores to the production from oxide ores to equal the rated capacity of the present oxide plant, that is, approximately 640,000,000 pounds per year.

This company is primarily interested in our domestic sources of production for the United States market and we are desirous of keeping our domestic production at the highest level possible, although it is and has been since the end of the war somewhat limited by shortage of labor supply. Our Butte mines supply our domestic production, and the production for the years 1946, 1947, and 1948 has been respectively as follows:

	Tons
1946.....	56, 198
1947.....	54, 238
1948.....	56, 985

The company has started a program involving expenditures of approximately \$20,000,000 to mine and treat additional low-grade copper ores at Butte, expected to be in partial production by 1952.

As we see it, this country's short supply of copper will continue for some years. No new supplies of copper are in sight which could possibly be brought into production within the next 2 years, and it is our opinion that any domestic production which may become available as early as 1953 or 1954 will in all probability be offset by the normal decrease in production from mines already supplying the domestic market.

Due to the urgent demand for copper both in the domestic and foreign markets, and the demands for the stock pile, we have been producing from our copper

mines, domestic and foreign, at as high a rate as the operations themselves can sustain. We have, of course, taken no steps whatever to limit the supplies for the domestic market from domestic sources, nor have we built up our foreign capacities to capture the American market by reason of the suspension of the import tax on copper.

Respectfully yours,

ROBERT DWYER,  
*Executive Vice President.*

---

LETTER FROM THE FORD MOTOR CO.

JANUARY 10, 1949.

Subject: Suspension of copper excise tax.

Hon. ROBERT L. DOUGHTON,  
*Chairman, House Committee on Ways and Means,  
House Office Building, Washington, D. C.*

MY DEAR MR. DOUGHTON: We recommend that the Congress take action to continue the suspension of the copper excise tax, which is presently suspended until March 31, 1949, under bill H. R. 2404. It will be desirable to continue this suspension, in our opinion, for at least several years.

Copper is a basic material used in our industry. Production of 5,000,000 cars and trucks in this country requires approximately 125,000 tons of copper. The United States has been importing substantial quantities of copper to meet our domestic consumption requirements for some time. During 1948 total consumption of copper in this country was estimated to be approximately 1,410,000 tons. Estimated domestic production in 1948 is 975,000 tons. This means that 435,000 tons, or approximately 31 percent, must come from foreign sources.

As you know, the Munitions Board has ordered copper stock-piling to be continued during 1949. It is estimated that approximately 60,000 tons of copper will be required for this purpose during the first half of this year. This is another urgent reason to avoid any possible shortages.

Our country's copper commitments under the European recovery program are expected to require approximately 60,000 to 70,000 additional tons from United States production in 1949.

It seems very likely, therefore, that substantial imports of copper will be required for some time. We believe that everything possible should be done to avoid a copper shortage, and to keep the present high price of copper from advancing another 4 cents per pound, as it might if the excise tax were to be reinstated.

It is the desire of the Ford Motor Co. to keep the price of our products at the lowest possible level. I feel sure you will agree that every action which contributes to the return of sound, competitive business conditions, with prices at levels which the public can afford to pay, is in the national interest.

Our company wrote Mr. Harold Knutson on January 17, 1947, expressing essentially these same ideas and urging at that time that the excise tax be repealed. Instead, bill H. R. 2404 was enacted. We are repeating our opinion to you that repeal of this tax, or certainly its suspension for the foreseeable future, remains as desirable now as it was then.

Yours sincerely,

ERNEST R. BRECH,  
*Executive Vice President, Ford Motor Co.*

---

GENERAL ELECTRIC CO.,  
*Schenectady, N. Y., January 17, 1949.*

Hon. R. L. DOUGHTON,  
*Chairman, Ways and Means Committee,  
House of Representatives, House Office Building, Washington, D. C.*

MY DEAR MR. DOUGHTON: I invite your attention to a serious situation in which your committee can be of major assistance to American industry and the American public. The General Electric Co. is only one of the many manufacturers of electrical products and apparatus for both home and industry. Our customers are located in all parts of the United States, and the use of electricity is a measure of the high standard of living which the people of the United States enjoy. The number of people employed in the General Electric Co. now totals about 196,000.

Copper is the most suitable material for electrical conductors and finds its way in various shapes, forms, and quantities into all electrical products. Our copper requirements reach a substantial total each month, and electrical manufacturers, taken together, are perhaps the largest consumers of copper. Your committee possibly has the information that the total requirements for United States industry is about 120,000 tons per month, while the domestic copper mined, plus returnable scrap, is running at the present time at the rate of only about 80,000 to 85,000 tons per month, leaving 35,000 to 40,000 tons which must be obtained from sources outside the United States. At the present time the only sources which appear to be available to the United States would be the Latin-American countries—principally Chile. The exportable copper from Canada, as well as the South African mines, is mortgaged by Great Britain and continental Europe. Copper has been in short supply in the United States for many months, and the situation at present is further aggravated by the closing, due to labor troubles, of the largest domestic mine and Government buying for stock-piling purposes. There is every indication, based on statistics, that we may have serious difficulty in purchasing copper in sufficient amounts and on such an economical basis as will protect our production programs. As indicated above, United States industry is dependent upon foreign copper for a high percentage of its needs.

The world price today is 23½ cents per pound. If the duty suspension is not extended, the price of foreign copper would be increased by 4 cents per pound, or to 27½ cents per pound, and undoubtedly, the domestic price would move to the same level. This would create a fictitious and uneconomical price which will result in another unnecessary burden on the American public in excess of \$110,000,000 annually, computed on current consumption. If this duty is reinstated and the price of copper is forced up to this high level, it will not be beneficial, even for the domestic copper industry, because it will cause substitutions and postponements of projects which are urgently needed in American industry.

We earnestly urge that your committee recommend legislation to continue the suspension of the excise tax of 4 cents per pound on copper imports. To the extent that we are unable to obtain copper at reasonable price, and to the extent that further price increases simply cannot be borne in a competitive economy, it will necessarily mean cutting back our production in line with our domestic copper supply. This would bring about an immediate and proportional reduction in employment within our company, and the consequences of our being unable to produce urgently needed apparatus for other industrial companies would lead to further unemployment in those industries. Large electrical apparatus is urgently needed by the electric utility companies to increase their generating capacity and transmission and distribution systems, and by industries, large and small, for increasing their production.

A shortage of copper would seriously impede the manufacture of appliances for the home and small apparatus such as motors, controls, heating units, and similar devices which are incorporated in such widely used electrical products as refrigerators, oil burners, farm freezer units, and machine tools.

We hope that our plea, along with those of others, will aid your committee in arriving at the best solution to this problem.

Respectfully yours,

H. L. ERLICHER, *Vice President.*

---

#### LETTER FROM THE ROME CABLE CORP.

JANUARY 10, 1949.

HON. ROBERT L. DOUGHTON,  
*House of Representatives, Washington, D. C.*

MY DEAR MR. DOUGHTON: As an independent wire and cable manufacturer Rome Cable Corp. is most interested in the bill proposed by Representative Patterson (Patterson bill H. R. 260) relative to continuing for another 2 years the practice of allowing copper to come into this country duty-free. Patterson bill H. R. 2404 suspended the duty of 4 cents per pound on foreign copper until March 31, 1949, and we believe it vital to the interest of our country that Patterson bill H. R. 260 is passed, extending the suspension for an additional 2 years.

Our company depends for its livelihood on the available copper supply in this country and in order that you may fully comprehend our situation we should like to tell you something about our company. Rome Cable was incorporated in 1936 for the purpose of manufacturing electrical wires and cables. We operate

one plant in Rome, N. Y., and have no connection with any copper producer or supplier. Because of the independent nature of our company we feel that our position is more dependent on the availability of foreign copper than that of the majority of our larger competitors who are connected by stock ownership to copper suppliers. Beginning in the late 1920's and continuing after the date of our incorporation in 1936 there has been a definite movement toward more integration of the copper industry. This has been achieved by the copper producers buying substantial or complete interest in the securities of copper fabricators.

In the second year of our operations our sales were under \$2,000,000 but have grown to over \$28,000,000 in 1948. Our products are shipped on a Nation-wide basis to public utilities, electrical wholesalers and contractors, electrical-equipment manufacturers, railroads, mines, and other industrial concerns. We are also an important supplier of copper rods and bare wire to other copper fabricators for further processing. Only a negligible amount of our sales enters the export field. Consequently, nearly 100 percent of our wires and cables are used by consumers in this country. At present we employ over 1,000 workers, and if copper were available would consume from 3,500 to 4,000 tons of copper monthly. Consumption of copper by our company was controlled during the war years but in none of those years dropped below 31,000 tons. In the postwar years we have consumed approximately 3,500 tons monthly.

Since the end of World War II we have spent approximately \$3,500,000 in plant and equipment and have nearly doubled our manufacturing floor space. We felt that this expansion was necessary in order to meet the needs for new housing throughout the country, as well as rewiring and extension of wiring to houses not now served, plus the providing of means to supply the needs of the utility and electrical manufacturing industry. As you know, the power shortage throughout the country has been and still is critical.

The wire industry operates on a low-profit margin and depends on quantity production rather than large mark-ups for its profits. Copper represents about 50 percent of the cost of our product and therefore we would be presented with a very serious problem if some of our copper was priced at 4 cents a pound more than that received from domestic suppliers. If, therefore, in order to keep our plant in operation we were forced to pay 4 cents tariff we would have to resort to higher prices to consumers which, in turn, would reduce the demand for our product. This lessening of the demand would mean that our three-shift operations with a consistent record of over 40 hours weekly would be at an end and of necessity we would be forced to reduce our working hours as well as our employment. In many of our products copper costs range much higher than 50 percent, and in these cases an additional 4-cent copper cost would drastically curtail production operations. It is only natural to expect that the integrated wire companies would have first call on a considerable percentage of the domestic copper supply and independent companies, such as ours, would be at a decided disadvantage if any sizable amount of its copper had to be imported on the basis of paying 4-cent tariff.

For the first 11 months in 1948 the total copper consumption in the United States, as shown by figures recently released by the United States Copper Association, totaled 915,901 tons, refined 1,137,580 tons and the net domestic consumption for the same period totaled 1,293,991 tons. Consumption therefore has exceeded production by 377,000 tons and has exceeded refined production by 155,000 tons. It is only possible to make up this deficiency by importation of copper. An increase in cost of \$80 per ton would further add to our inflationary spiral and could produce discriminating hardships upon many copper fabricators and their customers.

You are well aware of the importance of copper in our national defense program and the necessity for acquiring an adequate stock pile. It has been impossible for the Munitions Board to obtain all of the metal that they feel they should stock-pile without seriously affecting our domestic economy. Their current program calls for 10,000 pounds per month until next July, or about 10 percent of our total consumption. In the meantime, 30 percent of our domestic production has been shut off by a railroad strike in the Kennecott operations in Utah, so we have ourselves in the last 2 months, for the first time since we started business in 1936, been forced to operate on a short-week schedule because of lack of copper. This condition would be further aggravated if it were necessary to pay \$80 per ton for the 25,000 tons per month the United States is currently importing. Ninety percent of the industrial workers in Rome, which is a city of some 40,000 population, are employed in companies directly dependent upon copper, so that every family living in Rome is affected when the copper supply is reduced.

The present price of copper at 23½ cents, is the second highest since 1920. In 1929 the high figure of 24 cents was recorded for a short period. There is every indication of a continuing high demand for copper at fair prices, and we cannot see a situation whereby foreign copper could weaken the price structure as all the world seems to be short of this important commodity. Mr. Pehrson of the United States Bureau of Mines indicated in a report of that Bureau an estimated reserve of 20,000,000 tons of recoverable metal. Based on recent years consumption this would mean depletion of our copper resources by 1960. At one time we were an exporter of copper in this country but the heavy increase in demand here has now made it necessary for us to be importers. There has only been two important copper-mining developments in the last 20 years, while our copper-fabricating units have added considerable capacity.

In our opinion the suspension of the 4-cent tariff should not act to the detriment of copper producers and suppliers in this country. We believe that with the tremendous demand for copper products over the future years the output of domestic mines will find ready markets at available prices. The estimated use of copper in the United States per person increased from 6.35 pounds in 1933 to over 22 pounds in 1941, and averaged about 19 pounds last year.

In conclusion we wish to emphasize that Rome Cable as an independent fabricator of copper is in no position to pay a 4-cent tariff and be competitive. We are one of many companies in a similar position. We believe we have an obligation to over 1,000 employees, to our stockholders and to our community and therefore urge that support be given to Patterson bill, H. R. 260, continuing the import into this country of duty-free copper for at least another 2 years.

Sincerely,

ROME CABLE CORP.,  
A. D. ROSS FRASER, *President.*

---

LETTER FROM THE AMERICAN BRASS CO.

JANUARY 10, 1949.

Hon. R. L. DOUGHTON,  
*Chairman, Ways and Means Committee, House of Representatives,*  
*Washington, D. C.*

DEAR SIR: Under the existing law (H. R. 2404 approved April 29, 1947) the import duty on foreign copper would be reimposed on April 1, 1949. The domestic production of copper is insufficient to satisfy the requirements of consuming industries in the United States and, therefore, in our opinion it is urgent that the suspension of the 2-cent import duty on copper be continued for another 2 years. We respectfully call your attention to some information with reference to this problem and urge your thoughtful consideration thereof.

The American Brass Co. is engaged in the fabrication of copper and copper alloys in wrought form such as sheet metal, wire, rods, tubes, and extruded shapes. We account for a substantial portion of the production of the brass mill products industry. Our products are used in many and varied industries, the most important of which are automotive, electrical equipment and appliance, housing and construction of all kinds, shipbuilding, telephone, and public utility. Currently there are between 7,000 and 8,000 customers active on our books. We have six mills located in various cities in the United States and have on our pay roll at the present time approximately 13,500 employees.

Actual figures as to the supply and demand for copper during the year 1948 are readily available to you and to your committee.

Actual copper consumed by fabricators in this country during the year 1948 is estimated to be at the rate of 116,000 tons per month. Of this amount, it is estimated that at least 30 percent was derived from sources outside the United States. A very large percentage of the copper utilized by the American Brass Co. is of foreign origin.

During the past several months, in order to meet the demands of our customers, we have found it necessary to withdraw substantially from our working stocks because of the scarcity of the supply of copper with the result that at the present time such stocks are at a minimum.

It is generally believed that the year 1949 will be one of continued prosperity in the United States and we are looking forward to the next 2 years for a continuation of good business. Copper is essential to the conduct of many important businesses in the United States, such as automotive, electrical, and construction. All business would have to shrink drastically before reaching the point where the domestic

production of copper would be sufficient to meet the requirements. It is, therefore, essential that we continue to receive substantial quantities of foreign copper into the United States duty-free.

Our operating margins are not sufficient to permit us to absorb any part of a 2-cent excise tax. If the excise tax were absorbed and reflected in the prices to consumers it would be necessary to raise the entire price structure of all products sold by this company, by the amount of such tax.

Unless foreign copper is available we anticipate that our plants will be short several thousand tons of copper per month after April 1, 1949. Such a drastic cut in the supply of copper would reduce our operations to the point that it would unquestionably require the complete closing of several of our mills and the operation of the balance on a very much curtailed schedule. Such a program would bring about drastic reduction in our working force and would undoubtedly result in unemployment.

At the present time, because of various factors, there is not enough copper being produced in the United States to meet the demand of industry. Orders for copper must be placed ahead of the delivery of the copper by about 60 days. In other words, the problem must be met immediately if foreign copper is to be made available for the second quarter of 1949.

It is evident to us that the subject is one of extreme urgency and that postponement of its consideration would result disastrously, not only to ourselves but to our many customers who are dependent upon our products for the manufacture of their products. We, therefore, urge your consideration and support of a program to continue the suspension of the 2-cent import duty on copper for another 2 years beginning April 1, 1949.

Respectfully yours,

CLARK S. JUDD,

*Chairman of the Board, American Brass Co.*

The CHAIRMAN. We have received statements from two companies which will be inserted in the record at this point.

(The statements referred to are as follows:)

REVERE COPPER AND BRASS, INC.,  
*New York 17, N. Y., February 25, 1949.*

Re Suspension of Copper Excise Tax.

HON. WALTER F. GEORGE,

*Chairman, Senate Finance Committee, Senate Office Building, Washington, D. C.*

MY DEAR SENATOR GEORGE: As you know, H. R. 2404, a bill to suspend certain import tax on copper expires on March 31, 1949.

I wish to record my conviction that the national interest will be served by the passage of the bill recently passed by the House of Representatives and now before your committee, under which the present copper import tax suspension would be continued for an additional two years from March 31, 1949, or until March 31, 1951.

The records of the previous Congress will show that on January 20, 1947, I wrote to the Hon. Harold Knutson of the House Ways and Means Committee urging favorable action on the bill then pending, under which the duty was suspended to March 31, 1949. I pointed out that domestic consumption at that time was running far ahead of domestic supply and predicted a continuing need by industry of substantial imports of foreign copper.

Developments of the past 2 years have shown that the domestic copper shortage has tended to increase, rather than diminish. Greatly expanded imports of copper plus capacity mine production, plus utmost use of industrial scrap, have failed to produce a surplus which would give industry comfortable working stocks or which would enable the stock-piling program of the Munitions Board to be met without severe impact on the copper market.

Throughout the past 2 years the price of copper has been substantially stabilized at 23½ cents per pound, or at a price sufficiently high to stimulate, in the first 10 months of 1948, what the Bureau of Mines has officially estimated to be capacity production by United States mines. The rate during that period was 875,000 tons a year. Due to the strike in Utah final figures for 1948 will show a decline of more than 2 percent in production for that year as against the total of 846,889 tons of copper which came from the mines in 1947.

Consumption of copper in the United States, meanwhile, has been on the increase. Fabricators used 1,394,307 tons in 1948, as against 1,338,393 tons in 1947. This is in addition to whatever tonnage was stockpiled. During 1948 in

all forms about 500,000 tons of copper were imported, but this relatively huge addition to our domestic supply was insufficient to meet our needs. Combined refiners' and fabricators' stocks of copper declined by 24,000 tons in the period between the end of December 1947 and the end of November 1948.

Current prices of copper place this metal out of line with competitive metals as compared to prewar price relationships. There would be considerable substitution of other metals for copper under current conditions if the competitive metals were not also in short supply.

It is clear, therefore, that still higher prices for copper should be avoided by every means at our command. Since the effect of an import tax would be to raise the price of imported copper, and therefore of all copper, this is evidently not the time to permit a return of the excise.

To look ahead to the next 2 years, I would assess the supply and demand factors in this way:

1. Domestic supply may increase slowly if and when labor peace prevails.
2. Domestic demand seems likely to be steady. The principal consuming industries; electric (including public utilities), automotive and housing, continue at high rates of output. Further electrification of the farm, increased use of electric appliances by the housewife, and increased mechanization of mining and manufacture all are factors tending to stimulate consumption.
3. If any lowering in demand by United States industry develops, the slack should be taken up by the mounting needs of the armament and stock-piling programs.
4. Foreign needs, particularly those of the Marshall plan countries, should tend to increase in the period ahead. Assurances of continuous supply are therefore more needed than ever.

To sum up, I feel that unrestricted copper imports are needed for at least 2 years to meet the needs of industry; to meet the stock-piling and armament programs; to keep copper competitive with other metals; to avoid further inflationary price increases; and to maintain full employment in our industry.

Since the present bill H. R. 2404 (a bill to suspend certain import taxes on copper), expires March 31, 1949, I should like to strongly urge that your committee take favorable and prompt action on H. R. 2313, suspension of copper excise tax, at the earliest possible moment.

Sincerely yours,

C. D. DALLAS.

UNITED STATES INDEPENDENT TELEPHONE ASSOCIATION,  
Washington 4, D. C., February 18, 1948.

HON. WALTER F. GEORGE,  
Chairman, Senate Finance Committee,  
Senate Office Building, Washington, D. C.

DEAR SENATOR GEORGE: The continued suspension of the import tax on copper as dealt with in H. R. 2313, which it is our understanding has been referred to your committee after having been acted upon favorably in the House of Representatives, is a matter of vital concern to the independent segment of the telephone industry in the United States.

Telephone service in 11,000 urban and rural communities throughout the United States is provided by more than 6,000 independent operating telephone companies who are under mandate by the various State governments and the Federal Government to provide telephone service of such quality and to such extent as will best serve the public interest.

Copper is one of the basic materials required for the manufacture of wire, cable, manual and dial switchboards and associated switching equipment and many other items needed to meet the unprecedented demands for telephone service with which the independent telephone companies are confronted.

The production of these telephone plant and equipment items is being seriously retarded due to the inability of independent telephone manufacturers to obtain from their suppliers many copper containing component parts. The inability of suppliers to maintain their delivery schedules is due in major degree to their inability to obtain sufficient supplies of copper.

It is the considered judgment of the United States Independent Telephone Association that the effect of the reimposition of the tax on copper imports together with the increasing demands being made upon domestic and foreign sources of supply of this critical material in order to meet the requirements of the European Cooperation Administration and the Federal Government's stock-piling program

would be such as to further seriously interfere with the ability of Independent telephone manufacturers to meet the needs of independent operating telephone companies.

This association recommends, therefore, that your committee give serious consideration to the desirability of acting favorably upon this proposed legislation in order that Independent operating telephone companies will be better able to discharge their responsibility for providing adequate and efficient telephone service.

Very truly yours,

**CLYDE S. BAILEY,**  
*Executive Vice President.*

The CHAIRMAN. We shall consider this matter further in executive session.

(Thereupon, at 10:30 a. m., hearing in the above-entitled matter was recessed.)



## SUSPENSION OF IMPORT TAXES ON COPPER

THURSDAY, FEBRUARY 24, 1949

UNITED STATES SENATE,  
COMMITTEE ON FINANCE,  
Washington, D. C.

The committee met at 10 a. m., pursuant to call, in room 312, Senate Office Building, Senator Walter F. George, chairman, presiding. Present: Senators George, Connally, Byrd, Hooy, Millikin, Taft, Brewster, Martin, and Williams.

The CHAIRMAN. The committee will proceed. This is a continuation of the hearings on H. R. 2313, which relates to the extension of Public Law No. 42 for a period of 2 years, as I understand it.

We will now hear from Senator Malone.

### STATEMENT OF THE HONORABLE GEORGE W. MALONE, A UNITED STATES SENATOR FROM THE STATE OF NEVADA

Senator MALONE. Thank you, Mr. Chairman.

I want to say first in a general statement that copper is in the same category of other products involved in the general reciprocal trade program. The three-part "free trade" program applies equally to copper as to other American products.

Free trade in copper, while international copper is selling at as great or a greater price as in the United States, the tariff or the import fee has little or no effect.

But by having that cushion for it to drop back on, as it has many times before and will again when world production makes it a plentiful metal, then the cushion is there to the extent of the tariff or import fee. It is 4 cents now, and under any flexible arrangement it could be increased or decreased as the differential of cost, due mostly to the standards of living, changed.

When the prospector, who finds these mines to start with, knows that there is no cushion and there is no protection from the low-cost labor in Chile or the Argentine or any other South American nation which produces large amounts of copper, then he does not prospect for copper, since when the world price decreases below the cost of production in this country, there is no protection and he could not sell a prospect or mine if he found it.

To understand the mining business, I have come from a mining country, you only hear of the copper mines, you do not hear of the prospectors who die broke, and the companies that go out of existence because their stockholders either refuse to put in more money or are broke, and about the promoters that are trying to promote and finance mining prospects and trying to develop a mine. I would say,

roughly, to give you some idea of the job in developing a mine, that perhaps 150 or 200 prospects must be examined by an engineer to find one or two that warrant a spending of investors' money for development. Of those 150 or 200 prospects found by prospectors, and they are not found by engineers, only one or two and perhaps none will develop into a large mine. Engineers do not discover mines, they turn them down. But every prospector thinks he has, of course, a bonanza, so he sells the idea to an engineer who looks at it, and most of the time, as I have said, turns it down.

Out of perhaps 200 of them he will recommend that a few hundred or a few thousand dollars be expended on one or two of them, from step to step, he follows it as long as he thinks it is a good bet. Then out of the class of the one or two, perhaps one out of 50 of them make a mine.

In other words, it is a long, laborious, expensive process to find a mine in this or any other country. So the people you put out of business through free trade are the people who comb the hills to find prospects and the engineers who comb the prospects to find something that they can spend a little money on, and then the ones who have put up the money to try to make a mine.

When there is no cushion to rest on, to stop the price going below the cost at which you can afford to operate a mine in this country, then the prospectors and developers will lose interest, and you have lost the interest of the men who find the mines in the first place in this country.

In that connection I am going to submit for the record a wire that I have just received from the Copper Canyon Mining Co., Robert H. Raring, general manager. He is just one out of several men of this type in my State who labored day and night and stayed with a prospect until it started to pay. There are other metals coming into his mine now enabling him to stay in business.

This is what he says:

Strenuously oppose extension duty-free copper imports. Present arrangements permit dumping foreign metals on home markets at expense of small industries and stifles exploration and development of new mines. Instead of living off gratuity of foreign nations for metal we should redouble efforts for development of new mines at home. Only by such means will our Nation be free and strong for generations ahead.

The telegram is signed "Robert Raring, manager, Copper Canyon Mining Co."

There are other considerations. For example, take some of our metals like tungsten. They have lowered the tariff from 50 cents to 38 cents a ton, and shut every tungsten mine in the United States except one. I will point out that in the beginning of the war we were producing about 45 percent of the tungsten that we used in the United States. Now we are producing a very small part of our domestic needs.

The important part is not altogether the taxable property and the employment which Senator Martin speaks of in Pennsylvania, and which is a very important part of building up the States of this Nation, but the national security is paramount.

It will be remembered that when they hit Pearl Harbor and cut us off from the tungsten of the world, it left us in a spot. China and Burma furnish most of the world's production and labor there is 40 to 50 cents per day. You can take our machinery there and shut

any mine in the country on a free-trade basis because you pay \$10 or \$12 a day in this country.

The strategic point was that when we were cut off from China and Burma sources of tungsten we immediately raised the price of tungsten a few points, and within 6 months we were nearly self-sufficient in the production of that important metal. We could have lost the war if we had not been in the business and able to do that.

Once you go out of the mining business and the miners scatter, you cannot gather them together again in time to save you from any war or other emergency; and you cannot develop a mine quickly no matter how many prospects you have.

The Department of the Interior has long advocated that we should save our prospects in oil and other minerals and import what we need. In addition to losing the taxable property and the employment which is very important in this country, and will become more important soon, we would lose that national safety, that national security which is so important, because you cannot possibly get back in the business, once the men have been lost from this specialized field, in time to do any good.

I want to call your attention to one other thing which will stand an analysis by this committee. There is a bill introduced to suspend the tariff on zinc, and I want to show you just one thing that also applies to copper.

You will understand that there are three or four companies that own practically all of the copper properties in the United States, all of the larger copper pits. My State has one of the largest copper pits in the world, there is one in Utah, one in Arizona, and one in Montana. Of course, Chile and Africa are great producers of copper, and these same companies own a large proportion of these foreign deposits.

Understand that I am not talking against these companies. I think they have done a wonderful job, and it was simply through the laboratory work that was done by them and their predecessors that they were able to operate large-scale mining properties and to produce a profit on one-half of 1 percent copper. That is the way the large copper pits were developed and it takes a large operating company to do it. I am all for them, but there are some additional points to be considered. For example, these same companies own or control about 80 percent of the fabricating industry in this country and sometimes when you take this tariff off you are not benefiting the people you believe you are benefiting. Let me read what they say about zinc in a resolution passed by the Colorado Mining Association:

The elimination of duty on zinc as contemplated under H. R. 561—

and the reason I am mentioning this is because this parade for "free trade" has just begun. They will come in one or two at a time, and it is often benefiting some certain group, and may not be benefiting the group that you think you are helping. And—reading from a resolution passed by the Colorado Mining Association—

\* \* \* would not increase the supply of zinc as the foreign price of zinc is currently \$10 per ton higher than our domestic price. Further, the current price of zinc would not be decreased by making zinc imports duty-free as the present supply is less than the demand.

At the present time, the supply of zinc concentrates exceeds the reduction capacity of the United States. The elimination of the duty on zinc would result in an estimated loss of \$5,000,000 per year to the American taxpayer, and only reward wealthy, foreign mining companies and governments.

We emphatically disapprove the elimination of the duty on zinc. To let down the bars for a possible increase in cost seems rather futile.

Now, just a paragraph from a letter from Mr. Edward H. Snyder, of the Combined Metals Reduction Co. in Salt Lake City:

In addition, it should be noted that the suspension of the duty for any period would also create a windfall for all of the smelters who have purchased foreign zinc concentrates in bond, as the option under these bonds would immediately be exercised to eliminate any duty on the concentrates already received.

In other words, what you do then, whatever the duty is, it is a windfall to the companies that have imported them in bond, where the duty has not been paid.

That completes my statement, except to say further that copper and zinc and every other mineral is affected just the same by the three-phase "free trade" program that I outlined, Mr. Chairman, and I hope that you will carefully consider this entire matter. I intend to debate it at further length on the floor of the Senate, because I feel that it is the heart of America and the only real subject before the American people and the Congress of the United States at this time. There is no other subject confronting this Senate so important today as this long-range "free trade" plan to level the living standards of this Nation with the low living wage standard countries of the world, instead of holding our own wage-living standard, to the best of our ability, up where we can help such foreign nations and at the same time progress favorably in this country.

The CHAIRMAN: Thank you very much, Senator Malone.

(Whereupon, at 10:30 a. m., the hearing in the above-entitled matter was adjourned.)